

PGDM, 2016-18
Services Marketing
DM - 433

Trimester – III, End-Term Examination: March 2017

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**. 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
		Total Marks	50

TURN OVER

Section A

Answer 3 questions out of 5. Each question carries 5 marks. (Word Limit 400 words)

Q1. What are the primary challenges faced by Service Marketers as opposed to Consumer Marketers? Outline strategies for tackling them.

Q2 What is the Consumer Gap? Explain with a diagram the Servqual model showing clearly the various gaps that contribute to this gap, giving one possible reason for the existence of each gap depicted in the model.

Q3. In what ways do Service processes represent Theatre? Indicate the parallels.

Q4. According to the Tax and Brown study, what are the three dimensions of fairness that largely determine customer satisfaction with the recovery process? Outline the components of an effective service recovery system.

Q5. Q2. Explain the concept of cycles of failure, mediocrity, and success experienced by companies. What company philosophies are responsible for each? Give an example of a company with a virtuous cycle.

Section B

Answer 2 questions out of 3. Each Question carries 10 marks. (Word Limit 600 words)

Q1. As the newly appointed Branch Head of a large metro branch of a multinational bank of your choice, draw up a Service Blueprint for effective service management of the branch. Identify the critical moments of truth and your strategy to ensure optimal service.

Q2. You are the Marketing Consultant to a new Management institute with adequate financial resources setting up location in Greater Noida. What would be the service strategy you would recommend to the institute? Based on this, outline and justify the Marketing strategy the institute should implement for making it the number one institute in the area within 5 years.

Q3. Major telecom companies in India have been accused of following similar marketing strategies. Compare and contrast the Marketing strategies of Airtel and Vodafone. As a new telecom operator with major international backing what would be the highlights of your marketing strategy, with especial reference to Promotion, to differentiate yourself from the established players?

Section C

(Compulsory Case study carries 15 marks. Read the case commencing on the next page and answer the questions below. Question 1 carries 10 marks and question 2 carries 5 marks)

1. Critically analyze Starbucks' Marketing strategy outlining the pros and cons of such a strategy.

2. Is this strategy sustainable or will Starbucks eventually have to go for a value for money strategy considering the Indian consumer? Give reasons for your answer.

Mini Case 3.1

STARBUCKS DELIVERS UNIQUE VALUE THROUGH SUPERIOR EXPERIENCE

Tata Starbucks

Starbucks has been spoken of as a shining example of an *experience brand*, a brand that provides a unique value to the customers through experience. Three decades ago, Starbucks Coffee Co, headquartered in Seattle, US, was just a small company. Now, it is the world's largest coffee chain, one of the best-known brands in the world, and one of the ten most admired companies in America. The \$11-billion-plus firm operates more than 20,000 stores across the world, about 60% of them being company-owned coffee bars and 40%, franchised stores.



Consumers could get a cup of coffee from any coffee shop and at much lower prices. For instance, in New York, a cup of coffee is available in other ordinary coffee shops at less than one third of the price at Starbucks. However, customers do not mind paying that kind of money for enjoying a Starbucks coffee. Why do they come back to a Starbucks cafe again and again and are willing to pay a higher price for Starbucks' coffee? What is the distinctiveness of Starbucks? What does it do so differently that makes it so much of a sought-after cafe?

Delivering Superior Experience to the Customers

The answer is simple; the customers are not just gulping a cup of coffee in the café, they are enjoying a delightful *experience* in the café, in the form of good relaxation, in an ambience of their liking. They love this experience, so they come back again. And there lies Starbucks' distinctiveness. It displays a remarkable commitment to providing customers a unique value in the form of a premium and distinctive experience; and it ensures that the speciality of the experience is not over with the first visit, every visit is made enjoyable. The distinctiveness is enhanced by the fact that the experience provided is totally sensorial.

Achieving Superior Engagement with the Customers

What is the factor underlying the superior experience Starbucks creates for the customers? It is the superior engagement with the customers that does the trick for Starbucks. This would be evident from the very definition of Starbucks' business as given by its chairman, Howard Shultz. He says, "We are in the business of human connection and engagement, creating communities in a third place between home and work". In fact, analysts have identified superior engagement with the customers as the main *competitive advantage* of the brand. Starbucks does not vote for the 'quick-service' strategy of serving coffee in two minutes and sending the customers out fast. It prefers to *engage* them. It encourages them to hang out in the cafe, rather than just rushing in for a coffee and then dashing out. The Starbucks cafe provides comfortable, reasonably private seats. In many of the outlets, it also offers free laptop-service and Wi-Fi facility. As a policy, the brand prefers to engage the customers as long as they wish to hang out. Some bigger outlets even host mini-concerts, thereby drawing the customers in for a longer stay. The idea is to let the customers rejoice in a comfortable environment, relish their coffee, chat-chat with friends. If you want to be left alone, you can choose your corner; the cafe provides every customer the environment she seeks.

