

Sanjit Kumar Roy · Dilip S. Mutum  
Bang Nguyen *Editors*

# Services Marketing Cases in Emerging Markets

An Asian Perspective

 Springer

---

# Services Marketing Cases in Emerging Markets



---

Sanjit Kumar Roy • Dilip S. Mutum •  
Bang Nguyen  
Editors

# Services Marketing Cases in Emerging Markets

An Asian Perspective

 Springer

*Editors*

Sanjit Kumar Roy  
Department of Marketing (M263)  
The University of Western Australia  
Perth, Australia

Dilip S. Mutum  
Department of Marketing and Advertising  
Coventry University Business School  
Coventry, United Kingdom

Bang Nguyen  
Department of Marketing  
East China University of Science  
and Technology  
Shanghai, China

ISBN 978-3-319-32968-0

ISBN 978-3-319-32970-3 (eBook)

DOI 10.1007/978-3-319-32970-3

Library of Congress Control Number: 2016950726

© Springer International Publishing Switzerland 2017

This work is subject to copyright. All rights are reserved by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, express or implied, with respect to the material contained herein or for any errors or omissions that may have been made.

Printed on acid-free paper

This Springer imprint is published by Springer Nature  
The registered company is Springer International Publishing AG Switzerland

---

## Preface

Many countries in Asia are making a shift from being the world's manufacturer and transforming into a more service-oriented economy. Service industries in these emerging Asian markets are witnessing rapid growth, and services have become a key value creator in the region. Experts recognize a higher contribution of services from Asia (about 64 %) to the overall world's GDP (The World Fact Book, 2015), and the importance of services to create more differentiation in the firms' offerings has been acknowledged.

However, the shift to a service economy does not come easy and is fraught with difficulties and challenges. Despite its importance, growing interest, and increased opportunity, along with the challenges and difficulties that come with managing services in an emerging market, there is a lack of real case studies on the issues related to service business in general and of those facing services marketers in particular, especially from Asia.

**“Services Marketing Cases in Emerging Markets”** intends to fill this void and aims to provide students and academics in business management and marketing with a collection of case studies on contemporary topics in the realms of services marketing and service operations in emerging economies. It explores current issues and practices in Asia, across different areas, countries, and commercial and non-commercial sectors. The case study book is believed to be important and timely in providing a framework for instructors, researchers, and students to understand the service dynamics occurring in these countries. The book serves as an invaluable resource for marketing and business management students requiring insights into the operationalization of services across different geographical areas in Asia. Students will find it interesting to compare and contrast different markets covering important aspects related to services.

The book includes long and short real cases with varying complexity in different services sectors. As it would have been difficult to cover all emerging countries due to limited time and resources, the editors of this book selected cases that provide an ongoing dialogue on the three themes of (1) service experience and co-creation, (2) service branding and servicescapes, and (3) transformative services. In combination, these cases cover, among others, banking services, retail, hospitality, social

media, airlines, and so on. Common across these cases is the coverage of issues that are unique to the emerging markets in Asia and comprise an interesting mix of theory, research findings, and practices that stimulates academics and students of both marketing and management alike.

This case study book is a standalone volume targeted at a general audience but may be used by students, especially targeted at final year undergraduate marketing and MBA students, taking services marketing modules. The book is particularly relevant for modules such as Global Marketing Strategy, International Business, Marketing Management, and other Services Marketing modules at Universities, both in emerging markets and elsewhere. It appeals to a broad audience internationally. Experts, lecturers, researchers, and practitioners have contributed and written fourteen case studies for this book. We are grateful for the contributors' insights and for their time and effort in developing these highly interesting, informative, and educational cases. We hope the reader will enjoy the book and that these interesting cases will encourage further discourse in this ever-interesting field of service business in Asia.

Perth, Australia  
Coventry, United Kingdom  
Shanghai, China

Sanjit Kumar Roy  
Dilip S. Mutum  
Bang Nguyen

---

## Endorsements

*Services are the foundation of human civilizations. Every market has different needs that must be met with different service solutions. This case book provides an invaluable collection of service cases on emerging markets in Asia. These cases cover the very established topics of service experience, co-creation, branding, and servicescapes and add the very forward-thinking topic of transformative services. Services faculty and service students will be well served by this book.*

Professor Raymond P. Fisk, Department of Marketing, McCoy College of Business Administration, Texas State University, San Marcos, Texas, USA

*Asia has experienced tremendous growth of the service sector. This case book is timely to help educate tomorrow's leaders in Asia on service marketing and management. It offers valuable insights and case examples on the management of three contemporary themes—service experience and co-creation, branding and servicescapes, and transformative services. Students, academics, and practitioners alike will find this book highly insightful.*

Professor Jochen Wirtz, Department of Marketing, NUS Business School, National University of Singapore, Singapore

*This is a timely book. We need real-world cases that make new concepts and theory come alive. Ideas and conceptual models are often difficult to grasp as they go against the mainstream. Service-Dominant (S-D) Logic and IBM's Service Science service are leading the way, but I see them constantly being misinterpreted. More cases can cure this.*

Dr. Evert Gummesson, Emeritus Professor, Stockholm Business School, Stockholm University, Sweden

