Services Marketing

WORKBOOK

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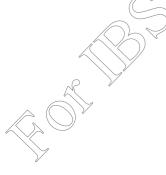
Contents

Part A: Multiple Choice Questions

This section consists of multiple-choice questions that test the student's understanding of the basic concepts discussed in the textbook. Answering these questions will help students quickly recollect the theories they've learnt and apply these to real-life business situations.

Part A: Multiple Choice Questions

1. The concept of marketing mix was coined by whom and in which year?
a. Philip Kotler, 1975
b. Neil H. Borden, 1962
c. Michael Porter, 1971
d. Igor Ansoff, 1984

2. Which of the following features separate services from products?
i)   Perishability
ii) Intangibility
iii) Reliability
iv) Inseparability

a. only ii
b. i, ii and iii
c. i, ii and iv
d. ii, iii and iv

3. On his visit to Mumbai, Mr. Jacob, stayed in a star hotel that charges Rs. 2,500 per day (48 hrs). The hotel provided 2 meals and snacks during his stay. Which of the following statements is not true regarding the service in the hotel industry?
a. Services can be differentiated on the basis of their price and higher price is associated with better quality
b. The fixed costs are higher and the variable costs are low for a service, when compared to a product
c. The major part of the price paid by a customer goes towards covering the variable costs of the hotel (service provider)
d. Promotion of service offers cannot be carried out in isolation, without the mention of the service provider

4. Which of the following aspects of services take place simultaneously?
i)   Production
ii) Assimilation
iii) Delivery
iv) Consumption

a. i, ii and iv
b. i, ii and iii

c. ii, iii and iv
d. i, iii and iv

5. KFC, which has its only outlet at Bangalore in the country, is all set to open its new retail outlets at Delhi and Hyderabad. Which stage of the PLC is it in?
a. Introduction
b. Growth
c. Maturity
d. Decline

6. Which of the following attributes of services make it difficult for a service provider to evaluate them when compared to goods?
a. High search and experience quality
b. High experience and credence quality
c. High credence and search quality
d. Both b and c

7. Air Deccan has 38 seats in one of its flights. However, on a particular day 4 seats were unoccupied due to non-booking. The airline cannot make for the capacity loss on that particular day or any other day. What aspect of service are we referring to?
a. Perishable nature of services
b. Intangible nature of services
c. Inseparable nature of services
d. Incompatible nature of services

8. Segmenting the market according to the customer use of services is an example of:
a. Demographic segmentation
b. Geographic segmentation
c. Behavioral segmentation
d. Psychographic segmentation

9. The intangible aspects of a service spring forth for which of the following service product levels?
a. Actual product level
b. Core product level

c. Augmented product level

d. Potential product level

10. Which of the following is not a type of positioning strategy used in services marketing?

a. Attribute positioning

b. Celebrity positioning

c. Competitor positioning

d. Category positioning

11. Every service has certain design risks due to intangibility, and marketers should have a complete understanding of these risks. Which of the following is not among the risks proposed by Lynn Shostack in relation to service description?

a. Biased interpretation

b. Oversimplification

c. Objectivity

d. Incompleteness

12. Which of the following is not a market penetration strategy?

a. Maintaining or increasing the market share of existing services

b. Entering new markets with the existing services

c. Driving away competitors by restructuring a mature market

d. Inducing existing customers to use the services frequently

13. BayView, a Mumbai-based hotel recently added a health club and teleconferencing facilities to its regular services. This falls into which category of new service development?

a. Major innovation

b. New service for existing markets

c. Minor changes

d. Improvements in offerings

14. Marketing audit includes an analysis of all the following except

a. Off-market conditions

b. Organizational conditions

c. Environmental conditions

d. Competition

15. The gap between a customer's desired service expectation and the adequate service expectation is known as:

a. Zone of tolerance

b. Predicted service expectation

c. Derived service expectations

d. Implicit service promise

16. Which of the following names apply to the price charged for advertising and legal services?

a. Tariff, fees

b. Tariff, commission

c. Brokerage, fees

d. Commission, fees

17. Which among the following is a dimension of credence qualities?

a. Competence

b. Communications

c. Tangibility

d. Responsiveness

18. Which of the following is not an approach to pricing in services?

a. Risk-based pricing

b. Cost-based pricing

c. Competition-based pricing

d. Demand-based pricing

19. When mobile telephone services (cell phones) were introduced in India, the service providers charged over Rs 16 per min. What type of demand-based pricing were the service providers using in the introductory stage of the service?

a. Market penetration

b. Market skimming

c. Price discrimination

d. Discounting

20. The ability of the service provider and his employees to use their knowledge and courteous behavior to instill trust and confidence in customers regarding the service is referred to as:

a. Assurance

b. Responsiveness

c. Empathy

d. Reliability

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21. Which of the following is not an issue in the pricing of services?
a. Availability of raw materials
b. Competitor pricing
c. Positioning
d. Demand levels

22. Identify the factor that does not play a major role in setting the pricing objectives of a service organization
a. How would a company like to position its services?
b. Are the prices chosen compatible with the corporate objectives?
c. How do the shareholders react to the price changes made by the company?
d. What is the duration of the life-cycle of the services?

23. Which of the following is not a type of broadcast media used for advertising?
a. TV
b. Radio
c. Newspapers
d. Internet

24. Which type of positioning involves communicating two or more contradicting features?
a. Under positioning
b. Over positioning
c. Confused positioning
d. Irrelevant positioning

25. Which of the following characteristics hinders a service from being produced and marketed in different places?
a. Inseparability
b. Intangibility
c. Perishability
d. Reliability

26. Which of the following is not a factor affecting the communication process in services?
a. Medium
b. Budgetary constraints
c. Content
d. Delivery

27. Which group of customers is more likely to involve in spreading negative word of mouth about the services to their relatives and friends, and shift to other service providers, if there is a service failure by a company?
a. Irates
b. Activists
c. Passives
d. Voicers

28. An insurance company plans to advertise its new scheme to customers by putting up billboards, posters, and retail store displays. Which of the following types of advertising is it resorting to?
a. Broadcast
b. Outdoor and retail
c. Cinema
d. Print

29. Assuming that a firm is operating in a market with low market attractiveness where its business strengths are relatively low, which of the following strategies is in the best interests of its stockholders?
a. Build selectively
b. Divest
c. Manage for earnings
d. Protect position

30. A hotel located in a hill station does not get enough customers during the months of January and February. Which of the following types of pricing should it adopt to attract customers during the slack season?
a. Market skimming
b. Penetration pricing
c. Destroyer pricing
d. Cost-based pricing

31. Which of the following is not a necessary strategy in the effective promotion of services?
a. Effective planning
b. Perfect timing
c. Adherence to legal regulations
d. Employee motivation

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32. Which among the following is not true regarding the promotional strategies for services?

a. Intermediaries have a key role in the promotion of services

b. Service personnel play a larger role in promoting services

c. Physical evidence tangibilizes the services

d. Services cannot be inventoried

33. Which of the following is not a consideration for making channel decisions?

a. Channels should ensure easy accessibility and convenience

b. Channels should cover all target markets

c. Channels should ensure expansion at any cost to the service provider

d. Channels should ensure value addition to the customers

34. Location decision is not an important decision for which of the following firms?

a. Insurance company

b. Bank

c. Retail outlet

d. Health club

35. Which of the following is not one of the benefits that a firm obtains by undertaking direct distribution of services?

a. Control over operations

b. Healthy customer relationships

c. Flexibility and confidentiality

d. Reduced risk

36. What kind of distribution channels best suit an insurance company?

i) Direct distribution

ii) Electronic channels

iii) Franchises

iv) Agents and brokers

a. only i

b. ii and iii

c. i, ii and iv

d. i and ii

37. The process followed at Coffee bars in offering services to their customers can be classified under:

a. Support process

b. Line or flow operations

c. Conversion process

d. Job shop process

38. Which of the following refer to the ability of service personnel to manage problem customers and situations effectively?

a. Coping

b. Spontaneity

c. Adaptability

d. Recovery

39. Non-renewals, restricted supplier resources, quotas, and terminations are components of which of the following strategies for effective service delivery through intermediaries?

a. Control strategies

b. Value-added strategies

c. Empowerment strategies

d. Partnering strategies

40. Empowerment strategies include all of the following except

a. Enabling intermediaries develop customer-oriented service processes

b. Centralized decision making

c. Providing required support systems

d. Adopting co-operative management structure

41. Which of the following is not an advantage of electronic channels in the service industry?

a. Low costs

b. Extensive distribution

c. Increased customer convenience

d. Customer variability

42. The statement of an organization that defines the purpose of its existence and its philosophy, and provides direction to the management is termed as:

a. Mission statement

b. Marketing objectives

c. Strategic marketing plan

d. Quality standards

43. The location of the service provider plays a major role when

a. The service provider visits the customer's place

b. The customer visits the service provider

c. The service provider and the customer interact from a distance

d. All of the above

44. Customers who are loyal to two or three brands of a product or service are known as:

a. Switchers

b. Soft-core loyalists

c. Shifting loyalists

d. Hard-core loyalists

45. What type of agent is employed by sports persons, film stars, and other celebrities to market their services?

a. Selling agents

b. Facilitating agents

c. Purchasing agents

d. Both a & b

46. Brokers play a major role in bringing together the service provider and the buyer. Which of the following statements is not true regarding a broker?

a. He is responsible for negotiations and smooth contract agreements between buyers and sellers

b. He is only paid by the party that seeks assistance from him

c. Brokers represent the same seller and buyer on a continuous basis

d. The broker is not put to any financial risk in the transaction

47. Which of the following does not contribute to communicational issues in delivery?

a. Wrong timing

b. Wrong message

c. Wrong audience

d. Wrong technology

48. Depending upon the length of interaction with the customer, which of the following options would best classify a chef and the waiters in a multi-cuisine restaurant, respectively

i) Support staff

ii) Contact personnel

iii) Moderate contact personnel

iv) Management

a   ii and iii

b   i and iii

c   i and iv

d   ii and iv

49. Which of the following steps in the new service development process helps a service organization perform pre-launch modifications to the service, to rectify any lapses in the marketing mix and avoid problems after the service is launched in the market?

a. Infrastructure development

b. Test marketing

c. Testing the concept

d. Business analysis

50. Identify the statement that is not true regarding the Business analysis and design stage in the new service development process?

a. It involves the designing of the 7 Ps of the services marketing mix

b. It involves defining the target market, size, and structure

c. Business analysis takes place after the design of the service

d. It involves analysis of design risks due to intangibility of the service

51. General Insurance companies offer customers insurance policies that are customized to meet their specific needs. What characteristic of service process design and implementation are we talking about?

a. Complexity

b. Technology

c. Conversion process

d. Divergence

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52. In planning a service process, a service provider takes all the following important decisions except
a. Conversion process
b. Legal restrictions
c. Flow of process
d. Layout design

53. Which of the following is not an element of blueprinting in a service process?
a. Onstage employee actions
b. Line of visibility
c. Customer role
d. Support processes

54. The Indian Railways has made it possible to book train tickets on the Net and even check for the status of the tickets. Customers can check the availability of seats for any particular train, on any particular day, between any two places and the fare for the same. Which of the following category of supplementary services does the Indian Railways strive to provide to its customers?
a. Providing information to customers
b. Taking orders from customers
c. Offering consultation
d. Hospitality

55. Which of the following is not an influencing factor in process efficiency?
a. Technology
b. External environment
c. Planning
d. Location and decor

56. Which of the following is not a major element of physical evidence?
a. Conduct of support staff
b. Price of service
c. Physical environment
d. Conduct of service personnel

57. The importance of physical environment as an element of physical evidence springs forth through all of the following except

a. Layout
b. Communications
c. Atmosphere
d. Aesthetics

58. Which can be a reason that leads to, "not selecting the right service design and standards" gap as proposed by Zeithaml, Parasuraman and Berry in their service Gaps Model of Service Quality?
a. Lack of integrated services marketing communications
b. Customers not fulfilling roles
c. Absence of customer defined standards
d. Problems with service intermediaries

59. A renowned hotel was booked for a marriage party. The hotel was in charge of everything starting from receiving the guests to their departure. The hotel received all guests in the best of ways by offering a bouquet to all elders and chocolates to all children. Which of the following aspects of physical evidence does this pertain to?
a. Tangible products accompanying service
b. Brand
c. Physical environment
d. Aesthetics

60. Which of the following involve soliciting a customer's good and bad service encounters?
a. Critical incident studies
b. Post-transaction surveys
c. Complaint solicitation
d. Service expectation meetings

61. Which of the following may not be an objective of focusing on physical evidence by a service firm?
a. Differentiation from competitors
b. Increased productivity
c. Creating a good impression
d. Creating awareness about its services

62. Many hotels lay special emphasis on the quality of flooring, the carpets, material used in making of furniture, curtains, and artifacts displayed. Which aspect of the physical environment do they enhance?

a. Layout
b. Atmosphere
c. Aesthetics
d. All of the above

63. Which of the following is true as per Pareto's rule?

a. 15% of customers generate 75% of the revenues of an organization
b. 20% of customers generate 80% of the revenues of an organization
c. 30% of customers generate 85% of the revenues of an organization
d. 15% of customers generate 90% of the revenues of an organization

64. When a firm's service quality specification does not match with customer expectations the gap between the two is known as _____?

a. Standard gap
b. Service performance gap
c. Communication gap
d. Market information gap

65. Which of the following markets does not figure in the 'Six markets model' of relationship marketing?

a. Customer markets
b. Supplier markets
c. Internal markets
d. Commodity markets

66. Which of the following is not a type of demand-based pricing strategy?

a. Market skimming
b. Penetration pricing
c. Destroyer pricing
d. Discounts and sales

67. An airline company operated one of its flights with only 30% of total bookings on a particular day. This is a lost business opportunity for the company as it operated the flight with 70% idle capacity that cannot be reclaimed or resold at a later time. What characteristic of services are we talking about?

a. Heterogeneity
b. Perishability
c. Intangibility
d. Inseparability

68. Identify the risk that arises from a bad product/service choice, that harms one's self image.

a. Psychological risk
b. Physical risk
c. Social risk
d. Time risk

69. The Rajdhani Express from Bhubaneshwar to Delhi ensures that it arrives and departs from different stations as per the scheduled timings. Apart from this aspect of primary service it has also improved upon the quality of food served to the passengers. In addition, it has arranged for a special menu of dishes, in case passengers would like to treat themselves with food of their choice. What sort of customer retention are we pointing at?

a. Increased customer contact
b. Monitor relationships
c. Value added services
d. Enhanced customer service

70. The ability of the service provider to accurately perform the promised service is referred to as:

a. Assurance
b. Responsiveness
c. Reliability
d. Tangibles

71. Temporary states of feelings in a consumer are termed as:

a. Belief
b. Attitude
c. Mood
d. Perception

72. Which of the following is not amongst one of the four R's required for rewarding relationships?

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a. Remembrance
b. Response
c. Realization
d. Relevance

73. The role of internal marketing does not serve to enhance performance in one of the following areas. Which is it?

a. Customer attraction and retention
b. Employee retention and motivation
c. Behavioral dynamics
d. Change management

74. In which of the following surveys does a service provider attempt to take the opinion of existing customers, lost customers, and potential customers, about the service provided?

a. Post-transactional surveys
b. Inquiry surveys
c. Employee surveys
d. Total market surveys

75. An owner of a car may go to a service station and demand that certain defective parts, covered under warranty, be changed. However, with the service centre manager absent, the mechanic proves to be of little help as the signature of his senior is required for the replacement of the parts. This dissatisfies the owner who then moves to another service station to avail the same service. Which factor among the following could have prevented the service station from losing a customer?

a. Empowerment of employees
b. Rewards to employees
c. Motivation to employees
d. Co-ordination among employees

76. Non- financial rewards include all the following except

a. Promotion
b. Bonus
c. ESOPs
d. Luxury car

77. Major retail outlets require their customers to leave their belongings at the counter before they proceed inside the store. They ensure that the customers get back their things in the same condition in which they left them at the counter. Which of the following supplementary activities do the stores provide?

a. Hospitality
b. Taking orders from customers
c. Special services
d. Safekeeping of customers' belongings

78. Which of the following is not an essential step in building a service blueprint?

a. Identifying process
b. Identifying customer segment
c. Mapping customer's view
d. Mapping complexities

79. A multi-cuisine restaurant in its menu card clearly mentions that customers can make the payment by cash, debit, or credit card. What category of supplementary services does it wish to make clear to the customers?

a. Billing service
b. Payment service
c. Special services
d. Providing information to customers

80. Which of the following is not a basic strategy used by service providers to match demand and capacity by shifting the demand?

a. Scheduling the downtime during periods of low demand
b. Varying the original service offer
c. Communicating with the customer
d. Altering the timing of service delivery

81. Air Deccan basically operates in South India. It charges lower fares than its competitors but not without the exclusion of supplementary services like free food to the passengers. Provision of free food is,

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however, a part of the service with most domestic airlines and the cost is included in the ticket price. Air Deccan, however, promises to deliver the core benefits to the passengers i.e. of timely arrivals and departures. Which of the following organizational implication of supplementary services are we talking of?

a. Outsourcing non-core services

b. Designing special packages

c. Converting core services into supplementary services

d. Better facilities

82. Which among the following is not a component of Situation review in the marketing planning process?

a. Marketing audit

b. SWOT analysis

c. Identification of alternate product mixes

d. Key assumptions

83. XTC Tours & Travels is a renowned travel agency in Hubli. During one of the tourist excursions, the tourists expressed their exceptional liking for one of the spots and wanted to revisit it. Although, this was not a part of the tour schedule, the authorities extended the stay of the tourists for the same. What special service did the firm offer to cater to?

a. Special requests

b. Restitution

c. Handling customer comments

d. Providing solutions

84. In the above case with the exceptional service from the firm, the tourists are more likely to avail the services of the same organization whenever they revisit the place. What role of internal marketing does it highlight?

a. Customer attraction and retention

b. Employee retention and motivation

c. Behavioral dynamics

d. Change management

85. A service provider can change his service positioning by altering the existing structure of the service process. Which of the following is not a proposed strategy for the same?

a. Increased divergence

b. Reduced divergence

c. Reduced complexity

d. Increased convergence

86. Which of the following is not true about the customer-service management cycle?

a. Understanding customers

b. Setting customer service standards

c. Establishing control systems

d. Being reactive to problems

87. The Taj Group of Hotels maintains a database of all its customers and has different categories into which it fits them based on their similar characteristics. What is the basic rationale behind this activity?

a. Prepare a profile for each segment to serve customers better

b. Prepare service characteristics for each segment to serve customers better

c. Understand customers' perceptions to serve them better

d. Set standards in the procedural dimension of customer service

88. Which of the following steps does not help to encourage teamwork and customer-orientation among employees?

a. Identifying and analyzing selected jobs related to customer service function

b. Recruiting right candidates for the jobs

c. Proper training for the job incumbents

d. Cultivating the right organizational culture

89. Standards in the procedural dimension of customer service do not help scrutinize one of the following aspects. Which is it?

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a. Time taken for service delivery
b. Flow and co-ordination of different service components
c. Flexibility offered
d. Customer emotions and perceptions

90. Which of the following factors does not influence service delivery?
a. The service provider
b. The level of customer interaction
c. The complexity of the service
d. The legal aspects connected to it

91. Which of the following is not a step in the implementation of an effective customer-service program?
a. Designing a pricing strategy to project quality image
b. Ensuring appointment of the right person in the right place
c. Administering training programs
d. Resolving problems quickly and pleasantly

92. A firm invites an external group to conduct an analysis of its market condition, organizational condition, the environmental conditions, and competition. What aspect of situation review are we talking about?
a. Corporate goals and objectives
b. Marketing audit
c. Marketing strategy formulation
d. Monitoring, control, and review

93. Which of the following is a paid form of promotion that is communicated through various media channels?
a. Advertising
b. Direct marketing
c. Public relations
d. Personal selling

94. Which among the following is the correct sequence of stages in the customer-service management cycle?
i) Understand the customers
ii) Establish control systems
iii) Set customer service standards

iv) Encourage teamwork and customer orientation among employees
v) Prevent problems rather than fixing them
a. i, ii, iii, iv, v
b. ii, iii, i, v, iv
c. i, iii, iv, ii, v
d. i, ii, v, iii, iv

95. Service consumers face a high level of risk when compared to consumers of products because of which of the following?
a. Perishable nature of services
b. Intangible nature of services
c. Inseparable nature of services
d. Incompatible nature of services

96. A customer expects that the quality of service of a five star hotel should be better than that offered by a three star hotel. Which of the following quality perspectives tends to bring this differentiation in the customer's mind?
a. User-based approach
b. Product-based approach
c. Value-based approach
d. Operations-based approach

97. A BPO has benchmarked its customer service processes with a five star hotel's customer service processes. This is an example of which type of benchmarking?
a. Internal
b. External
c. Generic
d. Holistic

98. Which of the following, according to Berry and Parasuraman is not amongst the criteria for determining service quality?
a. Empathy
b. Responsiveness
c. Assurance
d. Reliability

99. Which of the following is not an essential reason for gaps in the service quality?

a. Failure to design the right service

b. Failure to deliver service standards to customers

c. Failure to design the right separation policy for the employees

d. Failure to take customer feedback and review the service continuously

100. Which of the following is one of the obvious reasons that encourage overseas companies to start their operations in India?

a. Changes in political conditions

b. Cost advantage

c. Legal regulations in India

d. Increased demand

101. Which of the following is definitely true about the Piggyback method of market entry strategy?

a. The channel partner in the foreign country is called the carrier

b. The carrier may or may not offer its brand name to the rider's products

c. The rider has compulsory access to the necessary information to improve his products/services

d. The carrier may also handle the promotions and pricing of the products of the rider

102. HLL has ventured into beauty care services with its chain of Lakme Beauty Salons across the country. If the venture is to be classified based on service tangibility, which category do HLL's services belong to?

a. Highly tangible service

b. Service linked to tangible goods

c. Tangible goods linked to services

d. Highly intangible

103. Which may not be a reason that leads to, "not delivering to service standards" gap as proposed by Zeithaml, Parasuraman and Berry in their service Gaps Model of Service Quality?

a. Deficiencies in human resource policies

b. Failure to match supply and demand

c. Problems with service intermediaries

d. Poor service design

104. Which of the following aspects is not scrutinized under layout?

a. Spacious outlet

b. Comfortable seats for waiting customers

c. Pleasant & soothing music

d. Convenient seating arrangement

105. Warning by Mutual funds at end of every television ad reads, "Mutual funds are subjected to market risk. Please read offer document carefully before investing." Such a communication can be classified under which strategy to match service delivery with promises?

a. Manage service promises

b. Manage customer expectations

c. Improve customer education

d. Manage internal marketing communications

106. With BSNL slashing prices every now and then, it has become very difficult for private players to retain their market share. Forced to slash their prices to beat competition leaves them with lesser margins as compared to previous times. What sort of pricing is practiced by BSNL?

a. Market skimming

b. Penetration pricing

c. Destroyer pricing

d. Discounts and sales

107. Which of the following is not the benefit of using electronic distribution?

a. Low cost

b. Customer convenience

c. Wide distribution

d. Knowledge of local markets

108. Wipro's WeP Peripherals Ltd has started a new printing service "Print & Save printing services" where the printer is given free of cost to the customer, but the customer pays for printouts taken. Among the

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categories that Philip Kotler proposed, which category does Wipro's printing service fall into?

a. Major Service accompanying minor goods and services

b. Pure service

c. Pure tangible good

d. Tangible good with accompanying services

109. For which of the following firms is heterogeneity in service delivery beneficial?

a. Fast food restaurant chain

b. Airlines

c. Retail outlet

d. Management consultancy

110. Which among the following statements is not true regarding services?

a. They are less communicable than goods

b. They are less divisible than goods

c. They are more compatible than goods

d. They are more complex than goods

111. Seasons has the least effect on which service industry?

a. Tourism industry

b. Courier industry

c. Airlines industry

d. Healthcare industry

112. Which of the following is not true about wholly owned subsidiaries?

a. In a wholly owned subsidiary, the corporate holds 100% equity in the local subsidiary

b. A firm cannot acquire a local firm in a foreign land and promote its own products through that firm

c. It allows the parent organization to have tight control over the operations in the overseas subsidiary

d. The firm does not risk letting go of its competitive advantage

113. Which of the following types of physical evidences does a ticket to a discotheque and getting a book sanctioned from the British Library pertain to respectively?

i) Essential evidence

ii) Membership evidence

iii) Physical evidence

iv) Peripheral evidence

a. i and ii

b. ii and iii

c. iv and i

d. i and iii

114. Which of the following service quality dimensions may a consumer not consider while evaluating the service of e-tailers?

a. Efficiency

b. Fulfillment

c. Tangibles

d. Privacy

115. Identify the right order of customer goals of relationship marketing among the following?

i) Getting

ii) Retaining

iii) Enhancing

iv) Satisfying

a. i, iv, ii, iii

b. i, ii, iv, iii

c. i, ii, iii, iv

d. iv, iii, ii, i

116. Service organizations obtain many benefits by adopting the relationship marketing approach. Which among the following is not one of the benefits that organizations' obtain by adopting the relationship marketing approach?

a. Higher return on investment

b. Lower costs

c. Word of mouth publicity

d. Confidence benefits

117. Identify the right sequence for the following steps of market segmentation and targeting for services?

i) Identify the bases for segmenting the market

ii) Ensure that segments are compatible

iii) Develop measures of segment attractiveness

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iv) Select the target segments

v) Develop profiles of resulting segments

a. i, v, iii, iv, ii
b. i, ii, iii, iv, v
c. ii, iii, i, v, iv
d. iii, ii, iv, v, i

118. According to Leonard Berry and A. Parasuraman's framework for understanding the types of retention strategies, which of the following activities does not fall under structural bonds?

a. Joint investments
b. Building and cross selling
c. Integrated information systems
d. Shared processes and equipment

119. If a low cost airline does not offer guaranteed on-time schedule for its flights, to customers, what can be the possible reasons behind it?

i) Guarantee does not fit the company's image
ii) Service quality is truly uncontrollable
iii) Costs of the guarantee outweigh the benefits
iv) Customers perceive little risk in the service

a. Only i
b. ii and iii
c. ii
d. iv

120. Which of the following is not an external factor that influences consumer behavior?

a. Social class
b. Culture
c. Service personnel behavior
d. Reference groups

121. Which of the following groups is called boundary spanners?

a. Top management
b. Front line employees
c. Market research analysts
d. All the above

122. Which of the following initiatives will not help a company retain the best people?

a. Treat employees as customers
b. Measure and reward strong service performance
c. Include employees in the company's vision
d. Provide supportive technology and equipment

123. Airtel has recently launched some major initiatives like reduced tariffs, wider network coverage, and value added services, although it has the largest cellular customer base. What parameter is it trying to satisfy while implementing these customer relationship initiatives?

a. Relationship
b. Realization
c. Response
d. Relevance and respect

124. Which of the following is not a component of internal marketing?

a. Recruitment and selection
b. Motivation
c. Process
d. Education and training

125. Just in Time (JIT) process in an example of :

a. Reduced complexity
b. Increased divergence
c. Increased complexity
d. Reduced divergence

126. Which of the following is not a cost-based pricing?

a. Cost-plus pricing
b. Contribution pricing
c. Working back method
d. Penetration pricing

127. The culture where what is written in a statement is what is understood, is referred to as:

a. Low-context culture
b. High-context culture
c. Sub-culture
d. Ethnic group

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128. Which areas among the following are appropriate for applying the yield management technique to maximize the revenues?

a. Bank

b. Fast food restaurant

c. Retail outlet

d. Passenger airlines

129. Market Pulse, a market research company, offers services to its clients in areas, such as monitoring market shares, customer buying behavior, and advertising research. Which of the following categories, would its services fall into, based on the involvement of the customers in the service delivery process?

a. Possession processing

b. Mental stimulus processing

c. Information processing

d. People processing

130. Which among the following factors will not influence customer satisfaction?

a. Product and service features

b. Consumer emotions

c. Attributions for services success or failure

d. None of the above

131. A consumer who is planning to purchase a television can feel, touch, see, and test a television model at an electronic products showroom before making a purchase. However, a consumer, who is looking for a treatment for his disease, may not have an idea about the doctor and his treatment, before he uses the services of the doctor. He can only assess the services after he avails of them. What characteristic of services are we talking about?

a. Heterogeneity

b. Perishability

c. Intangibility

d. Inseparability

132. Financial services offered by a bank is:

a. A pure tangible good

b. A tangible good with accompanying services

c. A major service accompanying minor goods and services

d. A pure service

133. The retail store chain, Foodworld offers a wide variety of food and grocery items to its consumers. What type of services is Foodworld offering?

a. Consumer services

b. Business to business services

c. Industrial services

d. Professional services

134. Who among the following are not participants in the services marketing triangle?

a. Company

b. Front-line employees

c. Customers

d. Market research analysts

135. Which of the following is not a growth strategy included in Ansoff's Product Growth Matrix?

a. Market development

b. Product development

c. Market penetration

d. Market saturation

136. Seven elements constitute the services marketing mix. Which among the following is not part of the services marketing mix?

a. People

b. Physical evidence

c. Process

d. Physical Distribution

137. Which of the following factors does not contribute significantly towards boosting globalization?

a. Changes in social factors

b. Changes in technology

c. Competitive advantage

d. Birth of new democratic states

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138. FedEx bought an office and print services outlet chain Kinko, and later renamed these centers as FedEx Kinko's. These outlets are one-stop shops that offer media services, printing, copying, Internet access, and courier services. What elements has FedEx offered to its customers through these outlets to create a tangible service differentiation?

i) Convenience
ii) Service Personnel
iii) Name of the service establishment
iv) Packaging

a. Only iv
b. Both i and iii
c. Both i and iv
d. Only i

139. A renowned hotel in Delhi had outsourced travel facilities for customers residing in the hotel. This was a supplementary service and the hotel kept minimum margins on the cost incurred. However, with the passage of time, this became one of the main sources of revenue generation as people started advocating the wonderful service offered. The hotel, therefore, started its own travels and even provided the service to non-customers who were interested in availing it. Which of the following organizational implication of supplementary services are we talking of?

a. Designing special packages
b. Converting supplementary services into core services
c. Better facilities
d. Outsourcing non-core services

140. The unique characteristics of services, namely intangibility, perishability, and heterogeneity, present certain challenges to a service provider. Which of the following is not one such challenge?

a. Managing productivity
b. Managing group dynamics among service personnel
c. Managing service quality
d. Managing differentiation among services

141. Which of the following challenges doesn't a service provider face when it adopts franchising as a distribution channel?

a. Trouble in motivating franchisees
b. Conflict between franchisees and franchisers
c. Reduced profits and revenues
d. Quality maintenance

142. The company, front-line employees, and customers represent the three nodes of the services marketing triangle. Who among them are involved in internal marketing?

a. Company and front-line employees
b. Company and customers
c. Front-line employees and customers
d. Company, front-line employees, and customers

143. Expand PSTN as used in the telecom industry

a. Public Switched Telecom Network
b. Personal Service Telecom Network
c. Public Switched Telephone Network
d. Personal Service Telephone network

144. Customers base their purchase decisions on search qualities like color, design, and style while buying goods like apparels and toys. Which among the following is not a search quality for services?

a. Design
b. Courtesy
c. Reliability
d. Responsiveness

145. The risk faced by a consumer when he needs to pay for the product or service from his own sources is termed as:

a. Physical risk
b. Social risk
c. Financial risk
d. Time risk

146. The retail stores that specialize in single product category are known as:

a. One stop shops
b. Speciality stores

c. Departmental stores

d. Category killers

147. Which of the following consists of people having similar lifestyles, interests, values, behaviors, and norms?

a. Ethnic group

b. Social class

c. Reference group

d. Family

148. According to Berry and Parasuraman the process of attracting, developing, motivating, and retaining qualified employees through job-products that satisfy their needs is known as:

a. Relationship marketing

b. Mass marketing

c. Internal marketing

d. Change management

149. A consumer after making a difficult choice of a product/service may experience psychological tension. What is it ?

a. Complex buying behavior

b. Dissonance buying behavior

c. Cognitive dissonance

d. Post purchase satisfaction

150. Which of the following refers to the involvement of customers in the service production and delivery process?

a. Possession processing

b. Information processing

c. People processing

d. Customer co-production

151. Segmentation based on lifestyle is an example of:

a. Psychographic segmentation

b. Benefit segmentation

c. Demographic segmentation

d. Loyalty segmentation

152. Consumers choose a service based on various qualities. Which of the following qualities play a major role in choosing services?

a. Search qualities

b. Experience qualities

c. Credence qualities

d. Both b and c

153. A systematic approach in which an organization seeks to continuously improve its processes and enhance its service quality to both internal and external customers and suppliers is termed as:

a. Benchmarking

b. Restructuring

c. Quality control

d. Total quality management

154. A service provider's ability to show concern for customers and devote individual attention to each customer is referred to as:

a. Service guarantee

b. Responsiveness

c. Empathy

d. Credibility

155. Which of the following is the most important element in the promotional mix for a B2B company?

a. Sales promotions

b. Advertising

c. Direct marketing

d. Public relations

156. Identify the statement that is not true regarding a customer's zone of tolerance for a service provided

a. It changes from customer to customer

b. It differs for the same customer in different situations

c. It is broad when customers have various service alternatives available

d. It is narrow on the dimension of service reliability

157. Which of the following pricing strategies includes convenience pricing?

a. Cost-based pricing

b. Demand-based pricing

c. Competition-based pricing

d. Value-added pricing

158. Which of the following factors does not influence customer expectations of desired service?
a. Customer needs
b. Transitory service intensifiers
c. Derived service expectations
d. Enduring service intensifiers

159. Which of the following factors does not influence the desired and predicted service expectations?
a. Explicit service promises
b. Implicit service promises
c. Word-of-mouth publicity
d. None of the above

160. Ambience at Giant hypermarket represents a functional look, while ambience at Lifestyle outlets project an upscale image. These are examples of which factor?
a. Explicit service promise
b. Implicit service promise
c. Both explicit and implicit promise
d. None of the above

161. Which of the following criteria is not considered by a customer while evaluating his service experience?
a. Speed
b. Certainty
c. Ease
d. Standardization

162. A pharmaceutical company delivering a consignment of drugs at short notice, for an NGO, which is attending flood-affected victims, is an example of:
a. Adaptability
b. Spontaneity
c. Coping
d. Recovery

163. Interactive voice mail service is a:
a. Remote encounter
b. Phone encounter
c. Face-to-face encounter
d. None of the above

164. Service organizations should learn to effectively manage customer expectations to gain a competitive advantage. Which of the following is not one of the measures that can help service providers to manage customer expectations?
a. Managing promises
b. Publicity
c. Getting it right the first time
d. Effective communication

165. Which of the following is a definite advantage of direct distribution?
a. Low financial risk
b. Greater control
c. Larger market representation
d. Greater knowledge of local markets

166. Spontaneity of the service personnel plays a major role in customer satisfaction. Which of the following is true regarding spontaneity in the service industry?
a. Spontaneity is the ability of service personnel to manage problem customers and situations effectively
b. Spontaneity is the ability to respond quickly to emergencies, and voluntarily deviate from rules to accommodate the special needs of a customer
c. Spontaneity is the ability to deal with the special requests or needs of the customers
d. All the above

167. Which among the following goods or services are high in experience qualities?
a. Vacation
b. Automobiles
c. Medical diagnosis
d. Clothing

168. What type of surveys do companies undertake to understand the preference of consumers and the position of the company in the market place?
a. Total market survey
b. Self administered interviews
c. Mail surveys
d. Personal interviews

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169. In which of the following types of marketing, customer feedback is not solicited?
a. Relationship marketing
b. Transactional marketing
c. Mass customization
d. Single segment marketing

170. Which of the following entry strategies is least used by service organizations when they enter foreign markets?
a. Acquisition
b. Franchising
c. Turnkey projects
d. Strategic alliance

171. Identify the mass marketing approach that aims at serving all consumers by offering a single product or service
a. Concentrated marketing approach
b. Differentiated marketing approach
c. Undifferentiated marketing approach
d. Selective specialization

172. Customers who always use a specific brand of service and refuse to switch over to any other brand are known as:
a. Shifting loyalists
b. Soft-core loyalists
c. Hard-core loyalists
d. Switchers

173. Which among the following is not one of the requirements for effective segmentation of markets?
a. Measurability
b. Accessibility
c. Substitutability
d. Validity

174. What is the process of offering customized services to individual customers by using flexible processes, without foregoing the advantages of mass production?
a. Market specialization
b. Full market coverage
c. Mass customization
d. Mass marketing

175. Before foraying into retail banking HDFC was a housing finance company targeting high net-worth individuals. What kind of targeting strategy was HDFC employing at that time?
a. Differentiated marketing
b. Single-segment strategy
c. Undifferentiated marketing
d. Market specialization

176. Which among the following is a primary activity in the 'value chain' of an organization as proposed by Michael Porter?
a. Human resource management
b. Marketing and sales
c. Procurement
d. All the above

177. Which of the following factors is not taken into consideration by a service provider before adopting mass customization?
a. Customers' opinion about customization of services
b. Market leaders' opinion about customization of services
c. The extent to which the present processes can be customized and their ability to do so
d. The time, competitors, would take to copy the mass customization approach

178. A bank promoted its savings account product by highlighting product features like nil-balance account, free access to any ATM, and Internet banking. What positioning is the bank trying to achieve?
a. Attribute positioning
b. Benefit positioning
c. User positioning
d. Quality/price positioning

179. Which of the following is not the support activity in the 'value chain' of an organization, as proposed by Michael Porter?
a. Infrastructure
b. Human resource management
c. Outbound logistics
d. Technology development

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180. The service personnel at the Ritz Carlton Hotel can use upto $2000 of the hotel's money to immediately solve a guests' problem. Ritz Carlton has emphasised on which type of service evidence?
a. Service delivery process
b. Service personnel
c. Physical environment
d. None of the above

181. Which among the following is not a dimension of experience qualities?
a. Access
b. Credibility
c. Reliability
d. Courtesy

182. In order to differentiate its services in the highly competitive housing loan market, HDFC is offering value added services like property advice and assistance in house construction activities to its customers. Which positioning option has HDFC opted for ?
a. Repositioning as compared to the competitors
b. Identifying an unoccupied market position
c. Strengthening a present position against competitors
d. None of the above

183. A single company can position itself at different levels – service, corporate, or category – at different points in time. Which of the following statements highlights the service level positioning by LIC?
a. LIC offers customized and flexible policies like Komal Jeevan and Jeevan Sukanya for children; and Varishta Pension Bima Yojana and Jeevan Akshay II as pension plans for elderly people
b. LIC positioned itself in its customers' minds as a trustworthy and reliable company providing complete insurance products

c. LIC positioned itself as an insurance company with various investment options as against other financial institutions like banks and mutual funds
d. Both a and c

184. A service is consumed by a customer, as soon as, it is delivered by an employee. Therefore, production and consumption occur simultaneously in the case of services as opposed to products, which are manufactured, inventoried and then consumed. What characteristic of services are we talking about?
a. Heterogeneity
b. Perishability
c. Intangibility
d. Inseparability

185. A majority of cyber cafés offer their services in the same price range. What type of pricing strategy are these players following?
a. Going rate pricing
b. Close bid pricing
c. Discount pricing
d. Penetration pricing

186. Which of the following is not a strategic management task of a retailer?
a. Identifying target markets
b. Inventory management
c. Store design and layout
d. Pricing decisions

187. Which of the following factors does not influence customer expectations of adequate service?
a. Perceived service alternatives
b. Derived service expectations
c. Predicted service expectations
d. Situational factors

188. Which among the following is not a capacity constraint faced by a service provider?
a. Facilities
b. Labor
c. Equipment
d. Financial resources

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189. Which of the following is not a component of the implementation stage in the new service development process?

a. Service development and testing
b. Market testing
c. Business analysis
d. Commercialization

190. Identify the marketing research activity that involves sending own personnel or personnel hired by outside research agencies to assess the customer service at the competitor outlet in the guise of consumers

a. Customer panels
b. Focus groups
c. Mystery shopping
d. Process checkpoint evaluations

191. Bancassurance is a process of

a. Distributing insurance products through NGOs and co-operatives
b. Bank disbursing the payments to the insurance company customers
c. Distributing insurance products through a bank's distribution channels
d. Bank launching its own insurance business

192. A consumer has taken a club membership for his entire family. What kind of needs does he hope to fulfill by availing the club's services?

a. Self actualization needs
b. Security needs
c. Social needs
d. Physiological needs

193. In which one of the following options are customers given a price reduction offer in a printed form?

a. Contest
b. Coupon
c. Premium
d. Sample

194. Which category of qualities relating to consumer products/services can be evaluated only after the consumer has consumed them?

a. Search qualities
b. Experience qualities
c. Credence qualities
d. All the above

195. Which of the following steps in the new service development process involves defining the target market, its size, its structure, and the existing customer trend?

a. Idea generation
b. Idea screening
c. Business analysis & design
d. Testing the concept

196. The minimum level of service that a customer is willing to accept from a service provider is known as:

a. Desired service
b. Predicted service
c. Adequate service
d. None of the above

197. Which of the following represent the process of making a meaningful picture by selectively organizing a set of stimuli?

a. Customer attitude
b. Customer perception
c. Service expectation
d. Customer belief

198. Which of the following attributes of services make it difficult for a service provider to evaluate them when compared to goods?

a. High search and experience quality
b. High experience and credence quality
c. High credence and search quality
d. Both b and c

199. What does Multi-Factor Portfolio matrix deal with?

a. Market attractiveness and competitive position
b. Evaluating the company's weaknesses and opportunities
c. Balancing of resources among various services
d. Reviewing current market share

200. Which of the following situations requires a cross-trained employee who can handle multiple tasks effectively?
a. Service failure
b. Capacity constrained service
c. Service with high credence qualities
d. Service with high search qualities

201. Which of the following is an effective indicator of service that raises customer expectations?
a. Company logo
b. Promotional campaign
c. Service delivery process
d. Employee behavior

202. Which of the following are the main barriers that a service provider will have to encounter in the process of entering foreign markets?
a. Legal and cultural barriers
b. Financial barriers
c. Technical barriers
d. Political barriers

203. The success of a hotel primarily depends on the balance between one of the following. Identify it.
a. Quality and satisfaction
b. Quality and service
c. Service and satisfaction
d. Price and value

204. Which type of pricing approach should a service provider adopt in an oligopoly market?
a. Cost based
b. Demand based
c. Innovation based
d. Competition based

205. Identify the type of contract that requires the contractor to handle every aspect of the project for a foreign client – from the planning and inception stage to completion and handover of the project
a. Licensing
b. Turnkey operation
c. Strategic alliance
d. Franchising

206. Which of the following statements is not true with regard to a licensing agreement?
a. The licenser grants rights to intangible properties like patents, formula, and process to the licensee for a specific period
b. The licenser receives a royalty payment from the licensee for the rights
c. There is nil or negligible investment from the licenser
d. There is a long-term commitment between the licenser and the licensee

207. Which of the following is not a good approach to segment the tourism industry?
a. Benefit segmentation
b. Geographic segmentation
c. Life style and personality segmentation
d. Demographic segmentation

208. Which of the following is generally given the least preference by consultancy service providers with respect to the marketing mix elements?
a. Service
b. Price
c. Place
d. Promotion

209. What might be the pricing objective behind Shopper's Stop's premium pricing strategy?
a. Product quality leadership
b. Prestige
c. Present profit maximization
d. Present revenue maximization

210. The online railway reservation service offered by the Indian Railways is an example of which type of service encounter?
a. Face-to-face encounter
b. Phone encounter
c. Self service technologies
d. None of the above

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211. Which of the following involves a study of the benefits and attributes that customers look for in a service?
a. Serqual surveys
b. Post-transaction surveys
c. Complaint solicitation
d. Requirement research

212. Leonard Berry and A. Parasuraman developed a framework to understand the types of customer relationship strategies. Which level do social bonds occupy in that framework?
a. Level i
b. Level ii
c. Level iii
d. Level iv

213. Service organizations need to make some assumptions regarding certain key factors that influence the success of marketing efforts. In which step of the marketing planning process are these assumptions made?
a. Situation Review
b. Marketing strategy formulation
c. Establishing the strategic context
d. Resource allocation and monitoring

214. Identify the group of customers who are least likely to take action when there is a service failure?
a. Irates
b. Activists
c. Passives
d. Voicers

215. A firm's ability to effectively design and manage marketing mixes in order to attract and serve different segments is referred to as:
a. Substitutability
b. Actionability
c. Accessibility
d. Measurability

216. Which of the following is not a major objective of public relations campaigns organized by services marketers?

a. To increase brand awareness
b. To change the image among the customers
c. To improve sales
d. To build customer relationships

217. Many service organizations have reaped success by adopting the yield management concept. Which of the following is not one of the benefits of adopting the yield management system?
a. It helps the management to sell its services at a higher price even when the customers are not ready to pay more
b. It helps the management determine the break-up of services to be sold at full value and at a discounted price
c. It helps fix prices in the discounted category using the demand levels forecasted earlier
d. It helps manage inventory at an optimum level

218. Which of the following is not a basic strategy used by service providers to match demand and capacity by altering capacity?
a. Altering the timing of service delivery
b. Modifying facilities or moving equipment
c. Employing part-time or contract workers
d. Cross-training employees

219. Which of the following refers to the willingness of the service provider and his staff to provide assistance and prompt service to customers?
a. Assurance
b. Responsiveness
c. Empathy
d. Reliability

220. Personal emergencies and failure of a service provider to offer quality service the first time are examples of which of the following factors?
a. Transitory service intensifiers
b. Predicted service expectations
c. Enduring service intensifiers
d. Customer needs

221. Which of the following precedes the implementation of a research program?
a. Report finding
b. Collection and tabulation of data
c. Developing a service measurement strategy
d. Identifying the problem and research objectives

222. What is the basic objective of a company in adopting a particular market positioning?
a. To create a perception in the minds of the customers
b. To enhance customer satisfaction
c. To motivate employees
d. To retain customers

223. Which of the following is not a factor that will influence customer satisfaction or dissatisfaction during the service encounter?
a. Spontaneity
b. Image
c. Empathy
d. Recovery

224. In which type of mutual fund do customers invest in instruments like treasury bills, certificates of deposit and commercial paper?
a. Money market funds
b. Income funds
c. Tax savings schemes
d. Growth funds

225. _____ is to a service, what packaging is to a product. Used efficiently, it works like a silent salesman
a. Price
b. People
c. Physical evidence
d. Process

226. Which of the following is an example of a supplementary service on long-distance international flights?
a. Luggage transfer from one flight to another
b. Providing breakfast and other meals
c. Check-in service
d. In-flight entertainment

227. According to Lovelock, what should be included in customer services other than proactive selling?
a. Customer-oriented activities
b. Product-oriented activities
c. Task-oriented activities
d. None of the above

228. In which type of service offering, the service provider helps the customers understand their problems by themselves and encourages them to come up with their own solutions and action programs?
a. Consultation
b. Counseling
c. Supplementary service
d. Interactive marketing

229. Which characteristic of service makes demand and capacity matching an important task for a service provider?
a. Heterogeneity
b. Perishability
c. Intangibility
d. Inseparability

230. Which of the following is not an important issue in charity organizations?
a. Physical evidence
b. Promotion
c. Place
d. People

231. Identify the right order for the following service product levels
i) Actual product
ii) Core product
iii) Potential product
iv) Augmented product

a. i, ii, iii, iv
b. iv, i, ii, iii
c. iv, iii, ii, i
d. ii, i, iv, iii

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232. Which among the following are not benefits that a franchisee will obtain in the franchising model?
a. Established business process
b. Reduced business risks
c. Relationship with the customers
d. Business expansion

233. Arrange the following marketing strategies according to the degree of risk (in descending order) that a service company faces
i) Market development
ii) Market penetration
iii) Diversification
iv) Product development

a. i, ii, iii, iv
b. ii, i, iv, iii
c. iv, iii, ii, i
d. iii, iv, i, ii

234. The group of products that a consumer considers as an acceptable option for purchase in a given product category is termed as:
a. Inert set
b. Evoked set
c. Inept set
d. None of the above

235. In data processing, the data collected from surveys, is transformed into meaningful information for interpretation and analysis. Which stage of data processing involves checking the accuracy of the data?
a. Coding
b. Editing
c. Validation
d. Data cleaning

236. For a service provider, which of the following reasons does not lead to an increase in the value of customers over time?
a. Customers tend to use a service of a service provider more over time
b. Service providers become more efficient over time

c. Firms increase the amount of time they spend with a customer over time
d. Customers give word-of-mouth publicity to the firm

237. A service provider intends to change his service positioning to reduce costs, increase service control, and tap a niche market. What should he do?
a. Increase divergence and increase complexity
b. Increase divergence and reduce complexity
c. Reduce divergence and reduce complexity
d. Reduce divergence and increase complexity

238. What does a vertical line passing through a horizontal line represent in a service blueprint?
a. Line of interaction
b. Internal service encounter
c. Line of visibility
d. Line of internal interaction

239. Segmentation helps a service provider to divide customers into different groups. Under which type of segmentation are switchers categorized?
a. Usage rate segmentation
b. Personality segmentation
c. User status segmentation
d. Loyalty segmentation

240. Which of the following statements about customization is true?
a. A service provider adopts transparent customization when the customer needs are predictable
b. In adaptive customization, the service provider develops different products/services and packaging as desired by the customer
c. In cosmetic customization, the service provider offers the same product/service with same packaging
d. A service provider adopts collaborative customization when customers are very specific about what they want

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241. What type of pricing strategy is used when a service provider adopts price bidding?
a. Cost-based pricing
b. Market-oriented pricing
c. Competition-based pricing
d. Demand-based pricing

242. The risk faced by a consumer when the product purchased fails to function is termed as:
a. Physical risk
b. Social risk
c. Functional risk
d. Time risk

243. Which of the following statements is not true about post-transactional surveys?
a. These surveys involve getting feedback from the customers immediately after the service is provided to them
b. The feedback is used to evaluate the performance of their frontline employees
c. These surveys enable the service provider to understand customer expectations
d. These surveys help to understand the latent demand for the services provided by the firm

244. Some Hotels, Clubs, and Resorts cater to a distinct class of customers, such as business executives, millionaires, or doctors, by providing them an environment of exclusivity and companionship of peers. On what basis do such service providers try to differentiate their services?
a. Name of service establishment
b. Convenience
c. Customers
d. Service personnel

245. Which of the following relationship strategies is not a component of Leonard Berry and A. Parasuraman proposed relationship strategies framework?

a. Social bonds
b. Financial bonds
c. Cultural bonds
d. Structural bonds

246. A service provider can either shift demand to match existing capacity or increase/decrease operational capacity to match demand fluctuations. Which method can service providers adopt in the first situation?
a. Vary the original offer
b. Alter the timings of service delivery
c. Inform customers of peak working hours
d. All the above

247. Which of the following research studies involve surveying customers to understand the reasons that compelled them to stop using the services of a company?
a. Exploratory research
b. Future expectations research
c. Customer panels
d. Lost customer research

248. Identify the type of risk, that makes a customer face social embarrassment as a result of making a poor product/service choice.
a. Physical risk
b. Psychological risk
c. Functional risk
d. None of the above

249. Which of the following terms refer to the gap between a customer's desired service expectations and the adequate service expectations?
a. Predicted service
b. Zone of tolerance
c. Service gap
d. Perceptual gap

250. Which of the following reflect the values, norms, roles, and customs shared by members of a society?
a. Attitude
b. Beliefs
c. Culture
d. Lifestyle

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Key

1.b	2.c	3.c	4.d	5.b	6.b	7. a	8.c	9.c	10.b
11.c	12.b	13.d	14.a	15.a	16.d	17.a	18.a	19.b	20.a
21.a	22.c	23.c	24.c	25.a	26.a	27.a	28.b	29.b	30.b
31.c	32.a	33.c	34.a	35.d	36.c	37.d	38.a	39.a	40.b
41.d	42.a	43.b	44.b	45.a	46.c	47.d	48.a	49.b	50.c
51.d	52.b	53.b	54.a	55.b	56.a	57.b	58.c	59.a	60.a
61.d	62.c	63.b	64.b	65.d	66.c	67.b	68.a	69.d	70.c
71.c	72.a	73.c	74.d	75.a	76.d	77.d	78.d	79.b	80.a
81.b	82.b	83.a	84.a	85.d	86.d	87.a	88.a	89.d	90.d
91.a	92.b	93.a	94.c	95.b	96.c	97.c	98.a	99.c	100.b
101.a	102.d	103.d	104.c	105.c	106.c	107.d	108.c	109.d	110.c
111.d	112.b	113.c	114.c	115.a	116.d	117.a	118.b	119.b	120.c
121.b	122.d	123.b	124.c	125.b	126.d	127.a	128.d	129.c	130.d
131.c	132.d	133.a	134.d	135.d	136.d	137.d	138.b	139.a	140.b
141.c	142.a	143.c	144.a	145.c	146.d	147.b	148.c	149.c	150.d
151.a	152.d	153.d	154.c	155.c	156.c	157.d	158.b	159.d	160.b
161.d	162.b	163.a	164.b	165.b	166.b	167.a	168.a	169.b	170.c
171.c	172.c	173.d	174.c	175.b	176.b	177.b	178.b	179.c	180.a
181.d	182.c	183.a	184.d	185.a	186.b	187.b	188.d	189.c	190.c
191.c	192.c	193.b	194.b	195.c	196.c	197.b	198.b	199.a	200.b
201.b	202.a	203.d	204.d	205.b	206.d	207.a	208.c	209.b	210.c
211.d	212.b	213.a	214.c	215.b	216.c	217.a	218.a	219.b	220.a
221.d	222.a	223.b	224.a	225.c	226.d	227.c	228.b	229.b	230.a
231.d	232.d	233.d	234.b	235.c	236.c	237.b	238.b	239.d	240.a
241.c	242.c	243.d	244.c	245.c	246.d	247.d	248.d	249.b	250.c

Part B: Caselets

The caselets in this section are designed to encourage students to apply theoretical concepts to various business situations. Analyzing these cases requires not only theoretical knowledge, but also a comprehensive understanding of the business environment. These cases test the student's reasoning and comprehension skills.

Part B: Caselets

Once an unorganized market mostly run by independent dermatologists and beauticians, Indian skincare treatment market is now attracting some of the leading personal care product manufacturers. Marico Industries, owner of popular brands like Parachute, Mediker and Saffola, has entered into the beauty care market through its chain of beauty salons called Kaya Skin Clinic (Kaya) with 8 centers spread across India and 2 centers in Dubai. Kaya means 'body' or 'appearance' in Sanskrit. Kaya points out that a clear and flawless skin is the most attractive aspect of an individual's appearance and its clinics promise to enhance natural skin to make it look healthier, fresher, younger and more glowing. Kaya offers its customers a wide range of services like laser hair removal, skin polishing and brightening, glycolic and salicylic peels, acne and acne scar reduction, photo-rejuvenation, micro-current facial toning, deep wrinkle removal, fillers, etc.

Explaining the rationale of a products company entering into the services market, Mr. Rakesh Pandey CEO, Kaya, says "We are already into haircare and healthcare products; through Kaya we enter skincare." Kaya has so far (end of 2004) attracted 10,000 customers and registered Rs 1 crore of annual turnovers per branch, since its inception in December 2002.

Kaya's goal is to provide long-lasting and result-oriented non-surgical skincare treatment. The company has taken various steps in this direction. Moving against the retail industry trend of a franchise model, Kaya decided to set up the venture on its own in order to standardize the service quality across all its branches. Speaking on this issue, Pandey says, "Since Kaya is a retail medical clinic, it is very important for each branch to be standardized, which is difficult to do with a franchisee model. We want to first perfect our model before we think about it (franchising)."

The company adopts a systematic process in its treatment of clients. At Kaya, the utmost care is taken to give the customer an experience that is pleasant and memorable from the time they enter the clinic to the time they leave - with a glowing skin. Every customer is greeted by skin-practitioners dressed in elegant uniforms designed by a Mumbai designer, Bhairavi Jaikishen. Then the customer is offered a refreshing welcome Kaya drink (a blend of apple and cinnamon) invented by noted food consultant, Karen Anand. Once the customer starts feeling at home, the actual treatment begins with a certified dermatologist preparing a detailed 'skinscription'. The 'skinscription' contains in-depth analysis of customer skin and the treatment plan to be followed for the skin. The treatment is based on this prescription, and is required to offer visible results to the customers. For effective results, Kaya offers a wide range of skin care products.

Kaya's treatments range from long-term solutions like skin peels, skin brightening and polishing, permanent laser hair reduction and pigmentation, and scar reduction therapies to short-term treatments like face and eye rejuvenation services. The company has adapted a premium pricing policy where prices vary between Rs 400 for smaller treatments to Rs 1.5 lakh for permanent body hair removal.

The company ensures that the skin practitioners it employs have access to the best equipment, and are well trained to provide effective treatment to the clients. Prior to practicing at Kaya, all the dermatologists employed undergo a stringent 45-60 day in-house training program. They are given certification at the end of the training program. Under the program called Continuing Medical Education (CME), the company conducts periodic training programs (every six months) for its dermatologists to keep them updated about the latest developments in the field.

During these programs, international doctors are invited to conduct workshops on the latest developments and trends in the field of skincare for Kaya medical personnel. Speaking about the importance of training programs, Mr. Pandey says, "It is necessary to keep up with the trends in this business, so we have ongoing programs for our staff."

The company is also putting more efforts into research and development, so as to improve its services and offer a larger number of new skin care solutions to its customers. At present the research is focused on acne scar reduction and anti-aging and skin maintenance. In order to increase its revenues, the company is looking at other revenue generating opportunities. It is already offering skincare products made in France, which are sold to the customers as stand-alone products, and are also used by Kaya in its treatments.

Encouraged by the success of its existing branches, the company plans to expand its presence to 50 centers by the year 2006. Its ultimate aim is to become an international skin care retail chain. In the words of Mr. Pandey "when people think of skin, we want them to think of Kaya."

Questions for Discussion:

1. Marico, a product manufacturer, has entered the services segment. What challenges will Marico face while marketing its services?

2. With independent dermatologists and small beauty salons chains dominating the beauty care industry, Kaya clinics will find it difficult to capture the customer mindshare and market share. What tangible elements do Kaya clinics use to differentiate their services from the competition?

Caselet 2

Edward Jones, a leading US brokerage house, has a history of over 130 years and gets its lineage from Whitaker & Co., a bond house established in 1871. In 1922, Edward D. Jones Sr. established Edward Jones Brokerage and later merged it with Whitaker & Co., in 1943. However its real growth started when Edward D. "Ted" Jones Jr. took over the job of managing the firm from his father (Edward D. Jones, Sr) in 1955. Till that time, the big brokerages confined their operations largely to large metropolitan areas. However, Ted Jones identified that there existed a large untapped demand for investment advice in rural areas. The company opened its first rural branch in Mexico, Missouri, which has a population of 12,000. Though the initial growth was driven by its focus on rural areas, the company at present has a large presence in cities, with 70% of its offices being located in cities. The company also followed a strategy of operating these offices with a single investment representative (IR) who had an administrative assistant. The branches were mainly located in important streets in the rural areas and in suburban shopping malls in urban areas. The IRs were encouraged to do door-to-door marketing to bring in business and they needed to call 25 potential customers every day. The company was so firm on its face-to-face contact strategy that it even resisted the move to launch online services during the dotcom boom. It also focused on the single customer segment consisting of the average American investors and mainly those who were interested in long–term investing —a segment untouched by big brokerages. All the investors were treated similarly and provided with personalized service, irrespective of their investment amounts. The average account size was $ 75,000 and its customers' average annual income was $ 50,000. The company set certain conservative investment policies like not to run its own mutual funds and other proprietary trading products (unlike other major brokerages) even though it had investments worth nearly $ 20 billion in various mutual funds. It only distributed the products, which included certificates of deposit, bonds, mutual funds, stocks of companies with histories of solid growth and sound management,

retirement plans and Individual Retirement Account (IRAs), and life insurance products. It did not sell penny stocks, options, and commodities. It would not even consider sales of stocks below $ 4 price by the IRs for their performance targets. The company also did not serve institutional customers. It encouraged buy-and-hold investing by investors, and discouraged frequent trading. Such conservative policies provided good returns not only for the company but also for the investors. According to Zaks Investment Research, the Edwards Jones model portfolio over a five-year period ending 2002 provided 7% higher returns compared to Standard & Poor's 500-stock index, which lost 3%. Its conservative investing strategy was reflected during the dotcom boom when it refrained from investing in dotcom company stocks. In April 1999, John Bachmann managing partner and chief executive officer of Edward Jones sent a warning letter to its 6 million customers regarding the unrealistic prices of the dotcom companies stocks and their probable collapse. He also circulated 2.3 million copies of Warren Buffet's article in a magazine regarding the dotcom hype to its customers spending $878,000 on those reprints. The company also received many awards for the high quality of its customer service. It ranked first in 2002's J.D. Power and Associates' first Full-Service Investor Satisfaction Survey and was named the best advocate for customers for the year 2004 in Forrester's annual national research study of U.S. financial services firms.

In order to provide an effective service to customers, the company also focused on the employees. It took adequate steps to attract and retain the best talent right from the stage of recruitment. It had a policy of not hiring personnel who had experience working with top brokerage houses; instead, it gave preference to candidates with less or no experience and trained them according to its own needs. The applicants were put through a stringent screening process, including background checks and face-to-face interviews. In 2001, the company received nearly 120,000 job enquiries and 33,000 formal applications. Of these, 2000 candidates were selected. The selected candidates were given training for a month with special teaching material and learning technologies being used for the purpose. The company also conducted periodic training programs for the existing investment representatives. Apart from training, the company also empowered and motivated its employees to perform better. Since each branch was managed by a single investment representative, the company gave the IRs a free hand in dealing with the customers within the regulatory compliances and industry standards.

The incentive schemes and rewards were aimed at creating a non-competitive environment. So the company avoided rewards like top performers, and instead linked incentives with each IR's individual performance and the company's growth. Employees also received assistance from the company in the form of investment guidance so that they could suggest right investment options to customers based on the customers' needs and risk profiles. Employees were also encouraged to contact its head office through a dedicated satellite television system to seek assistance in helping a customer. The company also did not lay off a single employee in 34 years.

Due to such employee-friendly policies, the company ranked in Fortune's top 100 best companies to work for in the past six years alongside receiving the number one ranking in the year 2004.

With these service standards and employee-friendly policies, the company has the highest number of branches (8,500) among all the brokerage companies, with 29,773 employees. It registered revenues of $ 2.5 billion in the year 2003. In 1994, the company entered Canada and thus expanded its operations overseas. At present, it has 600 offices in Canada with 150,000 clients. In 1997, the company started operations in London and at present, it has 100 branches in that country.

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Questions for Discussion:

1. Edward Jones adopted the traditional way of doing business i.e., through face-to-face contact with the customers and by offering personalized service. It resisted starting online trading, which big brokerages were using. Evaluate the advantages and disadvantages of face-to-face service encounters as well as the online trading.

2. Edward Jones has targeted only a single market segment that consists of average American investors even though it has the financial strength and resources to diversify into other related services. Evaluate the Edward Jones target marketing strategy.

Caselet 3

Indian Hotel Company Limited (IHCL), the leading Indian hospitality concern, has joined hands with C.K.Prahalad, a leading management thinker, to launch IndiOne, a new concept that will redefine the hotel industry and provide the company with a new growth opportunity. In 2001, the company was in a poor shape with a decline in revenues largely due to recession and a decline in foreign tourist arrivals after the 9/11 attacks. Apart from this, the entry of big foreign names like Four Seasons, Marriott and Hilton also challenged the dominance of IHCL in India. To prepare itself for the challenge, IHCL, in consultation with McKinsey, restructured its operations into three categories – luxury, business, and leisure segments. It was also on the lookout for a new opportunity that could put it on the growth path in the highly competitive and mature industry. The management decided to enter the budget hotel segment, which competitors had left largely unexplored. Speaking about the growth prospects of budget hotels, Mr Patu Keswani, the then chief operating officer (business hotels group) of Indian Hotels Company, said "Budget hotels will be the fastest growing sector and will attract better growth rates in the next few years." According to Raymond N Bickson, managing director, Indian Hotels, leading FMCG company HLL itself had 5,000 salespersons on the move, which represented the untapped market in the budget segment.

The idea was to provide quality service at an affordable price. Speaking on the service offering, Mr Keswani said, "The budget hotels will be premium in class and quality and economical in cost. It will be targeted at business travelers." The management also decided that this venture would be under a different brand and not the Taj brand under which the company operates its properties. In 2002, a team of top professionals was constituted to work on this project based on these cues. They adopted the top-down approach to give shape to this low-cost venture. The team tried to change the cost structure and service offerings of the existing hotels to achieve the objective of launching a budget hotel. It tried various permutations and combinations such as stripping features in the service offerings and cutting costs. But it was unable to go below the price of Rs 2,500 -- not a competitive price for the budget segment. This prompted the company to rope in Mr. Prahalad to assist them in this endeavor. He suggested a bottom-up approach to arrive at the price and the service offerings. Speaking on this change in approach, Sheila Nair, chief operating officer of Roots Corporation (the wholly-owned subsidiary of IHCL that operates IndiOne), said, "Instead of going top-down we started the project business plan with a clean piece of paper where the key was tight financial control." The team then tried to identify customer needs and how much customers would be willing to pay. So the team surveyed managers of mid-sized companies to identify their travel budgets and also business travelers such as salespersons. This gave them a fair idea about the customer's price range. Customers were willing to pay around Rs. 1000 for a hotel room. Based on the price, the team worked out the design of the hotel and the service offerings. The company developed the hotel based on the attributes of smart basics, i.e., simplicity, convenience, informality, style, warmth, modernity, and affordability.

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The room was air-conditioned with a work area and wood laminate flooring. Every room was provided with basic amenities such as a mini fridge, a tea/coffee maker, and round the clock hot/cold water facility with toiletries. For security, each room was provided with an electronic lock and the entire hotel was monitored by security personnel through specially installed closed circuit televisions. The customers were also provided with digital safe deposit boxes. The hotel equipped itself with other facilities that business travelers look for, like a restaurant, gym, cyber cafe, meeting room, and an ATM. Another feature at IndiOne designed to appeal to business people was any time check-in, where the hotel calculated the time from the moment the customer entered, in contrast to other hotels which have fixed check-in times. IHCL designed the business plan in a detailed way to save costs at every level. Each hotel was constructed in the area of 1 acre with 100 rooms built in a modular fashion. It was designed so that it could be scaled up easily with less of an investment. The budget for each hotel was marked at Rs 10 crore, which worked out to 10 lakh per room. This was far lower than the investment of Rs 50 lakh – Rs 1.5 crore per room involved in developing five star hotels. The size of the room was also kept small -- at around 180 sq. ft. -- as compared to 250-400 sq ft in a premium segment hotel. IHCL also focused on minimizing personnel cost, which formed the major chunk of the operating costs. The company cut down room service and customers were required to avail the services by themselves. At the restaurant, only a buffet service was provided. Though the hotel provided laundry service, customers were required to drop clothes off and pick them up at the lobby. Through such arrangements, the company managed to operate the hotel with 25 people, compared to 250 people per 100 rooms in a five-star hotel.

On the pricing front, the hotel set a fixed price of Rs 850 for a single room and Rs 950 for a double room. The customer was entitled to a discount of Rs 50 for bookings made through the Internet. This practice not only enabled the company to save on booking costs but also to cut their sales & marketing costs. Speaking on this issue, Mr. Nair said, "Sales and marketing constitute 10 per cent to 15 per cent of room cost which you save if booking through the Net becomes popular." The amenities and design of the room were such that the costs incurred on maintenance activities were minimized. All the negotiations with the suppliers were made based on the future expansion plans of the hotel.

IHCL entrusted the job of selecting the brand name and development of the brand to the leading communication consultancy, Chlorophyll. The agency adopted an integrated approach where all aspects of the brand were looked into so as to develop and project the brand effectively. The brand name IndiOne was selected so as to be in line with other new Tata group ventures such as Indica (for cars) and Indicom (for telecom services). The agency designed the signage, curtains, furnishings, and even the sugar and ketchup sachets. Chlorophyll also designed the website for IndiOne. Speaking on this issue, Mr. Anand Halve partner, Chlorophyll, said, "Since the proof of any service brand is in its delivery, we have been working closely with the marketing team even before launching the brand. From designing the furnishings to devising the name for the in-house cafeteria, Chlorophyll has been involved in creating effective communication to help in the delivery of the brand." The agency was also entrusted with the job of direct marketing activities for the brand.

The company opened its first hotel in Bangalore at the technology hub of Whitefield, Bangalore. It claimed that the venture was successful. The room occupancy rate was around 80%, despite no serious promotional activities undertaken by the company as yet. However, many analysts remain skeptical about the success of this venture. They point out that other companies had made several attempts earlier to capture this market, but they had backed off due to lack of cost control. Mahindra & Mahindra had launched a similar venture, but was not able to succeed. IHCL itself had made an unsuccessful attempt earlier through the Gateway chain of hotels. A leading hotel consultant, Uttam Dave, says, "It is a tricky business because land costs in most cities

are very high unless you move to the outskirts (like they have done in Bangalore)." Another manager of a major hotel chain who backed off from such a venture says, "In 1994 we looked at setting up a two- or three-star hotel, but the costing came to around Rs 13 lakh a room even though we had bought the land much earlier. So we decided it was better to go in for a five-star as the returns would be much better." But the Tatas are very serious about this venture and are planning to invest nearly Rs 1,500 crore and add 1,200-1,500 rooms in the next three years. The group also proposes to open these hotels in locations like pilgrimage centers, trading towns, and tourist spots. The company also has a global road map for this venture. Speaking on this issue, Sheila Nair says, "What we are creating is a unique Asian model which can be replicated in other markets like south-east Asia, Africa, and other Asian markets. It will ensure our global dominance in this category."

Questions for Discussion:

1. IHCL took two years to develop the IndiOne concept, with a dedicated team under the guidance of C.K.Prahalad. Discuss the new product development process involved in the creation of Indione, a budget chain of hotels.

2. IHCL is known for its luxurious Taj group of hotels. However, it has forayed into the relatively unknown territory of budget hotels that requires careful planning and cost control to be profitable. How far do you think IHCL has succeeded in making this venture profitable?

Caselet 4

USA added 1.2 million houses annually during the period 1998-2001. This growth in the housing market was not even deterred by recession. Analysts attributed this growth in the demand for housing to the increase in the number of immigrants and the fall in mortgage rates. The demand from immigrants constituted nearly 8% of the total new home market and 11% of the existing home market during 1998-2001. Another major factor that contributed to the continued growth was the interest shown by the baby boomers (numbering 50 million) in purchasing new homes that would provide them with a resort-like lifestyle. Baby boomers (Americans born between 1946 and 1964) were in the prime homeownership age group of 45-60 years. Many of them had retired or were nearing retirement age and were longing to purchase a second home/retirement home, further adding to the demand for new homes. Moreover, boomers preferred larger individual houses rather than apartments. This resulted in an increased demand for a niche housing market segment called "active adult community" which consisted of households with at least one member of the family above the age of 55 years age. Ian Jacobs, an analyst at Goldman Sachs, says "Studies show the number of people aged 55 to 64 will increase by almost 50 percent in the next decade, likely making the active adult segment of the housing market grow significantly faster than entry-level housing."

Pulte Homes, a leading home builder in the US, seems well poised to take advantage of this growing segment of the housing market. Pulte Homes – one of the largest home builders in the US – has a presence in the major segments of first time homes, first and second move-up homes, and active adult home buyer homes. In 2001, it acquired Del Webb, which specialized in the active adult segment and this boosted its revenues and market share. Del Webb became a popular name after the success of its Sun City and other age-restricted communities. The success of Del Webb can be attributed to its strong research focus and proper segmentation of the market. Del Webb had a separate research department to work toward understanding the customer needs better. It solicited information on a regular basis from not just potential customers and visitors who toured the properties of the company, but also from existing residents to understand the preferences and needs of customers.

Prior to constructing the Sun City Grand (active adult community consisting of 8,096 houses, which opened in 1996 in the suburbs of Phoenix, Arizona) the company undertook a survey of the residents of the previously built Sun City West regarding the features they wanted in their homes. The company also surveyed a cross section of baby boomers. This survey revealed that the customers of this segment were expecting 'vacation' type communities that would enable them to spend their retirement years comfortably. This prompted Del Webb to build Sun City Grand with all the latest amenities including an 18-hole golf course, resort styled swimming pools, amphitheaters, state-of-the-art fitness centers, hobby and craft centers, Olympic standard swimming pools, and attractive landscaping. However, through its continuous process of collecting information from customers, the company identified that not all the buyers or visitors to Sun City Grand were satisfied with the project. Some customers preferred homes in smaller communities with a more private environment and simpler homes. This prompted the company to develop a new sub brand called Solera. The first community under this brand was launched in February 2002 in Chandler, AZ, a suburb of Phoenix. This community provided similar amenities – golf course, tennis court, swimming pools, and recreational centers – as that of Sun City homes, but with simpler and fewer houses (only 2000). The company positioned these projects as homes that would provide more privacy and a comfortable living. The advertising campaigns for this project revolved around the theme of a small town feel. The prices were also kept low to reflect this positioning.

Through its research, the company also identified that there was a new segment of active adult consumers who preferred privacy, coupled with a high-end country club lifestyle. This prompted it to launch another sub-brand called Corte Bella community in October 2003. This community consisted of around 1,850 units and was located to the west of metropolitan Phoenix. This community was provided with high-end amenities like a state-of-the-art fitness center, a private dinning room, a private golf club with limited membership, a bar and grill, and limited spa facilities. The company positioned this property as the first active adult country club.

It identified another segment of active adults who wanted to stay with residents of other age groups. So the company launched a new category of communities called Anthem where there were no age-restrictions, thus creating a community with an intergenerational mix.

The company realized that some baby boomers did not want to leave the neighborhood of their workplaces even after retirement and preferred to stay nearby with their children, relatives, and friends. To cater to such customers, the company built Sun City II with 600-700 homes located near Chicago. The company also had plans to build such communities in other major cities.

The company even made changes based on its customer research in existing communities after the project had been completed. For example, based on research that customers were looking for continuing education programs, it converted a bowling alley into a Chaparral center where club meetings and education programs could be conducted.

The kind of focused approach that Del Webb adopted has helped Pulte Homes to become the market leader in this segment, contributing nearly 37% of the total sales in 2002. The growth in active adult housing, coupled with the increase in the overall demand and falling mortgage rates, Pulte homes posted a record revenue of $ 9 billion in 2003 (a 29.7% increase from that of the previous year) with net profits of $ 617.3 million (a 41.9% increase over that of the previous year). This performance helped the company improve its ranking in Business Week's 50 best performers from 19 in 2003 to 11 in 2004.

Questions for Discussion:

1. What were the reasons that led to the increase in demand for 'active adult communities' in the US real estate industry? What should a company like Pulte Homes do to identify the evolving needs of their customers?

2. Do you think that Pulte Homes has selected the right segment to target? If so, why? Evaluate the STP marketing strategies adopted by Pulte Homes.

Caselet 5

Till the year 2000, Life Insurance Corporation (LIC) held a monopoly in the life insurance market by virtue of being India's only life insurance company in India. With the opening of the insurance sector to private players, LIC's hold on the market was threatened. Big players like Tata-AIG, ICICI-Prudential, Max-New York Life, and Bajaj-Allianz entered the sector based on the expertise of their foreign partners and the brand equity the Indian company enjoyed with Indian customers. These private players, aided by aggressive marketing and better customer service, have started eating into LIC's market share. This prompted LIC to revamp its marketing strategy and take on the competition. In 2000, LIC hired leading the consulting company Booz, Allen & Hamilton to suggest the best modalities to restructure the company and cope with the changing environment in the insurance sector.

Some key recommendations made by the consultants were:

➢ To undertake product improvements that offer a mix of good returns and bonus

➢ To launch variable products that appeal to specific customer groups.

➢ To create brand identity that reflects the company's strengths of solidity and Indian-ness.

➢ To make zonal offices autonomous and the corporate office focus on policy making and strategy formulation.

➢ To differentiate service standards to high value agents and customers.

Taking cues from the recommendations, LIC has taken various measures. LIC has focussed on increasing marketing strength through the recruitment of more agents. LIC also doubled its agency network from 5.5 lakh in 2000 to 11 lakh in 2004. The company laid special emphasis on training and development. Agents were given free professional training, mandatory under Insurance Regulatory & Development Authority rules. Apart from this, the company also trained its own personnel. For this, LIC tied up with IIM Bangalore for imparting IT skills to its managers and IIM Lucknow to train its staff in marketing. Development officers were sold laptops at concession rates.

LIC has tried to improve its customer service levels through some major customer relationship management (CRM) initiatives. It launched a Wide Area Network (WAN) to interconnect its branches spread across various cities. This offered customers the flexibility to pay the premium or check the policy status at any branch connected to the WAN. At present, 91 cities with 1966 branches have been covered under this network. Another technology initiative LIC undertook was the launch of Interactive Voice Responsive system (IVRS) that enabled customers to obtain information on their policies through the telephone or fax. This facility is now available in 58 cities. The company also started offering online premium payment services, using which customers can pay their premium online. LIC also concentrated on regaining lost customers. It launched special campaigns to revive lapsed policies to add more customers to their customer base.

LIC also speeded up various service delivery processes. It launched a special drive to clear outstanding claims faster. In the year 2003, LIC set a record by reducing its outstanding claims to just 0.13%. Some divisions even achieved zero per cent outstanding claims. For example, 52 divisions in the South Central Zone achieved zero per cent outstanding claims. Commenting on this, Mr. R.N Bhardwaj, Chairman, LIC said, "It sends a very positive signal to our policy holders that LIC delivers on its promises. Many of them received cheques before the date of maturity."

On the branding front, the company aggressively promoted the LIC brand through successful advertising campaigns like "We know India better" and "Zindagi ke saath bi and Zindagi ke baad bhi." Talking about the success of the advertising campaigns and its impact on the brand, Bhardwaj says, "They have played a positive and important role. Our creative slogans that have become catchphrases among the people have been developed by ad agencies. For instance, 'zindagi ke saath bhi, zindagi ke baad bhi' and 'we know India better' helped perpetuate the philosophy of life insurance and its trust among people."

LIC reduced the number of advertising agencies it worked with from 45 to four for better execution of communication strategies. It allocated Rs 100 crore towards advertising in the year 2004-05. LIC's present advertising strategy emphasizes strengthening the brand and enhancing its appeal to the younger generation.

Though its market share was eroded by 20% due to the invasion by private insurers, LIC stills holds 80% of market share with 16 crore policies in its fold. According to a survey conducted by Taylor Nelson Sofres in March 2004, LIC enjoyed a 75% mind-share among customers. It registered an income of Rs one lakh crore for the financial year 2003. LIC was adjudged number one in the Most Trusted Service Brands survey conducted by Economic Times for 2004.

Questions for Discussion:

1. The changing perception about a company among customers is a challenging task for any service provider. To what extent has LIC succeeded on that front?

2. What kind of branding strategy should LIC adopt, given its increasing product mix and the aggressive brand building measures of private insurers?

Caselet 6

Kotak Mahindra Finance Limited, a diversified financial institution with interests including life insurance (Kotak Mahindra Old Mutual Life Insurance Limited), investment banking (Kotak Securities), vehicle financing (Kotak Mahindra Primus), institutional equity (Kotak Mahindra Capital Company) and mutual funds (Kotak Mahindra Asset Management Company), has been converted (it obtained the banking license in February 2003) into Kotak Mahindra Bank (KMB) It launched its first branch at Nariman Point in Mumbai in March 2003. KMB has tried to differentiate its services in all aspects, starting from the design of the bank logo to the design of its products and services. It designed its logo called "infinite ka" in blue, red, and white to represent the company's global Indian personality. The "ka" ('k' letter in Devanagiri script) represents the Indian identity and it takes the form of the infinite sign, which represents universal nature. Speaking about the logo, Uday Kotak, Vice Chairman and Managing Director of the bank, said, "The infinity sign also symbolizes the basic tenet of economics: man's needs are unlimited. The logo conveys that Kotak has an infinite number of ways to meet those needs."

KMB has ensured that the design of its bank branches also is unique. Commenting on the design, Uday Kotak said, "The bank branches are designed with special focus on functional, operational, philosophical, and aesthetic aspects designed to offer the utmost comfort and convenience to our customers". The bank branches are divided into three zones -- banking lobby, exclusive zone, and automated banking zone. The banking lobby is for the normal transactions of regular customers. The exclusive zone

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was set up for high net worth customers. These exclusive zones provide them with privacy and personalized attention from relationship managers. The materials and the fixtures used in building the branches are aimed at providing a warm and friendly ambience. The bank has also taken care to see that the newly designed logo integrates with the branch design.

Unlike other banks, Kotak has adopted an altogether different approach toward the banking business. This is reflected in its punch line, "Think Investments. Think Kotak." The bank's USP is its investment advisory service. KMB is slow in its expansion plans when compared to other private sector banks. Since its inception, KMB has opened only 23 branches. Speaking on this issue, Uday Kotak said, "We are not looking at mere banking services alone. Our basic proposition is to go with investment advice and the branch network would serve as distribution points." However, critics question Kotak's differentiation strategy and decision to focus on value rather than volume. One analyst commented, "There's nothing unique in what the bank is doing, but it is a sensible way of going about banking given its current profile. But size matters and it is a huge positive variable. Sooner or later, this reality will catch up and KMB has to answer it."

The bank offers various value added services to its customers. It offers home banking services (with one home banking transaction free per day) to all its customers. Customers are also able to avail of cash delivery, demand draft delivery, and cheque pick-up at their doorstep through the home banking service. KMB also offers utility bill payment and document pick up and delivery for customers through *Les Concierge,* a third party service provider. KMB also provides toll-free phone banking and net banking services to all its customers. Its customers have access to all the ATM's of Visa network in the country 'free of cost'. Electronic Fund Transfer facility is available to its current account customers through which they can transfer the funds to accounts of other banks electronically. Apart from this it also offers At-Par-Cheque facility in all its branch locations.

The bank's major focus is on providing investment advisory services to its customers. Apart from providing scope for differentiation, these services have also helped to provide higher margins (through fee income) compared to traditional banking services. KMB branches are considered as a common platform for all its subsidiaries and so are used to cross-sell the products of its own subsidiaries. KMB sold mutual funds (the bank's own mutual funds as well as third party's mutual funds) worth of Rs 1500 crore in its first year of operation. The bank also managed to garner Rs. 33 crore out of the total Rs 125 crore premiums which the insurance company OM Kotak, has collected for the year 2003-04. It also offers innovative products like Kotak Premium Return Plan in which bank account holders can pay the monthly premium for the OM Kotak insurance plan by authorizing the bank to directly debit the specified amount from their accounts. The bank has also introduced another innovative product called Kotak 2-Way MF Sweep. This account allows any excess amount in the daily balance of the customer's savings account to be invested in liquid mutual funds. The amount can be swept back into the savings account when there is a shortage of funds in the savings account. The bank does not charge any exit or entry load for investments (in mutual fund) in this scheme.

For 2003-04 KMB announced a net profit of Rs. 1,741.6 million on revenues of Rs 11,651 million.

Questions for Discussion:

1. What role does differentiation play in the banking industry? How did KMB go about implementing its differentiation strategy?

2. "There's nothing unique in what the bank is doing, but it is a sensible way of going about banking given its current profile. But size matters and it is a huge positive variable. Sooner or later, this reality will catch up and KMB has to answer it." Explain.
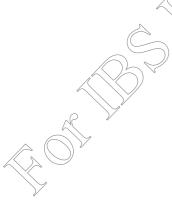
Not just Indian manufacturing and IT services companies, even the Indian education institutions are also nurturing global aspirations. Till recently Indian B-schools which were low-key in their business expansion plans, largely restricted themselves to setting up extension centers and entering executive education segment within the country, are entering the international arena. One of the first B-schools to enter the international market is XLRI Jamshedpur. It tied up with Al Abbas, a Dubai based trading company to set up a campus in Dubai. The institute offers a two- year executive MBA program. The infrastructure and the logistics are looked after by Al Abbas, the faculty and the course content are provided by XLRI. Speaking about the rationale behind setting up Dubai centre P.D.Thomas said, "We wanted to share our expertise and expose our faculty to foreign realities."

Another major B-school that opened its overseas campus is the S.P.Jain Institute of Management. S.P Jain has opened its centre in Dubai's Knowledge City, a part of Dubai's Technology and Media Free Zone. The Knowledge city is Dubai government's new initiative towards making the city state a knowledge economy. This zone consists of three clusters – Dubai Knowledge Village, Dubai Media City and Dubai Internet City. Nearly 15 renowned international universities have set up their campuses in Knowledge Village. S.P.Jain offers two programs, a two-year executive MBA program and a one-year full-time MBA program. However, the specializations are quite different from what are offered in its Indian campus. In Dubai the institute offers specializations in wealth management, investment banking, retail and hospitality. The reason for such change in course curriculum is that Dubai is increasingly moving towards the non-oil dependent economy with large focus on manufacturing, tourism and services. Sensing the opportunities in these segments, S.P.Jain modified its course curriculum to suit the local needs. Retailing and hospitality management electives are very popular among the students. Currently 150 students are on the rolls of the campus. The institute charges a fees of Dirham 48,000 (Rs 5.7 lakh) for the executive education and Dirham 55,000 (Rs 7 lakh) for the one-year full-time program, which are 3-4 times higher than fees charged for its Indian program. However, this fee is lower than that charged by other European and Asian Institutes. Encouraged by the success of S.P Jain, MAHE Manipal, another noted B-school, established its campus in Knowledge Village in September 2000. This centre offers Bachelor's and Master's degrees. The course curriculum and the regulations are similar to that of courses offered at its Indian campus. Student strength is around 350.

However, analysts are puzzled over the fact that IIMs, which are globally recognized, have not set sights on the international arena. Speaking on this issue Bakul Dholakia director IIM-A, said, "We are at the top. The only way we can grow now is internationally." But the institution first wants to improve its existing campus to the global scale before setting up an overseas campus. The institution is increasing its faculty strength and forging alliances with foreign institutes to meet this end.

Not just the business schools, but the technical institutions like BITS, Pilani, have also entered the overseas markets. BITS, Pilani, opened its campus in Dubai's Knowledge City in association with ETA - NET, a member of ETA - ASCON group in September 2000. It offers four years duration integrated First Degree program in engineering similar to that offered in India. The main streams that are available at the Dubai campus are computer science, electrical & electronics engineering, and electronics & instrumentation engineering. It has plans to offer mechanical engineering, civil engineering, and chemical engineering courses based on the demand.