Meticulous Attention to the Process

The setting, the ambience and the facilities together, constitute only one element that creates the special value. The product as such—the coffee—has an equally big role in creating the superior experience and value. The attention Starbucks gives to the service-process is the trump card here. In fact, the *service-process* is the heart of any service business. Service process refers to the arrangement by which the service is actually produced and delivered to the customer. Each step in the process is important; and the perfect execution of all these steps results in the final delivery of the *Starbucks satisfaction* to the customer.

In the case of a coffee cafe, 'making the coffee' constitutes the process. Starbucks assigns meticulous attention to every step in the preparation of the coffee. This care ensures consistency in the product; every time the coffee you expect—the flavour, colour, thickness, temperature, and sweetness—is delivered. How does

Starbucks ensure such consistency? It does so through thorough training of its staff. For instance, for a training session, Starbucks closed all its US outlets on a chosen day. The outlets remained closed for a whole afternoon. The purpose: retraining its 1,35,000 staff members. Everyone went through a three hour refresher course. The company was strengthening its service standards. Not that the standards had fallen by that time; but the company was trying to enhance further, its already high service standards. Stores reopened the next day, with a new promise posted above the counters, urging customers to complain if their drink wasn't 'perfect'. Staff members were told to check the colour of each espresso made, and pay more attention to steaming the milk. A leaflet headed *Espresso Excellence* explained that 'without aeration, the milk lacks sweetness'. More explicitly, it added: 'The perfect milk requires surfing the tip of the steam wand until the sound is SSSHHH.' The customer was taught what to expect and the staff was drilled about how to take care of the minutest detail of the process.

Overcoming the Problem of Delivering the Experience Consistently

The company found that despite such care, there were problems in consistently maintaining the unique Starbucks experience. There was a feeling among some customers that the expansion of the chain from 1,000 to more than 20,000 stores, over the past dozen years, had led to a watering down of the Starbucks experience. One study brought the feedback that some customers now found the Starbucks coffee shop 'sterile, cookie-cutter, failing to generate the passion one used to feel earlier about its coffee'. In other words, the danger of commoditisation of their brand stared in the company's face. It understood that America's espresso market was getting overheated by competition. The company renewed its original resolve and commitment to providing the Starbucks experience consistently and at every outlet. It had painstakingly created a big brand and a huge business by converting what really is a commodity – coffee – into a fine experience. Now, it has to stay the course and gain the trust of the customers.

Trying to Create the Same 'Coffee Moments' in India

The coffee chain is now trying to replicate the Starbucks experience in the Indian market. Since it has already started facing a strain in maintaining the Starbucks experience throughout its chain, with overseas stores already constituting nearly one-third of Starbucks' stores, it is being very careful about its expansion into India. It knows it has to deliver an experience to the Indian customer that at once matches the Starbucks universal standard and is also locally relevant. It was particular about the choice of the JV partner. It was exploring for years, the different possibilities for entering India. It finally chose the Tatas. Tata-Starbucks, the 50:50 joint venture between Starbucks and Tata Global Beverages, has opened its first store in India in 2012, in the Horniman Circle area of south Mumbai. Starbucks chose the Tatas not merely because of the brand value of Tata. Starbucks had sized up that the supply chain is the difficult part in India and it knew that the Tatas would take care of it. Moreover, the Tata Group is no newcomer to the business, having been a Barista partner earlier. The Starbucks outlet in Mumbai will be the first Starbucks location to have espresso sourced and roasted locally from India, through the coffee sourcing and roasting agreement with Tata Coffee. Starbucks will manage the business. It will source most of its staff from the Taj Hotels of the Tatas.

Enhancing the Experience: Example of 'Payment by Mobile' Facility

Starbucks keeps on adding new facilities in tune with the times, to endear the customer further. The introduction of mobile payments in Starbucks stores is one apt example. At Starbucks stores, customers now can pay by waving their mobile phones instead of cash or credit cards. They just have to hold their phones in front of a scanner at Starbucks' cash registers. The payment is effected from their Starbucks account. Owners of BlackBerrys, iPhones or iPod Touches can use this facility to pay by downloading the free Starbucks Card app. Customers can also use the app to reload their cards, check their balances, find nearby stores and earn stars for purchases to trade in for free drinks.

In short, Starbucks is not just about coffee, but about the whole experience. The company has branded itself as a provider of a luxury coffee-drinking experience. It has almost changed the way the world consumed coffee.