*This book is a direct response to the emerging need for a quality case book on services marketing in Asia which has been witnessing tremendous growth in services arena in recent times. The cases have addressed the contemporary issues of services marketing, are relevant, and are well written. I am sure students and academics interested in services marketing will find the book to be useful.*

Professor Ali Quazi, School of Management, University of Canberra, ACT, Australia



*This book on services marketing is timely as businesses are grappling with the “what” and “how” of an effective strategy to win the competition in service industries. Lessons from case studies would provide the much needed learning for a richer class room experience for final year undergraduates and MBA students, giving them an early start on dealing with the complexities of managing service businesses.*

Professor Fon Sim Ong, Faculty of Arts and Social Sciences, The University of Nottingham Malaysia Campus, Nottingham University Business School, Selangor Darul Ehsan, Malaysia

---

# Contents

## Part I Service Experience and Co-creation

<b>Introduction to Service Experience and Co-creation . . . . .</b>	<b>3</b>
Sanjit Kumar Roy	
<b>Case Study 1: Co-creating Value with Online Banking Services: The Case of Maybank . . . . .</b>	<b>5</b>
Nurul Shahnaz Mahdzan, Amrul Asraf Mohd-Any, and Zalfa Laili Hamzah	
<b>Case Study 2: Starbucks Philippines: Brewing a Filipino-American Experience . . . . .</b>	<b>17</b>
Monali Hota and David Newlands	
<b>Case Study 3: Co-create a Smart Phone Brand with Consumers via Social Media: A Case Study of Xiaomi in China . . . . .</b>	<b>27</b>
Sophie Yang and Anna Vos	
<b>Case Study 4: Managing Customer Complaints: The Case of Imperial Orchid Hotels in Thailand . . . . .</b>	<b>35</b>
Jaywant Singh and Benedetta Crisafulli	
<b>Case Study 5: Amazon.in: Surviving in a Jungle . . . . .</b>	<b>45</b>
Sanjit Kumar Roy and Rajdeep Charaborti	

## Part II Service Branding and Servicescapes

<b>Introduction to Service Branding and Servicescapes . . . . .</b>	<b>63</b>
Dilip S. Mutum	
<b>Case Study 6: Malaysian Airlines Versus AirAsia: Customer Satisfaction, Service Quality and Service Branding . . . . .</b>	<b>67</b>
Sujana Adapa and Sanjit Kumar Roy	
<b>Case Study 7: Häagen-Dazs China: The Luxury Icing on the Cream . . . . .</b>	<b>77</b>
David Newlands and Monali Hota	

<b>Case Study 8: iGaranti: Expanding the Frontiers of Mobile Banking Innovation</b> . . . . .	89
Selcen Ozturkcan and Deniz Tuncalp	
<b>Case Study 9: Happy Textile: Is Store Atmosphere Still A Priority?</b> . . .	107
Tjong Budisantoso, Johnny Jermias, and Adrian Bradshaw	
<b>Case Study 10: Social Media and Customer Engagement at Makemytrip.com</b> . . . . .	117
Bidyanand Jha and Anita Kshetri	
 <b>Part III Transformative Services</b>	
<b>Introduction to Transformative Services</b> . . . . .	135
Sanjit Kumar Roy	
<b>Case Study 11: Prince Court Medical Centre (PCMC): The Hospital with a 5-Star Hotel-Like Experience and Beyond</b> . . . . .	137
Amrul Asraf Mohd-Any and Nurul Shahnaz Mahdzan	
<b>Case Study 12: Indian Armed Forces Disaster Management Services in Kashmir Floods 2014: “Operation Megh Rahat”—A Case of Transformative Service</b> . . . . .	149
Dipanjan Kumar Dey	
<b>Case Study 13: Wellbeing Through Travel: High Value-Low Impact Tourism in the Developing Country, Bhutan</b> . . . . .	159
Raechel Johns and Thinley Namgyal	
<b>Case Study 14: Reliance Indian Limited (RIL): Growth Through Innovation?</b> . . . . .	169
Sudeepta Pradhan and Sanjit Kumar Roy	
<b>Conclusion</b> . . . . .	183
Sanjit Kumar Roy	

---

**Part I**

**Service Experience and Co-creation**

---

# Introduction to Service Experience and Co-creation

Sanjit Kumar Roy

The importance of creating superior service experience with the ultimate aim of customer satisfaction and loyalty has received researchers and practitioners' attention (Klaus and Maklan 2012). Moreover, service dominant logic underscores the importance of customer experience because of the experiential nature of value (Vargo and Lusch 2008). It is widely accepted that service experience is the result of interaction between the customer and service provider that occurs during the moments of truth. Pine and Gilmore (1999) describe service experience by using two metrics i.e. customer participation and the level of social interaction. Schmitt (1999) further describe service experience as consisting of five dimensions: sense, feel, think, relate, and act. Meyer and Schwager (2007: 118) define service experience as “the internal and subjective response customers have to any direct or indirect contact with a company.”