However, analysts feel that the entry into foreign markets may not be smooth for the Indian institutions. These institutions may face some problems – the key problem being the faculty. XLRI faced trouble in allocating faculties for the Dubai program, as it clashed with the schedule for Indian programs. Since Dubai program requires the faculty to be present at the campus for a minimum of three weeks, this affects the

lecture schedule at the Indian campus. Moreover hiring full-time faculty incurs significant costs for the institution. This has forced S.P.Jain to restrict its full time faculty strength at the Dubai centre to 4 and rely more on the visiting faculty from the Indian campus and from other Indian B-schools such as IIM-Ahmedabad, Lucknow, and Kolkata. Another major challenge faced by it was to attract local and foreign students. Most of the 150 students at the Dubai campus of S.P.Jain were Indians. This poses problems for the institution in finding placements for these students. Because as Arab industry may not be forthcoming in recruiting Indian students, this puts pressure on the institution to find placements for them in India. So, to increase the percentage of foreign students S.P.Jain is promoting the programs in UAEry, Pakistan, Oman, Bahrain, Kuwait, Saudi Arabia, Qataryr, Iraryn arynd Sri Lanka.

These institutions also face the challenge of creating brand recognition among the foreign students. Speaking on this issue Mukesh Gupta, dean (Continuing Education and International Linkages) IIFT, says, "One big concern is getting international recognition, not simply recognition by Indians abroad."

Despite such challenges, B-schools are serious about their overseas plans. XLRI is evaluating other countries like Singapore, Kuwait, Muscat and African countries. IIFT is mulling over countries of Middle East, South Africa, Mauritius, Indonesia, and Malaysia. IIM-A which is conducting executive education programmes in Africa and East Asia, is planning to extend these programs to Egypt, Singapore, Hong Kong and Europe.

Questions for Discussion:

1. Analyze the overseas initiatives of Indian educational institutions in the context of Ansoff's product growth matrix.

2. "One big concern is getting international recognition, not simply recognition by Indians abroad." How can Indian educational institutions create brand awareness among the foreign students and build brand equity?

Caselet 8

Bharat Petroleum Corporation Ltd (BPCL) is the second largest integrated refining and marketing public sector oil giant with 5,000 petrol outlets and 970 kerosene dealers spread across the country. It posted annual revenue of Rs 48,254.3 crores for the year 2003-04. With the liberalization and deregulation of the petroleum industry, competition has increased. New players including Reliance, Essar and Shell are entering the stronghold of public sector oil companies – petroleum product retailing outlets. This has prompted BPCL to take various measures to beat the competition.

Firstly, BPCL has revamped the look and feel of their fuel (petrol and diesel) outlets or the filling stations. The outlets, which used to wear a dusty look, have been renovated on international lines and have also been equipped with state-of-the-art infrastructure. They now have imported electronic filling machines that enable the service provider to dispense several different products at a single machine, and to dispense a pre-set quantity of fuel, or fuel equivalent to a pre-set price. Each filling station has been given a new looking with good lighting arrangement and the company's logo prominently displayed. Together with fuel retailing, many outlets provide additional amenities like ATM centers, air gauges and a convenience store. The company has invested nearly Rs 10 lakhs to Rs 1 crore on each filling station depending upon the location and the revenue it generates.

Another major customer service initiative that BPCL has taken is the "Pure for Sure" campaign. Customers are concerned mainly with the quality and the quantity of the fuel they get at filling stations. To ensure that customer get the quality and right quantity of petrol and diesel at their outlets, the company has launched the "Pure for Sure" campaign. As part of this campaign, the company has taken many measures to maintain the quality and quantity of the fuel sold.

In order to prevent the adulteration of fuel in transit, the company has installed tamper-proof locks called 'Abloy' locks on the trucks that transport fuel to the outlets. These locks have two master keys – one is kept at the BPCL terminal where the fuel is loaded onto the truck, and the other is with the retail outlet owner. The dealer (owner of the filling station) can check the quality of the petrol before unlocking the tanker. Customers can also check the quantity and quality of the petrol at the outlets using special equipment provided by the company. Customers can check the density of the petrol, and whether the petrol has any contaminants by using the filter paper provided at the outlets. Outlets are also provided with water detecting paste to check whether petrol contains water. In order to check the quantity, special calibrated five litre vessels are kept at the outlets. The company certifies an outlet as "Pure for Sure" only if the outlet passes the company's stringent certification process tests. The company also ensures that outlets comply with the parameters on a continuous basis by making periodic surprise audits at the outlets. The company also ensures that customers receive courteous service at the outlets with the "Pure for Sure" sign. The service personnel at the outlets wear a standard uniform, greet customers with a smile and offer personalized service. The service needs to be quick so that both the customer and the company can save time. Such service initiatives satisfy and delight customers.

Apart from the good ambience and service quality, the company also provides value added services that offer convenience and a wider choice to its customers. The company has set up a chain of stores called "In & Out" stores that stocks various goods and provides services including photo goods, fast food, music, greeting cards, a drop box for credit card/mobile phone payments, and ATMs. It has installed free air filling machines.

BPCL launched a customer loyalty plan called 'Petrocards' in March 2000 to retain and attract customers. 'Petrocards' are like pre-paid smart cards that can be used to pay for purchasing petrol and other products at the BPCL retail outlets. A customer can purchase these cards for a one-time fee. They are then loaded with amounts ranging from Rs 500 upwards. Customers get bonus points for each rupee that they have paid for the products and services at the outlet. These bonus points can be redeemed for various gifts and benefits. This is the largest customer loyalty program in India. The program has 1.5 million members making 1,00,000 transactions worth nearly Rs 4.5 crores daily.

Questions for Discussion:

1. In order to provide quality service, service providers need to understand customer expectations and establish service standards that match them. Describe the measures BPCL has taken to meet customer expectations?

2. Petrocard is the largest customer loyalty plan in India. Discuss in what ways the customer loyalty program benefits BPCL.

Caselet 9

Idea cellular (Idea) is a leading mobile service provider with 4.2 million subscribers across 11 circles in India. Idea cellular is an offshoot of the merger between mobile services ventures of companies Tata Cellular and Birla AT&T in 2001. The entry of big players like BSNL and Reliance, as well as aggressive marketing activities undertaken by existing players like Airtel and Hutch, has led to Idea lagging behind in terms of mindshare and market-share. Idea launched many successful advertising campaigns like "An Idea can change your life" and "Stay Connected", which caught the attention of customers. These campaigns concentrated on highlighting the core brand and this helped the company increase its overall brand awareness. However, the campaigns had limited appeal and were only successful in appealing to high- end customers, who constitute 20% of the circles it operates in. Nearly 45% of these customers belonged to SEC B and SEC C categories. For example, "An Idea can change your life" highlighted coverage and roaming facilities, which appeal to high-end customers.

With competitors adding new features and cutting prices aggressively, Idea's management felt the need for a fresh look at their marketing and promotion strategy. After a thorough analysis of the market, Idea shifted its focus to the prepaid segment and it added various new features to prepaid mobile services. These features included EcoTalk (customers need to pay less when call duration is more), Flexi Charge Idea (through which customers can recharge their mobile accounts without vouchers, between amounts of Rs 10- Rs10,000), Lifetime Idea (customers will get bonus talktime depending on the time customers stay with the mobile account), and TalkIndia Idea (local calls to mobile at 99p for a daily rental of Re 1 per day and STD calls at a flat rate of Rs 2.00 per call for a daily rental of Rs 1.5 per day).

Idea roped in Lowe Advertising Agency to create an advertising campaign in September 2004. It wanted the campaign to highlight the unique features of its pre-paid card, and ensure that all these features would be promoted on a common platform. In this context, Idea briefed Lowe that the promotional campaign should appeal to a majority of its customers. Speaking on the target audience, Mr. Vikram Mehmi, CEO of Idea Cellular said, "Pre-paid is at the lower end of the market. With an economy card you need to address SECs B and C too."

Based on the inputs given by Idea, Lowe evaluated various options and finally decided to use 'Extra Large' (XL) as the theme or platform for developing the advertising campaign. After evaluating various options like 'cool dude' etc., the agency zeroed down on 'Sumo wrestler' to convey the theme of XL in Ideas' new campaigns. Talking about the selection of the Sumo Wrestler, Preeti Nair, Creative Director, Lowe said, 'Extra Large (XL) was an idea that cropped up constantly through the brainstorming. And a Sumo symbolizes XL.' Mr Mehmi commented that "The Sumo represents strength and personifies new power-packed features of our pre-paid card." The advertising campaigns were developed with a fun element to have mass appeal. The tagline 'Prepaid ho toh Idea jaisa!' was selected keeping in view the target audience. Each campaign highlighted a particular feature of the prepaid service. For example, the campaign that promotes the EcoTalk idea has a story line, where, overwhelmed by the praise heaped on him by the Sumo wrestler who speaks Hindi, a vegetable vendor slashes the prices of his vegetables. The more the Sumo wrestler lavishes praise, the more the vendor reduces prices, reflecting the concept that talking more means paying less. Till now (November 2004) Idea has launched EcoTalk Idea, Flexicharge Idea, Life Time Idea and TalkIndia Idea in this series and plans to launch more in the coming months. Idea Cellular also changed its media planning from airing ads in niche channels to using various mass entertainment channels.

Questions for Discussion:

1. Why did Idea change its ad campaign from that of the popular "An Idea can change your life" to the present "prepaid ho toh Idea jaisa!"?

2. Do you think Idea Cellular's strategy of focusing on prepaid mobile services instead of lucrative post paid mobile services is the right move?

Caselet 10

Asian Paints is India's leading paint company and one of the world's largest. It has a wide product range, catering to the decorative and industrial paint segments. Asian Paints recorded revenue of Rs. 1595 crores, with a net profit of Rs. 142 crores in 2003-2004. Nearly 90% of the revenues came from the decorative paints segment in which it is a market leader. Asian Paints' market share was 46% in the organized paint market and 26% in the overall decorative paint market.

During late 1990's, the company faced growth constraints due to a slowdown in the economy and stagnation in the paint market. This prompted the company to explore various avenues to expand and increase its sales volumes. It launched new products at

various price ranges, targeted at virtually every customer segment. It launched Utsav distemper and Tractor emulsion paint at the low end and Apcolite distemper and Royale emulsion for the higher end of the market. Apart from launching new products, the company also focused on brand building through innovative promotions.

The company introduced the Color World concept- a computerized automatic tinting and dispensing system installed at the paint dealers through which customer can select the color of his choice and the quantity required from a kiosk and get the paint of specified quantity from the system. In another major customer- oriented initiative, Asian Paints launched an Asian Paints toll free help line in 1998, which enabled customers to ask for and get any information related to painting such as shades, pricing, maintenance, color combinations, home decor etc. Encouraged by the response to the help line, Asian Paints started Asian Paints Home Solutions, the world's first paint service by a paint manufacturer, as a pilot project in the year 2001. The service was begun in Hyderabad and extended to Kolkata, Delhi, Bangalore, Chennai and Mumbai. Elaborating on this service, Mr. K B S Anand, Vice-President, sales and marketing, Asian Paints, said, "The helpline helped us realize the fact that customers didn't want to take the trouble of selecting the right color, deciding which paint to buy and from where."

Asian Paints Home Solutions provides hassle free painting service to customers. It was mainly targeted at higher income bracket customers. Commenting on the target customers, an Asian Paints spokesperson said, "Really any one who does not want to deal with the hassle of constantly supervising a contractor, especially the elderly and the retired as well as individuals who want more aesthetic solutions but who do not have the resources to employ their own interior designer." The service delivery began with customers requesting for the painting service either by filling an online request form or through calling the toll free help line (1600-22-5678). This would be followed by the company's sales associate visiting the customers' home and assisting them in selecting the type of paint and color. Later the sales associate would quote a fixed rate that was all inclusive (cost of labor and material) on a per square foot basis, enabling the customer to make a single payment. The time required for the painting work would also be decided. Once these formalities were complete, painting work including scrubbing, puttying, painting and cleaning would be looked after by the company.

The painting work would be done by a team of company- authorized applicators. A relationship associate would supervise the painting work to ensure that the customer received prompt delivery and quality service. The relationship associate was expected to make periodic inspections to monitor work. The company also provided a one-year warranty on the painted surface. On the pricing front, the company charged rates 10% higher than the prevailing market rates.

Despite all efforts, Asian Paints got a mixed response to this venture. The company witnessed a 30% annual growth since its inception, but was yet to achieve profitability. Analysts cited various reasons for such an anomaly. Customers found that the authorized applicators and the relationship associates the company appointed were often neighborhood contractors and workers. This made customers feel that the company was charging higher rates for service that was no different from what the unorganized paint contractor offered. Further, customers were dissatisfied with the service quality. One dissatisfied customer commented that, "The terms of the contract that one signs with the company should be tighter and the deliverables should be put upfront. For instance, the time promised for getting the job done is more like an informal understanding. It should be put down on paper. So, there is a slight delay, which takes place and one would not expect that from a service that's branded." On looking into the complaints, Asian Paints discovered that the poor service quality resulted from lower compensation paid to the paint contractors. To solve this problem, Asian Paints identified top performers and weeded out non-performers. Salaries were also increased and a part of the compensation was tied up with commissions. The company provided the latest and advanced gadgets like laser measuring torches to contractors to provide faster and better service.

Asian Paints claims that nearly 10,000 houses have been painted till now (2004). Defending the slow growth, Mr. Anand says, "If we grow any faster, we may not be able to offer the best quality."

Questions for Discussion:

1. Analyze the design of the service offering in the light of its appeal to the target customer segment.

2. Evaluate the Asian Paints selection of target segment SEC A and B group customers in terms of growth potential and structural attractiveness.

Caselet 11

Satyam Info Way was set up as a subsidiary of Satyam in December 1995 in Chennai (Tamilnadu) to leverage opportunities created by the Internet growth in India. Later it was rechristened, as Sify and was made an independent entity with Satyam reducing its stake from 52.5% to 37.1%. It had presence in both B2C and B2B segments.

In the corporate segment Sify offered end-to-end Internet solutions such as Electronic Data Interface, Virtual Private Networks, Security Services, Network Management Services, eSolutions services such as Internet Consulting, Architectures, Design and Development, Hosting and Management Services and eCommerce products. In the consumer segment, Sify offered dialup Internet service, broadband Internet service, iway cyber cafes, e-commerce portal and email service. Sify was the pioneer in offering off-the-shelf ready to use Internet connection packs. It was also one of the first players in the organized cybercafe chain business. At present Sify provides two types of Internet service offerings in the consumer segment – dialup and broadband Internet access. Dialup Internet access is offered in two variants- specified number of hours or unlimited usage within a specified time period. The customers need to purchase a CD that enables them to access the Internet through usual telephone lines.

Table 1.1 shows the price list of various dialup Internet access packs.

Sify also offered a high-speed Internet service (broadband Internet service) which is many times faster than the dialup access. Sify used unique technology to deliver broadband Internet services to the customers, which does not require any telephone connection to connect to the net. In this technology stationary 10" X 10" rectangular device called the subscriber-unit is installed on the roof of the cable operator building which receives and sends signals to the nearest Sify's base station. The cable operator in turn provides Internet access through wired cable connected to the customer's system. The broadband Internet services were priced according to speed and hours used or according to the speed and data transfer and unlimited access for a specified period. Table 1.2 gives a list of pricing for the broadband service offerings.

Being the first entrant into the organized broadband Internet service, Sify has now become the largest player in this segment. But Sify will face competition from the state owned BSNL, which is planning to launch broadband service named Dataone through ADSL technology which allows BSNL to offer high-speed Internet connectivity over phone lines without interfering with the voice service. So a customer can access Internet as well receive phone calls simultaneously. The service which BSNL claims will be at the speed 256 kbps being offered at a very competitive price of Rs 500 per month. Reliance with its pan Indian presence also well poised to launch its broadband Internet service 'Netwy' by the end of 2004 or early 2005. TataIndicom (which recently acquired leading Internet service provider Dishnet DSL) has already started offering this service. Apart from big players, broadband Internet service is also being offered by various regional ISP's and cable operators.

Table 1.1: Sify's Dialup Access Plans

Startup Packs	Validity	Features	MRP
10 hrs	1 month	--	Rs 99/-
25 hrs	3 months	--	Rs 249/-
40 hrs	6 months	--	Rs 349/-
100 hrs	12 months	--	Rs 799/-
250 hrs	24 months	--	Rs 1799/-
500 hrs	36 months	--	Rs 3199/-
Unlimited	1 month	Special CLI based product	Rs 199/-
Unlimited	3 months	Special CLI based product	Rs 399/-

Source: http://broadband.sify.com/master_pricelist.html

Table 1.2: Sify's Broadband Service Plans

Speed	No of Hrs/Mbs	Validity (Months)	Basic Price	Mrp (Incl. Tax)
Hourly Range - HI Speed Range				
64 kbps	10	1	299	330
64 kbps	30	1	462	510
64 kbps	40	3	998	1100
64 kbps	120	6	2395	2640
64 kbps	240	12	4491	4950
64 kbps	Unltd	1	631	695
96 kbps	Unltd	1	903	995
64 kbps	Unltd	2	1175	1295
96 kbps	Unltd	2	1720	1895
64 kbps	Unltd	6	3172	3495
96 kbps	Unltd	6	4533	4995
128 kbps #	Night Unltd	1	363	400
128 kbps#	Night Unltd	2	703	775
128 kbps#	Night Unltd	6	2042	2250
128 kbps	100 MB	1	299	330
128 kbps	250 MB	1	462	510
128 kbps	350 MB	3	898	990

128 kbps	750MB	6	1796	1980
256 kbps	1 GB	6	2495	2750
256 kbps	1.5 GB	12	3493	3850
256 kbps	2 GB	12	4491	4950

Source: http://broadband.sify.com/master_pricelist.html

Questions for Discussion:

1. Pricing policy not only influences the company's sales and revenues but also reflects the image of the service provider. Critically analyze the Sify's pricing policy in this context.

2. What are various issues that Sify has to consider while setting the pricing policies for its services?

Caselet 12

Imagine a retail outlet where you can video chat with near and dear ones living abroad sip cappuccino coffee and play online games, conduct video conference with your colleague residing at a far off place and purchase mobile connections and handsets. All this is possible at Reliance Infocomm's retail interface 'Reliance WebWorld', a one-stop shop for all digital communication and entertainment needs of an individual. At present (2004) Reliance has 240 WebWorld outlets spread across the country and plans to gradually extend to 2000 outlets. Each WebWorld outlet in a bigger city has a retail space of 4,000 sq.ft, and 500 sq.ft for smaller towns. The WebWorld outlet has three modules, a customer convenience centre, JavaGreen gourmet coffee bar and a broadband centre. The customer convenience centre acts as sales and service centre for the Reliance Infocomm products and services, while JavaGreen would enable the customer to relax. The broadband centre is where the company provides various services including, video chat, online gaming, digital photo imaging and virtual office. According to Sarup Chowdhary, CEO, Reliance WebWorld, WebWorld caters to the needs of a wide range of customers. In the mornings, these outlets are used by business people and professionals who use video conferencing facility as well as retail customers who are interested in purchasing the Reliance Infocomm products and services. During afternoons, WebWorld runs a "Little Genius" classroom program that teaches computers and internet to school children. The company also runs "Cybermoms" programs for mothers. During evenings the outlets attract the serious gamers who are interested in playing multi-player online games on the hi-speed broadband Internet. The evenings also attract serious surfers. Chowdhary adds that the WebWorld outlets have permission to operate 24 hours a day. Reliance plans to offer other value-added services like digital music, where customers can select the songs of their choice and burn them on the CD's. Since the company plans to offer broadband Internet service to the home segment, these outlets will act as sales and service centre for these services. The company also plans to screen movies at these outlets as it has designed the furniture in a modular fashion so that these can be rearranged to change the outlet into a small movie theatre accommodating 40 people.

Apart from these full-fledged outlets, Reliance also set up a chain of WebWorld Express outlets which does not have the coffee bar and broadband centre facilities. These outlets act only as sales and service outlets for the Reliance Infocomm products and services. The company set up nearly 500 such outlets till the end of 2004 and planning to increase eventually to 1000 outlets.

In order to popularise the WebWorld, Reliance undertook various promotional campaigns. In November 2003, the company conducted an All India PC gaming championship at its WebWorld outlets. It hosted the PC version of Microsoft's popular digital game Halo, with prize money of Rs 2 lakhs. The winner getting Rs 1 lakh worth of cash and an all-expenses paid trip to Los Angeles to participate in the Halo World Championships. Nearly 4000 contestants participated in this championship. Reliance ran various e-togethers with popular film personalities through Showtime movie promo events. Through these events, the company facilitated multi-point to multi-point video chat and video conference between popular film personalities and customers. Reliance has run these events for various films including Morning Raga, Kal Ho Naa Ho, Koi Mil Gaya and Munnabhai MBBS.

Questions for Discussion:

1. Unlike the product manufacturer, a service provider faces difficulties in meeting the demand due to capacity constraints. What are the possible capacity constraints that Reliance might face in matching demand with supply at its Web World outlets?

2. Matching demand with the available capacity is a challenging task for any service provider due to the presence of various capacity constraints. What are the various measures Reliance has taken to match existing capacity with demand?

Caselet 13

According to a CII-McKinsey report the number of foreigners coming to India for medical treatment in the year 2003 increased to 100,000 - a 20% rise on the 2002 figure. This category of visitors to India, popularly known as "medical tourists", are providing a new stream of revenue for corporate hospitals in India. McKinsey estimates that the medical tourism market in India will increase to $ 2 billion by the year 2012 as compared to $ 333 million at present.

In recent years, many foreign nationals are finding that Indian hospitals are on par with international hospitals in terms of service and expertise. This is one of the compelling factors driving the growth of the 'medical tourism market' in India. Consider the case of Escorts Heart Institute and Research Center (EHIRC) in New Delhi. It is a premier heart care center, which has impressive record of performing 4000 heart operations annually, with a less than 1% mortality rate. Apollo Hospitals, Asia's largest hospital chain, has performed 49,000 cardiac surgeries since its inception in 1978 with a success rate of 98.5% in its 35 hospitals spread across various parts of India. The hospital has 4000 specialists in various streams. Some of the other hospitals that have been attracting significant numbers of foreign patients are Jaslok Hospital, Wockhardt Hospital, Care Hospital, and Narayana Hrudayalaya.

Another major reason for the increased number of foreigners coming to India for medical treatment is the cost factor. The courses of treatment available in India are far cheaper than the same in other countries. For example, a liver transplant that costs nearly Rs 50-60 lakhs in Europe can be performed in India at less than Rs 20 lakhs. Similarly a heart surgery that costs Rs 20 lakhs in USA costs Rs 2 lakhs in India. Even a small surgery like root canal treatment (dental surgery) which costs $ 4,000 in USA will cost a fraction of that in India. Thus world class treatment at one-fifth of the cost attracts foreign nationals to Indian hospitals. Speaking on this issue, Anupam Verma, Director (Administration), P.D. Hinduja National Hospital and Medical Research Center, says, "A foreign patient gets treated by a world-class doctor with the same GE machine and a similar ambience at one-fifth the cost."

However Indian hospitals are not as aggressive in marketing their skills as their counter-parts in south East Asia like Thailand and Singapore. The hospitals in these nations with the assistance and cooperation of their governments have been successful in making a mark in the international healthcare market. One of the prominent

examples is the Bangkok's Bumrungrad Hospital. In the year 2002, the hospital treated nearly 3,00,000 foreigners and expatriates. Foreigners constitute nearly 25% of its total patients. Bumrungard Hospital has taken many initiatives to attract foreigners. They include providing interpreter service, JCAHO certification recognized by major global insurance companies, and even familiar international names McDonald's and Starbucks, which have outlets inside the hospital.

Though there has not, so far, been much of a collective effort to attract foreign nationals by the Indian healthcare industry, individual hospitals are making attempts to attract foreign patients. Apollo, the most vocal among them, has a separate international marketing arm which looks after its foreign patients. Patients from the Middle East constitute the major portion of the foreign patients coming to Apollo. Apollo has treated nearly 96,000 foreign patients till date. Hinduja Hospital has set up a coordination center in London. Narayana Hrudayalaya has set up information centers in Bangladesh and Malayasia. Apart from this it has also tied up with the government of Kenya.

To make the trip to India more attractive to "medical tourists", some hospitals are now promoting vacation and holiday packages along with their healthcare treatment. For example, Apollo is planning a tie-up with Hyatt Regency offering combined medical-cum tourism packages to medical tourists.

In some individual states, governments are beginning to play an active role in this endeavor. Some leading hospitals in Maharashtra in a joint effort with Maharashtra Tourism Development Corporation, the Western Regional Council of FICCI, and the state health ministry, have set up the Medical Tourism Council of Maharashtra (MTCM) aimed at promoting medical tourism in the state on a larger scale. In this joint effort, hospitals are planning to combine the medical treatment and the recuperation package in a single offering. Karnataka's state government departments, the Department of Health and the Department of Tourism, participated jointly in the International Health Tourism and Holidays exhibition in Bahrain.

In spite of the efforts made by corporate hospitals and governments, poor infrastructural facilities are hampering the growth of medical tourism in the country. Many cities don't have the requisite infrastructure such as international flight connectivity, roads, good hotels and guest houses required to house the patient's family, and communication facilities like telephone and internet connectivity. Speaking on this issue Preetha Reddy, Apollo Hospitals, said, "Most centers don't have proper flight connections. Mumbai is the one centre that is relatively well connected. But Kolkata, Chennai also have good options for medical care but absence of proper airline connectivity makes them unattractive."

Unfriendly insurance regulations in India for foreign patients also deter foreigners from choosing India as a destination for health care services. Amit Mitra, secretary general, FICCI, says, "Our government needs to negotiate at WTO and at the bilateral level so that health insurance cover in the original country should also cover medical care provided in India."

Foreign patients are also confused about the different pricing policies adopted by different hospitals for the same treatment. A standard pricing across the country will make it easier for foreign patients to make a comparison of service quality in various hospitals and arrive at a decision. Lack of international accreditation is another factor that discourages foreign patients and insurance organizations from coming to India. Speaking on this issue, Naresh Trehan, Executive Director of EHIRC says, "Accreditation of hospitals, uniform price banding like in the developed countries, and organized campaigns will encourage more overseas patients to get treated here."

Questions for Discussion:

1. What are the various factors that attract foreign patients to India and other South-Eastern countries? Is it necessary for the service providers to understand the culture of the foreign patients to provide them better service?

2. Naresh Trehan, Executive Director of EHIRC feels that accreditation of hospitals, uniform price banding like in the developed countries and organized campaigns will encourage more overseas patients to get treated here. What significance does this suggestions hold for a service provider like Apollo Hospitals?

Caselet 14

Godrej Appliances, a division of Godrej & Boyce Mfg. Co. Ltd., manufactures consumer appliances like Refrigerators, Washing Machines and Air Conditioners. It was a market leader in refrigerators till late 1990's with an overall market share of 30% in 1999. However, Godrej faced tough times thereafter. Its market share dipped to 16% in 2000-01. To stem the decline and improve its sales Godrej launched the Pentacool range of refrigerators in the year 2001 and undertook aggressive promotional campaigns with Preity Zinta, the famous Hindi film actress, as its brand ambassador. In another major customer service initiative, Godrej launched branded after sales service centres under the name 'Smart Care' in the year 2001. Godrej got the idea from its earlier joint venture partner GE's (Godrej-GE parted ways in September 1999 after a six year relationship) similar service business in USA where GE runs annual maintenance contract business for home appliances. These 'Smart Care Centres provided prompt and effective home-repair service through technicians trained at Godrej Appliances. Godrej extended the repair services for other competing brands aimed at making a one-stop repair centre for consumer appliances. To differentiate its services Godrej added various features to its service offering. To facilitate prompt response, Godrej has set up a single Toll free number. Godrej promised to attend to the customer within eight hours of complaint registration. These smart centres stored spare parts of all the Godrej appliances range. However, Godrej charged a higher price – nearly 40% more than the market rate – to maintain quality in its services. To gain market share in the repair services market, Godrej mainly targeted the middle and upper middle-income households, which were seeking reliable and professional repair service for their appliances outside the warranty period. The company offered two kinds of services – annual maintenance contracts and the pay per use service. It concentrated on the annual maintenance contracts for a fixed annual fee. The customer's appliances covered under such contract were serviced free of cost for a whole year. The company trained its service engineers in technical as well as soft skills. Commenting on the training aspect, vice-president marketing, sales & service Godrej Appliances, SK Ghatak, said, "For service engineers we conduct routine training and re-training in the practical aspects of product engineering and technical know-how among other things. In so far as the Smart Care Centres are concerned, we impart training in soft skills and customer-handling, besides training for making effective and productive sales calls."

The company aimed to establish long-term relationship with the customers using its 'Smart Care Centres'. Speaking on this issue, SK Ghatak, said, "These Centres act as a 'listening post' and help us to understand consumer expectations better. By going beyond just providing after-sales service in providing consumers with regular preventive maintenance of their appliances, providing valuable knowledge about maintaining and caring for their appliances, Godrej Smart Care is in effect making efforts to reach out to its consumers and therefore building a lifetime relationship with them." Godrej also used these centres to capture a significant share of the replacement market and sold nearly 30,000 appliances through this route. Mr. Ashwani Keswani, Vice-President, Consumer Services, Godrej Appliances, adds "These contracts besides generating a positive word of mouth for Godrej Appliances also help us significantly in targeting the replacement market."

By 2004, Godrej had 350 Smart Care centres spread across 25 cities with 350 people on its rolls. Godrej sold 1.8 lakh annual maintenance contracts in the year 2003. 25% of these contracts were for the repair/maintenance of non-Godrej products. The company set a target of 2 lakh contracts for the year 2004-2005 and expects this division to increase its revenue contribution to overall revenues of Godrej Appliances from the present figure of 10% to 20% in the next five years. Encouraged by the customer response, it plans to extend the repair services to its other B2C divisions of Godrej & Boyce such as locks and security equipment, office equipment, personal care, agro and food. It launched a pilot program in Ahmedabad in the later half of 2004. Commenting on the larger plans for "Smart Centres" SK Ghatak, says, "We will gradually start servicing all Godrej machines and household appliances in a house, including cupboards and so on."

Questions for Discussion:

1. "Godrej Smart Care is in effect making efforts to reach out to its consumers and therefore building a lifetime relationship with them." How can Smart Care help Godrej in enhancing the customer satisfaction levels? Do you think after sales service can be a good revenue generator for the company?

2. "These contracts besides generating a positive word of mouth for Godrej Appliances also help us significantly in targeting the replacement market." Comment.

Caselet 15

Indian Railways is one of the largest employers in India and one of the largest railway networks in the world. However, with its delays and poor customer support, it hasn't been able to acquire a reputation as an efficient and well-run transport service. In order to shed its negative image, and in order to shift from a process-centric approach to customer-centric approach, Indian Railways launched major training program to make the railways customer-friendly in 1999. The training program was taken up on a pilot basis in 1999 (the year it declared as the "year of the customer"). The project was called Project Goodwill. The program was conducted by NIS a leading training services provider. 330 employees from various zones of the country were trained at Delhi. The participants included the then railways minister Nitish Kumar and the members of the Railway Board. Encouraged by the results, the railways has expanded its services training program, and has entrusted the job of training its 1,00,000 front-line employees over a period of five years to NIS Sparta. The training program, which is a five-day program, trains employees on various aspects of customer handling. As enquiry and reservation were the major functions involving direct interaction with customers, NIS trained the front-line service employees in dealing with customers, specifically on these two fronts. In the first phase running from October 1999, company trained 25,500 employees from 23 locations over a period of 18 months. In the second phase the company trained nearly 35,000 employees spread across 16 locations.

A total of 1,00,000 employees from 61 locations are expected to be trained by the end of 2005. In order to study the effectiveness of the program, NIS conducted a survey at the stations where the staff was trained. The survey was based on 7 critical parameters. The survey found that the program had helped in improving customer handing skills of the employees and that the improvement ranged from 56% to 73%.

Another major service provider that focuses on training its workforce is Airtel. With its increased customer base and coverage, the company began to feel the need for a training program for its workforce and channel partners, so as to enhance their sales and service skills.

Airtel undertook a pilot project where its employees in a particular circle were trained on four key processes - activation, billing, collection and channel management. Post-training, the customer satisfaction score rose significantly to 230% within nine months. Buoyed by these results, the company decided to extend its training program to all its circles, and seven more processes were included in the training program.

To keep up its growth, Airtel then decided to launch Project 'Tsunami' which aimed at revamping its business processes and developing service standards comparable to those of the best companies worldwide. Under this project, the company conducted a strategy workshop where the top management of Airtel interacted with experts from NIS Sparta, headed by Sunil Mittal. The workshop aimed to revamp the company's business processes. The company identified ten business processes that are critical to its operations, and benchmarked them with the processes of the world's best companies. Based on this exercise, Airtel developed service norms for its service personnel to follow in all the regions where the company operated.

Questions for Discussion:

1. Identify the reasons for the increased focus on training by Indian Railways and Airtel?

2. Training employees is one of the ways to deliver service quality consistently. What are other ways through which a company can make employees deliver a high quality of service consistently?

Caselet 16

Hathway Investments Private Ltd., a Raheja Group company, ventured into the print media industry with their weekly newsmagazine, Outlook, in October 1995. They provided detailed investigative articles that created an interest among readers and helped its growth levels. In 1998, they introduced Intelligent Investor (later renamed Outlook Money). In subsequent years, they brought out other magazines like Outlook Traveler and Outlook Saptahik. In 2003, in a move to separate the publishing business, Hathway Investments set up Outlook Publishing India Ltd., (OPIL) to manage all their publications. By 2004, Outlook magazine had developed a readership base of 1.5 million readers and sold 11.2 million copies a year. OPIL also developed websites for all their magazines to provide online access to readers. Analysts attributed OPIL's success to their marketing strategies, which targeted different segments of the reading public.

To distinguish Outlook from its nearest competitor – India Today -- OPIL gave the magazine a different kind of appearance, using different font sizes and making other visual changes targeted at the youth segment. The magazine's content reflected issues like gender, education, etc., apart from covering current affairs. OPIL devised a home delivery mechanism for their readers, which offered them the convenience of having their copy of the magazine delivered to them at home at the same price (Rs.10) as it was available on the newsstands. Later in 2002, OPIL increased the price to Rs.15 after ascertaining that the majority of the readers were loyal and were not sensitive to price. Not content with the success of Outlook, OPIL launched "The Intelligent Investor" in 1998, targeting the increasing middle class population. The magazine believed in "Invest well, borrow wisely, spend smartly" and reflected this in its content. It presented investment facts in a manner that made it easy for the layperson to comprehend it and apply it in his/her personal life. This magazine was renamed Outlook Money in 2002 and had the distinction of selling 100,000 copies, in a year, that too within 15 days.

Encouraged by the readership of both these magazines, OPIL decided to enter a relatively underdeveloped segment – travel -- and launched Outlook Traveler in 2001. This decision was taken after significant research and the relative success of

www.outlooktraveller.com. They priced the magazine at Rs.50 and targeted the high-end customer. Quality content was generated by using good photographers and specialized writers to cover domestic and outbound travel. Initially, they attached a 16-page supplement of this magazine to Outlook and Outlook Money so that the readers could assess it. . They also placed sample copies at hotels and airports to gain visibility, apart from going in for regular advertising – two times in a week. Further, they offered attractive discounts and gifts as part of subscription offers. The success of this was reflected in the first month when all the copies were sold out. Later, they published special publications on travel called Getaway Guides, which were a huge success.

To cater to Hindi readers, OPIL started a Hindi newsmagazine called Outlook Saptahik. This magazine had a separate editorial and targeted the interests of the Hindi readers. This magazine was distinct from its English news magazine, Outlook and had different content but it was priced the same. By giving the Hindi magazine a distinct identity, OPIL sought to differentiate it from the India Today Hindi version, which was a translation of the English magazine. Further, the websites of all OPIL's magazines had interactive components built into them for customer comments.

Apart from offering different magazines, OPIL deployed various indirect promotional strategies to retain subscription levels. It tied up with Epson, printer manufacturers, who offered a 6-month free subscription of Outlook Money with a new model of their printer. Another promotion measure was through the flagship company Hathway Investments, which combined its promotional strategy with that of Outlook magazine's promotion by offering one-year free subscription to any member who referred another potential customer for its cable services. Apart from these, various promotional schemes including gifts were introduced from time to time. The "Outlook Money Show" was a step toward building their brand further. Thus OPIL gained ground in the print media by their unique offerings directed towards selective segments of the reading society.

Questions for Discussion:

1. What role did marketing strategies play in helping Outlook Publishing India Ltd (OPIL) in scaling great heights within a short span of ten years?

2. Product alone does not guarantee continued success in an industry. How far have price and promotional campaigns helped OPIL gain ground in the magazine industry?

Caselet 17

Telebrands India, a 100% subsidiary of Telebrands Corp., pioneered the concept of teleshopping in India. It soon grew into a leading teleshopping network in the country. In mid-1995, TSN (another major US-based teleshopping network) and Asian Sky Shop (ASK), owned by the media giant, Zee, also entered the market. The other major players who followed were TVC, TSNM and Star Warnaco. Teleshopping networks had become a part of the lives of Indian TV viewers by early 2000.

The networks advertised a range of products, right from fitness equipment to kitchenware. Day in and day out, customers were swamped with images of models showing off their 'fabulous flat abdomens,' 'blemish-free skins,' or selling disease-curing teas, and wonderful kitchen and household equipment, on almost every TV channel.

While deciding on the product-mix, teleshopping networks focused more on offering innovative and value-for-money products, which were not otherwise available in the market. These were primarily impulse buying products, aimed at attracting viewers and inducing them to take a prompt buying decision. Thus, a select range of imported products was offered that mainly included electronic goods, fitness devices, home

appliances, and toys. The networks sourced their products with the help of agents (both in India and abroad) who identified and certified the quality of these products. In some instances, the manufacturers of the products approached the networks directly to market and distribute their products. The products offered were broadly divided into two categories -- utility products (fitness devices, heathcare/autocare products, household appliances, and electrical devices) and value-expressive products (jewelry, apparels, and home decor). The range of product offerings increased during 2001 and encompassed many more products that included electronic goods, toys, clothes, books, and music.

Teleshopping networks adopted two types of persuasion modes to induce viewers to buy their products, namely, Functional Congruity and Self Congruity. While functional congruity aimed at attracting consumers by emphasizing the utilitarian aspect of the product, self-congruity aimed at luring customers by matching the product user image with that of the customer's self-image. The products were advertised through infomercials, which were aired in 1-2 minute time capsules between scheduled programs (both national and regional) or in 30-minute time capsules on various TV channels. Most of these infomercials were aired only on weekdays while a few were aired seven days a week. Initially, only imported products were being offered and the market was very limited, so companies did not find it commercially viable to prepare detailed infomercials for them. Therefore, they offered dubbed versions (English, Hindi, and other regional languages) of the original infomercials (made in different foreign languages). As the product range expanded to include domestic products as well, the networks developed (shot) infomercials in India. Most of these were developed in studios and featured well-known personalities such as former film and TV stars.

To ensure success, teleshopping networks paid special attention to their pricing strategies. In the initial years, most of the products offered by these networks were lifestyle products that came last in the priority of a typical Indian household. Though the price of the products offered by various networks in the late 1990s was as low as Rs 500, most of them were priced at a premium to target the upper classes. However, over the years, the number of utility products increased and the prices of the products were also brought down to make them more affordable. In 2002, the price of the articles offered ranged between Rs 200 and Rs 12,000, with a majority of the products falling in the Rs 1,000-5,000 range.

For effective distribution of their products, the networks focused on strengthening their franchisee base across the country. All the major networks in India had their franchisees across major metros and semi-metros in the country. Toward the end of 2001, the franchisee network of Telebrands India extended to over 90 cities across the country, while ASK's network spanned 60 cities. The networks provided the telephone numbers of all their distributors at the end of their infomercials, so that customers could call their nearest distributor for further enquiries or to place an order.

As a result of the networks going in for a judicious mix of the 4 P's, public awareness about the merits of teleshopping increased. Customers, who followed global trends in lifestyles and product usage, began to buy teleshopping products, and the market picked up momentum. In 2001, the market registered an annual growth rate of over 20% and amounted to Rs 500 million. In 2002, Telebrands led the market with an estimated turnover of over 250 million, followed by ASK with a turnover of over 200 million.

Though the teleshopping market was showing a positive growth trend, its growth rate was much below the expectations of the players involved. According to a report,[1] most of the teleshopping networks in the country were not making any profits. In fact, TSN stopped its teleshopping activities in 2002 and began concentrating only on

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[1] Times of India, September 7, 2002.

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online retailing (www.tsnshop.com). According to market sources, Telebrands was the only network that was able to sustain itself and make profits – though this too was attributed by many to the strong support it received from its parent company, Telebrands Inc. The reasons for the slow growth of the teleshopping market in India were many, the most important being the abundant supply of imitation products. Local entrepreneurs copied the products advertised on TV and very soon the markets were flooded with imitations. The imitations were not only cheaper than the organized sector products, but also allowed consumers the facility of touching and appraising them, something they could not do with teleshopping products. Mahesh Panna of Telebrands said, "What happens is that we come out with a product and it is promptly copied by a local player. He obviously sells it at a lesser price. This way the whole market goes out of our hands."

To address this problem, networks such as Telebrands and ASK opened special retail outlets in all major metros and semi-metros to enable customers to personally appraise the products offered, before making a purchase decision. Apart from the new products, the companies also retailed those products that had been taken off the air (to make place for new products) but still had potential for sale. However, the local retailers who copied the products still enjoyed a substantial price advantage over the teleshopping networks due to local manufacturing, low transportation costs, and elimination of distribution/delivery costs.

Though the teleshopping networks claimed that their pricing strategies were in tune with the target customer's profile, the reality was very different. The higher prices were proving to be a major hindrance to the growth of teleshopping networks. Most of the products were priced between Rs 1,000-5,000. Customers were found unwilling to pay this amount for lifestyle products that ranked rather low in their household purchasing priority list. The differences in culture and language also posed problems and hampered the prospects of the teleshopping market in India. As teleshopping networks needed to telecast their programs in different regions, they dubbed most of their infomercials into the regional languages. However, these failed to have any impact on prospective customers as they did reflect the native culture of the region. Another major problem for the teleshopping networks was the growing criticism of some of their products. There were a host of products that claimed to do 'seemingly impossible' tasks for consumers. For instance, products promising to reduce weight, remove unwanted hair, improve posture, improve hearing, and cure chronic diseases were eyed with suspicion by a majority of Indians. Also, viewers found it unnatural that the 'over-enthusiastic' and 'chirpy' foreign models who appeared in the dubbed infomercials were mouthing dialogs in Hindi and other regional languages.

The limited reach of teleshopping products further compounded the problems. The networks focused mainly on metros and B-class cities, neglecting towns and semi-rural areas which also had a growing base of educated and premium end customers who aspired for convenience and novelty products. To address this problem, major teleshopping networks announced plans to expand their distributor base and extend their reach to all corners of India. Every distributor or franchisee was supplied with a minimum stock level, based on the expected market of the product in that specific region. The players also entered into marketing agreements with leading retail outlets in various cities, where their range of products could be displayed.

With all the networks preparing to leverage on the growth potential in the market, the competition intensified. To withstand competition, it became essential for teleshopping networks to continuously innovate and offer new products. This posed a serious challenge for them.

The biggest threat for teleshopping, however, seemed to be the emergence of interactive home shopping, wherein the retailers and consumers used interactive electronic systems such as a digital TVs or the Internet (popularly called e-tailing) to

buy products online. However, industry observers felt that it would not be long before this concept became popular, given the growing techno-saviness of Indian consumers and the increasing Internet user-base in the country. It was being increasingly felt that networks that did not embrace this new phenomenon would find it difficult to survive in the coming years.

Questions for Discussion:

1. Discuss the strategies followed by major teleshopping networks in India with specific reference to each element of the marketing mix.

2. Critically examine the problems faced by teleshopping networks in India. According to you, what measures (in terms of the 4 P's) should the teleshopping networks in India adopt to address these problems and grow in future?

Caselet 18

With the liberalization of the banking sector in India, many banks are on the constant look-out for new opportunities. One of the areas where different banks are vying with each other to gain a strong position is in the Wealth Management Services market. According to a recent study by IBM, called *Indian Wealth Management & Private Banking Survey 2003-04*, the population of individuals of high net worth (HNI) has been growing at a rate of 40% per annum. Merrill Lynch and Cap Gemini's (E&Y) World Wealth Report 2003 predicts that by the end of 2003, India will have 61,000 HNI's. A similar study made by NCAER estimates that population with an annual household income above 10 lakhs will touch the figure of 700,000, and the population with income above Rs 50 lakh will touch the figure of 51,000 by the end of 2006.

The enlargement of these sections of the population has encouraged banks to make serious efforts to capture these individuals as their clients. According to IBM's study, the wealth management services market is growing at a rapid pace with an average growth rate of 40%. The wealth management market can be divided into four key segments: retail segment consisting of customers willing to invest upto Rs 1 lakh, semi-affluent segment consisting of customers willing to invest between Rs 1 lakh to Rs 25 lakhs, affluent segment consists of customers willing to invest between Rs 25 lakhs to Rs 2 crores, and HNI's who are willing to invest Rs 2 crores and above.

Wealth management services seem attractive to customers because of various changes in the environment. With the boom in the economy, the income levels of customers are increasing at a significant rate, resulting in high disposable incomes. The fall of interest rates has made the traditional financial instruments like bank deposits and small savings instruments less attractive as an investment option for customers. Volatility in the financial markets and growth in new financial instruments has made investing a complex proposition for customers. Moreover, the time constraints they face make it difficult for customers to allot enough time and effort to the management of their investment portfolio. Customers are therefore turning to professionals to manage their investments rather than managing them on their own.

Speaking on this issue, HDFC Bank country head, equity and private banking group, Abhay Aima says, "Essentially private banking is for people who do not have the time to study the various investment instruments or have access to information from Reuters, Bloomsberg, CNBC, CNN, Crisil or his own research database to take an informed decision". Another societal change that is aiding the growth of wealth management services is the growth of nuclear families. A smaller family structure is prompting individuals to invest at an early stage in life, so that they can lead their post-retirement life comfortably. Jitendra Panda, vice-president (retail), Motilal Oswal Securities, says, "The recent trend is towards nuclear families and there is an increased cautiousness towards securing one's post-retirement days; hence the emphasis on wealth creation during the productive years."

The financial institutions that offer wealth management services can be categorized into two groups – corporate banks and capital market players. Major players in the banking sector are Citibank, HSBC, HDFC, ICICI, ABN–Amro and Standard Chartered. Some of the prominent capital market players who provide wealth management services are UTI, Ask Raymond, DSP Merill Lynch, and Enam Securities.

The customer service level of wealth management services depends on the funds the client puts in. Clients investing smaller amounts are offered standardized services, and a single relationship manager handles a large number of such customers. On the other hand, for customers whose investment is large, service providers will offer personalized service customized to the needs of each customer. A relationship manager handles between 30 and 40 such customer accounts.

There are three types of fee structures that financial institutions follow for their wealth management services. According to one model, the charge is fixed as a percentage of the total investment amount of the customer. Another model charges the customer on a per transaction basis. Some service providers do not charge the customers, but instead charge the mutual funds and insurance companies whose products they sell.

Though the wealth management services market in India is growing, the competition is heating up with the entry of foreign players and independent wealth management consultancies. Another challenge the financial institutions are facing is the shortage of competent and experienced professionals. As the wealth management services market is still a new area, there are not enough professionals with the requisite skills and experience in the market. Due to cut-throat competition among the players, the attrition rate is also high.

Questions for Discussion:

1. What factors are responsible for the increased prominence of wealth management services in India?

2. Financial institutions have divided wealth management services market into four segments based on income levels. Do you think that such segmentation helps in understanding the customer needs and targeting the right segment? If not, on what other basis can the market be segmented?

Caselet 19

Carrefour (CF) was established in 1959 and in 1961, it launched the first ever "hypermarket" with a floor space of 2,500 sq.m in France. The concept proved a success and CF launched self-service "hypermarkets" throughout France. Not content with the potential offered by the home market, CF expanded into other European markets like Italy and Belgium. In the late 70s and early 80s, it expanded into North America and by the 90s it had ventured into Central America, South America, and Asia. By 2003, CF had become the second largest retailer in the world with a chain of hypermarkets, supermarkets, discount stores and convenience stores in 29 countries. In a bid to improve and manage customer service, CF used technology to upgrade various business processes apart from motivating employees and giving value added services to customers.

To improve the inventory management process, CF introduced Spectrum24® wireless local area network (LAN) infrastructure and hand-held computers in its 68 stores in Asia in 1999. This system did away with the need to key in the contents of handwritten records into systems as it provided a complete solution that managed everyday store operations including shelf price audit, inventory, merchandise receiving, returns and order entry. It helped improve both productivity and inventory management. Next, CF tied up with HP in implementing ICSE (Instant Support Corporate Edition), which helped to automate help desk services. This technological

upgrade helped online registration of incidents, reducing telephone usage by 7%. Further, the system automatically tracked technical problems through web chat so that the IT department could look into it immediately without depending on the help desk person's capabilities to resolve the problem. This resulted in the employees becoming more self-sufficient and an overall savings of 50,000 euros annually which translated into lower prices for the customers.

Technology ensured that the processes became more efficient but there was a need to motivate the employees behind these processes. Therefore, CF concentrated on providing an inspiring atmosphere for its employees by initiating various training and reward programs. It provided an average of 1.4 hours training per employee throughout the world in 2003. CF's training center in Belgium offered a unique program "Customer Culture" to every store manager and his or her respective team. Each team appointed an ambassador who received training at a two-day workshop on 'training and motivating co-workers'. At the end of the program, the ambassadors were given a tool kit that included a teaching manual and necessary material for organizing training programs for all the teams in a store. The program helped employees learn to understand the customer's perception and to develop an enthusiastic attitude. This, in turn, helped them serve customers better. CF also conducted employee satisfaction surveys from time to time and these surveys were used as a basis for improving the work environment. As reward measures, employees were awarded bonuses of one or two months' salary in case of increased sales.

All these measures served to make the internal business processes more efficient, thereby optimizing costs and benefiting the customer indirectly. Across the world, CF stores were spacious and offered a comfortable shopping environment. Besides, the merchandise was neatly displayed to help customers easily find the commodities they needed.

Satisfying customers, rewarding the support and kindness of customers with more thoughtful services and higher-quality products were continuing pursuits for Carrefour. For this purpose, they had to keep interacting with customers and retain customers' interest through various promotions and other offers. Keeping this in mind, in 1995, CF- Supermercati GS (the Italy chain) introduced a loyalty program called SpesAmica (meaning shop friend), which was based on a loyalty card used by the customer. Such cards were introduced in other countries as well. The use of this card was linked to a data warehouse system provided by UNISYS. Customer details were collected at the point of sale and then reports on precise customer profiles, including information about buying habits and promotion effectiveness were created. Further, data analysis was done to enable CF to identify and classify customers on the basis of customer attributes combined with customer behavior, such as how much they spent, what and when they bought, who bought a given product category, changes in buying habits, frequency of visits, etc. This helped CF adopt a more focused approach in promotion campaigns, which targeted the right customer for a specific offer, thereby retaining customer interest. This system also had built-in measures to gauge the effectiveness of the promotion measures and to prevent frauds in the implementation of these programs. To increase loyalty, customers using SpesAmica cards were given extra discounts, additional points toward a gift in a prize catalog, entertainment offers, and special coupons.

CF also offered supplementary services in its stores in China. -- free delivery for big appliances, free shopping for the everyday lucky customer, free parking, goods return and exchange facility within 15 days, etc. A lot of information was provided to the customer through information desks, toll free numbers, websites, catalogs, etc. Customer satisfaction surveys were also undertaken to improve service levels. The toll free numbers and website helped in recording customer complaints for immediate resolution. Employee focus on the customer, quality products, and an efficient customer service mechanism -- these were responsible in making CF one of the most successful retail chains worldwide.

Questions for Discussion:

1. As a retail store, how has Carrefour gone about improving its customer service? Discuss in the light of improvement in business processes and employee attitude.

2. Retaining the customers by implementing various loyalty programs is an ongoing program in any service organization. What were the measures taken by Carrefour to motivate customers to visit the store frequently?
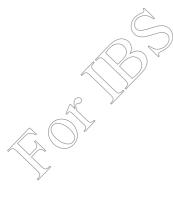
Caselet 20

Carnival the world's leading cruise company with 12 brands in its fold, registered revenues of $6718 million for 2002-03 with a net profit of $1194 million. It mainly operates in North America, Europe, and Australia. Carnival has a fleet of 78 ships, each with the capacity to accommodate 600 to 4300 customers. Carnival offers various vacation packages ranging from 7 to 14 days. Some packages even extend up to 30 days. Carnival segmented its vacation packages into three categories -- contemporary, premium, and luxury -- based on the nature of the tours, the quality of customer service, and the itinerary of the vacation. The key destinations that Carnival covers include Alaska, the Caribbean, Europe, the Panama Canal, the Mexican Riviera, the South Pacific, South America, Hawaii, Asia, and Canada/New England. Apart from tours, it also manages onboard services such as the casino, gaming, bar, gift shops, entertainment arcades, shore excursions, art auctions, photo sales, and spa services.

The 9/11 attacks and recession in the US economy hit the travel industry hard. While 9/11 left people unwilling to travel by plane, recession made them reduce their travel and vacation spending. These changes in consumer behavior decreased the sales and revenues of the company since the customers had to travel by air to reach a particular port from which the cruise starts. This, coupled with the reduced spending on travel and vacation, made cruise travel unattractive to customers. Carnival had to take various measures to tide over the crisis.

Carnival harbored its cruise liners at nearby ports, thus reducing the time the customers had to travel to get to the liners, and eliminating the need for boarding a flight. Carnival also reduced fares and offered shorter cruises targeted at price conscious customers. These measures helped Carnival to stem the decline in sales. Also, it followed an aggressive acquisition strategy and this helped it to gain a wider reach and a broad-brand portfolio. Carnival could thus offer a wider choice to customers. For example, through the 'Yachts of Seabourn' brand cruise liners, Carnival provided a premium cruise vacation in small yacht type ships with a passenger capacity of 208. These cruise liners offer personalized service with one attendant per guest and have luxurious facilities like spas, gym, an open-seating restaurant, a business center, and a casino. Another brand called 'funships' targeted the younger generation, which hosted midnight buffets and dance parties till late night. But the biggest offering was its new $800 million Queen Mary 2, launched in 2004, which is the first transatlantic cruise for Carnival in 35 years. This ship earned the maximum revenues for the company so far.

Carnival also managed its cost structure effectively to stay profitable. For example, after it acquired the P&O Princess cruises in 2001, to gain economies of scale advantage it consolidated its back office functions in three places -- London, Miami, and Los Angeles, thus saving nearly $100 million in costs. It also banned the practice of travel agents offering part of their commissions in the form of discounts to customers, thereby enabling the company to gain a higher share of profits.

With such well-planned marketing strategies, Carnival sustained its market leadership and was able to expand its business. For 2004, it expected to post revenues of $9.5 billion, constituting nearly half of the worldwide revenues in this market with a net profit of $1.8 billion.

Carnival was bullish about its growth prospects based on its market leadership and strong portfolio of brands. Since cruising as a leisure option had not penetrated into the travel market, the company planned to explore the opportunities of entering unexplored markets. Commenting on the issue of low penetration of cruising in the travel market, Micky Arison, Chairman and CEO Carnival Corporation & Plc, said, "In Germany they (customers) do 80 million packaged holidays a year". Only 250,000 of them are cruises. That number should be in the millions." Carnival also expected changing demographics to aid in the growth of the cruise liners. Industry surveys pointed out that a majority of cruise travelers were people aged above 40 and families with children. Baby boomers, numbering about 50 million, were entering their 40's and their population was expected to grow at an annual rate of 30% between 2000 and 2010.

But the analysts were skeptical about a similar performance continuing in the future. Since Carnival's market is mainly concentrated in the US, any changes in the US market would affect the company. Moreover, Carnival had to face competition not just from players in the same industry but also from substitute services such as theme parks, resorts, tourist spots, etc. Other factors that could affect the company negatively were the increasing fuel costs and seasonality. Since Carnival operates in a seasonal market where the market peaks during the summer months it may have to explore opportunities to keep the liners busy during the slack period. Carnival's business also faced the threat from changes in weather conditions and natural calamities. For example, during the summer of 2004, the East Coast and Caribbean regions faced a string of storms. This forced Carnival to take emergency measures of diverting the ships, changing the ports, and destinations. Therefore, it had to refund money to customers who were to board its liners at those ports. Carnival incurred losses worth $40 million in terms of refunds and expenses due to these storms during 2003-04.

Questions for Discussion:

1. SWOT analysis is the key task a service marketer has to perform before making any marketing planning strategy. In this context, do a SWOT analysis of Carnival cruises.

2. Discuss the steps Carnival took to overcome the crisis time following the 9/11 attacks and the recession in the US economy.

Caselet 21

In China, the manufacturing businesses contribute 50% of the GDP and the service sector chips in with a 30% share. Of these, Chinese beauty products and services sector is estimated to be worth $ 24 billion, 50% of which is cornered by MNCs. However, a local service provider is making a mark in this sector with a simple and innovative service offering- foot massage shops. Liangzi, a foot Bath, Health & Fitness chain has nearly 480 outlets spread across China. The chain has clocked revenues of $ 18 million for the financial year 2003. The concept took shape when Zhu Guotan, a young 34 year-old entrepreneur who used to do petty businesses, identified the demand for foot massaging by masseuses in his locality (Xinxiang in Henan province). This prompted him to launch the concept as a similar high-end service, in 1997. The success of his first shop encouraged him to expand the business further. At present, the chain has nearly 280 shops that are company-owned, while the remaining are run by franchisee operators. Speaking about the promotion of his service Zhu says, "We have almost never used television or newspaper advertising – It hasn't been necessary. The way we build our brand is through word-of-mouth." However, the company has adopted innovative ways to promote its service. In order to promote the company, Zhu himself has taken certain publicity activities like undertaking a bicycle trip from Beijing to Italy that took 4.5 months to complete and walking from Shanghai to Beijing when shops had to be closed down due to SARS attack. In addition, every year the chain funds the study of 300 rural school children.

However, Zhu feels that there are certain challenges that hinder the growth of the company. He feels that since the service is human-intensive, its personnel are the key to the chains' success. It employs nearly 20,000 masseuses at all its centers. All these masseuses are recruited from rural areas mainly from his home province. Speaking on the issue of personnel training, Zhu says, "Many problems with quality have emerged. We are in a service industry and the training of our people is most important." The chain has taken steps in this direction. All the masseuses are trained at the company's own training school called Liangzi Massage School that trains them in the ancient art of foot massaging. It is based on pressing the right pressure points of the foot which relaxes customers. Another challenge that Zhu faced, was from fake shops that used the Liangzi name, which affected the reputation of the chain. Since he had very limited options to control such fake outlets, Zhu focused on consolidating his business to maintain the quality standards. He intends to cut the branch strength from 400 to 100 within the next two years and concentrate on running these shops effectively and efficiently.

Zhu also plans to pursue his overseas ambitions by setting up shops in South Korea and then go on to set up nearly 30 shops internationally in the next five years (2009). He has set a revenue target of $ 40 million to be achieved by that time.

Questions for Discussion:

1. Zhu set up Liangzi Massage School to train foot massagers. How does this help a service organization like Liangzi in serving its customers better?

2. Fake Liangzi shops have diluted the brand image of Liangzi. Suggest a strategy, which can be followed by Liangzi to over come this challenge?

3. Zhu plans to pursue his overseas ambitions by setting up shops in South Korea and then go on to set up nearly 30 shops internationally in the next five years. What could be the reasons behind Zhu's decision to enter the South Korean market?

Caselet 22

The American insurance industry recorded $1.09 trillion in gross premium income in 2003, an increase of 7.3% over the previous year with non-life insurance contributing $ 584.15 billion. Although auto insurance accounts for a major share of non-life insurance, it fared poorly because of the depressed US economy and price competition among the insurance companies. In this highly competitive environment Progressive Corp, auto insurance major, started offering innovative services to attract new customers and retain its existing customer base. Progressive Corp is the third largest US auto insurance company behind the State Farm Insurance Co. and Allstate Corp. The company has grown at a steady pace since the 1990s, when it started offering innovative products and services. The company offers round the clock toll-free auto insurance comparison rating service that provides customers the insurance quotes of three of its competitors and its own. This has helped customers compare the quotes and select the company offering the best quote. Progressive Corp also offers the comparison rating service, online. To speed up claims, the company has started a service called 'Immediate Response Vehicle' that has trained claims professionals reaching customers and processing the claim on the spot. At present the company employs nearly 12,000 claims professionals for this purpose. It also offers vehicle repair claims process service through "Concierge" claims centers. Customers can bring their damaged cars to any of the 20 "concierge" claims centers located in 18 cities all over the USA, specify the preferred repair shop and return to their place by a rental car. The insurance company will undertake the repair work and after completion, the customer can return the rental car and pick up his car from the center where he left it. Such a service reduces the time for the customer in terms of repair and the claims processing. The company also provides a limited lifetime guarantee for

the repair work undertaken by it. Progressive Corp. has also gone a step further by assisting customers in buying a new car, if their damaged car is not worth repairing. It offers a check for the value of the damaged car, to the customer. However, this service has been offered on a pilot basis. Another innovative service that the company is offering involves purchasing the insurance policy through its website on a real time basis. Customers can also make payments, track their claims, and change policy information through the company's website. In a move to provide competitive rates to the customers, Progressive has started testing a new insurance quote system. In this system, the company installs a computer chip in the customer car that records information such as driving time, speed at which the customer drives, and the distance the customer traveled. etc. This information is uploaded to the website by the customer. Based on the information, the company sets the quote. Such a system helps the company offer the optimal price that matches with the customer's driving behavior instead of offering a single quote to all customers. The company plans to implement this pricing strategy depending on the response to and functioning of this system.

Such innovative services have made Progressive the third largest auto insurer in the USA. When the other insurers were showing a negative or lesser growth, Progressive's profits shot up to $ 1.3 billion in 2003, an increase of 88% over the previous year. Its revenues stood at $ 11.8 billion in 2003, an increase of 28% from the previous year. Business Week has rated Progressive Corp as number one in its 50 Best Performers list for the year 2004. However, analysts are skeptical about the company sustaining the growth rate in the future. This is because competitors are renewing their efforts to boost their market share. They are cutting prices aggressively, aided by reduced claims. For example, State Farm Insurance has reduced its rates by 13.6%. Competitors are also increasing their promotional activities. Allstate, insurance major, has planned to allocate $ 175 million for its promotional activities in the year 2004. It was a sponsor for the 2004 Olympic Games.

Questions for Discussion:

1. Progressive was in the forefront in offering innovative customer services. In what ways have these initiatives helped Progressive?

2. Market analysts feel that the service initiatives that enhance customer relationships will not only benefit the service provider, but also the customers. In what ways do you think will customers benefit from the customer service initiatives of Progressive Corp?

Caselet 23

McDonald's is a leading international fast food restaurant chain with 30,000 restaurants spread across the globe. In India, it launched its operations in 1996, with two stores. It now has 54 restaurants with a daily inflow of 5 lakh customers. It plans to add 15 more outlets by the end of 2004. As per the Informal Eating Out (IEO) survey involving the survey of branded food chains in India, conducted by ACNielsen, McDonald's was found to be the leader in fast food chains. Many factors can be attributed to the success of McDonalds Indian operations.

First, McDonalds has focused on products and changed its menu to suit the tastes of Indian consumers. It launched India specific items including McVeggie™ burger, McAloo Tikki™ burger, Veg. Pizza McPuff™ and Chicken McGrill™ burger. Considering the Indian preferences and sensibilities, the company doesn't offer pork and beef items in India. It offers egg-less sandwich sauces for vegetarian customers and vegetarian items are prepared at a separate counter at the outlets.

On the pricing front, McDonalds has adopted customized pricing for each of the cities depending upon the tax structure, demand, and purchasing power of the population. However, to attract mass-market customers it has launched a new menu called Happy Price Menu in which select items are priced at Rs 20 across all the outlets in the country.

As McDonalds is into the food business, establishing an efficient supply chain infrastructure is of great importance. McDonalds has, therefore focused on setting up an efficient and effective supply chain. Its supply chain is three tiered, consisting of farms, processing plants, and distribution centers. The company has selected the farmers who can meet its quality and supply standards and directly sources the produce from them. They are supported by McDonalds in terms of seed technology and latest irrigation methods to enable them to obtain higher yields and better produce. The next level of supply chain activities involves the processing of farm produce. For this, the company has tied up with various local suppliers like Vista Processed Foods Pvt. Ltd. a joint venture of OSI Industries Inc., USA, and McDonald's India Pvt. Ltd that processes chicken and vegetarian food products at its plant situated at Taloja, Maharashtra. Dynamix Diary supplies cheese, butter, ghee, and milk products and Amrit Food supplies long life UHT Milk and Milk Products for Frozen Desserts from its fully automated plant situated at Ghaziabad, Uttar Pradesh. The next level of supply chain activity is the distribution of processed food to the outlets. For this, the company has tied up with Radhakrishna Foodland, which is into food products distribution. Foodland provides logistics support to McDonalds by providing cold storage facilities and transporting the processed foods to the outlets using temperature controlled transport vehicles.

To maintain the service standards, the company has made it mandatory for personnel to undergo periodic training programs. The core principles of McDonald's that are, Quality, Service, Cleanliness, and Value (Q.V.C&V), guide its training programs. The company's highly structured training programs are conducted at four levels: crew development program, restaurant management program, mid-management program, and executive development program. Entry-level workers are trained under the basic crew development program. The training is conducted at each restaurant. Crew members are given on-the-job and off-the-job training. The next level of training is the management development program. This training program is devised for the employees in the restaurant management team. The program ranges from the basic level to the advanced level.

McDonalds also focused on creating a right ambience in the outlet. Since it has been positioned as a family restaurant, McDonalds ensured that the physical environment reflected that image. The outlets are spaciously designed, well lit and has an informal atmosphere, so that kids can play around and families have the opportunity to conduct events like birthday parties. Besides, no-smoking zones have been set-up in the outlets, taking into account the sensibilities of families. The company has also laid special emphasis on the convenience of kids. The height of the counters at some outlets is lower than normal, so that they are easily accessible to kids. In addition, McDonalds has made use of vibrant and pleasing colors, and paintings based on different themes, which children can relate to. McDonalds has also created localized ads titled "What Your Bahana". The ads have the same theme as the "I'm lovin it" global campaign. The characters in the ads cite weird reasons for eating out at McDonalds. Humor has been used to put across the message to the consumers.

To keep up the interest in the brand, McDonalds also ran various sales promotion activities targeting the children and family, such as offering toys and conducting contests.

Questions for Discussion:

1. The services marketing mix consists of three additional elements like people, process, and physical evidence apart from the traditional marketing mix elements such as product, price, promotion, and place. How McDonald was's able to utilize these additional three elements to market its services?

2. The proliferation of western fast-food chains such as McDonald's, Pizza Hut, Subway, and Dominos in the Indian market has only been a recent phenomenon. What are the reasons that have contributed to the increased popularity of western fast food chains in India?

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Caselet 24

The Indian fast food industry is pegged at Rs 2000 crore with an expected annual growth rate of 40%. Several multinationals like McDonald's, Dominos and Pizza Hut have established their presence in India. A new entrant is Subway, a leading sandwich chain, which, with 16,900 outlets in Canada and the US, has surpassed McDonald's branch strength in these two countries. Worldwide, it has a total of 22,361 restaurants, spread across 78 countries. Subway operates in India through a wholly owned subsidiary, Subway Systems India. Currently, Subway has 38 outlets in India and plans to increase this to 200 outlets by 2005. Subway sells a wide range of vegetarian and non-vegetarian sandwiches, which consumers can customize. To cater to Indian tastes, it also offers many Indian recipes such as paneer tikka, chicken tikka, chicken seekh kebab, and spicy veg. In deference to Indian sentiments and sensibilities, the company does not use beef products in India. The preparation counters for vegetarian food are kept separate. What is special about Subway outlets is that the orders are prepared right in front of the customers, with customers being able to even customize their meal. They can choose the toppings, spices to be added, etc. Speaking about the products that the fast food chain sells, Chetan Arora, Business Development Manager, Subway Systems India, says, "There is no other fast food chain in India that serves the products we serve. Further, customer interaction is maximum at our stores as the customer can be involved at all stages of the sandwich-making process starting from choosing the bread to the meat, the sauces, spices, and so on, which again is unique to us."

Subway has adopted the franchising route to penetrate into the market. Each store involves an investment of Rs 45-60 lakh. It has an area of 700 sq. ft. to 1,000 sq. ft. with two sections -- dine-in and takeaway counters. Justifying the move to use the franchising route, Fred DeLuca, chairman & founder of Subway, said, "We have never compromised on quality and services. But you cannot be present in 70 countries to monitor this on a day-to-day basis. So we follow the franchise route everywhere." The franchisee has to bear the cost of setting up the outlet. These include an initial franchise fee, and purchasing or leasing the equipment. The franchisee is also responsible for managing the restaurant and personnel. The franchisee should pay a royalty fee of 8% and 3.5% toward an advertising fund in lieu; Subway provides assistance in identifying the location for the outlet, in designing the store, in preparing the menu, in setting up operational systems, in conducting training programs, and in carrying out periodic evaluations.

On the pricing front, the prices range from Rs 40 - Rs 220 – depending on the recipe the customer chooses –10-15% higher than its nearest competitor McDonalds. But analysts are not sure about the company's premium pricing strategy. Mr. Arvind Singhal, MD of a retail-management consultancy firm, KSA Technopak, commented, "as such, there is no negative perception about sandwiches in India. However, the premium pricing strategy for the product may have to be altered, keeping the price conscious Indian consumer in mind."

Subway has a unique arrangement to promote its brand. The advertising expenses are financed from a specially created advertising fund that is operated by the franchisees themselves. The franchisees contribute a certain percentage of the sales proceeds to build the fund. They also promote the brand locally. The development of advertising campaigns is being looked after by Triton advertising agency. The main objectives of the advertising campaigns are to attract customers to the outlet and also to project the image of the outlet as one that offers healthy and fresh food.

Questions for Discussion:

1. "We have never compromised on quality and services. But you cannot be present in 70 countries to monitor this on a day to day basis. So we follow the franchise route everywhere." Do you agree with this statement?

2. Subway has adopted a premium pricing strategy with prices 15% higher than those of its competitors. Do you feel that such a pricing strategy is appropriate for the price-conscious Indian consumer market?

Caselet 25

FedEx is one of the largest express cargo and courier companies in the world with more than 138,000 employees operating in 215 countries. In the fiscal year 2003-2004, it recorded revenues of $ 24.7 billion. The company launched its services in India in 1995 and at present, it has a direct presence in cities like Delhi, Chennai, Bangalore, Hyderabad, Tirupur, Kolkata, and Ahmedabad. It has a tie-up with Prakash Airfreight Pvt. Ltd., (Pafex), where Pafex looks after the domestic cargo and FedEx handles international packages. The company currently employs 220 people in India. FedEx is known not just for its express delivery services, but also for the people-friendly policies that it employs in the organization.

The company has taken many measures and constituted policies and systems to ensure that it hires and retains the best people. This approach begins with the recruitment process that ensures that the company recruits personnel who not only have the right qualifications, but also the right attitudes and skills to fit in with the FedEx work culture. Potential candidates are tested mainly on their behavioral and professional competencies to assess whether they can fit in with the FedEx work culture.

The company also lays a lot of emphasis on training the personnel. Speaking on the training and development at FedEx, Mr. Jacques Creeten, Managing Director, sub-continent, FedEx, said, "Our career development program encourages employees to take time off to educate themselves further. This may be mandatory in-house training or even voluntary training to sharpen their skills." The company has a rule that each employee has to undergo 4-6 weeks of training every year. They also have to undergo 15 days training in a classroom, which is at their own discretion. FedEx provides $2,500 of assistance to employees for pursuing courses in areas that are of interest to them. It also offers an e-learning program to its employees in association with Skillsoft, an e-learning content provider. Through this program, employees can choose from 800 short-term courses, which help them to enhance their work-related skills.

The company motivates its employees through career counseling and reward schemes. The manager conducts a counseling session with employees in which issues like career path, hurdles, and employee interests are discussed. Based on the inputs, the manager in consultation with the training department identifies the training programs and the career opportunities available. The company also makes it a point to consider personnel within the organization for any vacancies before advertising outside.

In order to motivate the employees, the company has instituted many reward and award schemes. Awards are given to employees who excel or perform exceptionally on various parameters. Some of the awards that FedEx has instituted are Super Star, Bravo Zulu, Circle of Excellence, the Five Star award, the Q=P award, the Quality Success Story (QSS) award, and the Golden Falcon award.

Of these, the Five Star award is the highest recognition that is given to employees who have performed outstandingly and contributed to the company in terms of higher customer service, profitability, or spirit of teamwork. The Bravo Zulu award is given to employees who stretch themselves beyond their normal duty. Explaining about this award, Mr. Birender Ahluwalia, spokesperson for FedEx India, said, "Some time ago, we had a client who was to receive his air ticket for a forward journey. One of our employees took the initiative to pick it up from the service station late in the night and

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deliver it to the client at 2 a .m. in the morning — this called for a Bravo Zulu award." The Golden Falcon award is given to employees who show exceptional performance achievements or unselfish acts that enhance customer service.

The Circle of Excellence is given to a circle that displays customer service excellence. This award is aimed at enhancing team performance rather than just individual performance.

The company is also very particular about the performance of the employees. It has constituted the 360 degree performance appraisal system where an employee is evaluated by higher-level as well as lower-level employees. The lower-level employees have to evaluate their immediate manager and rate him. If the manager fares poorly in the evaluation, the company alerts him. If the manager has not improved in subsequent evaluations, he is asked to leave.

Such people friendly policies have ensured that FedEx India ranks number one in the India's Great Places to Work 2004 Survey conducted by Businessworld.

Questions for Discussion:

1. In what ways do the training initiatives taken by FedEx help the company in enhancing its service performance as well as that of the employees?

2. In a service organization, developing personnel to deliver service quality is an important and difficult task. How do you think FedEx has managed on this front?

Caselet 26

Reuters, a leading global information services provider, is more known for its news services, even though most of its revenues (nearly 90%) come from its financial information services business that serves the needs of 427,000 financial professionals worldwide. Reuters employs 14,700 professionals in 92 countries. For the financial year 2003, it recorded revenue of £3.2 billion. Till the late 1990's, Reuters maintained a fairly good position in the financial information services market, commanding a premium price for its services. However, things have changed since then. Due to commoditization of the market, Reuters has lost its price advantage and this has affected its profitability. Bloomberg, its rival in the data terminals segment, has made aggressive moves to capture the market. This is clear from the changes in the market shares of both the companies – 4% in 1991 to 44% in 2003 by Bloomberg compared to 55% in 1991 to 40% in 2003 by Reuters. The foreign exchange trading market, which was largely dominated by Reuters, declined due to falling volumes (introduction of Euro resulted in Europe becoming a single currency market) and the launch of EBS – a trading network that was developed by a consortium of banks to reduce its reliance on Reuters for forex transactions. The financial institutions cut their investments on the financial data terminals to cut costs during the recessionary period. This resulted in a decline in revenues and market share for Reuters. The company's net profits declined from £521 million in the year 2000 to £46 million in 2001. It went down further and the company posted a loss of £404 million in 2002. This prompted the CEO of the company Mr. Tom Glocer, to take stern measures to contain the losses and put Reuters back on the growth path. Glocer first focused on cutting costs. Reuters set a target of reducing the workforce from 18,200 in the year 2001 to 13,000 by the year 2006. In order to further cut costs, it shifted some of the technical jobs to Bangalore (1,000 jobs) and Bangkok (800 jobs). It also streamlined the operations of its loss making electronic stock trading company (ECN) Instinet, (in which the company holds 83% of the stock) by cutting costs and merging with its competitor Island ECN. Reuters also set a target of cutting costs for Instinet by $100 million through reducing the workforce, increasing efficiency, and consolidating office space. The merger resulted in reducing its share in Instinet to 62% and receiving a special

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dividend of $ 207 million. Reuters even shifted its head office from 85 Fleet Street, London, where it had been located since 1939, to new premises at Canary Wharf, thus saving of $ 9 million.

Apart from cost cutting, Reuters restructured its operations according to the customer segments. It divided its operations into four groups based on the target customer segments – Asset Management, Investment Banking, Corporates and Media and Treasury. Reuters also focused its efforts on reducing the clutter in its product line and planning to cut the product line from 1,300 products to 100 strategic products. Speaking on this issue, Devin N. Wenig, president of customer segments, said, "We had 1,300 poorly positioned products. It was hard to tell sales what to sell. It was hard to tell the customer what to buy."

By 2003, Reuters was able to prune its product portfolio to 800 products. It also categorized its products into three tiers. The '7' series, the high end series of products, consisted of Reuters 3000 Xtra or Bridge station (in USA). These products had advanced features like live prices and data analytics. The next level of products was the '5' series consisting of Reuters trader tools. These tools were mainly aimed at investment bankers. The lower level '3' series consisted of the Reuters Market Monitor (RMM) and the Global Advisor that provided real time global financial information. Reuters also offered specialty products like Reuters Knowledge and Reuters Plus. This segregation was aimed at capturing the market from its rival Bloomberg which offered all "one-size fits all" products that offered the customer a bundle of features at a fixed monthly rental. Speaking about the rationale behind segmenting the market, Mr Glocer said, "What an investment banker does is very different from what a derivatives trader does. I have never been convinced that they should have the same box or pay the same price." On the customer service front where Reuters had fared poorly, it focused on four areas – customer training, problem resolution, product quality, and product content. Reuters hired special trainers to explain to users how to utilize its products effectively. It also laid special emphasis on problem resolution. It launched the "DeveloperDirect" program wherein the clients could interact directly with the developers for certain products to clarify any doubts. It also offered e-support, where the customer could make use of online help to find solutions to their problems. Apart from these, dedicated teams handled big accounts (the clients who provided business worth $ 18 million-$ 70 million).

Restructuring measures helped Reuters improve its revenues and post profits. For the year 2003 it recorded revenue of £3.2 billion with operating profit of £126 million.

Questions for Discussion:

1. How do you evaluate the Reuters new customer service initiatives in the light of the fall in its market share and revenues in the financial information services market?

2. As a part of its restructuring process, Reuters has decided to reduce its workforce to 13,000 by 2006 from 18,200 in 2001. How will this affect the performance of the remaining employees? What steps should Reuters take to make the retrenchment process smooth?

Caselet 27

Till the late 1990's, Bharti (Airtel) with its first-mover advantage and aggressive acquisition strategies maintained its leadership in the Indian cellular industry. But things changed with the advent of domestic players like Tata Cellular and Reliance Infocomm and international players such as 'Orange' into the Indian market. First, competition in the sector intensified, and second, the government also decided to reduce tariff rates. As a result, the different cellular operators made all-out efforts to

extend their horizons and reach customers across all socio-economicstrata. Essar, then Airtel's nearest competitor, began offering tariff plans, schemes, and services that were identical to those of Airtel. And much to Airtel's chagrin, Essar's subscriber base began to grow and soon nearly equaled that of Airtel. Bharti realized that if it wanted to increase its market share in the face of these changes and the increased competition, it would have to reposition Airtel.

In early 2000, it conducted a series of brand tracking studies to understand the customer's psyche. These studies revealed that though Airtel's existing promotional campaigns based on the leadership theme were effective, they failed to attract more customers since they lacked an emotional dimension. Analysts perceived the brand to be efficient but distant and cold. According to Preet Bedi, Director, Lowe India, "The brand had become something like Lufthansa — cold and efficient. What they needed was to become Singapore Airlines, efficient but also human." These brand-tracking exercises helped Bharti realize that in a business where customer relationships are of paramount importance, lacking an emotional or humanized touch was a major weakness. The surveys also revealed that the concept of leadership was itself undergoing a transformation. The public was increasingly beginning to perceive leaders as people who worked with a team to achieve common objectives rather than those who dictated terms to their subordinates. The surveys indicated that 50% of the new subscribers bought a cellular phone service brand on the basis of suggestions made by friends, colleagues, or family members. Bharti then realized that its existing customer base could be used to promote the brand and expand its market (as these customers could endorse the brand).To gain a competitive advantage, it decided to humanize the Airtel brand.

In August 2000, Bharti launched its new promotional campaign 'Touch Tomorrow', which aimed at strengthening its relationship with its customers. Bharti's advertisement expenditure for the year was Rs 450 million, with advertisements spanning the print, electronic, and outdoor media (for this campaign). The campaign featured Airtel users surrounded by caring family members. According to Hemant Sachdev, Director (Marketing), Bharti Group, "The new campaign and positioning is designed to highlight the relationship angle and make the brand softer and more sensitive. Mobile telephony is taken for granted, – in one of our researches, consumers have described mobile telephony as being 'kept close to the heart.' What is adding a new dimension to the cellular category is the advent of new features like roaming, SMS, and the Net, which are taking communication beyond voice to data and video. This has tossed a challenge: how to bond with consumers."

In line with the company's new repositioning objectives, the television commercials, print and outdoor advertisements highlighted Airtel as a brand that made it possible for customers to derive all the benefits of cellular telephony. The new commercials developed for this campaign reflected humane, aspirational, family-centric, and softer brand values while promising easy reach to customers. Bharti also created a new logo for the Airtel brand, which had red, black, and white colors with 'Airtel' enwrapped in an eclipse. The tagline 'Touch Tomorrow' was placed below in lower case typography to convey a warm and informal style. The new campaign was first rolled out in the states of Karnataka, Madhya Pradesh, Himachal Pradesh, and the city of Chennai. Bharti shifted its focus from SEC A audiences to SEC B audiences through this campaign. It also increased its Touch Point network (Airtel's shop-in-shop points at various departmental stores and lifestyle establishments).

In line with its repositioning efforts, Bharti revamped the entire Airtel network including Airtel Connect centers. It gave a contemporary look to the centers with e-kiosks, facades, collaterals, signage, and merchandising material. Besides, it changed the color scheme of these outlets, adopting a combination of red, black, and white to give the outlets a soothing, soft, but classy look. The dress code at these outlets was

also changed. Men wore black trousers, a white shirt bearing the Airtel logo, and a red tie, while women sported red tops and black trousers with ivory colored chiffon scarves.

The company's repositioning strategies paid off, and by early 2002, Airtel had regained its position as the leading cellular operator in most of the circles (it operated in) across the country.

Questions for Discussion:

1. According to Mr. Preet Bedi, Director, Lowe India, "The brand had become something like Lufthansa — cold and efficient. What they needed was to become Singapore Airlines, efficient but also human." What were the reasons that led Bharti to take steps to reposition Airtel as the number one cellular brand in India?

2. The key to the success of a service provider's positioning strategy lies in communicating the positioning of the brand to target customers. How far did Airtel succeed in communicating its new positioning, through the 'Touch Tomorrow', campaign to its customers?

Caselet 28

The Rs 25 billion Indian film industry has come a long way from being a regional and proprietary industry to becoming a professional and corporatized industry with global ambitions. However, the Indian film exhibition industry, i.e., movie theaters did not change much -- until recently. A majority of the theatres lacked modern equipment that could screen movies with good pictures and sound quality. Apart from this, their dull ambience and poorly planned seating arrangements killed the pleasure of viewing a movie.

However, the traditional Indian theatres are now facing tough competition from newly developed multiplexes that are providing the customers with a better movie viewing experience. India's first multiplex, PVR Anupam, was set up in South Delhi in 1997 as a joint venture between Priya Exhibitors and Australian company Village Roadshow. (Priya Exhibitors later bought out Village Roadshow's stake in the venture). At present, India has 50 multiplexes and the major players in this market are PVR, INOX, Satyam Cineplexes, and Shringar Films. However, INOX, a relatively new entrant in the exhibition business, is expanding aggressively to have a pan India presence. INOX forayed into the multiplex business in 1999. In the first phase, its major focus is to cover the Western region at an investment of Rs 175 crore. It opened its first multiplex in Pune in 2002 and at present, has five properties in the cities of Pune, Vadodara, Mumbai, Goa, and Kolkata.

These multiplexes are designed based on international standards and offer shopping and food facilities apart from the movies. On an average, each multiplex has 5-8 screens. Each theater is equipped with state-of-the-art cinema viewing equipment. The theaters have a Dolby Digital EX surround system DTS sound Format audio systems and JBL speakers. They also have fully automated Christie projection and looping facilities. The company has installed Harkness Hall Perlux screens that provide high picture quality and generous viewing angles. Each theater is provided with wall-to-wall stadium style seating arrangements.

The multiplexes have shows from 10 A.M. to 10.30 P.M., with 12 shows being run on an average in a day. The shows are timed in such a way that a new show starts every half an hour. Each theater has a seating capacity ranging from 170-520 seats. INOX has tied up with Barista and McDonald's to put up food stalls at the multiplexes. The company also has its own food counters called 'Refuel', which offer various food products. These multiplexes have a games section as well.

INOX also tries to provide the best service alongside these facilities. The ticketing process is computerized. Customers can also get their tickets at their doorstep by booking them online. Besides, INOX provides the option of booking tickets through SMS. The tickets are priced at a premium ranging from Rs 100 to Rs 200 for three seating levels, Executive, Club, and Royale. The company adopts a flexi-pricing model where the ticket prices vary depending on the demand for the movie and the timings of the show. For example, tickets for a morning show are priced lower than those for an evening show. Likewise, tickets during weekdays are priced lower than those for the weekends.

INOX considers the venture a success and claims that INOX Pune is witnessing an occupancy rate of 65%. INOX shot into limelight when it bagged the contract of constructing a four-screen multiplex (the venue for 2004's International Film Festival of India (IFFI) in November) for the Goa government in a nationwide tender.

INOX expects a Rs 60 crore turnover by the end of 2005 and has set a target of Rs 140-150 crore by the end of 2006. It has an ambitious plan to set up multiplexes in cities like Bangalore, Chennai, Hyderabad, Kochi, and Allahabad in the second phase at an investment of Rs 100 crore. INOX develops properties in two ways -- it develops the multiplexes on its own, leasing some of the space to other retailers, or it takes the space on lease in an already developed shopping mall. While INOX owns the multiplexes in Pune and Vadodara, the multiplex in Mumbai is located in space leased from Cross Roads 2 shopping mall. INOX also plans to take some space in the shopping mall proposed to be developed by the GVK group in Hyderabad. This mall is scheduled to be fully functional by June 2005.

