

Internal Assessment Test - II

Sub:	Services Marketing						Code:	18 MBA MM 303	
Date:	18.11.19	Duration:	90 mins	Max Marks:	50	Sem:	III	Branch:	MBA

		Marks	OBE	
			CO	RBT
Part A - Answer Any Two Full Questions (2* 20 = 40 marks)				
1	(a) Define Service Promise in services marketing.	[3]	CO1	L1
	(b) Discuss Key Reasons for Gap4 involving Communication.	[7]	CO1	L2
	(c) Explain the categories of strategies to match service promises with Delivery.	[10]	CO1	L4
2	(a) What is meant by Non Monetary Cost?	[3]	CO1	L1
	(b) Discuss Price as an indicator of Services Quality with Examples.	[7]	CO1	L2
	(c) Explain the key approaches to Pricing of Services.	[10]	CO1	L4
3	(a) What is Physical evidence?	[3]	CO1	L1
	(b) Analyze Elements of Physical Evidence.	[7]	CO1	L4
	(c) Summarize on the Role of Service Scope effects.	[10]	CO1	L2
Part B - Compulsory (01*10=10 marks)				
4	A Star Hotel has Lawns ,Sign Boards, Plants in Pathways, Water Fountains, Channel Music and Uniformed Staff..			
	(a) What is the Physical evidence strategy followed by such a Hotel.?	[5]	CO1	L1
	(b) Asses the Process, People and Physical Evidence mix in such a Hotel.	[5]	CO1	L5

Course Outcomes		PO1	PO2	PO3	PO4	PO5
CO1:	To acquaint the students with the characteristics of services and their marketing implications.	1a,1c,2a,2b,2c,3a,3c	1b,3b,4a,4b			
CO2:	To discuss and conceptualize the service quality, productivity in services, role of personnel in service marketing and to manage changes in the environment.					
CO3:	To familiarize the students with the GAPS model and strategizing towards closing the GAPS for effective services marketing					

Cognitive level	KEYWORDS
L1	List, define, tell, describe, identify, show, label, collect, examine, tabulate, quote, name, who, when, where, etc.
L2	summarize, describe, interpret, contrast, predict, associate, distinguish, estimate, differentiate, discuss, extend
L3	Apply, demonstrate, calculate, complete, illustrate, show, solve, examine, modify, relate, change, classify, experiment, discover.
L4	Analyze, separate, order, explain, connect, classify, arrange, divide, compare, select, explain, infer.
L5	Assess, decide, rank, grade, test, measure, recommend, convince, select, judge, explain, discriminate, support, conclude, compare, summarize.

PO1-Knowledge application; PO2-Analytical and logical thinking; PO3-Team work; PO4 - Leadership; PO5 - life-long learning; PO6 - Analyze and practice aspects of business; PO7- Personal and Societal growth;

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Solution

		OBE	
		CO	RBT
Part A - Answer Any Two Full Questions (2* 20 = 40 marks)			
1 (a) Define Service Promise in services marketing.	[3]	CO1	L1
<p>A customer service promise isn't just words on paper. It's a commitment from every employee and every part of your company to fulfill a customer's expectations.</p> <p>And putting the right strategies in place is key to meeting your promises.</p> <p>Promises to customers matter, maybe even more than you imagine.</p>			
(b) Discuss Key Reasons for Gap4 involving Communication.	[7]	CO1	L2
<p>Gap 4: The Communication Gap</p> <p>The communication gap is the gap between what gets promised to customers through advertising and what gets delivered.</p> <p>Again, there are a number of reasons why this can happen:</p> <p style="padding-left: 40px;">Overpromising. Viewing external communications as separate to what's going on internally. Insufficient communications between the operations and advertising teams. Communication gaps lead to customer dissatisfaction. This happens because what they receive isn't what they were promised. In the worst case, it may cause them to turn to an alternative supplier.</p> <p>Example:</p> <p>If Netflix were to experience this gap then it could be because that although the service is good it isn't as good or as easy to use as depicted in the advert. If Pizzahut were to suffer from this gap then it could be because the pecan pie was good but it wasn't as large or delicious as it looked in the advert</p>			

(c) Explain the categories of strategies to match service promises with Delivery.