At the same time co-creation of value is gaining increasing attention among academics and practitioners. The nature of value creation is demonstrated through “reciprocal service provision” and it is a “networked, interdependent, and co-creative” process between the suppliers and customers” (Vargo 2009: 377). Value is co-created and evaluated in use by the actors (e.g. customers) in their social contexts and not in isolation (Lusch and Vargo 2014). Consumers take an active role and create value along with the company via different stages of production and consumption. Another stream of research argues that actors (e.g. other stakeholders, firms and customers) interact with each other to create value (Frow and Payne 2011).

This section consists of five unique cases which covers the areas of service experience and value co-creation.

The first case on Maybank describes the role of self-service technologies in creating better service experience for customers in the financial services sector. Its

---

S.K. Roy (✉)

Department of Marketing (M263), The University of Western Australia, Perth, Australia  
e-mail: [sanjit.roy@uwa.edu.au](mailto:sanjit.roy@uwa.edu.au)

service has transformed customers from being passive recipients to the active participant in the delivery process.

The next case elucidates the entry of Starbucks in Philippines and its strategy to culturally adapt the service delivery. Starbucks Philippines' success is based on enthusiastic "partners" who strive to uplift customer's lives through their passion for coffee and service.

The case on Xiaomi in China illustrates the value co-creation strategy of the company whereby it motivates customers' participation. The role of social media marketing is also highlighted in the case.

The case study on Imperial Orchid hotels provides an overview of current practices in complaint-handling and service recovery management at hotel businesses operating in Thailand, a fast growing emerging economy.

Finally the case on Amazon in India illustrates the entry of Amazon in India and the strategies adopted by the company to create online customer experience. It also highlights the role of cultural adaptation by Amazon to enhance the online service experience.

---

## References

- Frow, P., & Payne, A. (2011). A stakeholder perspective of the value proposition concept. *European Journal of Marketing*, 45(1/2), 223–240.
- Klaus, P., & Maklan, S. (2012). EXQ: A multiple-item scale for assessing service experience. *Journal of Service Management*, 23(1), 5–33.
- Lusch, R. F., & Vargo, S. L. (2014). *The service-dominant logic of marketing: Dialog, debate, and directions*. London: Routledge.
- Meyer, C., & Schwager, A. (2007). Understanding customer experience. *Harvard Business Review*, 85(2), 116.
- Pine, B. J., & Gilmore, J. H. (1999). *The experience economy: Work is theatre & every business a stage*. Boston, MA: Harvard Business Press.
- Schmitt, B. (1999). Experiential marketing. *Journal of Marketing Management*, 15(1–3), 53–67.
- Vargo, S. L. (2009). Toward a transcending conceptualization of relationship: A service-dominant logic perspective. *Journal of Business and Industrial Marketing*, 24(5/6), 373–379.
- Vargo, S. L., & Lusch, R. F. (2008). Service-dominant logic: Continuing the evolution. *Journal of the Academy of Marketing Science*, 36(1), 1–10.

---

# Case Study 1: Co-creating Value with Online Banking Services: The Case of Maybank

Nurul Shahnaz Mahdzan, Amrul Asraf Mohd-Any,  
and Zalfa Laili Hamzah

*...Our customers have been the Group's most important asset, standing by us through the Maybank Group's journey. We have achieved the market positioning that we have today due to their continued support and belief in us (Maybank 2014a)*

—Datuk Farid Alias  
—Maybank Group President & CEO

---

## The Malaysian Banking Industry

### Background

The financial services industry in Malaysia has achieved significant milestones since the country gained Independence in 1957. In tandem with positive economic transitions from a modest rural economy to one that is developing, the Malaysian banking system under the supervision of the Central Bank has also transformed remarkably. Once dominated by few foreign banks, the banking industry today consists of 27 commercial banks, of which 8 are locally owned banks and the remaining are locally incorporated foreign banks (Bank Negara Malaysia 2013). The banking sector is the largest component of the Malaysian financial system, accounting for about 67 % of total assets in the system (KPMG Publication n.d.).

---

N.S. Mahdzan (✉)

Faculty of Business and Accountancy, Department of Finance and Banking, University of Malaya,  
50603 Kuala Lumpur, Malaysia  
e-mail: [n\\_shahnaz@um.edu.my](mailto:n_shahnaz@um.edu.my)

A.A. Mohd-Any • Z.L. Hamzah

Faculty of Business and Accountancy, Department of Marketing, University of Malaya, 50603  
Kuala Lumpur, Malaysia

The Central Bank of Malaysia, Bank Negara Malaysia (BNM), regulates the financial services industry with the aim of fostering monetary stability and ensuring a stable financial structure within the system. Towards this end, BNM plays a vital role in the development of comprehensive and sound strategies that would support national efforts to become a high income nation by 2020. One of the measures undertaken by BNM is the implementation of the Financial Sector Blueprint 2011–2020, which is the offspring of the first Financial Sector Masterplan launched in 2001. According to Bank Negara Malaysia (Bank Negara Malaysia 2010), the ten year Blueprint is “a strategic plan that charts the future direction of the financial system as Malaysia transitions towards becoming a high value-added, high-income economy” (Bank Negara Malaysia 2010).

One of the objectives set out in the first Financial Sector Master Plan (2001–2010) is to nurture the financial system to become one that is more competitive and resilient, with reforms that entail greater use of technology so that financial products and services are delivered to consumers more efficiently and effectively. The second phase of the blueprint builds upon the achievements attained from the first phase to heighten effectiveness and rigour of the financial sector. In line with these objectives, the banking sector has introduced new delivery channels including those offered through online services to conveniently reach out to a wider span of customers and businesses.