Questions for Discussion:

1. How will the supplementary services help INOX in attracting customers and increasing its revenues?

2. Setting up world class theaters require huge investments in land, building, machinery, and manpower. How can a multiplex leverage on these assets to provide value-added services and promote them to movie viewers?

Caselet 29

Faced with the decline in the manufacturing and agricultural industries in the state (due to a large number of people going in for expatriate employment in the Gulf countries), the Kerala government began to look around for other sources of revenue. It soon realized the potential of tourism as a major revenue source. During the early and mid-1990s, the Kerala government concentrated on tourist attractions such as lagoons, lakes, canals, backwaters, boathouses, and its 600-km coastline. The state government formed the Bekal Resort Development Corporation (BRDC) in 1995 to take up the task of developing the backwaters, beaches, and the scenic landscape at Bekal in an integrated manner.

During the late 1990s, the focus shifted to marketing tourist attractions like hill stations, waterfalls, the Western Ghats, wildlife sanctuaries, and the state's cultural traditions like Kathakali, Koodiyattam (traditional dance forms), temple festivals, Kalari Payattu (martial arts), boat races, and Ayurveda. In 2000, the Kerala Travel Mart Society (KTMS) organized the Kerala Travel Mart-2000 (KTM-2000), a high profile promotional campaign, at the International Convention Center, Kochi. This campaign made the tagline Kerala -- 'God's Own Country' popular worldwide. Gradually, as Kerala's marketing campaigns picked up momentum, international travelers became aware of the state's rich culture, traditions, handicrafts, art, and cuisine.

KTM-2000 attracted holiday buyers from 32 countries including France, Malaysia, Singapore, and Hungary. The state became one of the favorite holiday destinations of the millennium[2]. The next KTM organized in 2002 also received an overwhelming response with many more countries – Belgium, Holland, the UK, Germany, and Brunei, among others – participating. The state itself actively participated in trade fairs like ITB-Berlin and WTM-London.[3] Over the years, Kerala increased its outlay on tourism considerably, from Rs 292 million in 1996-97 to Rs 400 million in 2001-02.

Leading hotel chains in the country, Indian Hotels (owners of the Taj properties) and the Oberoi group were present in the state. The number of Taj properties in Kerala was higher than in any other state. Indian Hotels even ran a nationwide television campaign to promote its properties in Kerala, highlighting the state's natural beauty. This was the result of agreements entered into by the Kerala Tourism Development Corporation (KTDC) with these hotels.

Kerala was the first state in India to have enacted a Tourism Conservation, Preservation and Trade Bill to regulate tourism-related activities in the state. The state also took up the task of improving wayside facilities, boat terminals, and jetties. In addition, it built a good waste-disposal system for the backwaters. Commenting on this, T Balakrishnan, Kerala Tourism Secretary, said, "The first step is concessional power tariff for approved star hotels, amusement parks, motels, restaurants, ropeway tourist centers and others. This would be followed by improving other basic infrastructure projects like roads and wayside facilities. All the projects have to conform to the state's long-term goal."

As a result of the above initiatives, international tourist arrivals in the state increased from 69,000 in 1991 to 0.21 million in 2000, while domestic tourists numbered 5 million during the same year. The state earned around Rs 5 billion in total direct revenues from tourism in 2001-02. These achievements prompted KTDC to further spruce up its tourism development and promotional activities. The organization even invited the then Prime Minister, Atal Behari Vajpayee, to visit the state in June 2002. Acclaimed director-cinematographer, Santosh Shivan, was employed to make a high profile advertisement campaign for the state. In addition, eminent artists like M F Hussain and Yusuf Arakkal were chosen as brand ambassadors. Their paintings of Kerala were used around the world to market the state as a popular tourist destination.

The state tourism department also entered into a Memorandum of Understanding (MOU) with Indian Airlines and Indian Railways to attract high spending tourists. A special arrangement was made with the Railways to introduce Ayurveda coaches to give the tourists a rich experience.

KTDC even came up with an innovative, comprehensive insurance package for tourists visiting the state. Introduced in association with United India Insurance Ltd., the scheme compensated tourists for any accidents occurring during the period of their stay, if they stayed in any of the KTDC's six premium properties for a minimum of three nights. Various schemes such as a 'personal accident scheme,' 'medical expense scheme,' 'baggage cover extension scheme,' and a 'loss of passport scheme' were offered under this scheme.

Due to the focused, well-planned, and well-executed marketing strategy, the tourism industry in Kerala grew by leaps and bounds. Over the years, the number of foreign as well as domestic tourist arrivals to the state increased significantly. The number of domestic tourists was four times the number of foreign tourists who visited the state in

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[2] According to an article, the genesis of 'God's Own Country,' published on www.hinduonnet.com.

[3] The International Tourism Exchange (ITB)-Berlin, held in Germany, is a leading trade fair for the global tourism industry. World Travel Market (WTM), held in November each year in London, is the second largest world tourism fair after the ITB-Berlin.

2000 – 5,011,221 domestic tourist arrivals compared to 2,09,893 foreign tourist arrivals. In 2000, the National Geographic Society[4] declared Kerala as one of the 10 paradises in India. The state won the first Outlook Traveler-TAAI Award for excellence in 2000-01 in recognition of its sustained efforts to achieve a synergy between government and private entrepreneurship to promote tourism. The Financial Times, London, identified the state as the 'smart traveler's choice' in January 2002. Kerala was even chosen as a 'partner state' by the World Travel & Tourism Council[5] (WTTC). The state gained recognition from various other quarters as well. The February 2002 issue of Geo Saison, Germany's largest selling travel magazine, featured Kerala and its heritage of Ayurveda. It also won the national award for the Best Performing State in Tourism for 1998-99, 1999-2000, and 2000-01.

Questions for Discussion:

1. Discuss in detail how communication campaigns have helped in promoting Kerala as a preferred tourist destination in India.

2. Product/service is in itself a good marketing tool. Explain how Kerala has developed its product (read state) in order to attract customers.

Caselet 30

Sports celebrity management – once an unknown concept – has become the buzzword in the Indian advertising industry. The seeds for sports celebrity management were sown during the early 80's when former cricketer Kapil Dev endorsed brands like Palmolive and Boost. But the concept shot into the limelight in the mid-1990s when WorldTel's Mark Mascarenhas signed Sachin Tendulkar on for a five-year contract with a minimum guarantee of Rs 20 crore. Sachin again came into the public eye when WorldTel signed him on for Rs 100 crore for five years starting 2001-02. This contract drew the attention of many in the industry to the sports celebrity management services.

The sports celebrity management services market in India was largely unorganized and was run on personal contacts and networks. But the situation started changing when big advertising agencies entered this field by setting up separate divisions for sports marketing. Some of the major organized players in this field are IMG, Total Sports, Collage Sports, and Percept D'Mark. Individual managers and companies tied up with professional agencies to bring in professionalism into their operations. For example, Showdiff, a new talent and entertainment management company, was the result of a joint venture between former cricketer Ravi Shastri and leading Indian advertising agency, Rediffusion Dy and R.

The market was pegged at Rs 100 crore annually in 2004. Of this, a major portion (Rs 60 crore) came from cricket. This was evident from the value of the contracts that cricket players commanded. Saurav Ganguly signed a five-year (2003-2008) contract for Rs 45 crore with Percept D'Mark, a sports entertainment and celebrity marketing and management company that would take care of his endorsements, appearances, interviews, and promotional campaigns. On the other hand, India's leading hockey player Dhanraj Pillay, who is also represented by Percept D'Mark, earned only Rs 7

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[4] Established in 1888, National Geographic Society is the world's largest nonprofit scientific and educational organization, involved in the print and electronic media businesses. It publishes popular magazines such as 'National Geographic,' 'Adventure,' 'Traveler,' and 'World.' It also offers books, CD-ROMs and runs the popular satellite TV channel, 'The National Geographic Channel.'

[5] WTTC is a global organization that represents the private sector in the worldwide travel and tourism industry. It comprises presidents, chairs and CEOs of 100 of the world's leading companies from the travel and tourism industry. Its mission is 'to raise awareness of the full economic impact of the world's largest generator of wealth and jobs – Travel & Tourism.'

lakh in 2003 through product endorsements, Indian team's sponsorship share, and his sports columns. Footballer Baichung Bhutia who was roped in by 9 Yards, a sports management company, received Rs 12 lakh every year for product endorsements and other related activities.

Assessing the brand value of the sports celebrity is a challenging task for a sports management company. To simplify this task, managers interact with the sportsperson to understand his expectations regarding the income he wants to earn and the time he wants to allocate for endorsement related activities. Then based on his expectations, the agencies work out various other decisions like the categories of products/services the sportsperson can fit in with, the brands he can represent, and the brand's paying ability. The agency also evaluates the demand and supply factors such as availability of other models, their remuneration, etc. Based on these inputs, the agency fixes a rate and markets the sportsperson to the brand owners.

Though this business seems lucrative, the players operating in this industry face various risks. The primary risk relates to the reduced appeal of the sports personality due to overexposure. This situation could arise if the agencies attempt to make quick money. Speaking on this issue, a Mumbai-based advertiser comments, "He (Sachin Tendulkar) endorses a health drink one [day], a cola drink the next and a motorcycle on the third day. So how will a viewer associate any one particular product with the cricketing superstar?" Another risk that ranks high in the advertisers' mind is the image of the sports celebrity. For example, the involvement of former South African cricket captain Hansie Cronje in match fixing forced Siyarams to pull out its advertisements featuring the South African team (including Hansie Cronje) for its J.Hampstead line of clothing. Advertisers also distanced themselves from Indian cricketers, Azharuddin and Jadeja, when they faced allegations of match fixing. Injuries and premature retirement also affect sports celebrity endorsements negatively. But according to Ravi Krishnan, managing director, IMG/TWI, South Asia, and senior international vice-president, IMG, "At the end of the day the biggest risk that a company faces arises out of an improper fit between the brand and the celebrity."

Questions for Discussion:

1. Make a SWOT analysis of sports celebrity management industry as a whole.

2. "At the end of the day, the biggest risk that a company faces arises out of an improper fit between the brand and the celebrity." How can both celebrity management agencies and the clients reduce or avoid the risk of mismatch between the brand and the celebrity?

Caselet 31

Hutchison Telecom (HT), one of the world's leading telecommunications companies and a part of Hutchison Whampoa Limited (HWL), a Hong Kong-based multinational conglomerate operating in 36 countries spread across five continents, established its presence in India way back in 1994 through a joint venture with Hutch Max telecom when it acquired the license for providing cellular services in Mumbai. It launched the service in Mumbai on a GSM 900 network under the brand name Max Touch in 1995. In early 2000, Orange was launched in Mumbai to replace Max Touch. In the same year, Hutchison entered into a joint venture with Essar to expand its presence in the country. Hutchison Essar acquired cellular licenses in Delhi, Kolkata, and the state of Gujarat in 2000 and went on to become one of the largest cellular businesses in the country. In 2001, Hutchison Essar won the bid to operate as the fourth cellular service provider in Chennai, Karnataka, and Andhra Pradesh on a GSM 1800 network. By 2004, it had operations in 13 circles in India. It became synonymous with being the first 'service brand' in telecom by making innovations both in customer service and technology.

HT believed in offering easy and enjoyable product offerings to customers as part of its services. In India, it positioned its product offerings on the entertainment and fun platform to suit various categories of the Indian consumer and this was reflected in its various value added services. It was the first to offer national roaming and Short Messaging Services (SMS) in India. In 2002-2003, it launched Hutch World -- where one could see movie clips and download various kinds of audio-video feeds and Hutch Access, under which the consumer could surf the Web at minimum cost. The other services were Hutch Alive (updated news), Hutch Online, Push2Talk and Voice Response system, which were state-of-the-art and simple to use. As a further step to entertain the customer, it tied up with rediff.com to offer "rediff mobile tunes" -- consumers were able to download ring tones, logos, picture messages, games, jokes, information services, news and email by sending an SMS with the first four characters of the service to 7333. Targeting the frequent traveler, Hutch was the first to launch multi-circle GPRS roaming services -- the first such in India -- along with multi media messaging services (MMS). Indian corporate customers benefited by "MS Outlook on Hutch" which gave them access to office email using the SMS or GPRS service. Recognizing the Indian consumer's fondness for discounts, HT tied up with various hotels and entertainment companies to offer privileges booklets to its customers as an additional service.

In Uttar Pradesh, Hutch launched value-added services in Hindi such as Voice Response, SMS, and billing, apart from giving local vegetable market rates on the mobile. Keeping the religious sentiments of the people of this region in mind, it also launched services under the name Bhakti sagar for subscribers to listen to verses from the Gita, and other religious songs. Similarly, it launched Gujlish SMS (a mixture of Gujarati and English) for the added comfort of locals in Gujarat. To give its services speed and efficiency, it introduced the EDGE (Enhanced Data Rate for Global Evolution) technology by tying up with Motorola in 2004. This enabled mobile data speeds up to 240 Kbps, supporting mobile applications such as streaming video and MMS that brought about wider use of such services.

HT thought of unique promotion strategies to suit the diverse and multilingual Indian customer. As part of its promotion strategy in Andhra Pradesh, it used a unique direct approach by means of street plays performed by a local theater group. These short plays communicated the benefits of Hutch's wide coverage including superior voice quality, congestion-free network, and low call drops. Since the plays were in the local language (Telegu), they were able to reach out to a larger audience effectively. It also conducted spot contests to generate a response from the crowd. To promote their Rediff mobile services, the Rediff-Hutch 'Guess the Tune' contest was launched for Hutch subscribers across the country. The contest was based on popular songs, whose ring tones could be downloaded and it generated a lot of interest in customers. In Chennai, as a late entrant, Hutch launched a "Walk-out talking" promotion campaign in select neighborhoods where residents were given dummy SIM cards. On producing the SIM card at the Hutch outlet, they received a discount of Rs 300 on their first bill or on a new connection. They were also entitled to a lucky draw, which allowed them to win attractive prices. As an additional step, they sent around 1,700 personalized mails in the form of ads on the first page of a business daily. For this exercise, 1,700 extra copies of the newspaper were printed that day and delivered before the usual ones reached the individuals. In Mumbai, their billboard and advertisement compared mobile phone prices to cutting chai (a term associated with a hot cup of tea which is nor full nor half), relating to an inexpensive everyday habit of the customer. Hutch launched a special cricket promotion for the September 8-25, 2004 ICC Champions Trophy tournament through which its users got a chance to watch the tournament in England.

In view of increased customer demands for quality services, HT adopted IBM's products to set up a customer relationship management system in 2004. With this system, HT's customer service executives had access to information relating to its over 7 million subscribers from across India. This helped them to provide faster response to customer enquiries, and better customer service.

By means of these measures, HT managed to establish itself firmly in the Indian market, and its services were rated the best on a number of parameters. It was named the 'Best Mobile Service in the Country' by the national TNS survey of mobile users (2004) and the 'Most Respected Telecom Company' by Business World (2003); it got the 'Creative Advertiser of the Year' and 'Campaign of the Year' awards in the annual Abby 2004 advertising awards.

Questions for Discussion:

1. Hutchison Telecom (HT), a global player, entered the Indian Telecom Industry in 1994 to provide mobile services to the Indian customer. How did Hutch go about designing its service offerings for the Indian customer?

2. Attracting and convincing the Indian customer to use its services was the major objective of Hutch. How effective were the promotion strategies used by Hutch in achieving this objective?

Caselet 32

Imagine a company overtaking the market leader, in terms of sales, on the very first day of its launch. Divya Bhaskar, a Gujarati daily newspaper from the Dainik Bhaskar (DB) group of publications, achieved just this distinction when it was launched in Ahmedabad on June 22 2003. The Dainik Bhaskar (DB) group is a Rs 1700 core company with interests in textiles, solvent extraction, job printing, TV media, films, information technology, and family entertainment. Its flagship brand, the Dainik Bhaskar Hindi newspaper, is the largest circulated newspaper in the country with a circulation of 23,00,000 copies. DB entered the non-Hindi market with the launch of its Gujarati daily, Divya Bhaskar.

Divya Bhaskar became the leading newspaper in Ahmedabad from day one, overtaking the market leader, Gujarat Samachar, as a result of an innovative market research process. With a population of 5.06 crore and 69.8% among them being literate (as per census 2001), Gujarat was an attractive market for the print media. According to Sudhir Agarwal, managing director, Dainik Bhaskar, "The decision to enter Gujarat was taken in the beginning of 2002. For almost a year we studied the market, in terms of both product and advertising before we actually entered the state. Further, Gujarat is one market, which still has huge untapped potential." The vernacular newspaper market was then dominated by two well-established names Sandesh (launched in 1923) and Gujarat Samachar (launched in 1932).

To garner a market share, DB decided to adopt the same kind of entry strategy that it had adopted for earlier editions launched in other cities of the country. The strategy was based on a through market research study before launch. Initially, DB studied the offerings of the two leading players with respect to their strengths and weaknesses. Later a market research study was conducted to evaluate the needs of the customers. Instead of undertaking a small survey with a specific sample size, DB conducted a wide-scale survey in March 2003, covering Ahmedabad (consisting of eight lakh homes) and the nearby upcountry districts of Mehsana and Anand (consisting of 3.5 lakh households). DB divided Ahmedabad city into four divisions – Mani Nagar and Bapu Nagar in the old city, Ambawadi and Mem Nagar in the new city. Each division was subdivided into six operational zones and each zone was covered by two supervisors and 15-18 surveyors. The surveyors interviewed each household, covering 20-25 households per day. Preferences with regard to the content and features

expected from the newspaper were collected. The data collected was fed into the database systems on a daily basis, so as to expedite the market research process. A central database management team analyzed the data. The data analysis was completed within four days of the survey being completed. Based on the inputs received from the survey, DB again approached the target customers through a program 'Chali tumhari marzi', which was aimed at sharing the findings of the survey with customers. During this program, DB also presented the contents and design of its proposed newspaper. Based on suggestions from customers, DB decided that the proposed newspaper would have more pages than those that were then available and that the color magazine format would be different from the usual newspaper format. DB offered a six-month test subscription to customers at a discounted rate. Besides the survey, DB also conducted a focus group study with 48 focus groups involved.

DB expected a circulation of 4.0 lakhs copies on the first day of launch. But much to its surprise and delight, the figure exceeded expectations and touched 4.52 lakhs copies. Since the Audit Bureau of Circulation certifies the circulation figures of any newspaper based on circulation figures for one and half years, DB had to take pains to convince its advertisers, the key source of revenues, about the authenticity of its claims. So a readership survey was conducted by AC Nielsen - ORG MARG in Ahmedabad, on behalf of DB, with a similar sample size as that taken in the Indian Readership Survey (IRS) or National Readership Survey (NRS). The survey revealed that Divya Bhaskar was the largest read Gujarati newspaper in Ahmedabad with a readership of 12.11 lakh readers compared to Gujarat Samachar's 10.02 lakh readers.

Questions for Discussion:

1. Briefly describe how Dainik Bhaskar went about with the market research exercise, prior to the launch of its Gujarati daily newspaper Divya Bhaskar in Ahmedabad. How did the findings help Dainik Bhaskar become the number one newspaper right from the first day of its launch?

2. Why according to you, did DB go in for a near census instead of a sample survey? Discuss the pros and cons of using a census in a market research study.

Caselet 33

"We are by nature an organization that is unable to tolerate indifference. We hope that by arousing awareness and a desire to understand, we will also stir up indignation and stimulate action."

– Rony Brauman, MD, Former President, MSF

"By intervening so rapidly, Doctors without Borders calls public attention to humanitarian catastrophes, and by pointing to the causes of such catastrophes, the organization helps to form bodies of public opinion opposed to violations and abuses of power."

– Nobel Peace Prize Committee (1999)

In 1971, a few French physicians came together to launch a nonprofit organization 'Médecins Sans Frontières' (MSF) (Doctors without Borders) to provide medical services to people affected by wars, epidemics, natural calamities, and other man-made disasters. As the name suggests, they did not confine their operations to their homeland but reached out to the needy throughout the world. MSF played an active role in providing emergency healthcare and long-term assistance to populations suffering from dreaded epidemics. By 1999, MSF had 2000 volunteers working alongside 15,000 staff hired locally, working in 80 countries. It had a sizeable number of professional volunteers like doctors and nurses backed by experienced persons in logistics, sanitation, and administration to provide relevant medical help in affected areas. The organization's relief efforts include operations after the Nicaragua

earthquake (1972), launch of a feeding program in Ethiopia (1984), assistance to people affected by violence in East Timor, and the medical assistance provided to tsunami affected Asian countries (2004).

MSF raised a major part of its funds required to support its operations from the general public; the rest came in as donations from foundations, non-profit organizations, international agencies, and various governments. MSF employed the services of a professional fund-raising letter writer, Alan Sharpe, to approach likely donor organizations. This initiative managed to generate around $5 million in 2001 for MSF's medical relief work. Apart from this, MSF had the support of individuals like René, a US actor, who helped raise funds for MSF through his fan club, and ORACLE, which conducted various sales and events to raise money. MSF also employed face-to-face fundraising methods -- a team of volunteers asked for funds from the public at specific sites in a city. However, it found that this method was counter-productive in Britain where there was a deluge of fundraisers from various organizations doing the same thing, leading to an ineffective response from the public. Therefore, it used it only in countries where fundraising was not a known event and was successful in these. Another method MSF employed was online collection of funds. It urged individuals to create their fundraising page on www.justgiving.com and collect donations online. For example, Dan Scaffer was a partner at an international law firm who wanted to collect money for the Sudan famine. As he was also a racing cyclist, he sent an e-mail to friends, colleagues, and relatives requesting them to sponsor him for a cycling competition, adding that the money would go to MSF for the Sudan Famine. He managed to collect 34000 pounds by his efforts, a large portion of which came from his online efforts. MSF also targeted schools to organize fundraising events. Apart from these, it organized programs now and then, including screening of documentaries, to collect money from individuals.

MSF also used other mediums like direct mailers and cold calls for fundraising. During specific emergencies, advertising campaigns were run in the print media and on the Internet apart from soliciting funds from the government. In addition, special events were arranged and a certain amount of support was obtained from corporate sponsors. According to Vivien Pun, head of fundraising, MSF, "Raising funds is always a big challenge, there is a lot of competition among charitable organizations and NGOs, but at least the public has a clear understanding of our work to alleviate suffering and preserve human life and dignity."[6] To retain the interest of their donors, MSF kept organizing various fundraising events, which were enjoyable to different segments of the population. Families enjoyed events like food fairs and dinner dances while men were interested in garage sales and tournaments organized by MSF. MSF, UAE, for example, organized a marathon run at Hiltonia Beach, Abu Dhabi, to raise funds in December 2004. MSF successfully used these fundraising methods to collect sufficient funds for the first phase of its work for Asia's tsunami disaster in 2004.

MSF used funds to provide medication, food and water supplies to needy people; construction of clinics wherever necessary; training of health workers and for other support services. It measured the quality of its services by the success of its mission. This was done by keeping a record of medicines, supply materials, number of people treated, temporary shelters constructed, repairs undertaken, and other documentation. For example, while implementing a program to fight a disease, MSF measured success in terms of the decrease in the number of infected people. Charity ratings boosted donors' confidence in MSF and ensured their continued support. MSF was

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6 "Really making a difference", Ella Lee, www.careertimes.com.hk.

given a top rating "A" by the American Institute of Philanthropy (AIP) that monitored and evaluated charitable organizations. AIP ratings were given based on the percentage of money spent on charitable activities (60% or more was considered reasonable), amount spent to raise $100 ($35 or less was the benchmark) and having usable assets of less than three years. The efficiency of MSFs processes was awarded a three star rating by another evaluator – Charity Navigator – who gave it a rating of 0.11. This rating spoke a lot about the effective use of funds at MSF and it added to donors' confidence in it. Apart from the above parameters, these rating agencies looked at parameters like program expenses, fundraising expenses, revenue, etc. MSF also had the benefit of getting certified by BBB Wise Giving Alliance, that looked into standards of fair and honest solicitation practices and ethical conduct by charitable organizations. In 1999, in recognition of its exemplary work, MSF was awarded the Nobel Peace prize.

Questions for Discussion:

1. Charities survive on donations given by individuals and organizations. Briefly discuss the fundraising initiatives of Médecins Sans Frontières (MSF), highlighting the various methodologies used by the charity organization.

2. Charity Ratings are very effective in boosting an organization's capacity to raise funds from donors. Explain the mechanisms employed by rating agencies that boost the credibility of charity organizations like the MSF.
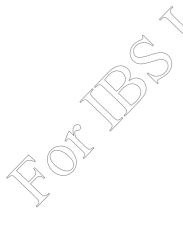
Caselet 34

BSNL, a Rs 28,500 crore company, is India's leading telecom service provider with 43.5 million basic telephony subscribers and 8.1 million cellular service subscribers (as in March 2004). Till the early 1990's, BSNL enjoyed monopoly status by virtue of its being the only player in the Indian telephony market. With the opening up of the telephony market and the entry of private players, BSNL began to face declining revenues and the erosion of its customer base. It realized that to stay on in the market, it would have to restructure its business.

BSNL took various measures to sustain its position in the marketplace. It revamped its customer service functions, opened call centers, and developed an Interactive Voice Response System (IVRS) to provide immediate information to customer queries. It also launched various online services – 'eServices' – through its website such as online bill payment, and requests for transfer of phone, caller line identification facility, call transfer facility, and call waiting services. BSNL tied up with the government of southern state of Andhra Pradesh to use the latter's e-seva (a government project for e-governance) center network for the collection of telephone bills. It also tied up with ICICI Bank, UTI Bank, and HDFC Bank to act as payment partners for the online bill payment facility. The bill payment facility was also integrated with the Internet banking systems of these banks.

On the product front, BSNL took various measures to improve its service product line. First, it tried to make the existing product line better and more attractive to customers. The basic phone service, the main revenue earner for the organization contributing nearly 90% of the total revenues, was improved and special features like caller line identification, SMS service, and voice mail services were added. It also waived the registration fees for new connections. Besides, the tariff rates were reduced to match the rates of other fixed line telephone providers and mobile service providers.

Apart from the basic telephone service, BSNL also entered other high growth areas like mobile services and Internet services. It launched its mobile services in November 2002 under two brands Ex-cel (for pre-paid cards) and Cellone (for the post-paid

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service). To differentiate its mobile services from those of the competition, it offered a wider network reach even in rural areas, higher talk-time value, and lower tariffs. Other value-added services such as MMS, Wireless Application Protocol (WAP), national and international roaming were also introduced in course of time to meet the changing needs of customers.

In Internet services, BSNL sold prepaid Internet cards through the Sancharnet brand, valid for a specific period and number of hours. However, it was the caller line identification (CLI) based Internet service that helped BSNL achieve the leadership position in Internet services. The CLI-based service does not require subscribers to create and maintain any Internet accounts and eliminates the need for buying renewal packs. The billing is done according to the hours used and sent along with the bill of the basic phone service. It launched National Internet Backbone (NIB), a government sponsored project, in 2001 aiming to increase its share in the Internet services market and provide value-added services to the customers.

BSNL also started the Internet telephony service, WebFone, in September 2002 through which customers could make international calls at lower charges. BSNL plans to introduce the broadband Internet service 'Dataone' in over 98 cities during 2005 using ADSL technology. With this technology, BSNL can use the existing copper line network used for its basic telephone service to provide broadband Internet access to its customers. This means that BSNL will not have to spend a huge amount on setting up new infrastructure. Also, it will be able to tap the large captive market of basic telephone users.

In addition, BSNL has adopted new technology and increased capacity to meet the growing demand due to changing marketplace conditions. It plans to add 15 million lines to the existing network at an investment of Rs 10,000 crore (to be completed by the first half of 2005) and eventually reach the 120 million line mark by 2010.

Questions for Discussion:

1. With the opening up of the telephony market and the entry of private players, BSNL began to face declining revenues and the erosion of its customer base. Discuss the basic measures adapted by BSNL to restructure and revive its business from the service quality gap model context.

2. BSNL plans to launch the broadband Internet service 'Dataone' in a big way. What kind of pricing strategy should BSNL adopt to attract customers and improve market share?

Caselet 35

The Department of Posts (India Post) of the Government of India, with a 150-year-old history and 1.55 lakh post offices throughout the country, is one of the oldest and largest service organizations in the country. It offers three different categories of services – mail services (letters, parcels and post cards), financial services (savings bank, money order, and postal life insurance) and premium services (speed post and business post). The postal savings bank has the distinction of being the largest bank in India, in terms of reach, number of accounts, and annual deposits.

In the early 1990's, India Post began to witness a steady decline in the volume of mail handled as well as revenues, mainly due to the government policy of using public sector entities as employment generators, changing customer needs and aspirations, technological changes, and increased competition from private players in the courier industry. The budgetary deficit of India Post (borne by the central government) for 2000-2001 peaked at nearly Rs 1,500 crore. In addition, the mail volumes delivered were nearly 10% less, at 14,203 million than the previous financial year. In the same period, private courier companies grew by 15-20%. As a result of this performance,

India Post decided to restructure its services on two fronts – revamp business operations, and offer a wider range of services. The restructuring was aimed at bringing the organization back onto the growth path by adapting to the changing market conditions.

As part of restructuring business operations, India Post automated the front office and back office operations in all head post offices to improve the speed of delivery and provide effective services to the customers. For this, it set up a Very Small Aperture Terminal (VSAT) network with 150 terminals capable of connecting 5000 post offices. By March 2002, India Post had computerized nearly 506 head post offices and 1,266 departmental sub-post offices. It also automated the transmission of closed mail-bags, which is a crucial back office operation, by computerizing 28 key transit mail offices. In addition, 69 registration-sorting centers and 22 head record offices were computerized during the same period. Apart from automating the operations, India Post also focused on improving the work conditions at all its branch offices. As a part of this initiative, it modernized 192 mail offices and equipped them with better operational equipment, so as to provide the right working ambience and ergonomics for its employees. Besides, the dress code of the employees, followed since its inception, was changed in the year 2004.

India Post also trained its sights on adding new services so as to make the Post Office a one-stop shop to address the different needs of the customers. The initial focus was on mail services. India Post experimented with door-to-door services, including selling stamps and undertaking registered and speed post bookings. This service was well received by the customers. For instance, in Ludhiana it collected Rs 45,000 through the sale of stamps within 20 days of the launch of door-to-door services. In January 2004, India Post launched an innovative service called 'e-post' that provided the advantages of both the traditional mail services and the modern Internet technologies. E-mail messages could be sent for a nominal fee of Rs 10 per page. The messages would be downloaded at the destination postal office through the VSAT network, printed, and delivered to the addressee. This e-post service helps customers who cannot use or do not have access to the Internet. Besides, e-mail communication is a lot faster than the ordinary mail service. The NRI community has benefited a lot from this service since they can easily communicate with their loved ones living in rural India. Corporate houses are also able to reap the benefits. According to Mr. P T S Kumar, General Manager, Business Development Directorate, Department of Posts, "It would save you printing, advertising and courier costs. You will even save on telephone and STD charges".

India Post also launched e-bill, another service aimed at corporate houses. The e-bill facility helps in the disbursal and collection of bills. For example, it delivers 6 million bills of Reliance IndiaMobile to its customers in the Mumbai circle. Besides, the post offices in Pune act as collection centers for BSNL, the government telecom provider. The personnel at these post offices are provided with handheld scanners to read the bar coded bill and computers to collect payments from the BSNL customers.

As part of adding new services, India Post also offered packing material for parcels at competitive rates on an experimental basis. The service was especially popular in industrial towns like Karur (in Tamil Nadu), where manufacturers send product samples to their clients on a regular basis.

Apart from revamping business operations and offering a wider range of services, India Post also focused on using its extensive reach and locational advantages to expand its business. For instance, it launched an information service called DataPost. Through DataPost, it conducts market surveys for clients in the specified regions. It conducted such a survey for a women's magazine in Tamil Nadu. India Post also undertook the entire electoral roll verification in Kerala on behalf of the State Election Commission. Through DataPost, India Post also provides addresses of different customer profiles to clients for a fee (Rs 4 per address).

India Post entered the retail post services as well, to leverage on its extensive reach. Speaking on the foray into retailing, Mr. Vijay Bhushan, Secretary, Department of Posts, said, "We are looking at diversifying into sectors other than the financial services to increase our revenue streams. With a countrywide network of post offices, we are looking to leverage our strengths by foraying into the retail sector. We are open to discussion with any company which wants to utilize our presence and manpower." Presently, it distributes application forms of state and central government organizations and educational institutions. It also sells passport applications. In Chennai, India Post plans to sell the monthly milk cards of Hatsun Agro Product Ltd., and to market publications of various media houses like Vikatan, Dinamalar, and Dinamani, through the post offices.

India Post has been exploring opportunities to expand its financial services business also. It tied up with various financial services and asset management companies like UTI, Prudential ICICI, IDBI Principal, and SBI Mutual to sell their products through the post office network. It also tied up with Oriental Insurance to sell their non-life insurance products through the post offices. India Post also has a tie-up with Western Union Financial Services Ltd., the leading international money transfer company, for processing in-bound international money transfers. By virtue of its network and image of a trusted and reliable service provider, India Post garnered a 19% market share of the international money transfer business that Western Union does worldwide.

Through such innovative strategies, India Post was able to reduce its financial deficit and increase its revenues significantly. In 2003-04, it earned Rs 800 crore through the non-postal services. It expects an increase to Rs 1000 crore by 2004-05. It was also able to reduce the financial deficit from Rs 1,550 crore in 2000-01 to Rs 1,204 crore in 2003-04. India Post plans to achieve zero deficit by the end of 2007.

Questions for Discussion:

1. The financial year 2000-01 saw the financial deficit of the Department of Posts peaking at nearly 1,500 crore. What were the reasons for this scenario?

2. Yield management is a key strategy used by service providers to maximize revenues. How far did India Post succeed in using the yield management strategy while restructuring operations, to reduce the financial deficit and improve operational efficiency and revenues?

Caselet 36

Airtel, the leading cellular brand, is a product of Bharti Cellular Limited – a part of the biggest private integrated telecom conglomerate, Bharti Enterprises. In 2004, Bharti had a presence in 17 of the 23 telecom circles in India and a customer base of over one million. Apart from these, it also offered fixed-line services in five circles. Its mission statement included "delighting customers" by "customer service focus, empowered employees, innovative services, cost efficiency" and this went a long way in helping it to establish itself in the market. Over the years, Bharti undertook extensive customer research and used various technological tools as well as promotion schemes to retain customers and offer value- added customer services.

In November 1999, at one of its quality meetings, it was discovered that the single most important factor in opportunity cost was the churn[7] rate of customers. By looking through its customer data, it tried to find out whether the reason was poor service, network congestion, or bad tariff plans. It realized that there was a need to predict the probability of churn customers to put an effective retention strategy in

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[7] Churn is when a customer decides to leave a service or product in favor of a competitor.

place. With this end in view, it tied up with SAS Institute[8] in 2001. The Institute created predictive model software to control churn. Using this software, Bharti identified that the reasons for the high churn rates in Delhi was the large number of dropped calls and wrong tariff plans. As a result, it realigned its tariff plans and rationalized billing cycles of such customers. In August 2004, it introduced the "network promise service" under which customers would be reimbursed for dropped calls provided they called customer service within five minutes of the call getting dropped. Airtel managed to restrict its churn levels to 2% by these predictive models as compared to industry levels of 5-6%. Airtel also had an e-CRM model in place, which registered every customer interaction online. "If there is a case of a customer calling more than once, we get into quick action," said Mr. Atul Jhamb, COO, Bharti Cellular Ltd[9]. Customers could also register their complaints online through this system.

Bharti employed technological and data warehousing tools in a big way internally to serve its customers better. It tied up with CSG Systems[10] to provide a uniform billing system across India. Apart from these, with the help of CSG, Bharti also created standard operating procedures and revamped business processes to optimize efficiency. These initiatives resulted in a 90% increase in efficiency levels and in the provision of better quality services to the customer. Further, in February 2004, Bharti introduced a single toll free number 121, across the country for post-paid services. This reduced response time as the customer could easily reach the customer care representative. Bharti had nine call centers across 15 cities for this purpose. Its website, www.airtelworld.com, enabled customers to view their bills – billed and unbilled, avail of the E-Bill facility, and also to send an SMS to an Airtel connection. To add to the convenience of "roaming" customers, it introduced the "Anywhere Bill Payment" service in April 2004. Airtel introduced regional roaming for prepaid subscribers when it found that most prepaid users in Delhi were outsiders with Airtel connections in their hometowns.

The data warehousing tools helped Bharti to identify customer complaints and usage behavior and this in turn, helped it to optimize its coverage in West Delhi. Similarly, to resolve the accessibility problems faced by customers in basement offices in an area, it set up powerful transmitters in that area. In December 2004, Bharti introduced 'EDGE' enabled technology, which gave the customers access to multimedia content including live TV, live movies, and games. The 'Telecom Audit Tool', which informed the corporate customers about usage time on national and international calls, SMS, and roaming charges, helped these customers to reduce telecommunication costs by 25%.

At various points in time, as part of value-added services, Airtel launched innovative packages and value added services to delight the customer. It organized a promotion contest on Valentine's Day in February 2003, by offering Airtel greetings on mobile in Mumbai. This received a fantastic response. In May 2004, it offered recent election updates to Airtel subscribers in Kolkata, in addition to daily news analysis by prominent opinion makers like Karan Thapar. In November 2004, it launched "Astrolive", offering live predictions by renowned astrologers apart from tarot readings. These were in addition to career tips, education advice, and zodiac sign predictions. Airtel was the first to introduce special ring tones known as "Hello Tunes" in India. These offered snippets of songs instead of the traditional ring tone.

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[8] SAS is the world's leader in business analytics software.
[9] Krishna Gopalan, "Cell Players net big gains in Customer management", www.financialexpress.com, September 25, 2003
[10] CSG Systems, Englewood, Colo, is a subsidiary of CSG Systems International Inc. CSG and its subsidiaries serve more than 265 service providers in 40 countries spanning billing and customer care solutions for cable television, satellite, mobile and fixed wireline markets.

Airtel thus tried to improve customer satisfaction levels by continual innovation through research and technological developments. And these measures paid off. Airtel was rated the top cellular service provider along with Hutch in 2004 by TNS Celltrack, a market research firm on the TRI*M indicator[11]

Questions for Discussion:

1. Technology plays an important role in customer-centric organizations. How has Airtel increased the quality of customer service through technology?

2. Amidst stiff competition from local and international players, Airtel has managed to continuously be in the limelight. Discuss the various strategies Airtel has adopted time and again to improve customer relations.

Caselet 37

Emirates Airlines (EA) entered the airline industry in 1985 as an independent state airline owned by the Dubai government. EA first started operating between Dubai and Karachi with a Boeing 737 leased from Pakistan International Airlines (PIA) and an Airbus A300. Just two decades later, EA has emerged as a world leader with a fleet of more than 50 aircraft. By 2004, EA operated services to more than 70 destinations in 50 countries located in Asia, Europe, Africa, and America. It offered various value-added services to its customers and was awarded the "best airline of the year in the middle east" in 2004.

Customer communication and measuring customer satisfaction was a continuous program that has enabled the airline to make continuous innovations using technology for the comfort and convenience of passengers. It also provided the requisite infrastructure and training to staff members to ensure excellent customer care. To enable Internet booking of air tickets, EA partnered with Datalex[12], to develop a Web booking platform. Once the booking was through, the next step was check-in services and for this, EA tied up with Materna[13] and launched CUSS (Common Use Self Service) machines in 2003-2004, which made things much more convenient for passengers. After check-in, business class and first class passengers and Skywards members[14] had access to the Luxury lounge that had massage chairs, plasma television screens, a business center, a food court, deluxe bedrooms with attached televisions, and an extensive selection of magazines.

As part of in-flight services on Emirates B777 and A330 aircraft, passengers were provided with up to 18 TV channels and 22 audio channels. Further, first or business class passengers could choose from 50 titles from the in-flight video library and watch them on the in-seat personal video player. To enhance these services, it launched an $8 million ICE (information, communication, and entertainment) technology with over 100 movies and 50 TV channels on demand, 350-plus audio channels and 40 in-flight games – three times more than on any other airline on their airbus 340-500 flights. EA was the first to offer BBC news updates on the flight as well as email and SMS services for $1 per request. It had the most widely used in flight telephony system with US calls charged at $5 per call. The quality of food on flights was very good and business/first class passengers were offered a choice from the menu card.

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11. Measure of the 'intensity of retention' and takes into consideration both the subscribers' level of satisfaction with the service provider as well as the level of retention and loyalty towards the service provider

12. Leading provider of e-Business Information Technology (IT) solutions to the global airline and travel industry, headquartered in Dublin, Ireland

13. One of Germany's leading system integrators providing innovative solutions in the field of information and communications technology.

14. Skywards was the frequent flyer program of Emirates Airlines in partnership with Sri Lankan Airlines.

The cabin crew was multilingual and trained to be courteous and pleasant in catering to the needs of passengers. This resulted in increased customer satisfaction.

To offer value-added services to loyal customers, EA, along with Sri Lankan Airlines, launched the Skywards-frequent flyer program. With this membership, a passenger got skyward miles credited to his account on every Emirates/Srilankan flight. The membership could later get upgraded to Skywards Gold and Silver membership, depending on the miles accumulated. The special privileges offered to Skyward members were visa service, chauffeured transport to and from designated airports, special meal considerations which gave a choice of twenty options, fast-track at the airport which meant avoiding long immigration queues, and stopover packages at select destinations which offered negotiated rates on tours and travels. Skywards Silver and Gold members enjoyed priority check-in and exclusive lounge access, and priority baggage delivery, easing travel stress. As an additional service, EA tied up with Fairmont Hotels and resorts and offered 500 Skywards miles for every qualifying stay at all Fairmont hotels. Passengers had the facility of checking the website www.skywards.com for information on the miles they had accumulated. The site also had convenient mileage calculators and maps, exclusive offers and events, reward miles, etc. EA also provided a special escort service for unaccompanied children and old people right from the point of embarking till their destination, with separate check-in facilities for added convenience. To put the safety apprehensions of customers to rest, EA had a Safety Audit program comprising 29 trained personnel to look into all aspects of safety.

EA focused on offering the best services to its customers, right from booking tickets to the flight journey. These services earned it around 200 awards in the two decades of its existence. Some of the awards in 2004 were Best Airline of the Year by Marco Polo Awards, Italy, and Best Frequent Flyer Program by Business Traveler Middle-East Awards. Apart from performing its core function as an airline, EA also succeeded in establishing itself as a clean, efficient, world class airline service.

Questions for Discussion:

1. Pampering the customer is worth the effort if it means retaining customer loyalty. This is true more in the case of those customers who contribute a larger chunk of business and revenue. In the light of this statement, analyze the services offered by Emirates via its Skywards Frequent Flyer program.

2. Technology and innovation are synonymous with the growth of a company in serving its customers. How has Emirates Airlines leveraged on technology to improve the quality of services provided to its customers?

Caselet 38

The Apollo Hospitals Group (AHG), Asia's largest hospital chain established in 1983, had around 35 hospitals, 130 retail pharmacies, 46 clinics in Asia and an e-varsity that offered post-graduate courses, in 2004. They also had a global presence with centers in Sri Lanka, Bangladesh, the UAE, Nepal, Ghana, Nigeria, the UK, and Saudi Arabia with an overall asset value of US $ 50 million in 2004. Their constant emphasis on quality services resulted in their established leadership across India. AHG's quality policy was to provide healthcare solutions of international standards by creating the ideal work environment and ensuring the practice of safe and ethical medicine.

AHG followed a five-star management philosophy, which involved medical personnel, medical technology, employees, value, and hospitality. At the outset, skilled and experienced doctors, most of who had just returned from western countries, were hired by AHG. They were supported by young and motivated junior doctors and other staff. AHG invested huge sums in getting the latest technology and constantly updating it for medical personnel to use. To keep the employees motivated,

free medical care and other economic benefits like loans, subsidized meals, etc., were offered in addition to their being paid higher salaries than the industry average. There were also awards given for punctuality and honesty and these served to keep up their spirit.

The group created value by offering customer-oriented service for which employees were provided with a special training of around 30 hours a year. These training programs were followed by evaluation procedures to identify the effectiveness of the training. According to Dr.K.Prabhakar, Director, HRD, AHG, "Along with the medicines, technology, we adopt the concept of Tender Loving Care (TLC) which form a very good combination of treatment."[15] The stress placed on the concept of TLC was evident in the fact that the managing director met all employees in Chennai personally and addressed them on the importance of the team spirit and of compassion in serving patients. There was a special induction manual that simplified various guidelines to provide clarity of procedures. There was a special guest relations group for post discharge services.

For the lab processes, DMAIC -- define-measure-analyze-improve-control -- a Six Sigma tool, was employed by the hospital in Hyderabad to improve the 'in-patient turnaround time for tests on auto analyzers'. This meant, the total time taken to receive a sample for testing, actual testing on auto analyzer and saving the results on the computer for intimation to the patient. In February 2004, AHG introduced IMRT (Intensity Modulated Radiation Therapy) for treatment of cancer in Chennai. The hospital ensured that only trained therapists and registered nurses were provided for this service. Further, the work-flow processes involved treatment planning and treatment delivery along with quality assurance practices that ensured proper delivery of such treatments.

There were various monitoring groups in place to oversee the process quality in AHG on a regular basis. The medical advisory committee looked into the best practices of infection control, devising operation theater policies, assuring quality of drugs purchased, quality of documentation, and medical care. The patient care monitoring systems included customer satisfaction surveys, departmental reviews, and administrator's rounds, apart from a wellness committee and hospital management team. The customer surveys acted as a performance indicator for further improvement. There was also a surveillance team that checked housekeeping products to ensure proper quality. Quality circles and an internal audit to augment the quality management in AHG were also present.

In 2003, AHG emerged as the world's largest healthcare provider and also became the benchmark for assessing quality of healthcare delivery. It was the first hospital to be certified ISO 9002 in quality management systems. Emphasizing the role of the employee, Dr.Prathap G Reddy, AHG Group chairman, commented, "Our driving spirit over the past twenty years has been the confidence reposed in us by our patients and the untiring efforts of every member of the Apollo family to provide personalized care and attention to anyone who comes to Apollo"[16]. AHG also applied for a certificate from the US-based Joint Commission on Accreditation of Healthcare Organization (JCAHO). The certificate would give it international accreditation, thereby increasing the inflow of foreign patients.

[15] "An interview with K. Prabakar, Director HRD Apollo Hospitals, Chennai", www.hindu.com, April 19, 2000
[16] "Apollo Hospitals completes 20 years of healthcare delivery", www.domain-b.com. September 19, 2003

Questions for Discussion:

1. Explain how the quality initiatives have helped Apollo Hospitals Group to achieve excellent service quality levels, which has resulted in their becoming a benchmark for the healthcare industry.

2. In the healthcare industry, one finds a lack of well-trained staff to cater to the needs of various patients. As such, service quality takes a backseat in most cases. How do employee policies help improve customer service? Discuss in the light of steps taken by the Apollo Hospitals Group.

Caselet 39

PizzaHut (PH) was started in 1958 by two brothers in Kansas City, USA with $600 borrowed from their mother. Slowly, PH expanded and by 2004, it had 12,000 outlets in 90 countries employing about 300,000 people and had become the largest pizza restaurant company in the world. It operated under the Yum Brands Inc., which included other companies like KFC, Taco Bell, A&W All-American Food Restaurants, and Long John Silvers. PH's growth can be attributed to its continuous innovations in selling pizzas and the building of a quick and efficient delivery system. It used technology as a major tool to improve customer service levels by introducing various facilities in various countries.

In a bid to improve service levels of its home delivery and takeaway outlets in New Zealand, PH entered into a partnership with TelstraClear[17] to set up a call center. The latter supplied the technology while the former supplied the equipment and manpower. This call center catered to 90 outlets in New Zealand and annually answered and processed 3.4 million calls with 80 percent of these coming in between 5pm and 8pm. The call center kept track of customer history. When a customer called to order a pizza, the call center executive looked up his/her past preference and made a reference to it, and thereby built up customer loyalty. The call center support services were launched in other countries as well.

In 2002, PH, Australia, tied up with Avaya Inc[18] to provide customer relationship management (CRM) software that could be used to improve business processes to bring about better customer interaction. The software allowed recognition of frequent callers as also the context of their calls. This helped to route the calls to the operator who could best fulfill their requirements, depending on whether it was a new order, changes to an existing order, or a status inquiry on an existing order. Also, PH operators could access up-to-date information about the various outlets and this helped them to select the PH store that could fulfill the customer's order at the earliest, thereby meeting PH's commitment to deliver hot pizza quickly. The system resulted in a significant reduction in abandoned calls, reduced talk time (by four to five seconds per call), and customer time on hold (by 40%). It improved customer service levels by a significant margin.

In 2003, PH decided to use the huge customer database provided by the CRM software to promote their services through direct mailers. Therefore, it installed Teradata Warehouse Miner, which minimized data redundancy, reduced proprietary data structures, and simplified the data and system management. This helped to direct relevant mailers to various households, generating better response. Commenting on the move, Keith Jones, Direct Marketing, PH International, said, "We use it to do

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[17] TelstraClear, New Zealand, is a leading provider of communications solutions.
[18] Avaya Inc., A US-based company, is a provider of communications systems, applications and services for enterprises

target marketing and find the best coupon offer for that household. We can segment customer households for groupings according to patterns of past buying behavior, offer preferences and price points."[19]

In 2004, to enhance and quicken customer service, PH, UK, used Micros Systems services to manage point-of-sale transactions, deliveries, guest services, labor management, web-based reporting and analysis, and inventory in its various takeaway and home delivery outlets. In the same year, PH, New Zealand, realized that although the company website was operational, it was not getting many orders due to the complexity in navigating through it and placing the order. Therefore, it tied up with Wellington-based Zero One to revamp its website and make it simpler to use. The move resulted in positive customer response, reflected in the fact that the new site registered 540 orders in a single month. This was an 85 percent increase over earlier levels when there was a maximum of 295 orders placed within a single month using the older website.

At PH, technology ensured that all business processes were in place to serve the customer better. Once the business processes were in place and fine-tuned, PH concentrated on the employees who interacted with the customers. Time and again, it conducted employee-training programs at various levels to improve customer service skills. This training was very effective in improving employee focus on customers. For example, in Puerto Rico, an employee escorted a pregnant lady, who was craving for a pizza, through the rain. Such initiatives were given a boost by PH's "Customer Mania Program" which was conducted four times a year. It was under this that 'CHAMPS' (Cleanliness, Hospitality, Accuracy, Maintenance, Product Quality and Speed) program was launched. To handle customer complaints, employees followed a procedure termed 'LAST', which stood for **l**istening to the customer, **a**pologizing for any mistakes, **s**atisfying the customer's needs, and **t**hanking customers for their support. For the continued motivation of the employees, daily 'CHAMPS' checks were given to staff members who performed exceptionally on any of the items listed on the 'CHAMPS' list of priorities. These checks were then put up on the bulletin board. Commenting on the program, Lisa Crawford, General Manager, Yum Brands Inc., said, "Once they started hearing the [customer] comments and seeing the great results, [employees] were all over it, from cleaning the store to being concerned about speedy service to being concerned about how their appearance looked with their uniforms."[20]

Customer service at PH also meant coming up with innovative schemes and a larger variety in pizzas to retain the interest of customers and make them stick to their product. In 2003, PH started the Very Into Pizza (VIP) Club where customers became members by paying $14.99 and got large pizzas free with every order of $10 or more. Apart from these, they got free coupons for cinnamon sticks or breadsticks. To offer a larger variety in pizzas, PH introduced the Stuffed Crust Pizza, The Big New Yorker Pizza, and for the health conscious customer, the Lite Bite Veggie Mozzarella Pizza. Its school lunch program offered special packages to private and public schools for lunch, field trips, meetings, after school snack, etc. As a measure to increase the goodwill and increase customer loyalty, PH sponsored the Book IT, a unique program that awarded a complimentary Personal Pan Pizza and special recognition to elementary schoolchildren who achieved set reading goals. Complaints and suggestions of customers were taken note of and they could be entered on the complaints screen at the website as well as in feedback forms at all outlets. All these measures served to benefit PH and it was rated the number one national pizza chain in America, according to Restaurants & Institutions' "2001 Choice in Chains" survey.

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[19] Jennifer Brown, PH delivers hot results using datawarehouse, www.workopolis.com, November 3, 2003

[20] "Creating Customer Service maniacs", www.nacsonline.com, January 2, 2003

Questions for Discussion:

1. Technology in improving customer service has been instrumental in changing Pizza Hut's business processes. Highlight the various changes taken by Pizza Hut and describe how these changes helped in building customer loyalty.

2. Explain the customer service strategy of Pizza Hut, which has enabled it to retain a leading position in the market.

Caselet 40

In 2004, ICICI Bank was the second largest private commercial Bank in India with about 470 branches and 1800 ATMs. It provided a multitude of banking and financial services, namely banking, credit cards, loans, investments, NRI services and so on. In the same period, its credit card division was ranked second, having about 2.4 million customers. The bank offered various categories of credit cards such as Premium (Solid Gold, Amex Gold), Classic (Sterling Silver, American Express Green, Mini, Easy Deposit-Gold and Silver). They also introduced value for money cards, affinity cards and co-branded cards as part of their customer relationship strategy.

In 2003, ICICI bank realized that though it held a substantial share in the credit card business, in the race for increasing numbers, it had not concentrated on quality of customer service. This resulted in an unprecedented increase in customer grievances and customer care help lines had long queues. The bank's profitability was affected by high customer attrition rates in the credit card division. ICICI felt that in its efforts to improve customer service, the first measure was to look internally – the time taken to retrieve documents. The solution was implementing the 5S[21] concept in its offices. Subsequently, all records were numbered and placed date- wise and alphabetically in a row so that it did not take more than two to three minutes to find a record, resulting in quick transactions.

Once the retrieval system was put in order, the bank turned to retention agents to negotiate with customers who requested cancellation of their cards. However, the success rate of this programme was low and only a small percentage of customers who were contacted agreed to continue using their credit cards. It was then that ICICI realized that a predictive model was needed to identify potential customers, who were likely to cancel their credit cards. The bank hired Fractal[22], an analytics firm, which drew up a proactive retention program based on analysis of past data of existing as well as lost customers. Therefore, each customer's propensity to leave or stay was defined. This measure was used in conjunction with the index of expected lifetime value of the customer. Retention agents were then assigned on a priority basis and valued customers were retained. This exercise resulted in 50% reduction in customer attrition rate for the bank, as well as cutting the cost of retention per account.

There were a lot of other players in the credit card market. Multinational banks like Citibank and Standard Chartered, Indian private banks like HDFC bank were among them. In this competitive scenario, ICICI felt the need to differentiate its service so that customer loyalty was maintained. The bank tied up with Microsoft (Biztalk 2002 and later the 2004 version) to implement enterprise middleware. This was instrumental in linking multi- channel operations of the bank to back end processes, generating automated reports that reduced transaction time and effort. Other technological measures to retain customers included mobile banking. ICICI Bank tied

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21 The 5S's are: seiri (sorting out), seiton (systematic arrangement), seiso (spic-n-span), seiketsu (standardise) and shitsuke (self-discipline).

22 Fractol is an analytics firm giving solutions to corporates.

up with Air 2 Web that provided its customers with wireless access to their banking and credit card accounts[23]. The bank was one of the first to use CRM[24] technology to provide better customer service. ICICI Bank was the first bank that offered credit card transactions online to net savvy customers. Merchant establishments also benefited by net-based services like payment gateways for business-to-business and business-to-consumer transactions. This served the dual objective of expanding the customer base as well as increasing the use of existing customers in an under-penetrated market.

ICICI felt that in the credit card market, the only way to retain customers was to give them many avenues to swipe the card. It also paid special attention to high net-worth credit card users and offered rewards in various forms to retain them. (Refer Table I for special offers)

Table I

Special Offer	Period	Spending level
Big Bazar-Jumbo discount. Additional 5%	September 6 to September 26 2004	Up to or more than Rs.1500
Its mine-Strolley Bag, Leatherite Overnighter Bag, and 6-in-1 luggage set and lucky draw of Hyundai Santro	June 1 to October 31, 2004	Rs20000/30000/45000
Fern and petals-20% discount on flowers	-	-
Win your Purchase-using American express card	August 1 to November 14 2004	Value of purchase, Rs. 50000 whichever is less
EMI on call-repayment of monthly installments at very low interest rates.	-	Rs.20000 or more
Cash Back Offer-5% cash back up to Rs.5000 per card in 20000 establishments	October to December 31, 2004	Rs.2000 or more

These offers renewed the customer's interest and prevented them from shifting to a competitor's credit card. To satisfy the social need of customers, Concern India Affinity cards were introduced by the bank, which again served a dual purpose. On one hand, they fulfilled the moral obligation of customers to do something for society and on the other; the bank was able to gain loyal customers. For example, part of the reward points and spending on the Concern India Affinity card was donated to the Concern India Foundation.

Another means to capture customer interest was co-branding of cards in which ICICI Bank tied up with six companies-HPCL, Amway, Big Bazaar, BPL mobile, Trinethra and Prudential Life Insurance. The bank entered into a relationship with both HPCL and Airtel by launching its international silver co--branding card in July 2004. This enabled post-paid customers of Airtel to earn multiple reward points on their airtime usage, petrol expenses and other card spending. Each of these co-brands targeted the need of particular groups of people.

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[23] Ajitha Shashidhar, "Card Games Companies play", www.the hindubusinessline.com, September 4, 2003

[24] "Customer Relationship Management (CRM) enables co-ordination of multiple business channels of communication with the customer such as, face-to-face, the telephony, the web etc. This helps organizations accommodate their customers preferred choices of interactions

As a result of these efforts, the Outlook survey[25] carried out in August 2004 ranked ICICI Bank as the most customers friendly. The main factor was the quick grievance redress by the bank, which reflected its relationship management orientation. However, it fared 12th in service quality -- ease in opening accounts, promptness in giving information to customers etc. Overall, the bank's focus on the credit cards section was on customer relationship management.

Questions for Discussion:

1. By concentrating on the numbers game, ICICI lost out on quality of customer service. Highlight the various measures taken by the bank to retain its customers.

2. Increased usage leads to more spending on credit cards. Do you think ICICI bank was able to leverage this factor and build customer relationship and loyalties?

Caselet 41

Monster Inc. was founded in 1994 in Maynard, US as a division of Monster Worldwide[26]. It connected jobseekers all over the world by its website www.monster.com. By 2004, Monster had 25 local language and content sites in 23 countries worldwide and was one of the leading jobsites in the recruitment business. Monster entered India in March 2001, through a 65:35 percent joint venture – Monsterindia.com (MI) – with an Australian Internet investment company, ecorp Ltd. In 2003, Monster Worldwide Inc. acquired sole ownership of MI through an agreement to buy out its original partner in the joint venture, a subsidiary of Australia-based ecorp Limited. It received record traffic in January 2004, attracting 4.49 million unique visitors and thereby establishing its No.1 position in the online careers category in India.

When Monster entered India, there were a large number of job aspirants from the IT field who were laid off due to the economic slowdown in the US. As a part of the Monster group, Monster India had the backing of a huge infrastructure and a proven business model. However, it faced competition from established job portals like naukri.com, jobsahead.com, jobstreet.com etc. Of these players naukri.com by being ahead in the e-recruitment race by four years had the advantage of a large database. To fight these players MI launched a brand building exercise by setting up sales and marketing offices in Mumbai, Hyderabad and Bangalore initially followed by other major cities like New Delhi, Chennai, Calcutta and others. It also launched advertising campaigns to attract jobseekers to its site. In its first month of launch it had 50000 unique visitors, 63,000 registered job seekers and it had the best of companies like Wipro, Oracle, IBM and Texas Instruments on its panel of recruiters.

In 2002, MI entered into strategic alliance with Rediff.com India Ltd, extending its services to a larger user base through www.monsterindia.rediff.com. Under the agreement, Monsterindia.com became the exclusive career search gateway for Rediff.com users, offering instant access to Monster's global jobs database and a range of career services by means of a co-branded site. Other tie- ups included Zdnet and TATA Nova, which gave MI an increased presence in India. In May 2004, MI bought Jobsahead.com, an Indian Internet site for job seekers, for about $8.8 million, "The recruitment market is booming in India after many years and we thought that it is a good time to acquire and grow our business," said Arun Tadanki (Tadanki), president and managing director of Monster Asia[27]. This acquisition made it the largest online

[25] The Outlook Survey covered 5,127 customers of 24 short-listed banks, the 10 biggest nationalised banks. 10 biggest Indian private banks (in terms of deposit base) and four multinational banks. Adapted from "Banks that Care", Outlook Money, August 31, 2004.

[26] Worlds leading recruitment firm based in US

[27] " Monster acquires India's Jobsahead.com", www.seattlepi.com, May 26, 2004.

recruitment company in the country with a database of 55 lakh job seekers. To get media attention, in July 2004, MI launched Kiska Resume Jitega! Contest II, where fabulous prizes were given away to the most innovative resumes. Earlier, in 2002, the same contest had generated enormous response both from companies and professionals.

MI offered innovative products like Smart Find Resume Search and Target Reach Job Postings to employers, which helped them save time and money while improving their overall hiring cycle. In 2004, it introduced Monster Hiring Solutions, a comprehensive set of tools that allowed employers to target and source quality candidates with greater efficiency and accuracy. For job seekers, there was Monster Resume Makeover, a unique feature that offered jobseekers opportunities to sharpen and fine-tune their resumes. Resume Makeover offered one jobseeker every week an opportunity to make his or her resume a more effective tool in the job hunt process, through guidance and input from resume expert. Other features to aid the job search were personal job search agent, a career network, and message boards, expert advice on job seeking and career management, and free newsletters. With the acquisition of JobsAhead.com and innovative product offerings, MI strengthened its position in India as a major player in e-recruitment expanding into non-IT areas like pharmaceuticals, finance, call centers and others.

Questions for Discussion:

1. From 50,000 visits to the site in March 2001 to 4.49 million visitors in January 2004 has been a journey, which was well thought out and planned. Comment on this statement with reference to MonsterIndia's strategy into the Indian market.

2. Strategy was not the only reason for MonsterIndia's success in India. Discuss with respect to various product offerings given by the company?

Caselet 42

ICICI OneSource (IOS) set up in December 2001, became India's leading third-party BPO companies, offering services to consumer industries in financial services, retail, telecom, media and utilities. Its global delivery standards resulted in multiple long-standing client relationships with FTSE 100 and Fortune 500 companies and have made it a clear leader among Indian BPO companies catering to the UK market. IOS with a commitment to quality was the world's first company to achieve COPC (Customer Operations Performance Center) -2000 CSP[28] certification for back office processing and the first Indian BPO company to attain BS 7799[29] certification. The company had approximately 4000 employees in 2004, across five offshore delivery centers in Bangalore and Mumbai, and in-market teams in the US and UK.

To remove the fears of its customers in Europe and the US about standards of privacy and data security, IOS embarked on setting up best practices in security standards that safeguarded the information from being tampered with or changed by unauthorized personnel. This enabled only authorized users to access the right information when they needed it. Further, they established an information security management system to constantly monitor the effectiveness of the security controls. Stringent physical security measures protected its computer terminals, and elaborate software guarded against hackers and viruses. Personal data such as credit-card numbers, names and addresses remained on client data base servers and were not permitted to pass through its systems. These steps were instrumental in getting BS7799 certification enhancing

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[28] COPC-Customer operations performance center, an external audit certification for call center services.
[29] BS7799- British security standard.

confidence of clients. Other technological initiatives included design and implementation of an intelligent 'adaptive network' and switching management system, developed in-house and based on Nortel Networks technology for contact center solutions. This Adaptive Network enabled IOS to integrate all its BPO facilities for data recovery and real-time re-routing of voice and data traffic, ensuring superior service delivery and network reliability reducing dropped calls and ensuring continuity in network

To streamline its processes, it used continuous improvement model with DIMAC methodology – define, improve, measure, analyze and control along with six sigma tools such as process charts, pareto charts, fish bone diagram and failure mode effect analysis (FMEA)[30]. A crucial aspect of improving processes and performance was the COPC certification which required 32 parameters to be in place namely client satisfaction, end-user satisfaction, timeliness, quality and accuracy of responses, efficiency, speed and productivity, technology infrastructure, resource utilization, capacity management and vendor/supplier management and others. This certification was benchmarked against global practices, which created improvements in IOS processes regularly.

IOS identified people as a strategic resource and had a rigorous selection process for recruiting them. Post recruitment, every employee had to go through a training program before they were actually put on to their regular functions. IOS also had special recruitment and training programs for selection and assignment of personnel to complex projects. For example, for an underwriting project with an insurance company, IOS recruited customer service associates (CSA) with automobile sales and insurance industry who were further trained for four weeks on British accent, culture and business practices. They were also trained on Data Protection Act to meet the insurance sector norms in UK. This effort resulted in reduced wrap up time for a call to 32 seconds as against 60 seconds prescribed by the client. In addition, call abandon rates were less than the client's benchmark. For all CSA's compulsory training was held for 80 hours a year to hone their skills on a regular basis.

In 2003, to boost employee morale and reduce attrition levels, IOS launched their career diversification program. Under this program, qualified employees who were with ICICI OneSource for more than 18 months had an option to take up positions at other ICICI Group companies after passing several internal tests. These career advancement opportunities were in areas like insurance and banking and included positions in customer service, operations, sales and marketing. In February 2004, IOS introduced the Higher Education Scholarship policy, which enabled its employees to pursue higher education while continuing to work with the organization. This helped them to meet the changing skill requirements and gain increased knowledge thereby contributing to their growth and development as individuals. Commenting on these initiatives, Susheel Kurien (Kurien), President of I-OneSource's U.S. operations[31], said "We continue to make key investments in people, technology and process that will allow us to expand our value proposition in two meaningful ways". By means of the above commitment to better service levels, IOS focused on continuous improvement in quality of services as well as expand their horizons beyond the US and UK markets.

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[30] Pareto chart-analyses data from different groups, Ishikawa fish bone diagram-cause and effect analysis to solve problems in teams, FMEA- It be used to systematically examine possible process failure, then to redesign to eliminate the possibility of failure.

[31] " ICICI OneSource Achieves Record Growth as Workforce Is Tripled to Meet Demand for Offshore Outsourcing Services", Business Wire, May 7, 2003.

Questions for Discussion:

1. Technology and process are core aspects of an outsourcing company. Explain how ICICI One Source (IOS) has imbibed quality in these aspects to achieve world- class service levels?

2. Quality in service is enhanced by investments in people. How has IOS leveraged human resources to improve their service capabilities qualitatively?

Caselet 43

Shoppers' Stop was started by C.L. Raheja in 1991 when organized retailing was unheard of in India. Since then, this form of organized retailing has grown from just Rs 5,000 crore in 1999 to an estimated Rs 30,000 crore in 2004, making it the fastest-growing industry in the country. By December 2004, Shoppers' Stop was the leading player in the Indian retail sector with 16 stores (across India), with a total retail space of 725,000 sq ft. Shoppers' Stop had 2,100 employees in 2004, up from 1,150 in 2003. The retailers' main focus was on the customer and the person who attended to the customer – the employee. In their bid to delight customers, every retail player, namely Westside, Lifestyle, and Shoppers' Stop continually emphasized training employees through various programs.

At Shoppers' Stop, right from the CEO to the front-end sales person, everyone was called a customer care associate. This move improved employee self esteem, and reflected the level of commitment the company had towards boosting employee morale. It had a specialized induction program to groom recruits, who were mostly first timers. The induction program included classroom teaching on the basics of retail store design, store space planning, visual merchandising, selling and cashiering. This was followed by a two week "mentoring" program, where the new recruit was attached to a senior in the workplace. Finally, to give new recruits a sense of belonging, their parents were invited to breakfast to get a feel of the environment at Shoppers' Stop.

In 2002, Shoppers' Stop realized that their customer care associates were not performing up to the mark and were not able to satisfy the customer, which was a cause for concern. This made Shoppers' Stop put in place a 'Customer Satisfaction Index' (CSI) and an 'Employee Satisfaction Index' (ESI), designed by CSMM Walker, an American company. Shoppers' Stop found that there was a direct relation between CSI and ESI. Hence, it started exploring ways to improve the motivation levels of its associates, who were in direct contact with customers. Interestingly, ESI showed that employee satisfaction largely depended on their supervisors. Shoppers' Stop immediately launched a "skill upgrading" training program aimed at supervisor improvement in terms of product knowledge and customer handling skills. The four month training program showed immediate results, as there was a 101% increase in average sales made to a First Citizen Card member[32]. To improve motivation levels, Shoppers' Stop introduced training programs like 'Jo Jeeta Wohi Sikandar'. Under this programme, associates who excelled in their jobs and delighted customers were awarded points and on collecting a certain number of points, they were given recognition in the form of medals/trophies at public gatherings. Commenting on this initiative, Sanjay Badhe, Director (Operations), Shoppers' Stop, said, "The challenge is basically to keep the customer satisfied, so that he keeps coming back." [33]

In May 2003, the top 16 executives of Shoppers' Stop underwent special training with Douglas Tigert, a Professor of Retail Marketing with Bapson College in the US, to improve efficiency levels. In 2004, the training sessions were increased from 45 hours

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[32] First Citizen card was the loyalty program at Shoppers' Stop where customers became members and were entitled to benefits through this card.

[33] Purvita Chatterjee, "At last, Retail wags", www.blonnet.com, May 2003.

to 52 hours a year, with attention on improving communication skills of employees. Promotions given to associates working at any level at Shoppers' Stop were based on the recommendations of the assessment centers or through other assessment programs. Top-level managers were assessed by SHA, London and for all other levels there were custom- made assessment programs for various levels called Baby Kangaroos (sales associates & supervisors), Kangaroos (store managers), and Senior Kangaroos (senior managers). Through this program, a supervisor was assessed and on passing, he or she could be promoted to store manager and then senior manager. This program was based on mentoring rather than recommendations of superiors. Through this, there was a mentor attached to each employee, and once he or she gains a certain level of expertise, they are taken to the next level and are designated Kangaroos depending on the level they are elevated to.

Despite all these measures, Shoppers' Stop faced a high attrition rate. This was mainly due to its associates taking up lucrative offers from other organizations. According to a senior official at Shoppers' Stop, the tendency to change jobs in their young front-end employees (average age 23 years) was high and it was very difficult to curb that tendency. However, the attrition rate at the managerial level was less than at the sales level (26-27%). Shoppers' Stop tried its best to retain talented associates and it became the first company (in retailing) to offer employee stock options. In addition, they also had a profit linked reward plan in place, which attached 15%-35% of bonuses to employee performance. They were able to curtail attrition levels by maintaining an employee satisfaction index, which was updated every six months.

All these employee development initiatives resulted in Shoppers' Stop nurturing the best work force in the retail industry and it became a lucrative human resource capital for upcoming retail chains. All these initiatives paid off in 2003, when the company made a profit before tax of Rs.102 million for the financial year ending March 2003. This increased to Rs. 1202 million by March 2004 (Shoppers' Stop made a loss in 2000).

Questions for Discussion:

1. Retailing is a very competitive industry, where customer satisfaction is the key to success. How has Shoppers' Stop met this objective through its employees?

2. Retaining employee morale has contributed a lot to the success of Shoppers' Stop. How much of the company's turnaround can be attributed to human resource management?

Caselet 44

ITC Welcome group Hotels are well known, in the hospitality industry, for the value added services offered to its customers. ITC Ltd entered the hotel Industry in 1975 by acquiring a hotel in Chennai and renaming it Welcomgroup Chola Sheraton. The distinctive "Namaste" logo reinstated the company's philosophy of Indianness and hospitality. It was ranked number two in 2004, after Indian Hotels Ltd (Tata's) and had established around 66 hotels in 50 locations in India during that period. These hotels were broadly divided into four categories: ITC Welcomgroup Sheraton hotels (Super Deluxe), Welcomgroup hotels (five star), Welcomgroup heritage hotels (palaces and havelis) and Fortune hotels (budget hotels). All the various categories have repeatedly strived to serve customers by their enhanced services.

ITC Hotel Maurya Sheraton and Towers, Delhi, was the only hotel in India, which won the British Safety Council's "Sword of safety" three times consecutively from 1995 to 1997. All ITC's five star hotels had personalized vaults as a safety measure. This group was the first to launch the powerful idea of a 'Hotel within a Hotel' by segmenting and branding the hotel services. The Executive club Suites and Executive Club Rooms offered by the Welcomgroup Sheraton hotels pampered the special needs

of high net worth business travelers. The Club suite guests enjoyed complimentary services like airport transfers in luxury limousine, American Breakfast, 24-hour butler service, and Club Hour. They also had access to the exclusive Tower Club Lounge with its own library, bar, restaurant, tea/coffee service, complimentary use of office & the meeting room at the Towers Club.

ITC one rooms[34](high-end rooms) catered to the crème de la crème that included luxuries like an exclusive lounge, airport transfers in a Mercedes, usage of the boardrooms, complimentary tea/coffee at the lounge throughout the day, hi-tea between 4-6 p.m. cocktails and hors d' oeuvres between 6.30 - 8 p.m. For attending to the personal needs of the customer, special facilities like personalized butler service, massage chair, TV in the bath room, web interactive television in the room and others were provided. They even went a step further to guard the guest's privacy by creating an option to mute the doorbell. The guests also had access to an open-air rooftop spa, with giant-sized Jacuzzi and massage stations.

The hotel has also concentrated on offering customised services to women travelers who were alone or with a kid. As part of ITC one room services, such women guests were offered special facilities like airport pick up and were welcomed with wine and chocolates. To add to the feminine atmosphere, some rooms at ITC Sonar Bangla, Kolkata, were redesigned with bright colors. Further, flowers and soft toys were placed on the bed in addition to special magazines to make her stay comfortable. In case there was a child accompanying the women guest, baby sitting services were offered when the guest was out at work. Talking about this service, Ranvir Bhandari, general manager, ITC Sonar Bangla[35] said, "Of all amenities, the teddy bear has been the most popular fellow." A designated women valet attends to the guest for her entire stay at the hotel. These services were designed keeping in mind the increasing numbers of single women business travelers in the country. A centralized guest history software tracked customers staying at ITC hotels throughout the country, which gave attention to personal needs and preferences like placement of toiletries and others.

To cater to the health conscious guests who preferred to maintain their lifestyles even while traveling, ITC Sonar Bangla provided a jogging track, a health club, tennis courts and a swimming pool with an exclusive poolside health café. ITC Hotel Windsor Sheraton & Towers Hotel, Bangalore offered golfing and riding services on request.

The Fortune Group of hotels in the mid price category were designed to provide all basic services with specific hygiene, sanitation and safety norms. This group conducted two audits in a year to check maintenance of the above norms thereby ensuring quality services to the customer. These hotels offered business centre, conference facilities, banquet halls, air-conditioned room with a refrigerator, television, internet facilities that gave comfort and value for money to the mid level business as well as the leisure traveler. All these efforts at making a hotel stay more than comfortable resulted in many awards for the hotel group. The ITC Grand Maratha Sheraton was awarded the best luxury hotel of the year in 2002 by the Federation of hotels and restaurant Association of India and ITC Hotel Sonar Bangla Sheraton & Towers, Kolkata was declared as one of the best hotels in the world by the Association of British Travel Agents (ABTA) in the April 2004 issue of its magazine 'Business & Travel'.

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[34] "Sheer Indulgence at this one!" Financial Express, October 7, 2001.
[35] "A soft touch to make her feel at home", The Telegraph, April 2, 2004.

Questions for Discussion:

1. "A hotel within a hotel" concept has catered to pampering the customers in the high net worth category. Comment in the light of additional services offered by the hotels in the deluxe and five star categories.

2. The Psychological profile of the customer is important to provide complete comfort in hotels. Comment on this statement highlighting ITC hotels innovative methods in this context?

Caselet 45

Cox and Kings (CKS), one of the prominent tour operators of the world, was established way back in 1758 by Richard Cox when he was appointed regimental agent to the footguards of India. By early 20th century, the company was acting as an agent and banker for the armed forces. In 1922, the company merged with the Henry S. King Bank, subsequent to which the banking business was sold. The travel business grew by leaps and bounds and in the early 21st century, CKS was operating various individual and group tours throughout India as well as abroad. CKS offices abroad were known as Indian tour specialists in their respective markets and had destinations from the Indian sub-continent (amongst other destinations) in their product portfolio. They catered to 50,000 inbound tourists to India in the year 2004. CKS identified various needs of customers in different segments and designed customized packages to suit these needs. They realized that schools needed to provide a common platform for different children across the country to interact and exchange ideas. Therefore, in association with the Andhra Pradesh Tourism Board, they pioneered "Udaan"-- an interschool educational tour -- in October 2004. This tour included a four-day and five-night-trip to Ramoji Film city in Hyderabad, which offered trips to educational places in the city, interschool competition, workshops, etc. Through this program, they identified a niche segment to which they could market their services. CKS also saw an opportunity in business visitors who traveled to international trade fairs. They devised a value-based package for these visitors, which included confirmed accommodation for the fair period, Indian meals, and additional services like factory visits, and buyer-supplier meets. These provided comfort to the Indian traveler in foreign countries. With a growing number of customers seeking tour packages covering religious destinations, CKS ventured to introduce religious packages to select destinations like Vaishno Devi and Puri. These trips had guides going along for the convenience of the travelers. Their Spiritual Sojourn package offered the Art of Living course to customers who were seeking spiritual fulfillment. In addition, to cater to the up-market tourist who wanted to be a part of the historic Mahakumbhmela in Allahabad, CKS set up five-star quality tents which provided hot water baths, massages, and other benefits that were the ultimate word in comfort.

Apart from fulfilling the specific needs of customers, CKS aimed at constantly reinventing itself to provide the best services. In 2002, it tied up with Radius, the world's largest travel company, to offer the best prices on airlines, hotels, and other travel related services, which translated into savings for the customer. This partnership gave CKS access to travel reservations and ticketing to a 24-hour-a-day emergency toll-free travel service combined with a global travel management system that used 72 different currencies. Realizing that Indian travelers, with their specific eating habits, faced a real problem with regard to food while traveling abroad, CKS introduced the Kitchen Caravan on its Europe Tours. The Kitchen Caravan traveled with the Urail, offering all varieties of Indian food. CKS also had a product development cell which conducted market surveys and obtained customer feedback on a continuous basis. As a result of their findings, it offered a special "two in one offer" that combined a domestic and an international holiday at the price of one. This offer was launched in Kolkata in October 2000, to coincide with the annual Puja holidays.

In a bid to offer the customer more access to its services, CKS tied up with MSNIndia to give information on destinations, air tickets, hotel reservations, foreign exchange, domestic tours, international holidays and tours, and also documentation such as passport assistance, medical insurance, etc. This alliance was obviously successful as CKS managed to get 8-10% of its holiday bookings through the MSNIndia site. To make its trips affordable, it tied up with ICICI Bank to offer installment schemes on such travel loans. The premium customer could take his/her pick from various "one of a kind luxury travel packages" which provided private, group tours as well as group and family safaris, while offering the best of accommodation with personalized service. Apart from these, flexi-holidays were provided where the customers could plan their own dates and schedules so that they could avoid traveling in a group. CKS's unique packages and positioning resulted in revenue generation of around Rs.500 crore in 2004 from the Indian subsidiary. The figures clearly indicated the effectiveness of the strategies.

Questions for Discussion:

1. Cox and Kings (CKS) identified revenue sources by introducing new travel packages. Elaborate on this statement by discussing the niche targeting that CKS adopted for various segments in India.

2. To woo the convenience and comfort savvy customer, Cox and Kings introduced many value added services in its offerings. How have these served to help the Indian traveler in easing his/her travel plans and actual trip?

Caselet 46

Satellite Television Asian Region (STAR), formerly known as Star TV, is a wholly owned subsidiary of News Corporation. STAR pioneered satellite television in Asia in 1991, with the launch of five television channels. By 2004, STAR had 50 services in seven languages and offered a comprehensive choice of entertainment, sports, movies, music, news, and documentaries to about 53 countries in Asia. STAR launched its services in India in 1991 when India opened up its satellite television sector to private operators. In 2004, STAR dropped "TV" from its name, as it became a multiplatform brand from a multi-television brand with services in distribution, radio, and others. Through the years, it provided a lot of choice to its viewers and set standards in content, production, and variety.

Although the Indian economy opened up to private foreign players in television broadcasting in 1991, it did not allow them to uplink from India. Therefore, Star entered India by uplinking from a communication satellite AsiaSat-1 in Bangkok and offered five channels – Prime Sports, MTV Asia, the Chinese Channel, BBC World Service Television, and Star Plus. It was only in 2000 that the Government of India relaxed its norms and allowed all foreign players in India to uplink from India. This resulted in better coverage of events and quicker broadcasting. However, in April 2003, after NDTV[36] announced that it was launching its own channel at the end of its contract with STAR, it had to take a decision on the content aspect of its news channel. At the same time, STAR faced problems again as new uplinking norms laid for news channels stated that foreign direct investment in a news channel could not exceed 26% and that the rest should be held by an Indian company(s) or the public.

The Government of India did not accept STAR's application as it was from a company called Media Content and Communication Services (MCCS), an empty shell with a paid up capital of Rs. 1 lakh. This shell company had no studios, no cameras, or even uplinking equipment. All these facilities, integral to a news channel, were transferred to another shell company called Touch Telecontent (TT). Also, analysts

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[36] NDTV was the content provider to the news channel of STAR till 2003

pointed out that various companies who were on friendly terms with STAR, owned the remaining 74% and so the control actually remained in foreign hands. This defeated the very purpose for which the government had drawn up the uplinking norms -- to favor Indian control over the company. The controversy went on for almost eight months during which STAR got temporary permission to uplink from India. Finally, STAR tied up with Aveek Sarkar's ABP Ltd., with the latter holding 74 per cent stake and following this, it got permanent permission for uplinking from India for its news channel. This was not the first instance of STAR flouting the Indian government's norms as their application for direct-to-home (DTH) services also came under scrutiny for compliance.

Apart from the uplinking problems that STAR created and faced, it also faced courtroom battles in India with Zee TV Ltd. It entered into a joint venture with Zee TV in 1994 for television broadcasting in India. When News Corp Limited acquired STAR's satellite distribution business, News Corp de facto became a partner of Zee. To further develop the relationship, News Corp and Zee subsequently co-founded Siticable in 1995. However, the partnership ran into problems with both parties faulting each other's business initiatives in the Indian market. Finally, toward the end of 1999, Zee TV bought a 50% stake in STAR at US$296.8 million. Following this, STAR was free to launch any programs in competition to Zee. Also, it had the money to strengthen itself in the Indian market.

Although STAR managed to stay afloat in the Indian media market despite these legal problems, it faced cultural hurdles right from the time it entered India. At the outset, it launched a spate of English programs like "Wonder Years", "Crystal Maze", "Santa Barbara", and "The Bold and the Beautiful". However, its ratings plummeted as the viewership of Indian programs like "Mahabharata", aired by the government channel, Doordarshan increased. An attempt to dub English serials in Hindi was not accepted by the audience as they could not relate to them. By early-1994, Zee's prime-time audience share in three metropolitan cities was up to 37%, compared to the 39% combined share of Doordarshan National Network and Metro Channel, and the meager 8% combined share of the STAR platform, SUN-TV (Tamil, one of the 15 recognized Indian languages) and Asianet (Malyalam, another recognized language). In order to get back its viewership, STAR started a daily "Hindi-band" between 7 p.m. and 9 p.m. on Star-Plus, including a news bulletin in Hindi and English (produced locally in India). Later, it started offering full-time programs in Hindi on all channels.

Its music channel – V also provided a variety of Indian pop numbers. In 2002, to gain access to regional channels, STAR acquired "Vijay" to cater to Tamil Nadu under Sameer Nair, Executive Vice-President and Head of Content & Communication, who was familiar with South Indian culture. In less than six months, the channel made a substantial difference to the quality of programming and viewership patterns. In addition, ESPN Star Sports acquired exclusive telecast rights for all international cricket matches to be played in five countries, including India, till 2008.Thus, by overcoming these cultural and legal barriers, STAR reached 90 per cent of the 30 million cable and satellite homes by 2004 and operated half a dozen satellite television channels in the country, covering news, entertainment, and sports in English as well as in India's national language, Hindi. It commanded a 30 per cent share in viewership and 50 per cent share of advertising revenues.

Questions for Discussion:

1. Government laws pose a threat to foreign companies in establishing and maintaining operations. Comment in the light of the STAR experience.

2. The success of any television channel lies in customizing and overcoming cultural barriers. How has this helped in STAR's journey to become a popular channel in India?

Caselet 47

Gray Worldwide, a part of the Gray Global group, a worldwide player in advertising, public relations, and other related services, set up operations in India by acquiring a 42% stake in Trikaya Advertising in 1987-88. In 2001, to strengthen its operations, it bought out the remaining 58% and the company was renamed Gray Worldwide (GW). Nirvik Singh (Singh), who took control of GW in 1997, put it on the growth path by the use of various diversification strategies. The company became a part of the Global media giant, WPP, in 2004. The same year, it was ranked among the top 10 agencies of India and collected Rs.500 crore in billings.

In 1997, GW decided to focus on other areas apart from its primary business – advertising solutions. It realigned its strategies, aiming to become a total communications company. With this objective, GW ventured into related businesses – media (Mediacom), public relations (GCI), interactive (GSS), exhibitions (Gray Exhibit), Healthcare (Gray Healthcare) and event management (Grey events). Each of these businesses focused on implementing specific strategies to improve their business. Mediacom bought various small agencies with a view to improve its media planning and buying. It also restructured its operations and established "media or research cells" to optimize its media plans. As a step toward innovation, GSS decided to use mobile phones as a medium of interaction with clients by conducting contests through them and offering other direct marketing tools to their clients. This diversification also offered their clients the opportunity to avail of all services from them thereby adding to their revenue streams.

