

Jagan Institute of Management Studies
End-Term Examination, December 2017 – January 2018
Trimester V – PGDM (IB) 2016-18

Service Marketing
ET_IB_SM_0401

Time: 3 Hrs.

M. Marks: 70

INSTRUCTIONS: Attempt any FIVE questions including Q7 which is compulsory.

- Q 1** Fedex was the first company to offer an overnight delivery system, but the company markets more than just a delivery service. It is the industry's global leader, providing rapid, reliable, time-definite delivery to more than 220 countries. They have unmatched air route authorities and transportation infrastructure, combined with leading-edge information technologies, making them the world's largest express transportation company for more than 3.6 million shipments each business day. In other words, its customers buy more than just delivery service; they buy a solution to their distribution problems. They have positioned themselves as a company that solves its customers' problems. What is their product? Discuss the tangible and intangible elements of this service product. **13**
- Q 2** The hotels offer a specific price if bookings are made online. When a customer approaches the desk for extension of her stay in the hotel, she is offered the rack rate. The customer requests for an online rate, but the staff does not agree. She books the hotel online and gets a confirmed reservation at a lower rate. Discuss the pricing strategy of the hotel critically. Are the differences in pricing strategy justified? How can differential pricing be used as a strategic tool to enhance consumerism. Discuss with the help of various examples from the service industry? **13**
- Q 3** Walt Disney is one of the most successful children brands in the world. It has been successfully running theme parks for children in US, Tokyo, Hongkong and Paris. Internal marketing has been an important part of the management orientation at Walt Disney. The organization has received global appreciation for service excellence and various awards for service quality management. What service culture dimensions are important in maintaining service quality? Apply RATER model in explaining the dimensions of service quality at Walt Disney. **13**

Q 4 52-year-old luxury hotel, Oberoi, is planning to start its operations again on January 1, 2018 after 21 months. It is estimated to have spent approximately Rs. 600 crore on the massive renovation for creating a unique, destination inspired service scape. Discuss the various service scape dimensions that the hotel could have worked upon in developing a physical evidence strategy. How service scape play the strategic role of a package, facilitator and differentiator in the competitive environment. Discuss in context of Hotel Industry. **13**

Q 5 The airline brand, Indigo which has for the last years 11 years won consumers' hearts by living up to its promise of on-time performance and high service standards. It has suddenly lost out on consumer confidence due to a service encounter where a staff member of the Airline manhandled a passenger. The incident was covered by major dailies and became viral on digital media. The airline took time to apologise for the incident and by the time it did, it had already lost the plot. A service brand is all about its people and can never wish away these kinds of issues, but when brand value shakes, even minor issues can create havoc. The airline has been unable to understand the adequate and desired service expectations of consumers. The zone of tolerance was escalated in the above incident. What can Indigo do to elicit such issues? Describe an ideal service recovery strategy which the Airline can formulate to counter such an incident. **13**

Q 6 a) How does a Hospital use demand oriented and capacity oriented strategies to smooth the peaks and valleys of demand during peak and slow periods?
b) How optimal capacity utilization does differ from maximum capacity utilization? Elaborate with an example of service in which the two concepts may be same and one in which the two are different. **13**

Q 7 [Read the case and answer the questions given at the end.](#)

Max Life

Max Life Insurance was founded in 2000 and headquartered in New Delhi India. Max Life Insurance Company Limited (formerly known as Max New York Life Insurance Company Limited) provides life insurance in India. It is the largest and fastest growing nonbank-owned private life insurer in India. Max Life is a joint venture between Max India Limited and Mitsui Sumitomo Insurance Co. Ltd., and certified to both ISO 9001:2000 and ISO 9001:2008. Max Life has approximately

4,000 life insurances customers in India. Its distribution channel includes banks, individual agents, brokers, and corporate agents, among others. It provides linked, participating and non-participating products. Apart from life coverage, it also covers health, pension and annuity. It offers child, protection, retirement, savings, and growth plans to individuals and to groups.

Organisational Growth Highlights New Challenge

Like all young organisations, Max Life's early years focused on identifying and attracting new business. Money from new customers dominated the company's revenue stream for eight years, always growing from the previous year, until the trend shifted in 2009 and renewal income became the primary source of revenue. Renewals increased from 45% of annual revenues in 2008 to 56% in 2009, followed by 67% and 73% in 2010 and 2011, respectively.

A life insurance policy is a long-term contract between an insurance company and the insured individual (policyholder). The payment of premium toward a regular policy – which can be on a payment schedule of monthly, quarterly, semi-annually, or annually – is spread over the premium paying term of the policy. Max life provides policyholders grace periods of 15 to 30 days on their due dates, depending on the payment schedule. If at the end of the grace period a premium is still not paid, the insurance policy lapses effective as of the first unpaid premium (FUP). Customers can revive lapsed policies, though the company reserves the right to accept or reject the revival, or revive the policy on modified terms. Max Life follows a process of revival that depends on the period elapsed since the date of FUP, and also based on the health conditions of the life assured at the time of revival.

Despite the fact that renewing customers comprised a major portion of the company's revenue stream, Max Life leaders still saw millions of dollars being squandered every year to lapsed policies. As part of Max Life's ongoing commitment to excellence, leaders undertake an annual exercise to identify organisational improvement opportunities. Factors used to identify the improvement opportunities include customer and distributor satisfaction survey data. Project Unnati was initiated which involved using multiple quality tools to identify possible root causes for the high-lapse data about consumers. The team in the project undertook process mapping, SWOT analysis, and critical to quality (CTQ) test on consumers. 57 reasons were found why customers are not retained. The

team received the feedback through focus group meetings, customer call listening analysis, and complaint trends Potential causes included data quality, low agent engagement, poor incentives, and service issues.

Questions:

- a) Apply the integrated gaps model of service quality framework in the above situation.
- b) How would the company reduce the various gaps to improve their retention rate?
- c) Which of the four provider gaps do you believe is hardest to close in financial services? Why.

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