## Consumer Trends

The initiatives taken by BNM and financial services providers to promote technology in services are viewed as timely and necessary to meet the demands of sophisticated Malaysians who have become more technology-savvy than ever before. Reports have indicated that Malaysians are among the most smartphone savvy in emerging Asia and constantly use their smartphones to access a wide range of functions (Digital News Asia 2013). A study conducted by Telenor Group revealed that young Malaysians use their smartphones for numerous connectivity needs, surpassing their counterparts in Scandinavia, specifically those in Sweden and Norway (Kumar 2014). Furthermore, the study reported that more than 50 % of Malaysian mobile customers used their smartphones to conduct online banking transactions, signalling tremendous opportunity and growth for online banking and financial services.

The positive outlook for online banking is also expressed by the leader of financial services in Price Waterhouse Coopers who commented that digital banking is seen to advance rapidly in Malaysia due to the strong usage of smartphones, tablets and the internet (Raj 2014). These transformations suggest a remarkable progression of digital banking in Malaysia across all demographic groups. According to a report by BNM, the number of internet banking subscribers have increased tremendously over the past 10 years. As illustrated in Table 1, the penetration of internet banking subscribers to total population increased from 9.8 % in 2005 to 60 % in 2015 (Q1). In absolute terms, the number of subscribers



**Table 1** Internet banking subscribers (end of period) (Bank Negara Malaysia 2015)

Year	Number of subscribers ( <i>in millions</i> )			Penetration to population (%)
	Total	Individual	Corporate	
2005	2.6	2.5	0.1	9.8
2006	3.2	3.2	0.0	12.0
2007	4.6	4.5	0.1	16.9
2008	6.2	6.1	0.1	22.5
2009	8.1	8.0	0.2	28.9
2010	9.8	9.6	0.2	34.4
2011	11.9	11.6	0.2	40.9
2012	13.7	13.4	0.2	46.4
2013	15.5	15.2	0.3	51.9
2014	17.6	17.3	0.3	58.2
March 2015	18.2	17.8	0.3	60.0

shows significant expansion, from 2.6 million to 18.2 million subscribers, reflecting a sevenfold increase. These figures exemplify that Malaysians prefer to use and are becoming more reliant on internet banking due to the numerous benefits and values it creates for them.

The use of mobile banking made viable through applications on smartphones and tablets is also gaining popularity in Malaysia. As can be noted from Table 2, the penetration rate of mobile banking subscribers to the population grew from 0.5 % in 2005 to 20.4 % in 2015 (Q1). In absolute numbers, the total number of mobile banking subscribers escalated from 127,000 in 2005 to 6,158,600 in March 2015. The penetration rate of total subscribers of mobile banking to total mobile subscribers increased from 0.7 % in 2005 to 14.1 % in 2015 (Q1), reflecting an outstanding 20-fold increase. These statistics support the findings of Telenor Group and the industry outlook by experts that mobile banking is seen to gain popularity among an increasingly modernised Malaysian society.

In line with BNM's call to promote the use of technology in banking services and to meet the demands of a more sophisticated society, the leading bank in Malaysia, Malayan Banking Berhad (hereinafter, Maybank), has pioneered numerous efforts to promote self-service technology to customers over the past few decades. These measures have allowed individuals as well as corporate customers to conduct their banking services conveniently via virtual digital platforms.

---

## Maybank

### Background

Maybank was incorporated in 1960 and began its first operations in the capital of Malaysia, Kuala Lumpur. The same year did not only mark the birth of Malayan Finance Corporation (later known as Mayban Finance), the first wholly bank-

**Table 2** Mobile banking subscribers (end of period) (Bank Negara Malaysia 2015)

Year	Number of subscribers (in thousands)	Penetration rate (%)	
		To population	To mobile subscribers
2005	127.6	0.5	0.7
2006	246.7	0.9	1.3
2007	367.6	1.4	1.6
2008	574.6	2.1	2.1
2009	675.0	2.4	2.2
2010	898.5	3.1	2.6
2011	1560.3	5.3	4.3
2012	2446.2	8.2	5.9
2013	4378.8	14.6	10.2
2014	5639.2	18.6	12.9
March 2015	6158.6	20.4	14.1

owned finance company, but also the opening of Maybank's first overseas branches in neighbouring Brunei Darussalam and Singapore. Two years later, Maybank spread its wings to Hong Kong and London and much later to New York, Bahrain, Saudi Arabia, Uzbekistan, Pakistan, India, China, Philippines, Papua New Guinea and other countries in Southeast Asia. Maybank's home markets—Malaysia, Indonesia and Singapore contribute the largest proportion of Profit Before Tax (PBT) in 2014 amounting to 88.6 % of the total group's profits while the remaining percentage is derived from Maybank's overseas markets in London, Saudi Arabia, Uzbekistan, Bahrain and New York (Maybank 2014a).

