

Code: 14E00404

MBA IV Semester Supplementary Examinations November 2016

SERVICES MARKETING

(For students admitted in 2014 only)

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

SECTION – A

Answer the following: (05 X 10 = 50 Marks)

- 1 Why is it important to learn about services marketing?
OR
- 2 Explain the factors that influence customer expectations of services.
- 3 What is a service blue print? What are the key components of service blue print?
OR
- 4 Explain the application of positioning maps for the manager of service firms.
- 5 What are the key decisions, managers need to make as they prepare to develop and implement a well-thought out pricing strategy.
OR
- 6 Explain the role of advertising, personal selling and public relations in attracting a customer to a service firm.
- 7 Explain the relevance and role played by marketing intermediaries in service organizations.
OR
- 8 Discuss the different roles played by the servicescape and how it affects employees and customers and their interaction.
- 9 Formulate tactical marketing programmes for a service organization of your choice.
OR
- 10 Budgets are a necessary step to tying the marketing programmes to, the economic realities of business. Justify.

SECTION – B

(Compulsory Question)

01 X 10 = 10 Marks

- 11 **Case study:**
Whether the financial markets to up or down, BuyanHold.com's strategy of targeting smaller, more cost-conscious investors is paying dividends. Headed by CEO and cofounder Peter E. Breen, New York-based BuyandHold.com launched its online brokerage site in 1999 with the goal of offering consumers affordable access to stocks and mutual funds. "Wall Street put up a lot of different barriers for people", Breen notes. "BuyanHold/com came along and took all those barriers down".
The financial barriers are all but gone thanks to Buyandhold.com's bargain pricing: low even when compared with the commissions charged by deep-discount web-only brokers. Customers pay as little as \$ 1.99 per trade when they buy or sell securities, and they can open an account with just \$20. Moreover, customers can buy securities according to the amount they have to invest, even if this means buying a fraction of a share. In contrast, traditional brokerages prefer trades made in 100-share blocks or at least full-share lots.

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Pricing isn't the only difference between BuyandHold.com and other brokerage firms. The company also focuses on an unusual target market. Merrill Lynch and other full-service firms generally target investors with larger portfolios who want considerable investment advice and personal assistance; DirecTrade and competing online brokers target day traders and other active investors who frequently buy and sell. In contrast, BuyandHold.com aims for lower-income consumers who can afford to build a portfolio only little by little and see investing as a way to meet a long-term need such as financing a child's college education or saving for retirement. "Most of our customers embrace the BuyandHold philosophy of investing", explains CEO Breen. "They invest regularly, adding to their portfolios weekly, monthly, or quarterly, regardless of market conditions". In fact, during a recent market dip, BuyandHold.com's customers kept right on buying, even as customers of other firms, concerned about short-term losses, frantically sold their holdings.

The only way BuyandHold.com can offer rock-bottom pricing to serve its target segment is to keep costs as low as possible. One way it does this is by bundling all the orders it receives and going into the market to buy and sell just twice a day, once in mid-morning and again in mid-afternoon. Although this process minimizes trading costs, it also limits the customer's ability to take advantage of changing market conditions and place trades at specific prices. Another way BuyandHold.com keeps costs down is by limiting its selection of stocks and mutual funds. Unlike mainstream brokers, which allow investors to choose from a much wider selection of securities, BuyandHold.com offers stock from fewer than 5,000 public companies.

However, low cost doesn't mean no service. BuyandHold.com maintains an online library for customers who want to learn more about investing and to investigate particular securities. It also promotes an automated plan that enables customers to electronically transfer funds and make small investments on a set schedule throughout the year. And the company has won several "Best of the Web" awards from business and financial services publications.

By targeting just one consumer segment, BuyandHold.com's management has the opportunity to learn a great deal about its market. Breen and his senior managers, for example, found out through feedback that some customers wanted a pricing alternative for more active trading. As a result, the firm changed its pricing strategy to add a \$9.99 flat monthly fee covering unlimited trades.

Management also realized that many cost-conscious investors were saving money by buying shares directly from public companies rather than through brokers. In response the firm established the Virtual Direct Stock Purchase Plan. Under this plan, participating companies like Walt Disney post an online link to a special BuyandHold.com webpage where consumers can set up accounts and buy stock. The companies save money because they don't have to prepare and mail customer statements and consumers can stick with their investment choices or trade in additional securities at a low price.

Through careful targeting and ongoing innovation, BuyandHold.com attracted 200,000 accounts in its first 15 months of operation. However, the firm now faces increased competitive pressures. ShareBuilder.com, which also targets buy-and-hold investors, offers low buying commissions and more securities. On the other hand, it charges much more for sell orders and executes trades just once a week, further limiting customers' flexibility. Other rivals are entering the market with their own versions of affordable investment services. In the coming years, BuyandHold.com will have to use all its marketing savvy to continue attracting cost-conscious consumers who want to invest for the long term.

Questions:

- (a) What type of general targeting strategy is BuyandHold.com using? Explain.
- (b) What segmentation variables does BuyandHold.com use?
- (c) As more competitors start marketing to the cost-conscious segment, would you recommend that BuyandHold.com change its targeting strategy? Why or why not?