In 2003, to serve a larger number of clients from various businesses, GW set up another agency G3. This was a strategic measure to take business from conflicting clients. For example, GW took up the Samsung account and G3 handled Haier. Both these companies marketed competing brands in the same markets. This helped GW to increase its client base. In 2004, GW seized the opportunity offered by a new trend -- political parties approaching advertisement agencies for their campaigns. They bagged the campaign with the ruling party and launched the "India Shining" campaign that gave a face-lift to India's image in the public eye. The campaign also gave GW the necessary media exposure and helped it build its brand. As a supporting service to its advertising agency, GW had a research wing called "Grey Cells". This wing conducted a survey of 4000 women in the age group 18-24 to discover their social attitudes and changing interests in their lifestyles. The research findings were used in an advertisement that showed a couple playing with a muddy football where the woman does not mind getting dirty and responds to the man's kicking the ball at her.

According to Singh, "We believe we offer a healthy combination of creativity and an understanding of the consumer as well as the client's business that sets us apart. We are glad that our clients recognize our strengths."[37] Singh received the "agency head of the year" award as part of the Asia Pacific Awards given by Media Magazine for his contribution in improving the GW business as well as for setting Industry standards. In 2004, GW along with Samsung received the gold award for 'Most Effective use of Sponsorship' at the MEDIA's Asian Brand Marketing Effectiveness Awards 2004. These yardsticks indicated the level of success of GW's diversification strategies, which helped it to offer total marketing and communication services to its clients.

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[37] "Grey Worldwide India wins the accounts of Tetra Pak, Biocon", www.domain-b.com. March 12, 2003.

Questions for Discussion:

1. Instead of focusing on its core service, Grey Worldwide (GW) chose to venture into many other businesses. Discuss the reasons behind this move and its contribution to the success of GW?

2. Diversification was not the only method that GW adopted to increase its client base and provide quality services. Elaborate on the various other initiatives GW took to widen its customer base.

Caselet 48

Kotak Securities Ltd., (KSL), the stock broking arm of the Kotak Mahindra Group, was set up in 1994 with minority participation from Goldman Sachs (Mauritius) L.L.C. (25%) and Pannier Trading Company (75%). Kotak Securities was a corporate member of both the Bombay Stock Exchange and the National Stock Exchange of India Limited. Its operations included stock broking and distribution of various financial products – including private and secondary placement of debt and equity, mutual funds, and fixed deposits. In 2001, Kotak Mahindra Financial Limited (KMFL) bought a 75% stake in the company, thereby making Kotak Securities as a subsidiary company. Subsequent to obtaining a bank licence in 2003, all KMFL subsidiaries de facto became subsidiaries of Kotak Mahindra Bank (KMB). In 2004, KSL's operations spanned a range of five businesses -- Institutional Business, Private Client Services, Client Money Management, Retail Distribution of Financial Services, and Depository Services. Kotak Securities was one of the largest broking houses in India with a wide geographical reach that spanned eleven Indian cities as well as offices in the US, the UK, and the Middle East through its affiliates.

KSL's client money management division provided professional portfolio management services to high net-worth individuals (HNIs) and corporates. It was backed by in-house expertise in research and stock broking, which helped it to have the right perspective in providing quality investment advisory services. KSL spotted an opportunity for business in the changing attitude of customers -- from being "savers" to "investors". It therefore focused on this segment comprising high-income group persons. It strategically positioned itself through KMB as a "wealth manager" and "financial advisor" across the nation. Initially, (in 1999) it targeted film stars as potential customers for its Private Clients Group, which was devoted to managing funds for HNIs. According to S. A. Narayan (Narayan), Executive Director, KSL, managing the portfolio of film stars would form an integral part of its private client servicing (PCS) module where investors, with more than Rs 25 lakh to invest, handed over their funds to KSL, which in turn, invested it in different kinds of securities[38].

KSL offered customized products to its clients for portfolio management services, namely Sigma Equity (65 per cent large-capital stocks, 35 per cent mid-capital stocks), Smart Investor (emerging businesses) and Opportunities, a thematic portfolio depending on investment options in the year of availing of the scheme. The customer had the choice of both fixed and performance-linked fee options. Through these services, the customers got a double benefit -- tailor-made products and periodic information. To maintain the interest of these customers, KSL came up with unique value proposition. For example, they got their top clients to interact with Roopa Purushotaman, a Goldman Sachs' economist, who authored a report that said India could be the world's third-largest economy by 2050. Such moves were more effective than handing over movie tickets and other coupons, which did not interest a high net-

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[38] "Kotak Securities eyes Bollywood stars' deep pockets, lines up portfolio scheme ",Vivek Law, www.financialexpress.com, March 22, 1999.

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worth client. KSL launched "Kotak Infinity" as a distinct discretionary Portfolio Management Service that looked at the middle end of the market in 2004. This enabled customers with a minimum of Rs.10 lakh to avail of these services.

By November 2004, KSL managed Rs 1,200 crore under its Portfolio Management Services across 150 cities with 60 branches across the nation. In 2005, the company was expected to start investment advice on "arts" -- a new field. The future strategies of KSL can be summed up by one comment by its vice-president and head of portfolio management, Shashank Khade, "For us, it is widening the product basket and catering to the growing need of the financial investor. Leveraging on the existing infrastructure makes good business sense for everybody."[39]

Questions for Discussion:

1. In providing portfolio management services, what were the advantages that Kotak Securities Ltd (KSL) had to serve its customers better? Also discuss its products with reference to customer needs.

2. Building a base of Rs. 1200 crore in portfolio management services (PMS) requires a well- planned strategy. Discuss KSL's approach to these services.

Caselet 49

With the Indian Government initiating the liberalization and deregulation process in the late nineties, the Indian Banking Industry changed completely. Liberalization and deregulation saw the entry of private sector banks into India. These banks used state-of-the-art technology, had lean organizational structures, focused on specific customer segments, and set high standards of operations and customer service. They also adopted global practices, and developed core competencies in the form of proprietary technologies and processes and brand building to differentiate them. In the face of such competition, public sector banks had to soon follow suit, and they increased the range of products offered, computerized most of their operations, and improved customer service.

To stay ahead of the competition, service providers have to constantly try and improve and innovate their services. This was even more so in the case of banking, with private banks, foreign banks, and public sector banks each trying to grab a larger share in the market.

The banking industry consisted of 289 scheduled commercial banks (March 31, 2003). The cluttered, competitive environment has made it a Herculean task for banks to differentiate themselves. The result was that most of the banks adopted similar strategies to differentiate themselves. These included investing in securities of blue-chip companies, entering into the retail banking sector, increasing the customer and deposit base through value-added services like ATMs and online banking. All these strategies were based on technology. The emphasis on technology was especially formidable in the private banking sector. Most of these banks took the help of proprietary processes and technology to launch innovative products to woo customers and differentiate themselves from the competition. Kotak Mahindra Bank, for example, offered a unique 'Sweep-in' account wherein any amount in excess of Rs 1.5 lakh was invested in Kotak's liquid mutual fund that earned an average return higher than the savings account interest. ABN Amro offered home loans at 6.5% interest rate (the lowest in the country) for the first two years, after which the consumer paid the market-determined rate. ICICI Bank offered loans to customers against their cars, provided these were less than five years old.

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[39] "Got Money, here's help to invest it", Nikhil Lohade, www.portfolio.rediff.com, October 24, 2004,

The private banks also launched technology-based customer services to increase their customer base and stave off competition. HDFC Bank offered a unique online card called 'NetSafe' that minimized the risk arising out of online frauds. 'NetSafe', a single usage online card, contained a specified amount debited from the credit or debit card of the consumer. This card was valid for the day on which it was issued. Any unspent amount was transferred back to the customer's account. HDFC Bank also offered 'OneView' service. This service enabled customers to access account related information, including their accounts in other banks like ICICI Bank, Citibank, HSBC, and Standard Chartered Bank, on the Net. Apart from all this, private sector banks also offered various services aimed at enhancing banking convenience to their consumers. For instance, sensing an opportunity to differentiate itself through the convenience factor, ABN Amro offered consumers who withdrew cash between Rs 5,000 and Rs 2 lakh, free secure and timely delivery at their doorstep. HDFC Bank, in association with Travelex India, provided home delivery of foreign exchange, including cash and travelers' checks. ICICI Bank increased banking hours from 8 A.M to 8 P.M for customer convenience. Select branches also remained open throughout the year.

Banks also started using their ATMs as a means of differentiating their services, making them more accessible and attractive to consumers. added bill payment and credit card payment options at the ATMs. Many banks including SBI, ICICI Bank, and Bank of India operated mobile ATMs that traveled along select busy routes and stay put at important junctions. This made it convenient for customers like office-goers and businessmen traveling on these routes, as they were able to save on the time and bother of going to an ATM located in select areas. Banks also provided access to ATMs of other banks free of cost. For example, ING Vysya under the Orange savings account provided free access to 8000 ATMs of other banks. Similarly, relatively new entrants like Kotak Mahindra Bank offered free access to 4000 ATMs of other banks to its customers.

In addition, the banks also tried to differentiate their services through their service personnel. Kotak Mahindra Bank, for instance, assigned a relationship manager for every customer to look after customer deposits, give any required advice and in addition, manage the customer's investment portfolio. Similarly, ABN Amro also assigned relationship managers to manage the investment portfolios of high net-worth individuals. On the whole, innovative products and technology-based banking services gave way over the years to technology-based value-added services focused on customer convenience.

Questions for Discussion:

1. With the banking industry in India already cluttered with 289 scheduled commercial banks (March 31, 2003), private sector players have resorted to proprietary processes and technology to differentiate themselves. What are the different means that banks have adopted to differentiate their services from those of competitors?

2. Banks have begun to lay emphasis on remote service encounters by encouraging customers to use ATMs and Internet banking services for their banking transactions. Briefly discuss the pros and cons associated with the usage of remote service encounters.

With the food service, restaurant, and catering industry in India growing rapidly, a large number of organized players in the restaurant and hotel industry have diversified into catering. Many of the players have scaled up operations to meet demand and quality standards. Radhakrishna Hospitality Services (RKHS), one such player, offers world-class service to its corporate clients. With a strong workforce of around 8500, the company delivers over 150,000 meals every day, across 350 sites in 19 states across the country.

The company, which was founded in 1966 in Mumbai by the late Radhakrishna Shete, soon expanded and grew significantly (Refer to Exhibit I for a brief history of the company). In its bid to enhance its performance in the food service industry to global standards, it entered into a joint venture in 1995 with Eurest International, part of the Granada: Compass[40], the world's largest catering company.

At present, RKHS is one of the top corporate caterers in the country. It operates actively in the entire country and delivers food to its different sites including company cafeterias, oil rigs, hospitals, schools, ships, shopping malls, software companies, BPOs, and so on. The company's client list includes Essar, Hyundai, Mitsubishi, Mahindra, Siemens, and Tatas. Tidal Park in Chennai, a software park, and Satyam Computers have also appointed RKHS as their official caterer. Nutritious meals and a hygienic and healthy eating environment are essential for maintaining quality standards in the world of corporate catering. As people are becoming more and more health conscious, it is all the more important for catering companies to maintain quality. Commenting on the quality aspect, Saajid Khan, CEO, RKHS, said, "Providing quality service and attention to specific client needs have always been our priority." This statement was borne out by the fact that the company received the ISO 9001:2000 certification by Bureau Veritas Quality International (BVQI) London in 2001. Commenting on the award, Saajid Khan said, "RKHS is the first food and allied services company to have received the ISO 9001: 2000 certification and this certification will consolidate our position at the forefront of the Hospitality industry as an ISO certified Food Service Company."

Operational efficiency is one of the most crucial elements for the success of catering organizations. This is because they offer their services to a large number of clients across different sites. RKHS also manages its operations with the utmost efficiency. At the Fertilisers and Chemicals Travancore (FACT) cafeteria in Kochi, for instance, the company meticulously serves piping hot meals to more than 10,000 employees who gather at the cafeteria for lunch every day. The employees are allotted seats on the basis of an established token system and are greeted by delicious meal trays on their tables. The company maintains a surplus workforce and sufficient infrastructure at various sites across the country so that it can serve thousands of people, even at a very short notice. To survive in a globalized food service industry where companies work on a 24x7 basis, the real challenge for Indian companies like RKHS is to serve food round-the-clock but this is a challenge the company is well equipped to meet. For instance, in the TVS Lucas Factory on the outskirts of Chennai, the company serves fresh and steaming food round-the-clock, beginning with breakfast in the morning to dinner for the company's night shift employees in its canteen that has a facility to serve 1000 workers at the same time. Several catering colleges touch on RKHS' operational efficiency in the TVS-Lucas facility, as part of their academic curriculum. Kishore Babu, senior catering officer, says, "Beyond budget allocation, team work and right attitude on the part of the canteen staff, the Lucas TVS management and company staff have made the canteen what it is today."

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[40] The UK based Compass Group PLC is the world leader in food service management, with a turnover of 82 billion and with operations in more than 70 countries.

Several corporate hospitals outsource their non-core activities like catering, housekeeping, and laundry. Serving the needs of corporate hospitals, its staff, patients, and visitors is yet another challenge faced by catering companies. Handling the catering service of hospitals is completely different from handling other industries, says Kumar Katra, Deputy Manager, Healthcare division of RKHS. "There are multiple points of service in healthcare, industry requirements are different, and manpower logistics are different. It is a different kind of challenge, more of a concept development and bringing something new and educating its importance to healthcare clients." RKHS entered the hospital catering service in 1995. The joint venture with Eurest International helped the company establish itself in this field. Commenting on the competition in the hospital catering market, Katra, says, "Competition is fierce because there are a lot of locals supplying catering or cleaning services for that matter." To emphasize the differentiating factor in their service he added "We use disinfectant solution wherein vegetables are presoaked. Dieticians are deputed at hospitals to counsel patients and prescribe the menu." RKHS takes the help of computer software in delivering customized meals to the patients in these hospitals as prescribed by their dieticians and doctors.

With its mission being to become the most preferred food and allied services company, RKHS continues with its focus on attaining the highest customer satisfaction by providing top class quality service. The company also wants to be a market leader and a preferred employer. Operational excellence and financial performance are the other key areas the company is striving to concentrate on. The future looks bright for the company since many companies are outsourcing their catering services with a view to cutting costs. However, in order to be successful, it is very important for corporate caterers to meet the stringent quality norms that these companies look for. Most MNCs maintain regulatory bodies that periodically check the quality of service being offered by the caterers that they employ.

Exhibit I

History of RKHS

Year	Milestones of the Company
1966	Radhakrishna & Co. established in Mumbai by Late Mr. Radhakrishna Shete. The company initially focuses on Ship Chandelling as its main business.
1974	The company obtains the victualling contract for the reputed luxury liner Harshavardhana and becomes a sole commissary supplier to SCI at Bombay (now Mumbai) and Goa.
1982	The company wins a contract with Hitachi Engineering & Construction Company to supply Japanese food to around 350 Japanese personnel throughout the year.
1988	The company opens its first western style supermarket 'Foodland' in Mumbai.
1991	The company expands and consolidates its operations in the Asia Pacific market.
1993	The company starts offering logistics support to McDonald's and other institutional customers
1995	The company starts its own professional training institute in Mumbai to train its catering personnel. The company also enters into a joint venture with Eurest International to leverage on the full potential of the contract food service segment in India.
1996	The company secures a prestigious contract to cater food to approximately 25,000 NATO troops in Bosnia.

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1998	The company expands its customer base in India by catering to world renowned companies like Mercedes Benz, Whirlpool, LG Electronics, and so on.
1999	The company diversifies into other sectors like travel, retail, leisure, etc.
2001	The company receives the ISO 9001: 2000 certification for management of hospitality services.
2002	The company receives an award as the second best under the general management and HR Scheme at LAKSHYA, NITIE.
2003	The company receives the Health Safety, Security and Environment (HSSE) performance award by BG India Ltd.

Source: http://www.rkhs.co.in/history.htm

Questions for Discussion:

1. Providing quality service and paying attention to specific client needs have always been the priority for RKHS, according to its officials. To what extent do you think these aspects matter in the food service industry? How will they help the company retain its position in the market for years to come?

2. Operational efficiency is one of the most crucial elements for the success of catering organizations. How far do you think this statement holds good? What aspects should a food service company keep in mind to effectively manage its operations?

Part B: Caselets (Suggested Answers)

Every caselet will have more than one possible solution. The guidelines are intended to help students develop their abilities to analyze business situations and develop feasible solutions.

Part B: Caselets (Suggested Answers)

Caselet 1

1. Marico, a leading name in the consumer products market, has entered into services industry. This area requires a different set of capabilities. Some of the challenges that Marico may face in operating Kaya Skin Clinics have been discussed below.

Problems in quality control: Due to the intangible nature of services, maintaining service quality is a challenge for the company. Defining and maintaining quality in product manufacturing is relatively easier compared with services. Each customer may perceive the quality of services differently, and this further increases the complexity of establishing standards of service. For example, a customer who is traveling by air may look for quicker processing of flight ticket, faster checkout, good ambience inside the plane and good in-flight service. However another consumer may look for a cheaper price and on-time service.

Involvement of the customer in production and delivery: Unlike in products marketing, customers are themselves involved in the production and delivery process of services. Service quality also depends on the customer's involvement in the service delivery process. The customer will have a more pleasant service experience if he/she cooperates with the service provider and interacts positively with the service personnel. The service provider cannot really ensure this, as it in the hands of the customer himself. At Kaya clinics, the treatment clients receive depends on the client's willingness to providing relevant and complete information regarding their problem (for the doctor to make a correct diagnosis and prepare an effective treatment plan). This has to be followed up by strict adherence to the treatment plan as suggested by the doctors. The effectiveness of the treatment is reduced when the client provides incomplete information, or does not stick to the doctor's advice.

Absence of inventories: Another major challenge for a service provider is that inventories cannot be maintained for services since services cannot be stored for future use, unlike products. This characteristic could result in a mismatch between demand and supply for the company. Therefore, the management of demand and supply becomes an important element for the service provider. In the case of Kaya clinics, if the customer flow increases, the company may not be able to attend to the problems of all of them because it has a fixed strength of doctors and skincare practitioners. This may create dissatisfaction among customers and encourage them to switch to other service providers. Similarly if the customer inflow falls, then resources will have to be kept idle leading to ineffective use of resources.

Difficulty in evaluating service quality: Consumers can touch, feel and experience a product before purchasing it. But a customer learns about a service in detail, only after using the service. Thus judging service quality in advance is difficult. In order to evaluate service quality, customers look for tangible elements like the experiences of other customers, service premises, service personnel, etc.

2. Kaya has used two key tangible elements to differentiate its services from the competition. They are service personnel and pricing. As the human element plays a key role in the success of a service organization, Kaya has laid special emphasis on training the dermatologists who interact and treat customers. The company has developed a unique in-house training and certification program for this. Under the Continuing Education program (CME) doctors are updated about the latest developments in the field of skincare through six-monthly refresher courses conducted by doctors of international repute.

Kaya has priced its services at the higher end, so as to target customers from the upper middle class and above. Kaya has identified the upper middle class and above group of customers as the major users of beauty care services. By pricing its services at a high level, it can project its clinics as high-quality up market beauty salons.

Caselet 2

1. Face-to-face contacts with customers have many advantages compared to remote encounters such as online trading. Since the target customers are small investors who are investing their hard earned money, they will look for a credible and reliable broker. Thus the presence of a physical location and direct contact with the investment representative will enhance the company's credibility among the customers. Moreover, with direct contact with the customers, investment representatives can get to understand customer needs better and provide the right solutions for them. This will enhance customer relationships. However, having a physical presence involves cost and effort. The setting up and management of the branches involves fixed as well as operating costs. Physical presence also requires more personnel to attend to customer calls and needs. Since no two personnel provide the same kind of service, service quality may be affected.

In comparison, online trading is cost effective and provides a similar kind of service to all customers. Thus a particular level of service quality is maintained. The customers receive convenient and faster service through the online medium. However, online trading lacks the human touch and this can make customers uncomfortable. Customers also feel insecure in disclosing their financial information and transferring funds online due to security concerns.

2. The company used a single segment strategy and targeted small individual investors who were looking for long-term investments. Targeting a single segment is beneficial for Edward Jones in many ways. It helps the company understand customers' needs better and design service offerings that suit them. This helps the company gain dominance in that segment. The single segment strategy also enables the company to charge a premium for its services, as customers are willing to pay for services that are tailormade to suit their specific needs. Competitors cannot enter this segment easily as Edward Jones has set high entry barriers by virtue of its segment leadership and good understanding of this customer segment.

However, there are some risks associated with this strategy. The company is exposed to the risk of shrinkage or saturation of the market. The company may also face the risk of losing business due to elimination of the segment.

Caselet 3

1. The first step in the development process of a new product is the generation of ideas. The ideas can come from internal sources such as employees, or external sources such as competitors, customers, and consultancies. The company thought of launching such a service when it was on the lookout for a growth opportunity to sustain its dominance in the hospitality sector, which is becoming competitive and mature. The evaluation of gaps in its service product line also prompted it to think along those lines. The company identified that budget hotels would have good growth potential and that it had no presence in that sector. It constituted a team of top professionals to work out this project. The team did a business analysis and also took decisions regarding the design of the service. During this stage, the team adopted a bottom-up approach of designing a service, instead of using the top-down approach. The team determined the needs of the customers and the price that they were willing to pay. They identified that a price of around Rs 900 was acceptable to customers. Based on this price, the company worked out the business model backwards – that is, the service offerings to be included, the design of the hotel, and the processes to be

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adopted. The company decided to offer the service at around Rs 900 – Rs 850 for a single room and Rs 950 for a double room. The room was equipped with a 17-inch flat screen television, a mini-fridge, tea/coffee maker, round the clock hot/cold water facility with toiletries. The room was air-conditioned with wood laminate flooring. The hotel also had common facilities like a gym, cyber cafe, a restaurant, and a meeting room. This kind of service was expected to appeal to traders, corporate executives, tourists, and pilgrims, who preferred clean and convenient service at an affordable price. Later, the company decided on the brand identity. It recruited Chlorophyll, a communication consulting company, to create a brand identity for the hotel. The brand name IndiOne was selected, as being in line with other Tata brands (Indica and Indicom). At present, the company is test marketing the concept with the launch of the hotel at Bangalore. The company will chalk out future plans depending on the response it receives from the Bangalore branch. Initial reports claim that the hotel is witnessing an 80% occupancy rate despite no serious advertising being undertaken for the hotel by the company.

2. IHCL has taken various measures to ensure the success of IndiOne. It has constructed the hotel in a modular fashion, which can easily be scaled up at a lower investment than would otherwise be needed. The room size has been kept at 180 sq. ft., which has not only helped the company to accommodate more rooms within the same space, but also to reduce maintenance costs. The company has also designed the rooms in such way that they require minimal maintenance. It has done away with room service, thus doing away with the need to clean the room after the food has been served. The wooden laminate flooring instead of carpets makes cleaning and maintenance easier and faster. It has kept personnel costs low by restricting the service personnel for each hotel and stripping the room service from the service offering. Nearly all the services have to be self-served by the customers. The restaurant offers a buffet service and the customers are required to drop and pick up the clothes at the lobby for laundry. This has helped the company to operate the hotel with the minimum staff. The company has negotiated with suppliers keeping in view its future plans. The company has also made online booking available. This service will help save booking costs. Besides, if online booking becomes successful, the website can serve as a good marketing tool, thus helping the company save on marketing costs.

Caselet 4

1. The fortunes of many US industries over the last four decades were dependent on the demand created by baby boomers. The entry of baby boomers (approx 50 million) into the retirement age group (45-64 years) kindled the spurt in demand for properties (real estate) in 'active adult communities'. The population in the age group 55-64 is poised to increase by 50% over the next 10 years.

Moreover, due to the increased life expectancy rate and easy access to advanced medical care, these baby boomers are showing an interest in continuing their 'active retirement' life comfortably. They prefer larger homes instead of apartments and look for amenities such as golf courses, tennis courts, and recreational centers in these communities. This propensity to spend more on housing has made this segment attractive for home building companies. Pulte Homes has to keep track of the evolving needs of their customers through regular solicitation of feedback from various sources. It should conduct transactional surveys among those who have purchased houses in their projects and get to understand their perceptions and complaints, both about the company and the project. The company should also gather information through inquiry surveys from visitors who return without making any purchases. This will help the company to understand what additional features need to be added and the shortcomings in the project that discourage these visitors from purchasing. The company should also solicit feedback from their salespersons who are in direct contact with the customers.

2. Baby boomers, which are estimated to be around 50 million-strong, are in the homeownership age of 45-60. This provides a good growth opportunity for the company. Moreover, boomers want to lead a comfortable and enjoyable life. Thus they prefer houses at the higher end with spacious rooms and modern facilities. Since Del Webb is already a known name in building retirement home projects, Pulte can capitalize on its brand name. The success of Del Webb (a subsidiary of Pulte Homes) can be attributed to its clear segmentation and the thorough research of this segment. Del Webb continuously collects information from both existing customers and potential customers. This helps the company to not only understand the needs of the customers but also the shortcomings in its service offerings. It conducts surveys among existing customers as well as visitors who come to check out the company properties.

Such continuous research on the customer segments has enabled Del Webb to identify various sub segments of active adults. One segment of customers prefers larger homes with all amenities and loves to live in a larger community. Another segment of customers prefers a simple and smaller community where the customer can lead a more private life. Some customers prefer a smaller community where they can pursue a high-end country club lifestyle. Another segment of customers wants to live with a mix of people who belong to various age groups. Del Webb also identified another segment, which wants to settle near the city where they had worked and to spend their time with family and friends.

Once it identified the segments, Del Webb tried to develop products based on the needs and preferences of each sub segment. For customers who preferred to live in larger communities, it built Sun City Grand that has nearly 8,000 homes with all the amenities. And for customers who wanted to lead a more private and simple life and to live in a smaller community, the company built the Solera project, which has fewer units and simpler amenities. For the segment that preferred to live a high- end country club lifestyle, the company developed the Corte Bella with luxurious amenities such as a state-of-the-art fitness center, private dining room, and limited spa facilities. For the customer segment, which wanted to stay in the vicinity of the city and spend time with family members, the company developed the Sun City II property close to Chicago. Anthem was developed for customers who preferred to live with people of all age groups.

Later the company positioned these properties on the attributes that appealed to customers. For example, the Solera project was positioned as a community with a small town look. The Corte Bella community was promoted as the first active adult country club.

Thus Pulte was very successful due to its well thought-out segmenting, targeting, and positioning strategies.

Caselet 5

1. Before the insurance industry was opened up, customers patronized LIC because of lack of choice. This was despite the fact that they viewed LIC as a stodgy organization with poor customer service standards. With the entry of private players, customers' perception towards LIC turned more negative, because the former offered better product mix and customer service. So, LIC took steps to restructure its operations and alter the negative perception about the company among customers. The priority was to cope with the changing insurance market environment. LIC basically focused on three key aspects -- strengthening the marketing department, improving customer service by adopting modern technology and processes and creating strong brand identity.

As for any insurance company, the major part of sales comes from the agency network. LIC paid more attention to hiring and training agents. Moreover, LIC also trained its own personnel in the areas of technology and marketing. This helped improve employee performance. The training initiatives also enhanced employees' ability to satisfy customers during service encounters.

LIC tried to improve service standards further with the use of technology as well as by streamlining processes. Technology helped LIC to make its services accessible and convenient for customers. By making service delivery processes faster, the company tried to transform the negative perception about its customer service.

LIC's attempt to create strong brand identity centered on aggressive promotion of the company and its products, stressing its unique strengths. The company also reduced the number of its advertising agencies to four to ensure effective creation and execution of advertising campaigns.

These initiatives by LIC met with reasonable success as customer perception has reportedly changed. LIC is no longer regarded as a traditional public sector entity, unwilling to adopt modern technology to improve its customer service. LIC now offers a wide array of insurance services that match any other private player in India.

2. Service providers usually utilize multi-product branding or a multi-branding strategy to build their brands. In the first strategy, service providers extend the same brand for all service products. This branding strategy is not suitable for LIC as the company has good brand recall and therefore any branding exercise directed towards highlighting the parent brand will not have much impact on product sales. Such strategy will be a waste of efforts and resources. In the multi-branding strategy, on the other hand, a service provider will create a brand for each service offering. This helps the company to position these products to target customer segments effectively, but at the same time increases costs and efforts. Moreover, through this strategy, LIC might not use the company brand "LIC", which has good brand awareness. LIC can opt for a combination of these two strategies, using the family brand as well as the individual brand name to position its products in customer minds. The family brand will create credibility and the individual brand name will help target the right customer segment.

Caselet 6

1. The banking industry has matured with public sector banks and private banks vying with each other for the same customer segment with similar offerings. Due to easy replication of the competitor service offerings, banking services have become commoditized. The technology advantage of private banks has been eroded due to the renewed efforts of the public sector banks in this direction. Thus, differentiation has become the need of the hour for many new entrants in the banking sector. KMB has identified this aspect well, and ensured that its services are clearly differentiated from those of its competitors. KMB has differentiated its services on the basis of physical evidence and positioning aspects.

It has also distinguished its bank branches through an innovative design that provides functionality and privacy to the customers. The bank's logo itself is quite distinctive.

KMB has targeted the upper middle class and higher income group customers and positioned itself as a financial supermarket with the focus on investment advisory services. This is reflected in its punch line "Think Investments Think Kotak." The products are also developed keeping the target segment in mind. For example, the bank offers various value added services for account holders such as home banking, net banking, electronic fund transfer, At-Par-Check facility keeping in view of the time constraints and business needs of the target customer segment. KMB also offers innovative products like Kotak Premium Return Plan and Kotak 2-Way MF Sweep, which appeal to the target customer segment.

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2. There are two key marketing strategies that banks in India generally pursue -- mass marketing strategy and target marketing strategy. Almost all public sector banks and Indian private banks such as ICICI Bank, HDFC Bank and UTI Bank have gone in for the mass marketing strategy. Pursuing this strategy, these banks offer a wide range of products to customers and focus on penetrating the market through expanding the branch network aggressively. On the other hand, some foreign banks such as ABN-Amro, Standard Chartered as well as some Indian private banks such as IndusInd follow the target marketing strategy where they cater to the needs of specific customer segments (especially high income group customers). KMB has also adopted this strategy and targeted customers looking for convenience and services beyond basic banking services, such as wealth management and portfolio management. KMB might have adopted such a strategy keeping in mind that it is a new entrant into the banking industry, though it had been in the financial services market. Moreover, the customers knew very little about Kotak's banking expertise. So KMB might have planned to gain some critical mass in terms of customer base and brand awareness before going in for massive expansion. However, this strategy will not work in the long run due to the target segment being small and the competition in that segment (upper middle and higher income group customers) being very high. KMB has, therefore, to increase its product mix and penetrate into the market to sustain and increase its market share.

Caselet 7

1. Indian educational institutions are adopting the market development strategy wherein Indian educational institutions are offering same service offerings in the new markets. Indian B-schools opened campuses in Dubai because of the latent demand for management education, which is not filled by other US and European universities. Moreover, after 9/11 incident, entry into US and European universities has become difficult for UAE students. UAE also has a good percentage of Indians, thus providing a ready market for the institutions. Another driver that is encouraging the Indian institutions to enter overseas markets is profits. The fee charged by S.P.Jain and the XLRI are 3-4 times the fees charged for programmes in India, thus making it a profitable option. Not just from the profitability and the market perspective, educational institutions are also thinking in terms of international exposure and the brand awareness among the foreign students.

2. Educational institutions first have to improve the quality of education. They can improve the quality of education by focusing on student needs, the infrastructure and the faculty. S.P.Jain has studied the local market and arrived at a conclusion that Dubai is emphasizing on non-oil industries. This prompted the institution to offer electives such as retailing and hospitality management. Institutions also need to focus on the infrastructure in terms of classrooms, IT systems and library. Faculty is the key factor that students usually consider while evaluating the quality of education. Hence, institutions need to recruit eminent faculty. Institution should not rely completely on its own faculty, but invite visiting faculty from reputed educational institutions across the world to improve the quality of education.

Apart from focusing on education quality, institutions should also focus on promoting the institutions. They need to promote their service offering through relevant media such as business magazines (Business Week and Economist) and television channels (CNN and CNBC). They should also conduct or sponsor international workshops and seminars to create brand awareness among the potential students. Educational institutions should also strive to obtain accreditations such as EFMD certification and obtain better ratings in B-school surveys conducted by business magazines. Apart from these initiatives, educational institutions should forge alliances with reputed international universities or corporate to increase the credibility among the students.

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Caselet 8

1. Customer service expectations are at two broad levels- desired service expectations and adequate service expectations.

Adequate service expectations refer to the minimal level of service that a customer is willing to accept from a service provider. If the service performance falls below the adequate service expectations then the customer will be dissatisfied. BPCL has taken various measures to meet the 'adequate service' expectations. The customer expects that the quality and quantity of fuel he purchases is right. In this regard the company undertook the "Pure for Sure campaign" through which company it provided the customer a fuel that was pure and correctly measured out. The company gave the "Pure for Sure" certification to outlets only after they had passed stringent certification process tests. At these outlets customers can also check the quality and quantity of the fuel by themselves through special equipment available at these outlets. Customers also expect service personnel to be courteous. On this front company trains its service personnel and provides specific guidelines to the outlets. The service personnel are required to wear a standard uniform. They should greet the customer with a smile and offer personalized and quick service.

Desired service expectations refers to the services that customer desires and hopes to receive. If the service performance of the service provider exceeds the desired service expectations, then the customer will be delighted. Today, customers are exposed to and aware of services of a high quality through the media. Therefore, their desired service expectations have increased. Some customers have visited advanced countries and have had a direct experience of high quality services offered by service providers in those countries. The entry of multinationals into various sectors of the Indian economy has also raised the service expectations of customers. Customers expect high standards of service even at filling stations. The ambience should be pleasing, and the quantity and quality of fuel should be assured. BPCL took various measures to improve service performance. It revamped the retail outlets which used to look dusty and uncared for; they fitted them with imported electronic fuel dispensing units and modern lighting. Through its "Pure for Sure" campaign, the company created trust and confidence that customers get fuel of the right quality and in the right quantity. BPCL also introduced other value added services like air guages, and In & Out stores with a broad range of non-fuel products and services, at its outlets. The In & Out stores provided a range of products and services such as ATMs, cyber cafes, fast food, greeting cards, music, etc. Through these initiatives, BPCL has tried to exceed its customers' desired service expectations.

2. Petrocard benefits BPCL in two ways: it helps in retaining existing customers and attracting new customers, and it also helps track customer behavior which enhances the company's understanding of its customers' needs.

By retaining existing customers, the loyalty card program enables the company establish a long-term relationship with them. This is important for a company like BPCL which sells commodity products - petrol and diesel. With increased competition from other public sector oil companies as well as new private players like Reliance and Essar, retaining the existing customer base is essential. When a customer has a Petrocard, he has to purchase fuel at company outlets, and thus he is easily retained. By offering bonus points for each rupee spent, the customer is encouraged to make larger purchases. At the same time, the convenience and bonus point offers on the card differentiate the fuel sold by BPCL, which also attracts new customers.

An additional benefit is that the company can glean the information captured from customer transactions. This information helps the company in decision making as well as offering customized offers which enhance its relationship with its customers.
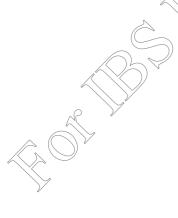
Caselet 9

1. Idea was focusing on building brand awareness among customers. Though the company's partners have been in this business for a significant period of time, Idea, being a new brand, was not known to customers. So, the initial advertising campaigns focused on creating brand awareness and building brand equity for the company. This was reflected in the campaigns "An Idea can change your life" and "Stay connected". However Idea's parent branding strategy proved ineffective in matching new entrants such as Reliance and BSNL and aggressive marketers like Airtel and Hutch. Moreover, the campaigns were only successful in reaching a few customer segments, especially high- end customers. They did not appeal to major customer segments like SEC B and SEC C customers. This prompted Idea to redo its marketing strategy. The company identified that the prepaid mobile services market was the growth area and its presence in that segment was not significant. Hence, it focused its marketing and communication efforts on that segment. Idea added many features to prepaid mobile services to make it appealing to target customer groups – middle and lower income groups. The company wanted to promote all these features on a common platform. This prompted Lowe (who was entrusted the job of creating advertisements) to brainstorm and identify a common theme through which these features could be conveyed. It identified that Extra Large (XL) could be used as a theme to signify the 'extra features' that were added to the prepaid service. Then Lowe decided that a Sumo wrestler could be used as a character to signify the XL theme. The advertisements were designed keeping in view the target audience – middle income and lower income groups. The ad campaigns included a fun element that created mass appeal. The tag line 'Prepaid ho toh Idea jaisa!" was chosen not just to create mass appeal but also to position Idea's prepaid service as the best in the market, having value addition. Idea Cellular also changed its media planning strategy and aired these ads in mass entertainment television channels, removing its focus from niche television channels.

2. Argument I: As the mobile services concept is new, during the initial years of mobile services, companies focused on prepaid cards that encourage customers to sample mobile services. The prepaid cards caught the attention of customers as they removed the hassle of paying monthly rentals and provided flexibility to recharge their accounts according to requirements. With increased awareness and usage, customers prefer postpaid services, which are particularly useful for heavy users.

As there is a sizeable market for postpaid, Idea should not concentrate its campaigns only on prepaid customers. Apart from this, postpaid customers are heavy users and contribute large amounts in revenue for the company. Therefore, its move to lure prepaid customers at the cost of ignoring existing post- paid customers might prove counter productive in the long run.

Argument II: Since Idea Cellular is a relatively new entrant (in its new 'avatar') in the telecom market, it could not capture the mindshare and market-share in the mobile services market. The big three players -- BSNL, Bharti and Reliance -- are dominating the mobile services market. As mobile services are catching the attention of not just the higher income group but the middle and lower income group, the market is on a growth curve. Mobile services are also being patronized by customers in towns and rural areas. Hence, by making prepaid cards attractive, Idea can capture the market at the lower end and gain critical mass.

Idea can even encourage prepaid customers to subscribe to its post-paid services using customer promotions later. It seems that present ad campaigns of Idea were aimed at capturing the growing market at the lower end of the pyramid and consolidating its position in the market. Thus Idea's communication strategy is the right fit for the present market.

Caselet 10

1. The target customer segment (SEC A & B customers), due to time constraints and quality consciousness, seeks convenient and quality service from service providers. At the same time, they are willing to pay a premium to the service provider for such quality service. Asian Paints has designed a service offering that appeals to the target customer segment. They did this by providing a toll free help line and website to make access easy to customers. The company has followed a clear service delivery process that ensures quality service to the customer. It promised to provide painting service from start to finish. The pricing was all inclusive, making it convenient for customers to pay and easy to calculate. Frequent inspections were conducted by company staff to monitor the work and this reduced the burden on the customers, who were hard pressed for time. Tangible service guarantees of time-bound work and a one-year warranty for the painted surface were put in place. These service guarantees reduced the perceived risk of customers regarding the service and enhanced the company's credibility. Apart from these, Asian Paints brand equity as a quality product manufacturer also added to the appeal and encouraged customers to pick the Asian Paints Home Solutions.

2. Growing income levels and increased exposure to Western lifestyles have altered the needs and preferences of SEC A and B group customers. They seek varied products and services. Due to constraints of time and work pressure, these customers are willing to pay a premium if quality service is provided in a convenient way. The painting service is no different. Hence, Asian Paints can benefit from targeting this segment as it designed the right service offering. In a growing economy, this segment is expected to grow at a significant rate making it more attractive for the company. However, the structural attractiveness of this segment does not appear to be promising. Structural attractiveness is a composite index that takes into consideration present and future competitors, substitute products or services, and relative power of suppliers and buyers. Unorganized players dominate the painting service. These players are mostly neighbourhood paint contractors, who provide personalized service at relatively lower rates. This has put Asian Paints at a disadvantage due to its high price and lack of personal touch. Since Asian Paints is relying on the same labour and contractors, customers may not perceive any differentiation between the company's service offering and that of others. The popularity of this service would also attract many small time paint contractors and big real estate builders to enter this market. Other paint companies might also try to launch similar services.

The power of suppliers and buyers is also relatively high in this market. Due to lack of expertise and presence in this field, Asian Paints was forced to rely on unorganized paint contractors. As a result, the power of suppliers (read paint contractors and workers) will increase. Also, with customers having a wider choice, the customer's buying power rises.

Caselet 11

1. Sify is adopting a differential pricing strategy. Sify has set the prices depending on the nature of the service, usage and demand for the services. Dial-up Internet access has become commoditized due to the large number of players operating in this segment. Moreover, the dial-up Internet access market as a whole is stagnating and showing signs of decline. This is due to higher costs and poor quality of the dial-up Internet access. So, Sify wants to capture the large share of market through penetrating pricing strategy with a 10 hour Internet access pack priced at Rs 99 compared to similar service offering in broadband Internet at Rs. 330. On the other hand, Sify is adopting a market skimming pricing strategy for its broadband Internet services. Being a first mover and largest player in this segment Sify wants to charge premium for its services. Another reason might be that Sify being well known name in

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this field, wants to cash in on that image. The broadband Internet access requires heavy investment in technology and infrastructure; this might also have prompted Sify to price its service higher to recover the costs.

2. Sify should not just consider the usual issues such as the cost incurred and the profit margins, but other marketing environmental issues like competitors, marketing mix and regulatory policies while setting its pricing policies. Following are some of the key issues in pricing that Sify have to consider.

Costs of production or break -even analysis: Primary issue is the costs involved in providing Internet access service. In the case of dial-up service the Sify incurs less costs since dialup need not require any additional devices at the customer's end instead access is provided from the usual telephone lines. On the other hand, for broadband Internet access, Sify has to provide special hardware and software to the customers. Hence, Sify incurs higher cost in providing broadband services.

Competitor pricing: The competitive pricing should also be considered while fixing the pricing policies. Since several big players are entering the broadband Internet access market, Sify should evaluate the competitor's pricing strategy. If the competitors are cutting the prices aggressively, then Sify has to evaluate whether it should follow suit or try to justify its premium pricing strategy by coupling other value added features. If the competitors are following similar strategy, then Sify should maintain status quo. Sify should also keep an eye on the lower level players such as regional service providers and cable operators.

Regulatory factors: Regulatory environment will also influence the pricing strategy of Sify. If the Telecom Regulatory Authority of India (TRAI) fixes any norms and conditions with regard to pricing of the Internet access services, then Sify should workout the pricing accordingly.

Positioning: Positioning strategy that Sify follows will also influence the pricing of its services. If Sify positions itself as a value for money or low cost service provider then it should price its services below the market rate to reinforce its positioning in the minds of the consumers. On the other hand, if Sify positions itself as a reliable and quality service provider, its pricing strategy should reflect this positioning.

Caselet 12

1. Reliance may face the following key capacity constraints while meeting the demand at its WebWorld outlets.

Facilities: One of the main factors due to which Reliance may face capacity constraints is its limited number of seating facilities at various outlets. As it cannot increase the seating capacity at the outlets, it may lose some customers due to non-availability of seats. Moreover, as each outlet involves significant amount of investment and effort, company may not be in a position to set up adequate numbers of full-fledged outlets. As a result, it may not meet the entire demand.

Equipment: Equipment will also become a constraint for Reliance. Equipment includes servers, desktops and bandwidth. During peak demand, like in evenings when the gamers visit the outlet, it may face bandwidth constraints as online games consume high bandwidth. The outlets may also face seating constraints during summer season, when students might visit its outlets in large numbers.

Labour: Company may also face capacity constraints in terms of labour. Operating the WebWorld requires competent customer service personnel as well as technical personnel. However, if the company increases the staff strength to meet the demand during peak season, it may have to carry the excess staff during the lean season.

2. Matching the capacity with demand is a challenging task for Reliance as its resources are fixed. However, Reliance has taken various measures to optimally utilize the resources and meet the demand in an effective manner. The company has clearly differentiated customer segments with specific service offerings, so that it can utilize the available resources at the outlets to a maximum extent. For example, during mornings, the company offers video conferencing facilities for corporate customers. During afternoons, it caters to students and mothers. During evenings, gamers and surfers visit these outlets. Thus, Reliance has designed the service offerings in such a way that the outlet will be busy throughout the day. Since these outlets also have permission to operate 24 hours a day, the company can utilize its resources more efficiently. Apart from this, Reliance has also designed its outlets in such a way that it can be rearranged according to the requirements. For example, furniture is designed in a modular fashion, so as to screen movies by rearranging the furniture to make it a movie theatre with a seating capacity of 40.

Caselet 13

1. There are two key factors that are making the foreign patients prefer Indian hospitals – availability of world-class facilities and treatment. Indian hospitals are now on par with the international hospitals in terms of infrastructure, service and doctors. This encourages the foreign patients to prefer Indian hospitals. The cost factor is another major reason for the foreign patients to show preference towards Indian hospitals. The cost of an operation in India is nearly one-fourth or one-fifth of the cost in developed countries. For example, a liver transplant operation in India costs nearly Rs 20 lakhs, compared to Rs 60-70 lakhs in developed countries. Such a cost difference is attracting the foreign patients to prefer treatment in Indian hospitals. Thus, world-class treatment coupled with less cost is prompting the foreign patients to get treated in Indian hospitals.

Understanding the culture will help the Indian hospitals in understanding the customer needs and attracting the foreign customers. A part of success of Bangkok's Bumrungrad Hospital can be attributed to its good understanding about the culture of the countries from where its patients come. Such an understanding helped the hospital to understand the customer needs and provide amenities that make them feel at home. Moreover, understanding their culture and language help the doctors in making proper diagnosis of the patient's problem through better interaction. This helps the patients to recover faster. In turn, it enhances the customer satisfaction and reputation of Indian hospitals.

2. Apollo hospitals is a leading hospital chain in South Asia. However, unlike leading hospitals in other South-East Asian countries like Singapore and Thailand, which are attracting a significant number of foreign patients, Apollo could not capitalize on its strengths. Despite being a leading hospital chain in Asia and having world class medical facilities it was able to attract only 96,000 patients till date as compared to 3,00,000 patients that Bangkok's Bumrungrad hospital attracted in the year 2002. In order to attract more foreign patients, Apollo hospitals need to take measures to make the hospital a preferred destination for foreign patients. Apollo lacks proper credentials to project it as a world-class hospital to foreign customers as well as insurance companies, which provide health cover to the patients. So obtaining an accreditation from an international agency will enhance the credibility of the hospital internationally. This will also encourage international insurance companies to extend the health cover for foreign patients who prefer to get treated at Apollo.

Even though Apollo hospitals possess the requisites to be termed as world class health institution, the hospital could not draw foreign patients due to lack of awareness about it among the international customers. Hence, the hospital should increase its promotional activities in countries where it gets considerable number of patients. It needs to promote its services in the foreign country through various channels. It can

open information centres in foreign countries to create awareness about its services. It can also open facilitation centres in those countries to diagnose the patient's problem, and suggest the treatment and its details to patients. Apollo can also tie-up with foreign hospitals, which can refer their patients to India. Another area of promotion is public relations. Apollo can launch periodic public relation activities to make them aware about the hospital and its services.

Caselet 14

1. Indian consumers believe that purchasing a home appliance is a lifetime investment; hence they prefer an appliance manufacturer who provides reliable after sales service. In other words, after sales service is one of the key criteria in any purchase decision of a home appliance. By setting up good after sales service network, Godrej could influence the consumer purchase decision. The companies like Maruti and Hero Honda became preferred brands due to their reliable and extensive after sales service network. On similar lines, 'Smart Care' can also enhance satisfaction in Godrej's customers by offering quality repair service. A prompt and effective repair will increase the credibility as a company that cares for the customers even after the sale is completed.

'Smart Care' centres can bring in steady revenues in the long-run for Godrej as it has a large captive market of consumers with Godrej appliances. With increased sophistication in the products and brand consciousness among the customers, (especially the middle and upper middle-income group consumers) they will prefer a branded consumer appliance repair service provider to the neighbourhood technician. By extending its services to competing brands Godrej can rope in the customers of competing brands once the warranty period expires. This will further open up a new revenue stream for Godrej.

2. In the past customers considered purchasing any home appliance as a life time investment and it was common for them to use it for a lifelong. This attitude towards home appliances led to after sales service becoming the major decision criterion while purchasing an appliance like refrigerator or air conditioner. Once the appliance was purchased, the after sales service wing of the marketers played a major role in maintaining a good image for the manufacturer. Hence, the effectiveness of after sales service determined the nature of word of mouth publicity arising from the existing customer. In this case, Godrej through its Smart Care centres might be aiming to propagate its customer-oriented image and thus generate positive word of mouth publicity.

The product life cycles of consumer appliances are shrinking due to changing aspirations of the customers, advancements in technology, and increased competition. As a result, consumers are replacing their products at a faster rate. Since Godrej is providing the repair services for customers whose appliances are out of warranty, Godrej can know before hand which customer is interested in purchasing a new product and which customer is planning to replace his old product with a new one. This information can help Godrej in pitching its products as the right match for customer requirements. Godrej can offer attractive exchange offers which will entice the customers to replace their older products. Thus, Godrej will be well poised to capture significant share in replacement market.

'Smart Centres' enable Godrej to gain knowledge regarding the defects in the competitor brands, service issues and needs of the customers. Such information will help Godrej in designing the marketing strategies and in new product development. With this information, Godrej can develop products that are devoid of the shortcomings of the competing products and align well with the customer needs. Such information will also help Godrej in preparing promotional campaigns, which highlight the drawbacks of the competitor and strengths of its own product. These measures can help Godrej in regaining its lost market share.

Caselet 15

1. Service personnel are one of the major elements in the services marketing mix. Service personnel are the people with whom customers interact. So, based on the behavior of the personnel and their interaction with customers, the customers develop a positive/negative perception of the company. As services marketing is people-intensive, service providers' focus on training their personnel to be pleasant and helpful. For this, the personnel should be well qualified and well trained. Indian Railways woke up to the need to improve its service quality in order to withstand the competition from other modes of transportation like the airlines, to make the most of its infrastructure, and to meet higher customer expectations. IR wanted to come across as a customer-friendly organization. This prompted railways to become more customer–centric than before. As the services personnel who are in direct contact with customers are the key in the service delivery process, IR decided to train its employees in order to improve service standards and meet customer expectations.

Airtel is one of the leading telecom services company, and operates in a very competitive environment. Due to easy access to technology, mobile companies can roll out similar services and products as that of their competitors easily. However, a telecom company can differentiate its services by offering higher customer service standards. For this reason, Airtel began to focus on empowering and grooming employees to offer higher levels of customer service. Moreover the mobile services market is growing at a rapid pace, and to keep up with the growing pace, service personnel need to offer and maintain higher levels of customer service. This prompted Airtel to conduct a training program to address these concerns.

2. Apart from training, a company can empower and reward the employees to make them deliver the desired service quality consistently. They can be empowered by giving them some authority and flexibility in dealing with routine situations. This creates confidence among them. They need to be given proper guidelines, information and tools that are relating to their work. This helps the employees to provide effective service to the company's customers. An effective performance-linked incentive system often encourages employees to perform better.

Apart from motivating employees to work better, companies should also try to understand the needs of the employees and try to fulfill them, in order to create a better work environment. For example, the company can provide amenities for the convenience and comfort of its employees. These could include a cafeteria, gym, sports rooms for employees to relax when they have long working hours. Companies should also try to set up amenities that provide convenience for the employees such as ATMs, crèches for the convenience of working mothers, bill payment services, etc. The company can also help its employees by providing financial support such as loans at subsidized interest rates and scholarship schemes for employees who are studying further or who need funds for their children's education.

Caselet 16

1. OPIL did a SWOT analysis of the industry. It saw an opportunity in the newsmagazine market and a threat from India Today, its nearest competitor. Therefore, it launched Outlook with a totally new kind of look, giving good visual effects and making it interesting for the youth of the country. Once the success factor was established, OPIL did not rest on its laurels. Instead it chose to diversify into a niche segment by identifying the different reading needs of people. It realized that there was an increasing group of middle class people who did not understand financial jargon and were therefore unable to make investment decisions independently. For such people, it introduced Outlook Money, which aimed at providing investment options in the layperson's language.

The next step was to identify another niche segment – travel. OPIL launched Outlook Traveler, which was aimed at the high-end segment and offered quality information on travel. OPIL differentiated their magazine from other travel magazines by employing top quality photographers and writers. By introducing Outlook in Hindi, OPIL not only offered stiff competition to their competitor, India Today, but also catered to the wide interests of Hindi readers in North India who had less variety in the newsmagazine section. They attempted to differentiate themselves even here by not offering a translated copy of the English version but creating quality content taking into account the needs of the Hindi readers. They also offered online access by having websites that allowed interactive modules for better customer service.

2. OPIL realized that to gain the interest of customers in the newsmagazine section, they had to price the offering at the lowest possible. Therefore, Outlook and Outlook Saptahik priced at Rs.10 found immediate takers in the market as readers from every income group considered this as a reasonable price for news information. These were followed by discounts and other promotional offers to retain customer interest. After a research finding that the majority of the readers were regulars, the price was increased to Rs 15 from Rs.10.

In case of travel, however, OPIL targeted the high-end market and accordingly priced their offering at Rs.50. There was an aggressive promotional campaign for this magazine as it was a specialized segment. Targeting existing subscribers, they initially offered a free supplement along with Outlook and Outlook Money. Free samples were also placed at airports and hotels where the likely upmarket traveler could take a look at it. These measures increased general awareness about the product. Lucrative discount offers helped in creating a subscriber base for this magazine.

By tying up with various manufacturers and service providers, OPIL attempted to increase their readership. Therefore, both pricing and promotion helped the differentiated product gain acceptance from the Indian public.

Caselet 17

1. The strategies followed by the teleshopping networks in India can be broadly classified under four heads -- product, price, promotion, and distribution.

Products:

- These networks targeted the middle-class and upper middle-class by offering an extended range of sophisticated utility products, apart from value-expressive products.

- New and innovative products were introduced every two-three months by these networks.

- Both Indian as well as imported products were offered by most of the Indian networks.

- Customized products (such as jewelry with birth-stones to meet specific requirements of customers) were also offered to attract shoppers.

Price:

- Indian teleshopping networks extended their product range by including products that were priced as low as Rs 200, to reach the middle-class customers as well.

- Though the price range extended from Rs 200-12,000, most of the products fell into the price range of Rs 1,000-5,000, which was in the affordable range of upper-middle and middle class customers.

- In case of similar products offerings, teleshopping networks focused on delivering the same benefits at lower prices. This phenomenon was prevalent in the case of fitness apparatus or products that offered almost the same kind of benefits.

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- Early-bird prizes, price reductions, money return (if not satisfied with the product) offers, free accessories with the products and double product packs at the same price, were different pricing variations used by the networks to promote their products.

Promotion:

- Teleshopping networks aired infomercials in 1-2 minute time capsules between scheduled programs in various channels (national and regional). Special 30-minute programs were also featured by the networks introducing their product range with a detailed description of the product and its price.

- Apart from English and Hindi, networks aired the infomercials in various regional languages such as Tamil, Malayalam, Kannada, Telugu, Gujarati, Punjabi, Marathi, and Bengali.

- The networks also created infomercials in India that showed popular personalities (easily identified by Indian viewers) using their products and acknowledging those products' benefits.

Placement/Distribution:

- Teleshopping networks focused on increasing their franchisee/distributor base across the country

- The networks extended their reach to semi-metros and major towns across India, a deviation from their initial strategy of targeting only metros.

- They tied up with major retail outlets in various cities to display their products and to enable customers to personally appraise the product before purchase.

- The networks focused on building an effective courier base for the prompt delivery of products

2. The teleshopping networks in India faced many problems in establishing themselves.

Local retailers imitated the products, taking away a considerable share of the market.

The products were priced higher than those of local retailers because of high transportation and distribution costs. The product profile of the networks included life-style products that ranked last in the priority list of a typical Indian household.

The prevalence of different languages forced the teleshopping networks to dub their infomercials into regional languages (to reach the people of those regions). But foreign models mouthing chaste Hindi or other Indian languages seemed ridiculous to viewers. Besides, these infomercials did not reflect the native culture and viewers found it difficult to relate to them.

The networks were limited in their reach as they only targeted metros and B-class cities for many years.

They also did not offer new and innovative products periodically.

The emergence of e-tailing or interactive home shopping posed a major challenge.

Teleshopping networks in India could take different measures to address the above problems and increase their market shares. They could

- Focus on offering new innovative products at short intervals and make these products available at their retail outlets immediately, to avoid immediate imitation by local retailers.

- Have tie-ups with local manufacturers to sell their products. This would reduce product transportation costs considerably and offer a price advantage to customers besides reducing the price variation with cheap imitators.

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- Extend their reach to towns and even semi-rural areas across the country.

- Diversify operations by offering interactive home-shopping and Internet-based services to increase reach.

- Increase the proportion of utility products in comparison to lifestyle products.

- Offer superior quality products with a minimum guarantee period and guaranteed after-sales-service.

Caselet 18

1. There are various environmental factors that led to the growth of wealth management services in India.

The primary factor is the economic changes that are taking place in India. With the boom in Indian economy, disposable income levels of consumers are on the rise. These individuals want to invest their free cash in order to get higher returns.

Another economic change that has prompted customers to go in for wealth management services has been the decline in interest rates over the last few years. This decline has made traditional investment options like bank deposits and small savings less attractive. The availability of new financial instruments for every type of investor and the volatility in the financial markets has also made customers look for professional advice in investment planning.

Two major social changes are also responsible for the increased prominence of wealth management services. The pressure of work and lifestyle changes has reduced the free time available to individuals. These time constraints make it difficult for investors to set aside quality time for tracking and managing their investment portfolio. These customers therefore look to professional managers who can track and manage their investment portfolios well. The increase trend of nuclear families has also contributed to the demand for wealth management services. Nuclear families generally lack the kind of financial support that joint families enjoy, and therefore members make special efforts to set aside good investments for their post-retirement life. This concern is prompting the customers to plan their investments early in their working lives so that they can lead a comfortable post-retirement life. This attitude also leads customers to seek wealth management services to plan their investments effectively.

2. Though segmenting the wealth management services market on basis of income levels is the right approach, such segmentation is not sufficient in understanding customer needs and identifying right target segment. This is because customers within each of the income levels have different needs and preferences. A customer, who is highly educated and belongs to a particular income group, has a different attitude towards investment planning compared to a customer who is not educated and belongs to the same income group.

Companies can thus further segment the market on the basis of other demographic variables like age and educational levels. Young professionals usually have high risk taking ability and willingness to invest more. However a majority of the senior citizens is risk-averse, and prefer to invest in options that offer steady income. So companies should consider segmenting the customers within each income group on the basis of age. This helps them target their marketing efforts to attract customers of particular age group within the broad income segment.

Companies can also segment their market on the basis of educational levels. Customers, who are less educated and less aware about the financial markets, prefer traditional financial instruments such as bonds, government securities and insurance. They also show less risk taking ability. However the customers who are highly educated and who are aware about the financial markets prefer newer financial instruments like derivatives, mutual funds and stocks. These customers also have a higher risk taking ability.

Caselet 19

1. As a retail store that focused on serving customers, it was very important for Carrefour to look at internal improvements so as to have the necessary infrastructure and functions in place. At the outset, the store ambience provided for all the merchandise being laid out in an organized manner to help the customer make better purchasing decisions. Once the customer had identified the goods he/she required, there had to be effective operations in place to ensure quick transaction and service. For this purpose, there were various technological solutions introduced at the help desk and in inventory management, which increased productivity levels and optimized costs. These costs translated into competitive prices, benefiting the customer.

As employees play an important role in attracting repeat customers to any retail store, it was necessary that each employee understood the importance of customer service and had the required motivation to go about performing his/her duties responsibly. To ensure this, employees were constantly provided training to hone their customer service skills. As an additional measure to make the employee understand the feelings of the customer, CF initiated a special training program "Customer Culture." In order to measure the employee motivation levels, it carried out satisfaction surveys time and again. On a direct basis, bonuses were given to encourage employees to serve customers better. Therefore, a combination of human resource and an efficient process network served to increase customer service levels at CF.

2. CF provided a very comfortable and spacious environment for shopping to attract customers. However, it had to ensure that the customer kept coming back to the same store for all their requirements. In a bid to retain and create loyal customers, it introduced loyalty cards by way of the SpesAmica program in Italy and other countries. This card was used as a research tool to generate various reports on customer behavioral patterns. The information from these reports was used as a discretionary promotional measure and it helped to target the right segment for certain specific offers. Those customers with loyalty cards were offered discounts and various promotional schemes as an added service. Card members were also offered special coupons and given entertainment offers to maintain customer interest in the store.

All customers in the store at China were offered additional services like free delivery for big appliances, free shopping for everyday lucky customers, etc. However, it was also important to check that the rewards from these offers reached the right person. There was a fraud management check inbuilt into the system for this purpose. Toll free numbers and registering customer complaints online helped in quicker response to customer complaints. Therefore, CF undertook various measures to maintain customer relationships.

Caselet 20

1. SWOT analysis provides various inputs that are helpful while developing marketing strategies by matching the strategies with the requirements of the company. Following is a detailed SWOT analysis of Carnival cruises.

Strengths:

- Carnival is the world leader in cruise industry.

- It has a strong and wide portfolio of brands to cater to the needs of various market segments.

- It is well entrenched in the US market, which is the major market for cruise ships

Weaknesses:

- Carnival has its operations concentrated more in the US market so any changes in the marketplace will adversely affect the company.

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Opportunities:

- The low penetration of cruises in the travel market provides a good growth opportunity for Carnival.

- The increase in the population of baby boomers', who are the major customers for the cruise industry, offers another growth opportunity.

Threats:

- Due to growing popularity for cruises, competition may hot up.

- Carnival may face competition from substitute service offerings such as theme parks, resorts, and tourist spots.

- The rise in fuel costs will reduce the profitability of the company.

- Seasonality of the business also poses a threat to the company

- Carnival may also face the risk of bad weather conditions.

- As it operates in international markets, it may be affected by global changes and the maritime laws of the country in which it operates

2. Carnival used mainly the adaptability and spontaneity themes to attract customers and increase customer satisfaction. For example, after the 9/11 attacks, customers were reluctant to board flights and this adversely affected Carnival. It prompted it to change its routes to meet the special needs of customers. The company put its cruise liners at nearby ports to reduce travel time and eliminate the need for customers to travel by air. This not only attracted customers, but also enhanced Carnival's image as a company that understood customer psychology.

Carnival also adapted its marketing strategy to meet the changing needs of customers. Because of recession, customers had cut back on their travel spending. So in response to the changing behavior of the customers, Carnival reduced its prices and offered shorter cruises at a lower rate. Such service offerings appealed to the price conscious travelers. As a result, it was able to improve its sales and stay profitable even during the crisis period.

Caselet 21

1. Liangzi offers a pure service of foot massaging; the customer satisfaction and the perception about the service provider will depend on how well the foot massagers will provide the service and behave with customers. Thus, the foot massagers represent the face of Liangzi. Moreover, in a service like foot massaging, the production and the consumption of the service will take place simultaneously. Hence, the personnel need to be competent enough to provide better service to their customers. Training's primary purpose is to impart desired skills to the employees. The foot massaging requires specific skills while the company largely recruits rural people. Training these people on the messaging will make them prepared for the job. As rural people lack requisite interpersonal skills, training programmes also improve the communication skills of the personnel. Training will also enable Liangzi to maintain the service quality across its different branches.

2. Liangzi has to take several measures in order to protect its brand image. It may take the legal course to shut down the fake shops, but it consumes time and money. Another way to protect its brand identity is to differentiate its services from the competitors. It needs to create brand awareness about its services through designing a unique logo, which is easily recognizable. The signboards at the outlets need to be prominently displayed so that the customers can easily identify it. Then the brand has to be promoted in a big way through various local media such as newspapers, radio and television channels. This enables the chain in making the customers distinguish between the original and the duplicate shops. The chain can also run branch locator service, with which customer can check out the nearest Liangzi outlet either through the web or through telephone.

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Apart from brand awareness, Liangzi should also establish service quality that attracts the customers and differentiates its services from the competitors. As customers come here for relaxation, the ambience at the outlet should reflect such a mood. The interiors and the lighting need to be pleasing and the furniture need to be comfortable. Light music should be played in the background. Finally, the service personnel need to be courteous.

3. Liangzi has established a significant market in China with 480 shops spread across the country. With the popularity of foot massaging on the rise the competition has increased. This also resulted in fake shops trying to use the Liangzi brand name. The competitive environment coupled with large presence of fake shops in China, may affect the revenue and profitability growth rates of Liangzi. In order to sustain and improve its revenues, Liangzi has set sights on international markets. As South Korea is identical to Chinese market, the business risks are lesser. Another reason for entering the International market is to make its home grown brand into an international brand, thereby increasing credibility of the brand within the country as well as outside the country.

Caselet 22

1. Progressive has been offering innovative services to customers in a bid to enhance customer relationships. By offering innovative services the company enhances customer satisfaction and this helps it build long-term relationships with the customers. As a result, customers continue availing the services of the company, thereby reducing the influence of competitors' marketing activities on them. Such a long-term relationship also encourages customers to increase the spending towards the company's products. This was reflected in Progressive's revenues and profit growth rates. The profits increased by nearly 88% to $1.3 billion in the year 2003 and revenues surged by 28% compared to the pervious year (2002). Moreover, such initiatives provide the company the flexibility of charging premium for its services. The company is also in a position to get a premium price for its services by launching initiatives, such as auto insurance comparison rating service; "concierge" claims centers, Immediate Response Vehicle and online insurance services, providing convenience, speed, and better quality services.

By building and maintaining customer relationships the company can also reduce costs in terms of promoting its products. When better services are provided to the customers, they become the brand ambassadors for the company. As a result, the company can attract more customers through word of mouth publicity.

2. Progressive has introduced several customer friendly services that have benefited not only the company but also the customers. The "concierge" claims centers service help the customers save time and efforts. Handing over the damaged car to the company's claims center eliminates the hassle of the customer looking for the repair service and inspecting the repair work. As the company itself handles the repair work, the claim processing is easier. In addition, with company providing guarantee for the repair work, the customer can be assured about the quality of work.

The company's online insurance services provide a convenient and faster way to customers to avail the company's services. Its website also provides up-to-date real time information to the customers.

If the new insurance quote system is implemented, customers can benefit from lower insurance quotes. For example, customers who use the car more carefully and less frequently are less prone to accidents and through the new pricing system they may get lesser quotes compared to the quotes charged for customers who may prefer driving long distances at high speeds.

Caselet 23

1. McDonald's has used the three elements like physical evidence, personnel, and processes effectively to market its services.

Physical evidence: As McDonald's is in the food retailing business, customers cannot evaluate the services it provides before consuming them. So, the company tried to offer some tangible factors based on which customers could judge the service quality. McDonald's projected its outlets as family restaurants and created an ambience that reflected that image. It offered a bright and informal atmosphere. The outlets were spacious and done up in colors that would appeal to children.

Personnel: The company laid special emphasis on its personnel and their training. All the personnel working at different levels were asked to undergo training. McDonald's used four kinds of training programs – crew development program, restaurant management program, mid-management program, and executive development programs. These programs were aimed at training employees at different levels. The programs emphasized McDonald's core principles of Quality, Service, Cleanliness, and Value.

Processes: A part of McDonald's success can be attributed to its best practices in the service delivery process. Primarily, the company established an effective and efficient supply chain that not only cut costs but also helped it to provide fresh and quality products to the customer. On the service delivery front, it standardized each process in the production and delivery of orders.

2. Though fast food chains, McDonald's, Pizza Hut and Dominos, entered the Indian market quite a while ago, their growth plans remained relatively conservative till 2000. However, they then began to step up their efforts to increase their presence in India. There are many cultural and economic changes that can be attributed to the increased popularity of the fast-food chains in India. Primarily, the changes in customer preferences are responsible for the proliferation of these fast food chains. The proliferation of the media and awareness about western culture has influenced customers' preference for these outlets. Moreover, with globalization, many customers have traveled overseas and had an experience of western culture. This has made many Indians accustomed to the western lifestyle.

The increased income level of the consumers is also responsible for the increased popularity of the western fast food chains. People now have more spending power and this has encouraged them to experiment with new products and services.

Another major factor is the growth of organized retailing in India. The growth of shopping malls has provided easy access for these fast food chains to set up shop and at locations that assures them of the required traffic.

Caselet 24

1. Subway has made the right move in adopting a franchising strategy to enter the Indian market. There are many ways in which it can benefit by adopting the franchising strategy. Primarily, it can save on costs - both fixed and operating costs - as it is the franchisee who has to bear them. Also, franchising helps to reduce the risks involved in managing the business in a country like India, for the company. Since the franchisee manages the restaurant, the company is free of financial and business risks. The company can also benefit from the franchisee's knowledge of the local market. With the help of local franchisees, it can get to know customers' preferences, which help it to make changes in the menu, if necessary. Moreover, since sandwiches are a relatively new concept in India, the knowledge of the local markets is important to popularize this concept.

2. Subway's premium pricing strategy is the right decision due to the following reasons. The income levels of Indian customers are increasing, leaving them with more disposable income to spend. Such spending power encourages the customers to experiment with various products and services. Moreover, with the increased exposure to and interest in the Western lifestyle, eating out has become a popular socializing activity of Indian consumers. These consumers are willing to pay a premium for products and services provided by western fast food outlets. This has been reflected in the success of McDonalds and Dominos in India. Another major factor that is in favor of Subway is its positioning. The company has positioned its outlets as a destination for healthy and fresh food. With consumers becoming increasingly conscious about eating healthy food, its premium pricing strategy is justified.

Subway also offers a range of vegetarian products to its customers and this is sure to appeal to Indians, many of who are vegetarian. Since it offers separate preparation counters for vegetarian items and the process is visible to the customers, it will serve to reassure the vegetarians, who may not mind paying that extra bit for quality service.

Caselet 25

1. FedEx operates in a highly demanding market where customers expect their parcels to be delivered safely and on time. FedEx also manages the logistics operations of some big companies. So the service personnel need to be competent enough to deliver service with high quality. Thus, the training and development provided by the company helps the service personnel to deliver the promised service quality. By making it mandatory for every new employee to undergo a 4-6 week training program, the company has tried to make the employees understand the company's culture and work processes. By undergoing training programs periodically, the employees get to know about the latest developments in their respective fields. Encouraging employees to pursue programs of their interest, helps nurture a learning culture in the organization. Such flexibility helps the company groom employees with multiple skills, thereby increasing efficiency in the organization. To make the learning convenient, it also conducts an e-learning program where employees can choose from 800 short-term courses that are relevant to the FedEx work processes. So the employees can go through these courses at their own pace. These courses help the employees to increase their performance levels.

2. FedEx has implemented many people strategies in order to ensure that service personnel maintain service quality. It has provided training to employees so that they are well equipped to perform their jobs and to provide better service to customers. The training not only helps employees to understand the work culture and processes of the company, but also makes them more confident in performing their jobs. This confidence encourages them to provide better customer service.

Another area that FedEx has focused on is empowering employees. It conducts employee counseling sessions where the manager discusses with them about their career path in the organization. Such an initiative motivates employees as they feel they have the freedom to choose a job of their interest. FedEx has also instituted various reward schemes to encourage employees to exceed their performance targets. It has also instituted an award scheme called Circle of Excellence that encourages team performance rather than just the individual performance. Such awards are aimed at inculcating the team spirit among employees and encouraging them to work collectively towards providing a high level of customer service. In order to maintain performance levels, the company has established a 360 degree performance appraisal that involves the evaluation of an employee by those who are at a higher and lower level than him/her. Such an appraisal provides more insights about the employee's performance and his/her weaknesses. It also helps the employee to work on the weaknesses and improve his/her performance.

Caselet 26

1. Reuters was in a good position in the financial information services market till the late 1990's, even commanding a premium for its services. After this, it began to witness a fall in revenues and market share. This was due to increased competition, recession, and a fall in volumes. Customers also complained about Reuters' poor customer service, which resulted in customers shifting to its rival, Bloomberg. Such a situation prompted the company to focus on customer service initiatives to regain its lost market share. Reuters adopted a four-pronged service recovery strategy to enhance customer service, to attract, and retain customers.

Reuters focused on four aspects – customer training, problem resolution, product quality, and product content. It provided training for specific products (high end products) to customers on how they could use the company's products effectively. Customer training also reduced customer queries. By launching problem resolution strategies such as DeveloperDirect, and eSupport, the company was able to resolve problems quickly and effectively. This enhanced customer satisfaction.

2. The retrenchment process will have a negative impact on employee performance. Retrenchment creates uncertainty in the minds of the employees. This may result in an exodus of competent personnel to other companies. Retrenchment also makes the employees feel dissatisfied and creates a negative perception about the company. As a result, the employees may not serve the customers effectively and efficiently. This results not only in a decline in the productivity of the company but also affects the customer's satisfaction.

To make the retrenchment process smooth, the company should take several measures. First, it should take the employees into confidence before starting the retrenchment process. It should explain the reasons behind such a drastic step. Then it should spell out the criteria based on which the employees are being retrenched. This would clear the doubts of employees regarding the elimination criteria and help employees who are well above the elimination criteria to feel secure and continue with their jobs. The company should also give enough time to retrenched employees to look for other opportunities. It could even assist them in finding other employment.

Caselet 27

1. Airtel, which dominated the Indian mobile services market till the late 1990's, started losing market share with the entry of domestic and foreign players into the industry. Reduction of tariff rates by the government further increased the threat to Airtel's dominance. Moreover, Essar, its nearest competitor, had started eating into its market share. These events led Bharti to take a re-look at its positioning strategy. To do this, the company undertook a series of brand tracking studies. The objective of the research studies was to understand the customer psyche, needs, and perceptions of the brand and to regain market share by repositioning the brand accordingly. Bharti undertook a primary research study through brand tracking exercises to get unbiased and accurate information about customer needs and perceptions. The studies revealed various interesting things. Though their campaigns then were based on the leadership theme and had good ad recall, they failed to translate into increased sales. The management also identified that the Airtel brand lacked an emotional connect with the customers who perceived it to be efficient but distant and cold. Another finding was that nearly 50% of the purchase decisions of new customers were influenced by friends, colleagues, and family members.

Thus, based on the industry situation and the results of the brand tracking studies, Bharti concluded that it needed to reposition Airtel and to develop a promotional campaign aimed at humanizing the brand and strengthening existing customer relationships.

2. Communicating the positioning of the brand to the customers is a key and challenging task. It involves developing the right marketing mix that reflects the positioning of the brand. Airtel took certain steps in this direction to make its customers aware about the new positioning. It focused on three important aspects – promotion, people, and location.

The promotion: To convey its repositioning strategy, Airtel created a new campaign 'Touch Tomorrow', which tried to build an emotional connect between the customers and the brand. The campaign focused on humane, aspirational, family-centric aspects and softer brand values. It featured cellular users being surrounded by caring family members and this helped Airtel create a softer image for itself and to emphasize the relationship angle to the brand. The company also changed the logo to give it a warm and contemporary look, which went well with its new positioning.

The location: Physical evidence is one of the key marketing elements that influence customer perceptions of a service provider. It helps add tangibility to a service offering. To communicate its repositioning strategy to customers, Airtel revamped its Airtel Connect centers. The centers, e-kiosks, facades, collaterals, signage, and merchandising material were given a more contemporary look. The color scheme was changed to give the outlets a softer, classier look.

The people: Since it is frontline service personnel who are in direct contact with the customers, Airtel decided to change the dress code to convey its new positioning. The dress code was changed to integrate the Airtel logo with the uniform. Men wore black trousers, a white shirt bearing the Airtel logo, and a red tie, while women sported red tops and black trousers with ivory colored chiffon scarves.

By focusing on these three aspects, Airtel was able to successfully reposition itself as the number one cellular operator in the country.

Caselet 28

1. There are various benefits that INOX can gain from such value added services. The movie exhibition industry has been largely dominated by individual theaters, which offer only movie exhibition. Moreover, the market has matured due to the presence of a large number of movie theaters. Many companies have entered the multiplexes business and 50 properties are already operational. In such a competitive situation, offering just movie exhibition will not be enough to attract customers. By providing supplementary services, the company can differentiate its services while increasing customer satisfaction. Imported equipment that provides high picture quality and a wall-to-wall stadium style seating arrangement will enhance the customers' movie viewing experience. Along with it, the company also offers food courts and gaming sections. Apart from providing additional revenues, these supplementary services help the company to differentiate itself from the individual movie theaters. The customer service initiatives also help in providing better service to customers. This in turn increases customer satisfaction. These value added services will help the company in not only differentiating its services from those of the competition, but also to charge a premium for its core services.

2. With increased competition and changing customer preferences, INOX needs to differentiate its services and make changes in its service offerings from time to time. It also needs to make other service offerings popular to compensate for any fall in the movie exhibition business. So INOX can focus on various value-added services, which can become core services in the future. In India, the customer's movie viewing experience goes beyond just watching the movie, to include eating out and shopping. Thus, INOX can focus on improving its food business. It can make the food business successful either by tying up with popular fast food chains or developing its own restaurant chains to draw customers. It can conduct cooking contests and food festivals at these restaurants to create a buzz about its food business among customers. The company can also put in more efforts into the area of retailing. It can launch its

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own range of branded apparel outlets to attract customers. Since these apparels will be available at the multiplexes, it will help increase the footfalls. The exclusivity also enables the company to charge a premium for the clothing. As mutliplexes are becoming the popular hangouts for the youth, it can launch pubs that will not only increase customer loyalty but also revenues. It should conduct youth-oriented programs such as dance contests, inviting celebrities to these pubs to make them popular hangouts.

Caselet 29

1. The success of the tourism industry can be attributed to Kerala's innovative efforts to promote the state as a tourist destination. The state followed an integrated approach towards marketing communications, with the Kerala government using various communication tools to reinforce the image of the state as 'God's Own Country'. In its promotional campaigns, Kerala first highlighted its natural resources such as lagoons, lakes, canals, backwaters, boathouses, and its 600-km coastline. Later, it changed tacks and highlighted its rich cultural heritage, which includes Kathakali, Koodiyattam (traditional dance forms), temple festivals, Kalari Payattu (martial arts), boat races, and Ayurveda.

It conducted and participated in various trade fairs and tourism exhibitions to increase brand awareness. On the advertising front, Kerala used the celebrity endorsement route to gain instant recognition from not just domestic travelers but from international travelers as well. It used renowned artists M F Hussain and Yusuf Arakkal, who are well recognized internationally, as brand ambassadors and promoted the state using their paintings of the state. Acclaimed director-cinematographer, Santosh Shivan, was entrusted with the job of developing an advertising campaign for the state. Kerala also invited the then prime minister, Atal Behari Vajpayee, to the state in July 2002 to get extensive media coverage. The state tied up with hotel chains, which are key draw for tourists, to promote the state. It tied up with Indian Hotels (Owners of the Taj properties) to run a nationwide television campaign to promote Kerala's natural beauty. This advertising campaign was aimed at attracting domestic travelers. With such a multi-channel communication strategy, Kerala gained international recognition and became one of the preferred tourist destinations in the country.

2. A good promotional campaign may not help a poor product/service to sell. A promotional campaign will be effective only when it is supported by a product/service that serves the needs of the customers well. Kerala recognized the truth in this statement and started developing the state (product) into an attractive tourist destination before pitching it to the customers. Kerala formed the Bekal Resort Development Corporation (BRDC) in 1995 to develop the locales of the Bekal region into tourist attractions. It enacted the Tourism Conservation, Preservation and Trade Bill to regulate tourist activities. This helped the state to develop itself as a tourist destination in an integrated and effective manner. Kerala also recognized that having natural attractions would not be enough to attract the customer; basic infrastructure and the amenities required had to be in place. So it focused on developing basic infrastructure such as roads and wayside facilities. Kerala then focused on adding supplementary services that differentiated its tourist attractions from that of other tourist locations outside the state. To begin with, it provided attractive concessions to encourage service providers like star hotels, amusement parks, motels, and ropeway tourist centers to grow. It then took various measures to augment the basic product (state) and make travel hassle free and a memorable experience for the tourist. It offered ayurvedic coaches in association with Indian Railways, so that customers got to know about the Kerala's rich cultural heritage. In order to appeal to international tourists, KTDC tied up with United India Insurance Ltd., to launch insurance schemes – personal accident scheme,' 'medical expense scheme,' 'baggage cover extension scheme,' and a 'loss of passport scheme' – all of which catered to the needs of foreign tourists.

Caselet 30

1. Sports celebrity management as an industry is still in the nascent stage in India; yet it is growing at a significant rate. There are many opportunities for the industry but many threats as well that restrict its growth. The SWOT analysis of the industry is as follows:

Strengths:

- Increased presence of foreign sports management companies.
- Increased interest of sportspersons toward hiring professional agencies.

Weaknesses:

- Lack of professionalism due to the unorganized nature of the industry.
- The industry being still in the nascent stage with Rs 100 crore annual turnover compared to Rs 9000 crore of the overall advertising industry.
- An overdependence on cricket.

Opportunities:

- The growing popularity of other sports, resulting in expansion of the market.
- The increased preference of advertisers for sports personalities.

Threats:

- Overexposure of sports personalities in advertisements resulting in disinterest of consumers toward these advertisements.
- Shorter lifetime for sports celebrities
- Inconsistent performance of Indian sportspersons, resulting in disenchantment among customers.
- Easy availability of film personalities and models

2. A mismatch between the brand and the celebrity affects both the celebrity management agency as well as the advertiser badly. A mismatch could adversely affect the sportsperson's reputation as well as worth and this, in turn, affects the celebrity management agency in terms of revenue and reputation. For the advertiser, the brand image among the customers gets affected. So both the advertiser and the celebrity management agencies have to take steps to avoid the mismatch. Before marketing the sportsperson, the agency should undertake surveys to understand what kind of image customers have of the sportsperson. This helps the agency to identify the brands for which the sportsperson is suited.

The advertiser on his/her part should determine whether the sportsperson will fit in with the product or company image. He/she should also identify whether the sportsperson will appeal to the target audience. The advertiser should later check whether the sportsperson is endorsing competing products or having multiple endorsements to avoid overexposure. While developing the campaign, the advertiser should ensure that the celebrity integrates with the theme of the advertisement rather than dominating the ad.

Caselet 31

1. Having entered early into the telecom business, and being backed by an international telecom leader, Hutchison Whampoa, HT had the distinction of introducing many innovative services in the Indian market like roaming, SMS, GPRS, MMS services, etc. It assessed the market and created a niche, by positioning itself as a fun brand. In line with this, it offered a host of entertainment avenues for the

customer. Understanding that entertainment was different for different people, Hutch introduced 'Hutch Alive' and 'Hutch Online' for the working customer to catch up on the news and surf for information. The business customer benefited from the launch of 'MS Outlook' on the mobile phone.

Targeting the youth, Hutch launched Hutch World that offered audio-video downloads as well as movie clips, mobile tunes from rediff.com, games, and others. The Push2talk helped subscribers keep in touch with friends. India, being a land of diversities, Hutch attempted to offer regional value-added services like SMS in Gujlish (a mixture of Gujarati and English) in Gujarat to suit the local slang. Similarly in UP, it introduced SMS, Voice Response, and billing in Hindi. Within the region, Hutch catered to the religious needs of existing customers through Bhakti Sagar, and of housewives by making available local vegetable rates. Hutch realized that Indian customers looked for value-for-money. The privilege card offered by Hutch ensured that the customers received discounted offers from hotels and the entertainment industry. These services, combined with a relative promotion strategy, helped Hutch generate a subscriber base of around 7 million in 10 years in India.

2. If a promotional campaign is to get a response, it has to kindle the interest and enthusiasm of customers. Cricket, being the most favorite game in India, Hutch used it as a platform to promote its services during the ICC Champions Trophy held in 2004. Giving importance to the diversity of languages in India, its campaign in Andhra Pradesh used the local language to communicate through street plays the benefits of its services. The plays connected immediately with the customer. It further added value to its campaigns by having on-the-spot contests. It leveraged on the preference for popular songs by promoting rediff mobile tunes, targeted at youth.

Hutch got down to the basics of consumer habits with their 'cutting chai' campaign that served to send across the message that their services were cost effective. It tried to use a different campaign in different states depending on the customer attitude. For example, as it was a late entrant in Chennai, Tamil Nadu, it had to give incentives to the customers to build up a relationship with them, and this was in the form of the "Walk out Talking Campaign" that gave a discount on the initial connection in select areas. Further, it sent personalized messages to 1700 individuals via a business daily to increase the number of subscribers. The unique feature of each campaign was that it focused on individual and group interests and this helped Hutch expand its subscriber base in India.

Caselet 32

1. Since Dainik Bhaskar was planning to enter the non-Hindi newspaper market for the first time, it lacked the knowledge of a vernacular market like Gujarat. In addition to the Gujarat newspaper market being dominated by two well-established names, Gujarati readers were unaware of Dainik Bhaskar. This prompted DB to conduct a through market research exercise aimed at understanding customer needs and competitors' strategies.

The market research study was conducted in two phases. In the first phase, a primary market research was carried out. Instead of making a sample survey, DB conducted a full market survey of the around 8 lakh households in Ahmedabad and 3.5 lakh households in the districts of Mehsana and Anand. Each household was surveyed with respect to their preferences and the content they expected in a newspaper. The data collected was tabulated and coded for analysis. It was interpreted and analyzed by a central database team and the findings were submitted to the top management. Based on these inputs, the top management designed a test layout of the newspaper that reflected the needs of the customers. In the second phase of the market research exercise, the findings of the survey and the design and content of the proposed newspaper were explained to the customers by the surveyors. The customers were

then offered a six-month test subscription at a discounted rate. The second phase was mainly aimed at creating brand awareness among the Gujarati readers. As the newspaper was designed according to customer needs and preferences, it received a tremendous response, making it the leading Gujarati newspaper in Ahmedabad from day one of its launch.

2. Dainik Bhaskar preferred using a census since it was entering a vernacular market for the first time. In addition, the Gujarati newspaper market was dominated by two well-established names and the Gujarati readers were unaware of Dainik Bhaskar. In order to gain a comprehensive awareness of customer needs and preferences, DB decided to conduct a census instead of a sample survey. Moreover, it had used a similar approach in all its previous launches to good effect.

There are many advantages and disadvantages in conducting a census. Since the census involves surveying the total customer segment, the possibility of sampling error is eliminated. The census also reduces the errors that arise from extrapolation of results for the whole segment. However, there are certain disadvantages that make the census a less favored option. The primary disadvantage of the census is that it requires much more time and effort than a sample survey does. In order to conduct a study on such a large scale, there has to be proper planning and a large number of personnel need to be hired to collect the data. The analysis of such a large volume of data is another problem. The census also incurs more costs compared to a sample survey. Generally, the disadvantages will slow down the market research process.