Besides consumer banking, Maybank also provides commercial, corporate, and private banking services. Maybank offers an array of products and services such as investment banking, Islamic banking, commercial trade facilities, insurance, off-shore banking, hire purchase and lease, asset management, trustee services, stock broking, factoring, nominee services, venture capital and Internet banking. As the leading banking group in Malaysia, Maybank has 402 branch offices and more than 2600 automated teller machines (ATM) in the country to date. Serving over 22 million customers in 20 countries with 2400 operating offices manned by more than 47,000 employees and a total asset worth RM640 billion (USD180 billion), Maybank is by far the largest bank in Malaysia (Maybank 2014a).

With a vision to be the financial services leader in the region, 'Humanising Financial Services' is chosen as Maybank's corporate brand slogan. This theme is well manifested in Maybank's operations that focuses on customers and the community as their source of long term shareholder value creation. Because customers are their key assets, Maybank is committed to its core values—*Teamwork, Integrity, Growth, Excellence and efficient* and *Relationship building* (TIGER)—which is a perfect reflection of Maybank's corporate logo of a Malayan Tiger. Humanising financial services is translated into a corporate strength by "making the unbankables bankable". For instance, Maybank provides financing accessibility to customers and enables those with poor credit background to secure financing provided that

they have strong evidence to improve their situation. Maybank's intentions are clear, that is to help boost socioeconomic conditions of the society through wealth creation (Top 10 of Malaysia 2013).

In line with its core values, Maybank establishes six substantive value propositions: *Go ahead* (to develop Maybank's financial strength further while keeping promises intact and even exceeding customer expectations), *Grow* (to develop its employees through investment in learning and development), *Fly* (promoting regional and international prospects to its employees), *Lead* (to achieve excellence and maintain its leadership position), *Create* (to encourage creativity in serving all its local and international customers), and lastly, *Brand* (to create strong brand presence and to be continuously committed to achieving leadership positions that align its customers to the talents within the bank) (Malayan Banking Berhad 2001).

Maybank's continuous efforts in creating value for its customers are evident in the awards and accolades that it has attained. Besides being the recipient of Malaysia's Most Valuable Brand in 2007, 2008 and 2012, Maybank is ranked as one of the Top 3 companies in Malaysia and Top 100 companies in Asia by Channel NewsAsia in terms of sustainability performance. In 2014 and 2015, Maybank was named the Best Retail Bank in Malaysia by the Asian Banker. Maybank also won the title of Brand of the Year 2014–2015 for the banking sector by the World Banking Awards. During the same tenure, Maybank was also named as the World's Top 20 Strongest Banks, awarded by Bloomberg Markets (Zieman 2014).

## Evolution of Maybank's Service Technologies

To sustain competitive advantage, Maybank realises the importance of differentiating and innovating its products and services to create a cutting edge in the industry. Thus, Maybank has been very committed to providing the best value to its customers through innovation in service delivery and operations. In fact, back in late 1970s and early 1980s, Maybank was the pioneer in technology and computerisation of banking operations by being the first Malaysian bank to establish ATMs. This service provides customers the convenience of withdrawing their money without having to deal with a teller. To serve customers better, Maybank continued to adopt innovation in the 1990s by launching the first computerised telephone service called Mayban Autophone, and, by working together with Malaysia Airlines (MAS), to offer domestic flight passengers the convenience of ticketless travel through MAS Electronic Ticketing (MASET).

Being the leader in financial services in Malaysia, the new millennium in year 2000 marked the birth of Maybank's internet-based technologies such as View & Pay service for credit card and debit card holders, and most importantly, an internet banking portal called Maybank2u.com.my (henceforth M2U). As convenience is central to Maybank's innovation initiatives, Maybank then launched M2U internet kiosks at selected branches which allowed customers to self-serve themselves at the bank without having to queue to be attended by a teller. Six years after the launch of

M2U, Maybank went the extra mile to be the first bank in Malaysia to offer online mobile banking via short messaging services (SMS) and M2U Mobile services via GPRS or 3G smartphones. These innovations are reflections of Maybank's commitment to positive change in creating more value for its customers.

In 2013, Maybank adopted Microsoft's Windows 8 platform for its corporate mobile banking application making it the first ASEAN bank to be involved in such enterprise. As online shopping began to pick up in Malaysia (Maybank2U.com 2015a), Maybank launched Maybank2u Pay in 2013 which facilitates fast, easy, convenient and reliable shopping experience to online shoppers. Maybank continues to innovate to the present time with several other technology launched in Malaysia such as cardless withdrawal services via ATMs without an ATM card, M2U Pay 'Snap&Sell' mobile application that supports selling activities on social media such as Facebook, and M2U Visa Direct in partnership with Visa International, a money transfer service to Visa users across the globe.

Clearly, these innovations fully complement the needs of Malaysia's technology-savvy consumers. Among these technologies, online banking appears to be one of the fast-growing services and acts as a popular alternative distribution channel besides ATM due to its many benefits. It empowers customers to conduct their banking transactions conveniently through Internet-based self-service technology platforms. With the introduction of M2U, Maybank has now become the largest online banking provider in the country and is fully committed to being a digital lifestyle banking site, giving customers 24/7 accessibility beyond the temporal and spatial constraints of brick-and-mortar branches.

