

PGDM (RM) 2016-18

Services Marketing

RM-203

Trimester –II, End-Term Examination: December 2016

Time allowed: 2 Hrs 30 Min

Max Marks: 50

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**. In case of rough work please use answer sheet. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	$3 \times 5 = 15$
B	2 out of 3 (Long Questions)	10 Marks each	$2 \times 10 = 20$
C	Compulsory Case Study	15 Marks	15
		<b>Total Marks</b>	<b>50</b>

**Word limit for each question is 250 words.**

- A1. Outline the importance of the three distinguishing elements of the service marketing mix
- A2. Briefly describe the four provider gaps that are the underlying causes behind the customer gap. Give examples to support your answer
- A3. How service quality factors act as a competitive advantage for a service provider?
- A4. What is mystery shopping research in the context of services? Discuss its potential benefits to service organizations.
- A5. In case of service failure, which aspect needs to be fixed first – customer or problem. Explain why?

Section B

20 Marks

**Word limit for each question is 500 words. Answer all the parts**

B1. Imagine you are a consultant and you have been asked to give a seminar to a services marketing company on how they can use the five dimensions of service to improve customers' perceptions about the quality of their service. What ideas would you give them to better customers' perception of each of the service dimensions related to the company? You may choose from only one of the following service industries –

- a. Airlines
- b. Multiplex
- c. Salon and Spa
- d. Malls with Multiplex

B2.

- a. While communicating service benefits to customers, especially when those are intangible, what problems arise and how service marketers can cope with them?
- b. Based on psychological factors, what are the advantages and disadvantages of using SSTs in the service process and design?

B3.

- a. Human behavior is influenced by the physical setting in which it occurs. How does the servicescape influence the individual behavior of consumers and employees? Give examples.
- b. Why do service personnel may vary in their behavioural towards responding to customer complaints?

Section C

15 Marks

**This case study has three questions and all are compulsory.**

**Questions**

- C1. With reference to the case discuss the importance of internal marketing in services organizations. **5 Marks**
- C2. How personalization/customization of one or more of the ambient factors would lead to customer satisfaction. Discuss with reference to the case. **5 Marks**
- C3. For Amy's Ice Cream what is the possibility of heterogeneity of service performance? Discuss. **5 Marks**

Amy's Ice Cream is a business that was founded in Austin, Texas, and has expanded to Houston and San Antonio. When asked about the driving force behind it, Phil Clay, the production manager, explained that "while the product is of excellent quality and does come in some unique flavors, ultimately ice cream is ice cream. One can just as easily go to Swensen's or the Marble Slab to get great ice cream. Service is what differentiates Amy's from other ice cream stores and keeps customers coming back again and again." And indeed, the service at Amy's is unique.

Amy Miller, the owner and founder, got her start in the ice cream business when she worked for Steve's Ice Cream in Boston, a store whose gimmick was mashing toppings into ice cream. She recalls how Harvard and M.I.T. students would work at the store—obviously for reasons other than the great salary and fringe benefits. She quickly realized that this was a business that instantly made its customers happy. Working in an ice cream store was a "feel-good" occupation, which lured such bright workers who could easily make much more money working almost anywhere else.

When she opened the first Amy's Ice Cream in October 1984, she had two philosophies: one that an employee should enjoy what he or she does, and another that the service as well as the ice cream should make the customer smile. These philosophies have provided the foundation for a business that two decades later is firmly established and thriving.

In the beginning, theater majors and artists often were hired as servers, because the idea of enjoying what they were doing was just as appealing to them as making money. These outgoing and creative employees were very skilled at projecting their colorful personalities across the counter. They joked and interacted with customers while filling their orders. Customers were drawn to the fun and variety of the service, which might be described as "ice cream theater," and once drawn, the customers returned again and again for repeat performances.

How does Amy's recruit employees who are up to "performing"? Originally, the employment application form was rather casual, simply handwritten and mimeographed. Mr. Clay recalls, however, that one day he was out of forms when a very large man asked for a copy. The man became somewhat belligerent at being told none was available, so Mr. Clay whipped out a white paper bag—the only writing surface under the counter—and offered it as an "alternate" form. The applicant was satisfied and carried away his form to complete! When Mr. Clay relayed this story to Amy, she said the white paper bag would work just fine, and it became the new "official" application form. In fact, it has proven to be a very good indicator of whether an applicant is willing and able to express herself or himself both easily and creatively. A person who uses the bag just to write down the usual biographical information (i.e., name, address, Social Security number, and so on) probably will not be as entertaining a scooper as one who makes it into a puppet or hot air balloon. Getting "the sack" at Amy's takes on a whole new meaning. Applicants who pass the sack test are then interviewed.

New employees go through an on-the-job training process. One part of this training concerns ice cream procedures so that servers can deliver a consistent product. The other part teaches them to express themselves from behind the counter, which includes recognizing which customers enjoy the revelry and which just want to be left alone, as well as how far the kidding can be taken with different customers. In general, employees are free to interact theatrically with those customers who want to do so.

In the early days Amy's operated on an approximate 3 percent profit margin. Consequently, the servers were minimum wage, and about 80 percent of them were part-time workers who received no additional benefits. In fact, most managers made less than \$15,000 per year, and there was a \$30,000 cap for all employees—including Amy. In view of the low

remuneration that still exists, how is Amy's Ice Cream always able to recruit the high-quality help that translates into satisfied customers?

Well, they do get Amy's Ice Cream T-shirts at cost and all the ice cream they can eat! Perhaps the major reason, however, is that Amy's is freedom-oriented rather than rules-oriented. The only "uniform" an employee must wear is an apron, whose primary function is to project a sense of continuity behind the counter. A hat also is de rigueur, but the employee is free to choose any hat as long as it effectively restrains the hair. In addition, the employee may wear any clothing that suits his or her mood that day as long as it is not soiled, political, or excessively revealing.

Employees can bring their own music, keeping in mind their type of clientele, to play in their stores. For example, an Amy's located in a downtown nightspot district draws a young, exuberant crowd that would appreciate lively music, whereas an Amy's located in an upscale shopping mall attracts a clientele whose musical tastes might be a bit more quiet.

The design of each store and the artwork displayed there tend to be colorful and eclectic, but again, the employees are free to make contributions. Amy's employs a local artist to decorate all stores; still, the individual managers have considerable say in what they feel is desirable for their own location. Often, the artwork is an exhibition of local artists' efforts.

Everyone does everything that needs to be done in the store. If the floor needs to be cleaned, the manager is just as likely to do it as a scooper. There is a very strong sense of teamwork and camaraderie. Employee meetings are usually held at 1 AM, after the last Amy's Ice Cream has closed for the night. Door prizes are offered to encourage attendance.

Apparently, it is a lifestyle choice to work for Amy's. These employees are people who do not want a "real job" in which they would have to wear certain clothes, work certain hours, and not have nearly as much fun. Obviously, money is not the major motivation, and it may be that the lack of big money is one of the unifying forces among employees.

Amy's Ice Cream has created what is definitely a "nonmainstream environment," which many feel is responsible for the legions of happy customers who keep the business merrily dipping along.