

PGDM (RM), 2013-15  
Services Marketing  
RM-303

Trimester – III, Supplementary Examination: September 2014

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.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3(Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	2*7.5 = 15
		<b>Total Marks</b>	<b>50</b>

**Section A (Word limit 100 words)**

Q1. In context of the service marketing project undertaken; if you wanted to apply the gaps model to improve service, which gap would you start with? Why? In what order would you proceed to close the gaps?

Q2. One of the major issues in services pertains to who the customer is; there may be multiple customers in any service episode. Medical care and hospital falls under this category. How would you plan your physical evidence under such circumstances?

Q3. Do you believe any of your service expectations are unrealistic? Should a service marketer try to address unrealistic expectation?

Q4. Is it possible for an economy to be based entirely on services? Is it good for any economy to have a large service sector? Discuss.

Q5. In what ways does service marketing resemble theatre? Explain the parallels between both.

Turn Over

**Section B (Word limit 200 words)**

Q1. (a) Do you believe that any of your service expectations are unrealistic? Which ones? Should a service marketer try to address unrealistic customer expectations?

(b) Assume that you are a manager of a health club. Discuss general strategies you might use to maximize customer's positive perceptions about your club. How would you know if you were successful?

Q2. (a) What are the benefits to the company of an effective service guarantee? Should every service organization have one?

(b) Is empowerment always the best approach for effective service delivery? Why is empowerment so controversial?

Q3. List 5 differences between an operational CRM and a transactional CRM. Give examples of softwares from the real world?

**Section C (Word limit 300 words)**

Case study: Service quality dilemma

Q1. (a) How did Anil Kr. Jha react to the communication from HO about the new business environment?

(b) Based on the survey advice Jha to understand what the report suggests and the strategic implications of managing the branch effectively and efficiently?

Case study follows on the next page?

Life insurance is not a new concept. However, it has always suffered from lack of awareness and perceived need. Many times, people singularly associate it with aggressive and persistent salesmen who push to sell something that is not needed. Insurance does not figure in priority because the product does not offer any immediate gratification and secondly, and more importantly, its buying reminds the buyer of something one does not want to confront. The whole concept is based on attending the psychologically discomfoting idea of accident or death. In the absence of customer initiative, most of its marketing has been push-driven. Insurance companies have traditionally banked upon the services of an army of agents in promoting policy sales.

The prime *modus operandi* involved is sales-based commission and commission on premiums to be paid by customers over time period of insurance policy. The commissions are tied with time to ensure that agents not only sell policies but also ensure premium payments on time. Due to high social relevance of insurance, the government has been providing various tax concessions and other incentives to promote insurance sales. Most of the premium paid by an individual qualifies for deduction and reduces tax liability. By and large, it has come to be viewed as a tax saving device. Given the freedom, people are not likely to buy insurance as a stand-alone product without these tax incentives. But in post-liberalised period since 1990s, attitudinal transformation seems to be happening. Insurance is getting recognised as a financial instrument. It is being looked at as a financial product that provides assurance of security and fair return on investments.

The insurance industry has undergone many structural transformations. It started as a private sector activity. Later, after independence, in pursuance of socialistic ideals, the industry was nationalised with only one corporation taking charge of entire life insurance business in India. Post 1990s, the talk about liberalisation and opening up of various sectors, including the public sectors have gained momentum. As a result, public utilities like electricity, telephone, airline, and insurance are being thrown open to private participation. The huge market potential per capita life insurance premium in India is as low as \$4 compared with \$3817 in Japan and \$1289 in UK which attracted a host of private sector companies into insurance industry. Currently, the life insurance industry has one public sector and 13 private sector insurance companies. Some of these new players include ICICI Prudential, HDFC Standard Life, Max New York Life, ING Vysya, Birla Sun Life and Tata AIG. The stronghold of the LIC is being seriously challenged. At the end of the fiscal year 2004, the private sector players have been able to garner 13 per cent of the new business in life insurance premium, about 6 percent up from the preceding year.

The entry of private players is unleashing a spate of changes in insurance marketing. The advertising campaigns exhibit high degree of creativity. They are no longer dull, drab and uninspiring. The appeal execution does not rely upon clichés and stereotypes. For

Table 1

## SOME OF THE CHALLENGERS IN THE INSURANCE BUSINESS

<i>Indian company</i>	<i>Foreign partner</i>	<i>Initial capital</i>	<i>Initial sign off</i>
ICICI	Prudential	150	'We cover you. At every step in life'
Max India	New York Life	200	'Your partner for life'
HDFC	Standard Life Assurance	160	'Making life easier for you'
Sundaram Finance	Royal Sun Life	101	'Extra cover. Extra service. Extra care.'
Tata	AIG	125	'With you always'
Kotak	Old Mutual plc	153	'Jeene ki azadi'
SBI	Cardiff	125	
Birla	Sun Life Financial	120	'Your dreams. Our commitment'
Dabur	CGNU plc	110	
Vysva Bank	JNG	125	

instance, one company promotes its insurance products as a means to provide freedom to enjoy life in old age. Another such company is positioning its products as a means to live with dignity in old age. The products are made to attend to deeper concerns and desires. The insurance products are not confined to the old segment of population. Earlier, most products were targetted at the bread-winner or the male of the house. Now, products are devised keeping in mind new emerging demographics and psychographics'. For instance, child-specific policies are devised to meet their needs for education and career. The young group of both men and women who have high earning capacities are targetted at, with products designed specifically, according to their lifestyle needs.