## **M2U Customer Experience**

Maybank's pioneering self-service technology via its online portal, M2U, has clearly transformed customers from a passive to an active audience, reflected in the astounding number of over 2.8 million monthly unique visitors and 2.6 million active users from a total of 7.4 million registered users for the service in Malaysia in 2014. Since then, Maybank's rivals have started to utilise the Internet as marketing and distribution platforms in order to stay agile and competitive in the marketplace (Maybank2U.com 2015a).

During the early stage of its inception, customers could only access M2U on personal computers, laptops and M2U Internet kiosks to perform financial transactions and many developments have taken place since. In 2011, Maybank launched M2U Mobile Apps for iPad, iPhone, Android and Windows phones users in the hope of increasing its market share, boost its online transaction value and strengthen its leadership in the online banking industry (Maybank2U.com 2015a). These multiple channels have allowed customers to enhance their engagement with Maybank's technology-mediated self-service platforms. As a result, M2U active users grew by 17.0% to 2.15 million in 2012 along with the number of mobile banking users by an astounding 135.2%. Maybank launched a variety of innovative products via M2U. For instance, customers can monitor their expenses and manage

their savings and investments using the personal financial management tool (Malayan Banking Berhad 2001).

Maybank refers to the M2U as a one-stop solution centre which provides “the convenience of an all-in-one banking solution, all at one stop” (Maybank2U.com 2015b). With M2U, customers derive satisfaction as they are able to personalise and customise their personal banking transactions at their own convenience. For instance, customers handle their routine transactions by checking their account statements and transferring money from their own accounts to a third party account easily without having to go to the branch and having to queue up. However, in conducting money transfers, it is important to ensure that the information provided is accurate, such as the recipient’s name and account number, as well as the amount of funds to be transferred. Such accuracy is important as banks cannot be held responsible for any disputes that may arise between customers and the payees or recipients.

For first time transfers of funds or any new transaction that is to be conducted, customers have to request for a Transaction Authorizations Code (TAC) from the bank as part of a security measure. Within a few seconds, the bank will issue a TAC number via a text message that is sent to the customer’s mobile phone. Such security measure has increased customer’s confidence in dealing with M2U virtual services. To facilitate regular transactions, customers have an option of saving the payee’s details under a favourite payee category. Subsequently, transactions can be performed without having to request for another TAC number (Maybank2U.com 2001).

Besides funds transfer, customers are able to pay bills such as utility bills, loan instalments, credit card payments, summons, insurance premiums, and other payments to various creditors or merchants of their choice. Another service offered includes online investment for share trading that allows customers to place and confirm share trading 24 h a day, 7 days a week. Most banks offer a wide range of money market instruments from various issuers. With M2U, all these can be done at the customer’s finger tips without having to sacrifice precious time, energy and cost. In other words, M2U has made banking transactions completely hassle-free as customers can do their banking from the comfort of their own homes. Customers can also track their payment history online to trace any debit or credit transactions that were made to/from their account within the past 3 months.

In addition, through the online portal of M2U customers can instruct the bank to make scheduled payments to a creditor on a specified date of every month. The funds will automatically be deducted from the user’s account on that specified date. This standing instruction ensures that regular transfer payments are made without delay, as long as there are sufficient funds in the payer’s account. The beauty of this service is that the transactions are performed on time without delay, and customers are able to view updated bank report immediately via M2U (Maybank2U.com 2001).

Overall, M2U has simplified customers’ lifestyle. Customers are able to manage their financial transactions conveniently through the reliable and hassle-free M2U portal.

## M2U Challenges and Resolutions

### Low Adoption of M2U

As earlier noted from Table 1, the internet banking penetration rate was relatively low 10 years ago compared to today. Hence, it is not surprising that the adoption rate of M2U was not too encouraging when it was first introduced in year 2000. The low adoption rate suggests that customers are not confident about security issues, or, perceive the online platform difficult to use. In terms of security and privacy, some customers may be worried that the privacy of their information would be compromised in case their personal laptops or computers are stolen by unscrupulous parties. In addition, some customers may simply prefer to personally deal with employees of the bank rather than through self-service technology interfaces.

In response to this issue, Maybank launched a campaign to create awareness about Internet banking. The campaign intended to educate existing and potential customers with regards to the handling and protection of their account information. In October 2001, Maybank also launched a special promotion called the “Paybills Promotion” to encourage customers in Sarawak, East Malaysia, to utilise the online payment facilities via M2U. Through this campaign, Maybank collaborated with the leading telecommunications company in Malaysia, Telekom Malaysia Berhad, to promote the convenience of paying Telekom’s bills such as their telephone bills, TMnet and TM Touch bills via M2U (Maybank2U.com 2015c).

Similarly, Maybank also launched the “Love Earth Campaign” from 1 April 2010 to 30 June 2010 to show support in preserving mother earth. This campaign aimed to enhance customer awareness of the benefits of using M2U. By using the M2U platform, the use of paper would be significantly reduced. The green calculator available on the M2U website enables customers to track how much time, money and natural resources they can conserve by conducting their transactions online (Maybank 2013).