However, keeping in view the accuracy of the required customer information, DB chose to carry out a census rather than a sample survey.

Caselet 33

1. MSF was very dependent on the general public and corporates for raising funds. Therefore, it generated awareness about its services through direct mailers and cold calls made by volunteers. To target corporates, it hired the services of a professional fundraising letter writer who was able to put across the exact picture of MSF's mission and cause in an appealing manner. Like a typical corporate, MSF also employed discretionary promotion tactics. For example, it used face-to-face marketing (direct contact with the public) only in countries where fundraising was non-existent and the people would be attracted by this kind of canvassing.

It also used cost-effective methods of marketing like its user friendly website www.giving.com, through which individual volunteers could set up their own web page. This encouraged the shy volunteer who could approach a large group of people effectively without having to worry about direct contact. Apart from these, MSF organized various fundraising events. However, it needed funds continually from donors for its various causes. Therefore, it added a fun factor in its events, which attracted existing as well as new donors. For example, it organized barbecues, runs and other events, which were enjoyable and helped it to obtain donations. These methods proved very successful and MSF was able to rise quite a bit of money for its activities.

2. It is very important that a potential donor knows that his/her money is in the right hands and will be used effectively. Once this is established, donors have the confidence to continue contributing to such causes. The donors of MSFs were more than convinced of the genuineness of the organization after the ratings it received from two major charity evaluators – one gave it top rating while the other gave it a good rating. MSF also received a certification on its charity standards by a renowned agency in the US.

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These ratings were mainly on the basis of effective usage of funds. By using financial information and others, the rating agencies analyzed the organization on various parameters: funds efficiency, fundraising expenditure, usable assets, etc., -- each rating agency had its own unique method. While one concentrated on financial information, another looked at the necessity of further funding. The donors were further reassured when MSF received accreditation from BBB Wise, Giving Alliance standards.

Caselet 34

1. BSNL monopolized the Indian telephone market because it was the only player. Even though customers were dissatisfied with the service quality, they had no choice but to continue to patronize its services. But things changed when the government opened up the communication market to private players. The aggressive pricing and product strategies coupled with the high service quality provided by the private players forced BSNL to restructure its business in order to retain its market share and withstand the competition. The key service quality issues that BSNL faced was its failure to design the right service. Besides, social obligations, government control led to a lack of focus on new product development. As a result, it continued with a single service offering of basic telephony service – for a long time. This resulted in an exodus of its customers to private players, when these companies began to provide services that matched their needs. These conditions forced BSNL to develop new products and improve existing products to retain its market share. First, it tried to make the existing product line better and more attractive to customers with special features like caller line identification, SMS service, and voice mail services. It also entered the mobile services segment under two brands Ex-cel (for pre-paid cards) and Cellone (for post-paid service) with value-added services such as MMS and Wireless Application Protocol (WAP). National and international roaming were also introduced in due course of time to meet customers' changing needs. In Internet services, BSNL sold prepaid Internet cards through Sancharnet brand and launched the caller line identification (CLI) based Internet service. BSNL also started the Internet telephony service, WebFone, to enable customers to make international calls at lower charges.

Another problem that BSNL faced was its failure to deliver the right service standards to the customers. It improved customer service quality by setting up call centers and enhancing the capacity of its networks. It also simplified the bill payment process by offering online bill payment services and entering into tie-ups with e-seva centers.

2. Broadband Internet market in India is still in the nascent stage. Due to low penetration and the high costs involved in offering the service, prices are currently quite high. The high pricing and the need for installing special equipment have discouraged customers from switching over from the dial-up service to broadband services. Moreover, the major chunk of those using Internet services is from the middle-income group and these customers are price conscious. So, in order to increase its share in this market, BSNL has to adopt a penetration pricing strategy. This approach is possible since BSNL plans to use its existing copper wire telephone network for providing the service. It will therefore incur lower operational costs than the other players in the market. It also has the ready market of large number of basic telephony users to tap. Thus, BSNL will be able to generate customer volumes through the penetration pricing strategy, increase its market share, and sustain its profitability levels.

Caselet 35

1. There were various reasons that prompted India Post to restructure its business. Technological changes led to the telephone, cell phone, and e-mail being used as the preferred choice of communication. In addition, the fall in call charges and emergence of various cellular services resulted in the reduced usage of postal services, resulting

in a decline in the sales and profits of India Post. Another major factor that prompted India Post to revamp its business operations was the proliferation of private courier players in the market. The customer friendly policies and prompt delivery schedules of these couriers saw many customers switching to them. Besides, the traditional approach of the government of using public sector organizations as employment generators added to the woes of India Post. So to retain its customer base and increase its revenues, it decided to restructure itself.

2. India Post adopted a two-pronged strategy to restructure itself and maximize revenues. First, it restructured operations and second, it increased the range of services offered to customers. It focused on the effective utilization of resources to increase its revenues in both approaches. For instance, India Post computerized its operations through the usage of the VSAT network. This helped it improve the speed of mail delivery and increase productivity. It also reduced the need for hiring additional people. The modernization of offices, congenial work conditions, and change in uniform helped India Post encourage employees to provide better service. This in turn increased the productivity of the organization.

Apart from increasing efficiency in the organization, India Post also explored opportunities to leverage on its existing resources to generate higher revenues. It utilized its extensive countrywide network of post offices to increase its range of services. It distributed application forms of state and central government organizations and educational institutions, and passport applications. In Chennai, it planned to also sell monthly milk cards and market publications of media houses like Vikatan, Dinamalar, and Dinamani. The post offices were also used to disburse and collect 6 million bills of Reliance IndiaMobile. Besides, the post offices in Pune acted as collection centers for BSNL.

India Post has also utilized its manpower to add services and improve productivity. It offers door-to-door services such as selling stamps and undertaking registered and speed post bookings. It has also launched Data Post information service which conducts market surveys for clients in specified regions.

India Post has used its experience in financial services also to generate more revenue by extending its services to other financial service providers. It has tied up with various financial services and asset management companies like UTI, Prudential ICICI, IDBI Principal, and SBI Mutual to sell their products through the post office network.

Through these initiatives, India Post was able to reduce costs and put its idle capacity to good use.

Caselet 36

1. Airtel realized that with competition being what it was, retaining the existing customer was cheaper than getting a new one. For this, it went about revamping its data assimilation techniques by hiring the services of SAS Institute. Subsequently, a predictive model was put in place using customer data and it brought to light various reasons such as bad tariff plans, drop rates, etc., for customer dissatisfaction. Other data mining tools also indicated patterns in consumer behavior, and these formed the basis for the customer retention strategy at Airtel.

It was also realized that there was a need to form a platform for customer interaction and this resulted in technological solutions: an E-CRM model, a single toll free number, and a special website for customers. These initiatives helped customers to contact company representatives any time and any where in the country. Airtel also used EDGE technology to offer entertainment to its customers as a value-added service. These measures served to increase the perceived value of the service to the customer.

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On the internal front, it was realized that improvement in business processes and procedures could lead to better efficiency and quality of customer service. For this purpose, Airtel employed the services of CSG Systems, which put in place a uniform billing system and helped set standard procedures and practices, which improved turnaround time and increased efficiency levels.

2. Airtel realized that only by providing quality and customized service continuously could it retain customer loyalty. It attempted to improve its processes and procedures to increase operational efficiency and this helped maintained service quality. In a competitive scenario, it was important to continually respond to customer needs and preferences. Airtel's periodic research identified areas of dissatisfaction. For example, an analysis of customer complaints indicated that in a commercial area, basement offices were having a problem in accessing the network. Airtel immediately installed powerful transmitters in that area and this helped to increase customer loyalty.

Introduction of innovative schemes also helped Airtel to retain customers. For example, it held a Valentine Day contest. The contest proved popular with the youth of Mumbai, who were large users of the cellular service. Similarly, introducing "Astrolive" in Tamil Nadu was a focused move, keeping in mind the behavioral patterns of that state. In a bid to offer differentiated services, it was the first to introduce "Hello Tunes", which added value to the service. It also tried to retain the interest of the customers by offering additional information like news updates, election updates, etc., during the peak election season. This led to increased usage and more revenue. Airtel, through research and technology, thus devised various means to enhance customer relations.

Caselet 38

1. The quality policy of Apollo Hospitals Group (AHG) is to provide healthcare solutions of international standards by creating the ideal work environment and ensuring the practice of safe and ethical medicine. To impart quality to every aspect of the organization, Apollo initiated a five-star management philosophy wherein it provided the best of personnel and medical technology supported by motivated employees. By hiring specialists in the field, Apollo ensured that patients had access to the best of medical brains, ensuring effective diagnosis and treatment. This was backed by the latest equipment in line with world standards, which helped in accelerating the recovery process. This resulted in value-added services and good hospitality to the customer/patient.

There were internal audits conducted regularly for process enhancements. Quality measures were introduced in work-flow processes. For example, DMAIC, a Six Sigma tool, was introduced in the lab process to reduce turnaround time and offer better services to the patients. Also, new technology like IMRT was introduced with quality assurances and trained staff to give safe treatment. Quality monitoring was done by way of specialized committees that looked into operation theater policies, checked quality of drugs purchased, the quality of documentation, looked after customer satisfaction surveys, departmental reviews, and administrator's rounds, among others. As a safety mechanism, a separate group even checked housekeeping products. All these measures helped AHG to get the ISO 9002 certification and enabled it to apply for international accreditation

2. In any healthcare industry, there is a lot of patient-employee interaction. It is necessary to have motivated employees who attend to the varying needs of the patients visiting the hospitals at all points of time. As the first step toward motivation, AHG paid their employees more than the industry average. They also offered additional benefits like free medical care, loans, and subsidized meals, to generate a feeling of loyalty in their employees toward the organisation. These measures went a long way in assuring the employees that Apollo cared for them. Further, Apollo also recognized qualities like punctuality and honesty by giving awards at public functions.

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Apart from these motivation techniques, regular training of around 30 hours in a year was imparted to emphasize the importance of customer service. After training, employees were encouraged to share their learning with others in their department so that a uniform attitude would be established in the hospital. To judge the effectiveness of such trainings, evaluation programs were put in place. The importance of quality service to patients was emphasized by an innovative measure wherein the managing director himself propagated such values personally to the staff of the hospital. These measures were instrumental in developing the attitude of employees, who gave personalized attention to each customer, thereby improving the image of the group as an excellent service provider.

Caselet 37

1. In the service industry, the more the service is used, the higher the chances of customer retention provided the quality of service is good. In case of Emirates, the launch of the Skywards program had a dual objective – increased usage of airline services and retaining passengers by giving mileage points. Apart from this basic objective, the program provided a host of benefits to Skywards members during their journey. At the outset, there was a separate check-in for Skywards Gold and Silver members so that they could avoid the general waiting time. They had access to lounges that offered unmatched luxury. They were also offered a choice of menus on board their flight.

As part of additional services, visas were arranged by the airline officials in Dubai. To reduce the uncertainty factor in a new country negotiated deals on various tours and cabs were offered in addition to a chauffeur-driven service to and from designated airports. These additional services helped to make the customer feel at home and increased the probability of his repeated usage of Emirates Airlines. EA was successful in gaining the loyalty of its customers by giving additional rewards. Under a tie-up with Fairmont Hotels in November 2004, guests at Fairmont Hotels & Resorts earned 500 Skywards Miles for every qualifying stay at the hotel. Such reward programs were successful in improving the value proposition of EA's services. Thus, EA was successful in attracting customers using various value-added services and pampering the high-value customers.

2. In an era where time is precious and customers want efficient service without compromising on quality, EA introduced many systems in its regular functioning to provide enhanced customer service. Starting with air ticket booking, where EA had a web platform, it introduced a self service check in counter to reduce the waiting time on normal airline kiosks with the help of a technology called CUSS (Common Use Self Service).

Once the customer had boarded the flight, technology was used again to cater to the various personal and business needs of the customer through ICE (information communication and entertainment), which offered varied options of radio, movies, games, etc. The in-flight telephony system was another technological measure that provided value-added services to the business traveler who could send important mails and SMS. Internet was used as a medium to provide access to Skyward members who could get information on their reward miles, calculate balance miles, and avail of ongoing offers.

Caselet 39

1. To improve its home delivery and takeaway business in New Zealand, Pizza Hut (PH) set up a call center by entering into a technology tie-up with Telstra. It also installed CRM software to improve customer service. The main benefit was that the service executives were able to track customer history, attend to frequent callers on a priority basis, and identify the nearest PH outlet that would serve the customer. These systems helped PH to identify the varying needs of customers so that appropriate

attention could be given to them while providing quick customer service. For example, the customer behavior analysis determined the customers' tastes and preferences. The call center operator mentioned past preferences and so established a familiarity with the caller. Further, quick service was possible as the order could be directed to the PH outlet nearest to the caller's home. Thus, PH's objective of delivering hot pizzas on time was achieved.

PH used data mining technology to study the behavior pattern of customers, orders, and price preferences. It was used as a tool to send direct mailers that gave details of various offers. Data mining helped to send customers only those mailers that would be of interest to them rather than flood them with all offers. This helped to retain the interest of the customers.. PH's website, which was not generating an effective customer response, was revamped, using the professional services of Zero One and it resulted in simplifying order forms and increasing website usage. Customers were offered the convenience of ordering both on telephone and through the Net, thus increasing the access points of PH. They were also able to record their complaints online, resulting in quick response. Therefore, by means of technology, all aspects of customer service – ordering, processing, delivering and information on other offers were achieved.

2. PH sought to increase customer loyalty by serving hot pizzas quickly. This was supplemented by the personalized customer service provided by its efficient workforce. At the outset, its employees received training programs four times a year on customer service skills. This was monitored by the C.H.A.M.P.S initiative that motivated the employees to improve their customer service skills. To handle complaints, employees followed LAST, which stood for listening to the customer, apologizing for any mistakes, satisfying the customer's needs, and thanking the customer for his/her support. These measures went a long way in ensuring a high quality of customer service. To provide information on and access to the product, PH had call centers and a website. The call center catered to the needs of the customer by giving emphasis on the the personal touch, and it got positive feedback from customers. The website provided multiple services to the customer, right from ordering pizzas and listing complaints to providing information on various offers.

Direct mailers were sent to customers after ascertaining their needs and preferences. This prevented the sending of junk mail that could irritate the customer. The introduction of new varieties of pizzas from time to time helped in keeping the customers interested. Promotional offers like the Very Into Pizza (VIP) Club served to increase customer loyalty through membership schemes. Further, schemes like Book IT and school catering, targeted children and generated a good customer base and goodwill for the company. Service delivery to customers was enhanced by the CRM software. This software tracked the PH outlet nearest to the customer and thus enabled the quick delivery of pizzas. The entire customer service strategy of PH, therefore, revolved around the use of technology and trained manpower to increase customer service and gain loyalty.

Caselet 40

1. In 2003, customer grievances were on a high with long waiting and late issuance of cards. As such, ICICI bank studied its internal environment to understand the basic problem. It was found that the waiting time that contributed to customer dissatisfaction were basically due to records being strewn all over the office. To solve this, the bank implemented the 5S concept and gained control over its file management system. Then, to improve and make the process efficient, it tied up with Microsoft to improve its processes and connect all channels to back end processing. The focus then turned to the reason behind card cancellations, for which it installed a predictive model with the aid of Fractal, an analytics agency. The agency identified probable customers, who would cancel their cards, enabling the bank to chart out retention plans.

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It was realized that communication channels between the customer and the bank had to be more effective and interactive. Using the Internet as a medium, the bank sought to serve a larger customer base by introducing CRM technology, Internet transactions and forayed into mobile banking as well. This formed the base for monitoring customer complaints and decreasing response time. Increased card usage meant the chances of a customer staying with one service was more. With this in mind, the bank launched various offers and reward programmes and co-branded cards in a big way. The launch of payment getaways was a brilliant strategy by which more merchant establishments came under the ICICI umbrella, expanding sources for spending. This in turn led to increased customer usage on credit cards. Therefore, ICICI Bank kept up with the ever changing needs of customers and put appropriate strategies in place.

2. The relationship between a company and its customers should be mutually rewarding and fruitful. In this context, ICICI Bank understood that customers would be satisfied once they had various avenues well as incentives to use their card. Further, special attention to high net-worth customers was more fruitful, as their spending formed a high chunk of total revenues. Therefore, they kept launching various rewards and offers from time to time like discounts on super market purchases, special gifts on spending a certain amount of money etc. These offers kept customers interest alive and they ended up spending more on cards to get the desired gift.

As a value- added service, ICICI introduced co-branded cards, which were a huge success considering the rewards attached to them and the various rebates and discounts offered while using them. They helped retain customers as they ended up spending more on co- branded cards to get more reward points. These co-branding strategies took into account customers purchasing patterns and requirements, which have given a lot of comfort to the customer. For example, the Airtel, HPCL, ICICI silver card enabled high-end AirTel post-paid customers to be part of the rewards programme and earn multiple reward points based on their AirTel service usage, petrol expenses at HPCL outlets and other credit card spending. As the leading player in the credit card segment, ICICI Bank has utilized co-branding cards as an added incentive to all card users.

Caselet 41

1. Monster India Worldwide, the leading online career jobsite in the world, launched MonsterIndia (MI) services after making a SWOT analysis of the Indian recruitment market in 2000. It had the backing of customized products and an infrastructure in place. Although, it faced competition from naukri.com and other job portals, it recognized opportunity in the IT sector, which was growing rapidly in India. Further, the lay offs in IT jobs in the US following the economic slowdown, caused huge influx of human capital to India offering another avenue for recruitment services.

The challenge before MI was to establish their brand in India and build a significant presence. Therefore, it started aggressive advertising campaigns and set up sales offices in Hyderabad, Bangalore and Delhi, that gave them visibility in these major IT oriented metros. They later expanded their sales network to include more cities and also tied up with other portals like rediff.com, TATA Nova and ZDNet to increase their base. Rediff.com, being a much -used site gave Monster more access to people thereby generating awareness and bringing more business. These co-branded sites also served as placement getaways for professionals. Apart from these, it conducted contests like "kiska resume jitega" in 2002 and 2004 which not only generated good response but also gave MI extensive media coverage. Therefore, we can say that Monster had meticulously planned its activities to improve the visits to its site and the size of its database.

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2. To get ahead in the race, Monster had to complement their marketing strategy with innovative products to retain the interest of its customers – both employers and job seekers. For the employers, they had customized tools depending on various needs. For example, hiring tools helped the employers to get the exact skill sets that they were looking which enabled them to get the right candidate. These tools such as Smart Find Resume Search and Target Reach Job Postings saved time and money for the employer.

For the job seeker, a host of services right from building a resume to career advice was available. As such, the job seeker just needed to access the site for a one-stop shop, which gave him valuable insight into presenting his skills properly on his resume. They even had the option to improve their resumes online on a weekly basis that helped them to project valuable experience effectively to their potential employers. These services suited all aspects of job-hunting as well as manpower sourcing which made MI a popular site amongst both corporates and individual job seekers.

Caselet 42

1. Information is the key resource in any outsourcing business. IOS has built customer confidence by getting BS7799 certification. By means of this, it has not only ensured physical protection of its computers, but also ensured safety of clients' data by putting requisite software to control hackers and viruses. As a step further, crucial data such as customer's credit card numbers and addresses remained in the main server preventing any damage to the same. In a bid to improve their process, they introduced an adaptive network to enhance reliability thereby providing better services to customers.

To achieve COPC certification, they streamlined various process areas such as timeliness, quality and accuracy of responses, efficiency, speed and productivity apart from other factors like client satisfaction, end-user satisfaction, resource utilization, capacity management and vendor/supplier management. These were benchmarked against global standards time and again which resulted in consistent monitoring and maintenance of quality. They used tools like process charts, pareto charts, fish bone diagram and failure mode effect analysis (FMEA) that identified various causes of problems and analysis of data which helped in timely solutions resulting in improved service levels. Therefore, technology and process improvement continually have given IOS their competitive edge over other BPO firms.

2. At the outset, IOS followed a rigorous selection process that ensured quality people joining the work force. Induction training helped the newcomers to understand the work culture of the organisation. Further, the employees were also given regular training totaling 80 hours in a year for upgrading their skills. IOS also undertook special training for specified projects to get the quality edge in rendering customer service. For example, by relevant training of its employees, it operated at significantly lesser costs than those prescribed by the client in an insurance underwriting project.

BPOs have a flat structure and hence there exists very limited scope for growth. In order to attract talented personnel and retain them, IOS launched a Career diversification program that enabled an employee to switch over to other areas of the ICICI Group, namely banking and insurance. This opportunity acted as an incentive for the BPO employees to stick to the organization. To emphasize their interest in personal growth of employees, IOS had a Higher Education Scholarship policy by which an employee could pursue higher education to aid his/her personal growth. These measures went a long way in developing the overall personality and skills of employees, which increased their confidence levels in IOS thereby retaining their loyalty. Thus, motivated workforce at IOS helped the company to attain service quality of international standards.

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Caselet 43

1. In a retail outlet like Shoppers' Stop, there is maximum interaction between customers and salespeople. It is mostly salespersons' attitude and behaviour that influences a sale. Shoppers' Stop consciously decided to give importance to the customer by having a common designation throughout the company – customer care associate. Once this was established, they had in place training programs for freshers as well as senior managers that helped them gain an overall understanding of the business. Inductees were attached to seniors that helped them gain hands-on-experience in customer service. This mentoring process ensured that newcomers would also develop the same customer service attitude.

Motivation played a very important role as enthusiastic and bright salespeople can create a favorable impact on the customer. The "Jo Jeeta Wohi Sikander" initiative gave public recognition to employees who made special efforts at winning over customers. This led to increased efforts by employees to satisfy customers, thereby achieving the company objective of customer care. Another factor in employee loyalty and commitment was the performance reward system, for which Shoppers' Stop linked profits to performance. Bonus of 15% to 35% was attached to performance. They also introduced an innovative employee satisfaction index in addition to a customer satisfaction index, which kept tabs on employee morale and helped the company to take necessary proactive action.
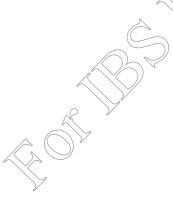
2. Shoppers' Stop was incurring continuous losses in the early 2000s. In a business driven by the efficiency of a sales force, it was very important to raise employee morale. Therefore, it increased training hours and launched specialized training programs to hone the skills of customer care associates in 2004. This resulted in a 101% increase in the first citizen card's usage. Time and again, Shoppers' Stop introduced various measures to reward employees. Employee Stock Options and bonuses were a part of the attractive package, which motivated employees to work more effectively.

The mentoring program – Kangaroo triggered ambition in employees as they envisioned a clear growth path, which increased their working efficiency. The whole focus was on customer service, which boosted the growth of business. In 2004, Shoppers' Stop made employee focus their prime concern, reiterating the importance of the internal customer. The success of their efforts was clear from the fact that new retail chains chose to employ people from Shoppers' Stop.

Caselet 44

1. Most high net worth business travelers check into hotels with a hectic work schedule on hand with limited time. Luxury hotels like ITC Welcomgroup attempt to make life easier for such guests by offering value added services like airport transport facility enables the traveler to save time without the tension of finding a cab in a new place. Exclusive use of lounges, meeting rooms etc serve as meeting grounds without having to venture out of the hotel premises. For more informal, yet private gatherings, the use of the Club lounge's bar and restaurant are an added attraction.

Apart from these business comforts, the massage chair, in the ITC one rooms, provides the necessary unwinding after a hard day. At the same time, the guest is able to sift through required information using the web interactive television in the room. Such guests often carry personal items that are valuable in nature. A personalized vault covers the safety aspect for the guest. The personal touch in service is enhanced by the private butler service that makes the guest feel totally at home without having to use the hotel telephone each time for his needs. On the leisure front, depending on the guest's interests, health care facilities, golf etc are provided on request. These small and detailed factors go a long way in establishing customer loyalties.

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2. Every guest has his own way of looking at the facilities offered by a hotel. ITC Hotels has a unique method of maintaining a history of customer's needs and preferences in its hotels across India. This has helped to add that extra value in services offered. For example, ITC Sonar Bangla has provided special jogging track, health centre and even a poolside health café to cater to its health conscious clientele that would ensure a fixed track of such guests in the hotel.

In terms of understanding guest psychology, ITC has gone the extra mile to provide differential services to the single woman traveler. Right from the décor of the room to welcoming beverage, the hotel has given importance to the female taste and preferences in its service. Understanding the insecurity of the single woman, it has escort service at the airport. Further, there are soft toys and flowers on the bed to provide a cozy environment instrumental in making the women guest feel at home. To provide comfort to the women travelers accompanied by children, the hotel has babysitting services so that the women guest can go to work peacefully knowing that the child is in safe hands. All these measures are a very thoughtful approach to make a hotel room comfortable.

Caselet 45

1. Travel management need not be restricted to tourist places and sightseeing. The essence of travel management lies in providing entertainment avenues catering to various needs. CKS revolutionized the concept of leisure to schoolchildren by fulfilling a major need – Interaction at the national level. "Udaan" was a new concept that aimed at providing an enlightening as well as entertaining experience to schoolchildren where they could meet other children of the same age group and expand their knowledge. Religious and devout tourists got the benefit of specific tour packages to pilgrimage spots, thereby avoiding the hassles of having to arrange for tickets and accommodation and the confusion of a new place. To get through the usually crowded religious spots, CKS arranged guides who drew up comfortable travel itineraries.

CKS gave spiritual tourism a new face by offering the Art of Living course as part of their packages to provide the necessary rejuvenation to tourists. Often, people traveling to foreign countries for business purposes like trade fairs faced a problem with basic arrangements for accommodation, transport, and currencies. CKS found a niche segment in this group and organized trade fair packages, which even offered additional services like factory visits and buyer supplier meets -- a value addition to the Indian tourist who was not accustomed to the local language in most cases. CKS also had a product development cell catering to research and development. This helped it come out with innovative packages to suit Indian tastes and preferences.

2. CKS arranged for guides to help travelers to crowded places like pilgrimage spots. The guides guided the travelers, usually an elderly lot, through the various religious spots and made them comfortable. Business travelers preferred to have contacts in a new country to make their trip more productive, especially if they did not know the local language. CKS catered to this need by organizing factory visits during trade fairs. This provided a tremendous opportunity to this segment to capitalize on their trip.

Other services that CKS offered included special personalized services to the premium segment, which demanded the ultimate in luxury, and flexible options to the customers who did not want to get into a crowd. By entering into a strategic alliance with MSNIndia, CKS made it convenient for travelers to get information about travel packages and to make bookings for them. The customers were also able to get a gamut of information on all travel related services. Thereby CKS attempted to provide the best to its customers by offering various value-added services.

Caselet 46

1. The Indian government, though open to foreign players, was restrictive about giving them uplinking facilities in India; as such facilities gave access to better broadcasting. However, STAR overcame this problem by uplinking from a Bangkok satellite, thereby keeping in with the Indian government norms. However, STAR benefited later in 2000 when these restrictions were lifted and all foreign players could use local uplinks that generated quicker coverage and transmission of their programs. In most developing countries, governments are known to be flexible about their rules regarding global companies. These companies should therefore, have back-up plans for such contingencies. The lack of proactive planning by STAR became evident when new government norms of a 26% cap on foreign investment in news channels wishing to uplink from India were announced.

As STAR had not identified any major partners for investment as required by the new norms, it chose to adopt the quick route, flaunting regulations in the process. It set up a shell company, Media Content and Communication Services (MCCS). This company had no studios, no cameras, or even uplinking equipment as all these facilities had been transferred to another shell company called Touch Telecontent (TT). This unprofessional move on the part of a global player came under criticism from other Indian players. They claimed that STAR's Indian stake was divided among many holders who favored the STAR management and that control was effectively being retained in foreign hands, something that was unacceptable. As a result, STAR lost a lot of credibility and had to resort to signing with a majority Indian partner to get permanent permission to uplink from India for its news channel. STAR's experience shows that global players need to plan ahead, keeping the government norms in the host country in mind. They can thus avoid flaunting norms and come out in the black.

2. The main content of STAR's programs was in English. However, this did not work in India despite the country having a sizable English speaking population. Instead local programs like "Mahabharata" attracted viewers. Dubbing the English programs in Hindi was not a success either as the Indian audience could not relate to foreigners speaking Hindi. With a competitor like Zee TV offering Hindi programs, STAR had no choice but to go in for a Hindi band for some slots. Later, however, it launched full-fledged Hindi channels to keep afloat amidst competition. However, these offerings started only in 1997, after six years of its existence in India. This showed that STAR took considerable time to overcome and understand the cultural differences in India.

India, being a state of diverse languages, STAR could not afford to limit itself to Hindi if it wanted to increase its viewership. To gain a presence in south India, it acquired "Vijay", a Tamil channel, and converted it into a quality product that made Vijay a much-watched channel in Tamil Nadu. The success of this strategy can be traced to the use of personnel who understood the Tamil viewer's psyche. In other channels like music, STAR sought to win over the Indian viewer by a gamut of Indian pop songs. Realizing that the cricket craze in India is a perennial factor, STAR leveraged on it to the maximum by acquiring rights for all major cricket events through its sports channel. Therefore, STAR learnt to identify the cultural differences in India and placed its services accordingly to become a popular channel.

Caselet 47

1. When Nirvik Singh took over the reins of GW in 1997, the company developed a futuristic vision that propelled him to venture out into related businesses like media, public relations, exhibitions, healthcare marketing, etc. GW realized that the Indian economy was changing very fast and that mere advertising services would not suffice

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for effective communications. To cater to the ever-growing mass of demanding customers, GWs clients had to resort to other measures such as media, interactive means, and others.

To help its clients avail of such services from one source, GW started these individual businesses. By pursuing differential strategies, these businesses improved their bottom lines. For example, Mediacom gained access to creative resources by buying out smaller agencies. To be on a par with the global trends, GW sought to establish itself as a multi-focus organization that offered integrated communications solutions to its clients.

2. To meet the increasing demands from clients, GW set up another advertisement agency G3. Although the main purpose was to cater to clients who were in the same business, this move helped to optimize the internal resources and promote healthy competition. Apart from this, it was constantly on the lookout for new target segments. In 2004, when political campaigns sought professional help from advertising agencies, GW got the assignment to develop the campaign of the then ruling party (BJP) and went on to launch the "India Shining" campaign. The campaign had the effect of pushing GW into the limelight, helping it to attract new clients.

To advise the client better and strike the right note while planning a creative campaign, GW had a special research wing called "Grey Cells". This wing undertook surveys on various topics to get an idea of the attitudes and changing trends of the consumer. The findings were used in their creative work to have a better impact on the consumer and to provide increased business for clients.

Caselet 48

1. KSL's portfolio management services were backed by a large group, which offered a basket of financial services like broking, depositories, mutual funds, etc. Therefore, it already had the requisite infrastructure in place. Its specialized research wing that catered to retail broking clients was roped in to give periodic information to the high net-worth individuals who were the target group of PMS. The access to a number of financial products made it easier for KSL to plan its products, which offered a mix of old as well as emerging stocks. Its access to international firms leveraged its expertise to provide varied views on emerging trends to their clients which gave them value added information.

Its products were designed keeping different customer interests in mind. Sigma was targeted at the conservative customer as it focused mainly on large capital stocks, which offered assured returns. Smart Investor appealed to the speculative customer, who preferred to experiment with emerging markets. For the customer with a longer vision, the product was named Opportunities as it invested in stocks that were deemed ready for growth in that particular year.

2. At the outset, KSL leveraged on its strength of infrastructure and financial products and saw avenues in tapping the high net-worth investor. It realized that with interest rates dropping on deposits, savings needed to be channeled to other investment options. Therefore, its PMS division offered to place such money into a mix of financial products that guaranteed a higher return than the usual savings options available. It innovatively aimed at tapping the investment potential of film artistes who were looking for effective utilization of their surplus disposable income. Its differentiated products offered a choice to various customers.

To maintain its customer base, customers were given periodic information by way of research reports. Further, KSL recognized the differential attitude of high net worth individuals. As such, instead of giving them freebies, it provided an intellectual platform that they could use to interact with renowned economists and thus update their knowledge. Further, it also realized that there was an increasing trend, of middle

income group individuals showing an interest in weighing various investments options, but who did not have the capacity of high net-worth individuals. Therefore, it introduced a low-end plan that required an investment of Rs.10 lakh as against the normal Rs.25 lakh. These focused measures helped them gain a substantial corpus in portfolio management services.

Caselet 49

1. With increased competition and changing customer preferences, private banks have used technology to offer innovative services and products to their customers as well as to differentiate themselves from the competition. They have primarily differentiated themselves on three fronts – convenience, service personnel, and technology and equipment.

Convenience: Banks have paid a lot of attention to making banking transactions convenient for customers, sometimes even taking operations to the customer's doorstep. For example, ABN Amro Bank offers free home delivery of cash to customers for withdrawals of between Rs. 5000 and Rs. 1.5 lakh. HDFC Bank delivers foreign exchange, including cash and travelers' checks, at the customer's home. Since most customers are hard-pressed for time, banks have focused on ways to reduce transaction time. ICICI Bank has extended its banking hours from 8 A.M to 8 P.M. in select branches. It has also 365-day banking in select cities. Several banks, including ING Vysya, also offer free access to ATM networks of other banks. This has increased the availability of ATMs to customers, thus providing them convenience in service.

Service personnel: Banks have differentiated their services using service personnel as a differentiator. For example, Kotak Mahindra Bank has assigned a relationship manager for every customer to personally look after the customer's deposits, offer any required advice, and also manage the customer's investment portfolio. Similarly, ABN Amro has assigned relationship managers to manage investment portfolios of high net-worth individuals.

Technology and Equipment used: Banks have used ATM networks to enhance convenience in transaction and to differentiate their services from those of competitors. Many banks operate mobile ATMs on particular routes. These ATMs remain at select places to enable regular commuters on these routes to conduct transactions without having to deviate from their regular route. Due to these facilities, customers tend to use ATMs more and this helps banks increase their reach. Many banks have also offered Internet banking services so as to attract technology savvy customers and customers who need up-to-date information on their banking transactions from the convenience of their homes and offices. Banks have also devised innovative products to encourage the usage of Internet banking services and also encourage customers who are apprehensive of online banking. HDFC Bank's online payment mechanism "NetSafe" is one such example. HDFC also offers 'One View', which gives customers complete details of their bank accounts, including those in other banks.

2. Customers as well as banks benefit in various ways from remote service encounters.

Banks can reduce transaction costs through the use of equipment such as ATMs and technology like the Internet since they replace service personnel. They also provide incremental savings over a longer period of time. Another major advantage for banks is that technological tools provide effective customer service. This is because ATMs, unlike service personnel, provide standardized service to customers which results in greater customer satisfaction. Also, ATMs and Internet banking services can be offered round-the-clock, which makes it a great deal more convenient for customers to transact business at their own time and place. It also saves the customer time and energy.

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However, remote service encounters have certain disadvantages. They cannot offer the feeling of trust and warmth which customers look for while making financial transactions. This is possible only in face-to-face contact. Customers are also still insecure about conducting transactions through ATMs and the Internet. Moreover, since awareness and knowledge about ATMs and the Internet usage is low, many customers are not too comfortable using these services. There have been several instances of people who did not know how to use the ATMs being duped by others. Apart from this, service recovery when there is service failure is difficult during remote service encounters. For example, if there is a computer failure at a branch of a bank, service personnel can attend to the problem immediately and effectively. But a failure at an ATM cannot be handled immediately and this leads to wastage of time and to inconvenience for the customer. This is more so if the customer is in urgent need have cash or if the ATM card gets stuck in the machine. This could lead to customer dissatisfaction and, sometimes, to loss of loyalty.

Also, since ATMs and online banking services offer standardized services, any special requests and needs of the customers cannot be fulfilled through these services. In other words, adaptability is not possible in remote service encounters.

Caselet 50

1. According to Peter Drucker, "Quality in a product or service is not what the supplier puts in. It is what the customer gets out and is willing to pay for. A product is not quality because it is hard to make and costs a lot of money, as manufacturers typically believe. This is incompetence. Customers pay only for what is of use to them and gives them value. Nothing else constitutes quality." Maintaining quality is indeed the most important activity of any organization. The mere survival of companies like RKHS, which are in the field of corporate catering, depends on whether quality is maintained.

Over the past few years, there has been a significant change in the lifestyle of the majority of people in India. This change can largely be attributed to the increasing number of MNCs entering the country. People have become extremely busy with long working hours, and with both husband and wife working in a majority of the families. Such a phenomenon has generally led to companies providing lunch and dinner facilities to their employees at their premises. However, these companies have preferred to outsource this non-core activity and firms like RKHS have cashed in on the opportunity.

But the prime area of concern for these companies as well as their employees is the quality and nutritional value of the food served to them by these caterers. As a result, these companies, generally MNCs, have established stringent quality norms regarding the food that is served, the calorific value, the nutritional value, the taste, the quality of raw material used, and so on. These quality norms are normally on a par with international standards and therefore, it is essential for these corporate caterers to meet these standards if they are to survive in the market. Exceeding these quality norms will definitely help firms like RKHS remain competitive in the market for years to come.

2. Operations management is definitely a challenging task, more so initially. However, it can be managed efficiently once systems have been established and put in place. The operations of a corporate caterer entail everything from procuring the raw materials to storing and processing them, cooking them according to the requirement of corporate clients, serving thousands of people fresh food round-the-clock at short notices and so on. These activities become very difficult to manage, especially for a company like RKHS that serves over one and a half lakh meals a day across the country with varying dietary and menu requirements.

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An efficient operations management system can be established in an organization by focusing on certain important factors such as planning, maintaining service personnel, technology, ambience, and giving utmost importance to the customer. Planning is the initial stage that determines the operational efficiency of a firm. In case of a catering firm, planning can be done before catering operations are undertaken at the client's place. The firm's personnel can observe the eating habits of the client's employees and find out what they expect from a catering firm. Subsequently, planning can be done on the raw materials requirement, its stocking facilities, and the replenishment period. Service personnel play a major role in the operational efficiency of a firm. It is therefore essential to hire well-trained and experienced professionals. Periodic training and good HR policies put in place will go a long way in motivating the service personnel to give of their best for the benefit of the organization. Technology is another factor that greatly helps in operations management. This includes utilizing computers for stock maintenance, maintaining the database of customized dietary requirements of patients in a hospital, and so on. Apart from these, developing a pleasing ambience and giving the maximum customer value also help a company in attaining operational efficiency. However, serving fresh food to thousands of employees round-the-clock is the real challenge in operations management and a company can improve its efficiency in this aspect as it gains experience.

Part C: Applied Theory Questions

The applied theory questions in this section are intended to deepen the student's understanding of theoretical concepts and their practical implications. Students have to apply the theories they've learnt to a wide variety of business situations and come up with innovative solutions to the problems posed.

Part C: Applied Theory (Questions)

1. Tour and Travel operators are facing a torrid time maintaining bottom-lines with the hike in diesel and petrol prices. In this scenario, how can a tour operator like Raj Travels segment the market and use a positioning strategy to prop up its sagging bottom-line?

2. Ninety per cent of the package flow is predictable but that other 10 per cent can really throw you," says David Rebholz (Rebholz), Executive Vice-President of FedEx's US Operations and Systems. If Christmas were round the corner, what steps should Rebholz take to beef up FedEx's delivery systems to meet the heavy influx of parcels and maintain delivery schedules?

3. The ING Group plans to conduct an integrated campaign throughout India after it assumes majority control in Vysya Bank followed by a change in the bank's name. Discuss the different branding options that ING can opt for its financial services.

4. Avishkar Advertising is a small ad agency that had established itself by providing advertising services to companies in the healthcare industry. However, things changed with the entry of advertising agencies like Euro-RSCG, MAA-Bozell, FCB-Ulka and TBWA that began working with Pharmaceutical companies like Knoll, Torrent, and Novartis on the strength of their international alliances. Bigger agencies like O&M, Lowe and McCann also set up separate divisions for healthcare communications. What kind of pricing objective and pricing strategy should Avishkar adopt to tide over this situation?

5. GATI, the cargo services company, plans to launch 'The Millennium Parcel Express' a co-enterprise between Gati and Indian Railways, that consists of a cargo train, having a capacity of 230 tonnes, specially designed to carry high-value express cargo. What do you think the promotional objective of GATI should be? Which of the promotion mix elements would be best suited to launch 'The Millennium Parcel Express'?

6. The world's largest independent IT training company, the US-based New Horizons, has entered India at a time when the domestic computer education market is struggling in the wake of the global technology meltdown. What factors should New Horizons consider when making channel decisions? Other than franchising, which delivery channel can the company opt for if it wants to reach a large number of customers at their convenience and yet keep down costs?

7. In the IT services sector, a constant upgrade in the skills of mid-level managers is essential to retain the competitive edge and keep the customer happy. In what way will a continuous employee training program help an IT services organization like Ramco Systems to provide value-added services to its clients as well as to motivate and retain employees?

8. The 100-year old Nedungadi Bank has engaged the management consultancy firm Pricewaterhouse Coopers (PwC) to evolve a bank-wise strategy and to consolidate its business planning program in order to bring about strategic changes in its style, form, and content, while retaining its basic philosophy of value-based banking. What marketing objectives should PwC consider while formulating a marketing strategy that is aligned with the corporate objectives?

9. The recent Union budget saw an increase in postal rates with rates for the ordinary envelope being increased by 20 per cent to Rs 5 for 20 gm. With bulk courier rates starting from around Rs. 5, local companies have started switching to courier services. In this kind of situation, there could be increased opportunities

for individuals to start courier firms. Based on customer involvement, under which category do courier and postal services come? What type of services can a courier company offer based on the type of end-user?

10. SQL services, a renowned call center in Delhi, conducted a customer satisfaction survey for its clients in India and abroad. The results of the survey were interesting. Clients abroad rated the services rendered by the company on a lower scale compared to domestic clients. How can an awareness of the criteria that affect customers' service experience help SQL satisfy foreign clients with their service?

11. Half of India's GDP growth in the '90s came from the growth in the services sector. Among the big names to have entered services in India are Reliance and HLL. The industrial conglomerate, Reliance ventured into the services sector through its telecom and retailing operations, while HLL, a leading FMCG company, launched its Lakme and Ayush beauty salons. What are the major factors that are driving the growth of the services sector in India?

12. Speaking about the continuing poor financial performance of an airline for the past seven quarters, a marketing research analyst said "The failure can be attributed to the airline's lack of focus on one of the key characteristic of a service industry - "perishability", which led to a lower occupancy rate i.e., the airline realized less sales volumes per flight." What are the key characteristics which make services marketing different from product marketing. Which among them will affect the airline industry most?

13. Marketing analysts point out that the 4P's of marketing mix (product, price, place, promotion) that are used for marketing of products may not be enough for service providers to consider in developing effective marketing strategies. They say three additional elements people, physical evidence and process along with the 4 P's, can help address the needs of services marketing completely. Explain in detail about these three elements that are unique to services marketing?

14. Most service providers give toll-free numbers at the end of any advertisement in the print or electronic media. What purpose do these toll-free numbers serve in the consumer's buying process?

15. Describe the concept: perceived risk. What are various types of perceived risks? What perceived risks might a consumer face when purchasing tourism products?

16. Fit & Fine, a leading chain of health and fitness centers brings out advertisements which say "Bring this advertisement and avail free 5kg weight loss program". What is the motive behind such promotions?

17. In what way do emotions and moods influence consumer behavior? What steps can a coffee bar chain take to build up a positive attitude among its customers?

18. A new BPO company is deciding upon the service quality standards it wants to enforce. The top management had earlier fixed quality standards based on industry benchmarks. But this initiative did not yield the desired result. Now the management has appointed Mr. K. P. Singh a leading service industry expert, to look into the matter. K. P. Singh has suggested that the service quality standards need to be based on customer service expectations rather than on industry benchmarks. What do you mean by customer service expectations and what are various types of customer service expectations?

19. Loyalty card schemes are the most popular promotional tools used by service marketers. Most domestic airlines in India have frequent flier programs. Jet Airways has Jet Miles, while Indian Airlines has Flying Returns. The retailing industry also is a major user of loyalty card schemes. Shopper's Stop has the First Citizen's Club (FCC) scheme and Piramyd has the Piramyd Power Club (PCC) membership card for loyal customers. Analyze the reasons for the increased use of loyalty card programs in services marketing.

20. Air Deccan has captured a significant market share in the airline market within a short period after its launch. Sensing the market potential, many companies are entering into this segment (low-cost airlines). What strategies can Air Deccan adopt in order to manage customer service expectations in such a competitive environment?

21. BK Fast Foods (BK) is the oldest restaurant chain operating in Southern India. However in the recent past its sales have been dipping and the customer traffic to its outlets dwindling It hired Markfirst, a market research agency to analyze reasons for its poor performance. The study conducted by Markfirst revealed that customer perceived it as a "tired brand" which had lost its relevance in the present day environment. What are the various ways through which BK Fast Foods can change the perceptions of the consumers?

22. According to analysts, one of the key reasons for the poor showing of Public sector airline major, Indian Airlines, is the growing 'customer dissatisfaction' with its services. What strategies should Indian Airlines implement to enhance customer satisfaction?

23. UB group, India's leading alcoholic beverages manufacturer, is entering into the low cost airlines business. If it wants to conduct a market research study, what are the various options that are available to it? Which option will be most appropriate for the company?

24. The Commerce Bank, a leading bank in the US, runs a "kill a stupid rule" program in which employees are encouraged to find ways to enhance customer service. The Bank rewards employees for identifying stupid rules that annoy or disturb customers, and suggesting alternative rules or policies. Many companies solicit suggestions and feedback from employees regarding the improvement or changes in services and service delivery processes. What are the possible reasons for such communication programs?

25. What are the various target-marketing strategies that service providers use? Identify the strategy used by Air Deccan.

26. SSB Insurance is a new entrant in the highly competitive life insurance market. It is in a dilemma regarding the customer segment it has to target. Which form of segmentation is appropriate for SSB Insurance?

27. LKB India Ltd., a diversified group having interests in the hospitality industry launched "Feast" a new fast food restaurant chain across India. However, it could not capture the market share or create a buzz in the fast food restaurant market even after three years of existence, despite being a well-established name in the hospitality industry. The top management convened a meeting for root cause analysis. The management discovered that the company had not followed proper criteria while evaluating the customer segment it wanted to target. What are the basic criteria that a service provider has to consider while selecting customer segments?

28. STT Telecom Limited is a market leader in basic telephone services. It was rated as the best service provider by a leading business magazine. It is now planning to enter the highly competitive mobile services market on national scale. What are various options that STT has regarding the positioning of its new mobile service? Which option is most appropriate for the company?

29. Godrej Industries is a diversified group having varied interests in personal care products, consumer electronics business, industrial products, and furniture business. As a product company it could meet demand by increasing production. Now, Godrej is entering into the BPO market. However, managing demand and supply is not easy a proposition in the services sector. What are the key capacity constraints that Godrej may face in its BPO business?

30. SouthSide Hotels is a major player in the hospitality industry with a chain of hotels and resorts. Recently, it opened a new theme park in Hyderabad. Being the first of its kind in Hyderabad, it attracted visitors in thousands. On weekends and holidays, many visitors could not enter the park, as the tickets for the day where sold out. The management of the park was unable to cope with the increase in demand because of financial and operational constraints. What strategies should SouthSide adopt to meet the demand?

31. Kaizen Watches is a leading watchmaker in the country. To increase sales and visibility it is planning to open its own chain of watch showrooms under the brand Time & Style. To chalk out the marketing strategy Mr. R.P. Sinha, CEO of the company convened a meeting with the top marketing managers. During the meeting the managers devised a marketing strategy based on the four P's of marketing i.e., product, price, promotion, and place. However, Mr. K.V.Ram (Vice President, Marketing) questioned their strategy saying, "Services marketing is different from product marketing. The traditional marketing mix elements are inadequate for the services marketing environment." What inadequacies do the traditional marketing mix elements possess when it comes to services marketing?

32. "People, one of the services marketing mix elements not just refers to front-line employees, but also the customers." Explain this statement by taking any service as an example.

33. Pantaloon Retail India Ltd, a leading retailer in India with brands Pantaloons, Big Bazaar, Food Bazaar, and Gold Bazaar, has recently entered into mall management services by opening a chain of malls in various cities under the brand 'Central'. It leases its mall to various consumer product manufacturers and service providers. In November 2004, it opened 'Hyderabad Central' with an investment of Rs 70 crore. While deciding the leasing rate for the stores in the mall, what pricing objective will Pantaloon seek to implement?

34. ABN-Amro Bank has surprised the banking industry by announcing the lowest interest rate of 6.5% for its housing loans, which is 1% less than what other banks are offering. What kind of pricing strategy has ABN-Amro Bank adopted in this case? Describe the pricing strategy.

35. IndiaTV is a new Hindi news channel launched in the cluttered Indian television channel market with well-entrenched names like NDTV, ZeeNews, Aajtak, and StarNews. Mr.Rajat Sharma the head of IndiaTV wants to establish the channel as a "mouthpiece of the common man." As the channel is free-to-air, its only source of revenue is advertising. Therefore, while pricing the advertising space in the channel what are various factors that the channel management must keep in mind?

36. AssureUSA a leading insurance company in the US has established its BPO subsidiary in India for managing its inbound and outbound telemarketing activities. However, the company received complaints from customers regarding poor customer service and improper response at the Indian subsidiary. What may be the factors that are responsible for such poor communication process?

37. Charms Spa, a Spa chain having branches all over India is setting up its new branch at Hyderabad. As the spa concept is new to many Indian customers, it is planning to run a sales promotion campaign to attract customers and create awareness about its service offerings. What are the various sales promotion schemes that Charms Spa can adopt?

38. Syscom, a computer education provider operating successfully in Hyderabad is planning to expand nationally. However the company is uncertain as to whether it should adopt the direct distribution route or the franchising route. Which option will be appropriate for Syscom?

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39. SGS Bank is a fifty-year-old private sector bank with 5 lakh loyal customers. However, in the resent past it has witnessed an exodus of its customers to new generation private banks that offer technology driven services. To arrest the depletion of the customer base, SGS has decided to upgrade its technology and redesign its service offerings. The company wants to develop a service blueprint, which will guide it in redesigning its services. What steps should a bank take to develop a service blueprint?

40. SBI, that lost to new age private banks during the 1990s, has renewed its efforts to regain its lost pride in the past two years. It has introduced various measures, such as expanding its ATM network, opening personal banking divisions, venturing into credit cards and insurance services, providing value added services like online banking, and reducing the workforce through VRS. What do you think are the motives behind such moves?

41. OSN Pharmaceuticals, a Hyderabad based pharma company, is planning to enter the healthcare industry by setting up a Super Specialty hospital in Hyderabad. What decisions does OSN need to take while planning the service process?

42. Ace Advertising is an advertising agency that offers advertising and media services primarily, to FMCG companies. In the recent past, its clients and employees filed legal cases against it on charges like harassment of employees and cheating of clients. The company settled these cases out-of-court and convened a meeting to discuss the reasons behind such cases. The top management felt that the lack of a proper conflict management system was responsible for such legal action. What are the various conflicts that can occur in a service organization like Ace Advertising? How should one tackle such conflicts?

43. 'Coffee House' a coffee bean exporter sensing the high market potential of coffee bars, is planning to launch a coffee bar chain in India called "Timepass". It wants to position its coffee bar chain as an up market leisure hangout for customers. As it lacks knowledge and experience in the coffee retailing industry, the company is undecided about the design aspects of the coffee bars. What decisions relating to the elements of physical evidence are to be taken by ' Coffee House'?

44. Former partners of a leading consultation firm have formed "Stratosphere", a strategy consulting company. As it is new to the market it is undecided about the pricing strategy to be adopted for the different services rendered by it. What kind of pricing approach should the company adopt?

45. During the discussions regarding the pricing decisions to be taken in a logistics company, a top marketing executive said, "Don't price the services based on the monetary costs involved in providing the services, but also consider the non-monetary costs that a customer incurs and considers while evaluating whether the pricing of the service is right." Explain this statement in the context of a logistics company.

46. A marketing analyst commented, "Usually services are high on experience qualities and credence qualities while products are high on search qualities. This makes judging the quality of services difficult, for the customers." Explain this statement in detail.

47. Mediciti Hospitals, a multi-specialty hospital chain, has branches in all the four metro cities. As part of the exercise to improve the customer service at the hospital, it wants to analyze the adequate service expectations and the factors that affect the adequate service expectations of the customers. What are the possible factors that affect the adequate service expectations in the context of healthcare service?

48. A transportation company that offers goods parcel service to industrial customers has entered into an overnight courier service for individual and corporate customers. However, being new to this market it wants to know the criteria that customers use to evaluate the service quality. Identify the criteria that customers typically use to evaluate the service of a service provider.

49. Deccan Chronicle, a leading English newspaper in Andhra Pradesh is planning to enter the highly insulated Chennai market. What kind of segmentation should Deccan Chronicle adopt? Which segments should the newspaper target?

50. What are various forms of mass customization? What kind of mass customization strategy did Asian Paints adopt while promoting the 'Asian Paints Home Solutions' scheme that offers customized painting services to customers at the instance of a phone call?

51. Describe the four growth strategies given in Ansoff's product growth matrix. How do you view the Infosys foray into the IT consulting business market, dominated by the likes of Mckinsey, KPMG, and IBM, in the context of Ansoff's product growth matrix?

52. TravelMart, a travel agency that offers ticketing services to corporate customers is planning to launch new value added services to improve its revenues and take on the competition. What new services can TravelMart offer to take on the competition and improve its revenues?

53. Many service providers have adopted the Internet as a channel to distribute their services. For example Air Deccan and Indian Railways offer online booking services to their customers. Even banks, which use traditional distribution channels, are offering online banking services. What are the advantages and disadvantages of using electronic channels?

54. WestSide, a departmental store chain with 14 stores spread across the country, is planning to enter the hypermarket segment under the brand name 'Star India Bazaar'. The stores are mainly aimed at middle class customers who are cost conscious. The product range includes grocery, durables, apparels, utensils, and plastics. If you were marketing director for the company, how would you go about planning the service promotion for the hypermarket venture?

55. Insurance companies sell their services mainly through agents and brokers, instead of selling them through their own personnel. What are the major reasons for their adopting such a distribution strategy?

56. P.S Industries opened a hypermarket store "Discount Shoppe" with much fanfare. To differentiate it from the competition, it designed the store on the lines of up-market departmental stores with bright lighting and neatly arranged store racks. It even housed a premium range of goods and accessories to attract up-market customers. The prices were decided keeping in mind profit margins rather than the generating of sales volumes. The company promoted it as the best bargain shop and roped in celebrities to promote the store. It located the store in the central business district of the city. Though it attracted a record number of customers during the initial days, the footfalls dwindled over time and the company was forced to close down the hypermarket. What do you think were the reasons for the failure of "Discount Shoppe"?

57. FoodFest is a local restaurant chain with three branches in Hyderabad city. It plans to launch a new three star hotel in the city and adopt relationship marketing as a strategy to make the venture into the hospitality industry successful. Which of the groups in the marketing environment should FoodFest establish good relations with, to make its relationship marketing strategy successful?

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58. OSS couriers, an established player in the corporate overnight courier delivery service, witnessed continuous growth rate since its inception. It has many firsts to its name – having its own fleet, use of IT and providing varied services. However, in the past three years, OSS's customer base and sales volumes moved south. A survey conducted by the company's management revealed that customers were dissatisfied with the poor customer service and frequent service failures. What service recovery steps can OSS take to regain its customers?

59. SKB Logistics is the logistics service provider for leading manufacturing companies in India. However, with the entry of multinational companies and increased competition from domestic logistics companies, it is facing the threat of losing customers. What kind of customer retention strategy should the company adopt to retain its customers?

60. Etrans, a BPO company located at Mumbai, caters to the financial services needs of various foreign clients. ETrans started experiencing an attrition rate considerably above industry levels. This prompted the HR manager to make a proposal to the top management to invest Rs 25 crores in internal marketing initiatives. However, the top management questioned the rationale behind investing such a huge amount on employees and requested the HR manager to brief them about the likely benefits. Outline some of the benefits that a service provider like ETrans can gain through internal marketing initiatives?

61. Shop n Style, a popular South Indian departmental store chain, has roped in RetailProwess, a leading retail consulting firm, to fine tune its service delivery process. RetailProwess has developed a service quality program that specified processes and service quality standards to be adopted at each of its departmental stores. How can Shop n Style maintain service quality in all its stores spread across South India?

62. FedEx provides guaranteed overnight delivery of parcels. Domino's guarantees delivery of orders within half-n-hour, or else the order is given free. Airtel launched a money- back guarantee to its post- paid customers, where customers experiencing a call drop during conversation would not be charged for that call. What are the motives behind setting such service guarantees?

63. Many banks are now targeting high net-worth individuals (HNI's) for expanding their business. In view of the competitive banking environment, what should a bank do to establish long-term relationships with customers in the target segment?

64. MKS is a leading diagnostic service provider to leading hospitals in India. It collects test samples and gives diagnostic reports of patients to hospitals. MKS wants to enhance its service delivery process. What are the various factors that will influence the service delivery process?

65. Analysts are of the view that after telecom and banking, it is the insurance sector that is focusing on relationship marketing since insurance companies are putting in extensive efforts to retain existing customers and attract new customers. Comment on the efficacy of relationship marketing for insurance companies in India. What benefits can these companies accrue?

66. ICICI Ltd has launched e-portals as part of its relationship marketing strategy, targeted to fulfill the local needs of people in major cities. For instance, Cafemumbai.com is a portal that ICICI has set up to cater to the local needs of the people of Mumbai. The portal has a search facility and also provides information on weather, train and bus routes, travel schedules, and other essential services ranging from the legal to the environmental. What steps would ICICI have followed in order to come up with this relationship marketing strategy?

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67. Indian Railways is gradually losing its market share in the passenger and freight market to road transport. Increasing fares coupled with poor customer service have resulted in the share of road transport in the movement of freight increasing from a mere 12 percent in 1950-51 to over 60 percent in 2002. In this context, suggest some retention strategies that can help Indian Railways improve its market share.

68. It is highly essential for any company to develop a two-way communication with their customers. Organizations should not be under the mistaken impression that advertisements in different media, direct marketing letters, exhibition stalls, and brochures are a means of interacting with customers. The interaction process starts only after the customer responds to this communication. In what way can an understanding of this aspect enable cellular operators to improve communications and relationships with customers?

69. Companies involved in data processing (a category of IT-enabled services) in India can begin to build services higher up the value chain by undertaking internal marketing. This will help establish and improve direct customer relationship with clients in the US and Europe. Discuss the components of an internal marketing program that a data processing company must implement to improve customer relationships.

70. Attracting and retaining the best talent in the market and subsequently motivating them to contribute efficiently towards the realization of organizational goals are some of the most important activities of an organization. From this perspective, discuss how LIC (Life Insurance Corporation) can implement an internal marketing program.

71. Companies earlier focused heavily on the four Ps (product, price, place, and promotion) of marketing. But in recent times, the focus has shifted with managers realizing the need for a greater emphasis on marketing planning when it comes to customer service. How should service providers go about their marketing planning process to ensure that they consistently maintain focus on the customer?

72. In India, the average attrition rate in the BPO sector is approximately 30-35 percent. Maintaining low attrition levels in this industry has become a major challenge to employers as the demand exceeds the supply of qualified professionals. Many BPO majors are now concentrating on designing various internal marketing programs to motivate their employees. How will an emphasis on motivation, an essential component of internal marketing programs, reduce attrition rates and influence the quality of services delivered by the company?

73. "We've come to a crossroad where the only long-term key business differentiator from other mobile telecom operators is customer service," explained Rajesh Kumar, Vice-President and Chief Operating Officer, Hutch. What advantages does knowledge management (KM) offer, and in what way can Hutch use knowledge management initiatives to enhance customer service in its cellular operations?

74. Wipro gives significant importance to employee empowerment as part of its internal marketing program. It has developed an intranet channel called 'Channel W', which features on the desktop of every employee. The channel features various business related programs as well as personal entertainment programs with the objective of binding employees together. Besides, the channel helps generate and sustain interest among employees by enabling the company to share its success and views through this two-way communication channel. What do you understand by employee empowerment and how does it add to better customer service?

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75. Jagsons Airline, a local operator in North India, intends to improve customer service to increase occupancy in some sectors. Suggest some ways by which the airline can improve customer-service.

76. It is normally very difficult for service organizations to measure the quality of their services owing to their intangible and perishable nature. Organizations therefore try to assess and evaluate certain components of a service to determine its quality. What are the essential components that companies need to assess for measuring the service quality?

77. Market segmentation is one of the key strategic issues of planning in the service industry. Market segmentation helps a service provider select and target a customer segment based on the organization's capabilities. The Sarovar Group of Hotels plans to focus on a particular group of customers. How will an awareness of the market segmentation process enhance Sarovar's profitability?

78. United Breweries (UB) started its business as a manufacturer of alcoholic and non-alcoholic beverages like beers and soda, and managed to establish itself as the No.1 beer brand in India with its Kingfisher brand. The company now wants to enter the aviation industry with the launch of Kingfisher Airlines. Even though it has been successful in marketing its brewery products, Vijay Mallya, Chairman of UB Group, has cautioned the marketing team that success in the airline industry depends on understanding the various intangible aspects of the service mix. What aspects would play a major role in the success of an airline?

79. The Indian subcontinent has great potential for tourism. The government has recently decided to attract foreign tourists by highlighting the natural and cultural beauty of India. To promote tourism, it is leasing out some railway routes to private tour operators. The idea is to promote more projects like "Palace on Wheels". An interested private company has won a contract to operate a rail route for a period of 10 years. Evaluate the service product that the company would like to pursue in the project.

80. FastEX is a new entrant into the courier industry. The industry is already brimming with major players with cut-throat competition. The firm not only wants to establish itself in the existing market but also wants to cater to the untapped market. Discuss the decision strategies that would help FastEx achieve its goals.

81. A renowned restaurant chain in Delhi has, for the past several years, had only facilities for seated service. However of late, the group has decided to start new services. Discuss the service development process for the new services?

82. "CallCabs" is a new taxi service provider in the city. The city is already serviced by call taxi service providers like "Maxi cabs", "Citi Taxi", "City Cabs", etc. What entry and growth level strategies should this new entrant plan for its product life cycle?

83. Kotak Mahindra Bank is the latest entrant into the highly competitive banking sector in India. Being a financial services provider, it will be very difficult for the bank to differentiate its services from those of the competition in an industry where customer service is the only tangible means of differentiation. What are the various options open to Kotak Mahindra Bank to differentiate its services from those of the long list of already existing banks?

84. Recent newspaper reports have stated that the UB Group is delaying its plans to enter the airlines industry through the launch of the Kingfisher Airlines. This has been attributed to the delay by the company's top management to develop a services marketing strategy for this venture. Mr S. K Sinha, marketing head of this venture (who was recently appointed from a top rival airline company), is said to be concerned about developing an effective service marketing triangle for Kingfisher Airlines. What aspects should the UB Group consider in the services marketing triangle? Briefly describe the different components of the triangle.

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85. After FMCGs, food, and entertainment, pharma retailing has gained attention with an increasing number of corporates foraying into the segment. Though corporates are putting in major investments into this segment, it would be very difficult for them to become more attractive to customers than the neighborhood chemist, unless the overall value proposition for the retail outlets includes a number of value-added services. In what ways can a pharma retailer enhance the value proposition offered to customers and move up the services value chain?

86. The period after summer and before the festive season is usually off-season for durables and soft drinks marketers. Because of this, advertising spots are available on different channel networks at reasonable prices. How can an awareness of the yield management process help a media buyer like Mindshare of the WPP group, sell its services at a higher price and thus increase profitability?

87. With most ad agencies moving from the flat 15 percent commission to a fee-based revenue arrangement, advertising agencies such as Contract are seeking ways to improve pricing by offering value-added services such as consulting, which is a step further than the account planning services of a traditional ad agency. What type of pricing strategies can Contract use to reflect the additional value delivered to customers?

88. Genesis, a software development company, plans to leverage on its client base by diversifying into the BPO business. Mr Ram Kumar, Human Resource Manager, however, has a word of caution to offer. He says the differences in the educational backgrounds, salaries, and incentive schemes between the software employees and those of the BPO could lead to conflicts within and outside the organization. Describe the probable conflict situations that might arise if Genesis diversifies into the BPO business?

89. Comtec Educational Services Ltd., is a leading institution that has been providing personality development and communication skills training for the past two decades. With increased competition in the soft skills training market, Comtec plans to shift its service positioning by altering the structure of its service process. Discuss the different options that Comtec has to achieve this objective.

90. FedEx has institutionalized a number of rewards and recognitions like: Super Star, Bravo Zulu, Circle of Excellence, the Five Star award, and the Golden Falcon award for enhanced customer service, profitability, and teamwork. Describe the different rewards and recognition given to employees in service organizations. How do rewards help employees deliver enhanced service to their customers?

91. "Call Us Cabs" is a new service provider in the city. The market is already nearing saturation with the city hosting several other service providers in the same industry like "Maxi cabs", "Citi Taxi", "City Cabs", etc. What pricing strategy should the new service provider adopt for each of the stages of its life cycle?

92. Many service providers have begun to use celebrities to promote their products. For instance, ICICI Bank has Amitabh Bachchan promoting its banking services and Visa has Sachin Tendulkar endorsing its credit card business. The rationale behind these moves is that celebrities help influence the purchase decision of consumers in favor of these companies and thus help improve the revenues of the companies. Describe the various external factors that can help service providers influence consumer decision-making.

93. Certain companies in the service sector need to provide supplementary services, in the absence of which, customers will find it difficult to make use of the core service. Cisco Travels, a tourist operator, intends to increase its customer base by introducing additional services. Discuss some supplementary services that Cisco Travels could introduce to enhance the value of its core services?

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94. American Pizzas, a leading fast food chain in the US, entered the Indian market through the franchising route in 1999. It replicated its American style of functioning and within one year of inception, the outlets increased from 4 to 20 and the company recorded sales revenue of Rs 50 crore. However, with increasing competition from other US fast food chains and local players, sales have dipped drastically. The company's in-house study revealed that the low motivational levels of the franchisees and poor service quality were the main factors for the poor performance. Suggest an intermediary management strategy that will help American Pizzas resurrect sales in India.

95. AskMe, a new BPO arm of Infosol Pvt. Ltd., a software services company that offers technical support, medical transcription services, and loan processing services to international clients, intends to develop a comprehensive HR policy to guide its human resource operations. This is being planned keeping in mind the fact that human resources are the key to a company's success and that attrition rates in the BPO industry are very high. What are the various problems that service personnel face that must be kept in mind while developing a HR policy for AskMe?

96. Infoway is a medium-sized IT-services company operating in the banking and financial software services market. With the entry of MNCs and big Indian players into this segment, the attrition rates of small and medium-sized companies like Infoway have increased due to poaching by new entrants. What are the ways in which Infoway can reduce its attrition rates and retain the best talent?

97. Ed Rensi of McDonald's said, "We're in the value business -- the business of creating value for customers, to attract them, and keep them close". By going beyond customer service and efficiently handling customer dissatisfaction, customer complaints, and other customer problems efficiently, a service provider can very quickly engage the imagination of customers and build a strategic competitive advantage. What are the common exigencies that service providers face while delivering service to customers?

98. Keystone Engineering Company, a US-based aerospace manufacturing and design company, supplies launch vehicles and spacecraft components to the world's aerospace market. The manufacturing software that Keystone currently uses carries out scheduled production without considering the capacity limitation of the machines and this leads to irregular customer delivery schedules and high production costs. Keystone plans to install software that can develop an accurate scheduling system to help their managers deliver products to customers on predetermined delivery dates and reduce cost overruns. Identify the type of service process involved here. What aspects should Keystone keep in mind while purchasing the software for planning its manufacturing process?

99. Hyundai Limited plans to implement a vehicle-tracking system, wherein computers directly control the process workstations and the car production schedule is fed directly into the process automation system. This will enable the machine to produce a particular car model based on the production schedule, which is in tune with the customer requirements. What are the different approaches that companies can adopt to serve their customer segments better by customizing products? What factors should Hyundai consider before adopting this concept?

100. With tariff wars reaching a plateau, cellular operators are looking at several other mobile applications to differentiate themselves from competitors. What criteria should a cellular operator like Hutch meet to differentiate itself? In what ways can it go up the value chain through service offerings targeted at the business sector?

Part C: Applied Theory Answers

Each question can be answered in a variety of ways. Students should be able to come up with reasoned answers that reflect their knowledge of theoretical concepts and the current business environment.

Part C: Applied Theory (Answers)

Answer 1

Tour and Travel operators in India are looking for different ways to attract customers and improve viability of operations. Raj Travels can make use of segmentation and positioning to attract customers and provide specialized service. Positioning a product or service is considered an important aspect of developing a successful marketing strategy. The positioning strategy makes it possible for an organization's products or services to occupy a unique place in the minds of target customers. It helps to improve an organization's market share and revenues, as customers prefer its products or services to those of its competitors. However, positioning of services is perceived as being difficult when compared to positioning of products.

Initially, Raj Travels can segment the market in terms of geography, primarily in terms of regional language. It can then undertake both qualitative and quantitative research by region to find out the needs, beliefs, and perceptions of the people. Based on the findings, it can identify the needs, beliefs, and perceptions of customers in different regions.

There are some attributes that people consider when selecting a tour operator.

- The unique features offered by the service provider.

- The specific uses fulfilled by the services offered by the particular company.

- The price of the service in comparison to the perceived delivered value.

- The tour operator's ability to serve the needs of a particular set of users. This determines its marketability.

- The service attributes – and whether they provide rational and emotional benefits to them.

Based on these aspects and the results of the segmentation study, Raj Travels can decide upon a particular positioning attribute. For example, SOTC Tours and Travels conducted a similar study through Indian Market Research Bureau (IMRB). The study revealed that there was a need for a specialized tour operator in the Marathi segment. So SOTC created a brand, called Bhraman Mandal and advertised in NavBharat Times, Lok Satta, and Maharashtra Times positioning it as a tour operator that catered exclusively to Maharashtrian tastes. This strategy proved to be a success since it catered to people with similar tastes and also to those interested in visiting only certain places. Raj Travels could also adopt a similar positioning strategy.

The success of most companies in the travel industry is decided by the position they occupy in their customers' minds. The image of an organization, the features associated with it, and how different the features are from those of competitors, work effectively only when the customers also perceive them the way the company wants them to. Therefore, it is an important aspect and marketers should take due care while formulating and communicating a positioning strategy. Raj Travels must also ensure that the new brand it plans to start for the specific customer segment must be attached with the parent brand name. For example, if it is a brand like Bhraman Mandal, the positioning can also say that it is from SOTC.

Answer 2

An organization should make efforts to understand the demand patterns and its capacity constraints to effectively formulate strategies that can match demand and capacity. There are two options for an organization if it desires to match demand and capacity. It can either opt to shift demand to meet capacity or to increase or decrease capacity to match demand fluctuations. In this case, since demand cannot be shifted and consumers would want their parcels delivered by Christmas Day, Rebholz cannot opt for demand shift strategies like

- Varying the original service offer to suit the seasonal demand

- Communicating with customers and informing them about the problems associated with conducting business during peak hours.

- Altering the timings of service delivery and

- Price differentiation where FedEx may choose to vary their prices with the intention of shifting dispatch demand from Christmas to other low-demand periods.

Rebholz has to consider the second option and adjust capacity to meet the high demand. Some of the strategies that he can adopt to alter and align the organization's capacity to meet Christmas demand are:

Employ part-time or contract workers: Rebholz can focus on recruiting part-time or contract workers in addition to full-time employees in order to meet the changes in demand.

Outsourcing: This is a very popular method employed by today's organizations to handle demand variations. If Rebholz feels that hiring additional workers to meet the increase in demand is too expensive, he can employ the services of other firms specialized in performing logistics functions. This is advantageous as FedEx can save on the money and time it would have to spend on training the new employees. Also, the company need not worry about having excess manpower during slack periods.

Share facilities or rent equipment: Another approach that he can adopt is to share facilities to meet the variations in demand. For example, FedEx can have an arrangement with United States Postal Service to sort and transport parcels in certain regions.

Schedule downtime during periods of low demand: Rebholz should schedule maintenance and repair activities during periods of low demand so that the equipment, aircraft, trucks, etc., can be stretched even beyond capacity during high demand periods.

Cross-training employees: This involves training employees to perform other tasks apart from their routine tasks, so that there is no underutilization of labor. These multi-skilled employees can be shifted to tasks that are in high demand during the peak period.

Modify facilities or move equipment: Facilities can be modified innovatively during peak demand periods. For example, additional arrangements can be put in place to unload packages, to transport, and sort them to various destinations. Also spare aircraft and crews can be located strategically around the world in case an aircraft breaks down or demand exceeds expectations.

Answer 3

A brand is a combination of tangible and intangible benefits or values that are important to the customers. It is more difficult to brand services compared to goods because of their intangible and heterogeneous nature. It is also more difficult for a financial services provider to maintain consistency in the quality of the service delivery. Branding financial services can help ING gain an advantage over well-entrenched competitors, like LIC, in the Indian market. Branding will also reduce the perceived risk involved in purchasing the products/services offered by ING and instill confidence among customers.

The different branding options that ING can adopt for its financial services are:

A multi-product branding strategy: In this type of branding, ING can use the same name for all its financial products/services -- it can be blanket branding or family branding. For example, Citi group's financial services have Citi in the names of all the service offerings.

A multi-branding strategy: ING can give different brand names to different products. For example, LIC offers various life insurance policies using different brand names like Jeevan Sanchay, New Janaraksha, Varishtha Pension, Bima Yojana, etc.

Combination brand name: ING can also use a combination brand name by mixing the family brand name as well as the individual brand name of its financial products. For example, State Bank of India used the combination brand name strategy and named its credit cards SBI Gold Card, SBI Kissan Card, etc.

Answer 4

The pricing strategies of a firm depend largely on its objectives and the way it wants to position itself in the market. Therefore, marketers should have a clear understanding of the company objectives and market conditions to design an effective pricing strategy. Since the healthcare communication services market has become highly competitive with the entry of large players, it will be very difficult for Avishkar to manage its business. This is because larger players like Euro-RSCG, MAA-Bozell, FCB-Ulka and O&M are better equipped to meet the changes in consumer needs and expectations or in beating the competition. So Avishkar must set 'Survival' as its basic pricing objective with the hope of reviving profits later. A survival pricing objective involves lowering and fixing prices of its services in a way that it covers variable costs and a part of Avishkar's fixed costs. Avishkar must thus sacrifice its profitability by reducing prices so as to sustain itself in the market. For survival pricing, the cost-based pricing strategy would be the best option since it complements the pricing objective. Also, Avishkar cannot opt for other pricing strategies like demand-based pricing or competition-based pricing, because of limitations of size, financial muscle, and customer base.

Under the cost-based pricing strategy, Avishkar can make use of any of the following methods.

Cost plus pricing: This is the easiest way of pricing a service. It allows Avishkar to cover all the direct costs and gain a small profit. But the disadvantage with this method is that indirect costs are not covered and the needs of the customer are also not taken seriously.

Contribution pricing: With the help of this method, Avishkar can cover all the direct costs and can further contribute a certain amount toward covering the indirect costs and making a profit.

Working back or Expected return method: In this method, Avishkar must first estimate the cost of providing a particular service and the likely profit expected. Then it must calculate backward and set the price of the service. If the price obtained after calculation is higher than that of competitors, Avishkar can add value to the service to make the customers feel that it is worth paying the extra amount (provided price has a substantial effect on the demand for the particular service). For example, it can provide additional services like packaging design or research data in doctor profiling and prescription habits to clients in addition to developing the promotional campaign for them.

Answer 5

A promotional objective can be defined as a specific audience response a marketer anticipates from a particular promotional element. The consumer response can vary and lie anywhere on the awareness–purchase continuum of the adoption process. In general, marketers prefer to set sales-oriented promotional objectives since increasing sales or profitability is generally considered as the primary objective of a promotional effort. In addition, they can be used to attract new intermediaries or to encourage existing ones to improve business or to effectively handle competition in the market. Since the 'Millennium Parcel Express' is intended to carry high-value express cargo, it must be targeted at corporates that require quick transportation of goods. So, the promotional campaign must be targeted at current corporate consumers to increase their awareness of the new service offering and encourage them to try it out. The promotional objective could also be to primarily attract new corporate customers who are using other firms like DHL and Blue Dart, and introduce the service to them.

In the given context, since the primary objective is to create awareness among corporates about the new service, the promotional mix elements must be selected in such a way that they create awareness among existing clients and encourage them to continue their relationships with the company. The ads designed should also aim at informing target customers about the company and its services. Besides, the advertising campaign must see to it that the ads serve as prompts, encouraging the readers to search for more information. Creating awareness toward GATI, its products, and capabilities must be the first step that the company must take while developing its promotional campaign. GATI can use different media vehicles to increase awareness and fulfill the set objectives. It can include television ads in channels like CNBC, mailings, Internet banners, and ads in specialized business and daily publications. The company can also use public relations and internal communications to support the promotional campaign.

Answer 6

IT training service providers in India have primarily adopted the franchising model to distribute their services to customers. With the economic slow-down and massive lay-offs in the IT sector, the franchising model has failed to shore-up the bottom-lines of even well-established players like NIIT and Aptech. This is evident from the decrease in growth rates and the number of franchisees. In this scenario, New Horizons must look at other channels to deliver IT training and education. The company must consider the following factors before making channel decisions:

- The channels chosen should ensure easy accessibility and convenience for the customers to interact with the company as well as between themselves.

- They should add value to the customer.

- They should not eat away into margins of New Horizons, i.e., they should suit the company's budget.

- They should cover the target market properly.

- They should also be reliable. The course content and training programs must not be diluted or lose its efficacy.

Based on these criteria and the fact that New Horizons wants to keep down costs, it can consider the electronic channel as a means of imparting IT education in India. E-learning is a good means of delivering quality content and training directly to learners through the Internet. In the dynamic IT industry, organizations have to continuously train their employees, partners, and customers. The major challenge for these organizations is the cost involved and the planning required for organizing the training and delivering the content. Since most of the professional workforce already uses computers on the job, New Horizons can tie up with such corporates and provide the necessary training through the corporate intranet.

E-channels are not only cost effective but also have some other advantages.

- They facilitate two-way communication due to which the employees can receive specific and timely training based on requirements.

- The employed student does not have to be away from work for days together to attend the course.

- The service provider can track and monitor the delivery and the learning achieved by individual employees.

Because of these reasons, some IT companies like TCS and Sun Microsystems have implemented an e-learning system. TCS uses different channels for delivering training like classroom training, online training, one-to-one training within the organization, and sending employees to external programs conducted by trainers and educational institutes. New Horizons can also take advantage of the electronic channel and achieve its objectives.

Answer 7

Employees at all levels have to an important role to play for a service organization to stand out in the highly competitive market. The same is true with the IT industry. Most of the IT companies in India provide services to firms in Europe and the US. These customers expect their vendors to provide broad-based, long-term IT solutions along with specific focused solutions for their day-to-day IT requirements. In such conditions, continuous training results in employees keeping abreast with the latest technology changes. Otherwise, the company will have employees with redundant skills who are in no position to add value to the company's customers. Because of these reasons, large companies allocate budgets of around three to 10 per cent of their turnover to train their employees. In addition, it is more cost effective and easier to train an employee on the latest technology rather than recruit new hands from the market.

Ramco Systems can benefit greatly by developing a continuous training program. The company can adopt a training program that suits its requirements, similar to the training programs of other IT companies. For instance, Satyam Computers has in place a mandatory individual learning package of up to 80 hours per year for each employee. At TCS, at least 20 days of training per year for every employee is mandatory. In addition, TCS conducts the 'mother' training program, a 72-day

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workout session only for fresh recruits and provides both technical and life skills training. At Cognizant, every employee is required to undergo 10 days of training. The training at Cognizant also includes pursuing higher education such as MS in Software Engineering and MS in e-Business and MBA. The company also regularly sends its middle and senior management professionals to IIM Bangalore for a customized two-week residential management development program (MDP). Polaris Software has an organizational learning framework called `Prospect'. Also, managers working on projects that have potential for new technology insertion are required to attend programs titled `New/Emerging Technology' and `Methodology for New Technology Insertion'.

Training is one of the most important motivating factors for IT employees since an IT employee is as good as the skill-set he or she possesses. Also employees are more likely to stay in an organization that provides learning opportunities and helps them keep abreast of the latest technological developments for organizational as well as their own benefit. Thus, a training program will not only allow Ramco systems to provide value-added services but also help it to motivate and retain employees.

Answer 8

Nedungadi Bank is a private sector bank headquartered at Kozhikode in Kerala. Most of the banks in the private sector are scheduled banks that were not nationalized in 1969. These banks started out as community banks and their operations were restricted to specific regions. They survived because they were patronized by particular communities in their area of operations. The loyalty of their customers enabled them to charge a higher rate on their advances. But with the failure of their strategy to invest in high-risk industrial segments in order to get faster returns, these banks are struggling to survive.

PwC must first conduct a SWOT analysis to identify the strengths and weaknesses of Nedungadi Bank and also identify the opportunities and threats in the banking industry. PwC must then formulate the strategy in alignment with corporate objectives. Nedungadi Bank plans to bring about strategic changes in its style, form, and content but intends to retain its basic mission of value-based banking.

Establishing Marketing Objectives: Formulating the marketing strategy is the most important phase of the entire marketing planning process as the actual planning takes place here. The marketing strategy process includes establishing marketing objectives and formulating strategies, estimating the expected results and identifying alternative strategies. Marketing objectives are statements that specify the goals to be achieved with respect to the market segments served by the organization. Since the corporate objective of Nedungadi Bank is to be a value-based service provider, one of the marketing objectives should be to reduce marketing costs and incorporate technology. Marketing objectives must be set in terms of sales volume, profits, market share, marketing costs, etc.

However, for the objectives to be effective, they have to be set in a systematic manner. As a first step, the overall marketing objectives should be determined. They should be long-term oriented and should provide inspiration and motivation to the employees of the organization. In addition, when developing marketing objectives, PwC should ensure that the objectives are specific, measurable, achievable, relevant, and time-bound.

Some of the objectives could be:

- To reduce the cost of funds so that they are at least on par with, if not lower than those of public sector banks.

- To reduce wage costs to bring in more financial flexibility

- To reduce the level of net Non-Performing Assets to around 5 percent.

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- To increase technology penetration and ratio of fee-based income to operating income.

- To increase rate of deposits.

- To re-position itself as a technology-savvy bank for meeting customers' needs

- To ensure better manpower planning and deployment,

- To identify and segregate branches so that some of them could be tailor-made to suit the requirements of corporate banking.

- To focus on building corporate assets and aspects such as credit delivery and branch-level viability.

Developing means to achieve marketing objectives: After setting marketing objectives, PwC needs to specify the ways and means of achieving them. These will constitute the marketing strategies. While marketing objectives primarily determine the different products and services to be offered to customers, targets to be achieved, etc., marketing strategy deals with pricing, promotion, branch development, etc., to achieve these objectives. Marketing strategies should include plans to retain the existing customers and increase the business from them. They should also include appropriate strategies to attract potential customers from the market. PwC can use techniques like the Ansoff matrix, gap analysis and portfolio analysis to check whether a particular marketing strategy is appropriate for achieving a particular marketing objective.

Answer 9

An individual, planning to enter the services industry, has to be able to distinguish between different services in order to formulate appropriate strategies to market the service.

Based on the degree of customer involvement in the service delivery process, services can be categorized into people processing, possession processing, mental stimulus processing, and information processing. Both postal and courier services come under possession processing services. In this type of service, customers need not be present to experience the service. They can hand over their property to the service provider who will subsequently deliver the service. In possession processing, the service is directed at the possession and not at the customer.

A courier service company can offer services based on the customer segment to which it plans to cater. Usually, courier companies offer two types of services -- consumer services and institutional services.

Consumer services are directed at individual customers where the individual hands in the package at the delivery point. Here, the courier company renders service only to an individual. In institutional services, the services are generally based on a contract between organizations and the courier company. The courier company offers bulk rates and the pick-up is usually from the premises of the client.

Answer 10

A customer's service experience is controlled by sensory impressions coupled with his/her intentions and mood at the time of the service encounter. Studies show that a large number of customers are ignorant about their evaluation standards of a service and that their service experience is ruled by certain elements of thought that they themselves are unaware of. Therefore, if SQL is aware of the criteria that affect customers' service experience, it will succeed in generating customer satisfaction for foreign clients with its service.

Customers evaluate their service experience based on the following criteria.

Speed: Call center service is often evaluated on the basis of speed. Speed of service includes not only the time spent by a customer in calling but also in selecting, ordering, and receiving information on the desired service.

Certainty: Customers unconsciously estimate the reliability of service and quality of information provided by a call center. However, to evaluate the service, it is important for a customer to have some knowledge and understanding about the service rather than having to rely on the information provided by the service provider.

Ease: Customers also assess the service experience based on the ease with which they can experience the service. Thus, they evaluate the service based on how easily the service transaction is carried out.

Personal recognition: Every human being likes to be recognized as a unique individual. Customers like it if the call center delivers the service keeping in mind their unique needs and wants. Such gestures on the part of the service provider generate customer delight and make them evaluate the service positively.

So a knowledge of the factors that influence customer expectations and the criteria on which customers base their evaluation of a service experience, can help SQL to take appropriate measures to manage the customer expectations of Indian and foreign clients.

Answer 11

The growth of the services sector in India can be attributed to a number of factors. Some of the key factors driving the services boom in India are given below.

Demographic changes: Two key demographic changes that have spurred the growth of services are - increased life expectancy and the growing youth segment. A higher life expectancy has created a demand for health services for senior citizens. It has also increased the demand for leisure and financial services. The increasing percentage of youth in the Indian population has also increased the demand for certain services like entertainment and counseling services. This increased spending has led to more and more marketers moving into the provision of services catering specifically to the young.

Social changes: Changes in society are also responsible for the growth in services. As more consumers adopt a western lifestyle where increased numbers of women work outside the home, and nuclear families replace the joint family set-up there is more demand for certain types of services. With increased globalization and the media blitz bringing new products and styles to middle-class Indian drawing rooms, more and more Indians are adopting aspects of a westernised lifestyle. This has led to increase in demand for services provided by the retailing and entertainment industries, in particular. The nuclear family set-up and the increased numbers of working women mean that more people face time constraints. Lack of time and commuting difficulties have made consumers look for convenience and choice, which has resulted in greater demand for supermarkets like FoodWorld and one-stop shops like Big-Bazaar and Lifestyle. Greater awareness of health-related problems is aiding the growth of the healthcare industry.

