

PGDM & PGDM (IB), 2019-21
Services Operations Management
DM-343 / IB-317
Trimester – III, End-Term Examination: June 2020

Time allowed: 1 Hr 30 Min
 Max Marks: 30

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Total Marks
1	Compulsory Case Study with minimum of 5 questions	30	30
			30

(The case below is compulsory. Each question carries 6 marks)

Case Title: The Alamo Draffhouse (Attached)

Please answer all the five questions.

1. Marketing analysts use market position maps to display visually the customers' perceptions of a firm in relation to its competitors regarding two attributes. Prepare a market position map for Alamo Draffhouse using "food quality" and "movie selection" as axes. (CILO 2: To be able to *apply*)
2. Use the "Strategic Service Vision" framework to describe Alamo Draffhouse in terms of Target market segments, service concept, operating strategy, and service delivery system. (CILO3: To be able to *analyse*)
3. Identify the service qualifiers, winners, and service losers for Alamo Draffhouse. Are the Alamo purchase decision criteria appropriate for the multiplex movie theatre market? (CILO 1: To develop in-depth understanding)
4. Use Porter's Five Forces model to assess the strategic position of Alamo Draffhouse in the Entertainment Industry. (CILO 4: To be able to *evaluate*)
5. Conduct a SWOT analysis to identify internal strengths and weaknesses as well as threats and opportunities in the external environment. (CILO 4: To be able to *evaluate*)

The Alamo Drafthouse is a different kind of business, whether you call it a bar, a restaurant, or a movie theater. Is it a movie theater that serves burgers or a bar that shows movies? The Alamo combines multiple services and makes compromises on several fronts to make the combination work. Alamo customers eat and drink while watching movies. Tim, who owns and operates the business with his wife Carrie, candidly admits that the service is bad at his establishment: "Our service is pretty bad, but intentionally so. It's a compromise, because we want our service to be as minimal as possible. It's different from a restaurant, where you want the waiter to ask you if you need anything. We depend on customers to tell us."

HISTORY

Tim and Carrie met at Rice University in Houston, Texas, where he was majoring in mechanical engineering and art, and she was studying biology and French. After graduation and marriage, the two started their first movie theater in Bakersfield, California. This first venture showed art films and featured live music. Although it was not originally the main focus, the live music made a lot more money than the films. The theater was a failure—Bakersfield did not have a large enough art film audience, and the theater's location "on the wrong side of the tracks" contributed to its failure as well. Eventually the business was sold to an Evangelical church.

With this lesson under their belts, the couple moved to Austin, Texas, and decided to try again with a new approach—a theater that served food and alcohol.

Movie theaters that serve beer are very common in Europe, but much less so in the United States, which in general has more restrictive drinking laws. Nevertheless, they have been cropping up in many cities including Dallas, Washington, D.C., and Portland, Oregon.

Before opening the Alamo, Tim and Carrie visited several of these theaters. The enterprising couple noticed several problems at these theaters. Some offered no in-theater service, forcing patrons who wanted drinks or food to go to the lobby. Other theaters offered too much service and waitstaff constantly asked customers if they needed anything. These interruptions bothered many customers. Tim and Carrie recognized that moviegoers wanted to see a movie first and foremost, and that good service meant that they would have to design a better system.

FACILITY LAYOUT AND DELIVERY SYSTEM

The Alamo Drafthouse opened in 1996 in downtown Austin's entertainment district. The Alamo Drafthouse is a single-screen movie theater that serves an assortment of beer and wine and offers a food menu of appetizers, hot sandwiches, individual pizzas, pasta, and dessert. Waiters take orders, serve the food, and collect the bill before and during a movie showing.

Traditional movie theater snacks are also available, and patrons can choose self-service in the lobby for all offerings.

The Alamo Drafthouse, like most theaters, has rows of seats. Unlike most theaters, however, there are fewer rows so there is enough space between rows to accommodate long skinny tables where customers can place their food and drinks. Enough space also exists so that personnel can take orders and serve unobtrusively, and customers can slip out to the lobby if desired. Because of this layout, the Alamo offers about half the seating of most auditoriums of similar size and has a capacity of 215 customers.

Before each showing, waitstaff visit customers and explain to them how the Alamo's service system works. Paper, pencil, and menu are provided along the tables so customers can write their orders on the paper and place the slip of paper in a metal stand where it can be seen by waitstaff who patrol the ends of the aisles. The waiter slips in, picks up the paper, and then goes out to the kitchen to fill the order for the customer. When the order is ready, the waitperson delivers it to the customer. All of this can be done without a single word being exchanged and minimizes disruption to film viewers.