Through Maybank2u Pay which is a payment gateway to facilitate purchases at blog shops, Maybank promotes not only fast and safe transactions, but also a convenient and reliable online shopping experience for e-shoppers. Through this facility, blog shop owners can manage their own transactions via Maybank2u systematically and efficiently. For example, these business owners can have a detailed view of the sales transactions that were conducted, complete with information such as the date and time of purchase, the buyer’s name and email address, as well as the amount of funds transferred to the seller’s account (Scam Alert 2009).

### Security and Phishing Issue

One of the most critical issues faced by customers is the issue of safety and security while using M2U. There are cases where M2U users have received fake short messages (SMS-es) via their mobile phones or e-mail messages sent out by phishing scams. To prevent any untoward incidents, Maybank would provide its customers with constant reminders and safety guides on how to prevent the customer’s accounts from being hacked. Below is a typical message customers would receive from hackers:

Dear Valued Customer,

Maybank discovered a serious security problem in your account as several unauthorized transactions were attempted. We deactivated and also restricted access to your account for security and safety reasons. Your urgent attention is required to reactivate your account. Please be informed that your account will be terminated if not activated now. (Maybank2u.com 2015d)

In response to this situation, Maybank continuously sends its customers security alerts to warn them not to respond to any email or SMS from unidentified parties. This security alert is available on the front webpage of M2U. To further enhance M2U security, additional features have been introduced such as the use of an image, a phrase and three questions that are unique to the customer. This information is only known to users when logging into their accounts. These steps of verification safeguard customers' account information from unwanted intrusion and aims to boost customers' trust and confidence in the online system (Maybank2u.com 2015e).

Maybank has collaborated with CyberSecurity Malaysia, a non-profit organization under the Ministry of Science, Technology and Innovation (MOSTI) via an exchange of Memorandum of Strategic Alliance with CyberSecurity Malaysia signed on 30 November 2007. The focus of this memorandum is on Internet banking safety which covers the development of Internet banking safety promotional collateral, the conduct of awareness programmes, and the provision of distribution channels. The public awareness campaigns include those made through various media channels such as radio, newspapers, online as well as Maybank branches. Maybank also introduced a phishing report page so that customers would be able to alert Maybank customer service of any Maybank2u.com phishing site (Ker 2014).

### **Transaction System Delay**

Delay in receiving the TAC number to perform transactions has been acknowledged as one of Maybank's slight glitches in regards to the M2U online service. Such delays would cause the customer to request for multiple TAC numbers for a single transaction, which would cause interruptions in the performance of the transaction as only one request of the TAC number is required per transaction. When multiple TAC numbers are requested, this automatically invalidates the first request. Hence, the customer would need to redo the transaction from the beginning and this would cause frustration and annoyance among users as time would be wasted in completing a simple task. In addition, customers may also experience missing links or non-functioning links in which messages such as 'not available', 'under construction' or 'under maintenance' would be prompted (Maybank 2014b).

Upon receiving a complaint, Maybank would immediately notify its customers via Maybank's Twitter account or Facebook with the following notice:

We are aware that some of our M2U users are experiencing intermittent slowness in accessing M2U at the moment. Rest assured that we are investigating the matter urgently and will look into resolving it as soon as possible. Apologies for the inconveniences caused.

To address this situation, Maybank ensures that their online system is monitored efficiently. The bank undertakes daily system maintenance during certain parts of the days (usually at midnight). During the maintenance period, all ATM transactions and M2U services are not available. However, prior notification would be given to customers advising them to plan their transactions in advance (Maybank2u.com 2015e).

### **Complaint Handling**

Surveys conducted by Maybank indicate that customers are sometimes dissatisfied with problem resolutions pertaining to the TAC system, security issues, phishing, and others. To aggravate matters, the response and feedback on customers' complaints were sometimes not properly tracked. To address this issue, in July 2012 Maybank launched a project called "G.I.F.T." (Get Involved and Follow Through) whereby all complaints are channeled to a centrally managed unit called the Customer Feedback & Resolution Management (CFRM) team. With the implementation of Project GIFT, complaints received via various touch points are logged into a centralised system. This allows CFRM to focus relentlessly on complaint resolutions by providing status updates until the issues are fully resolved (Maybank 2012).

---

### **Future Outlook**

Customer requirements are fast-changing and banks in developed and emerging nations are under pressure to provide the level of service that meets customers' expectations. Transactions between channels and among banks are expected to be seamless and hassle-free and mobile banking application utilisation is seen to be the in-thing as smartphone adoption surges. Competition has also become more intense as customers nowadays are multi-banked and switching between providers becomes hassle-free. In order to stay afloat, customers demand transparency on rates and fees, excellent online banking features and facilities, and that banks do not compromise on matters concerning their security and privacy (Ernst & Young 2015).

Maybank has displayed strong commitment toward constant improvement and innovation since its inception. Innovations in financial products and services are believed to be important in meeting the needs of customers who desire for simpler and better life styles. Issue resolutions will be one of important agendas to strengthen customers' trust and confidence. The long term relationship with customers will be further established through continuous adoption of innovative technology that provides holistic services to meet customers' needs and expectations. Maybank is proud to have won their customers' hearts and gain



their trust and it will remain committed in delivering the best service. Stemming on its mantra of “putting people first, each and every day”, it is no doubt that Maybank’s mission of ‘Humanising Financial Services’ will indeed become a reality (Maybank 2014a).