Economic changes: The income levels of the upper and upper middle class sections in India have been on the rise particularly since 1991, when economic liberalization was initiated. There were 25 million households in the upper middle and higher income category in 2002. This number is expected to double to 45 million in 2007. This rise in numbers has meant a big increase in spending. In 2003, total household spending was estimated at $ 250 billion. This is expected to reach $ 510 billion by 2008. Such spending is not only on goods but also creates demand for services such as leisure, travel, entertainment and food retailing.

Easy availability of finance is also helping the growth in the services sector. The easy availability of credit to consumers encourages them to spend and invest more. In this upper income category of consumers, much of increased spending goes towards services. In certain segments, the entry of MNCs and increased competition have led to a fall in prices, and this has increased the consumption of such services. This is evident in fast food industry where Pizza Hut, Dominos and McDonald's have cut prices in order to make their products and services affordable to larger sections of Indian consumers. With cut-throat competition in the cellphone market, mobile telephony companies have cut prices to stay competitive. These developments have made the Indian cellphone market one of the fastest growing in the world. The size and potential of this market has attracted industrial giant Reliance to try its luck in these services.

Technological changes: Advances in information technology have helped not just the growth of existing services, but have also created new opportunities for companies. Products of new technologies like ATMs, credit cards and debit cards have helped financial institutions expand their areas of operation and effectively retain customers. The internet has created numerous business opportunities like e-commerce, internet banking, and online information services. On the other hand the development of analytical and data processing tools has helped market research companies and consulting companies to provide better services to their customers.

Policy changes: The policy changes made by the Indian government have also led to the expansion of services. For instance, the opening of the insurance sector to foreign companies and the deregulation of the telecom sector. The insurance sector has attracted many foreign insurance companies such as New York Life, AIG, Standard Life, etc. leading to new insurance services in India. Foreign media particularly television channels have expanded their reach and now cater to several different customer segments. The airline industry has also been opened for investment from the private sector, and there are several private players in operation, which has expanded the market for air travel. The policies of the Indian government in promoting IT and IT-enabled services have helped India to become a global IT services outsourcing hub.

Answer 12

Services' marketing is different from product marketing because of the four unique characteristics of services. They are: intangibility, heterogeneity, inseparability, and perishability.

Intangibility: Lack of tangible elements in a service makes it difficult to assess a service before consuming it. Products can be touched, heard, smelt or tasted before purchasing. This helps the consumer in evaluating the product and deciding whether it satisfies his requirements. However, service can only be assessed after the consumer has bought it and is availing of it. So a consumer who wants to travel by air, can only judge the service (customer service, in-flight meals, processing of ticket etc) of a particular airline after he has paid for it, while he is travelling and using the airline's services.

Heterogeneity: Another characteristic of services is their heterogeneity or variability. In a product manufacturing company, products can be produced consistently at the level of same quality and with definite specifications. This is not a case with services where customer service personnel may not maintain same level of customer service for all the customers on all occasions. For example, a ticketing agent at an airlines office may provide good customer service during early hours of the day, but may not provide similar good service as the day draws to a close because of fatigue. Similarly in-flight service on one flight may be different from in-flight service on other flight of the same airline. Variation in service quality may impact the service company if it is too great. Unpredictability of the service quality may make the customer dissatisfied and irritated and he may switch to another service company.

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Inseparability: Both customers and the service provider are participants in the delivery of the service. The production and consumption of service occur simultaneously, unlike products which are manufactured and inventoried before consumers purchase them. This characteristic of inseparability impacts services in two ways. As the service is consumed as soon as it is produced, services cannot be inventoried. As customers interact with the company's personnel during service production, the service quality and customer satisfaction depends both on how customers perceive the service and how the personnel offer the service.

Perishability: Services cannot be inventoried, resold or returned unlike products which can be stored and sold, and if necessary be returned, at a later period. This makes demand and supply forecasting an important task for service providers. If customers are dissatisfied by the performance or quality of a product, there is an option of returning it to the company and get either the value of the product (money back) or a new product. However poor service cannot be returned to the seller by the customer. The inability to inventory services means that it is important for the services provider undertake accurate demand and supply management, and also develop strong service recovery strategies if it goes wrong or the customer is dissatisfied. In the airline industry, we can see clearly how heterogeneity, inseparability and perishability are the characteristics that affect customer relations the most.

Answer 13

The four key characteristics of services i.e. intangibility, perishability, inseparability and heterogeneity, compel marketers to look beyond the traditional 4 P's to address the peculiar challenges faced in the services industry. Thus additional three elements namely people, physical evidence and process should be used to devise effective marketing strategies for services.

People: People form the key element in services marketing strategy. The "people" are not just the customer service personnel, but the customers themselves also, as they too are part of the service delivery process.

The first interaction of the customers is with the frontline employees. Thus the behavior and interaction of frontline employees with the customers, creates a particular image of the service in the minds of the customers. If the frontline employees behave impolitely, this creates a bad reputation for the service provider. The customers may not stop at just shifting their custom to another service provider, but may spread the word about the poor service to other potential customers. On the other hand if the interaction between the employees and the customers is positive, it creates a good image in the minds of the consumers. This may form the basis for a positive long-term customer relationship.

Thus it is important for a company to ensure that the right personnel are selected for interaction with service customers. The personnel need to be well-trained so that they can manage customer interaction effectively and efficiently. They need to be motivated and properly rewarded so that they provide high quality service to customers consistently.

As customers are also a part of service delivery process in most cases, they too influence the service quality and the level of satisfaction they derive. For example, a student in an educational institution can influence the quality of education he receives, by following or not following the lessons being taught by the professors in the institution. Similarly quality of healthcare at a hospital also depends on how strictly patients follow the course of medication suggested by the doctor.

Physical evidence: Physical evidence in service industries include various tangible elements associated with the service, such as the service premises, service personnel, packaging, and tools and equipment used. These tangible elements are important since the intangibility of services makes it difficult for customers to judge the service

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quality by itself. Hence customers try to make a guess about the quality of service by looking at the physical evidence associated with the service. For example, a patient visiting Apollo Hospitals may not able to judge the quality of the treatment before he avails of it.. However, he will perceive the service quality by looking at tangible elements like the ambience in the hospital, the qualifications and experience of the doctors, the equipment and facilities available in the hospital, the behavior of front-line employees like administration staff etc. Service companies should keep these elements in mind, since they facilitate customers' evaluation of the service quality.

Process: The process refers to the actual procedures or flow of activities that are followed to deliver the service to the customer. Many service providers used the process as a key differentiator. For example, Dominos Pizza differentiated its services by guaranteeing delivery of the order within a stipulated time. This was possible due to standardization of the procedures followed in its service delivery process. Processes followed by service providers when they serve the customer are another form of tangible evidence that customers use to judge the service quality. The process followed by the service provider needs to be in tune with the type of services they are offering. For example, Big Bazaar is a discount store chain that caters to the mass market; hence Big Bazaar's service delivery is based on self-help to reflect its low cost image. However, Shopper's Stop is a high-end departmental store that caters to the needs of higher income customer hence it has customer service representatives for each section, that reflects its upmarket image. A designer boutique may offer customised processes where the proprietor gives the buyer tips on what would best suit him/her. Thus service providers must decide upon the processes they use, based on these considerations.

Answer 14

The consumer's buying process consists of five key steps - need perception, information search, evaluation of alternatives, purchase decision and post-purchase evaluation. When the customer feels the need for a particular product or service, he starts searching for information related to that particular product/service. There are various sources of information that a consumer can consider while searching for information. These can be classified under two categories - internal and external sources.

Internal sources of information are the consumer's own personal experiences of using the product/service and the information which he remembers comes across in the media.

Customers turn to external sources of information if their internal sources of information cannot provide enough information.

External sources can be further classified into - personal and non-personal sources of information. *Personal sources* of information are information sources such as persons close to the customer such as family, friends, colleagues and neighbors. *Non-personal sources* of information include commercial and public sources of information. Commercial sources of information would be the company's promotional campaigns, sales people, retailers, POP displays, information kiosks at outlets, etc. *Public sources* include publicly available information such as information that appears in the print media, television channels, radios, consumer organizations and websites.

Experimental sources of information refer to information obtained by consumers by themselves through experiencing or checking the product at the showroom or making use of a product trial option.

Thus when service providers give a toll-free number in their ad, they aim to facilitate consumer access to information about their services. Through the toll-free facility, the company can influence consumer behavior at an early stage in the buying process, thereby improving the chances that the consumer will show a preference for their own product from among the available options.

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Answer 15

Consumers face perceived risk in most purchase decisions. Perceived risk refers to the extent to which the customer is uncertain about the outcomes of the purchase decision that he is about to make. This is more pronounced in services compared to products due to the intangibility of services. There are six types of perceived risks. They are:

Financial risk: Financial risk relates to the risk of loss of money spent on a service. For example, if a consumer is using the services of a corporate hospital, he may be risking paying a higher price than in a smaller institution for a minor ailment. Similarly, if a consumer has purchased a flight ticket, there may be a risk of the flight getting cancelled, leading to a financial loss for the customer.

Functional risk: Functional risk relates to the performance of the product or service i.e. when the consumer purchases a product/service and it doesn't perform as expected.. For example, consider the example of a consumer who is sending an urgent parcel through a courier service that promises overnight delivery. Here, the consumer may face the functional risk of the parcel reaching late.

Physical risk: Physical risk refers to the risk associated with the physical safety of the consumer while using product/service. For example, an airline or railway traveller faces the risk of accident or injury while using the service, through no fault of his own.

Psychological risk: Psychological risk refers to the risk of harm caused to the consumer's self-image or reputation due to the selection of a particular product/service.

Social risk: Social risk refers to uncertainty in the consumer's mind that the product that is being purchased will not be approved by others whose approval is important to the consumer. For example, the consumer may feel uncertain as to whether his family members will approve of his decision to purchase a particular car.

Time risk: Time risk includes the possible loss of convenience or time, related to the service delivery. For example, if a consumer, who has to attend an interview by evening, has taken a morning flight to the city, he may face the time risk of a delayed or cancelled flight.

Most of these risks arises during the purchase of tourism services. Most Indians occasionally go for on an overseas tour. If the tour is not arranged properly, consumers may lose precious time. Since the expenditure involved in overseas travel is high, consumers also bear the financial risk that it may not be worth the money spent, and the functional risk of poor tour organization. Some physical risks are also inevitable on journeys and in unfamiliar places.

Answer 16

Consumers generally make three types of purchases – trial purchases, repeat purchases and long-term commitment purchases.

Trial purchases are purchases wherein the products/services are given in small quantities for a limited period either at a discounted price or for free. Consumers make trial purchases to evaluate the product/service. This is less risky than making a full purchase, as trial purchases costs less and come in smaller quantities. Companies also benefit from trial purchases in many ways. In most cases companies offer trial packs for free, and this attracts consumers. Thus this option turns out to be a good promotional tool compared to other traditional promotional tools like advertising. Moreover it costs less than many other promotional tools. Trial purchases are more useful in services marketing due to the intangible nature of services. Trial purchases enable consumers to judge the service more effectively. At the same time, it helps service providers in convincing consumers about the quality of their service.

Another type of purchase that consumers make is repeat purchase. Repeat purchases are made by consumers if they are satisfied with the quality of the product/service, and the product/service meets their requirements. Repeat purchases enable companies build brand loyalty towards their products. For example if an internet service provider offers a trial pack of 25 hours for free to consumers, and at the end of the trial period consumers are satisfied with the service and decide to purchase a regular 100-hour pack, this constitutes repeat purchase.

Long-term commitment purchases are long-term agreements made by consumers to use the services of a company over a period of time. This is more important in markets for industrial products. For example, an IT services company may purchase a five year contract from an internet service provider to provide broadband internet service to the company.

In the given case, Fit & Fine's offer is aimed at marketing its services as well as bringing about awareness of its services. Its trial offer gives consumers the opportunity to check for themselves the effectiveness of the company's services. Since the trial offer free, many customers will be interested in trying out what is on offer. Thus Fit & Fine can increase awareness about its services, and also gives the company to demonstrate and market its services directly at the time of the trial.

Answer 17

Moods refer to temporary states of feeling in an individual. Emotions are intense feelings, which involve psychological responses like anger, fear, etc. As the customer is a part of the service delivery process, and the service encounter is an experience, moods and emotions have a definite influence on consumer buying behavior. For example, if a customer enters a coffee shop after being reprimanded by his higher-ups in the office, he is already in a bad mood and is likely to perceive the service encounter also in a negative manner. The behavior of one consumer will also impact the mood of other customers who are receiving the service at the same time. For example, if a consumer is in negative mood either because of the service provider or because of his own problems, his behavior will affect the mood of other customers. The moods and emotions of consumers affect consumer behavior in three ways. A consumer who is in a positive mood will look at the service encounter positively, and participate happily in the service encounter. For example, if a student who is determined and interested to study well in a management course at an educational institution, he will attend classes regularly and complete set assignments and participate in events or workshops conducted by the institution. In contrast, a student in negative emotional state may not show much interest in the course, and his participation in the institution's activities will be less compared to the student who is in a positive emotional state.

Moods and emotions also impact how the consumer perceives the service encounter and judge the quality of service. Moods and emotions affect the customer experience either positively or negatively. For example if a consumer is in a positive frame of mind will look at service experience in a fast food restaurant in a positive manner and overlook the shortcomings in service delivery like delays, fewer menu options, etc. However a consumer who is in negative mood will look at the service experience in a negative manner. He gets irritated at service delivery shortcomings such as delays in the delivery of the order.

Moods and emotions also impact the way the consumer extracts and retains information about the services. As a service encounter is an experience, the feelings associated with the service encounter will be retained by the consumer. The consumer carries with him a particular perception about that service or service provider. If service providers are aware of this, they try and understand the moods and emotions

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of their customers and front-line employees, and try to affect their moods positively. The coffee bar chain can create a pleasant atmosphere inside the coffee bar through comfortable seating arrangement, by playing soothing music, and instructing the service employees to be courteous with all customers. Various contests can also be conducted. Magazines, newspapers and other reading material can be provided to make them relax and overcome negative emotions like frustration and anger.

Answer 18

Customer service expectations are of two types, desired service expectations and adequate service expectations.

Desired service: Desired service can be defined as "the levels of service representing a blend of what customers believe 'can be' and 'should be' provided." So it is a combination of what consumers feel that the service provider can deliver and what they feel the service provider should deliver. If the service they receiver is much better than their desired service expectations, consumers feel delighted at the service experience. Desired service expectations may increase if the consumer has been aware about the service or the service provider through the reputation of the provider or through its advertisements.

In some cases desired service expectations depend on the expectations of the associated party. 'Associated party' here refers to customers who receive service from the service provider. For example, the expectations of a leased department from the management of a mall in which it is located, regarding the maintenance and the tenant mix, will depend on the end-consumers that it attracts. On the other hand, in a high-end departmental store, the leased department will expect that the store provide ample parking space, well maintained surroundings and a good mix of other upscale leased departments.

Adequate service: Adequate service expectations can be defined as "the minimum service levels that a consumer expects from a service provider." In cases where service delivery does not meet the desired service expectations of consumers, the service has still to meet certain minimum standards in order for the consumer not to move away from the service provider. Here the service expectations of the consumer are not very high, and consumers are willing to accept an adequate level of service. If the service level falls below the adequate service level, consumers will be dissatisfied. For example, the consumer's desired service expectation from a courier company is that the parcel is to be delivered within 24 hours. However during an emergency such as a terrorist attack or a flood, the customer may be willing to compromise on the service levels but still expects an adequate service level, where the parcel reaches within 3-5 days. If the delay is more than this, then consumers will be dissatisfied.

Zone of tolerance: The zone of tolerance is the gap between desired service expectations and adequate service expectations for the consumer. This zone varies for each customer and for the same customer it might differ in different situations. For instance, if the customer service is far above adequate as well as the desired expectation, the consumer is still delighted even though the service is outside the zone of tolerance. If the customer service is less than the desired performance but within adequate expectations, the service falls in the customers' zone of tolerance and he/she is neither delighted nor dissatisfied. If the service is far below the desire level and is lower than adequate service expectations, it moves out of the zone of tolerance and the customer is dissatisfied. So in other words zone of tolerance is zone where the service performance does not make the customer react to the service either positively or negatively.

The one of tolerance varies from customer to customer, and it also varies from situation to situation. For example if a consumer is not in a hurry, he may wait for a longer time at the check-out line, thus his zone of tolerance is high in such cases. However if a consumer has to attend a board meeting, he will not tolerate any delay in the flight timings; in such a case, the zone of tolerance is less.

In case of a BPO firm, benchmarking with the industry standard in India will not ensure customer satisfaction. This is true especially as the BPO industry in India is in the nascent stage, and the best of Indian BPO firms might fall below the expectations of the customers residing in the developed world. Hence, a BPO firm should study the service expectations, i.e., desired service, expected service and tolerance zone of their final customers. This would help them to upgrade the skills of their employees from time to time in a bid to deliver services that match their clients' desired expectations.

Answer 19

Loyalty card schemes are one of the popular promotional tools in services marketing. Loyalty card schemes are used by service marketers to retain customers and to increase brand loyalty. Retaining existing customers is cheaper and more effective than attracting new customers. Loyalty card schemes enable the companies to retain the customers and increase sales. Through them, the company can offer special incentives to its regular customers, making them feel that they are getting higher value for their money. For example, members of Shopper's Stop loyalty card scheme get bonus points and special discounts. Loyalty cards also give holders the right to special services like valet parking, a free welcome drink when they visit a hotel, or free home delivery of the goods. These enhance the service experience of the customer leading to higher customer satisfaction.

Loyalty cards schemes also enable companies to track customer preferences and devise customer-specific offers and schemes so as to increase the revenue per customer.

Answer 20

Customer service expectations can be managed using the following three key measures:

Promises: Looking after the promises made by the company with regard to its services is a primary measure that the company has to take to manage customer service expectations. The company should devise its service promises by evaluating its capabilities to deliver those promises. For example, consider the case of a fast food restaurant that guarantees home delivery of orders within half an hour from the time it receives the order. If it fails to deliver the correct order within the promised time, its customers will be dissatisfied because the company hasn't lived up to its own service promise.

Companies usually prefer to not to overextend themselves in terms of promises; if the company provides a higher level of service than promised, the customer will be delighted by the service. However, it must make some promises that distinguish it from the competition, seeing to it that the promised services can be delivered without fail. In the case of Air Deccan, it needs to evaluate its capabilities and the competitive environment before making service promises. Being in a low-cost airline segment, the company has to devise its pricing policies carefully. Undercutting will affect the profitability of the company and overcharging will nullify its price advantage over competitors. Hence Air Deccan has to devise its pricing policies optimally. It can communicate its promises explicitly through promotion tools like advertising and direct marketing. It can communicate its promises implicitly through its actions by keeping fares 50% lower than the competition, by offering no-frills service and flying smaller aircrafts.

Reliability: Service providers need to deliver the service effectively on the first occasion itself in order to manage its customer expectations well. If the company fails to do so, customer expectations will increase during the service recovery. Moreover the zone of tolerance will narrow, implying that the adequate and desired service expectations will increase for all the five dimensions of service quality assurance i.e., empathy, reliability, responsiveness and tangibles. Effective communications: In order to manage customer expectations, the company needs to be in constant touch with its customers. It should make its customers aware of the various services it offers and the changes made in the services. The company should also solicit feedback and suggestions from customers to understand their needs and improve its service standards. Air travel being expensive Indian consumers will have higher expectations and perceive that air travel will be luxurious and comfortable with services like air-hostesses and crew members assisting the passengers in occupying their seats, a welcome drink, full-course meals, upper class seats, etc. But as Air Deccan operates a no-frills airline service it needs to communicate its approach to the public so that consumers will not be dissatisfied after they avail of the services. It should also emphasize the price factor in its promotions; this is likely to appeal to its value-conscious Indian clients. Being new to passenger air travel market and operating in a relatively unexplored low-cost airline market Air Deccan should take feedback from its passengers to understand their needs and incorporate changes in its services to meet the evolving needs of travelers.

Answer 21

Customer's perceptions regarding a service and a service provider play a major role in the customer's purchase decision. Negative perceptions regarding a service provider will cause consumers to resist purchasing a service from that service provider. On the contrary, positive perceptions regarding a service provider will encourage the consumer to make purchases from that company. The consumer may even be willing to pay a premium for the services of a services provider if he has a positive perception of the company. Hence companies should try to look for factors that influence customer perception and use these to create in consumers a positive attitude towards their services. Some strategies that can help companies to create a positive perception of them in potential customers are listed below.

Increase customer satisfaction during service encounters: Service encounters are the key element in creating a positive or negative perception about the service provider in the minds of customers. If a customer has a positive experience during a service encounter, it results in a positive perception of the service provider. This increases customer satisfaction and encourages repeat purchases. BK should ensure that service encounters have a positive effect on the consumers. Besides, the behavior of the front-line employees decides the quality of the customer experience. Hence, BK should train and motivate employees to create a pleasant experience for customers at every contact point. Employees need to be given periodic training programs on how to interact with the customers, how to deal with crisis situations, ways to recover from a service failure, etc. BK could motivate them through performance-based incentives and rewards.

Reflect evidence of service: Due to the intangible nature of services, customers judge the service quality by looking at the tangible elements related to the service. These may include the service premises, packaging, name of the service establishment, personnel, processes, etc. BK Fast Foods could analyze which of the tangible elements customers look for while evaluating the service and focus on those elements. In the case of restaurants, customers usually look for clean surroundings, convenience, a pleasant ambience, courteous personnel, and a wide choice of menu items. So an emphasis on these elements will help BK attract and retain customers.

Communicate and create a realistic image: A service provider should communicate with its customers regularly and try to project a positive image of the company. At the same time they should project a realistic image to the customers rather than exaggerating or suppressing the facts. Word-of-mouth publicity is one of the most potent communication tools that create a positive or negative image about the company in the customer base. BK could make service encounters a pleasant experience for all its customers, so that they play the role of brand ambassadors for the company later. BK should also make only those service promises that it can be deliver.

Enhance customer perceptions of quality and value through pricing: Pricing plays an important role in creating a perception about a service. If the service is priced at a higher level, customers expect higher service quality. This kind of pricing will attract elite customers. But on the downside, such pricing may drive away existing customers. If the pricing is at a lower level, customers expect lower service quality. Such pricing attracts mass market customers who consider price as the key criterion for selection of product/service. Whatever the pricing strategy selected, the service quality should match it. If the service falls short of customer expectations, customers may feel cheated.

So BK Restaurants too should decide on the target segment it wants to attract and set the service quality it wants to offer. Based on these decisions it must set the optimal price that reflect the company's service quality.

Answer 22

Various factors affect customer satisfaction. Indian Airlines should identify those factors and try to develop strategies to influence them positively. The following are the major factors that influence customer satisfaction:

Recovery: Recovery refers to the response of service personnel to a service failure. The response of the service personnel during the service recovery will have an impact upon the satisfaction levels of the customers. To enhance customer satisfaction levels, service personnel should follow a systematic way for making the service recovery. First, the personnel should understand the customer problem. Then, they should provide assurance to the customer that the problem will be rectified. They should also explain how they are going to solve the problem. Further, service personnel should try to offer incentives and freebies to compensate for the service failure. Such actions will decrease the intensity of customer dissatisfaction and at times enhance customer satisfaction.

Adaptability: Adaptability refers to a service provider's ability to deal with the special requests of customers. To deal with the special requests of customers, service providers need to devise flexible service policies so that service personnel have the freedom to manage such situations. For example, if a customer needs additional cash, a bank with flexible service policies, home delivers the cash although the customer's request came after banking hours. Such initiatives will enhance customer satisfaction and create a positive perception about the bank. In the case of Indian Airlines, a parent may request special care for his 8-year-old daughter, traveling alone. If the staff promise that special care would be taken till the person named by the parent picks her up, the response will gain goodwill for the airline and the customer may approach the airline whenever he plans to fly.

Spontaneity: Spontaneity refers to the proactive response of service personnel to special requests and emergency situations. For example, on the basis of past records, service personnel at a five star hotel arranged Internet service and provided customized meal menu to a business traveler who revisited the hotel. Such voluntary action will create a favorable impression about the hotel among customers.

Coping: Coping refers to the ability of employees in dealing with problem customers. These include situations like customers arriving intoxicated a family restaurant and misbehaving, and customers not following the law or rules and regulations. In many service encounters tension may arise due to a customer misunderstanding the rules or due to rude behavior. Such situations will be demanding and the service personnel's ability to cope with them determines the level of damage an aggrieved customer does to the reputation of the Airline.

Answer 23

Various forms of market research studies are used by service marketers to obtain information from customers. They are post-transaction surveys, customer complaint, comment, and inquiry surveys, and total market surveys.

Post-transactional surveys: In post-transactional surveys companies gather customer feedback after a transaction is completed. This is one of the commonly used market surveys. For example, a financial institution seeks feedback after sanctioning a loan to a consumer. These surveys involve filling out questionnaires regarding the service that was offered. The questions relate to the time taken for the transaction, behavior of the employees, service standards, and opinion about the product offered. As the surveys provide information from customers who have availed these services, they hold great importance for the company. Based on such information a company analyzes the performance of its employees, the product features, and quality standards of the service being offered. Another variant of post-transactional surveys is the visitor book that is placed at the exit of the service provider's outlet. Consumers can provide their feedback and suggestions, here.

Customer complaint, comment, and inquiry surveys: Complaint research is another major market research study that companies undertake. Complaint research involves continuous solicitation of complaints, identifying critical and common complaints, and resolving those complaints. Companies solicit complaints through various sources. The sources include: front-line employees, intermediaries like franchises, and consumer rights organizations. Through these surveys companies can identify the shortcomings in their services and service delivery processes. By analyzing the input, companies can improve their services. Moreover, companies can also use the complaint research method to improve the performance of their front-line employees.

Total market surveys: Total market surveys involve soliciting feedback from existing customers, lost customers, and potential customers, regarding their opinion about the services. Each of these groups can provide an insight into the company services. Interviewing potential customers can provide information regarding customer needs and expectations. Lost customers can provide information regarding the shortcomings in the services. Total market surveys can help companies in improving service quality, understanding the customer needs, and exploring new market opportunities.

As the UB group is entering a relatively new and unexplored market, total market surveys will be the right option. By studying the needs of potential customers it can develop services matching those needs. This will also provide the company an idea about the market potential of low-cost airlines.

Answer 24

Usually, the top management decides on the various aspects of services and service delivery processes and communicates them to the lower level employees. Such a communication effort is appropriate if the organization is a small or medium scale enterprise where the top management is in either direct contact with the customers or has access to relevant information about the needs and perceptions of the customers.

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However, in large organizations, the top management is not in direct contact with the customers. Therefore, it will not have a clear picture of customer needs and perceptions. As a result, it may not be in a position to make effective decisions that would work in the field.

Upward communications, that is, the information flow from the customer to the top management, is of greater importance in such large organizations. The top management needs to have some form of contact with the customers. Managements use various forms of upward communication to gain first hand information about customer needs and perceptions. One of the upward communication techniques is executive or management listening approaches towards customers, that is, research on external customers, research on internal customers (employees), and research on intermediate customers. Companies also make executive visits to the customers, and solicit suggestions from employees. The Commerce Bank through its "kill a stupid rule" program tries to gain information about the service delivery process and its shortcomings. By soliciting suggestions from employees, the company can improve its service quality and develop new products. Moreover, employees can be rewarded for providing valuable suggestions. This will motivate them to perform better.

Answer 25

Service providers usually follow five key target-marketing strategies.

Single-segment strategy: Under this strategy, a company concentrates on a single segment of the market, using a particular marketing mix. Such a focus will enable the company to understand that particular customer segment better and specialize in that particular segment. This helps the company to build brand loyalty among the customers and capture a larger market share in that segment. However, focusing on a single segment also has certain disadvantages. The company may face a risk of the segment showing lesser growth or in worst cases, ceasing to exist. Another disadvantage is that competitors may enter this segment, affecting the company's market share or profitability.

Selective specialization: Selective specialization refers to a company's marketing efforts targeted at a few customer segments. Under this strategy, the company develops a different marketing mix for each of the segments it targets. Selective specialization helps increase the customer base and the company can diversify its operations.

Product/service specialization: Under this strategy, a company focuses on providing a single product/service to various customer segments. For example, an advertising agency provides advertising services to various customer segments. Through this, the company gains expertise on a particular product/service and therefore, provides efficient and effective services to the customer. For example, a helicopter charter services company offers charter services to various customer segments including individuals, business entities, government agencies, and healthcare organizations. However, the company is at a risk when a competitor launches a new service catering to the same segment.

Market specialization: Under this strategy, a company focuses on catering to the various needs of a particular market segment. The company offers different products and services targeted at the needs of a single market segment. However, the risk associated with this strategy is that a slow down in the market, will affect the company's existence.

Full-market coverage: A company is said to be following the full-market coverage strategy if it offers different products and services to different customer segments. By using this strategy a company targets all customer groups with various products and services. Examples of such kind of services are the Indian IT services companies, which offer various IT solutions relating to various industries. There are two

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approaches to the full-market coverage strategy - undifferentiated marketing approach and differentiated marketing approach. Undifferentiated marketing approach involves offering a single service to all the segments of the market. It is used in situations where the product or service has a mass-market appeal. The differentiated marketing approach targets various segments of the market and offers different products or services for each segment. For example, Jet Airways offers various classes of services, such as business class, economy class, and executive class.

Air Deccan follows the full-market coverage strategy, catering to the travel needs of all the customer segments. More specifically, Air Deccan is following an undifferentiated marketing approach where it is offering single low cost air service to all the customer segments of the airline market. The low cost, no frills air travel has a mass appeal that attracts a large number of customers. It also leads to economies of scale providing higher revenues and lesser expenses.

Answer 26

The right approach for SSB Insurance would be to segment its potential customers on the basis of demographics. Demographic segmentation is mainly carried out based on age, sex, size and structure of family, income, and education.

Age: SSB Insurance can segment its market based on age. Marketing analysts say that customers belonging to a particular age group will have similar needs and behave similarly. Therefore, through this segmentation, SSB can develop insurance products based on the needs of each age group. It can develop pension policies and health insurance policies for senior citizens and money back policies and investment linked policies for young professionals.

Sex: Another demographic variable based on which marketers segment the market is sex. SSB can develop different policies targeted at men and women. However, such segmentation may not help the company in understanding the needs of the customers clearly and in creating effective marketing strategies.

Size and structure of family: Companies can also segment the market based on the size and structure of the family. SSB can offer various insurance policies depending on the size of the family like offering medical insurance policies for small and large families. However, such segmentation will limit the options for the company in developing products and services.

Income: It is the key variable that marketers usually use to segment the market. SSB can segment the market based on income levels of customers and devise specific marketing strategies to cater to the needs of those customer segments. It can offer single premium insurance policies to the lower income groups and it can offer money back and term assurance policies for higher income group customers.

Answer 27

Usually companies use three major criteria while evaluating the customer segments they want to target. They are segment size, growth potential, structural attractiveness, and company objectives & measures.

Segment size and growth potential: While selecting the customer segment, a company needs to consider the customer segment size and its future potential. It has to evaluate the size of the customer segment and decide whether targeting that segment is a profitable proposition. It should analyze the segment's future potential to ensure that targeting the segment will provide long-term benefits. For example, though the market size of towns is less compared to major cities at present, they are growing at a healthy pace. Therefore, companies that focus on small towns may benefit in the long run.

Structural attractiveness: Companies should also evaluate the structural attractiveness of a customer segment. The attractiveness of the segment should be evaluated in terms of level of competition in that segment, threats from substitute products or services, relative bargaining power of suppliers, relative bargaining power of buyers, and entry barriers for new entrants. If the level of competition is very high then it will be difficult for a company to make a mark in that segment. Therefore, initially the company has to look for a segment where the intensity of competition is less. The substitute products and services that are targeted at the customer segment should also be considered while entering the segment. The market potential of these substitutes products and services and their price structure should be evaluated.

The relative bargaining power of buyers should also be looked into. The company should evaluate the spending pattern of target customers, more specifically, on the outside food and analyze whether the prices set by the company are affordable to the customers. Another major factor is entry barriers for new entrants. For example, if company is opening a fast food restaurant offering pizzas it will face many entry barriers. It needs to differentiate its pizzas from those of established names like Dominos and Pizza Hut. It may also face difficulties in sourcing the ingredients for making pizzas.

Company objectives and resources: Another major factor that a company has to consider while entering a particular market segment is the company objectives and resources. It needs to evaluate whether the selected market segment will match its objectives and whether it has the resources to cater to the needs of the segment effectively and profitably.

Answer 28

STT can position its mobile services on various platforms. These include attribute positioning, benefit positioning, user/application positioning, user positioning, competitor positioning, category positioning, and quality/price positioning.

Benefit positioning: Companies can position their services based on the benefits that they offer. For example, Hutch positioned its services on the benefit of wider network coverage through its punch line "Wherever you go our network follows." STT is launching its service nationwide, so it can position its services based on the reach it will have.

Use/application positioning: A company can position its services on the use or application that it specializes in.

User positioning: User positioning refers to the positioning of services based on the customer segment a company is targeting. For example, if a telecom services company is focused on corporate services then it can position its services as the best service provider for corporate services.

Competitor positioning: In this type of positioning a company positions its services in comparison with its competitors. For example, Virgin Atlantic Airways has positioned its services against British Airways service offerings.

Quality/price positioning: A company can also position its services on quality/price attributes. STT can position itself as a company that offers services of the highest quality or it can position its services as value-for-money services. For example, Idea highlights the higher quality certification given to it by TRAI, in its advertising campaigns. Reliance positioned its services on the price platform during the initial years by offering lower rentals and easy installment schemes for the purchase of handsets.

Attribute positioning: STT can position its services on a particular attribute or feature that it possesses. It can position itself as the most reliable service provider on the basis of the rating given by the business magazine.

Attribute positioning and benefit positioning are appropriate for STT.

Answer 29

Managing capacity in a service industry is a difficult task compared to product manufacturing. This is because of the presence of certain capacity constraints. Godrej may face the following capacity constraints in its new BPO venture:

Time: Companies often face time constraints while increasing or decreasing capacity. For example, Godrej can improve its profitability or productivity if it uses its customer service executives' time effectively i.e., enabling the executives to attend more calls or transactions within a given time. However, if demand exceeds the capacity, the company cannot create extra time to satisfy that demand. Similarly, if capacity exceeds the demand, the company cannot utilize the idle time and this affects the profitability of the company.

Manpower: Another major capacity constraint that service providers face is in the form of manpower shortage. A BPO venture is human-intensive.. Godrej may face manpower constraints in the form of overstaffing in a lean demand situation and shortage during boom time. In other words, Godrej may face an overstaffed situation when it has fewer projects in hand and manpower shortage when it gets more number of new projects.

Equipment: Service providers also face constraints with regard to equipment and tools used. This is more so when service providers rely on equipment to deliver their services. Godrej may face equipment constraints in terms of systems to be used and the communication channel. BPO companies, mainly face bandwidth constraints, which affect their operations and service quality.

Facilities: Companies also face constraints with regard to the facilities used. As the BPO industry is growing at a rapid pace, Godrej is likely to face problems with increasing head count, such as finding physical facilities to accommodate its service personnel.

Answer 30

Due to the perishable nature of services, service providers cannot store and sell services at a later date. Therefore, service providers need to work out strategies to match the demand with the supply of services. Service providers follow two approaches to match supply with demand. Service providers either use demand shift strategies or try to scale up to meet the peak demand. In demand shift strategy the service provider tries to shift the demand to adjust the supply with the demand. On the other hand, the service provider may try to increase capacity to match the demand during peak hours or vacation time.

As SouthSide has ruled out the option of increasing capacity, and demand is very high for the theme park, it can adopt the demand shift approach. In demand shift strategy, a company tries to match demand with supply by shifting the demand for the services from a high demand period to a low demand period. In a low demand period, the company tries to attract customers through various initiatives and incentives, utilizing the capacity to a maximum extent. The following are some of the demand shift strategies used by service providers:

Varying the original service offer:

Supply and demand can be matched by changing the services offered depending on the season and the time of the day. SouthSide can offer its theme park for official meetings and corporate get together during a low demand period. In this way, the company can utilize its resources effectively in low demand period. During the peak demand period, summer, the company can change its service offerings to provide camel rides, contests, and entertainment shows that will appeal to children.

Communicating with customers:

Another way through which Southside can manage demand is by informing customers about its rush hours and happy hours. This will make customers use its services during happy hours. As a result, the demand will be evenly spread. For example, Disney informs its customers about the rush hours in advance so that customers can plan their vacation accordingly.

Altering the timings of service delivery:

The park can also alter the timings of service delivery, to manage demand. On holidays, SouthSide can open its theme park early in the morning so that some demand can be shifted to that period. In addition, it can offer special schemes and contests late at night. This encourages customers who are planning to come during rush hours, to avail the service at night.

Price differentiation: Varying price for different service offerings is another common strategy that service providers use to manage demand. SouthSide can price its various offerings differently. It can price its entry tickets higher during rush hours and on holidays. Similarly, it can charge lower prices during weekdays. Such a price differentiation will encourage some customers to opt for low priced offerings thereby it can shift the excess demand to a low demand period.

Answer 31

The traditional marketing mix that includes product, price, promotion, and place is designed keeping in mind the product marketing environment. However, it is inadequate in the services marketing environment due to the following reasons:

- Unlike products, services are intangible in nature. Therefore, the product element of the marketing mix will not suit the requirements of services marketing perfectly. In traditional marketing mix, the product element consists of decision areas, such as product features, warranties, product line decisions, branding, and packaging. However, the product element in services marketing needs to be dealt with differently. The product element in services marketing involves three levels: the 'core' level that aims at satisfying the basic needs of the customer, the 'tangible' level that brings in tangibility to the service offering, and finally the 'augmented level' that involves addition of supplementary services to the basic offering. In the case of Kaizen, developing a retail chain require a different strategy compared to developing a new watch model.

- The production and consumption of a service occurs simultaneously. As a result both the customers and the front-line personnel who deliver the service are part of the service delivery process. The way front-line employees interact and behave with customers will affect customer perception and customer service experience. In other words, front-line personnel have a role in promoting the services in a service organization. This aspect is not addressed in the traditional marketing mix.

- Service organizations (except in retailing) have negligible or lesser need for distribution channels. This is not considered in the traditional marketing mix where distribution has a larger role to play in marketing the products.

- Due to intangibility, customers cannot judge the service quality before availing the services. So perceived risk among customers is high regarding services when compared to products. This aspect is not addressed by the traditional marketing mix elements.

Answer 32

The production and consumption of services occur simultaneously. Therefore, customers and front-line personnel are part of the service delivery process. The interaction and behavior of both front-line employees and customers will determine the service quality. Customers will affect the service quality in two ways. In most of the cases customers are co-producers i.e., customers are involved in designing the service according to their requirements. Consider a patient who visits a doctor regarding an ailment. The service experience of the patient is influenced by how much relevant information he has provided to the doctor for analysis of his problem. The cooperation extended by the patient to the doctor in terms of strictly following the doctor's suggested treatment plan will also affect the customer service experience. If the customer provides relevant information about his ailment, it will help the doctor in analyzing the problem effectively and advising the right course of treatment. Similarly, if the patient strictly follows the doctor's suggested treatment he may recover from the ailment quickly and effectively. This enhances the customer satisfaction and also the service quality of the doctor. Therefore, to improve service quality, a service provider needs to extract relevant information from customers to understand their needs better.

Customer behavior at the service premises will also influence the service quality. For example, a fast-food restaurant promotes itself as a family restaurant. However, unruly behavior of some young customers at the restaurant may cause inconvenience to other customers, leading to a negative image for the restaurant. Therefore, the service provider should ensure that the restaurant attracts the right crowd.

Answer 33

Various pricing objectives drive service providers in deciding on the pricing strategies. They are: survival, present profit maximization, present revenue maximization, prestige, and product quality leadership pricing.

Survival: A company's pricing decisions are guided by survival objectives when its financial position is not healthy or is much weaker than the competition. Such pricing decisions are made by companies to revive their sagging business or gain lost market share from competitors. A company prices its services in such a way that the price covers the variable costs and a part of the fixed costs, with very narrow profit margins. For example, the management of an older shopping mall which lost significant tenants due to poor infrastructure facilities and competition from new shopping malls, will try to reduce prices so as to survive in the market and with the revenues it obtains it will either build a new shopping mall or upgrade its present shopping mall.

Present profit maximization: A service provider who has achieved certain critical mass in terms of customers, brand, and revenues will price its offerings with the aim of maximizing its present profits. Companies with such an objective will price the offerings in a way that will enable them to obtain higher profit margins or return on investment. For example, Prasad's a leading Multiplex in Hyderabad, has established high standards and is drawing huge audiences to its theaters. This overwhelming response has enabled it to adopt a pricing strategy aimed at present profit maximization.

Present revenue maximization: A service provider's pricing decisions may also be guided by the objective of maximizing the revenues. Companies that want to capture a larger share of the market are guided by this pricing objective. For example, when Metro, a Cash & Carry retailer that sells retail goods to B2B customers like small

retailers and companies opened its outlet in Bangalore, it priced its goods at hefty discounts to attract customers and maximize its revenues. This policy enabled it to quickly cover the cost incurred in setting up the store.

Prestige: Pricing decisions of service providers are also guided by the premium image that the company commands in the marketplace. For example, Hidesign a leather goods and accessories retail chain based in Chennai, has opened its retail outlets in various European cities. The pricing at these outlets is at par with leading fashion houses like Christian Dior and Hugo Boss. Such a pricing decision is guided by the company's objective of projecting itself as a premium brand.

Product quality leadership: Some service providers are guided by product quality leadership objective while deciding on the pricing of their service offerings. These companies will charge a premium to cover the cost of maintaining high product quality. For example, star hotels like Taj hotels will charge a premium for their services to cover the costs involved in maintaining higher service quality.

Maximizing the present revenues may guide Pantaloons while deciding the leasing rates for its "Hyderabad Central." This is because Pantaloons incurred high fixed costs and it entered a highly competitive market where supply of shopping space is more than the demand. Therefore, the company should aim at penetrating the market to gain an initial push. By charging lower prices it can attract many big retailers, thereby gaining economies of scales and covering the fixed costs. Moreover, attracting big retailers will ensure continuous inflow of customers into the mall.

Answer 34

ABN-Amro Bank is a new player in the Indian banking sector. In a highly competitive banking sector where public sector banks and older private sector banks are well entrenched, ABN-Amro Bank needs to create a space for itself. Such thinking prompted the bank to adopt a competitive pricing strategy to create a buzz in the market and to enable it to grab a substantial market share.

Under competitive pricing strategy a service provider evaluates the competitive situation in the market and prices his offerings accordingly. There are three types of competitive pricing methods: destroyer pricing method, price matching/going rate pricing method, and price bidding/close bid pricing method.

Destroyer pricing: Under this method, a service provider sets his price at such lower rates that it becomes difficult for competitors to match those prices. For example, Air-Deccan has launched the Dynafare scheme where a few tickets on select flights are offered at the throw away price of Rs 700. Matching such a low price is not possible for full stream airlines like Indian Airlines and Jet Airways. ABN-Amro has adopted the destroyer pricing method in setting its interest rates. The interest rate of 6.5% is the lowest in the industry and it is difficult for other banks to match such pricing.

Price matching/going rate pricing: Service providers also adopt the price matching strategy where they match the prices of their competitors to defend their market share. For example, most banks have nearly similar interest rates for lending and deposits. By pricing in such a way, banks are able to retain their customer base. On the other hand, if the market leader cuts the prices, then the competitors need to follow suit to restrict the market leader from penetrating further into the market. For example, BSNL a market leader in long distance telephony (STD and ISD) has cut the prices by as much as 50%, other service providers like Reliance, Tata and Bharti are forced to match those prices.

Price bidding/close bid pricing: In this type of pricing, service providers quote the prices in a sealed bid to the client. Service providers decide the pricing by evaluating what competitors may quote, the costs involved, and the margins that the company expects. This type of pricing is followed in infrastructure and manufacturing services where a client invites the prospective suppliers for bidding and then selects the bid with the lowest quote.

Answer 35

Pricing is a key element in the services marketing mix. Pricing not only influences the profitability of a company but also reflects a particular image of the company among the customers. Therefore, before setting the pricing policies, a service provider needs to consider various factors. They include:

Costs of production and break-even analysis: The primary factor that a service provider needs to consider while setting the prices is the costs involved in providing the service, that is, fixed and variable costs. For this, a company can use break-even analysis that helps in determining how much sales are needed to recover the costs and start profits. However, the company has to decide on the time period within which it needs to break-even. If the company is more focused on penetrating into the market and gives least preference to profitability, then the company may try to price its services well below the competition, thereby capturing a larger share of the market. On the other hand, if it wants to break-even quickly then it has to price its services at premium. In the case of IndiaTV, as the competition is high, it has to focus more on establishing a toehold in the market. Therefore, it needs to set the advertising rates below the competition. However, this will delay the break-even.

Demand Levels: The demand pattern also influences the pricing strategy. A company has to set the prices based on the demand for its services. Many factors influence the demand pattern. These include the economic environment, threat from substitute services, offerings of competitors, and customers' needs and spending patterns. While pricing its services a service provider needs to consider these factors. In the case of IndiaTV, television viewing is increasing among people. The market for news channels is also increasing. However, the competition is also very high. The competition is not just from news channels but also from mainstream entertainment channels that attract more eyeballs than news channels. Therefore, the demand is fragmented. Moreover, IndiaTV is a new entrant and is operating in a single segment, that is, the Hindi news channel market. As a result, The TRP ratings for its programs can be low initially. IndiaTV needs to analyze these factors before fixing the advertising rates.

Competitive pricing: The pricing of a service will also depend on the pricing strategies adopted by competitors. Due to the competition from mainstream entertainment channels, news channels are quoting advertising rates, which are nearly half of that quoted by mainstream channels. Therefore, IndiaTV has to decide whether it needs to match the competitor pricing and quote a higher price or quote a lower price than the competitors.

Positioning: The positioning strategy of the news channel would also influence its pricing decisions. If a company positions its services as a value-for-money service then pricing should be moderately cheaper than the market rates. In the case of IndiaTV, it is targeting the middle class and lower class Hindi viewers. The advertisers who prefer this channel would be mostly mass marketers and the marketers who are operating in Hindi speaking states. Therefore, IndiaTV has to decide on advertising rates that are attractive to these marketers.

Answer 36

In services marketing, effective communication strategies are very important as they create awareness about the service provider's offerings and tangiblize the service offerings. However, certain factors hamper the effective communication of the company's message to the customers. In the case of Assure USA, technology and delivery could have been the two major factors that hampered the effective communication of the company's intended message.

Technology: Technology is a good enabler of fast and effective communication between a company and its customers. By using technologies like the Internet, ATMs, and computing solutions, service providers can offer quicker and effective service to their customers. But the use of technology may have negative fallout in the form of service failures. For example, a customer who approaches an ATM with an urgent need of money may be furious seeing a signboard 'ATM not working'. In the case of AssureUSA, as it may be using advanced telecommunication solutions that enable the customer calls originating from the USA to be routed to Indian call center professionals, any disruption in the communication network will affect the communication process. Communication problems may include long waiting calls, disconnected calls, and poor voice quality.

Delivery: To make communication effective, delivery issues need to be sorted out. These may include targeting the wrong customers, communicating the wrong message and communicating at the wrong time. As call center professionals at the Indian subsidiary are not much aware about the US market, they may have targeted the wrong customers thereby creating inconvenience to the customers. Similarly, a wrong timing such as calling at odd hours – early mornings and late nights – will also irritate the customers. Providing incomplete or wrong information may also be another reason for increased complaints from customers about poor customer service. Difference in accent of the call center executive may also lead to confusion.

To provide better service, AssureUSA should hire high-speed broadband communication lines. In addition, it should train its employees to match its customers' expectations.

Answer 37

Sales promotion techniques are good marketing tools to increase short-term sales and create brand awareness. As awareness about spas is very less among the people of Hyderabad and awareness about Charms Spa is even lesser, sales promotion techniques are the right tool to draw customers and create awareness about Charms Spa services. The following are some of the sales promotion techniques that are best suited for Charms Spa.

Sampling: Offering free samples is a popular sales promotion technique. Sampling enables customers to evaluate the service and decide on its benefits and costs. It also makes the customers aware about the services that a service provider is offering. Charms Spa may offer sample offers like free 5kg weight loss program or oil massage for a limited period.

Prize promotions: Another sales promotion technique that Charms can use is prize promotions. It may run contests that encourage customers to participate, thereby creating brand awareness regarding its services. Prize promotions also enable a company to gather information about potential customers. Charms can run contests related to health and offer free services or gift vouchers at its Spa for the winners.

Price/Quantity promotions: Charms can also offer price promotions like discounted price, to the customers residing within the vicinity of the Spa or offer two or more services at a special price.

Coupons: Coupons are another popular sales promotion technique that can create brand awareness. Charms can offer coupons that contain free service offer or specific discounts on services. It can distribute the coupons either directly to the customers or as a special insert in newspapers or at shopping malls and super markets.

Answer 38

To expand its business, Syscom can choose either the direct distribution (setting up centers on its own) or the franchising route. Both the options have their own advantages and disadvantages.

Setting up own centers provides control over operations and service quality. As Syscom is into the education business, control over education quality is necessary to maintain its reputation, and attract students. The direct distribution model will also enable Syscom to have control over its operations. These include administration, recruitment, and course design. Another advantage of direct distribution is that it will enable direct interaction with customers. By setting up its own centers Syscom can have direct access to the customers. This will enable the company to understand customer needs and customer perceptions about its services. It can then, design its courses accordingly. Having direct access to customer information will also enable the company to understand the market trends, such as which courses are in high demand and what is the optimal pricing.

In addition, direct distribution provides flexibility and confidentiality. The company is at will to expand or reduce its resources according to the demand. It provides the company the flexibility to alter the courses, course curriculum, and service delivery according to the market and customer needs. Syscom needs to maintain confidentiality regarding the course content, so that competitors will not plagiarize its course contents. This may not be possible in franchising. Direct distribution will enable the company to protect its course content from being plagiarized. However, direct distribution also has certain disadvantages. The financial risk is high in direct distribution. As the company invests its own funds, it faces the financial risk of making losses or compromising on its operations due to financial constraints. Another disadvantage is the lack of local knowledge. As companies enter into new territories they lack the knowledge of local markets that franchisees can provide.

Adopting the franchise model offers various benefits. As the investment is completely borne by the franchisee, the company can expand its business quickly. This helps the company to improve its revenues and market share. Moreover, it reduces the financial and business risk for the company, as the franchisee is responsible for managing finances and business development. Another advantage of the franchising model is the local knowledge that the franchisee brings in. As the franchisee will have knowledge of local market conditions, it helps the company in designing the services and service standards effectively.

The main disadvantage of the franchising model is that it is very difficult to maintain service quality. Other disadvantages include management conflicts and losing direct access to the customers. Maintaining service quality is a major problem for the service providers. Due to lack of motivation and direct control, franchisees may not adhere to service quality standards. The company may have to face frequent conflicts regarding revenue sharing, service standards, and service offerings. Companies also have to depend on franchisees for customer information, as they lose direct access to customers. Such a set up may lead to inaccurate customer information.

In the case of Syscom, direct distribution is the right approach. The costs involved in setting up a computer training center are less now, due to reduced PC prices, easy availability of faculty, and cheaper access to real estate. Moreover, maintaining quality is the key to success of any educational institution. By having direct control over its operations it can maintain the service quality.

Answer 39

A service blueprint maps the service process, showing details such as the stages of customer interaction, service delivery processes, the tangible evidence, and people involved. This helps a company in understanding the service processes in detail and take decisions regarding improving or redesigning the service products. The following are the steps that are typically followed while developing a service blueprint:

Identifying processes: SGS Bank has to identify the processes that are involved in producing and delivering the services to the customers. These may include the processes involved in opening a new account, cash transaction process, and loan processing. The Bank should not just note the peripheral aspects of the processes, but also study the minute details involved in the delivery of service. Understanding these processes helps in analyzing the processes in terms of shortcomings, cost cutting opportunities, and time-consuming stages of the processes. Such an analysis helps the company in making the processes efficient, faster, and better.

Identification of the customer segments: Identifying the customer segments to which the company is catering, is the next step in developing the service blueprint. By identifying the customer segments that are utilizing its services, SGS can evaluate whether its service offerings are well suited to the needs of the target segments or whether the offerings require any modifications. For example, banks mainly offer savings bank account with special privileges to the senior citizens, such as higher interest rates, nil or less balance, free demand drafts or pay orders, and special counters at the banks. However, due to changing needs and expectations, senior citizens are seeking services like NRI services (as their relatives remit money from abroad to India), bill payment services, and wealth management services.

Mapping the customer's view: At this stage, the bank has to identify the actions that customers perform while judging, purchasing, and availing the services of the bank. Understanding the service processes from the customer point of view will provide information regarding the steps, events, activities, and service encounters that a customer considers in the service experience. These activities and service encounters will influence the customer's perception about the service quality of the bank. Such an understanding will help the bank to focus on service processes and service encounters that have more influence on customers, thereby improving service quality and revenues of the bank. For example, consider that, during this process, SGS has identified that customers evaluate the service quality of the bank based on parameters like safety and convenience. This information may help the bank to focus on convenience and safety in their promotional campaigns.

Mapping the on-stage and back-stage employee actions: At this step, SGS has to identify the activities that are to be performed by front-line employees and the activities that are to be performed by back-stage employees. Such identification will help the bank in defining the roles of front-line employees and back-stage employees. Assigning specific roles to the employees will reduce the conflicts between them. Demarcation of roles will also increase coordination between front-line and back-stage employees. Mapping the on-stage and back-stage employee actions will help the bank offer effective training programs for both categories of employees.

Identification of support activities: SGS should also identify the support activities that influence customers. For example, processing loans is a support activity that influences customers. Faster loan processing will make customers happy. Similarly, registering a new customer account, and dispatching the ATM card and the chequebook is another support activity.

Adding physical evidence: SGS should also try to add physical evidence at each process that a customer experiences. This helps the company understand the tangible elements that a customer receives or the experience at each process.

Answer 40

SBI, a market leader in banking sector was offering plain vanilla banking products, such as savings accounts, current accounts, and retail and industrial loans without much differentiation. Due to lack of choice customers had been availing the services of the bank. However, the entry of private banks, such as HDFC Bank and ICICI Bank in the late 1990s, changed the market dynamics. These banks differentiated their services based on technology, convenience, and speed. Better service and various service offerings, suiting each customer segment made customers shift to private banks. As a result, SBI's market share was eroded to a large extent. This prompted SBI to take necessary measures to stem the decline in its market share. SBI felt that private banks had eaten into its market share by positioning their service as better and faster.

Therefore, SBI decided to alter the positioning of its service by changing the structure of the service process. Four strategies are used to change the structure of the service process, reduced complexity, increased complexity, reduced divergence, and increased divergence. SBI has used two strategies, increased complexity and reduced divergence to change its service positioning. Increased complexity involves adding new services or providing higher value to the customers so as to penetrate into the market. Therefore, SBI is offering innovative services like personal banking branches that cater to the needs of retail customers. It is also offering free debit cards to customers and Internet banking that enables customers to check their account balance, bill payments, and fund transfers, online. It has launched services like credit cards and insurance schemes. These services have enabled SBI to widen the investment options for its customers.

Apart from increased complexity, SBI has also focused on reduced divergence strategy that aims at reducing costs and improving productivity. It has computerized its operations and this has helped it reduce costs as well as increase productivity. It offered VRS schemes that helped the bank in cutting the extra workforce and reduce the financial burden on the bank. This in turn increased productivity in the organization.

Answer 41

The following are some of the decisions that OSN Pharma needs to take, while planning a service process:

Equipment: As OSN, is entering into the healthcare industry, equipment for the treatment of patients as well as hospital administration is of great importance. Success of many big hospitals in India can be partly attributed to the use of world-class equipment that helps doctors offer better treatment to patients. However, the "imported equipment" should not overwhelm OSN. It should evaluate aspects, such as suitability of the equipment to local needs, cost of the equipment and number of competent personnel available to operate the equipment. Based on these aspects, the company should select the equipments that match its requirements. The company should also look for hospital management systems that will aid in effective and efficient management of the hospital.

Service personnel: OSN also needs to take decisions regarding the service personnel who play an important role in production and delivery of the process. The level of expertise and the competence of the doctors will be one of the factors that customers consider while judging the service quality of the hospital. Therefore, it should give utmost importance in recruiting competent doctors who can provide quality treatment to patients. The company should also recruit support personnel, such as nurses and hospital administrators to carry out support functions like operations, finance, and marketing, effectively. It should train the service personnel and keep them motivated so as to reduce attrition and improve performance.

Service location: OSN needs to decide upon the service location. It has to decide whether to establish the hospital within the city or on the outskirts of the city. A location within the city will make the hospital accessible to the customers. However, the real estate costs will be high. The company may also face problems in the expansion of the hospital in future due to real estate scarcity in the city. If the company decides to locate its hospital on the outskirts of the city, the costs will be less. It will also be possible to undertake expansion work because of easy availability of land outside the city. However, such a location will make the hospital inaccessible to patients.

Flow of process: Sophisticated equipment and competent doctors may not be enough to avoid service failure, if the service delivery process is not proper. Therefore, the company should focus on the proper flow of the service process that determines the steps involved in converting inputs into final outputs. In the case of OSN it needs to decide on the right flow of processes so that it increases the efficiency of the hospital, reduces the waiting time of the patients, and provides quality care to them. For this, the company should understand the processes that are involved in providing treatment to the patients. These include reception of the patients, consultation process, pre-surgery activities, post-surgery activities, and discharge activities. The company also needs to streamline the processes to make the hospital operations efficient and effective.

Organizational Structure: Organizational structure decisions related to the degree of formality, i.e., formal or informal, should also be considered by OSN. The company should decide which processes need to be centralized and which processes need to be decentralized.

Answer 42

As the service organization's operations involve human interactions i.e. among employees, clients, and the employer, occurrence of conflicts is inevitable. Ace Advertising will mainly face individual role-conflict, customer-employee conflict, inter-employee conflict, and client-organization conflict.

Individual-role conflict: This type of conflict arises when an employee's personality does not match with his job profile. For example, if a creative director who has experience in developing television advertising campaigns is shifted to the media planning department, he may face role conflict. He may not feel comfortable in the job either because of lack of interest or lack of skills. Such role conflict may dissatisfy the employee and in the worse case make him shift to other company. To stop such role conflicts a company needs to develop HR policies that will identify the right talent and match it with the right job profile. The company's management should interact with the employees before making any changes in their job profiles. It must take into account their aptitude and interest towards a particular job.

Inter-employee conflict: This is a common type of conflict in service organizations. Conflicts arise between employees either due to personal or professional reasons. As any advertising assignment involves teamwork, there may be differences of opinion among team members regarding the storyboard, theme, or advertising content. Moreover, if the service organization evaluates performance on an individual basis, inter-personal conflicts will increase as each employee tries to outsmart others to improve his ratings. Personal grudges and differences are also responsible for inter-employee conflicts. Therefore, a company has to take necessary measures to reduce inter-employee conflicts. The company should encourage the teamwork and institute reward schemes to encourage teamwork. Linking the individual performance bonus with the team performance can do this. The company should also encourage information exchange between employees and organize get-togethers to improve relations between employees.

197

Client-organization conflict: Another major conflict that a service organization is likely to face is conflict with clients. In the case of Ace Advertising one of the common conflicts that it will face is regarding the effectiveness of its advertising campaigns. Clients may blame the advertising agency for the poor response generated by the advertising campaigns in the market. Another conflict that it may face is regarding the fees charged by the agency. An advertising agency may have to change its fee due to the changes made by the client in the advertising campaign components such as storyboard, theme and shooting locations. However, the client may not be convinced about the necessity of the increase in fees and this may result in client-organization conflicts. Client-organization conflict may also arise over issues like handling of ad campaigns. An advertising agency may handle ad campaigns of various companies who may be competitors in the market. This often irks clients as they feel that this arrangement will hamper their ad campaigns in terms of effectiveness and confidentiality. To avoid client-organization conflicts, the advertising agency has to make a comprehensive agreement with the client regarding the advertising assignment, such as agency rules, the costs involved, and modalities regarding handling exceptional cases. As for competing advertising campaigns, the advertising agency should create trust among the clients regarding the confidentiality of the client's information and the professional handling of advertising assignments.

Answer 43

As services are intangible in nature, customers usually look for tangible elements associated with the service offering, to judge the quality of the service. Therefore, service providers try to adopt various strategies to tangibilize their services. One such strategy is to focus on physical evidence. Some of the key elements of physical evidence are physical environment, price of the service, appearance and conduct of service personnel, and brand.

Physical environment: The physical environment will greatly influence customer perception about the service quality of a service provider. Physical environment also reflects the image a service provider wants to create. For example, the physical environment of Hypermarkets like Giant and Big Bazaar projects a functional look to reflect their low cost image. On the other hand Shopper's Stop and LifeStyle's physical surroundings project an up market image. As Coffee House has to position its coffee bars as an up market leisure hangout for customers, the physical environment should reflect that image. The company has to decide on aspects of layout and atmosphere. Layout refers to the design of the service outlet. The layout should be spacious and the seating arrangement must be comfortable.

The atmosphere should be trendy and cool. Lighting should be moderately bright so that it appears as a cool hangout. The natural aromas of coffee will attract customers. Light music in the background will help customers relax and make them spend more time at the outlet. Bright colored walls, well-designed tables, paintings and artifacts displayed on the walls, well designed table cloths, and quality of flooring will add to the experience of the customers.

Price of the service: The price of the service will also influence customers' perception about the service provider and it is one of the key factors that customers consider while evaluating the service quality. Therefore, a company should take the pricing decision carefully. As the company is projecting its service in the form of a high-end coffee bar, it should adopt a premium pricing strategy. Premium pricing strategy will appeal to the higher income group customers and will also create an image that the service quality is high.

Service personnel: Service personnel play an important role in making the customer experience memorable. The behavior and the appearance of the service personnel will have an influence on customer perception towards the service provider. As the coffee

bar will be catering to up market customers, the customers will have higher expectations. Therefore, the company has to recruit the right personnel and provide the right training to them. The personnel need to be trained on aspects like how to interact with the customers and how to take orders and deliver them to the satisfaction of customers. Service personnel should have a well-designed dress code. They also need to be trained on the coffee flavors and their history. Such knowledge will make customer interaction interesting as the service personnel can provide informative tips to the customers and answer any queries of the customers related to coffee.

Brand/Corporate Identity: A strong brand or corporate identity is necessary in the services sector because of the intangible nature of services. Customers judge the service quality of a service provider based on the brand equity it holds. Therefore the company should try to create good brand awareness and brand equity among the target customers. It needs to highlight its long association with the coffee industry in its promotional campaigns. The company should also rope in celebrities to enhance the brand awareness of the coffee bar.

Answer 44

The company mentioned in the question is into the highly lucrative and at the same time, highly competitive market of strategic and marketing consulting practice. It can choose from three types of pricing approaches. They are: cost based pricing approach, market-oriented pricing approach, and competition based pricing approach.

The cost based pricing approach involves evaluating the direct and indirect costs first and then deciding the pricing based on those costs. This type of pricing may not work well for the consulting business because the costs involved in this business, is less compared to other services. Moreover, the consulting practice involves more of intellectual capital than actual funds. Therefore, such pricing may not provide right value proposition for the company. The company can consider competition based pricing approach wherein it can decide its pricing strategy based on its competitors' pricing. As it is new to the market it may not have adequate knowledge about its competitors and their pricing strategies. Above all being a small player it is difficult for the company to match competitors' pricing strategies.

A pricing approach that is widely used by service providers is the market oriented pricing approach. In this approach, a company decides on the pricing strategy based on the market demand. This approach involves studying the impact of price on the demand. The market oriented pricing approach is appropriate for "Stratosphere" because it will enable the company to evaluate the demand and price the services accordingly, providing optimal value for its services. There are many popular forms of market oriented pricing strategies including market skimming, penetration pricing, price discrimination, pricing to meet customer expectations, and discount and sales. As the company is a new entrant into the market and has less brand awareness it can adopt the market penetration pricing strategy. This strategy helps attract many customers, thereby improving its brand awareness as well as market share.

Answer 45

The company should not base its pricing decisions on the actual costs involved i.e., cost incurred in collecting and dispatching the parcel to the customer but also understand the aspects from the customer point of view. Customers may perceive the pricing of a service based not just on the monetary costs but also on non-monetary costs incurred by them in availing the service. These include the time cost, search cost, psychological cost, and convenience cost.

Time cost: Time cost refers to the amount of time a customer has spent either while availing the service or in waiting to receive the service. Based on the time cost the customer will decide on the perceived cost of the service. For example, a logistics company is charging Rs 50 per parcel for packing and collecting the parcel at the door-step of the customer compared to normal booking price charged at the booking office. However, the customer feels that extra fees is justified as it is better to pay a premium rather than going to the parcel office and wasting time in the queue.

Search costs: Search costs refer to the amount of effort that a customer has put in searching and selecting the right service. The customer will decide whether the price of the service is justified after evaluating the costs involved in searching and selecting the service.

Psychological costs: Psychological costs constitute the apprehensions that a customer experiences while purchasing the services, such as fear of not understanding the service like in legal service and insurance policies, and fear of rejection like rejection of his loan application by a financial institution. In the case of logistics, a corporate may have fear regarding the safety and timely delivery of the documents which it couriers. To minimize this risk, many companies are willing to pay more for reliable service providers like FedEx and DHL even though smaller players offer similar kind of service quality.

Convenience costs: Convenience costs refer to the costs incurred due to inconvenience faced by customers in availing the services. Customers are willing to pay higher price if the service provider makes the delivery of the service to the customer, convenient. For example, a customer is willing to pay higher price to the logistics company if it offers the pick-up and delivery of parcels at the doorstep of the customer.

Answer 46

While evaluating products and services customers try to classify them on the basis of three types of qualities – search qualities, experience qualities, and credence qualities.

Search qualities: Search qualities refer to the qualities that can be evaluated before purchasing a service or a product. These include price, product features, color, design, and style. Physical products will have higher search qualities compared to services. Presence of search qualities will help the customer to evaluate the quality of the product/service easily and more effectively. Due to the intangible nature of services, they will have less search qualities. However, service providers try to associate tangible elements like physical environment, service personnel, convenience, and brand with their service to get a higher score on search qualities.

Experience qualities: Experience qualities refer to the qualities that can be evaluated only after purchasing the product or service. Compared to products, services will have high experience qualities. For example, to judge the service quality of a hotel we need to evaluate attributes, such as room service, responsiveness of the service personnel, cleanliness, and comfort. However, these attributes can be evaluated only after availing the service.

Credence qualities: Credence qualities refer to qualities that cannot be evaluated even after purchasing/availing the product/service. These qualities are difficult to assess because of customers' lack of knowledge or experience regarding the product or service. For example, certain air conditioner manufacturers claim that their AC's are eco-friendly, as they will not release harmful CFC gases. However, customers cannot verify a manufacturer's claim as they lack necessary knowledge and equipment.

Answer 47

Adequate service expectations refer to the minimum level of service that a customer is willing to accept. The customer will form adequate service expectations based on his perception as to what level of service will be acceptable to him. For example, a patient who is availing treatment at a government hospital will have lesser adequate service expectations compared to a patient who is availing treatment at a private hospital. Various factors influence the adequate service expectations.

Transitory service intensifiers: Transitory service intensifiers will influence a customer's adequate service expectations. Transitory service intensifiers are temporary factors that increase customer adequate service expectation levels. For example, if a customer's relative has met with an accident during which medical services are needed urgently, then the adequate service expectations of the customer increases. However, if the customer has come for a routine check-up then the adequate service expectations will be lower. Another element of transitory service intensifiers is the failure of the service provider in delivering the service to new customers. If the service provider fails to provide the right service, the first time, the adequate service expectations of the customer will be higher during his second visit. For example, if the hospital has not cured the disease during the patient's first visit and he is forced to visit the hospital again, his expectations will increase.

Perceived service alternatives: Perceived service alternatives also influence a customer's adequate service expectations. If the customer has a choice of hospitals that can treat his ailment then his adequate service expectations will increase. On the other hand if the customer has limited choice or perceives that the other service providers cannot provide better services then his expectations will be lesser. For example, if a customer is undergoing a routine dental surgery that can be performed at many dental hospitals, then adequate service expectations of the customer towards the hospital will increase. However, if the customer is undergoing a complex surgery or treatment for a chronic disease, which is available in one particular hospital, then the customer's adequate service expectations will reduce.

Situational factors: Factors which customers consider are beyond the control of the service provider will also influence the customer adequate service expectations. A customer's adequate service expectations will decrease when there are emergency situations like earthquakes and floods. Customers who visit the hospital will understand that the hospital may not provide better service due to the influx of a large number of patients during such periods. Service expectations will also be reduced during situations like power cuts and water shortages.

Answer 48

Customer service expectations depend on how well the service provider has delivered the service. Customers evaluate their service experience based on certain criteria. If companies try to understand the criteria that consumers consider while evaluating their service, they can provide better service to the consumers and increase customer satisfaction. The following are some of the criteria that consumers consider while evaluating service standards:

Speed: Speed is one of the key criteria that consumers use to judge the service of a service provider. Customers prefer a service provider who provides fast service even if the service provider charges premium. This is why customers prefer private courier service companies compared to the Indian postal service even though the Indian postal service offers the services at lower costs.

Certainty: Customers also evaluate the service experience based on the reliability the service provider enjoys. If a company sends an urgent document through courier that promises overnight delivery then it expects that it should reach the destination on time. Thus, it evaluates the service experience based on whether the document reached the destination on time as promised by the service provider.

Ease: Customers also evaluate the service based on the convenience and accessibility that the service provider is offering to the customer. Customers prefer service providers whose services are convenient to avail and easily accessible. For example, customers prefer those courier service companies, which provide the pick-up and delivery of parcels at the doorstep of the customer.

Personal recognition: Customers prefer service providers who provide individual attention and customized services to them. For example, Fedex provides various services and tools that enable personalization of services. Fedex offers an online tracking service that provides information regarding the status of a customer's parcel on real-time basis through the Internet. Fedex also informs the customer if there is any delay in the delivery of the parcel, so that the customer can take action accordingly.

Answer 49

Segmenting the market on demographic lines may not work for the Deccan Chronicle, as almost all the sections of the society irrespective of age and income levels read newspapers. As Chennai residents already read newspapers extensively, it would be appropriate for DC to segment the existing customers on the basis of the loyalty they show towards the various newspapers. The market can be segmented into four categories: hard-core loyalists, soft-core loyalists, shifting loyalists, and switchers.

Hard-core loyalists: Hard-core loyalists are those customers who will stick to a particular brand unless there is any drastic change, such as a steep price rise or a closing down of the services. As The Hindu is very well entrenched in the Chennai market, it has a large percentage of hard-core loyalists among its readers. Tamil language newspapers, such as the Daily Thanti and the Dinamalar also enjoy high brand loyalty among their readers. Therefore, it will be difficult for the Deccan Chronicle to touch this segment initially.

Soft-core loyalists: This type of customers will be loyal to two or more brands. This segment constitutes customers who look for varied information or have different information needs. For example, young professionals read a particular newspaper for job advertisements and other newspaper for news. Similarly, businessmen prefer one newspaper for its stock reviews and another newspaper for local news. Research analysts prefer various newspapers to extract more information regarding a particular topic or issue.

Shifting loyalists: The customers in this segment frequently shift their loyalty from one brand to another. These people will switch brands depending upon either their need or any attractive offer from a competing brand. These people may revert to older brands in the future if the offer is stopped or the need is satisfied. For example, a management student may prefer reading business newspapers during his college days and initial years of his career to keep himself updated about the latest happenings in the business world. However, after a certain period of time he may revert to a general newspaper as the need for updates regarding business happenings subsides.

Switchers: Switchers do not have any brand loyalty. They will read any newspaper that is available at that point in time.

Deccan Chronicle should target switchers and shifting loyalists to get an initial hold in the market. Then, it should target the soft-core loyalists and try to turn them into hard-core loyalists.

Answer 50

Mass customization can be defined as the process of offering customized products or services to individual customers by using flexible processes without foregoing the advantages of mass production. There are four mass customization approaches: collaborative customization, adaptive customization, cosmetic customization, and transparent customization.

Collaborative customization: Collaborative customization is used when customers have no proper idea regarding the solution for their problem. In this type of customization, the service provider first enquires about the needs of the customers. Then, based on these needs the service provider designs various services that suit the requirements of the customers and assists them in selecting the best possible service.

Placement consultancies practice this type of customization strategy. Consultants at the placement agencies interview job seekers and identify their needs and skills. Then, consultants provide information about the relevant job openings that suit the skills and requirements of the job seekers and also help them select the right job.

Adaptive customization: In this type of customization, standard products or services are offered and customers can customize the product according to their requirements. For example, Dell Computers offers a range of computer products and peripherals. Customers can select the right configuration for their PC's and place the order.

Cosmetic customization: In this type of customization, a company offers the same product to all customers but packages the product differently for each of the customer. For example, a corporate training institute offers a set of courses. It provides the flexibility to corporate customers to select the modules that suit the requirements of the company.

Transparent customization: Transparent customization involves understanding the common needs of customers and trying to develop standardized products or services that satisfy those needs. This form of customization is achieved by observing customer needs and behavior over a period of time and designing the product with features that appeal to the customers. For example, travel agencies observed that customers prefer customized guided international tours and hence developed various tourist packages such as Europe tours, US tours, and African tours that appeal to the customers.

Asian Paints is adopting collaborative customization where it interacts with customers to understand their painting needs such as design, colors, and pricing aspects. Based on those requirements Asian Paints will develop painting solutions for customers' homes.

Answer 51

Four product growth strategies are suggested in Ansoff's product growth matrix.

Market penetration: The market penetration strategy involves increasing the sales as well as market share in the segment the company is operating in. This strategy is used when the company doesn't want to take risks, such as diversifying into other markets or launching products or services in new markets. This strategy aims to maximize a firm's revenues and market share using existing products and in the existing markets. This can be done in various ways - increasing market share by attracting more customers in the same market or protecting its market by driving away its competitors through aggressive promotion and pricing strategies. The company can also increase its market penetration by encouraging customers to increase the use of the company's services.

Market development: This strategy involves exploring new markets for the services that the company offers. This strategy is adopted during situations where the company has either saturated its existing market or is experiencing a decline in the market share in the existing market due to increased competition and change in customer requirements. At the same time, the company wants to capitalize on its existing products rather than developing new products. Market development can be done in two ways. One way is to identify the new geographic markets, which the company can enter. Another way is to identify new distribution channels through which the company can distribute its products or services.

Product/service development: This strategy involves developing new service products for the existing markets. This form of growth strategy has lesser risk than the diversification strategy as the company only develops new services but the target market remains the same.

Diversification: It is the most risky strategy among all the product growth strategies, because the company will enter new markets with new products. Therefore, adequate knowledge regarding the intricacies in operating in these markets becomes very important.

The entry of Infosys into IT consulting practice can be a mix of both the product/service development and the diversification strategies. The company can offer its consulting services to the existing clients, thereby minimizing the risk of business failure. However, it may face a risk when it targets new customers, as the customers as well as consulting practice are new to Infosys.

Answer 52

TravelMart can launch various services to capture a larger share of the market and protect its market from competition.

Style changes: TravelMart can make cosmetic changes to its service offerings. This is the basic form of new service that a company can use. It includes changing the logo and punchline, changing the look and feel of its offices, and changing the design of brochures, ticket vouchers, and uniform of the personnel. Although, these may not constitute a new service, they provide a new look to the company.

Service improvements: The company can also make changes to the service offerings either by adding new features or redesigning the services. For example, it can try to decrease the service delivery time and offer a consolidated billing and accounting service instead of sending an invoice for each travel transaction. Such service initiatives reduce the time and effort of the corporate clients in paying the dues. The company can also offer free delivery service where the tickets are delivered to the client's office and a 24-hour helpline so that customers can be provided better service.

Service line extensions: The company can offer new service products within the same service line. It can offer hotel booking service and car rental services along with the ticketing services, thereby enhancing the revenue and building a better relationship with the customers.

New services for the currently served market: The company can launch new services, such as freight and courier services to the existing customer base consisting of corporate clients.

Major innovations: The company can launch major innovative services that are different from the present service line. It can enter the individual customer market by offering holiday packages and time-sharing packages that appeal to customer segments other than those it is targeting now. It can launch an online travel services site that enables the price matching service.

Answer 53

Use of the Internet as a distribution channel has both advantages and disadvantages. Let us discuss the advantages first.

Lower costs: Primary advantage of e-commerce is the reduction in costs. For example, by introducing online ticket booking, Air Deccan was able to save on the commissions given to the travel agents and its customer service personnel. Banks, by making some of their services online, have been able to reduce the burden on their staff and allocate the time saved in the process, to relationship building activities.

Increased customer convenience: Online services provide a convenient way to customers to avail the services of a service provider. They can transact the business from their home/office without facing the hassles of traveling to the bank and standing in a queue. As the services are available 24 hours, customers can transact at their convenience.

Extensive distribution: Electronic channels also give a wider reach to the company. Customers in remote areas can easily avail the services of the service provider. For example, Indian Railways is offering online ticket booking services to nearly 67 cities and has plans to increase it to 100 cities. This enables lakhs of customers to book tickets online.

Customization: Electronic channels provide another major advantage – personalization of services. The Internet enables the service organizations to provide customized service to their customers. Such a personalized service will enhance customer satisfaction and helps the company build long-term relationships with the customers.

Although there are many advantages, there are some disadvantages of electronic distribution.

Uncontrolled price competition: As it is easier for the customers to make comparisons while shopping on the Internet, it increases the customer bargaining power. Moreover, it is easier for the companies to set up e-commerce sites. These two factors are creating price competition among the service providers. Such a price war will affect the profitability of the service providers.

Customer variability: Due to lack of knowledge and interest, customers may be wary of using the Internet for business transactions. Any service failure or inconvenience caused on the Internet will make the customer dissatisfied and even create a negative perception about the company's service quality. Customers also have apprehensions regarding the security of their personal information such as, credit card details.

Answer 54

By entering the hypermarket segment, WestSide will face competition from not only established players like Big Bazaar and Giant, but also from regional players and local stores. So 'Star India Bazaar' should concentrate on developing a promotional campaign that will create awareness about the hypermarket and ensure a continuous flow of customers. Some of the steps that are to be followed while designing a service promotion are given below.

Who would be the target customers?

First, the company has to identify the customers who should be targeted by the promotional program. Identifying the target customers will help the service provider design an effective promotional campaign. Designing will include taking decisions regarding the theme, the contents of the promotional campaigns, and the media mix to be adopted. Since 'Star India Bazaar' is targeting cost conscious middle class customers, the promotions need to be aimed at drawing the attention of those customers.

What value will be added to the product/brand?

WestSide should also evaluate the value that service promotion adds to the brand or product. For this, the company should consider aspects such as promotional objectives, costs involved in promoting the services, and customer perception about the product or service. As WestSide is just entering the hypermarkets segment, promotional activities should be aimed at creating brand awareness about the outlets. The company should also evaluate customer perception about various promotional campaigns. Based on that information, it should launch promotional campaigns that appeal to the customers. The target customer group consists of middle class customers, and these customers generally prefer price/quantity discounts and free offers rather than activities such as refunds and future discounts or sampling.

The timing and the duration of the promotional campaign

WestSide should also decide on the timing of the launch of the promotional campaign and how long the promotion should run. It has to decide on whether the promotion campaign should be timed with the opening of the hypermarkets or begin a few days after. Another issue is for how long the promotion should continue. If the promotional campaign is run for too long a time, it will not only impact profitability but also the customer interest towards that promotional campaign.

How is the promotional campaign to be differentiated?

With sales promotions becoming a normal fixture in the marketing strategy of every service provider, customers may not show an interest in sales promotions unless they add value or are different from other promotional campaigns. So WestSide should take care that the promotional campaign should be different from those competitors are offering.

Answer 55

Insurance companies usually sell their services through agents and brokers, barring a few big deals that are handled by the company's own personnel. There are various benefits that encourage the insurance companies to adopt such distribution strategy. They are:

Reduced costs: Insurance companies can cut costs in terms of marketing and operational costs by hiring agents and brokers. They will also save on fixed costs as the agent system eliminates the need for setting its own offices.

Large representation: Due to the easy availability of candidates, insurance companies can increase their reach in the market easily. Moreover, as they pay only a commission for the policies sold, it is a cost effective way of distributing their policies.

Knowledge of local markets: Another major advantage that insurance companies gain from this type of distribution is the knowledge of local markets that the personnel will have. They can get access to knowledge of the local markets by recruiting people locally. For example, Metlife an American insurance major that has a presence in India will not possess any knowledge about local markets. This is even more true when it comes to rural markets (the government has set a mandatory policy for private insurers to market a percentage of their policies in rural areas). So by recruiting local people, the company can gain from information that these people provide to the company such as the market size, customer needs and preferences, and promotional strategies.

Answer 56

The company has to align the marketing mix elements with the positioning that the company wants to adopt. Otherwise, the customers may get conflicting messages that may confuse them. Moreover, when the positioning of the service provider does not match the service offering, customers are bound to feel dissatisfied.

The service: The service offering should be in line with the company's positioning. Since the company is operating a hypermarket that is targeted at price conscious middle class and upper middle class customers, the ambience should reflect that image. However, to differentiate it from the competition, the store was designed with an upscale image. Moreover, the company also stored premium products and accessories. This confused customers, who felt that the store was targeted at higher income group people.

The price: The company also didn't concentrate on the pricing aspect, the key element in hypermarket service marketing. The prices were set considering profit margins rather than the sales volumes in order to recover the investments it made in designing the store and locating it in the central business district (CBD) of the city. This made the pricing uncompetitive. Customers who visited the store with the idea that the prices would be very low compared to other stores, had to return dissatisfied.

The location: In order to attract more customers, the store was located in a prime area of the city. This not only increased costs for the company, but also made customers feel that it was an expensive place to shop in.

The mismatch of the services marketing mix elements with the positioning of the store, resulted in the customers receiving conflicting messages. This left them confused and the positioning of the store as a best bargain shop did not go down well with customers.

Answer 57

Relationship marketing strategy involves a company establishing relations not just with customers but others groups in the marketing environment. They include referral markets, supplier markets, recruitment markets, internal markets and influencer markets. The groups that are relevant for 'Food Fest' are:

Customer markets: FoodFest has to primarily establish long- term relationships with customers. The company has to focus on attracting customers and retaining them. As the venture is a star hotel, the target customers will mainly be business people and professionals. To attract this category of customers, the company has to design services that will suit their needs. For example the company should set up all business related amenities such as communication services, Internet services, meeting rooms, printing services and so on. The company should also design and implement other marketing elements such as pricing and promotion that will appeal to the target segment. Apart from attracting customers, the company should also focus on retaining customers by providing high quality service. Regular feedback should be obtained from customers to understand their needs and make appropriate changes in service offerings. This will enhance customer satisfaction and help establish long- term relationships with customers.

Internal markets: Service providers should also pay attention to internal markets i.e., employees of the organization. As employees will be in direct contact with customers and will be involved in the service delivery process, their performance and behavior with customers play a major role in the success of the service provider. So, the company should try to maintain good relations with employees. It should provide

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good compensation; perks and benefits to keep employees satisfied and be encouraged to provide better service to customers. FoodFest needs to set up a performance appraisal system and reward schemes that recognizes and rewards performers. This will help company retain talented professionals. The company should also undertake activities like job rotation and job enrichment to make work interesting for employees and reduce boredom and work fatigue. FoodFest can also conduct frequent employee surveys to understand staff problems and needs. Addressing these will help the company gain loyalty from employees.

Supplier markets: Maintaining good relations with suppliers will help FoodFest cut costs and provide effective customer service. For example, maintaining good relations with food product suppliers will help the company negotiate for competitive prices and obtain quality products. Good relations with advertising agencies will help the company develop effective promotional strategies and build good brand equity among customers.

Referral markets: To develop business, a good rapport with business partners is essential. Business partners include tour operators, travel agents, airlines and existing customers. By establishing good relations with tour operators and travel agents, FoodFest can gain significant business from them. FoodFest can provide attractive commissions and extended credit to these partners to encourage them to refer their hotel to customers. The company can also have cross- selling tie-ups with airlines so that both companies are encouraged to sell each other's service offerings. FoodFest should provide attractive discounts and schemes for existing customers who refer other customers to the hotel.

Answer 58

OSS can take the following service recovery steps to regain customers and change the negative perception about the company among customers.

Track and anticipate recovery opportunities: OSS should be on the constant look out for service recovery opportunities through regular interaction with customers as well as periodic customer surveys. These surveys will help the company analyze and understand service failures and changing customer preferences. Based on this information, the company can rectify its shortcomings in service delivery and reduce service failures. These surveys will also help the company to identify customers who are dissatisfied and are most likely to shift to competitors. This information will enable the company take proactive steps to rectify problems and persuade customers to stay with the company.

Solve problems quickly: The company has to promptly solve problems and address service failures. This will change the customer's negative perception about service quality. The company has to set up a customer care centre that can be reached either through the phone, fax and Internet. The company then has to set a time- frame for employees within which customer complaints are attended to. By rectifying the problems, OSS can improve its chances of retaining customers and preventing them from switching to competitors. The company should also identify a common set of problems and try to find a permanent solution to stop them from recurring.

Train and empower front line employees: OSS has to train its employees and empower them so that they provide quality service to customers. It should conduct periodic training programs to help provision of quality service consistently. They should also be trained in handling crisis situations and be given freedom in taking decisions during service failures. OSS should also institute reward programs that encourage employees to provide service to the customers beyond the call of duty. This will lead to customer delight.

Answer 59

SKB Logistics is providing service to business customers and operating in a key functional area of transporting key components and products to intermediaries and retailers. Popular customer retention strategies such as financial bonds, social bonds and customization bonds may not yield desired results. To differentiate its services and retain customers, SKB Logistics can use the structural bonds strategy. This involves customizing services according to client needs and integrating service with their service delivery system. This involves use of technology and working closely with customers. First, SKB Logistics has to integrate its IT system with the customers IT systems, to enable them to get real time information on their consignment. SKB Logistics can provide prompt and better services to customers.

Another method through which SKB Logistics can establish long- term relationships with the customer is sharing processes and equipment. SKB Logistics can share its best practices with clients so that the latter can benefit from them. SKB can also provide logistics software or hardware systems that can print labels, track consignments, calculate taxes etc, for clients who cannot afford such IT systems either free or for a nominal annual fee. Such strategy will lock in customers with the company's services.