[10]

CO1

L4

Here are four ways you can close the communication gap:

1. State your intention

Before you start into an interaction, think about what it is you want to achieve from the conversation or discussion. Then state it up front. For example, “The reason I called this meeting is so we can address the recurring issue of missing deadlines. I want to work together to formulate a plan to enable us as a team to meet our deadline. Let’s not place blame or dwell on the past, let’s make a plan to address the challenges.” By stating your intention, it allows for others to better understand where you are coming from. You help to create the environment of positive intent and eliminate the need for others to second guess what you want to achieve through the conversation.

2. Truly listen

If we are truly honest with ourselves, we can all admit there are other things we are doing when someone else is talking to us. We may appear to be listening, but instead what we are really doing is thinking about how we are going to respond (occasionally we may also be working on our grocery list...). To truly listen, we need to be present. To be present means we need to be mindful of the moment we are in, not the moment that is coming next. It is a natural human desire to want to be heard. If you have ever walked away from a conversation with the feeling that the other person did not hear a word you said (yes, parents everywhere are able to relate to this!), then you know how disrespectful it feels. On the other hand, if we know the other person has taken the time and effort to listen to understand our position, then we feel valued and respected. In acknowledging that each of us desires to be heard, move to model the behavior you would like to see in others!

3. Summarize for understanding

We all interpret our surroundings and other people’s behaviors through our own lens. This is what causes the communication gap. So, if we state our intention, then truly listen to what others have to offer, then the next step is to ensure that we understand what the other person is trying to convey by their communications. No need to recant word for word what someone has said, instead, summarize it in your own words. It may sound like this: “So, I am understanding you to say that the reason you are so frustrated is because you do not feel appreciated, am I understanding what you shared correctly?” Saying this does two things – it shows you were listening and trying to understand (see #2) and it also provides the other person the opportunity to clarify their message if you did not understand what they meant correctly, subsequently enhancing the success of the communication.

4. Put yourself in the other person’s shoes

We are emotional beings. A plethora of research exists that indicates that we are wired for human connection and social interactions. However, too often we only experience our own emotions and do not consider that the other person is also

experiencing emotions that are affecting the interaction. Try to stop and think about what might be going on for the other person. What is important to that person right now? Ask, what I call, the killer question: “What would help you to feel more comfortable in moving forward in this situation?” Make the question appropriate to the situation. In doing so, it will help you to understand what is important to the other person right now. Knowing what’s important to the other person will enable you to address it or at least allow them to be heard and for you to acknowledge the concern.

2 (a) What is meant by Non Monetary Cost?

Non-monetary costs are the things that **cost** you personally, but not your bank account. **Non-monetary costs** are measured in units other than money.

These **costs** could be time, convenience, or even effort. The final **cost** in your question was opportunity **cost**

(b) Discuss Price as an indicator of Services Quality with Examples.

One of the intriguing aspects of pricing is that buyers are likely to use price as an indicator of both service costs and service quality—price is at once an attraction variable and a repellent. Customers’ use of price as an indicator of quality depends on several factors, one of which is the other information available to them.

When service cues to quality are readily accessible, when brand names provide evidence of a company’s reputation, or when level of advertising communicates the company’s belief in the brand, customers may prefer to use those cues instead of price.

In other situations, however, such as when quality is hard to detect or when quality or price varies a great deal within a class of services, consumers may believe that price is the best indicator of quality.

Many of these conditions typify situations that face consumers when purchasing services. Another factor that increases the dependence on price as a quality indicator is the risk associated with the service purchase. In high-risk situations, many of which involve credence services such as medical treatment or management consulting, the customer will look to price as a surrogate for quality.

Because customers depend on price as a cue to quality and because price sets expectations of quality, service prices must be determined carefully. In addition to chosen to cover costs or match competitors, prices must be chosen to convey appropriate quality signal.

Pricing too low can lead to inaccurate inferences about the quality of the service. Pricing too high can set expectations that may be difficult to match in service delivery.

