

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

***Service Marketing***  
***ET\_PG\_SM\_0401***

Time: 3 Hrs.

M. Marks: 70

**INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.**

- Q 1** Give your Comments on any **FOUR** of the following:
- a) Behavioural segmentation is better than other segmentation criteria.
  - b) Pricing a new service product has a very few strategic options.
  - c) Promotion budgeting is a critical decision.
  - d) Services cannot be evaluated on the basis of search attributes and we have to rely on the experience attributes for evaluating the services.
  - e) A service firm has options of following ‘cycle of success or ‘cycle of failure’.
  - f) A service channel manager is required to follow strategies to keep the channel partners motivated and to measure periodic channel performance.
  - g) ‘Zone of tolerance’ helps marketer to identify and to meet customer expectations.
  - h) For a start-up service firm, at its launch stage, it makes better sense to piggyback on reseller’s brand, rather than pursue with its own brand. **16**
- Q 2** Select any example of a service product you experienced dissatisfaction on account of its quality. Show how the GAPS Model can be used by the service-provider to improve the quality of the product selected by you. **13**
- Q 3** ‘Inseparability’ as a characteristic of service products poses serious challenges to its marketer. Justify this statement. How can ‘People’ element of service marketing mix strategy be designed to overcome these challenges on account of inseparability? **13**
- Q 4** “Service Encounters, moments of truth and critical incidents are the important real time touch points for the customers to judge a company’s performance in rendering services.” Pick up any hospital as an example and explain in details as to what should that company do to have better Service Encounter? **13**

**Q 5** How is pricing of services different from that of goods? How do you explain the fact that an Airlines offers at times, ridiculously low prices to its travelers and yet manage to make profit? Give details of the pricing strategy followed by the Airlines. **13**

**Q 6** In context of Distribution channel for a service firm, elaborate on the following:

a) Conditions favouring Direct channel.

b) Conditions under which of each of the indirect channel partner options - Agents, brokers or franchisee is more suitable. **13**

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

### **CEMEX CREATIVELY MANAGES CHOATIC DEMAND FOR ITS SERVICES**

Imagine a business in which customer's orders are unpredictable, where more than half of all customer orders are changes, often repeatedly and at the last minute, and where the product being delivered is never more than 90 minutes from spoiling. Welcome to the concrete delivery business. Cemex, based in Monterrey, Mexico, founded in 1906, is highly successful player in this industry, with annual revenues of more than \$ 3.7 billion.

Yet, when two internal consultants examined the business several years ago, they were amazed at the chaos that ruled the industry. Wild weather, unpredictable traffic, spontaneous labor disruptions, and sporadic government inspections of construction sites all combined with ever-changing customer orders to create a sense of chaos and uncontrollability in the business. Combine this with 8,000 grades of concrete available through a half-dozen regional mixing plants, and you have an extremely complex system to manage.

Historically, Cemex had attempted to run the business through controlling its customers to stick with their orders and by imposing fines for changed orders. Efficiency ruled, not customers-all this to conquer the natural randomness of demand and the customers' needs to change orders at the last minute.

The company began searching for new ways to do business. It turned to FedEx and to the 911 emergency dispatch center in Houston, Texas, for ideas. What it found were organizations that, instead of trying to control demand for their services, had developed people and technology to be flexible in meeting customers' seemingly random demand patterns. Instead of penalizing customers for changing their orders, FedEx does not restrict its customers and, in fact, guarantees delivery at a certain time to any and all locations. This ability to serve customers is made possible by sophisticated information systems that track demand and schedule pickups and deliveries, customer-focused

front line employees, and a customer-centric corporate culture that supports it all. From the 911 center in Houston Cemex learned that even seemingly random occurrences such as emergency health needs and accidents occur in sufficient number to allow patterns of demand to be discerned and planned for. What FedEx and the 911 emergency center did was adjust their capacity to meet the peaks and valleys of customer demand rather than insisting the customers adjust their demand to fit the company's constrained capacity.

The experiences at FedEx and in Houston at the 911 center were a revelation to Cemex's team. The company went back, determined to embrace the complexity of its marketplace and to do business on the customers' terms. The company launched a project called '*Sincronization Dinamica de Operaciones*': the dynamic synchronization of operations. It unleashed trucks from previous zone assignments, allowing them to roam the city. It outfitted the trucks with transmitters and receivers connected to GPS system so that locations, direction, and speed of every vehicle could be tracked. It enrolled its drivers in secondary education classes over a period of two years so they would be more service oriented and able to deal with customers.

Impressed with FedEx's guaranteed service, Cemex worked towards being able to offer "same-day service, with free, unlimited order changes." Now if load fails to arrive within 20 minutes of its scheduled delivery time, the buyer gets back 20 pesos per cubic meter- "*garantia 20 x 20*"- amounting to roughly 5% pf the total cost.

Cemex embraced the chaos of its industry instead of trying to adjust and change it. By using technology, people, and systems, it was able to match its capacity constraints with its customers' wildly fluctuating demands. And the company came out a winner. Cemex can afford to offer its 20 x 20 guarantee now that its reliability exceeds 98 percent!

### Questions:

- a) Cemex embraced the chaos of its industry instead of trying to adjust and change it. By using technology, people, and systems, it was able to match its capacity constraints with its customers' wildly fluctuating demands. In light of this, comment on highlights of 'Place' and 'People' strategies of marketing mix of Cemex.
- b) The success of Cemex is majorly depended on how well its managers were balancing its demand and capacity. What could have been the impact of the said imbalance on its business, customers and employees?
- c) Analyse the service guarantee offered by Cemex.

15

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