Another way to build a long-term relationship with customers is to make joint investments. For example, SKB Logistics can make joint investments with clients in building warehouses, acquiring a fleet of transport vehicles and managing them. This will helps SKB to lock in customers and develop long -term revenue generating opportunities.

Answer 60

Etrans can accrue various benefits from implementing internal marketing programs. Some of the benefits are discussed below:

Customer attraction and retention: By implementing internal marketing programs, ETrans can create an environment that satisfies employees and encourages them to perform better. Such motivated employees provide superior service to customers and this helps the company attract new customers and retain existing customers. In a BPO company like ETrans, employees play a direct role in delivering services to foreign clients. Therefore, their level of motivation and commitment to the organization determines the quality of service provided to clients. Hence, any lethargy or misconduct by employee will irritate clients and might result in the cancellation of the contract. Therefore, spending some resources on internal marketing – educating and motivating employees – would go a long way in providing better quality services to clients.

Employee retention and motivation: Internal marketing involves creating job profiles, which make it challenging and interesting, creating the right work environment and instituting attractive reward schemes that encourage better performance. Internal marketing aims at communicating company policies to employees and getting their support for them. Thus, employee involvement in decision-making will motivate them and reduce attrition rates. It will also increase employee productivity and loyalty towards the organization. Besides, it would also attract talented prospective employees.

Corporate image: Internal marketing will encourage employees to provide superior service, exceeding customer expectations. Such a committed work force will enhance the image of Etrans among customers. Employees not only spread positive word-of-mouth publicity among customers but also to other groups such as friends, family and media. This enhances the corporate image among various participants in the market.

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Change management: Implementing organizational change programs will be easier through internal marketing, because it involves understanding the needs and problems of employees and designing organizational programs accordingly. Since the organizational change programs will be in tune with employee aspirations, they will automatically be more acceptable. Employees will be willing to participate in these programs as the company has taken them into confidence before implementing the programs.

Answer 61

Designing an effective service delivery processes and setting service standards are necessary for providing superior service to customers, but they are not sufficient in themselves. These have to be implemented and monitored to ensure the desired service quality. A service provider can use the following methods to monitor service quality and take follow-up action if it falls below specified levels.

Conduct customer surveys: Shop n Style has to conduct periodic customer surveys to assess customer perception about the service provided by the company and to identify deficiencies in the service delivery process. It has to administer random customer surveys among shoppers and solicit their opinion. Shop n Style can also gather information by sending mail questionnaires to regular customers and offering incentives on their filling those forms. Another common way to gather information is to send mystery shoppers to all its departmental stores and examine customer service and customer preferences. Based on this information, Shop n Style has to gauge whether service quality is being maintained or not. If there is any shortfall, it can find the cause, the problem areas and remedy them.

Monitor customer feedback: The management should also focus on evaluating customer feedback given in the form of complaints, compliments and suggestions. The company should identify common complaints, evaluate the reasons behind them and try to rectify them to prevent them from recurring. The management should also take special interest on suggestions from customers and implement those which are executable and feasible.

Review Service Blueprints, Problem-Tracking System: A continuous review of service blue prints will also help the company track service quality. A service blue print refers to the process of representing the entire service process in a pictorial form. The aim is to understand the flow of the service delivery process. By reviewing service blueprints, Shop n Style can identify the gaps and problems that it faces or will face in maintaining service quality.

Answer 62

There are various benefits that service providers will gain by setting service guarantees.

Setting service guarantees in place will encourage service providers to understand customer needs and preferences better. To develop effective service guarantees, a service provider should find answers to questions like - which attribute will influence customer satisfaction levels?, What importance the customer attaches to each of the attributes? etc,.

By developing service guarantees, the employer can convey to employees the service standards expected of them. For example, by setting a service guarantee time of half an hour Domino's and other pizza outlets have designed service standards and service delivery process that have to be followed by its employees.

Service guarantees will also result in instant feedback from customers. Setting service guarantees will enable customers to voice their concerns on service failures to the company.

When designed effectively, service guarantees can act as a good service recovery strategy. It is not only a tool to reduce dissatisfaction among customers, but can also be used to delight customers. For example, if Airtel offers the call free if the customer experiences call drop during conversation, the customer will be delighted by the offer. It also enhances the organization's credibility. Service guarantee also reduces the perceived risk among customers regarding service.

The feedback from customers and response to the service offering will help the company track employee performance and the effectiveness of the service guarantee. This acts as an instant check on service quality and gives an opportunity to organizations to fine tune their service offerings and the service delivery process.

Answer 63

A bank can develop long-term relationships with customers by establishing customized bonds. As HNI's are time pressed and have unique needs, they would like banks to provide convenient and personalized service. Thus, banks should tailor their banking services according to the specific needs of each HNI customer. It should assign a relationship manager to look after each customer's needs. This will not only attract the HNI but also enable the bank to better understand customer needs. The bank can arrange home banking services that will suit the needs of this customer segment. These people will also prefer the bank that provides a wide range of services. Hence, the bank should have in its portfolio various services such as investment advice, depository service, wealth management, portfolio management, bill payment service and so on. The bank can also tie up with other companies and provide various attractive services that encourage customers to stick with the bank. For example, it can tie up with various car companies and high- end electronic goods manufacturers and provide special schemes for its customers.

Answer 64

MKS has to consider some of the following factors, that influence the service delivery process, while changing its service delivery process.

Frequency of interaction of service personnel with customers: The frequency with which service personnel interact with customers should be considered by MKS before designing the service delivery process. As sample collection and providing reports are routine jobs, there is no need for service personnel to interact with customers frequently. Hence, service delivery can be enhanced by using advanced technology and proper management. For example, it can use a fleet tracking system to identify the shortest routes to reach hospitals faster and use bar coding for identifying patient samples and easy processing. The reports can be provided online instead of in hard copy, thereby reducing the time and effort required to deliver the reports.

Frequency of service purchases: The frequency of purchase of services by customers will also be a deciding factor while designing the service delivery process. The process for individual customers will vary from that for corporate customers. Corporate customers will avail services more frequently than individual customers. Hence, the personalization and customization levels for the corporate customers should be higher than for individual customers. As MKS target customers are hospitals and are frequent users, MKS has to maintain a database of customers and customize services to the needs of each customer. This will surely help in building a long-term relationship with them.

Complexity of the service: The complexity of the service will also influence the service delivery process. If the service is complex and requires high level of customization, then the service delivery process will take time and effort. As MKS is providing routine services of testing and preparing diagnostic reports, the service requires less time and effort. Thus, MKS can provide fast and timely service to its customers.

Level of risk involved: The risks that customers can face due to service failure should also be considered by service providers while designing the service delivery process. Since MKS is providing critical services of diagnostic reports that will form the basis for the patient's medical treatment, the level of risk from service failure is very high. Hence, MKS should focus on setting up a robust infrastructure and IT systems, which will minimize service failures. MKS should also train its service personnel so that they provide effective and timely service to customers.

Answer 65

Ever since deregulation in 2000, the Indian insurance industry has expanded significantly, especially with the entry of foreign players. Public sector entities too have been able to increase their business volumes significantly. With most of the current players trying to attract customers by offering tailor-made financial products bundled with a host of services, it has become very difficult for these insurance companies to maintain, leave alone expand, their customer base. To overcome this difficulty, most companies have taken to CRM in a big way. They are now focusing on retaining existing customers to improve their profitability by selling a basket of financial products to existing customers with tailor-made options. Companies such as ICICI Prudential Life have focused on maintaining better customer relationships by upgrading customer service. ICICI Prudential Life has developed an extensive customer database that contains all the necessary details about its customers in order to design suitable financial services for them. The database has also helped it to improve service skills and reduce operational costs.

Effective customer relationships have benefited both the company and its customers. The first and foremost advantage is that it stops customers from switching to competitors. If the company focuses on serving customers and maintaining an effective relationship with them, customers will reciprocate over time by purchasing more financial services from these companies. They will also help insurers gain new customers through free word-of-mouth publicity. Therefore, there is less pressure on the employees of organizations to attract new customers. Employees are expected only to maintain and continuously improve relations with existing customers and retain them. Because of the limited work pressure, employee turnover is also lower in these organizations. Therefore, the organizations save a lot in terms of the costs of recruitment and training of employees. Also, once customers choose the services of an insurer on a regular basis, they save on the time and energy needed to analyze the service capabilities of different service providers whenever they plan to purchase a financial product.

Answer 66

Organizations that lay emphasis on customer service believe in concepts like relationship marketing and they formulate their strategies along these lines, while traditional organizations believe in transaction marketing. The strategies of service organizations are centered around building and developing long-term relations with customers whereas companies that take the traditional view focus on attracting customers for immediate business gains. Service organizations formulate relationship marketing strategies in a systematic manner. The steps that ICICI would have followed to formulate the above strategy are:

Mission and Vision: Effective strategy development starts with mission and vision statements which entail the initiation of the strategy formulation for any company. The mission statement acts as a guiding force for developing future plans and strategies. It shows the direction in which the company has to tread in order to be successful. The vision statement explains the objectives of the firm and the position it aims to achieve in the market. ICICI has envisioned itself as a customer-centric banking services provider. The e-portal is a result of this vision.

SWOT analysis: After ICICI had developed an appropriate mission and vision statement, it would have conducted a SWOT analysis. Here the company analyzes its internal strengths and weaknesses along with external threats and opportunities. The company leverages on its strengths to identify the opportunities and utilize them effectively to overcome the threats posed by the external environment. ICICI may have visualized a great opportunity in the personal financial services business and may have wanted to make significant efforts to build strong relations with the customers. In addition, it may have planned to take several other measures like improving the brand image, provide the entire range of financial services, and so on.

Strategy Formulation: As a consequence of providing personalized service to customers, ICICI would have seen an immense opportunity in the Internet and this resulted in the company launching e-portals for various customer segments as part of its relationship marketing strategy to boost business.

Answer 67

All over the world, the railways have been steadily losing their market share, one major reason being lack of customer focus. The segment-wise figures for Indian Railways indicate that a major chunk of the customers that the Railways have lost are customers of the second class mail and express segment. In the freight market, almost half the total freight business comes from transportation of coal. Any reduction in coal transportation will lead to a significant decrease in revenues. So it is essential for the Railways to develop suitable strategies to retain existing customers and its market share.

The customer retention strategies that the Railways can adopt include strengthening relationships with existing customers by offering services at affordable prices and customizing services to suit the varying needs of customers, monitoring relationships on a continuous basis, and providing value-added services. The prices should be linked to the product features for each service product. Indian Railways is currently employing administered pricing for its entire network, but a dynamic pricing mechanism would benefit it as well as its customers.

To develop relationships with existing customers, it is essential to clearly communicate the features of each product to the appropriate customer segment using the relevant media. Suitable brand names can be developed for different service offerings. Customer care is very essential in railways and the service has to vary based on the requirements of the customers. For instance, passengers traveling by second class and general compartments want simple, clean, and hygienic food at reasonable prices rather than elaborately packed food that is priced exorbitantly without any significant difference in quality or service. For upper class passengers, providing value-added services like a complimentary breakfast and connecting transport services with the help of local road transport authorities would help improve customer loyalty. Passenger tickets could be delivered at home for a nominal cost for senior citizens. In addition, corporates that regularly use the freight services could be offered discounts for advertising space in railway stations and goods wagons. Like the airways, the Railways can also give regular travelers additional points on miles logged, which can be converted into free meals or other additional facilities.

The Railways must also increase customer contact by using two-way communication channels and arranging for customer contact programs. Enhanced services in the form of separate cubicles for old and sick passengers would also lead to an increase in patronage.

These are some customer retention strategies that will bring railways out of the red.

Answer 68

Organizations normally tend to bombard customers with excessive information regarding their products and services without pausing to listen to what customers have to say about their products or services. It is essential for companies to know that interaction with the customer starts only after he/she responds to their initial communication. For instance, based on customer feedback, Reliance Infocomm made minor changes in its service offering recently by providing starter kits that consisted of a pre-allocated number and a PIN to help customers activate their handsets. This facility enabled customers to choose their own numbers whereas Reliance cell phones had come with pre-activated numbers earlier. Cellular operators can make such adjustments only when they have systems to receive proper feedback from their customers.

Through their responses, customers may seek additional information or some other details regarding existing services. If the cellular operator provides satisfactory information to the customer, he/she may hire the services of the service provider and enter into a relationship with the company. For example, BSNL, in its effort to stop customers from going over to other service providers, started giving prompt information, to customers who asked for it.

Relationships become successful when the company provides personalized services and develops a relationship with its customers in such a way that the customers have a sense of potential loss in switching to a competitor. BSNL sent mailers to customers, comparing its services with those of other service providers. Since Reliance Infocomm was seen as a competitor to both BSNL's cellular and basic services, it individually mailed charts to customers that compared tariff plans and other services provided by both the players and reinforced the point that BSNL was more economical than Reliance.

Companies have to choose the right kind of customers with whom to build a rewarding relationship, since it is difficult to invest resources for developing and maintaining relationships with all customers. So organizations must focus on existing customers and reassure them that they have indeed made the right decision in choosing them. The communication with customers should be an ongoing process to retain customers and sustain competition. The relationship between the customer and the marketer should be mutually beneficial and companies have to work in this direction to provide the maximum benefit to the customer. It is also essential that customer complaints receive immediate attention from company personnel. Finally, organizations should understand the various requirements of the customers and fulfill them properly.

Answer 69

Data processing companies must bring about changes in their set-up, including back-office operations, to go up the value chain. They may have to consider establishing a solutions portfolio to meet the vast number of needs of a diverse range of clients. For instance, a company might consider having separate business lines for clients having upto 500 employees, for those with more than 500 employees and with less than 1000 employees, and for clients with more than 1000 employees. To successfully undertake these changes, it is essential to implement an internal marketing program.

The components of the internal marketing program are coordination, motivation, information, and education. The internal marketing program starts with the process of attracting and selecting the best possible talent from various sources. Once the human resources are selected, they must be motivated through effective job design and suitable reward systems to bring about effective performance. Training of employees is also an essential component of the internal marketing program. The employees recruited by the company must be made to understand their role in the organization, the importance of that role, and the kind of co-operation colleagues require from them to serve customers effectively. They should also be guided to develop a holistic view of the organization. Since employee attitude plays a very important role in determining the quality of services, the data processing firm should impart the requisite knowledge and develop the right attitude in its employees.

Another essential step in the internal marketing program is to facilitate coordination and cooperation among the employees to ensure better performance. Internal marketing promotes team spirit, which is essential to derive job satisfaction and boost productivity. Employees must be encouraged to participate in the organizational decision-making. This will improve their self-confidence levels. As part of the internal marketing program, the company can conduct special training programs for their employees to help them improve their communication, interpersonal, problem solving, negotiation, conflict management, and coaching skills. Employee empowerment is another prerequisite for the success of internal marketing. The data processing company should give their employees enough freedom to take important decisions when required. This not only helps employees render better service to customers, but also enhances their own self-esteem.

Rewards increase job satisfaction and the morale of employees. They can be either intrinsic or extrinsic in nature. For example, an employee who offers the best customer service at a GE call center receives a letter of appreciation from the head of call center operations.

Two-way communication systems must also be put in place to allow employees to voice their opinions and concerns. Suggestion schemes are useful as well. Many IT enabled service providers like Satyam and TCS have implemented employee suggestion schemes to enhance customer service.

By following the above framework for implementing an internal marketing program, the data processing company can improve customer service and relationships.

Answer 70

Internal marketing can be defined as a process of attracting, developing, motivating, and retaining qualified employees through job/products that satisfy their needs. Internal marketing is concerned with treating employees as customers and then developing strong relations among the staff members. Internal marketing is thus a service organization's effort to provide all its employees with a proper understanding of the organization's mission and objectives and the efforts that are expected of them in achieving the objectives.

As regards the internal marketing at LIC, it could have a policy to monitor the performance of newly appointed managers for a specified period of time, say six months to one year, and then decide whether to retain them or not based on performance. The company can also develop a system of transparency wherein all the employees have the right to provide strategic inputs, which can be considered for future strategic initiatives by LIC. Besides, it can follow certain principles like acknowledging efficient performers through rewards and encourage employees to better their performance. These measures will lead to job satisfaction among the employees and significantly contribute to better customer service and achievement of organizational goals.

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Apart from these measures, LIC could also provide appropriate training to its employees from time to time and put in place a proper planning and control system. These steps would ensure that employees performed effectively, finally resulting in maintaining profitable relationships with customers.

Answer 71

Service providers have realized the importance of customer service for organizational success. The focus of these companies has gradually shifted from the four Ps (product, price, place, promotion) of marketing toward marketing planning. They have begun to reduce their advertising budgets and divert those funds to improve their customer service programs. These programs include customer relationship marketing, customer retention programs, and so on.

A service provider's typical marketing plan begins with establishing the mission statement and corporate objectives. The mission statement must define the purpose of existence and philosophy of the service provider besides providing direction to the management. For instance, the mission statement of Jet Airways is to become the automatic first choice carrier for passengers by offering high quality services to its customers. Once the mission statement has been developed, the service provider must develop its corporate objectives. The objectives should be in tune with the mission statement and become the stepping stones for achieving the mission. The corporate objectives should cover all the vital areas of services like customer service, service quality, profitability, market share, service standards, and so on.

The service provider must next review the internal and external environment by conducting a detailed marketing audit and SWOT analysis, and by making certain assumptions about politico-economic aspects, like government policies and inflation rates, which contribute to the success of the service provider's efforts. The marketing audit should include analysis of market, organizational and environmental conditions and also the competitive scenario. Marketing audit must normally be carried out every year to analyze and solve various problems such as poor sales, underutilized capacity, etc. Apart from this, the strategic positioning of the competitors in the market must be analyzed so that the service provider can develop appropriate counter strategies. Subsequently, a detailed SWOT analysis is carried out, where an analysis of internal strengths and weaknesses and external opportunities and threats is done. The service provider must carry out its SWOT analysis based on the information it has obtained from the detailed marketing audit.

The next step of the planning process involves formulation of the marketing strategy. This involves establishing marketing objectives, developing forecasts, and identifying alternative courses of action. The marketing objectives must be developed based on corporate objectives, which in this case, involve improving relationships with customers.

Service organizations must also forecast demand patterns to develop plans to tackle future demand situations. The management must then analyse the alternate strategies available to select the best course of action. The final step in the marketing planning process is to allocate the necessary resources for the marketing plan and develop processes to monitor and control the marketing plan.

Answer 72

Motivation is one of the key components of the internal marketing system for two reasons. First, it is highly necessary to motivate employees to contribute significantly to achieve the organization's objectives and second, motivation helps to reduce the high employee turnover ratio. Organizations need motivated employees to serve their customers efficiently and to meet the company's objectives. There are several tools

that can help BPO companies to motivate their employees. Traditionally, service organizations used compensation as an effective tool to motivate employees. But in recent times, compensation has proved ineffective as the only motivation tool. This is evident in the BPO industry. Since the attrition rate of employees in the industry is nearly 30 percent, these companies have to constantly try to implement new strategies to reduce the attrition levels. BPO companies have realized that employee needs have been changing over time, and that offering them just an attractive compensation package is no longer an effective retentive tool. Therefore, the focus has shifted to offering non-monetary benefits.

Employees in the BPO industry undergo a lot of physical and mental stress as they work in shifts and a majority of them work at night. BPO managers must therefore, develop policies that strike a balance between reducing the stress of employees and improving their productivity and contribution toward the achievement of objectives. Toward this end, some BPO companies have begun providing future growth opportunities to their employees. For instance, ICICI OneSource has a policy where its employees have the opportunity to join the ICICI group of companies if they have around 1½ years of experience and qualify in certain tests. Other BPO companies like Neil soft have baby care facilities on their premises. Wipro's Spectramind offers a 24-hour medical facility for its employees, apart from providing them with medical insurance. BPO companies operating in metros also provide accommodation for employees.

Providing personalized services to employees has now become the norm in the industry, especially for those companies who see motivation as an essential ingredient in the internal marketing program.

Answer 73

Knowledge management is a process of creating, disseminating, and utilizing knowledge for organizational development. The basic idea of knowledge management is to archive historic information so that such information can be easily retrieved for decision-making whenever such a need arises. Knowledge management helps eliminate inefficiencies in operations in organizations. It is, in fact, considered as one of the essential features to gain competitive advantage in today's competitive world. It also helps organizations coordinate their various activities to provide better customer service. Several companies outside India use knowledge management tools and applications to improve performance. For instance, companies like Boeing and Xerox have saved millions of dollars through knowledge management. Boeing saved around $5 million by developing a database of engineering drawings.

For knowledge management to be successful, the system has to be constantly updated with the necessary information. However, the success of a knowledge management system depends on the willingness of the people involved in maintaining the system. Companies in the service industry can use knowledge management to test the value of services provided to their customers. For instance, in the call center industry, knowledge management is essential since the quality of service provided to the customer counts more than anything else. Earlier, a customer service associate had to manually go through the client's details to answer a customer's query. But technological advances and development of a customer database have now made it possible for call center executives to search for essential information from the knowledge base and respond to the customer quickly and satisfactorily.

Hutch could take up knowledge management initiatives to differentiate itself from other cellular operators like Bharti and Reliance by delivering enhanced customer service. It could use knowledge management tools to deliver focused services and generate better value for its existing subscriber base. KM would help the company identify new business segments, cross-sell and up-sell its services, and identify user

needs in particular segments. KM would also help Hutch create retention strategies and provide its customers with required information in time. BPL Mobile, for example, has already taken steps to implement Business Intelligence to perform customer asset management that will help it to identify customer segments with potential for the company. This will enable BPL to develop the necessary strategies in terms of call plans and other customer services to target this segment. An efficient knowledge management system will also enable Hutch to gather information about caller behavior, usage and payment patterns of its customers. It can use this information to develop services that align with these patterns.

Answer 74

Employee empowerment is an essential component of the internal marketing programs in organizations. Empowering employees involves giving them sufficient authority to take discretionary decisions on their own without consulting superiors. Employee empowerment is an essential building block for a customer-centric organization since effective decision-making is a crucial factor for the success of any organization. Decision-making is not just an activity of the top management in service organizations. Most of these companies expect employees at all levels to participate in the process. It is very important in certain service industries that the lower level employees have enough authority to take certain decisions regarding customer service. For example, a railway reservation clerk should have the necessary authority to allocate lower berths to women and senior citizens when a request is made, rather than have to ask for approval from the concerned officer.

Many companies in IT enabled services have begun to lay emphasis on employee empowerment through a series of initiatives. For example, many of these companies have developed systems such as Enhanced Performance Support Systems, knowledge networks, and customized knowledge portals for every employee and Internet-based learning systems. With outsourcing becoming prevalent, organizations have to take steps to empower employees if they are to maintain customer service standards and provide tailor-made services to individual clients.

Answer 75

There are a few things that a service provider should keep in mind if it intends to offer improved standards of customer service. A service provider should basically recognize that it is not just the point of contact with the customer that has an impact on customer service, but every aspect of business. Services need to be offered prior to the transaction, during the transaction, and also after the transaction. The services can accordingly be categorized into pre-transaction, transaction, and post-transaction services or as pre-contact, contact, pre-delivery, delivery, and post-delivery services. Jagsons Airlines could follow the steps given here to improve customer service:

Divide the basic service into separate service activities: Each core or supplementary service Jagsons provides should be divided into specific service activities. This will enable the management to set the standards for each service activity, communicate them to its employees, and then train them accordingly to maintain standards.

Conduct periodic surveys: Conducting periodic surveys of customers as well as of employees will help the airline understand customer expectations better. It will also enable the management to understand the satisfaction levels of customers where existing services are concerned and thereby to identify areas for improvement.

Provide necessary infrastructure and advanced technology: Good infrastructure and technology enable employees to deliver high quality services to customers. For example, Internet booking offers convenience and speed of transaction to customers.

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Track changes in the external environment: The management should constantly monitor changes in the external environment, like increased competition, technology changes, and changes in customers' tastes and preferences to introduce changes in the organization's service delivery processes.

Many international airlines have made use of these steps to improve customer service from time to time. Airlines like Emirates Airways offer wireless laptop service for its business class travelers. Many airlines also provide SMS and E-mail services along with a phone facility to all passengers. Air Sahara distributes a Happy Day cassette, containing an assortment of nursery rhymes, to children on its flights. Other means of improving service could be free drinks, headsets, fax machines, individual video screens and telephones for every seat, gaming and in-flight entertainment, and special meals for diabetics and BP patients. The airline could also use innovative cargo facilities to screen baggage and directly deliver them to passengers after they alight.

These are some of the services that Jagsons could offer its customers to gain a competitive advantage and a significant growth in sales.

Answer 76

Owing to the intangibility and perishability of services, it is difficult to measure the quality of service being provided. Companies can normally evaluate the service on a functional or technical basis. The interaction between the customer and service personnel is considered a functional component. For instance, an air hostess greeting passengers boarding the flight, ushering them to their seats and factors like these are part of the functional component. The technical component can be evaluated based on the output of the service operation. For instance, if the plane reaches the destination on time, then the airlines is said to have delivered quality service with respect to the technical component.

The measurement of service quality, however, depends on the customers' service expectations. Companies should assess the customers' expectations by asking them to rate the company's performance as compared to their expectations. Improving service quality must be an ongoing process for the firm rather than an occasional one. Companies should try and obtain as much information as possible from customers on various attributes in order to improve their service quality based on customer expectations. Besides these aspects, service organizations also have to focus on obtaining information from their employees because as internal customers, they can provide valuable information for improving the firm's service quality. For example, the quality of service provided at call centers is evaluated on the basis of calls lost due to wrong processing, the response time, number of faults per unit population of customers served, the mean time taken to restore (MTTR) faults, and so on.

Answer 77

Market segmentation is the process of grouping customers on the basis of the common behavior that they exhibit while making purchase decisions. A service provider normally selects a segment that gives maximum profitability with the available resources. The competition in the hotel industry has increased manifold over the years owing to the increased influx of foreign tourists who are very demanding and choosy in selecting a hotel. Therefore, it has become highly essential for new hotels like Sarovar to cater to the specific needs of different target segments.

Sarovar can segment the market either geographically or demographically. Hotels can be demographically segmented based on the type of customers they cater to like the premium segment, leisure segment, and budget segment. Customers can be segmented based on their purchasing power. Hotels in the premium segment are normally 5-star hotels that attract business and corporate class customers, and upper class leisure

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travelers. Hotels in the leisure segment are 3-star and 4-star hotels, that attract customers who want to spend their vacation leisurely along with their families. Hotels in the budget segment cater to customers who travel to places for personal or business purposes. Two-star hotels that cater to the price conscious customers come under this class. Sarovar can position itself in any of the above segments to establish and sustain itself.

Geographic segmentation involves segmenting markets based on the needs of customers living in different geographic areas. Sarovar can establish itself as a hotel catering to tourists or establish itself as a commercial center. Tourist hotels serve those customers who are normally on vacation and visit tourist spots. Commercial centers are hotels that are located in commercial places like Mumbai, Bangalore, Chennai, and Hyderabad and primarily cater to business travelers.

By paying attention to the specific requirements of different customer segments, Sarovar can gain an edge over others and easily improve its profitability.

Answer 78

The UB group has established itself in the spirits industry. However, launching itself into the domestic civil aviation industry will be markedly different as it is a service industry. The major differentiating factors will be people, process and physical evidence which are characteristic of the service industry. However, before discussing the differentiating factors it would be prudent to look at the other contributing factors like product, price, and promotion also.

The product in the case of the new entrant Kingfisher will be the basic facility of safe and on-time transportation. A major consideration is the next factor- place. Place in this case would refer to the various destinations from/to which the airlines will be operating. The company should choose these places strategically so that there is never a dearth of business in those areas. The choice of place would also depend on the availability of airports and the passenger traffic between different routes.

Pricing is not a major concern as the airlines has already positioned itself between low-cost airlines like Air Deccan and high-priced ones like Jet Airways. A combination of leased and purchased aircrafts serves to facilitate such competitive pricing. It is also striving hard to maintain low operating overheads by outsourcing of ground handling with stress on the quality of service and competitiveness. Also on the anvil is the extensive use of IT to bring down costs and allow for constant dynamic models on pricing, aircraft utilization and route planning. Let us now look at the other important contributing factors.

Promotion

Since Kingfisher will be a new entrant into the airline industry, much would depend on how it promotes itself. Unlike the spirits industry which was banned from advertising its products, the airline brand will not have to make do with surrogate advertising. Its "Fly the Good Times" promotional tagline and the competitive pricing will no doubt serve its purpose in attracting the customers. But the company can also go in for tie-ups with companies to ensure that the business never gets reduced sharply. However, the best promotional factor is always promptness and punctuality in service, which leads to passenger satisfaction.

People

People would play a major role in the airline industry. The training of service personnel like pilots, flight attendants, air hostesses and ground staff is very costly and no company can afford to recruit and train new personnel frequently. Hence, the company should ensure that it chooses the right people, trains and retains them. While recruiting, Kingfisher's authorities should ensure that they recruit individuals who are qualified and have a natural flair for working in the industry. It also has the option to attract trained personnel from its competitors. This would help reduce training costs.

Process

Process in the airline industry is important as customer-oriented processes can enhance customer satisfaction. Kingfisher Airlines should try to make use of the latest technology to simplify the various processes related to the service for customers. Online and phone booking of tickets would provide great convenience to passengers. Apart from this, the airlines should also try to use airplanes that are comfortable to travel in and have high safety standards.

Physical Evidence

Since, Kingfisher Airlines is positioning itself in between Air Deccan and Jet Airways; it may not be able to create tangibility for itself only by pricing. However, it can create tangibility by its competitive advantage over its rivals in its processes and the service quality offered by the crew during the flight. Kingfisher can arrange for magazines and other value-added services, at least in the waiting rooms in the airport to help passengers spend their time. It can advertise its punctual service and the satisfaction of its passengers after a comfortable journey in the print and electronic media. The ads can also highlight the ambiance and interior decor in the plane, to provide "physical evidence" to potential customers.

Answer 79

The tourism industry in India has not yet been tapped to its fullest. Tourism is a service industry which can bring in a lot of foreign currency. The company which has won the tender should design the various elements in its service properly. However, the most important decision in this project would be the product decision. These essential elements of a service product have been discussed below.

The Core Product

The core benefit that any service product should strive to provide is satisfying the basic needs of the customer. In this case, the core product of the firm should be to provide the basic facility of a safe and entertaining journey to tourists between the best tourist attractions available in India.

The Actual Product

The actual product represents the tangible features attached to the service. The actual product with tangible features serves as the physical evidence provided to impart some tangibility to the intangible aspect of the service. The firm should therefore try to make the best use of the tangible features to promote the service. The actual product here includes the bogies used for the train, the seats provided, the food served on the train, and the equipment used. Adequate care should be taken of the details such as fittings and design of the bathrooms, dining area, etc. Since this operator plans to attract foreign tourists, the trains should be full of visual aspects that reflect the ethnic culture of India.

The Augmented Product

The augmented product consists of the additional tangible and intangible features attached to the actual product. In this case, the augmented product would consist of the quality of the actual product, the interior decoration and ambience on the train, the delivery services, etc. Since many of the tourists would be coming to India from foreign countries, the company can provide the latest communication facilities onboard. This will enable the tourists to enjoy the trip and be in touch with their families and friends in their home country. These aspects revolve around the core or actual product and serve to provide greater satisfaction to the customer.

The Potential Product

The potential product would consist of the value-added services. These are extensions of the service product which aim to attract new customers. In this case, the firm can provide insurance and medical facilities to the passengers against any unexpected occurrence.

Answer 80

As a new entrant into the industry, FastEX will have two major goals. Firstly, it would like to establish itself in the existing market for which the appropriate strategy would be market penetration. Secondly, it would also want to tap the uncovered markets – rural markets – by developing appropriate market development strategies. Let us now discuss how the firm can establish itself with these strategies.

Market Penetration

FedEx can penetrate the market using various strategies. It can resort to aggressive promotional activities. The firm can position itself in a manner that would appeal to customers. FedEx can place ads in various media that would highlight its competence in delivery. The firm should try to bring in enough tangibility to its service that would serve to attract customers. It can initiate tie-ups with various organizations to ensure regular business. FedEx can also extend special membership promotions and schemes that would eventually lead to greater customer loyalty.

However, the best FedEx can do to gain market share, would be to keep its prices lower than its competitors. This low pricing will serve initially to attract customers, who can then be offered memberships and other promotions to induce them to continue their relation with the firm. Thus, by adopting this strategy the firm will be able to beat the competition in the established market.

Market Development

Since the firm wants to tap new markets, it has to start out by developing the new markets. Before it does this, the firm must decide whether it wants to enter new geographical areas or tap the uncovered segments in the existing market or tap new segments altogether. Since the firm is a new entrant, entering into new geographical areas altogether would be difficult. It can, however, target new segments by reducing prices, improving distribution channels or adopting new channels to improve its service. If it plans to provide courier services to rural markets, FastEX should first understand the unique requirements of rural customers and then design appropriate services.

Answer 81

A new service development is often expensive for a firm in terms of the fixed costs involved. Therefore, the restaurant should analyze carefully the various factors involved when it is trying to expand its services. The various steps in the development of a new service are discussed below.

Generation of Ideas

The firm can get new ideas for development either internally from its management and employees or externally from loyal customers. Let us proceed assuming that after a thorough evaluation of the internal and external sources; the firm has identified the following ideas for its expansion. 'Pick n' Move', 'Home Delivery', 'Outdoor Catering Services', 'Midnight Buffets', and 'Arranging for Birthday Parties'.

Screening

The second stage would serve to weigh the ideas generated from various sources with their compatibility with the present services offered, the present/future demand for the proposed service, the organization's resources, and the time required for launching the

service, and the possible reactions of its competitors. The firm can also evaluate the possible pitfalls in implementing each of the proposed alternatives, and the losses that would arise out of possible mistakes. Let us suppose that the midnight buffets and arranging for birthday parties are not feasible for the firm because of financial and manpower constraints.

Testing the Concept

Each of the ideas generated has its own target market. Hence, the ideas or concepts should be tested to evaluate the reactions of the target customers; only after this is done, should the management decide whether to proceed further with the idea or to drop it entirely. The company can either evaluate the reactions of its target customers through its own surveys, or it can outsource this work to a research organization. Let us suppose that the outdoor catering services, pick n' move and home delivery are the new proposals on the firm's agenda. The firm should next try and conduct a survey on the acceptance of the idea and the business it can get, against the cost it would have to invest in implementing the idea.

Business Analysis and Design of Service

In this stage, the firm has to establish the framework for the marketing mix elements of the ideas that have filtered through the previous stage. This means the firm in this stage, would frame strategies for the various marketing mix elements for the implementation of the newly proposed ideas, namely outdoor catering services, pick n' move and home delivery.

Demand forecasts for the near and more distant future would help immensely at this stage as it would make it easy to evaluate whether to launch the new service. Other factors that would help the firm at this stage are environmental analysis and the competitive strategies of rivals in the field. The business analysis and design of the new proposals should go hand in hand.

Test Marketing

The firm in this stage should test market the new services before it promotes and launches on a large scale at all its restaurants. The firm can select a small target segment and test market the concept at a single outlet to obtain customer feedback. This testing of the new ideas under practical conditions will help the firm to perform pre-launch modifications and to rectify any lapses in the marketing mix elements. After the necessary changes are implemented, the firm should test market the idea once more to ensure its effective functioning.

Infrastructure Development

In this stage, the firm should undertake the necessary steps to develop the required infrastructure for delivering the new service. This would require the firm to hire new personnel and train them, select the distribution channels, develop promotional policies, pricing policies, etc.

The firm can hire new personnel or attract people who have had some experience in similar businesses. The firm can either arrange for own transportation facilities for home delivery or can outsource vehicles from an agency. The firm also has to decide on the pricing strategy whether it should go in for cost-based pricing, or market-oriented pricing, or competition-based pricing.

Launching the Service

This stage would be important for the firm as it would launch the actual service in the market and analyze the various operations in its life cycle to maximize revenues.

Answer 82

Since, the market is already host to other established competitors, the new entrant CallCabs has to design strategies meticulously for each of the stages of its service product life cycle. The various stages in a service product life cycle are introduction, growth, maturity and decline.

The basic strategies in this case would be based mainly on the service product design. The product in this case, is the basic transportation facility. This would require taxis with comfortable seats and punctual service. However, before entering the market, the firm should decide upon the target segment.

Introduction

The firm CallCabs has to plan strategies for this phase very thoroughly. This stage is characterized by high operational costs. This includes the cost of buying the taxis and recruiting drivers. The initial demand for the services of the new entrant may be low, which is why the firm should invest heavily in generating awareness of its services and on promotions. The basic task for the firm in this stage would be to stimulate demand for the new service and also plan to reduce the break-even time. The firm should develop and promote enough physical evidence to establish tangibility about its services and attract customers. For this, the firm can use a slow penetration pricing strategy to gain market share.
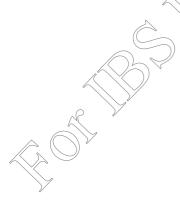
Growth

All the efforts put in during the introduction stage begin to bear fruit in this stage as the firm gains market share. Customers start using the services. At this stage, the firm has to invest heavily in promotional activities. The firm should try to create selective demand with focused marketing strategies. It can tie up with various organizations, such as hotels that outsource transport facilities for official and entertainment purposes for their employees and customers respectively. It can recruit associates who bring in business from railway stations and bus depots and airports. It can arrange for call-up facilities for customers to call up and book a taxi. The firm should paint the contact numbers on every taxi that it owns. The firm should maintain the overall condition of the vehicles and arrange for value-added services like offering free water bottles, comfortable pushback seats, etc. The firm can also provide some magazines and newspapers in the taxis. In the growth stage, the firm sees exponential growth in revenues and profits.

Answer 83

Intangibility of services makes it difficult for service providers to differentiate their services from those of competitors, unlike in the case of product manufacturers who can easily differentiate their product offerings. However, service providers can differentiate their services if they can identify tangible elements associated with service offerings and differentiate those elements in the market. Kotak Mahindra Bank can make use of some of the following tangible elements to differentiate its services.

Service premises: Service providers can use service premises as a tangible element to differentiate their services. This is more so where customers avail of services at the service provider's outlet. Examples include retail outlets, fast-food restaurants, and banks. The ambience of the outlet helps to project an image of the service provider. For example, the shopping ambience in a high-end departmental store should convey an upmarket image. The ambience can be projected with the help of well-lit premises, carpeting, piped-music, neatly stacked product shelves, well-designed floor plan, and a pleasant and refreshing fragrance that pervades the outlet. Similarly cleanliness, hygiene, and orderliness are factors that help create the required ambience and differentiate services. Kotak Mahindra Bank could have good furniture in its branches, provide well-lit premises with ample parking space, and create a uniform decor in all its branches. It could also place attractive neon signboards to help customers find their way about in the bank.

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Service personnel: Service providers can also differentiate themselves through the behavior and appearance of their service personnel. Employees could have a particular dress code and be trained to interact pleasantly with customers and handle customer complaints as well as orders. This helps make customer interaction more productive. In the case of Kotak Mahindra Bank, customer service personnel in all its branches could have a uniform dress code that helps give them a distinct identity. A centralized training program about aspects of interacting with customers, handling queries, and attending to customers' complaints and grievances could be developed. Some of the other banking processes could also be standardized to provide services to customers effectively and efficiently.

Tools and equipment used: Another tangible element that service providers can use to facilitate customer service is in the form of the tools and equipment used to provide services. Kotak Mahindra Bank could make use of the latest technology and equipment in providing banking services and thus differentiate itself. For example, it can set up ATMs and information kiosks within large retail chains like FoodWorld or Shoppers' Stop.

Customers: Service providers can also differentiate their services depending on the customers they cater to. For example, a retail outlet can cater to the needs of a particular customer segment, thereby differentiating itself from competitors. It is easier to understand the needs of a particular segment and develop specific services than to cater to different segments of the market. Developing tailor-made products will enable the service provider gain a larger market share in that segment and improve customer loyalty. Kotak Mahindra could plan to cater to specific target segments and develop financial products accordingly. This would help it cater better to these segments and gain a loyal customer base.

Convenience: Service providers use convenience as an element to differentiate their services. By offering convenient and hassle-free services, many service organizations have gained a market share as well as a mindshare of customers. Dominos is one such retail chain, which started operations with an offer of free and guaranteed time-bound home delivery of pizzas to its customers. This helped it to successfully differentiate its services from those of competitors like Pizza Hut. Kotak Mahindra Bank could count on convenience to penetrate the financial services market. It could offer value-added services like instant account opening, secure and free home delivery of cash and checks, any branch banking, online banking, electronic fund transfer, and free guidance for investments. These services would help the bank offer convenient and hassle-free banking to all its customers.

Answer 84

The services marketing triangle consists of three interlinked groups, namely the company, the front-line employees, and the customers. The interaction between each of these constitutes three marketing components – external marketing, internal marketing, and interactive marketing. The UB Group must consider all the three interaction points and plan its service delivery process accordingly.

External marketing: External marketing constitutes the interaction between the company and the customers. This involves all strategies and activities developed to influence customer expectations and guarantee service quality to customers. External marketing can also be viewed as any communication effort by the company to customers before actual service delivery. The UB Group must devise ways to create awareness and promote its airline services

Internal marketing: The interaction between the company and its front-line employees constitutes internal marketing. This interaction is important as front-line employees play a major role in delivering the promised service quality to customers. Internal marketing is aimed at communicating and making the front-line employees deliver the promised service quality. The UB Group has to devise processes that will help in effective communication with employees, so that they can provide effective and efficient service to customers. It must be able to constantly motivate its employees through two-way communication channels that involve constant interaction of the top management with employees and getting feedback as to how existing services can be improved. The UB Group must constitute reward programs such as performance-linked incentives to encourage employees to perform better. Arrangements have to be made to provide the latest and most relevant technology and equipment to employees so as to offer effective and efficient service to customers.

Interactive marketing: Interactive marketing constitutes the interaction between the front-line employees and the customers. This may involve mutual interactions between front-line employees and customers before, after, and during the point of sale or service. The interaction can be either informational or involve actual monetary or physical exchange. This is the most important component of the service triangle since it is at this stage that direct interaction takes place between the employees and customers. If the front-line employees deliver the quality of service promised by the company, customers will be satisfied. This will help establish a long-term relationship with customers. However, if the service personnel are unable to deliver the promised service, then customers will be dissatisfied. It is therefore obvious that front-line employees are most crucial at this stage.

All three marketing components are important for the UB Group to effectively deliver services to customers. However, service promises made in external marketing should match service promises actually delivered through the interactive marketing stage. Mr Sinha was reported to be worried about this aspect. To avoid this kind of problem, service personnel need to be well-equipped and trained to deliver the promised service quality and build customer relationships. Thus, Mr Sinha has to ensure that all three sides of the service triangle are properly aligned.

Answer 85

Pharma retailing in India is estimated at about Rs 30,000 crore. This can be gauged by the fact that nearly 15 per cent of the 51 lakh retail stores in India are chemists. Some of the companies that have entered this segment are Dr Morepen (with Lifespring and Tango), 98.4 from Global Healthline Pvt Ltd, and CRS Health from SAK Industries. Every organization in an industry tries to increase its margin by using its market position and negotiating power. Pharma retailers can analyze the value chain by analyzing the value added to the service process till it reaches the end customer. If the service adds very little value to the customer, it is said to be at the lower end of the customer's value chain. On the other hand, if it adds great value to the end-customer, it is said to be at the higher end of the value chain.

Pharma retailers have to provide a range of value-added services to get customers to shift from traditional pharmacies and chemists. They can provide value-added services such as home delivery, maintenance of prescription records, and reminder services in case the consumer forgets to replenish his medical requirements. Since there are different areas in healthcare like diagnostic, preventive, and health enhancement, retailers can take measures to stock products in each area. For example, pharma retailers can have a special diabetic care section and a section for self-diagnostic equipment like thermometers, BP machines, and pH papers. In addition, products under natural foods, baby care, skin care, and even toiletries can be stocked. Retailers can also leverage on their negotiating and bargaining power with manufacturers and create a better customer value proposition with lower prices. Besides, retailers can assure consumers of the availability of genuine medicines along with guarantees

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regarding issues such as expiry of drugs and billing. Another advantage that a retailer can provide is the availability of the brand given in the prescription. Normally, consumers who visit a chemist are normally offered a substitute brand (which brings in higher margins for the chemist) presumably due to its unavailability. Tango, the pharma retail chain of Dr Morepen, has already taken steps to provide value-added services to its customers. The outlets provide health services such as a health bar, fitness centre, beauty parlor and a spa, apart from a pharmacy and other health and beauty related products.

However, while enhancing the value proposition, pharma retailers have to remember that such additional services and the shopping ambience can cater only to the upper and upper-middle class segment.

Answer 86

Yield management is also known as revenue management. It aims at earning the highest possible revenue in capacity-constrained services through the service-provider's operations. The yield management process consists of the following steps.

The first step is to segment the market based on customer needs and their ability and willingness to pay. Further, companies can segment the market based on price. Media buyers like Mindshare can segment their clients on the basis of industry. They can purchase ad spots in different channels based on the industry segment to which their clients belong. For example, if companies like Perfetti are its clients, Mindshare must book advertising slots during children's programs on different channels. If the company has a client like Hindustan Petroleum, it must book slots before programs like 'The Road Show'. In addition, for certain high-value segments like durables, companies need continuous advertising slots since maintenance of sustained consumer interest levels is necessary.

The second step involves collecting information that helps service managers identify the highs and lows in demand to help them to efficiently match demand with supply. This may require an in-depth knowledge of sales, seasonal patterns, and patterns of customer purchases. For example, summer is a peak time for soft drink manufacturers while the period between summer and the festival season (Dassehra and Deepavali) is off-season for consumer durables and soft drinks manufacturers. A proper awareness of these aspects will enable Mindshare to buy ad spots in different channels beforehand and cater to the demands of clients accordingly.

The third step takes advantage of the customers' varying needs by setting different prices for the same service. Efficient pricing requires knowledge of statistical methods that help in determining price points, their cut-off points, and the advertising slots required at each price point. However, the success of these pricing strategies would depend on the organization's managers' efficiency in accepting the relevant demand that would maximize revenue. For example, if a channel network is planning to launch a host of new programs, Mindshare can sell these ad slots at a premium instead of at the standard pricing. The same is true in case of events like the cricket World Cup.

The final step in the revenue management process is that these pricing strategies should be properly communicated to the company's clients to enable them to undertake media planning. Mindshare must be able to convince its customers through its services that it is worthwhile paying the extra money for the kind of promotion they receive.

Answer 87

With the advent of fee-based revenues, advertising agencies like Contract must improve its pricing strategies in such a way that they will reflect the value delivered to the customers. For selecting the appropriate pricing strategy, Contract must be able to determine what constitutes value for its target customers. It should then communicate

this value to the customers through its pricing structure. Contract started Core Consulting to provide a range of additional services in sales, marketing, distribution, and portfolio management. Advertising agencies such as Lowe with Lintertainment and Leo Burnett with Leo Entertainment have entered the area of offering branding services to the entertainment industry to pep up their value-added services.

There are different pricing strategies that Contract can use to create and communicate value to the customers. These strategies can be used either in isolation or in combination. It may include satisfaction-based pricing, relationship pricing, or efficiency pricing.

Satisfaction-based pricing: Contract can adopt this pricing method to remove the uncertainty in the minds of customers caused by the intangible characteristic of media services. For this, the agency can adopt benefit driven pricing or flat rate pricing. Benefit driven pricing enables customers to derive the maximum value from the manner in which they use the service. For example, a client can use Contract's sales and marketing consultancy to launch a new product, to develop a promotional offer, and so on. Flat rate pricing can be used when the ad agency cannot develop a predictable pricing structure and where the costs are inefficiently managed owing to the labor-intensive nature of the business. Contract should adopt flat rate pricing only if it has -- a competitive flat rate to attract customers, an efficient costing system that provides a cushion for unanticipated costs, and extremely good relations with clients.

Relationship pricing: Contract can adopt this type of pricing strategy if it intends to maintain healthy relationships with clients and retain them over longer periods. This pricing can also be used to attract new customers. Such a pricing can assure Contract of repeat business. The clients are also benefited in the process as they find a dependable ad agency. However, Contract must closely analyze customers' needs and competitors' moves to decide on the incentives it would like to offer to the customers. Long term contracts and price bundling are two methods that it can follow under this strategy. In long-term contract pricing, service providers often offer price and non-price incentives to customers for entering into long-term contracts with them. Price bundling is offered when two or more services can be offered at a time to customers. For example, Contract can offer account planning services and also sales and marketing consultancy services through Core consulting. This enables it to reduce the costs involved in delivering the second service to its client. Further, it offers convenience to the client in terms of time and energy needed to visit another ad agency.

Efficiency Pricing: Efficiency pricing is based on understanding the nature of costs, monitoring them, and trying to decrease or eliminate them wherever possible, so that the savings can be transferred to the customer. This method analyzes each activity involved in service production till delivery and tries to restructure activities so as to reduce costs and drop activities that do not add value to the customers. Many ad agencies use different in-house tools to reduce prices and increase efficiency. For example, Mindshare, a media buying agency, tries to improve the returns on media investment for its clients by using ATG (Advanced Technique Groups) and MCI (Media Consumer Insights), its proprietary research tools.

Answer 88

Whenever service organizations diversify into other areas, there are chances of conflict arising within the organization as well as with customers. This is widely prevalent in the manufacturing sector but difficulties arise in identifying it in the services sector due to the intangibility of the service. Conflicts are generally classified into individual-role conflict, customer-employee conflict, inter-employee conflict, client-organization conflict, and inter-client conflict. As Mr. Ram Kumar says, Genesis also could face some of these conflict situations. The conflict situation could arise either at the customer end or it at the employees' end.

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Customer-organization conflict: While adding a new service line, one must consider how it may affect the existing service offering. Genesis' diversification plan may lead to dissatisfaction among customers. The BPO center, for example, may assure the customer of a service that is not possible for the software division to perform. The customer then ends up dissatisfied, since he/she views both divisions as part of Genesis and not as independent entities. This kind of conflict can also occur in the case of consultancies that have both audit and consulting services. The advice given by the consultant on investment aspects may contradict the views of the auditor on taxation aspects. This could lead to mistrust between the agency and the client. Consultancies at Wall Street have, in fact, ensured that their research divisions are independent of their investment banking divisions to avoid such customer-organization conflicts.

Inter-employee conflict: Diversifying involves new employees in the new division. Genesis can avoid conflict if it can attract employees similar to its existing ones. But the kind of educational backgrounds, salaries, and incentive schemes of BPO employees are very different from those of software employees. This could lead to comparisons between employees in the two divisions, leading to inter-employee conflict. For example, GE failed when it tried to diversify into investment banking primarily because that culture was very different from its existing one.

Genesis must keep in mind all these aspects if it decides to go ahead with its diversification plans.

Answer 89

Service processes are characterized by their complexity and divergence. Complexity refers to the number of activities in a service process whereas divergence determines the extent to which the delivery process deviates from standards. A service provider can change his service positioning by altering the existing structure of the service process. There are four ways to alter the structure – increase complexity, decrease complexity, increase divergence, or decrease divergence. Since Comtec is a well-established player providing soft skills training to a number of organizations in different segments, it can change its positioning to improve profitability by providing more customized training services to specific markets. To do this, it must either reduce the complexity of its service process or increase the divergence.

Reduced Complexity: This strategy aims at specializing in certain service processes rather than concentrating on a wide range of services. Reduced complexity aims at decreasing or cutting down the number of functions or activities involved in a service process, enabling Comtec to focus on a few service offerings. This, in turn, allows it to reduce costs and distribute and control the service easily. The objective of this positioning is to enable Comtec to be viewed as a soft skills training specialist for certain segments. For example, Comtec can focus on soft skills training for the BPO industry. Aptech, for example, positioned itself as a specialist course provider for the call center industry with its ACPG call center course. This course helps students achieve domain specialization in customer support services.

Increased Divergence: This strategy increases flexibility in operations and customization of services and will enable Comtec to tap a niche market and create a loyal customer base. The repositioning will also help Comtec to charge premium prices from customers and earn bigger margins.

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Answer 90

Rewards can be either intrinsic or extrinsic in nature. A reward is said to be intrinsic if it cannot be seen or experienced by others except the employee who receives it. Intrinsic rewards result in internal satisfaction to those employees who receive them. Extrinsic rewards are tangible in nature and are normally under the control of the organization. They include promotions, bonuses, salary hikes, and ESOPs (Employee Stock Option Plans).

For instance, the employee who offers superior customer service at a GE call center receives a letter of appreciation from the head of call center operations. Max New York Life has a Life Fun and Youth Club (Lyfun) that gives prizes to employees who do up their workstations artistically. Keane India Ltd, an IT solutions and services company, conducts 'Open House' to recognize people's talents and reward members of projects that have gained the most appreciation from customers.

Rewards can also be classified as financial and non-financial. Financial rewards are those that are received in monetary terms. They include bonuses, annual incentives, and ESOPs.

Non-financial rewards are intangible and are paid in kind. For example, the service organization may pay for the membership of an employee in a prestigious club.

Rewards increase job satisfaction and boost the morale of employees. Service organizations cannot enjoy employee loyalty and commitment if they do not have a proper system to recognize, measure, and reward employees for their service to customers.

Answer 91

Pricing strategies can be quite confusing in a competitive market. There are basically three approaches to pricing namely cost-based pricing, market-oriented pricing and competition-based pricing. Cost-based pricing consists of cost-plus pricing, contribution pricing and working back method. Demand-based pricing consists of market skimming, penetration pricing, price discrimination, pricing to meet customer expectations, and discount and sales. Competition-based pricing consists of destroyer pricing, going rate pricing and close bid pricing. Let us analyze which of the above strategies would benefit the firm in the different stages of its lifecycle.

Since 'Call Us Cabs' is a new entrant into the market, it cannot go in right away for cost-based pricing. Because there is intense competition in the market, it has to create demand for its services and go in for demand-based pricing. The firm has different options under demand-based pricing as mentioned above. In market skimming, the firm has the leeway to charge higher prices than competitors owing to the provision of unique services.

Once it gets a foothold in the market, it should expand its customer base by providing value added services. 'Call Us Cabs' can develop a separate fleet of high-end cars to attract upper class customers and foreign tourists. This will enable the firm to go in for prestige pricing.

Answer 92

Consumer buying behavior is influenced by both consumer related factors like perception, moods, and emotions and service provider related factors like service quality, service experience, etc. But in addition to these two factors, there are some external factors that influence consumer buying behavior. They include culture, sub-culture, social class, reference groups, and family. An awareness of these factors will enable service providers develop means to influence customers in their favor.

Culture: Culture consists of beliefs, traditions, habits, and values that influence the behavior of a majority of people in society. Culture influences the way consumer's judge and avail of services. It also influences how service providers design their marketing strategies and how service personnel interact with consumers. For example, North American and European societies are deemed to have individualistic cultures, which lay emphasis on independent relationships and achievement of personal goals. An insurance service provider who develops a family insurance product in the US is, therefore, likely to fail. Asian and African societies, on the other hand, are considered collective societies that give more importance to interdependent relationships and group goals.

Social class: Social class refers to the level of society to which an individual belongs. Generally, there are three types of social class that service providers must consider. They are higher income group consumers, middle income group consumers, and lower income group consumers. So service providers can design strategies depending on which group of consumers they are targeting. For example, Air Deccan's target segment is the upper-middle and middle class consumers who are value-conscious. Its promotional strategies, therefore, highlight its value-for-money service.
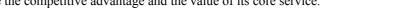
Reference groups: A reference group can be defined as a group of people whose influence plays some part in the buying behavior of consumers. Individual consumers look to the reference group for cues and try to base their purchase decision on the actions and opinions of the reference group. For example, HLL was among the earliest companies in India to use film stars to promote its products. Service providers like ICICI have imbibed this aspect of consumer behavior where they associate their products with relevant reference groups for promotion.

Family: Sometimes the consumer is not the only individual who decides on the purchase decision -- family members are also involved. Family members play various roles in the consumer buying process. They include those of the *initiator*, who gets the idea of purchasing a product, *information provider,* who collects information regarding the product, *influencer,* who influences the purchaser in deciding the product, *decision maker* who takes the final decision, the *purchaser*, who purchases the product, and the *consumer,* who actually uses the product. Service providers can target any of these groups to influence the buying process of the target segment.

Answer 93

It is important for tourist operators to provide supplementary services in addition to their core services to enhance the value of their core services. Tourist operators operate in a highly competitive environment and supplementary services helps differentiate services from competitors. Tourist services are usually divided into transportation, accommodation and sightseeing, Cisco Travels could offer supplementary services like insurance coverage and medical facilities to its customers for the entire duration of travel. Tourists look for the best deals while hiring the services of a tourist operator. Hence, rather than providing clients mere accommodation facilities, Cisco Travels could negotiate a good deal with hotels for simple and cost-effective accommodation and offer it to their clients. Besides, Cisco can provide customized solutions - suggest the best tourist spots to the customers based on their budget, help them select travel routes that reduce overall travel costs, offer cancellation or postponement facility with minimum or zero cancellation charges etc. Additional supplementary services could include free pick-up/drop facility from/to airports and railway stations, provide information on local weather conditions and places of interest, arrange personal photographers or guides and provide maps of the visiting places.

In this way Cisco Travels could provide innumerable services to clients that would increase the competitive advantage and the value of its core service.

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Answer 94

There are three main intermediary management strategies that service providers adopt in managing intermediaries. They are control strategies, empowerment strategies, and partnering strategies. Control strategies are mainly aimed at making intermediaries adhere strictly to the service standards that the service provider specifies. But this strategy may not work in the case of American Pizzas since stricter rules and tighter control will further demotivate its franchisees. Besides, it would not be cost effective.

American Pizzas could adopt the partnering strategy to improve motivation and service standards. In a partnering strategy, the service provider partners with the intermediary in understanding customer needs and expectations and together they develop service offerings and marketing strategies.

The empowerment strategy also is well suited for American Pizzas to improve its franchise operations in India. The strategy would enable American Pizzas to motivate its franchisees to perform better as well as control the operations through providing assistance to them. There are three major activities involved in effectively implementing the empowerment strategy. They are: enabling intermediaries to develop customer-oriented service processes, providing required support systems, motivating intermediaries to deliver consistent quality services, and adopting a cooperative management structure.

American Pizzas could offer information regarding the best practices in customer service and pizza delivery. Franchisees could make use of this information to improve their service standards. American Pizzas could also offer the necessary support to franchisees in managing their operations. It could offer its support in setting up a centralized supply chain of raw materials to cater to the needs of all franchisees in the country. This would not only help reduce costs but also enhance the quality of the pizzas. This kind of support would motivate the franchisees to perform better as well as maintain high customer service standards. American Pizzas could also conduct training programs for the personnel of franchisees to help improve service standards.

Answer 95

AskMe offers various services related to customer relations such as marketing, customer support, and transaction processing services. These services involve the continuous interaction of personnel with customers since clients demand 24x7 supports from service providers. Such demanding requirements force BPO companies like AskMe to plan and mobilize their resources to meet such demands. In this process, service personnel may face many problems. Common among them are:

Stress and burnout: Since service personnel in a BPO company are in constant touch with customers, they may face stress and burnout. The tasks are routine and have to be attended to continuously, customers behave in different ways, and service personnel may have to handle irate customers. If the personnel regularly experience such conditions, they may experience stress and burnout.

Multiple job-roles and responsibilities: Depending on the requirements of clients, a BPO segregates its processes into inbound, outbound, and so on. BPOs regularly shift personnel from one process to another. For example, a service person who is handling customer calls may be assigned to transaction processing. Since most of the service personnel working in BPO companies are either inexperienced or have little experience, they may not be able to cope with such variations in the job profile.

No defined working hours, breaks for relaxation: Due to the resource crunch and clients' demands, service personnel in BPO companies often work overtime. As a result, they often end up without any definite working hours. This increases stress and serves to demotivate them. When such demotivated employees respond to customer queries, the company's relationships with clients and end-customers could be affected, due to lack of efficiency and accuracy in providing the requisite information.

Answer 96

Attracting and retaining human resources is crucial for an IT-services company. The company must ensure that good HR systems and practices are put in place to attract the best talent and retain them. Infoway can use the following people strategies in order to become the best employer.

Motivation: Attracting the best talent is not enough for a service provider if it wants to become the best employer to work with. The employees also need to be highly motivated to offer better services to the customers. Infoway could take various steps to motivate its existing employees. These include instituting incentive schemes, empowering the employees, and improving the work environment. A company can empower employees by offering challenging work, which makes their job interesting. Offering freedom in taking decisions regarding work would also motivate employees to be innovative and perform better. Compensation is another factor that influences motivation levels. Providing the best pay and rewards will keep employees satisfied and motivate them to perform better.

Training: The success of many service providers can be attributed to their good employee training programs. Training programs equip employees to perform their work better and to handle difficult and complex situations. Infoway needs to have good induction programs to help newly recruited personnel understand the company's vision and their work profile. It should also conduct periodic training programs for existing personnel so that they are up-to-date with the latest developments in their fields.

Retaining: Retaining the best talent is a difficult task for any service provider as these people are most sought after in the industry. Infoway faces the same problem and should try to guard these assets carefully. It can take many steps to retain the best employees. These include creating a better work environment, offering flexi timings challenging tasks, performance-based pay, and so on. Another way to retain employees is by recognizing and rewarding the best talent. The company should offer growth opportunities to deserving employees and reward them generously. For this, a good performance management system that will help identify and retain the best talent should be in place.

Answer 97

Service delivery often involves live interaction between the customers and the service personnel. Sometimes, the customers may seek a slight modification or a significant change in the service offering. The service provider should plan for such contingencies and prepare in advance to cater to such customer demands. In case the customer feels dissatisfied with the service quality or delivery, he may complain and may also demand a refund of the service charges. Service personnel should be trained to deal with such situations.

Service providers usually face some of the following exigencies:

Special requests: A service provider who provides a uniform level of customer service may have a customer suddenly ask for a modified service. The service provider must be able to readily make the desired change or offer a clear and logical explanation for his inability to offer the desired service.

Providing solutions: Sometimes, service personnel may have to face the wrath of customers owing to systems failure, introduction of new and unfamiliar equipment, or the lack of adequate employees to render the service. They should understand the customers' concern, maintain their equanimity, explain the problem, and ensure immediate corrective action.

Handling customer comments: Customers who face problems during their service experience with the organization may want to complain about it to the management. Some customers, who find the service average and see scope for improvement, may want to make suggestions. Others who are extremely happy with the service may desire to compliment the service personnel and the management. Service personnel should ensure that the suggestion, complaint, and compliment books are made easily available to customers to enable them to make their comments and express their opinions. For example, most star hotels provide feedback forms in the hotel rooms for customers to express their opinion on the services offered. Similarly, service personnel in restaurants submit a feedback form for customer comments, along with the bill.

Restitution: In some rare cases, service providers may completely fail to provide the promised service to customers. In such cases, the customers expect the service provider to not only refund their money but also to compensate them in some form for the inconvenience or loss caused. For example, when a tourist is denied accommodation in a hotel due to unavailability of rooms in spite of booking in advance, he will expect the hotel to refund the charges and also help him find alternative accommodation.

Service providers who plan in advance to face the above contingencies can gain customer loyalty and use customer service as a competitive advantage.

Answer 98

Any organization that intends to focus on customer service must have an understanding of the different service processes available, and their applicability to different areas of business. Many business decisions, like layout, equipment selection, hiring service personnel, etc., depend on the type of process chosen. Primarily, there are two types of service processes – Line or assembly manufacturing and job shop process. The type of manufacturing process that Keystone Engineering Company currently uses is the Line process. In this type of process, the activities required to produce and deliver a service are arranged in a logical flow or assembly line. There has to be high coordination among the personnel and speed of operation if the process is to run smoothly.

Keystone must keep in mind many aspects regarding the use of technology, people, materials, and equipment while purchasing the software. Most decisions are taken while planning the service process, which is in turn determined by the type of service offered and customer requirements.

Technology: Keystone needs to look into different aspects of the available technology and the extent to which it needs to be upgraded for delivering the desired services of the expected quality to customers.

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Conversion process: Keystone must choose software that will help in converting inputs into the desired output from the pool of alternatives available. The choice should be made based on the organization's ability to bear the costs involved, customer preferences, the service quality level offered by each software, the user-friendliness of each alternative, and the speed at which it will deliver products to the customers on predetermined delivery dates, thus reducing cost overruns.

Equipment and process flow: Keystone must also opt for a software package that is compatible with the machinery and other systems in the line process. It should analyze the extent to which the software is useful in the manufacturing process by comparing its operating costs with the resultant benefits and also assess the knowledge needed by employees to work with the new software programmed machinery. The analysis will help it choose the right equipment, if necessary, for the new software.

Service personnel: Service personnel play an important role in production and delivery of services. In fact, they provide a competitive advantage to the service provider. Keystone should therefore be careful to hire the right people in terms of qualification and skills to operate the new software. Otherwise, the company must continually train and develop current employees to motivate them to deliver the best quality service in terms of delivery of aerospace equipments.

Layout design: Another aspect that Keystone must keep in mind is layout. Layout involves decisions regarding both the production process and front office layout. An ideal design uses the space available to the maximum extent, minimizing the movement of goods/people, and increasing convenience. The company must decide whether the existing layout has to be changed, when selecting the software.

Organizational structure: Finally, the company must ensure that the software complements the organizational structure. Decisions relating to organizational structure determine the extent to which processes need to be standardized, whether an informal or formal organizational structure is to be adopted, and whether decision-making has to be centralized or decentralized.

Answer 99

Hyundai plans to adopt the mass customization strategy to meet the individual customer's needs. Using this strategy, a product is manufactured or a service offered using flexible processes, without foregoing the advantages of mass production, and it is done in a cost-effective manner. This requires modifying product structures and adopting new technologies. In order to effectively redesign the processes, products, or business units for mass customization, companies can follow any or a combination of the four approaches to mass customization. They are: collaborative, adaptive, cosmetic, and transparent customization.

Collaborative customization: This type of customization aims at helping customers who are not comfortable with selecting from a wide variety of options. Companies that adopt the collaborative approach conduct interviews in the first phase. The second phase involves identifying the company's products or services that can fulfill those needs. The final phase involves designing customized products or services for the customers, if there are none in the existing portfolio.

Adaptive customization: Companies that offer adaptive customization develop a standard product or service that customers can alter to suit their specific needs.

Cosmetic customization: Companies that adopt cosmetic customization offer the same product or service to all customers, but with a different packaging that is chosen by the individual customers.

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Transparent customization: Companies adopt this type of customization when customer needs are predictable and customers are not willing to express their needs repeatedly.

Hyundai must consider certain aspects before adopting mass customization. This will help it cater to the customer needs effectively.

- It must first understand its customers' opinion about customization of products or services. If customers are not keen on customization, then it needs to think over its decision to customize its production.

- Hyundai should assess the ability and the extent to which the existing processes and technology can offer customization. It should estimate the need for any further investment to modify the processes in the future.

- Hyundai should also analyze the information available regarding customer needs and the marketing department's ability to cater to these. It has to assess the process design and the company's capacity to turn customer needs to actual specifications.

- Hyundai should evaluate the degree of flexibility in its existing systems to accommodate mass customization according to the type of car model.

- One company's mass customization strategy may not suit another. Therefore, Hyundai should customize its strategy to suit its customers, production capacity, competitive situation, and the new technologies available to it.

- It is advantageous for Hyundai to analyze if it is the pioneer in the automobile industry in adopting mass customization. If so, it should also estimate how much time its competitors will take to catch up. In addition, it must assess the advantages and disadvantages of being the first-mover and also assess the reactions of its competitors' customers.

- Hyundai should assess its culture and internal resources to adapt to the changes brought in by adopting mass customization.

Answer 100

With cut-throat competition in the cellular industry, it has become very difficult for cellular operators to maintain their customer base and profitability. Tariffs have lost out as a means of differentiation and companies are looking at other avenues like business applications to win over customers. The first step toward differentiation is to decide the number of benefits and attributes on which the firm wants to differentiate its products/services from those of its competitors. Hutch can achieve a differentiated competitive advantage when its customers perceive that the service it is offering is different from that of its competitors on the basis of any of the elements of the marketing mix -- product/service, price, promotion, and distribution. Hutch has to meet the following criteria to differentiate itself from competitors.

Important: Customers in the target group must view the difference offered by the company as very important and attach high value to it.

Distinctive: The product/service attribute that Hutch offers must not be offered by its competitors, or the value of the differential attribute offered must be unique when compared to those offered by its competitors.

Superior: The offering should be such that it must be an obvious choice for the customers to opt for since no other firm offers the differential benefit in such a way.

Communicable: Hutch must be able to easily explain and communicate the differential attribute to its customers.

Preemptive: The difference offered by Hutch should be such that competitors cannot copy it easily.

Affordable: Customers should be able to pay for the difference in service/product being offered.

Profitable: Hutch must be able to offer the differentiating aspect to customers without losing out on its own profitability.

Offering differentiated services to customers is a major challenge to cellular operators because of the intangible nature of services. Companies have therefore begun offering tangible services to customers to go up the service value chain. One of the many ways by which Hutch can differentiate itself from competition, ensuring that the differentiating variable meets the above criteria, is by focusing on business applications. Business applications of its services can be an effective differentiation variable that ensures a larger customer base, since it entails bulk usage by corporates.

Hutch can think of targeting certain sectors of the industry: Bharti, for example, has focused on the transportation industry. It has developed a vehicle-tracking project for a Bangalore-based company where the company can locate its stock in transit with the help of Airtel mobile phones fitted onto its vehicles.

Hutch can also target specific organizational functions: Bharti has also developed a mobile application for sales-field automation. Here the customer's Web-based applications and ERP systems are put on a wireless platform so that the company's field force can have access to information on their AirTel mobile connections.

Hutch can provide value addition to existing individual customers: For instance, Bharti has launched the telecom audit tool that helps the customer analyze current expenditure and usage patterns to identify areas where costs can be cut and also to select the most suitable tariff plan for the individual customer.

Hutch can also seek to differentiate itself by targeting institutional customers: AirTel, for example, provides a routing solution for corporate employees where the GSM interface of cellphones is linked to the board line system of the company. This enables the system to direct calls that generate the least costs. Since cell-to-cell long distance calls are cheaper, employees can access the GSM interface on their board line and dial another cellular phone from their office, saving on costs of landline-to-mobile long distance calls.

Another example is that of Reliance Infocomm. It has developed a business application targeted at specific users, called the Tally Data Phone. The online accounting software service from Tally is available automatically through the Tally Data Phone to different employees in the company who are then on a virtual private network, all using Tally. Tata Teleservices has already entered Wireless Fidelity (Wi-Fi) applications. It provides total Wi-Fi solutions for corporates or organizations that want wireless Internet access.

By providing similar customised or value-added business application services, Hutch can increase profitability and sustain growth.

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Part D: Model Question Papers with Suggested Answers

The model question paper consists of three parts – A, B, and C, Part A is intended to test the conceptual understanding of the students. It contains 30 multiple-choice questions carrying one point each. Part B consists of cases and carries 50 points. Part C consists of applied theory questions, carrying 20 points. Students should note that ICMR reserves the right to change the format of the question paper without notice. The faculty members of ICMR with a view to assisting the students have prepared the answers. These answers should not be regarded as the only possible answers.

Model Question Paper I

Time: 3 Hours   **Total Points: 100**

Part A: Basic Concepts (30 points)

Answer all the questions. Each question carries one point.

1. A couple from Pakistan visited Hyderabad for the heart surgery of their only child. However, with so many hospitals around they were not able to judge the best one. At last, they landed up at Global Hospital but were doubtful despite sufficient credentials. What aspect of the service confused the couple?

    a. Intangibility
    b. Perishability
    c. Equality
    d. Inseparability

2. A service provider places a photocopier at a customer's office and charges the customer for the number of pages photocopied and not for renting the photocopier. Identify the pricing strategy adopted by the service provider in this case.

    a. Service guarantees
    b. Flat rate pricing
    c. Benefit driven pricing
    d. Long term contracts

3. An airline should ensure arrivals and departures at the right time. A courier firm should ensure the safe delivery of parcels to its customers on time. A caterer hired for a wedding should ensure food for the guests. The above expectations from service providers refer to which of the following levels of service product?

    a. Actual product
    b. Core product
    c. Augmented product
    d. Potential product

4. Consider a retail outlet that specifies that a product purchased from it can be exchanged if brought back within ten days from the date of sale. A customer may go for the exchange after twelve days claiming that the shop was closed for the last three days. The retailer in this case may refuse to allow the exchange. This leads to a conflict between the customer and the owner

    Meanwhile, a shop floor executive pops in and supports the customer as the shop was indeed closed for the last three days. This leads to an argument between the executive and the retailer. Which of the following conflicts do the above instances fit into respectively?

    i)   Customer-employee conflict
    ii) Inter-client conflict
    iii) Client-organization conflict
    iv) Inter-employee conflict

    a. i and iii
    b. ii and iv
    c. iii and iv
    d. i and iv

5. Country Pizza, a new entrant, offers fast-food services similar to those offered by the existing players. Which of the following type of pricing should it adopt to induce customers to purchase and repurchase?

    a. Close-bid pricing
    b. Market skimming
    c. Going-rate pricing
    d. Penetration pricing

6. Mr. Vivek wishes to buy a Maruti Zen. He consulted all his friends who own a Maruti car. Finally, he bought the car from the outlet from where one of his friends Mr. Rao, had bought a car two years ago. Mr. Rao as a customer was satisfied with the standard of service offered by the outlet. Which of the following benefits of relationship marketing is entailed in the above situation?

a. Word-of mouth
b. Increased revenues
c. Low cost of publicity
d. Less pressure on organization

7. Jet Airways keeps a record of all its corporate clients using CRM applications. At one point of time, it noticed that one of its corporate clients had reduced availing its services. It probed into the matter and rectified the problem after which the revenues from that particular client improved. What strategy of customer recovery are we talking of?

a. Solve problems quickly
b. Track and anticipate recovery opportunities
c. Enhanced customer service
d. Increased customer contact

8. FedEx entered India through a tie-up with Blue Dart to use the latter's network for delivery within India. This is an example of which of the following entry strategies?

a. Wholly owned subsidiary
b. Licensing
c. Piggyback
d. Franchising

9. Which of the following is the basic objective behind any hotel's sales promotion campaign?

a. To improve occupancy rate
b. To improve the brand image
c. To build customer relationships
d. None of the above

10. The Taj Group of Hotels has launched a low budget hotel chain called IndiOne budget hotels targeted at budget travelers and executives. What tangible element is the Taj group using to differentiate its services?

a. Convenience
b. Customers
c. Tools and equipment used
d. Packaging

11. Mr. Sunil is a very ethical person and therefore does not compromise with the ethical means of doing a job. He gets into a job where 'sugging' is a regular feature. Mr. Sunil finds it uneasy to stick to this unethical means of generating business. Which of the following types of conflict applies to Mr. Sunil?

a. Individual-role conflict
b. Inter-client conflict
c. Client-organization conflict
d. Inter-employee conflict

12. A gardener in a hotel provides quality service and looks after the plants both inside the hotel and the garden outside, in close association with the interior decorator. Which step in developing a service blueprint accounts for the gardener's role in the service delivery process?

a. Identification of the customer segment
b. Mapping the customer's view
c. Identification of support activities
d. Adding physical evidence

13. Café Coffee Day, a coffee bar chain, in order to tackle the competition from Barista and Qwickys has launched Coffee Day Express, a chain of smaller outlets located in shopping malls and petrol stations as the segment is largely unexplored by other competitors. What kind of positioning strategy is this?

a. Repositioning the competitors
b. Identifying an unoccupied market position
c. Strengthening a present position against competitors
d. None of the above

14. A person buying a new Santro car prefers to get it serviced at the company service centre rather than a well-known private service centre in the locality. Which of the following aspects of physical evidence serves to attract the customer to the company service centre?
a. Physical environment
b. Price
c. Service personnel
d. Brand/corporate identity

15. Vishaka Express, a train that moves between Hyderabad and Bhubaneshwar does not have its own pantry car. The railways however, manages to provide similar food services as available on other trains moving in the same route. This service is facilitated by contracts with different suppliers at different stations en route. With which of the following markets should the railways maintain a good relationship in the above case?
a. Internal markets
b. Supplier markets
c. Recruitment markets
d. Referral markets

16. Dell computers offer computers that are suitably designed to meet the specific needs of customers. What level of customer retention strategy can be applied to this service feature of Dell?
a. Social bonds
b. Financial bonds
c. Structural bonds
d. Customization bonds

17. A service provider believes in recruiting the right people, placing them in the right place, and providing the right facilities for work. It even arranges for the basic education for the children of the employees. Which of the following areas does the firm seek to emphasise on?
a. Change management
b. Customer attraction and retention
c. Corporate image
d. Employee retention and motivation

18. All big hotels conduct regular checks on the electronic equipments provided in the rooms to ensure that customers do not face any kind of inconvenience. What category of supplementary services does this refer to?
a. Consultation
b. Safekeeping
c. Hospitality
d. Special services

19. HDFC bank, offered free transfer of balance and low interest charges if its customers transfer their credit balance from other credit cards, as a festival offer. What promotional mix element does this pertain to?
a. Public relations
b. Sales promotions
c. Direct marketing
d. Advertising

20. Which among the following is not a component of Situation review in the marketing planning process?
a. Marketing audit
b. SWOT analysis
c. Identification of alternate product mixes
d. Key assumptions

21. With increasing competition from Dominos and Pizza Hut, McDonald's has also started offering free home delivery services to its customers in India. Which of the following tangible elements is McDonald's using to differentiate its services?
a. Convenience
b. Customers
c. Tools and equipment
d. Packaging

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22. Which of the following is not true about Licensing?

a. Licensing facilitates rapid entry into foreign markets with almost nil investments in establishing manufacturing operations

b. The licensee uses a different brand name for the product from the licenser

c. The licensee pays a royalty to the licenser

d. The licensee has access to the intangible property, such as trademark and logo, of the licenser

23. Pizza Hut gives feedback forms to customers for seeking their opinion about the quality of service offered by its personnel. The form has questions like - which dish did you like most?, what is the time taken to complete the transaction? It also has a section where customers can provide suggestions. What type of survey is Pizza Hut undertaking?

a. Inquiry surveys

b. Post-transactional surveys

c. Mail surveys

d. Personal interviews

24. A five star hotel maintains a customer database which contains details like personal details, customer preferences, and amenities requested. This information is used to offer customized services when the customers revisit the hotel. What kind of mass customization is this?

a. Cosmetic customization

b. Transparent customization

c. Adaptive customization

d. Collaborative customization

25. Dominos provide a guaranteed delivery of the order within a specified time or else free pizza is offered to the customer. This kind of guarantee is an example of:

a. Unconditional satisfaction guarantee

b. Service attribute guarantee

c. Internal guarantee

d. None of the above

26. Which among the following is the basic objective behind market segmentation?

a. To identify the demographic segment

b. To identify a homogeneous segment

c. To understand customer needs

d. None of the above

27. Which of the following is the core product of a mainstream airline like Air India?

a. Safe and timely transportation

b. Safe and comfortable journey

c. Safe and affordable journey

d. None of the above

28. Which concept do the marketers not consider while adopting the transactional marketing approach?

a. Providing information

b. Customer relations

c. Total quality management

d. Service quality

29. What type of costs does a customer avoid when he books a ticket on the Indian Railways website instead of going to the railway reservation office?

i) Time costs

ii) Search costs

iii) Psychological costs

iv) Convenience costs

a. only i

b. i, ii, iii, iv

c. i and iv

d. i and ii

30. A customer who has requested for sugar-free tea would be delighted if the hotel offers the same service without request, on a subsequent visit. On what basis will the customer evaluate this service experience?

a. Personal recognition

b. Service speed

c. Service certainty

d. Service ease

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Part B: Caselets (50 points)

Caselet 1

CGH Earth (CGH), formerly the Casino Group of Hotels, began their operations in 1957 as a restaurant catering to the dock workers and commuters of Willingdon Island, Kochi (Kerala). The group grew gradually, setting up seven resorts – Coconut Lagoon, Spice Village, The Marari Beach, The Brunton Boatyard, Spice Coast Cruises, Bangaram Island Resort, and the Casino Hotel – in Kerala and Lakshwadeep. The group specialized in resorts that offered a local flavor, environmental sensitivity, and an original and quality experience as its USP.

In line with their USP, each property of CGH offered a different environment, giving the tourists varied experiences at each resort. The Coconut Lagoon, for example, offered a collection of old Kerala homes called 'tharavad', exuding a typical Kerala atmosphere. The resort also offered specialized cuisines, an exhibition of the performing arts, an Ayurveda center and the simple joys of life on the backwaters. Other services offered by the resort included sunset cruises and a visit to a bird sanctuary. Guests were also allowed to indulge in their hobby of cooking with exotic spices.

The Spice Village in Thekkady, set in the spice growing Cardamom hills, was given the shape of a tribal village in a spice garden. The roofs of the houses in the village were made of grass and one could smell the aroma of pepper, nutmeg and other spices all around. To retain the natural look of the rooms, there were no luxuries such as ACs and TVs in them. This resort offered additional services like a library, jungle treks, a special tiger room that had slide shows, and indoor games.

The Marari Beach resort was built to resemble a traditional fishing village with thatched villas designed to blend in with the local surroundings. However, for the convenience of the modern traveler, all the villas were air-conditioned with twin or double beds, a mini bar, coffee making facilities, a delightfully furnished verandah with a ceiling fan, and bathrooms built in the traditional Kerala style with an open-air courtyard, complete with a banana or papaya tree. Apart from these, extra services included an ayurveda center, exclusive seafood cuisine, an amphitheatre for cultural shows, as well as a beach volleyball court for entertainment. To add to the pleasures of local sightseeing, guests were even provided with bicycles.

The Brunton Boatyard provided visitors an insight into Kerala's colonial history. The resort was built in the shape of a ship, complete with arches and ancient fans. A special feature of this hotel was the king-sized beds made of rosewood and teak. The Lakshwadeep resort, apart from offering the ambience of a village, had various sports for their customers such as scuba diving, snorkeling, deep sea fishing, kayaking, and so on.

CGH took advantage of the beautiful backwaters of Kerala, offering cruises on houseboats that were equipped with basic facilities like a bedroom with attached bathroom, and a kitchen. The services of a guide were also provided. Emphasizing the importance of ambience, Jose Dominic, Managing Director, CGH, commented, "I believe that the ambience that will succeed in an enduring manner is one that would capture the local ethos"[1]. This product differentiation was targeted at the leisure traveler who wanted to connect with nature. CGH maintained its customer base by its innovative concepts backed by competent staff, which provided good customer service.

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[1] "In the design of things", www.expresshotelierandcaterer.com, May 27, 2002

CGH tied up with various travel agents like Kanoo Holidays, Akshaye Holidays etc., to have an assured supply of visitors. A variety of packages were offered, including an eight-day tour of Kerala that covered a stay in all their resorts. As an innovative measure, the packages had names like the Coconut Holiday, Curry and Rice Holiday, etc. Apart from this, CGH also used ayurvedic treatments to target foreign travelers. In a focused re-branding exercise, they changed their name from Casino Hotels to CGH Earth, which stood for Clean Green Home, to signify the natural theme of all their resorts. To offer more variety to their customers, they embarked on an expansion plan, starting three projects in Karnataka to cash in on the local environment. Starting with the Gokarna beach resort, they planned to offer yoga as the theme of the hotel, in line with the local practices around that area. Further, CGH started organic farming in Kerala's Idukki district with the idea of attracting tourists during the harvest season.

In addition to providing good ambience and cuisine, the frontline staff of CGH was given the opportunity of taking the initiative in managing the resorts. This encouraged good performance, which translated into better customer service. In recognition for his unique products, Jose Dominic, Managing Director, CGH received a special award in 2002-2003 from the Union Ministry of Tourism for his pioneering efforts in resort development. In the same year, Marari Beach Resort won an award for the best three-star hotel.

Questions for Discussion:

1. CGH stands for clean green home. How has CGH Earth integrated this concept with their various services and leveraged on it to offer a unique experience in each of their resorts?

2. What were the various services offered by CGH resorts in addition to the local ambience and cuisine, which were in line with the locational preferences targeting specific tourist segments?

Caselet 2

Aria Investment Partners, managed by Hong Kong-based CLSA Private Ltd, invested $ 10 million in Curls and Curves India Ltd (CCIL), the holding company of the much-advertised slimming, beauty and fitness services outlet chain VLCC. This is the first foreign investment in the Indian fitness products and services market. It is an indication of the perceived potential of VLCC in the Indian market. VLCC, which was established in 1989 with a single centre in New Delhi has now expanded to 73 centres spread across 41 cities and has registered revenues of Rs 100 crores for the financial year of 2004. VLCC is also the first health and beauty services company in the world to receive three certifications ISO 9001: 2000 (service quality), SA 8000 (social accountability) and ISO-14001 (eco-friendliness).

The success of VLCC can be attributed to its effective planning and implementation of marketing strategy. Its main service is weight management. According to Vandana Luthra, Chairperson CCIL, as many as 9,500 customers shed nearly 30,000kgs of weight across its centres, each month. The company claims that its weight loss programmes have zero side effects and customers are not required to take crash diets. The VLCC weight-loss programs aims at increasing the basal metabolic rate (BMR) of the body, which it claims is the healthiest way to lose weight. Increasing BMR of the body enables customers to lose excess fat and removes cellulite. This tones up the body muscles making the person look slim and youthful. For this process, VLCC set-up imported equipment from Germany like, fat disintegration system, neuromuscle stimulator and body toners in all its centres.

In order to make its service offering more attractive and improve service quality, it focused on technology, counselling, and life-long customer support. VLCC invests nearly Rs 60 lakhs per branch on sourcing equipment and technology. Most of the equipment is imported from Germany. Another major area of focus is customer

counselling. At each centre, it appoints a set of beauticians, technical experts and dieticians. Apart from these people, the company also engages a full-time resident doctor and 12 specialist doctors on visiting basis to provide services to customers. Each customer is assigned a personal instructor and a team of doctors, who look after the customer's needs and treatment. VLCC guarantees a reduction of five kilos per month to customers. The Personal instructor is made responsible for the customer's treatment and to achieve desired results. (Reduction of five kilos per month).