[3]

CO1

L1

[7]

CO1

L2

Because goods are dominated by search properties, price is not used to judge quality as often as it is in services, where experience and credence properties dominate. Any services marketer must be aware of the signals that price conveys about its offerings.

(c) Explain the key approaches to Pricing of Services.

1. Pricing for market penetration

As a small business owner, you're likely looking for ways to enter the market so that your product becomes more well-known. Penetration strategies aim to attract buyers by offering lower prices on goods and services than competitors.

For instance, imagine a competitor sells a product for \$100. You decide to sell the product for \$97, even if it means you're going to take a loss on the sale.

Penetration pricing strategies draw attention away from other businesses and can help increase brand awareness and loyalty, which can then lead to long-term contracts.

Penetration pricing can also be risky because it can result in an initial loss of income for the business. Over time, however, the increase in awareness can drive profits and help small businesses stand out from the crowd. In the long run, after penetrating a market, business owners can increase prices to better reflect the state of the product's position within the market.

2. Economy pricing

This pricing strategy is a "no-frills" approach that involves minimizing marketing and production expenses as much as possible. Used by a wide range of businesses, including generic food suppliers and discount retailers, economy pricing aims to attract the most price-conscious consumers. Because of the lower cost of expenses, companies can set a lower sales price and still turn a slight profit.

While economy pricing is incredibly useful for large companies like Walmart and Target, the technique can be dangerous for small businesses. Because small businesses lack the sales volume of larger companies, they may find it challenging to cut production costs. Additionally, as a young company, they may not have enough brand awareness to forgo custom branding.

3. Pricing at a premium

With premium pricing, businesses set costs higher because they have a unique product or brand that no one can compete with. You should consider using this strategy if you have a considerable competitive advantage and know that you can charge a higher price without being undercut by a product of similar quality.

Because customers need to perceive products as being worth the higher price tag, a business has to work hard to create a perception of value. Along with creating a high-quality product, owners should ensure that the product's packaging, the store's decor, and the marketing strategy associated with the product all combine

[10]

CO1

L4

to support the premium price.

An example of premium pricing is seen in the luxury car industry. Companies like Tesla can get away with higher prices because they're offering products, like autonomous cars, that are more unique than anything else on the market.

4. Price skimming

Designed to help businesses maximize sales on new products and services, price skimming involves setting rates high during the initial phase of a product. The company then lowers prices gradually as competitor goods appear on the market. An example of this is seen with the introduction of new technology, like an 8K TV, when currently only 4K TVs and HDTVs exist on the market.

One of the benefits of price skimming is that it allows businesses to maximize profits on early adopters before dropping prices to attract more price-sensitive consumers. Not only does price skimming help a small business recoup its development costs, it also creates an illusion of quality and exclusivity when you first introduce your product to the marketplace.

5. Psychological pricing

Psychological pricing refers to techniques that marketers use to encourage customers to respond based on emotional impulses, rather than logical ones. For example, setting the price of a watch at \$199 is proven to attract more consumers than setting it at \$200, even though the actual difference here is quite small. One explanation for this trend is that consumers tend to put more attention on the first number on a price tag than the last. The goal of psychology pricing is to increase demand by creating an illusion of enhanced value for the consumer.

6. Bundle pricing

With bundle pricing, small businesses sell multiple products for a lower rate than consumers would face if they purchased each item individually. A useful example of this occurs at your local fast food restaurant where it's cheaper to buy a meal than it is to buy each item individually.

Not only is bundling goods an effective way to reduce inventory, it can also increase the value perception in the eyes of your customers. Customers feel as though they're receiving more bang for their buck. Many small businesses choose to implement this strategy at the end of a product's life cycle, especially if the product is slow selling.

Small business owners should keep in mind that the profits they earn on the higher-value items must make up for the losses they take on the lower-value product. They should also consider how much they'll save in overhead and storage space by pushing out older products.

7. Geographical pricing

If you expand your business across state or international lines, you'll need to consider geographical pricing. Geographical pricing involves setting a price point based on the location where it's sold. Factors for the changes in prices include things like taxes, tariffs, shipping costs, and location-specific rent.