Austin is a fast-growing high-tech town with an extremely young and educated workforce. The film industry-focused Austin Film Festival, which coincides with the live music festival, South-by-Southwest, takes place primarily in downtown Austin every March during the University of Texas at Austin's spring break holiday.

The theater is located close to the center of downtown nightlife activity and requires only a short walk from one of the main club and restaurant areas. The theater does not have adjacent or free parking for customers, nor is there significant street parking in the vicinity. Most of the other movie theaters in town are located in huge megaplexes in suburbs or in shopping malls.

PROGRAMMING

The Alamo's programming is divided into two categories, second-run features and special events. Second-runs account for the majority of the Alamo's programming, about 20 of the 25 screenings per week. These movies are carefully picked to appeal to the Alamo's customer demographic: smart 25–40-year-olds who have a sophisticated taste in film. Examples of recent films that fall into this category are *Bowling for Columbine*, *The Italian Connection*, and the original *The Manchurian Candidate*. Unfortunately, the Alamo is somewhat at the mercy of Hollywood for this programming and is occasionally forced to play movies that don't appeal to its demographic as much as Tim and Carrie would like. At the end of each week Tim and Carrie pick the films that will play for the following week.

Special events are programmed in three-month blocks. These fall into two categories: Austin Film Society events (generally classics or art films) and cult films. The Film Society events usually replace a second-run showing during the week, and cult films play Thursday, Friday, and Saturday at midnight. The cult films appeal to a different (but overlapping) demographic: 18–30-year-olds, predominantly male, who are regular alcohol consumers and are customers of less mainstream, specialty-independent video rental stores such

as Vulcan Video and I Luv Video. Special events account for about 5 of the Alamo's average 25 weekly screenings. Tim sees the special events as a creative outlet, for example, Italian Westerns (commonly known as "spaghetti Westerns"), which feature all-you-can-eat spaghetti, and silent films with live accompaniment by local bands.

Austin's thriving filmmaking community has been a major boon for special-events programming. Tim regularly gets filmmakers to speak at special engagements. Some recent guests to the theater include Robert Rodriguez, who hosted a special double feature of *El Mariachi* and a Hong Kong takeoff of that film. Quentin Tarantino, director of *Pulp Fiction*, hosts an annual festival of cult movies at the Alamo.

REVENUES AND COSTS

Tim sees the Alamo's ticket sales as a loss leader to get people into the establishment to consume food and drink, and he keeps ticket prices low, typically \$4.00. This price point is below the cost of seeing a first-run film at most typical Austin theaters (\$6.50–\$7.00), but it is above the price of going to a bargain theater to see a second-run film (\$1.00–\$1.50). The average Alamo customer spends a total of \$5 to \$12 per showing. After the ticket is purchased, customers spend about 55 percent of this on food and 45 percent on alcohol. In order to increase spending, they have raised menu prices twice since opening and added more high-dollar items to the available selections. Special events account for one-third of revenues.

Although customers are spending more than they do when they go to a typical theater, the Alamo's profits are limited by its smaller capacity and high labor costs. On a typical Friday night a staff of 15 to 17 people is required, many more than are required to operate a standard theater.

ADVERTISING AND PROMOTION

To promote the Alamo, Tim and Carrie use several low-cost methods. They take advertisements out in the three most read Austin papers including the *Daily Texan*, the University of Texas student newspaper. They also create three-month calendars that list special events. Upcoming showings are announced before every feature. They have formed a close relationship with the *Austin Chronicle*, an entertainment publication, and consequently get a lot of free public relations exposure in the form of articles previewing their special events.

Tim also engages in some inexpensive but effective loyalty building. He manages the Alamo's Web site and answers every piece of e-mail personally. He also announces upcoming films and special events before every show and hangs around after shows to answer questions and talk to his customers. He is very open to suggestions and has used them to plan special events and to modify the menu. He notes that loyalty building has been a lot more effective with the Austin Film Society and cult film crowds.

Questions

1. Marketing analysts use market position maps to display visually the customers' perceptions of a firm in relation to its competitors regarding two attributes. Prepare a market position map for Alamo Drafthouse using "food quality" and "movie selection as axes".