The activities that a customer has to do are developed by the company, based on the customer's body nature. Apart from this, customers are given guidance regarding their dietary habits. Each customer is given a food calorie chart that provides information regarding the level of calories the customer has to take daily. The customer is free to take any food within the calorie limits that are prescribed in the food calorie chart. Customers are also prescribed simple exercises along with the treatment plan, such as short walks before dinner, to increase the BMR. Another aspect that VLCC focuses on, is to provide life-long support to the customer on beauty and health, even after the program is completed.

The company, which was only offering popular weight management services, has now diversified into allied businesses including beauty salons, beauty training institutes, spas and personal products. In addition, VLCC runs educational institutions named 'VLCC Institute of Beauty, Health & Management', which has trained nearly 2,500 students till date. At present, it has two such institutes and it plans to expand to four, in cities like Hyderabad, Mumbai and Noida. The company sensed a lucrative business opportunity in personal products market and launched a personal product business named 'VLCC Personal Care'. It markets nearly 100 different herbal/ayurvedic products related to skin care, hair care and body care. It already has achieved a turnover of nearly Rs.10 crore. These products are marketed through fitness/beauty centres as well as through its exclusive retail store chain called "VLCC Beauty Shop." They are also made available through 6000 other retail outlets including Lifestyle, Ebony, Jainsons, Health & Glow, Pantaloon and FoodWorld. VLCC has also entered into the Spa market with one centre at Delhi and plans to add two more during the financial year 2004-2005. VLCC has ambitious plans to establish its presence in the personal products and services market by increasing the branch strength to 100 by 2005. This includes plans to enter overseas markets such as UAE and UK to begin with. It expects to improve its turnover to Rs 130 crores by next financial year of 2005.

VLCC promotes its service offerings primarily through print and outdoor media. The ads mainly focus on how customers can benefit from VLCC's weight-loss programs. It has entrusted the job of promoting the company's services to two agencies – JWT advertising and Equus advertising. JWT was entrusted with the responsibility of personal product line, slimming centres and corporate advertising while Equus took care of its health centres and spa businesses. In order to increase its visibility, VLCC sponsored the Pond's Femina Miss India 2004 contest. It set an ad budget of Rs 8-10 crores for the year 2003-2004. It plans to launch television advertising and is in the process of developing two television ad campaigns. The highlight of these ads is the company's punch line "shaping your confidence." Speaking about the advertising campaigns, Mukesh Luthra managing Director CCIL said, "We won't be focusing on 'a-dark-girl-turning-fair' type of an ad. Instead, we will be talking about the whole transformation in personality and being a confident person." Apart from advertising, the company also plans to promote its products and services through the direct marketing route, by sending mailers to its prospective customers and also tap the existing customer base. Thomson Connect, a direct marketing agency was appointed to manage the customer relationship initiatives aimed at VLCC's five-lakh customer base.

Questions for Discussion:

1. Typically there are four levels of service product - core level, actual product, augmented product and potential product. Discuss how VLCC meticulously built its service product?

2. Pricing, is one of the key services marketing elements that not only determines the profitability of a service provider, but also reflects the image of the company. Being a leader in beauty and fitness services market, what pricing strategies can VLCC adopt?

Part C: Applied Theory (20 points)

1. CompuServe is a leading PC manufacturer in India with its own retail outlets catering to the computing needs of both individual and industrial customers. Inspired by the mass customization approach adopted by Dell Computers, it also wants to launch an e-commerce site in India that would enable its customers to customize their PCs from the available options on the website. What factors should CompuServe consider while venturing into such a mass customization service?

2. Over the years, the Andhra Pradesh State Road Transport Corporation (APSRTC) has steadily lost passengers to private bus operators. Since 2000, with the support of the state government, APSRTC launched several schemes to regain its lost customer base, but without significant results. Briefly describe ways in which APSRTC can bring back customers that it has lost.

3. The Marriott Group is planning to open a new hotel in Bangalore. It has already established itself in the market as a premium class hotel chain. How should Marriott plan the marketing mix for the new location?

4. Corporate Healthcare is seen as one of the fastest growing segments in the Indian economy with foreigners accounting for about 12 per cent of all patients in top hospitals like Lilavati, Jaslok, Breach Candy, Apollo, and Wockhardt. This is because medical care costs only one-fifth as much as it costs in the West. In what way can the physical environment help corporate hospitals in India to woo foreign patients, considering the fact that hospital ambience is a prerequisite to attract them?

Model Question Paper II

Time: 3 Hours   **Total Points: 100**

Part A: Basic Concepts (30 points)

Answer all the questions. Each question carries one point.

1. Raj Travels benchmarks its customer service processes with Taj Hotels. What type of benchmarking is Raj Travels following?
   a. Internal benchmarking
   b. External benchmarking
   c. Generic benchmarking
   d. None of the above

2. Identify the key factors that insurance companies consider while setting their pricing strategy?
   i) Costs of production and breakeven analysis,
   ii) Risk involved
   iii) Positioning
   iv) Competitor pricing

   a. Only i
   b. i and iii
   c. ii and iv
   d. None of the above

3. Banks strive to establish their branches and other service centers in locations that are convenient to its customers rather than at places which minimize their operating costs. Which of the following location decisions will not have an impact on the accessibility of the bank's services?
   a. Setting up banks near residential and commercial areas
   b. Installing ATMs at shopping malls, petrol stations, and corporate hospitals
   c. Regional processing centers and clearing operations in business districts
   d. Check collection centers at Internet cafés

4. A hospital has asked a doctor to provide individualized and effective treatment to patients and at the same time attend to at least 40 patients per day. What kind of conflicts do such targets create?
   a. Person/role conflict
   b. Organization/client conflict
   c. Inter-client conflict
   d. Quality versus productivity conflict

5. Consider a firm operating in a market of low market attractiveness where its business strengths are found matching those required for the industry. Which of the following strategies would best suit the firm?
   a. Protect position
   b. Protect and refocus
   c. Manage for earnings
   d. Divest

6. Pizza Hut, guarantees to make home deliveries within 30 minutes after the order is placed, failing which free pizza is offered. What type of pricing is involved in this value strategy?
   a. Relationship pricing
   b. Convenience pricing
   c. Satisfaction-based pricing
   d. Efficiency pricing

7. By pricing its tickets as low as Rs 500, Air Deccan has attracted passengers who would otherwise have opted for other modes of travel. Which product growth strategy is primarily being adopted by Air Deccan?
   a. Market penetration
   b. Market development

c. Service development

d. Diversification

8. A customer support employee spends around 8 hours at the corporate office handling calls from various customers. The calls are very frequent and customers are at times demanding and speak rudely forgetting that they are speaking to a customer support executive who cannot do much beyond her job responsibilities. The executive cannot do much but maintains her patience and deals with the customers in a courteous manner. Which of the following problems does the executive face in the above situation?

a. Inappropriately defined job responsibilities

b. Stress and burnout

c. Stressed work hours

d. Undue harassment

9. A consumer has to incur certain non-monetary costs while purchasing insurance or a financial product. What type of non-monetary costs do insurance agents and marketing executives of banks decrease, when they provide information about the services?

a. Time costs

b. Search costs

c. Convenience costs

d. Psychological costs

10. At a hypermarket, there are two kinds of checkout counters. Normal check-out counters for all customers and express check-out counters for customers with lesser items. Based on which factor did the hypermarket seek to differentiate its customers?

a. Based on the importance of the customer

b. Based on the urgency of the job

c. Based on the duration of the service transaction

d. Based on the price paid

11. The company, front-line employees, and customers represent the three nodes of the services marketing triangle. Each of them is involved in different interactions required to satisfy the end customer. Identify the interaction that occurs between frontline-employees and the customers.

a. Internal marketing

b. Interactive marketing

c. External marketing

b. Intra marketing

12. Mr. Sakhet Srivastav, is a technician at a Sony service center. He is an expert at rectifying problems that arise in various Sony products. To which of the following category of employees does Srivastav belong?

a. Moderate contact personnel

b. Back-office staff

c. Consumer service employees

d. Contact personnel

13. The Reliance Group that operates in diversified fields is a socially responsible group. It adheres to legal restrictions and strives to uplift and maintain the immediate surroundings of its factories. It also sponsors certain events in reputed management colleges in the country. Which of the following models of relationship marketing do the above situations entail?

i) Referral markets

ii) Influence markets

iii) Customer markets

iv) Recruitment markets

a. i and ii

b. i and iii

c. iii and iv

d. ii and iv

14. The process that courier companies follow in sorting and dispatch services to their customers can be classified under:

a. Line or flow operations

b. Job shop process

c. Conversion process

d. Support process

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15. In which of the following promotional mix elements, can the service provider implement the AIDA model of communication in the best possible manner?
a. Advertising
b. Direct marketing
c. Personal selling
d. Sales promotion

16. An organization wanted to employ the best of talents. To lure prospective candidates into the job, the company made all lucrative promises. However, after a period of one year, 50 % of those recruited left the company as none of the promises made seemed to materialize. In which of the following steps in the development and implementation of internal marketing did the firm go wrong?
a. Motivation
b. Co-ordination
c. Recruitment and selection
d. Education and training

17. At the lab of a diagnostic center, service personnel receive a patient, and then collect the blood sample of the patient. The patient pays the bill and enquires about the time when he can come and collect the reports. Which of the following combination of activities pictures a correct sequence of the above activities?
i) Pre-contact
ii) Delivery
iii) Contact
iv) Pre-delivery

a. i followed by ii
b. i followed by iii
c. iii followed by iv
d. iii followed by ii

18. A bank has assigned relationship managers to High Net worth Individuals (HNIs). Which service quality dimension does this kind of service aim at satisfying?
a. Responsiveness
b. Assurance
c. Reliability
d. Empathy

19. Shareholders, financiers, consumer protection groups, and media are a part of which of the following markets?
a. Influence markets
b. Referral markets
c. Recruitment markets
d. Stock markets

20. The e-seva counters across Andhra Pradesh ensure that all customers are provided a customer feedback form along with the token number. This is to get a feedback from the customers as to any difficulty faced by them or any improvements they seek in the service facilities. Which of the following special services do the counters seek to provide?
a. Special requests
b. Restitution
c. Handling customer comments
d. Providing solutions

21. A survey was conducted to categorize customers in the age groups 8-15 years, 15-25 years, and 25-35 years. What measurement scale would best serve the purpose?
a. Interval scale
b. Nominal scale
c. Ratio scale
d. Ordinal scale

22. Many airlines offer hefty discounts during lean seasons. What kind of demand/capacity matching strategy are they adopting?
a. Varying the original service offer.
b. Altering the timings of service delivery
c. Price differentiation
d. Demand shift

23. Marketing of which among the following products and services depends highly on credence qualities?
a. Furniture
b. Restaurant
c. Jewelry
d. Legal services

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24. Identify the right sequence of market planning for services?
a. Resource allocation and monitoring, Marketing strategy formulation, Situation review, and Strategic context
b. Strategic context, Marketing strategy formulation, Situation review, and Resource allocation and monitoring.
c. Strategic context, Situation review, Marketing strategy formulation, and Resource allocation and monitoring
d. Strategic context, Situation review, Resource allocation and monitoring, and marketing strategy formulation

25. A manufacturing company can produce goods with particular specifications and quality consistently. However, maintaining consistency in the service industry is difficult as there is a lot of human involvement in the delivery of services. Therefore, for a fast food chain, it may not be possible to maintain the same level of service all the time at all its outlets. What characteristic of services are we talking about?
a. Heterogeneity
b. Perishability
c. Intangibility
d. Inseparability

26. To attract more customers, a bank has installed ATM's and interactive kiosks at its branches. These provide information about customer accounts as well as the bank's products & services. What tangible element is the bank using to differentiate its services?
a. Convenience
b. Service premises

c. Tools and equipment
d. Packaging

27. Which of the following is used to identify the competitor's positions with regard to certain predetermined attributes?
a. Scatter diagrams
b. Positioning maps
c. Pie charts
d. Line diagrams

28. Excel Ltd. is a services company with relatively low business strength, operating in the highly attractive event management industry. Which strategy should it adopt if it uses the Multiple factor portfolio matrix to analyze the market conditions?
a. Build selectively
b. Divest
c. Protect position
d. Protect and refocus

29. Which of the following is the sum total of an individual's feelings about an issue?
a. Belief
b. Attitude
c. Mood
d. Perception

30. Customer service expectations can be measured along five dimensions of service quality. Which of these dimensions is not associated with the service process, but is a result of service outcome?
a. Assurance
b. Responsiveness
c. Empathy
d. Reliability

Part B: Caselets (50 points)

Caselet 1

The success of many low cost airlines (LCA) such as (Southwest, Ryanair, AirAsia and Easyjet) in many parts of the world has inspired airline and business firms in India to launch LCAs. Air Deccan was the first LCA in India. It launched its service on September 2003, with two aircrafts running 20 services to eight cities. By September 2004, Air Deccan increased this figure to 54 flights a day. Air Deccan followed a different business model from that of the full service airlines (FSA's) to maintain its low cost advantage.

Air Deccan's objective is to make air travel affordable by offering services at nearly 50% of the airfares offered by present market players. Air Deccan wants to target frequent business travelers who are interested in connectivity and airfare rather than in comforts and facilities. The airline also wants to target the premium train travelers i.e., those who travel in air-conditioned coaches. The pricing of Air Deccan tickets is such that the airfares are substantially lower than those of the major airlines and slightly higher than the A/C class fares of railways.

On the service front, Air Deccan offers no-frills air travel to the customers. The usual frills in standard airline service like different full course meals, in-flight entertainment, business lounges at the airport, and different levels of classes, air-hostesses and crew members have been removed. Only a single class of seats is offered with no numbered seats, food and beverages have to be purchased by passengers if needed, and there is only a single air-hostess per flight to assist passengers.

In order to make this venture successful, Air Deccan has undertaken various measures. The cost of aircraft and their maintenance form a major item of expenditure for any airline. In order to cut costs on this front, Air Deccan opted to hire smaller 48-seater ATR 320 aircrafts from Avions De Transport Regional (Toulouse, France) on contract. The contract includes the lease of the aircraft, training of pilots and engineers and 24-hour global maintenance support. By making lease arrangements and outsourcing maintenance as well, the company saved on capital investments and variable costs. As no food was served, cleaning the aircraft was simple. Besides, no time was spent in loading or unloading food. Thus, when compared to full-service airlines (FSAs'), which had to be serviced for an hour after landing, Air Deccan's aircrafts took only 20 minutes to be prepared for flying. Thus more flights per aircraft were possible.

On the distribution front, Air Deccan has devised a unique online reservation system. Customers can either call its 24-hour call center or use its website to book their flight tickets. Apart from e-ticketing, the airline has tied-up with various retail outlets where the customers can book their tickets. For instance, Uday Home World, a consumer electronics chain store in Bangalore, offers this facility for Air Deccan. The airline plans to have 400 such outlets spread across all the major cities where it operates.

On the pricing front, Air Deccan's prices stand at around 50% of prices offered by the full-service airlines. For example, when the Jet Airways fare for a one-way Chennai-Bangalore was Rs. 3,235, the Air Deccan flight was priced at Rs 1,755. The airline kept 25% of its seats at prices ranging from Rs 700 to Rs 1500 on all its major trunk routes. Another 50% seats were priced at half of the fares of the economy class of FSAs'. The remaining 25% seats were priced at 70% of the price of economy class tickets of FSAs. The price to be charged depended on when the customer booked his ticket (i.e. the earlier the date, the cheaper the rate). For instance, it launched a unique scheme called Dynafares where a few tickets on every flight were made available at Rs 700. However, to be eligible for the Rs 700 fare, the ticket had to be bought and confirmed at least 90 days in advance.

In terms of marketing, Air Deccan has attempted to position its services as catering to the common people of India. Air Deccan promotes its services mainly through the print and outdoor media. Prior to the launch, it ran outdoor and print ads that were teasers aimed at generating curiosity. Questions such as "Why should there be a class system in the air?" were asked. After the launch, it promoted its services chiefly on the pricing platform and on its coverage of cities. The post-launch ads highlighted the coverage and price differential of the services with other major airlines. The print advertisements focused chiefly on the company's low fares. After giving details of the flights, the advertisement discussed how 'Dynafares' worked.

Air Deccan also ran a television ad to focus on the "affordablility" theme. Its television advertisement featured a cardboard cut-out of a well built super hero. This was followed by people of different ages, and from different walks of life, popping out from behind the cut-out. Among the people who pop out are a schoolgirl, a housewife, a businessman, a small boy and a young motorcyclist. As they pop out, with their faces in place of the hero's face, the voice-over says, "Now everyone can fly – Air Deccan - up to 50% lower airfares." Nitish Mukherjee, managing director, Orchard Advertising (the agency who created the ad), explained the rationale of the ad strategy, "Air Deccan was giving many their first flight ever. Therefore, it wasn't just a 'low fare airline,' but an airline that was empowering a nation. Hence, the film about real people who wished to fly, and an airline that is making it possible." Being the first low-cost airline service in India, Air Deccan got extensive coverage in the media, and this helped increase awareness about its services among consumers. Air Deccan's logo shows the back of two hands spread and held thumb to thumb in yellow and blue, signifying a flying bird, with the tagline - "Simplifly".

Air Deccan will, however face tough competition from various new entrants. One of the strong contenders is the UB group, which is planning to launch Kingfisher Airlines. But Vijay Mallya, Chairman UB group, says, "My airline is no way going to be a Greyhound type of service." The UB group says it will not follow the low-cost model. It is targeting the upwardly mobile section of customers and promises them a 'funliner' experience. Other new entrants are the Wadia group's 'Go', 'Visa Airline' being started by former Indian Airlines pilots, Air-India's 'Air-India Express', and 'Royal Airlines', Modiluft's restructured venture.

Questions for Discussion:

1. Discuss how effectively Air Deccan has used the elements of its services marketing mix to market its services.

2. Perishability is one of the major characteristics that affect service providers like Air Deccan. What steps has Air Deccan taken to reduce the negative effects of perishability?

Caselet 2

Washington Mutual (WaMu), which first started as a regional player in the early 1990's, became the seventh largest bank in USA with $275.18 billion worth of assets in its fold by 2003. WaMu was the second largest player in the mortgage loans market, next only to Wells Fargo. Its aggressive acquisition strategy enabled it to penetrate the market and acquire nearly 30 banks since it started operations in 1990. WaMu targeted the middle class customers and offered products such as free checking of accounts and home mortgages, which other bigger banks had largely ignored. The bank positioned its branches as 'retail banking stores' instead of traditional bank branches.

WaMu tried to create brand awareness through innovative promotional strategies. It used humour in its advertisements to promote its products and services. The bank participated in various community development programs and this helped enhance its corporate image. In the year 1998, it announced an outlay of $ 120 billion for community needs and issues over a ten-year period. These funds were mainly used to offer loans and financial support (affordable housing and small business loans) to under-served communities such as ethnic groups, and low and middle-income groups. The bank also ran community relations programs to improve public education by offering grants to K-12 schools and running 'School savings programs'. Through the 'School savings programs', which were established in 1923, elementary school children were taught the value of savings.

In July 2002, the bank entered New York City through the acquisition of Dime Bancorp, which had 125 offices in New York and New Jersey (NJ). WaMu lacked brand awareness in the New York market, which was dominated by well- established banks like J.P.Morgan Chase and Citigroup. It launched a promotional campaign to create brand awareness and convey to the customers the conversion of Dime Bancorp's branches to Washington Mutual. In a bid to create an image of a bank with a customer- oriented approach, combined with commitment to community development, it launched a unique sales promotion campaign titled "Spotlight on Teachers". As part of this sales promotion campaign the bank offered 14,000 pairs of tickets for a matinee show on November 16th 2002 at Broadway for New York K-12 school teachers. The program was conceptualized in December 2001, through which 14,000 school teachers were to be selected randomly from those nominated by students, their parents and fellow colleagues. The top management evaluated the proposed program and approved the campaign in February 2002. WaMu then negotiated with the theatre owners regarding the reservation and the pricing for the shows.

The bank launched the campaign in August for a three-month period from August – October 2002. A teacher was to be nominated by a past or present student, student's parents or by their fellow colleagues. In order to nominate the nominators had to either fill the form (which contained details such as nominated teacher's name and school, what did he like about their teacher) that was made available at any of the Washington Mutual Financial Centres or could be downloaded from its website. These filled -in forms were given to the respective teachers who in turn entered their contact information and dropped the forms in the mailboxes or at any of the Washington Mutual Financial Centres located in New York and New Jersey. At the end of the nomination period, the bank drew lots to select 14,000 candidates from among the nominated teachers. The selected teachers were sent the notification packs containing Mayoral Proclamation from Michael Bloomberg, and a congratulatory letter from WaMu. The pack also had an information booklet that provided information about the Broadway shows as well as the pre-show gathering event, Times Square merchant discount coupons and a unique ID number. The teachers could book their tickets by calling the toll-free number provided in the booklet and specify the show they wanted to see. Tickets with details of the show and the travel directions were sent to their homes.

To gain good publicity, WaMu had bought all the tickets for every show on Broadway, which was the largest single buy-out in the history of Broadway. A pre-show event was conducted at the Times Square. Leading personalities of New York City including the Washington Mutual Bank President Deanna Oppenheimer and Deputy Mayor Dennis Walcott and the NJ Teacher of the Year were invited to address the crowd. Later, Broadway kids and Broadway legend Joel Grey gave performances. The teachers were sent to the shows with confetti consisting of WaMU colors being showered on them.

Following this event, leading newspapers carried cover stories. New York Times ran a photo feature. Local news television channels Fox 5 news, Eyewitness News and ABC 7 covered the event. The post-event survey conducted by Beta Research Corp revealed that unaided awareness among customers about WaMu had increased from 18% to 56%. Nearly 42% of the sample respondents had voted the bank as "a bank that gives to the community." Nearly 97% of the teachers had rated this as an excellent program. This program influenced some of the teachers who won tickets to open an account with WaMu. Janice Wilson, a second grade Teacher in Avenel, NJ, said, "I often feel appreciated by my students, but rarely by the 'real world'… If I didn't already have an account at Washington Mutual, I would transfer my money there to show you how much I appreciate you for showing that you appreciate me."

Questions for Discussion:

1. What could have been the objectives of WaMu's sales promotion campaign - "Spotlight on Teachers"? Comment on the success of the sales promotion campaign in reaching the target audience.

2. What are the other ways through which Washington Mutual can increase brand awareness and gain initial push in the New York market?

Part C: Applied Theory (20 points)

1. Rafi Multimedia Pvt. Ltd owns a popular Multiplex in Mumbai with six theatres including an Imax theatre. However, due to competition from recently opened cinema theatres and shopping malls in the vicinity, as well as increased costs, the company is no longer earning profits. What steps should Rafi Multimedia take to maximize its revenues?

2. By 2020, India is expected to be the leading tourist destination in South Asia with more than eight million tourist arrivals. Foreign hotel chains like Marriott, Intercontinental, Four Seasons, and Shangri-La have already started refurbishing their hotels and services in the light of these forecasts. How can existing Indian luxury hotels such as Indian Hotels, ITC, and Hotel Leela Ventures use supplementary services to differentiate themselves and face competition from foreign chains?

3. Tata Tele-Services Limited (TTSL), which has built a significant presence across the telecom value chain, has set up a customer relationship management (CRM) solution system (Oracle E-Business Suite) to cater to the varied needs of its existing customers and widen its customer base. What objectives and benefits do you think TTSL seeks to fulfill by implementing the Oracle E-Business Suite?

4. Mumbai-based Royal Palms Estate intends to set up facilities for care of the elderly in some of the southern states of India. Old age homes in India have an enormous gap between expectation and delivery of service to the elderly. In what way can an understanding of the customer gap aid Royal Palms to successfully set up homes for the elderly?

Model Question Paper III

Time: 3 Hours   **Total Points: 100**

Part A: Basic Concepts (30 points)

Answer all the questions. Each question carries one point.

1. Planet M gives a complimentary card to all those customers who purchase for Rs. 1000 for the first time. This facility enables the customer to accumulate redeemable points on every subsequent purchase above Rs. 300. After accumulating 50 points and above the customer can exchange it for a gift or avail a fixed discount on the purchases made. What level of retention strategy are we talking about?

   a. Customization bonds
   b. Financial bonds
   c. Social bonds
   d. Structural bonds

2. FedEx provides express, ground, freight, and expedited shipping services. In addition, it provides document management and supply chain solutions to its clients spread across the world. Customers hand over their letters/packages/documents to FedEx and they are delivered to the locations specified by the customers. Identify the type of customer service offered by FedEx, based on the level of customer interaction in the service delivery process

   a. People processing
   b. Possession processing
   c. Information processing
   d. Mental stimulus processing

3. Country Club has its sprawling resorts on the outskirts of Hyderabad. Customers need to travel a long distance to avail its services. What type of non-monetary cost is involved in this case?

   a. Convenience costs
   b. Time costs
   c. Psychological costs
   d. Search costs

4. A well-known bank had ATMs installed in all localities of a city with a maximum distance of 1km between them. However, one of the ATMs went out of order very often. The A/c holders complained many times, but the authorities did not take the matter seriously assuming that the next ATM, which was only 1km away, would serve the purpose. Finally, the bank lost 200 of its loyal customers. What aspect of customer recovery did the bank avoid looking into?

   a. Empower frontline employees
   b. Solve problems quickly
   c. Track and anticipate recovery opportunities
   d. Increased customer contact

5. Identify the factor that will reduce the zone of tolerance and increase the adequate service expectation of a customer

   a. Customer needs
   b. Transitory service intensifiers
   c. Predicted service expectations
   d. Derived service expectations

6. Customer perception of service quality is primarily influenced by their service encounters with service providers. Which of the following is not a form of service encounter?

   a. Remote encounter
   b. Phone encounter
   c. Face-to-face encounter
   d. Social encounter

7. In a survey, customers are asked to rate the customer service of a bank on a scale of 1 to 10. What measurement scale has the bank used?

a. Nominal scale

b. Ratio scale

c. Ordinal scale

d. Interval scale

8. Organizations like Barista, McDonald's, and NIIT expand their business through franchising. Which of the following is not a result of franchising?

a. Increased market share

b. Increased revenues

c. Increased financial risk

d. Increased knowledge of local markets

9. Burger King the number two hamburger chain in the USA launched the "have it your way" marketing campaign in April 2004. This allows consumers the liberty to customize their orders. This kind of mass customization where customers are allowed to customize the order according to their needs is termed as:

a. Transparent customization

b. Cosmetic customization

c. Adaptive customization

d. Collaborative customization

10. BSNL promotes itself as "India's No.1 telecommunications company". This is an example of which type of positioning?

a. Competitor positioning

b. Category positioning

c. User positioning

d. Attribute positioning

11. A travel and tourism company offers free international medical insurance cover to the family of a customer, for its select foreign holiday packages. What needs of the consumer does it try to satisfy?

i) Physiological needs

ii) Safety and security needs

iii) Social needs

iv) Self actualization needs

a. ii

b. i and iv

c. i and ii

d. i

12. A couple visiting a multi-cuisine restaurant in Bangalore found the ambience to be very good. The restaurant had cushioned chairs, dim lights, and light pleasant music playing in the background. The couple's son accidentally knocked over a glass of water on the tabletop. In no time, the cover was replaced. The food was also served within the time specified on the menu card. Which of the following benefits of physical evidence are highlighted in the above situation?

i) Increased productivity

ii) repositioning of service

iii) creation of good impression

iv) service quality management

a. i, iii and iv

b. ii, iii and iv

c. i, ii and iii

d. i, ii and iv

13. RollCall, a fast food outlet has a pick and move format. Although it deals only in parcels and home deliveries, the outlet has carved a niche for itself in customer retention, despite the fact that the level of interaction required with customers is not for a long period, each time a customer comes to the outlet. Which of the following skills is most important for the service personnel handling the customers who visit the outlet?

a. Empathetic skills

b. Interpersonal skills

c. Negotiation skills

d. Team building skills

14. Employees at Bosch are not only rewarded handsomely for innovations but are also encouraged to better performances in future. What aspect of implementation of internal marketing does the company believe in?
a. Co-ordination
b. Education
c. Motivation
d. Rewards

15. MegaMart is the renowned factory outlet for Arvind Mills brand of clothing. I've visited all outlets in Bangalore. But the one in Kormangala, offers unique service facilities. When particular apparel is out of stock they ensure that they not only note down my name and contact number, but also inform me when the stock arrives. Though other outlets also note my name and number, I've never received any call from them on arrival of the requisite stock. Which of the following level of retention strategies applies to my association with the particular franchisee outlet?
a. Customization bonds
b. Financial bonds
c. Social bonds
d. Structural bonds

16. McDonald's conducts regular training programs for its franchisees and their employees at its Hamburger University. This is an example of which intermediary management strategy?
a. Control strategy
b. Empowerment strategy
c. Partnering strategy
d. None of the above

17. The phase in economic activity that is symbolized by a decrease in the growth rate of the economy, and is visible in retarded industrial production, employment, real-income, and trade, is termed as:
a. Recession
b. Contraction
c. Boom
d. Inflation

18. Dominos assures in its advertisement that the customer will not be charged if the order is not delivered within the specified time of 30 minutes. This is an example of:
a. Explicit service promise
b. Implicit service promise
c. Both explicit and implicit promise
d. None of the above

19. An airline company has arranged an alternative flight for the travelers, stranded due to cancellation of the company's flight. This is an example of:
a. Service Adaptability
b. Service recovery
c. Service spontaneity
d. Service coping

20. Barnes and Noble, a leading bookstore chain ventured into e-commerce at the same time when Amazon.com entered the field. Despite the good brand value, physical presence and proven expertise, that Barnes and Noble has, the online venture failed. What service gap do you attribute to the failure of Barnes and Noble's online venture?
a. Failure to understand customer expectations
b. Failure to deliver the service standards to customers
c. Failure to design the right service
d. All the above

21. The RPG group is operating the FoodWorld retail store chain, catering to upper middle class customers who look for convenience and choice. It also operates a hypermarket chain called Giant, targeted at price conscious consumers. What kind of targeting strategy is the RPG group following?
a. Market specialization
b. Selective specialization
c. Single segment strategy
d. Full market coverage

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22. The service level between the desired and adequate service level of a customer is referred to as:
a. Desired service
b. Zone of tolerance
c. Explicit service promise
d. Predicted service

23. An outstation client had booked a room for himself on a certain date at a reputed Bangalore hotel. However, on arrival the hotel failed to provide the room to him as another client required rooms for overseas delegates. The authorities took care to compensate the loss to the customer and on special request arranged him another room in one of the hotels in the same locality, free of cost. The customer did not have to wait long and was happy with the service offered. Which of the following special services does the hotel's services exemplify?
a. Providing solutions
b. Special requests
c. Restitution
d. Hospitality

24.

a. Sales manager of a consumer electronics company disputing the claim of a stockist

b. Sales executives protesting the marketing manager's sales quota fixation

c. Sales executive concealing information about defective product quality from the customer

d. Sales executive's discontent over the job profile

Part B: Caselets (50 points)

Caselet 1

In 1999, when the insurance sector was opened to private players in India, Max India Limited tied up with New York Life to form Max New York Life (MNYL) to provide individual and group life insurance solutions. In a short span of around 5 years, it established a wide distribution network with 28 offices and representatives across 21 cities in India. MNYL offered 13 products and 9 riders[1] customized to over 400 combinations that provided a number of options to the customer. MYNL mission, vision and values were all directed towards becoming the most admired and preferred Life insurance Company in India. They also aimed to be the first choice for employees as well as agents.

In 2000, MYNL realized that to compete against LIC, the only large player in the life insurance segment, it had to build a huge network and implement a product differentiation strategy to gain customers. However, the tie up with New York life ensured that different options were given to the customer as against LIC products which were not differentiated. There was also an opportunity in the Indian markets as penetration rates were only 1.3% and insurance policies were mainly considered as a tax-saving investment, rather than risk coverage. The leading player (LIC) concentrated only on selling and very little qualitative advice was offered to the customer buying its insurance policies. This service gap enabled a customer-oriented player like MYNL to impress the potential customers.

MYNL laid stress on training of agents, as personal relationships were the key to success in selling insurance. For this purpose, it took special measures to train agent advisors who were the primary source of distribution. In 2002, it had around 1900 agent advisors who underwent 152 hours of training before selling as against 100 hours stipulated by IRDA[2]. These training programs were spread over 2 years for 500 hours and ensured upgradation of skills and knowledge. The training program covered consumer psychology, the financial markets, and development of selling skills, discipline and the right attitude in the agents. These agents were groomed to become financial advisors to customers. Commenting on internal brand building, Debashis Sarkar (Sarkar), senior vice-president, marketing, MYNL said: "We will also be focusing on internal brand-building, since brand-building has a larger context in the service sector. Internal employees are all opinion shapers and indirect brand-builders and brand promise needs to be replicated down the chain at every customer touchpoint"[3].

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[1] Riders are add-ons to the basic financial product offered to customers for additional benefits

[2] IRDA is Insurance Regulatory Development Authority of India, the regulatory body for all insurance companies

[3] Max India New York Life: Focusing on brand building, www.magindia.com, April 4, 2004

To strengthen its distribution system further, in 2003, MYNL adopted alternative distribution channels viz. franchisee model, rural business, telemarketing, bancassurance and corporate alliances. It appointed 'gram sahayaks' in some rural locales who were trained to identify and sell specialized insurance products. "We're tapping opinion leaders in the village like schoolteachers, social workers and chemists, and creating products which suit rural needs," commented Sarkar. The company tied up with Shoppers' Stop and reached out to customers who held the chain's "First Citizen" discount card and bought children's clothes more than once a month. Such customers were tapped for child saving schemes as well.

MNYL created product differentiation by giving "Whole Life "policies that offered customers the correct balance between protection and savings. They offered for the first time in India a free-look period i.e., a customer had 15 days period to weigh the various options offered by MYNL which helped him to take an informed decision. This standard was adopted by IRDA as the best practice to be emulated by all players in the Indian insurance market. They were also the first company to sell a policy with riders. For example, 5-Year Term Renewable and Convertible Policy had two riders attached to it viz. Personal accident benefit and Dread disease benefit, which could be attached at the time of purchase of policy or later, subject to certain conditions. MNYL also offered a specialized rural policy provided term insurance for Rs 10,000 for a sum of Rs 100, which was affordable to that particular segment of society.

MNYL offered cash bonus in May 2003 to its Whole Life policyholders, who joined before February 6, 2002. As a value added service, this bonus could be used in five different ways: accumulated with the company and earn interest, buy paid up additions to raise the death benefit of the base policy, offset against future payable premiums, taken in cash or buy an additional term cover for one year.

In 2003, MNYL realized that it needed a new workflow system, as the existing one was unable to meet the customer requirements efficiently. Therefore, it tied up with Newgen to supply business process management tools. These technological improvements helped to reduce the turnaround time for customer request by 45%, aided in immediate retrieval of information, and generated savings on paperwork and telephone costs. MNYL also fixed benchmarks on claim processing time, processing of complaints and customer satisfaction and monitored these regularly. All these measures served to enhance customer service levels in the company.

Questions for Discussion:

1. With the advent of private insurance players in India, how did Max New York Life decide upon its plan to gain market share in the country?

2. What was the marketing plan and strategy used by MNYL to increase its business in Life Insurance. Discuss with reference to product differentiation and process improvements made by MNYL.

Caselet 2

The Christmas season is the peak demand season not just for retailers and consumer goods companies but also for parcel service providers like FedEx and UPS. Apart from the consumer parcels and greeting cards, online retail sales also add to the demand for the courier services provided by these companies. Courier companies try to devise various strategies to deliver the packages before the Christmas holidays. UPS, the world's largest package delivery company, expects to deliver 340 million packages globally during the 2004 holiday season (between Thanksgiving Day and Christmas). It expects to witness peak demand on December 21, estimating that it will deliver nearly 20 million packages through air and ground that day, compared to the 13.6 million packages it handles on a normal day. So, UPS has taken various measures

to match the demand and capacity. Speaking on the issue of its demand-capacity match, Cal Darden, senior vice president of its U.S. operations, said, "UPS operational infrastructure is designed to expand and contract to accommodate fluctuations of volume easily and quickly." The company is planning to hire a temporary workforce of 70,000 people, including package sorters and driver helpers, to manage the holiday demand – 20,000 more than they hired during the 2003 holiday season. It is also beefing up its existing fleet of 88,000 vans and tractors by adding an estimated 7,000 ground vehicles and 24 large jets to meet the additional demand.

Another logistics major, FedEx, also expects a significant jump in its shipping volumes. FedEx expects to ship an estimated 7.7 million packages on its busiest day, December 13, compared to 5.5 million packages on a normal day. The company is gearing itself up to meet the increased demand, by hiring 7000 seasonal employees during the holiday season. Apart from increasing its workforce, FedEx has adopted innovative strategies to meet the increased demand. It has introduced many online tools on its website which will aid customers in having their packages delivered faster. For example, the 'FedEx Ship Manager' enables the customer to process, track, and manage the shipments online. Through this, the customer can prepare and print the domestic and international shipping labels. The customer can also request FedEx personnel to pick up the parcel at his/her doorstep through this tool. He/she can also store 2000 addresses in the address book and check the accuracy of the address through the 'FedEx Address Checker' option in the FedEx Ship Manager tool. Through the 'FedEx ShipAlert' option in this tool, the customers and three other parties can be notified by email that the parcel is on its way or has been delivered. FedEx also provides an online tool called the 'FedEx Rate Finder' on its website using which the customer can get shipping rates by providing information like the weight, delivery option, and destination. FedEx also offers the 'FedEx Insight Tool' through which the customer can track the status of the parcel on a real-time basis.

The company also plans to use its recently acquired business services outlet chain Kinko's (renamed FedEx Kinko's) to serve the needs of customers during the holiday rush. Through these outlets, the company offers Pack and Ship service where the customers can bring their unpackaged items to FedEx Kinko's outlets, and get them packed and shipped by the personnel at the outlets. These outlets also offer personalized photo gifts such as custom photo calendars, greeting cards, ornaments, mouse pads, and travel mugs which can be purchased and shipped by the customers.

The United States Postal Service (USPS) delivers a larger share of parcels than these two courier companies. During the 2004 holiday season, USPS expects to deliver higher volumes than last year's figure of nearly 20 billion letters, cards, and packages. But USPS is not increasing its resources; instead it is managing the additional demand through outsourcing and automation. Commenting on this issue, McKinney Boyd, Postal Service spokesman, says, "We currently are fully staffed to handle any delivery. We would expect, because of automation, to deliver millions of pieces of mail." It usually uses the transport network of FedEx, UPS, and also the unused capacities of commercial air carriers for delivering some of its parcels. USPS has also automated some of the processes to reduce the load on its employees as well as customers. It has launched an online service called Click-N-Ship. In this service, customer can enter details such as destination and weight on the USPS website (www.usps.com) to know the postage amount to be paid. Once the customer pays the amount online, shipping label with postage is produced that can be printed on his/her own printer. The package with the shipping label pasted on it can then be either dropped into any USPS collection box or at the post office. USPS personnel can also be asked to pick up the parcel at the customer's doorstep. USPS has also set up self-service kiosks called automated postal centers at the post offices where the customer can weigh the package, pay for the postage through credit card, print and paste the

shipping label, and then drop the parcel into the mail box. Eve Forrest, an ambassador for the U.S. Postal Service, says, "We're encouraging them to use alternate access (automated postal center and online services) so that they don't have to stand in line. We're just trying to be readily available to make it easy, quick and convenient."

Questions for Discussion:

1. Discuss the strategies adopted by the courier companies in managing the surge in the shipment volumes during the holiday season.

2. How will the holiday season influence the customer's desired service expectations and adequate service expectations toward the courier companies?

Part C: Applied Theory (20 points)

1. The success of Bharat Petroleum's retail venture is attributed to the management's effort to revamp the petrol outlets through the 'Pure for Sure' program, where the outlets were given a face lift, the personnel trained to handle the customers, and a quality control system established to ensure that the customers received quality products. What benefits do you think a service provider like Bharat Petroleum can obtain by focusing on physical evidence?

2. "Fresh Beans", a producer of coffee beans, plans to enter retailing by starting its retail coffee outlets – "Fresh B's" in commercial areas of metros like Bangalore and Delhi, simultaneously. What are the major specifications that it should consider in its various marketing mix elements?

3. Constant communication with employees and consumers plays a key role in eliciting better performance in the knowledge industry (say, the IT industry). How can a CEO of a software company, make use of surveys and effective communication systems to enhance internal and external customer confidence and satisfaction?

4. Dr Arvind Chary, a renowned surgeon and head of a government hospital in Ranchi, set up a diagnostic services unit (Arvind Labs) in Bangalore in 2000. The objective was to provide world-class diagnostic services at reasonable prices. However, even after four years of operations, analysts are of the opinion that Arvind Labs has not been able to deliver services of the highest quality, though the prices have been kept reasonable. Identify the primary reasons that could have led to Arvind Labs failing to meet client requirements.

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Model Question Paper I

Suggested Answers

Part A: Basic Concepts

1. a   2. c   3. b   4. c   5. d   6. a   7. b   8. c   9. a   10. b

11. a   12. c   13. b   14. d   15. b   16. d   17. d   18. c   19. b   20. d

21. a   22. b   23. b   24. b   25. b   26. b   27. a   28. b   29. c   30. a

Part B: Caselets (Suggested Answers)

Caselet 1

1. Kerala, popularly called – God's own country, has unlimited vistas of greenery, backwaters, spices, beaches, and ayurveda. CGH recognized each of these opportunities and worked to develop resorts without disturbing the natural habitat around the resorts. CGH sought to establish something that would be different from the usual hotel accommodation. Therefore, with the leisure traveler in mind, CGH designed each resort in a distinct manner, so that tourists could be offered a complete package or an individual one.

While one resort looked like a fishing village with thatched huts and traditional open courtyard bathrooms, the other reflected the erstwhile colonial culture with special architecture in place. To give the tourist the experience of a tribal set-up, Spice Village was situated amidst a spice garden where the natural aroma surrounding the resort served to connect visitors to nature. Pure backwater experience was provided through houseboats that were customized to give the tourist the comfort of a floating home. Another of the resorts offered a combination of the backwaters and the traditional Kerala structure to give the tourist the feeling of living amidst nature. To add to the natural feel, most of these resorts did not have television or air conditioning. All the restaurants provided typical seafood cuisine, and Kerala specialties apart from having well-stocked bars. Thus, CGH established a niche for itself by offering unique services to tourists, by providing a different kind of ambience in each of its resorts.

2. Each of the CGH resorts was designed to melt into the surrounding area so that the natural essence was maintained to give the tourist an enriching experience. As an addendum, the services offered by these resorts were themselves in line with the local ambience. Ayurvedic treatment, an integral part of Kerala culture, was a feature in almost all resorts of CGH, which attracted mainly the foreign tourists. To cater to the same segment, they had special amphitheatres and cultural shows to capitalize on the rich heritage of Kerala. In a bid to enable the adventuring tourist to explore the neighborhood, Marari beach resort offered bicycles as a mode of transport. The adventure savvy tourist was attracted by the scuba diving, snorkeling, and fishing facilities offered by the Lakshwadeep resort.

As most of these resorts were targeted at the leisure traveler, they provided the traveler with the opportunity to enjoy nature while reading a book selected from the library. Other avenues for entertainment for this segment were the slide show room and indoor games. For the tourists who wished to venture out, The Spice Village offered treks into the jungle. A unique service offered by Coconut Lagoon allowed

guests to indulge in their hobby of cooking where the can sample recipes with spices. It also offered sunset cruises so that guests could enjoy the beauty of the backwaters by evening. Apart from these, swimming pools and tennis courts were also provided at some places. Each of the CGH resorts had its own activities, which aimed at providing leisure activities to the tourist that were in line with the natural habitat of the resort.

Caselet 2

1. There are four levels of service products -- core product, actual product, augmented product and potential product. Core benefit of a product is the basic benefit that a product offers to the customer. VLCC recognized that through its slimness centres it could provide the core benefit of weight reduction for customers who were suffering from obesity.

The next product level is actual product. Actual service product consists of core benefit along with the tangible elements associated with the service. VLCC has associated many tangible elements along with the core product of weight reduction. It focused on three aspects -- technology, counselling and life-long professional support on beauty and health that brought tangibility to the service offering. The company installed imported equipment to provide effective treatment. It adopted a treatment approach aimed at increasing the basal metabolic rate (BMR), which it claims, is the healthiest way to weight reduction. VLCC also achieved three certifications ISO 9001: 2000 (service quality), SA 8000 (social accountability) and ISO-14001 (eco-friendliness) that reflect the company's commitment to service quality.

The next service product level is the augmented product. Augmented product refers to the actual product coupled with intangible elements that support a service. These include service warranty, service delivery, customer service etc. At this level, VLCC offered a service guarantee through guaranteed weight reduction of five kilos per month. Its personalized service delivery process is another intangible element. It assigned a personal instructor to guide and assist the customer throughout the programme. It also assigned service personnel who could provide better service to the customer such as full time doctors, dieticians, beauticians and technical experts. Extensive counseling was done to identify the problems and provide effective treatment for customers. The company also maintains customer relationships even after the completion of the programme through the service of life-long support.

2. Slimming and fitness market is facing increasing competition. Many companies are offering different kinds of weight loss programmes. However, being a market leader in this market and as one claiming to offer a healthier and effective way of weight loss, a cost-based or market-oriented pricing will not be the right option, as that may not help in differentiating services from competition. Instead, VLCC needs to go in for value-pricing strategy, which will enable it to price its services according to the perceived value that it provides to the customer. More specifically, it can adopt either satisfaction pricing or relationship- pricing strategies which will be more appropriate in enhancing the brand equity. These strategies will help the company quantify the monetary and non-monetary value that its services provide to the customer.

Part C: Applied Theory (Answers)

Answer 1

CompuServe, which is into the physical retailing of PCs, is planning to enter the online stores market. Companies like Compaq have failed to replicate Dell's model due to various constraints and poor planning of the venture. Therefore, before launching its new service CompuServe needs to evaluate certain aspects.

CompuServe has to first evaluate customer perceptions about the new service. This kind of service may appeal to the industrial customers whose needs are varied. However, individual customers who will have less awareness about computers will rely more on their friends or the dealer regarding the purchase decision of PCs. Therefore, such a venture will not appeal to individual customers. Another aspect that the company has to evaluate is the acceptance of the Internet as a medium for transacting business. This issue is important because customers are concerned about the security of the transactions done on the Internet. Moreover, Indian customers are less aware about use of the Internet. Besides, Internet access is very low in India. Therefore, the company has to consider these aspects while designing the services and service delivery processes.

Secondly, CompuServe has to evaluate whether its present resources and skills are enough to operate the venture successfully. If not, it has to identify those skills or resources that need to be added or modified. As the company is planning to operate an online venture, it needs to have a different set of skills and resources. The company needs to establish strong supply links that can provide supplies on time using just-in-time approach. It also needs to have good logistics support to deliver the orders at the customers' doorsteps, unlike in a physical set-up where customers pick up the orders.

Another aspect that the company has to consider, is the organizational changes that are required to suit the mass customization approach. The company has to analyze whether the present organizational set-up and culture need to be changed to suit the requirements of mass customization. Moreover, it has to think about the role of its physical outlets that might come in conflict with the online venture.

Answer 2

Despite having a very good infrastructure, it sometimes happens that companies lose customers to competitors. This is precisely the case with APSRTC. Despite having state-of-the-art infrastructure, it gradually lost its customer base to private transporters operating in the state. In order to regain these customers, APSRTC has to first identify the reasons for defection and dissatisfaction among customers.

APSRTC should make attempts to know if any customer is dissatisfied with its services. Periodic customer surveys and regular customer interaction would help it identify any failures in service delivery. This is necessary because customers sometimes do not express their dissatisfaction but simply stop using the service. One of the reasons for not complaining could be a feeling among customers that it would be of no use.

Once the problems are identified, a proper customer survey would help in devising strategies to overcome them. APSRTC should encourage their customers to register a complaint in case they face any problem in the quality or delivery of service. The complaint submitting process should be simple and swift and should be widely publicized so as to increase customer awareness. In addition, the APSRTC management should continuously analyze the complexities involved in route scheduling and timing and identify areas where there is a possibility of failure or delay of services. This proactive approach would help the management reduce customer-related problems and also regain lost customers.

When a service provider fails to meet customers' expectations and fails to sort out service complaints, the customer loses confidence in it and its services. APSRTC should motivate and train its personnel adequately and regularly so that they can identify and utilize the opportunity given in the form of customer complaints to rectify their mistakes. They should be made to realize that they can reconvert dissatisfied customers into satisfied and loyal customers by exceeding their service expectations. The employees should also be made to understand the implications of bad service, both in terms of losing an existing customer as well as bringing in bad publicity for

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the organization through the dissatisfied customer. Hence, to ensure error-free services, APSRTC must adequately and regularly train its personnel. The importance of this aspect can be ascertained from the fact that, despite implementing some of the following customer recovery steps, APSRTC could not increase its customer base substantially. For instance, it had introduced several schemes for frequent commuters such as TREAT, a scheme for regular travelers, JET (Jubilee Express/ Hi-tech Tickets) and Cat Cards. It also had introduced a number of luxury and ordinary buses starting from air-conditioned sleeper coaches to ordinary buses for intra-district and inter-district operations, passenger-friendly schemes such as free travel in city buses for passengers who have advance reservation tickets for long-distance travel, telephone and computerized reservations, and so on.

Answer 3

Bangalore, also known as the Silicon Valley of India, is one of the biggest commercial centres in India. Being a host to several renowned IT firms, Bangalore is already a target city for some of the biggest hotels in the subcontinent. The city is already served by hotels like The Taj West End, Windsor Manor, The Leela Palace, Le Meridien, The Oberoi, etc., all of which cater to premium segments of the market. Hence, Hotel Marriott has to develop its competitive advantage meticulously to sustain itself in the market. To do this it has to work upon the following service factors.

With the entry of foreign hotel chains into the Indian market, customer expectations have grown tremendously. Positioning itself as a premium class hotel, Marriott should ensure to keep its service products at par with the best in the industry. Superior quality should be immediately evident in all the service components like accommodation, food and beverages, shops, car rental services, recreation and health. Catering the premium segment, the hotel can leave nothing undone, as even value-added services have to be undertaken with the same zeal as the core services and should deliver the best quality.

'Place' in the hotel industry is interconnected with other service industries that deliver the overall package of tourism/business travel to customers. Hence, the business operates in close association with the transportation and tourism industry. Place would matter for Marriott but not as much as the relations with these associative industries. Hence, agreements with these service providers can result in a flourishing of the basic business of the hotel. Maintaining good relations with neighbouring hotels also helps in co-operative distribution where hotels pass on the excess traffic to the nearby hotels, thus earning goodwill.

Since Marriott is already established as a hotel targeting the premium segment, its prices will obviously be high. However, it should ensure that the service quality meets international standards so that customers feel that the high price is more than justified. Customers in the five-star hotel segment expect a high level of service together with premium pricing.

Promotions are also of great importance in the hotel industry. Marriott can promote itself through advertisements, sales promotions and public relations. It can use TV ads and other forms of advertising to feature the comfort and luxury that can be experienced in the hotel, and its unique ambience and service quality. Trade promotions can be extended to its partners in associative industries like travel, tourism and airline services. Hotel Marriott can also earn goodwill for itself by maintaining good public relations and contributing to social causes.

People can be a source of competitive advantage for any service industry. Hence, Marriott should develop a good hiring system, as well as induction and training programs for its employees. It should strive to ensure that its people are very familiar with all the processes of service production and delivery. Initially it can transfer some

of its experienced people from its hotels in other cities to this new location in Bangalore. This will ensure that the new incumbents gain the benefits of the experience of seniors who have been exposed to the practical problems of the hotel industry. The fresh personnel can also be supervised and instructed by the more experienced personnel. The hotel can even feature its people in its advertisements and other promotions to highlight the care and dedication with which they work.

Processes will hold the edge for Marriott to establish itself in the new location. The hotel should try to reduce idle time and ensure that its services are delivered on time. It should ensure that any instances of customer dissatisfaction are dealt with properly and to the satisfaction of the customer. Wherever required, the process should be automated for quick and efficient delivery. However, the processes should not lose the element of personal touch. The hotel should ensure that when clients call in to find out about the services offered, they are greeted by service personnel - so that the response is personalized - rather than a automated answering service.

Marriott should try to ensure that it provides enough physical evidence of the quality of its services. It could get its services certified by any quality regulatory body and use it as credence property to attract customers. Value added services can play a major role in imparting tangibility to Marriott's services. Marriott can provide for complimentary pick up and drop facilities from and to the airport and the railway station, and laundry services and car wash for its customers. It can also provide facilities like 24-hour wireless communications, in-room laptops and bars, health clubs, swimming pools, etc.

Answer 4

Healthcare services are low in search qualities, i.e. they cannot be tested like products, for their features or characteristics before they are used. They are high in experience qualities and can be judged only after they are utilized. Owing to these difficulties in judging service quality, foreign patients look for physical cues about a hospital's facilities when they browse the Net or as soon as they enter the premises of the hospital. So physical evidence is of prime importance if corporate hospitals in India wish to attract foreign patients.

The physical environment plays a very important role in patient satisfaction because it is perhaps the first tangible element with which patients come into contact. Research studies have shown that the overall service experience of a customer is determined not only by functional attributes but also by physical surroundings in the service location. Physical surroundings influence a customer's decision to revisit the hospital. The following aspects must be looked into when planning the physical environment: Layout, Atmosphere and Aesthetics.

Layout: Layout refers to the design of the hospital. The hospital lobby should be spacious and provide comfortable seats, since patients need to wait a while to be attended on. Hospitals should ensure that their lobby is not overcrowded, because this is one thing that foreign patients dislike. The traffic has to be estimated and the hospital built or leased based on this estimate. There should be signboards pointing the way to different departments. The designation of staff should be clearly stated on a nameplate kept on their desks, or marked out in identity cards worn on the person. This will make it easy for a customer to contact the concerned employee. In addition, a master plan must be developed that provides for both short and long-term expansions and to make changes in the existing hospital layout itself. For instance, the Apollo Group of Hospitals has taken the services of the renowned architect Alfaz Miller to design the architecture, interiors, signage, and project execution of their hospitals. The Apollo Indrapastha Hospital at Delhi has a layout of 675,000 sq. ft. To ease the crowd in the Out Patient Department, an atrium was constructed in the general waiting area. The less complex out-patient department was separated by a

pedestrian atrium space from the complex acute care, diagnostic and in-patient areas. The large atrium also serves to provide a street-like lively atmosphere. It is also provided with a cafeteria with a natural surrounding of plants. The Rockland Hospital in Delhi has an atrium surrounded with fountains and greenery. The lobby welcomes the visitor with soothing music. Further, the centralized air-conditioning and 24-hrs power back-up add to the comfort level. The rooms are designed in such a way that they provide a breathtaking view of Sanjay Van and Qutub Minar.

Atmosphere: Research studies have shown that people's decisions are influenced by various elements of atmosphere at the hospital like light, sound, smell, and touch. Hospitals have to ensure that they provide a good lighting and ventilating system and that the place smells fresh and nice. The sterile atmosphere of a hospital must be avoided and a more humane, warm ambience must be created. Apart from the seating arrangement, there should be facilities like safe drinking water and washrooms. Visuals can also positively influence patients. For example, the children's ward can have bright colored walls and pictures of cartoon characters that would attract and brighten up kids who are otherwise unhappy due to ill health. Service outlets should also maintain the right kind of ambience where fragrance is concerned. The hospital should not have a strong smell of spirit or other cleaning agents.

Aesthetics: A customer's decision to revisit a service outlet depends largely on its ambience. The quality of flooring, carpets, material used in the furniture, curtains, designs on the ceiling, paintings, artifacts displayed, glittering chandeliers, all these contribute to the experience. This is in addition to more basic aspects like employee uniform or smoothly finished walls. For example, the staff uniforms of the Apollo Group have been designed by eminent designer Ravi Bajaj. Foreign patients, who visit a hospital for the first time look out for these aesthetic aspects and form an opinion of the quality of service provided by the service personnel. Research also suggests that when the ambience is more colorful, the patients feel more at home and recover faster.

All these aspects can help corporate hospitals in India to woo foreign patients and to contribute to customer satisfaction.

Model Question Paper II

Suggested Answers

Part A: Basic Concepts

1. c	2. c	3. c	4. d	5. b	6. c	7. b	8. b	9. b	10. c
11. b	12. b	13. d	14. a	15. c	16. c	17. c	18. b	19. b	20. c
21. b	22. d	23. d	24. c	25. a	26. c	27. b	28. a	29. b	30. d

Part B: Caselets (Suggested Answers)

Caselet 1

1. Air Deccan has used its 7 P's to market its services in an effective manner.

Product: Air Deccan is offering a no-frills air service at low cost. Another USP of the airline, is connecting flights to smaller towns, which are largely untouched by full service airlines. This will enable Air Deccan to attract more passengers.

Pricing: The airline has priced its services at nearly 50% less than the prices of full service airlines. Such a pricing will broaden the customer base, and improve the sales volumes. This pricing will encourage middle-class customers, small businessmen and companies who look for faster but cheaper travel option for their executives, to opt for the airline.

Place: The airline has developed its own reservation system where customers can book their tickets, either by calling Air Deccan's 24-hour call center, or through its website. Such a distribution set-up will increase accessibility and reduce distribution costs, in terms of printing the tickets and travel agent commissions. Air Deccan is also using retail outlet networks where customers can book their tickets, as at Uday Home World, a consumer electronics chain store in Bangalore. The airline is planning 400 such outlets spread across all the major cities where it has operations.

Promotion: The airline has highlighted its low-cost advantage in its promotions. Its tag line "Simplifly" connected well with its no-frills low-cost service. It used mainly print and outdoor media for promotion thereby cutting costs.

Physical evidence: Air Deccan has various tangible elements that indicate its low-cost status. It offers a no-frills service, cutting out elements like different full-course meals, business lounges, seating arrangements, and in-flight entertainment that add to the bill. It also uses smaller aircraft than full-service airlines. However, it is the pricing policy that conveys the low-cost advantage to its clients.

2. Being a low cost airline Air Deccan has to utilize its resources to the fullest. If the flight is not filled to full capacity, the unsold tickets cannot be redeemed or resold at a later stage. Thus the airline has to strive to increase the occupancy rate. Air Deccan has taken many steps towards this end. The company has expanded its distribution channels, by moving to channels other than travel agents, so as to make it more accessible for customers. This has helped in improving occupancy rates. Through the Dynafare scheme, where the cost of ticket increases as the date of the flight approaches, Air Deccan encouraged customers to book their tickets well in advance to take advantage of the discounts offered. These advance bookings increased the occupancy rate and attracted demand much in advance of the actual date.

Apart from this, Air Deccan has also tried to maximize the utilization of all its assets - people and infrastructure. It uses smaller planes which are easy to maintain, and can be made air-ready in a shorter period of time. This meant that the planes could make more trips compared to larger ones. The airline limited the size of the crew for each flight to 4 to 6 personnel including one air hostess. This helped the airline to utilize its personnel more efficiently and decrease its wage bills.

Caselet 2

1. Washington Mutual had no presence in New York City till the acquisition of Dime Bankcorp. Till then, the awareness about the bank among New Yorkers was negligible. Moreover, the New York market was dominated by Citibank and J.P.Morgan Chase. Hence, Washington Mutual had to launch a promotional campaign that would help create good brand awareness among the customers. It also wanted to distinguish its campaign so that it would stand out in the clutter. Consequently, WaMu conceptualised the "Spotlight on Teachers" campaign. The campaign was intended to achieve several objectives. The company had chosen the teacher segment as the recipients to convey its community commitment aspect to the customers of New York City. The selection also helped differentiate its campaign from that of the competition.

The nomination process enabled the involvement of various customer groups such as teachers, students and parents thus reaching the right target audience – the middle class customers. The nomination process also enabled the customers to know more about the Washington Mutual Financial centres and its operations. The complete buyout of the tickets for all the shows at Broadway and the pre-show event had enabled the bank to create a buzz in the city. The coverage in the media for the event also aided the bank in creating brand awareness about Washington Mutual. The success of the sales promotion campaign was evident from the post survey results. The awareness level of the customers had increased from 18% to 56%. The community commitment image of the bank had been reinforced, as a major proportion of sample respondents termed the bank as a "a bank that gives to the community."

2. Washington Mutual can use personal selling strategy to increase brand awareness and penetrate the market. Since customers prefer a financial service provider who provides reliable and convenient service, personal selling would be the right route through which customers can be briefed about the bank's products, customer services and reliability.

Washington Mutual can also use the public relations campaigns for making the customers aware about the bank. It can place press releases, offer interviews and encourage the press to carry stories about the bank and its service offerings. It can gain greater impact if it focuses on financial dailies and news channels for public relation campaigns because New York being the financial capital of USA has finance professionals (including top managers who are the target audience for financial news channels) who are opinion leaders with regard to financial matters.

Running print campaigns will also help the bank in gaining initial push in the market. WaMu can place ads in the local newspapers in order to target New Yorkers.

Part C: Applied Theory (Answers)

Answer 1

Product companies have the flexibility to alter their capacity according to demand, so as to achieve increased revenues and profits. However, as Rafi Multimedia is in the entertainment services business it cannot adopt this strategy due to its fixed capacity. Therefore, it needs to look for ways that can enable it to maximize revenues from its

fixed capacity. Such a strategy calls for effective yield management. Yield management, which is also known as revenue management, helps in achieving higher revenues from the capacity-constrained services. Yield management tries to maximize the revenue through effective planning of service operations. The yield management process consists of four key steps.

The first step in the yield management process is segmentation of the market. Companies need to segment the market so as to understand customer needs more effectively. In the case of Rafi Multimedia, the company can segment the market into youth, family entertainment, kids, mass-market films, and serious cinema.

The next step is to identify the needs and demand pattern for each segment of the market. This helps a company plan its service offerings accordingly, so that it can manage demand and supply efficiently. For this, the company needs to gather information about various aspects like the needs of each customer segment, market potential, and peak and lean season for each of the service offerings. In the case of Rafi Multimedia, family entertainment movies will have peak demand during weekends and night shows. On the other hand mass-market movies will have demand throughout the day. Youth-oriented films will have high demand during the day rather than night. Therefore, the multiplex can run family-oriented films during evenings and weekends, mass-market films on weekdays and youth-oriented films during day shows. This will enable the company to utilize its capacity more efficiently.

Next, the company should decide on the pricing of the service offerings. Pricing is a key issue that needs thorough analysis of various factors, such as demand for the service offering, purchasing power of the customers, profit margins that the company expects, and costs involved in offering those services. Rafi Multimedia can fix the ticket price for mass-market films and youth oriented films slightly lower than the prices for other kind of films, as the target market is price conscious. It can price English films higher, because they are viewed by an audience that is willing to pay a premium for such films.

The final step is to communicate its service offerings and pricing strategies effectively to the customers. If the company adopts differential pricing, where the different service offerings have different prices, it should be able to justify the price differences, so that customers do not feel cheated.

Answer 2

Any service has two components – core service and supplementary service. Core service is the basic service provided to the customer with the minimum essential features. A supplementary service is normally an additional service provided along with the core service. Companies normally offer supplementary services to gain a competitive advantage. Offering supplementary services has, in fact, become a vital aspect of survival for companies in the service industry, especially for those in the hotel industry. Due to advances in information technology tools, the customers are able to compare different services provided by various hotels and choose the best deal. So it has become extremely difficult for hoteliers to survive by only providing core services.

Indian hotels can make use of supplementary services to differentiate themselves from foreign chains and attract more customers, as the core service provided by most of the luxury hotels is almost the same. Some of the areas that can be focused on are customer information, hospitality, order-taking, safety, billing, and payments. For example, the Oberoi group has started a 'toll free number' facility for customers who can utilize it to obtain information on reservations, room availability, special packages, and so on in all its hotels across the country. The group also provides wireless connectivity among its chain of business hotels in the five metros. This is a useful service since many international clients who come for business meetings and

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conferences look for such a facility. In addition, innovations through technology could be used to provide additional supplementary services. For example, Indian hotels could install napkin folding machines, beds in luxury suites that can be arranged automatically, and instruments that can make garnishes, dressings and sauces according to an individual customer's tastes and preferences. Safety could also be enhanced by using thumb prints instead of keys to access hotel rooms. Customers could be provided free additional information about local shopping and tourist attractions. For example, a shopping guide in different languages could be given to customers. The different sections could be classified according to geographic areas to make it easier to plan the shopping. The shopping guide could contain information on opening hours of major shops and credit card acceptance, tax-free shopping areas, shops that can be accessed by public transport, and other supplementary service offerings like list of restaurants, tourist spots, childcare centers, etc.

With the help of some of these supplementary services, Indian hotels can differentiate themselves and successfully take on competition from foreign chains.

Answer 3

TTSL was established by Tata Industries to take advantage of the liberalization in the telecom sector and to provide telecom services of the highest quality to individual as well as corporate customers. TTSL is a basic telephone services provider and has as its clients some top Indian corporates such as GE Capital, Wipro, Magnacom, Dr Reddy's Labs, Standard Chartered Bank, Motorola India Electronics, TCS, and Satyam. TTSL plans to set-up high quality telecom infrastructure and expand operations across India over the next few years. Implementing the CRM system is a step toward achieving this goal. The Oracle E-Business Suite can provide certain benefits to TTSL and its customers.

Benefits for TTSL: If a company maintains good relations with its customers, the customers will continue to avail of its services without being attracted by competitors. Research has found that people tend to increase the amount of money they spend on services with each visit they make to a service provider. The CRM system will benefit TTSL in the way of increased revenues from existing customers as they will become repeat customers. They will even provide free word-of-mouth publicity, which will bring in new customers and additional revenues to TTSL. The Oracle E-Business Suite will also enable TTSL to cut down on the costs involved in attracting new customers.

To offer personalized services, a service provider has to take some time to understand the customers and get to know their tastes and preferences. New customers, on their part, are hesitant about depending on a new service provider for all their requirements and take time to assess the quality of service offered. Also, these customers may have some doubts about the terms and conditions of the services. So there is a significant time gap before the service provider and the new customer begin to trust each other and enter into a relationship. The CRM system will help TTSL reduce time, effort, and resources by integrating and streamlining customer service operations. This will help the company win the confidence of new customers and build a relationship with them. Therefore, there will be less pressure on the employees to attract new customers. The employees will be expected only to maintain and continually improve relations with existing customers and retain them. Because of the limited work pressure, employee turnover will also be lower. Therefore, the company will save a lot in terms of the costs of recruitment and training of employees.

In addition, the CRM system will reduce the time taken to address customer complaints and also help the company to improve first-time redress of customer complaints. There will also be transparency of operations. This will enable TTSL to not only provide better quality of service but also to respond faster to customer queries and problems. The result is greater employee confidence.

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The Oracle E-Business Suite will help the company develop a better blueprint with which it can view customers across multiple touch points. It will provide a single source to track all customer interactions, leading to increased productivity among Customer Service Representatives (CSRs). TTSL will be able to provide differential service based on customer segments as well as type of service. This will improve its marketing efficiency. On the whole, better customer profiling will be possible for Tata Teleservices.

Benefits for Customers: By maintaining a consistent relationship with TTSL and opting for its services repeatedly, the customer can save on the time and effort required to choose a new service provider and then test its service capabilities. Also, because the service provider already knows the customer requirements, the latter can enjoy highly personalized services and sometimes even special services. The system will also be able to provide online status for queries, thus reducing follow-up calls from customers and contributing to enriching the customer experience. In addition, it will also lead to greater customer delight.

Tata Teleservices can fulfill certain objectives through the CRM system.

- TTSL can realize the potential of improving customer interaction through the Oracle E-Business Suite system, since the system will help attract, maintain, and enhance the lifetime value of its customers. Improving customer relationships creates an opportunity to up-sell and cross-sell new products and offerings.

- It can ensure that customers easily get information about the various services the company provides.

- It can provide faster processing of customer requests and meet customer service commitments efficiently.

- It can reduce costs and improve productivity to generate and safeguard company revenues and profitability.

- It can ensure that every interaction with the customer results in delight and enhances the customer's relationship with the company.

Answer 4

Most of the developed nations have some kind of social security mechanism in place. Unfortunately, this is not the case in countries like India. Though there are many so called old age homes run by charity organizations and religious institutions, many of them lack efficiency and effectiveness in their operations because of the prevalence of a service gap in their systems and practices. As a result, the inmates' level of satisfaction does not always match their expectations.

There are many reasons for this difference in quality of service. Royal Palm Estates could provide services that align with customer expectations if it keeps track of some of these reasons. They include:

- Failure to understand customer expectations

- Failure to design desired services

- Lack of communication of the right service standards to employees

- Failure to deliver the service standards to customers

- Failure to take customer feedback and review service quality on a continuous basis

Failure to understand customer expectations: The quality of the decisions the management makes in service organizations often depends on the quantity and quality of information they have about the customers. Decisions that are taken without the needs and preferences of the customers being understood are bound to be ineffective. The management of Royal Palms should use the information about inmates to build

and develop relations with them. For example, greeting them on special occasions like birthdays and wedding anniversary helps in enhancing and maintaining relationships and improves satisfaction. Royal Palms should not only consider the sociological aspects but also be aware of the psychological and economic conditions of the elderly in order to provide services that fulfill expectations. Other facilities could include security, companionship, 24-hour emergency assistance, visiting medical and personal service providers, and provision for leisure activities.

Failure to design desired services: When a service provider fails to foresee customer needs and their changing preferences, they fail to design services that meet customer expectations and are bound to lose out to competitors. The service design of Royal Palms should take into account not only the current requirements of the elderly, but also the changing patterns of their needs. The elderly are generally fickle in their habits and may not like to share facilities with others. So, Royal Palms must develop infrastructure that provides for individual suites or rooms with personalized facilities. This can be very useful for urban well-to-do people and it might attract new well-to-do customers also. The firm can tie up with specialized agencies like Retirement Living Services (RLS) from Australia, who provide a range of consulting, management, and marketing services in setting up old age homes.

Lack of communication of the right service standards to employees and delivery to inmates: Royal Palm must set service standards and communicate them to employees so that they will know whether they are doing their job of serving the elderly in the correct way. Without any standardized procedure or goals, they will do whatever they think is right in delivering the service. Sometimes, even if service standards are established customers are not satisfied. This is because the staff lacks sufficient training. It has, therefore, become imperative for service organizations to establish standards that actually meet the expectations of customers. In addition, the standards should be communicated to intermediaries and employees at all levels and they should be encouraged to maintain them. The standards should also be complete, clear, and concise.

Failure to take feedback from inmates and review service quality on a continuous basis: Royal Palms must also keep track of the behavioral patterns and changing needs. Keeping this in mind, it should redesign its service from time to time.

Model Question Paper III

Part A: Basic Concepts

1. b 2. b 3. a 4. b 5. b 6. d 7. c 8. c 9. c 10. d
11. a 12. a 13. b 14. c 15. c 16. b 17. b 18. a 19. b 20. d
21. b 22. d 23. c 24. c 25. d 26. d 27. c 28. b 29. b 30. c

Part B: Caselets (Suggested Answers)

Caselet 1

1. At the outset, the mission and vision of MNYL clearly defined its objective to be the most admired and preferred insurance company in India. It then went about doing a SWOT analysis that formed the basis for its marketing strategy. It had the advantage of variety of products from New York Life, a leading insurance player in the US, that had to be introduced with Indian perspective. The largest threat was LIC, which had a big distribution network. MNYL also saw an opportunity in the under-penetrated insurance market where insurance policies are considered as an investment or tax-saving tool.

Using this market analysis it went about building its distribution network through direct sales personnel called "agent advisors". Special attention was given to training them so that they could go beyond selling and offer professional advice to customers. MNYL leveraged the fact that insurance policies were mainly treated as tax savers or investment tools. Therefore, it emphasized on protection against risk in its products and combined savings with protection creating a differentiated product. These measures coupled with other product differentiations and customized processes helped it to gain a presence in the insurance market.

2. MNYL mainly used the concept of protection against risk to promote its products. It felt that existing insurance products, although having a money-back offer, did not offer protection to the customer. The "Whole Life" policies of MNYL, therefore concentrated on a unique combination of protection and saving that appealed to the customer. Along with this, riders in the form of supplementary policies served as an additional benefit to the customer. Another first for MNYL was its cash bonus offer which offered cash back on certain policies. As a value addition, there were various options wherein this cash could be invested with the company. Continuing with its innovations, MNYL also offered a free-look for 15 days, which later became the norm for insurance industry.

With a focused approach to the rural areas, MYNL introduced a rural policy with minimum investment to suit the pockets of the lower income groups residing in villages. To make this section of customers understand the benefits of their policies, they adopted a unique strategy of appointing schoolteachers and social workers as agents, who being opinion leaders helped convince the villagers about the product. Other distribution channels like banks and corporate alliances were a means to expand the customer base of MYNL via customers visiting these places. The direct selling agents established personal rapport with customers on one-to-one basis, thereby increasing goodwill and loyalty towards MYNL. To support their products and

distribution, they built a customized business process system using the web platform to generate quick customer response. This model also helped them to track complaints and measure customer satisfaction. The improved productivity and low costs helped to improve MNYL's profits and gave them increased business.

Caselet 2

1. Courier companies have very limited options for managing the increase in demand during the holiday season. They do not have the option of shifting the demand from the festive season to the slack season unlike other service providers such as hotels and theme parks. Courier companies have to adjust their capacity to match with the change in demand. UPS, the world's largest package delivery company, has increased its fleet and workforce to meet the increased demand during the holiday season. It has recruited temporary workers who can be withdrawn at the end of peak season. FedEx has adopted a unique strategy of providing online shipping services. This will help it to cut costs and also to reduce the burden on the service personnel who can be deployed in other departments. Through the online Address Checker service, it helps the customer verify the address so that the parcel reaches the right destination on time. This also helps the company reduce the number of undelivered parcels. FedEx also uses its retail arm, FedEx Kinko stores, to manage the surge in shipment volumes.

USPS has also been able to effectively manage the raise in shipping volumes. It hires the unused capacities of commercial airlines, and uses the transportation networks of FedEx and UPS to transport some of its cargo. This has been a cost-effective way of managing the increased demand. It has also automated the shipping process through the use of self-service kiosks and online tools. This has further helped speed-up the delivery process, as the service personnel can be assigned other important jobs such as sorting, dispatching, and delivering the parcels.

2. The customer's service expectations might change depending on various factors. The desired service expectations are influenced by customer needs and the customer's philosophy. The desired service expectations of a customer who sends the parcel early will be different from that of those who sends the parcel late. The customer who sends the parcel early will have high expectations of the company and expects the parcel to reach its destination safely and on time. On the other hand, the customer who sends the parcel late, say, just before the festive day, may not have such high expectations. All he expects is that the parcel should reach safely.

The customer philosophy, refers to the customer perception toward the service provider. The customers will have high desired service expectations from service providers like FedEx and UPS because their services are expensive and they are in the private domain. However, they may have lower desired service expectations from USPS because the prices are lower and it is a state-owned organization.

Adequate service expectations are influenced by transitory service intensifiers and situational factors. Transitory service intensifiers such as personal emergencies and failure of service providers increase the adequate service expectations. For example, the customer is in a hurry to send the holiday gift and the courier company promises overnight delivery but for a higher price. Adequate service expectations are increased due to his urgent need and the service provider's promise. If the courier company fails to deliver the parcel on time, the customer will be dissatisfied.

Situational factors also influence the customer's adequate service expectations. Customers have lower adequate service expectations during the holiday season compared to the expectations during the normal period. This is because the customers feel that the holiday rush is beyond the control of the courier company.

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Part C: Applied Theory (Answers)

Answer 1

As services are intangible in nature, customers will evaluate the service quality and create a perception about the service provider based on the physical evidence associated with the service offering. This aspect is more important for BPCL's retail operations, since it involves retail sale of a commodity product like petrol. The following are some of the benefits that BPCL will obtain by focusing on the physical evidence.

Increased productivity: Due to better arrangement of equipment and layout, a service provider can improve the productivity of the organization. Revamping the petrol outlets to match international standards makes them spacious and orderly and helps service more number of vehicles. This in turn improves productivity. Training the service personnel will enable the personnel to attend customer needs faster and this will influence the productivity positively.

Creating good impressions: Revamping the petrol outlets will create a good ambience. This attracts the customers and makes them feel comfortable while availing the services. Moreover, service personnel will also feel motivated to work better, if the right environment is provided.

Increased credibility: Creating 'Pure for Sure' brand and setting up quality control systems will increase the credibility of BPCL among the customers. Earlier, customers had doubts regarding the purity and the quantity of the fuel at the petrol outlets due to widespread adulteration. By keeping checks and balances in place and branding these outlets, BPCL aims to create a positive image for itself among the customers.

Differentiation from competitors: Through the 'Pure for Sure' program, BPCL was also able to differentiate its services from that of the competitors, which is essential in commodity business like petrol vending.

Repositioning service: The 'Pure for Sure' program also enabled BPCL to reposition its services focusing on the quality and convenience platform.

Answer 2

The specifications for retail outlets like "Fresh B's" can be discussed on various marketing mix elements outlined for service industry, like product, price, place, promotions, people, process and physical evidence.

Product

The product in this case would have four levels namely, core product, actual product, augmented product and potential product. At the core level, the outlet should satisfy the basic reason for its existence. This means that the outlet should have the provision of supplying good quality coffee in a pleasant and relaxing environment.

At the actual level, the outlet should strive to attach tangible aspects to the service offered. These tangible aspects of the product come from the provision of special flavors of coffee, sleek furniture, quality, packaging and brand name.

The augmented product offered by the outlet should consist of tangible additions to coffee like low calorie concoctions, special preparations for diabetics, service delivery etiquette, atmosphere, etc.

The potential product can offer special services or added services that would add value to the service offered. In this case, the outlet can have the provision of magazines and books for their customers to flip through while they wait for the coffee

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to be served. They can also arrange for other complementary eatables. Since the promoters want to start of in a big way, they can also arrange for valet parking for customers and internet facilities for those who would like to have a sip while surfing the net or chatting.

Price

Pricing would be a critical exercise for "Fresh B's" as it should compete with already entrenched players like "Coffee Day" and Barista. The management should be able to judge the pricing of the service after evaluating various aspects of the service as compared to other competitors. However, being a new entrant into the market and providing exclusive value-added services to the customers it can go in for premium pricing for its services. It should, however ensure that neither the quality of service offered, nor the value-added services cease once the firm gains market share.

Place

Place or location is important in services marketing. It should be ensured that the outlet is put up in a commercially viable place or near educational institutions which would serve to attract a lot of business for it. Opening outlets in such places will ensure a steady flow of customers and help the firm establish its business. Since the firm cannot keep changing its location, the choice of an appropriate place is of strategic importance.

Promotions

With respect to promotions, the outlet can put up large and attractive hoardings at important locations from where business is expected. It can also advertise on local TV channels and FM Radio. In the initial stages it can promote its services by offering sales promotions in the form of discount coupons or complimentary eatables. If it is located in a business area then it can give discounts to offices that generate business above a certain level. The company can run a consumer promotion, whereby on the purchase of a Fresh B's coffee of Rs.200 or above, the customer gets a gift voucher that can be redeemed at Archie's, MusicWorld or at a book store. The firm should try to introduce international blends in the country, which would provide the right push for its growth. The company should not try to spread too fast lest it spreads thin. The firm can try to give the retail outlet a youthful look that would serve to attract young people.

People

Most service organizations in recent times have recognized the importance of people (service personnel) as a means to achieve competitive advantage in the industry. These organizations therefore treat people management as an important aspect of service delivery. Fresh B's should ensure that its employees get through the best training modules before they hit the floor. They should be trained in the various aspects of service etiquette so as to serve customers better. They should also be trained to prepare the different kinds of coffee mentioned in the menu in the correct way. When new blends are introduced, the employees should also update their knowledge on these blends, so that they can guide customers about the tastes and flavors. They should be trained to be both friendly and efficient in their service to customers and in their manner of speaking. The personnel should follow a dress code and if possible "Fresh B's" should get a smart and distinctive uniform designed by a professional. These steps will give positive publicity to the outlet.

Process

Process in the service sector is often difficult to define clearly as the production, delivery and consumption of the services take place simultaneously. But this aspect of process can also serve to become the competitive advantage of firms. In this case, the firm should make use of standard procedures for the making of coffee using standard vending machines. It can also get its processes certified by an authorized certifying body, as this would be an objective credential as to the quality of its service.

Physical Evidence

Physical evidence is one of the most important aspects in the service industry. The aspect of intangibility attaches a considerable amount of perceived risk to services. This factor of physical evidence tries to impart some tangibility to the service offered and some credibility in the eyes of its clients. This aspect of physical evidence can take any form like Menu Cards, TV commercials giving details of the service, the behavior of the service personnel, the ambience of the retail outlet, etc.

Answer 3

In the knowledge industry, especially IT, there is a strong need for information and knowledge relating to stakeholders at all levels. Surveys and communication systems play a major role in meeting the information needs of various stakeholders. The CEO can put in place upward communication systems that include two-way communication between the management and the employees and between the management and the customers. The CEO can make use of various approaches to improve internal and external customer satisfaction.

Executive visit to customers: The CEO should not depend exclusively on information channels and indirect sources like marketing research consultants or research reports published in marketing journals, to obtain information about customers. The best way to get first-hand information would be by making personal visits to customers and interacting with them. Direct interaction with customers is also important for other reasons. Employees in departments not directly in contact with customers will develop a better understanding about their customers and about the need for co-operation and co-ordination among the different departments if two-way communication channels are established.

In the absence of direct interaction, the CEO can use other alternatives. For example, Cognizant Technologies has developed an 'onsite-offshore model', for customers who do not directly know what is happening in the company regarding the progress and schedule of their projects. It has also put in place people, processes, and technologies like 'e-Cockpit', which is a Web-based project management and decision support tool that helps customers to keep themselves informed about the status of the project, milestones achieved, and other routine things like productivity and defect density.

Executive or management listening approaches: Executives can make personal visits or telephone calls, or use e-mail and fax to listen to customers and employees. They can also go through the customer feedback forms and complaint books to get first-hand information on customer expectations and employee requirements. Communicating with front-line employees who work in close contact with customers and addressing customer advisory panels are other approaches they can adopt. For example, Cognizant uses both the formal and the informal modes of communication across all organizational levels. The formal modes of communication include Aware (an in-house newsletter), Cognizantonline (an enterprise information portal) and Channelone (an enterprise knowledge portal). In addition, the company uses e-mail and periodic global meetings, net-sessions, webcasts, audio conferences, and video conferences. Informal systems of communication include open houses, discussion forums, and chat sessions. The company also uses out-bound camps, strategy sessions, and chill-out sessions to communicate customized information to similar functional groups.

Research on external customers: Research on external customers helps the CEO gather valuable insights into customer behavior, their requirements, and expectations. This, in turn helps the organization redesign its marketing mix to derive the maximum benefits. For example, Cognizant conducts a Customer Satisfaction Survey (CSS) annually. The company gets feedback on performance from every customer and communicates the results of the survey to the respective stakeholders with the

company. Cognizant also has an annual customer congregation called `Cognizant Community', where all customers and prospects come together at an exotic location to communicate, discuss, and share strategies, plans and performance.

Research on internal customers: For any organization, listening to the internal customers, i.e., the employees, is as essential as listening to the external ones. The management needs to earn employee commitment and ensure that their morale is high so that organizational goals are achieved. The methods that executives/managers use to listen to customers can also be applied for listening to employees. Focus group interviews and advisory panels can be used to know what employees feel about the company's policies. Exit interviews of employees leaving the organization can also help to identify the major reasons for their dissatisfaction. Information can be gathered on the customer service front too. For example, software companies like Cognizant use 360-degree formal communication and surveys such as the Business Effectiveness Survey (BES), Internal Satisfaction Survey (ISS), leadership survey, and Open Houses as a means of gathering information in the form of feedback.

These surveys and forums can also be used to gather employee suggestions. The CEO can use these methods to enhance internal and external customer confidence and satisfaction.

Answer 4

Delivering and marketing diagnostic services requires an entirely different approach from working as a surgeon in a government hospital. The latter is restricted to the core service of diagnosing a problem and does not require an awareness of aspects like service delivery, quality, and service standards. The unique characteristics of services make it essential for service marketers to adopt a different approach for marketing services. There are some reasons that might have led to the failure of Arvind Labs to meet customer requirements.

Mr. Chary had a narrow view of marketing services: He may have laid greater emphasis on infrastructure, machinery, and accreditation -- all of which are needed to provide diagnostic reports of the highest standards. But he may not have considered other augmented services like advertising, sales promotion, and public relations that are needed along with a precise and guaranteed diagnosis. Other marketing activities such as segmentation, positioning, customer service, service differentiation, new product development, emphasis on service quality, etc., are also important elements that the service provider has to consider. Dr. Chary may not have laid any emphasis on training employees on customer relations and marketing efforts. For example, the speed and accuracy of diagnosis required varies, depending on the hospital. A corporate hospital might need a specialized diagnostic service where complicated cases need to be diagnosed and reports sent at the earliest. On the other hand, basic diagnostic reports would suffice for general hospitals and the report can be delivered in a day or two. The pricing also varies accordingly. Due to his inexperience in front-line services, Dr Chary may not have emphasized these aspects when packaging the service.

Lack of Appreciation for Marketing Skills: Since most of the clients of diagnostic service providers are located in the UK and West Asia, these firms have to promote themselves as providers of high-quality services with accreditation for testing. Further, a planned approach has to be adopted toward public relations and publicity to increase the customer base and earn a reputation. Service providers have to give adequate importance to various marketing and control activities and improve the effectiveness of the marketing efforts. Also, Arvind Labs may have failed to package and market services differently to international and domestic customer segments. For example, Dr Samay's Home Care Diagnostic Services, a Hyderabad-based diagnostic

services firm, launched `Diagnostics @ur Doorsteps' that offered some key diagnostic services to the elderly, to pregnant women and patients who were immobile. This service package was developed to cater to a particular customer segment, that is, those patients who find it difficult to visit a diagnostic center.

Different Organizational Structures: Dr Chary had worked in a government hospital, which had a traditional pyramidal organizational structure. As these organizations have several hierarchical levels, they tend to be bureaucratic. In such an organizational structure, the top management frames the strategies, and these are implemented by personnel at the lower levels. Employees at the lower levels, who are in direct contact with patients, lack both the power and the ability to take quick decisions. The diagnostic lab also might have a number of levels between the top management and the customers. This might have led to a delay in decision-making, and thus to customer dissatisfaction.