Another factor in geographical pricing could be basic supply and demand. For instance, imagine you sell sports performance clothing. You may choose to set a higher price point for winter clothes in your cold-climate retail stores than you do in your warm-climate stores. You know people are more likely to buy the clothes in the winter environments, so you set a higher price to take advantage of demand.

8. Promotional pricing

Promotional pricing involves offering discounts on a particular product. For instance, you can provide your customers with vouchers or coupons that entitle them to a certain percentage off the good or service. You could also entertain a “Buy One Get One” campaign, tacking on an additional product as an add-on. Promotional pricing campaigns can be short-term efforts. For instance, you may run a promotional pricing strategy over an extended holiday, like Memorial Day Weekend. By offering these deals as short-term offers, business owners can generate buzz and excitement about a product. Promotional pricing also incentivizes customers to act now before it’s too late. This pricing strategy plays to a consumer’s fear of missing out.

9. Value pricing

If you notice that sales are declining because of external factors, you may want to consider a value pricing strategy. Value pricing occurs when external factors, like a sharp increase in competition or a recession, force the small business to provide value to its customers to maintain sales.

This pricing strategy works because customers feel as though they are receiving an excellent “value” for the good or service. The approach recognizes that customers don’t care how much a product costs a company to make, so long as the consumer feels they’re getting an excellent value by purchasing it.

This pricing strategy could cut into the bottom line, but businesses may find it beneficial to receive “some” profit rather than no profit. An example of value pricing is seen in the fashion industry. A company may produce a product line of high-end dresses that they sell for \$1,000. They then make umbrellas that they sell for \$100.

The umbrellas may cost more than the dresses to make. However, the dresses are set at a higher price point because customers feel as though they are receiving much better value for the product. Would you pay \$1,000 for an umbrella? Probably not. Thus, external factors like customer perceptions force the value pricing strategy.

10. Captive pricing

If you have a product that customers will continually renew or update, you’ll want to consider a captive pricing strategy. A perfect example of a captive pricing strategy is seen with a company like Dollar Shave Club. With Dollar Shave Club, customers make a one-time purchase for a razor. Then, every month, they purchase new razor blades to replace the existing one on the head of the razor.

Because the customer purchased a DSC razor handle, he or she has no choice but to buy blades from the company as well. Thus, the company holds customers “captive” until they decide to break away and buy a razor handle from another company. Businesses can increase prices so long as the cost of the secondary product does not exceed the cost that customers would pay to leave for a competitor

3 (a) What is Physical evidence?

[3]

Ambiance – The look and feel of a restaurant can be described as the ambiance. For example – the Sofa that the restaurant uses, the music that it plays, the lighting it has maintained etc.

Layout – Especially applicable in retail, the layout of the showroom contributes to the role of physical evidence in marketing. For example – in Ikea, the store is laid out in such a manner that the customer is able to get to his choice of furniture very fast.

Branding – Although part of promotions, the packaging, branding and use of corporate communications also plays an important role in physical evidence in the marketing mix.

	CO1	L1
	CO1	L4
	CO1	L2

(b) Analyze Elements of Physical Evidence.

[7]

Elements of physical evidence are classified into: A) Service scape B) Other tangibles
 A) Service Scape: These include the exterior facilities arranged at the retail outlets. All the exterior arrangements are part of the service scape. These include: Exterior design, Signage, Parking, Landscape, Surrounding environment, Facility interior, Interior design, Equipment, Signage, Layout, Air quality/temperature
 B) Other Tangibles: The other tangibles include: Business cards, Stationery, Billing statements, Reports, Employee dress, Uniforms, Brochures, Internet/web pages

(c) Summarize on the Role of Service Scape effects.

[10]

Physical evidence generally consists of the following:

1. Servicescape: It includes:

(i) Facility exteriors like exterior design, signage, parking, landscape and the surrounding environment, and

(ii) Facility interiors like interior design, equipment, signage, layout and air quality and temperature.

2. Other tangibles: It includes business cards, stationery, billing statements, reports, employee dress, uniforms, brochures, web pages and the virtual servicescape.

Roles played by Physical Environment

