

PGDM (IBM), 2018-20  
Services Marketing & CRM  
INS-304

Trimester – III, End-Term Examination: March 2018

Time allowed: 2 Hrs and 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 (Long Questions)	10 Marks each	3*10 = 30
B	Compulsory Case Study	20 Marks	20
		<b>Total Marks</b>	<b>50</b>

**Section A**

Q1. Using an appropriate example, discuss the critical nature of facilitating services for success of a services marketer.

Q2. 'Marketing of services depends on employees'. Using relevant examples, briefly discuss your agreement or disagreement with the statement

Q3. Briefly discuss the importance of any two of the following for services marketers:

- a. People
- b. Physical evidence
- c. Queue management

Q4. Develop the servuction process and service blueprint for a fast food restaurant. Explain the elements and discuss their importance.

Q5. 'Services cannot be inventoried but demand can be'. Discuss the possible ways in which this can be done using relevant examples.



## Section B (Compulsory Case Study)

### How India pays for fitness

Source: Hindustan times

How often do you search for fitness centres or gyms near you? There are around 23 million searches on Google every day for fitness centres. According to the study, Indian Habit of Being Healthy by Redseer, there are 90 million health-conscious individuals in the country. There is also a change in the way payment is made for fitness. "There are around 24,000 gyms and studios in the country, out of which 95% are organized outlets and 5% are unorganized," said Neha Motwani, co-founder at Fitternity, a web aggregator for fitness outlets.

In the fitness parlance, an organized centre is one which has a chain of outlets either intra- or inter-city, she said. "The 95% chunk has no access to technology, operational capacity is low and the opportunity to manage and expand the users of scale is minimal. In fact, 96% of fitness outlets in India don't have an app or a website," said Motwani. To aggregate fitness service, there are companies and apps such as Bookyourgym Fitness Pvt Ltd, PlaynLive Sports India Pvt Ltd, Gymer, Gympik Health Solutions Pvt Ltd, Fitternity, Fitpass and Growfitter that have entered the market.

"There are different dynamics emerging in the way people are paying for their fitness regimes. For instance, you can now take your gym memberships on equal monthly installments (EMI) or pay per session," she said. An average Indian works out only 4-6 times a month as against the global average of 12-18 times and eventually ends up overpaying, according to a study by Fitternity.

#### *Pay in lump sum or per use?*

Because of how the fitness packs are priced, you either end up overpaying or underutilizing your membership. The 12-month packs are cheaper than the shorter tenures: the three-month and six-month packs. This is prevalent across all gyms or fitness centres in India. Take the example of a Gold's Gym branch in Lower Parel, Mumbai: their quick result program 25-week pack is priced at Rs 40,320 and 52-week pack at Rs 43,661. "This is because the fitness centres also require upfront payment for their expenses, like rent or salaries. Looking at the cheaper incentive of a longer duration, one ends up taking the more expensive package but



essentially ends up overpaying," she said. There is a major need to allow people to spend on the basis of their consumption, she said.

For instance, Mumbai-based Luv Deshpande, 31, who is an advertising professional, travels a lot for work in a month's span. "Sometimes I am not in the city for at least 15 days a month and all my workout days and fees get wasted as I attend hardly 12-13 sessions a month," said Deshpande. He had earlier paid for an annual membership of around Rs 16,000. "Currently I am paying Rs 266 per session in which I get cash backs of Rs 150 per session," he said. Effectively, Deshpande effectively ends up spending less than Rs 116 for a session if he decides to use the cash back amount for his pay-per-use facility. Sometimes the payment is nil when a good amount of cash back accumulates. "This way I end up spending Rs14,000 a year and save around Rs 2,000 on an annual basis," said Deshpande.

Not everyone opts for the pay-per-use option owing to their long periods of absence. Mumbai-based banker ShilpaPurswani, 37, finds the pay-per-use feature more beneficial because of the flexibility to go for any session. "With annual or monthly packs, you are booked for a certain category of dances/workout sessions. When I pay as per my utilization, I can choose any dance form I want," said Purswani who is a member at a dance fitness studio.

Purswani had paid around Rs 2,561 for a month's duration of weekend classes, but after learning about the pay-per-use facility, she could also access weekday classes with the same money. "The validity for the initial amount I paid is now extended to five months from one month. I am accessing different classes with the same amount and as per my utilization," said Purswani.

Although in smaller 'unorganized' gyms, which have been in the market for a long time and have a larger proportion of returning clients, the requirement of pay-per use service is lesser. "The branch in Sion which has been around for 15 years now witnesses more of returning clients, but the branch in Khar which has been around for four years now has around 5% of their clients using the pay-per-use facility. Most of them generally convert to an annual membership after one or two drop-in classes," said Aanchal Gupta, founder at Arts in Motion, a Mumbai-based fitness studio.

#### *EMI and Cash Back*

Another option is to opt for session packs. For example, you can choose to pay for a total of 150 sessions and exhaust them over a valid period of three years. Bengaluru-based Kiran Raj, 27,



finance officer at HSBC Bank paid Rs 1,000 for 20 classes which could be exhausted over a period of two months. "I did not take the annual membership and chose these session packs as I have to travel a lot for work. I did not want to waste or underutilize my money so I chose to pay only for the set of classes that I attend over a period of time," said Raj.

You also have an option to pay through equated monthly installment (EMI). However, it is not advisable to take a loan for fitness expenses or any kind of expenses. "Around 30% of the long term memberships taken on Fitternity are on EMI," she added. Say your annual membership fees is Rs 14,060. If you take an EMI for a span of 12 months, your with-interest EMI will be Rs 1,274 per month and total amount will be Rs 15,288. You will end up paying Rs 1,228 extra on an annual basis.

Some platforms also provide zero-cost EMI service. Growfitter, Mumbai-based fitness discover platform launched in May 2016, offers zero-cost EMI for member gyms or fitness centres and it has partnered with Bajaj Finance Ltd, a non-banking financial company for the same.

"Around 400 plus fitness centres which have partnered with us have zero-cost EMI option on board," said Sanmati Pande, 33, chief executive officer and co-founder at Growfitter. "There is no interest applied on it. So for example, if your six-month membership costs you Rs 6,000, you will be paying Rs 2,000 a month for three months," said Pande.

Some offer cash back on health insurance plans. "We also have an incentivised wellness program wherein we have partnered with insurance firms that track certain parameters like your attendance at the fitness centre, number of steps taken and fitness assessment and offer a cash back on your health insurance premiums which can be used for your subsequent premium payments," said Pande.

The cash back can range from 8% to 30%, said Pande. The insurance companies that they have partnered with are Aditya Birla Health Insurance Company Ltd and HDFC Life Insurance Company Ltd. Considering that you now have flexible options to pay, check for the plan best-suited for you instead of overpaying.

- a) Use the FoS concept to describe the important additional elements of a Gym's service product. [6 marks]
- b) Should an organization like Gold's Gym offer guarantees? **Briefly** explain reasons for your answer and the kind of guarantees (if any) you would advise them to offer. [4 marks]



- c) Design a product package (focusing on prices and services) to cater to consumers' changing needs as indicated in the article. [10 marks]

Students should refer to the article on page 2 of the exam paper. Please ensure you refer to the article in your answer. All work must be on the reverse of A4 and should be clearly legible.

Question	Question to attempt	Mark	Mark
A	Identify the main problem	3 marks (6%)	11-15
B	Identify the main problem	10 marks (20%)	16-20
C	Identify the main problem	17 marks (34%)	21-30

Section 1

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