New players have adopted technology-intensive approach to marketing services. Instead of banking upon the brick and mortar approach with heavy reliance on direct interactions under the new model, business is done using computers and Internet. This is a cost efficient model. This bypasses the need to invest heavily in real estate. The agent network of these new players is made up of young, educated and energetic people. The people score favourably on host of inter-personal dimensions. It is important to have pleasant interactions to cut through the initial customer indifference and resistance to the product category. Now, the insurance seller of the private sector companies no longer matches the old stereotype image of an aged person trying to push policies by hook or crook.

Anil Kumar Jha heads a branch of Insurance Corporation. He manages the operations with the help of about 15 persons who report to him directly. The branch is located in a busy market with a lot of shops in the vicinity. Due to the paucity of space around the building, the branch appears cramped. There is no way the premises could be expanded to make it more spacious. Most of Jha's staff members are past 40 years. Insurance Corporation recruited them about twenty years ago. Working for the Corporation was one of the most sought after options for people twenty years ago. It was because the Corporation compensated its employees well and provided good working conditions. The job earned good esteem in society and provided scope to progress further.

Most of the work at the branch involved routine work. This consisted of interacting with two sets of customers: the agents and end customers. Agents were akin to employees in the field who were trained by the Corporation in selling services. They frequented the branch very often. Agents visited the branch to initiate new policies, submit premiums and to sort out customers' problems. Due to this special connection, most of them had

developed personal ties and relationships with the staff. The end customers came to branch for work like direct premium payment, settling claims and other policy related problems. In terms of the layout, the front portion was earmarked as customer area and the staff sat behind the counters. When crowding occurred, the people had to wait in queue for their turn. This has been an age-old practice in the Corporation. The customer contact staff did not get any specific training in social skills. Only technical training was given to them when they joined.

Jha's daily routine involved over-seeing operations. As working was routinized and streamlined over the years, the branch worked in an automatic fashion. In fact, not much was required in the name of supervision. People were experienced and routines were set. As a result, Jha found the job not challenging enough. His inner drive and energies were not put to full use. The only occasion when he could get out of the mould was when

Table 2

**IMPORTANCE AND SATISFACTION PERCEPTIONS-EMPLOYEES**

<i>Attribute</i>	<i>Perceived importance</i>	<i>Satisfaction</i>
Location	5.00	7.00
Range of plans	7.00	8.00
Premium rates	9.00	9.00
Operating hours	6.30	7.50
Staff availability	7.00	9.50
Parking	5.00	3.00
Staff appearance	5.00	8.00
Hassle-free service	7.00	9.00
Cleanliness	4.50	5.50
Feed back policy	6.00	8.40

Importance scale: 1-least important, 10-extremely important

Satisfaction scale: 1-very dissatisfied, 10-extremely dissatisfied

Table 3

**IMPORTANCE AND SATISFACTION PERCEPTIONS-CUSTOMERS**

<i>Attribute</i>	<i>Importance</i>	<i>Satisfaction</i>
Location	8.5	6.4
Range of policies	8.4	7.00
Premium rates	8.7	7.5
Working hours	9.00	5.4
Staff availability	8.5	5.5
Parking	7.8	4.5
Staff appearance	6.0	5.7
Hassle-free servicing	8.8	4.6
Cleanliness	6.6	4.9
Customer feed back policy	7.5	5.3

Importance scale: 1-least important, 10-extremely important

Satisfaction scale: 1-very dissatisfied, 10-extremely dissatisfied

TURN OVER

exceptions took place. Exceptions in the corporation's lingo meant a time when some fire-fighting would be required. This happened when trouble erupted in the front office.

One day, Jha received a circular from the Head Office mentioning how the Corporation is now exposed to new business environment. It particularly highlighted the statistics indicating the business growth of private-sector players. If things were allowed to continue in the same fashion, it was feared that the Corporation would be edged out of business. In accordance with the spirit, the circular emphasised the role of the branch managers. Branch managers are now expected to assume pro-active role in managing their customers. Customers are attracted or lost at the branch level. It is, therefore, important that service quality and customer satisfaction be managed at the branch level. In this regard, Head Office invited suggestions from the branches. The last line indicated that branch managers, first of all, must measure quality and customer perceptions and send them across for deliberations and decisions.

As proposed in the circular, Jha took this up as a challenge. Accordingly, he developed a set of questionnaires to measure service quality as perceived by the employees and the customers. The results of the survey are given under the following exhibits. But with limited knowledge of marketing, he is finding it difficult to interpret them and reach correct conclusions. In this context he is looking for help. All he wants is to know what these data suggest and what are the strategic implications for managing the branch effectively and efficiently.

Table 4

QUALITY PERCEPTION ON SERVQUAL DIMENSIONS-EMPLOYEES		
<i>Quality dimension</i>	<i>Expectations</i>	<i>Perceptions</i>
Tangibles	3.5	3.00
Empathy	5.4	5.6
Assurance	5.3	5.4
Responsiveness	5.0	6.00
Reliability	6.00	6.5

Table 5

QUALITY PERCEPTION ON SERVQUAL DIMENSIONS-CUSTOMERS		
<i>Quality dimension</i>	<i>Expectations</i>	<i>Perceptions</i>
Tangibles	4.00	2.00
Empathy	6.00	3.40
Assurance	5.7	3.9
Responsiveness	5.5	3.5
Reliability	6.1	5.0

Perception scale represents 1: low value and 7: high value