## Discussion Questions

1. Explain the strategies that have been used by Maybank to differentiate themselves from those of competitors, in terms of self-service technologies.
2. How do individual customers engage in the value-creation process with Maybank?
3. What are some initiatives taken by Maybank to recover their service failures?
4. How does customer value co-creation via M2U benefit Maybank and its customers?
5. With the given future outlook, specify a detailed plan that would help Maybank achieve its objective to remain the most preferred online banking platform in Malaysia.

---

## References

- Bank Negara Malaysia. (2010). *Financial sector blueprint 2011-2020*, BNM, viewed 18 May 2015. [http://www.bnm.gov.my/files/publication/fsbp/en/BNM\\_FSBP\\_FULL\\_en.pdf](http://www.bnm.gov.my/files/publication/fsbp/en/BNM_FSBP_FULL_en.pdf)
- Bank Negara Malaysia. (2013). *List of licensed banking institution of Malaysia*, BNM, viewed 18 May 2015. <http://www.bnm.gov.my/index.php?ch=li&cat=banking&type=CB&fund=0&cu=0>
- Bank Negara Malaysia. (2015). *Internet banking and mobile banking subscribers*, BNM, viewed 18 May 2015. [http://www.bnm.gov.my/payment/statistics/pdf/04\\_internet\\_banking.pdf](http://www.bnm.gov.my/payment/statistics/pdf/04_internet_banking.pdf)
- Digital News Asia. (2013). *Malaysia amongst most savvy, least brand-conscious smartphone markets: Study*, viewed 18 May 2015. <https://www.digitalnewsasia.com/mobile-telco/malaysia-amongst-most-savvy-least-brand-conscious-smartphone-markets-study#sthash.PY03rt4j.dpuf>
- Ernst & Young. (2015). *Transforming banks, redefining banking*, Ernst & Young, viewed 18 May 2015, [http://www.ey.com/Publication/vwLUAssets/EY\\_-\\_Transforming\\_banks\\_-\\_redefining\\_banking/\\$FILE/EY-Global-Banking-Outlook-Transforming-banks-redefining-banking.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Transforming_banks_-_redefining_banking/$FILE/EY-Global-Banking-Outlook-Transforming-banks-redefining-banking.pdf)
- Ker, R. (2014). *Maybank2U Online Experiencing Major Systems Outage*, Life in Malaysia, viewed 4 April 2015, <http://www.lifeinmy.com/maybank2u-online-is-experiencing-major-systems-outage/>
- KPMG Publication. (n.d.). *Financial system of Malaysia*, KPMG, viewed 18 May 2015. [http://www.kpmg.com.my/kpmg/publications/tax/I\\_M/Chapter5.pdf](http://www.kpmg.com.my/kpmg/publications/tax/I_M/Chapter5.pdf)
- Kumar, A. (2014). *Malaysians and Thais surpass even Scandinavia in mobile Internet use, Telenor finds*, CIO Asia, viewed 18 May 2015. <http://www.cio-asia.com/tech/mobile-and-wireless/malaysians-and-thais-surpass-even-scandinavia-in-mobile-internet-use-telenor-finds/#sthash.4tWfbXiT.dpuf>
- Malayan Banking Berhad. (2001). *One of the world’s strongest banks*, Maybank, viewed 18 May 2015. <http://www.maybank.com/en/index.page>
- Maybank. (2012). *Maybank online annual report 2012*, Maybank, viewed 15 April 2015. [http://maybank.listedcompany.com/misc/maybank\\_online\\_annual\\_report2012/enterprise\\_transformation\\_services.html](http://maybank.listedcompany.com/misc/maybank_online_annual_report2012/enterprise_transformation_services.html)

- Maybank. (2013). *Maybank2u pay first in Malaysia to facilitate online blog shop purchases*, Maybank, viewed 14 April 2015. <http://www.maybank.com/iwovresources/corporate/document/my/en/pdf/corporate-news-release/2013/release%20m2upay.pdf>
- Maybank. (2014a). *Maybank online annual report 2014 group president and CEO's statement*, Maybank, viewed 18 May 2015. [http://www.maybank.com/iwov-resources/corporate\\_new/document/my/en/pdf/annual-report/2015/Maybank\\_AR2014-Corporate.pdf](http://www.maybank.com/iwov-resources/corporate_new/document/my/en/pdf/annual-report/2015/Maybank_AR2014-Corporate.pdf)
- Maybank. (2014b). *Maybank online annual report 2014*, Maybank, viewed 4 April 2015. [http://www.maybank.com/iwov-resources/corporate\\_new/document/my/en/pdf/annual-report/2015/Maybank\\_AR2014-Corporate\\_a.pdf](http://www.maybank.com/iwov-resources/corporate_new/document/my/en/pdf/annual-report/2015/Maybank_AR2014-Corporate_a.pdf)
- Maybank2U.com. (2001). *Maybank Promotes Paybills Facilities Via Maybank2u.Com In Sarawak*, Maybank2U, viewed 24 March 2015. [http://m2umobilesit.maybank.com.my/corporate/press\\_release/241001.shtml](http://m2umobilesit.maybank.com.my/corporate/press_release/241001.shtml)
- Maybank2U.com. (2015a). *Maybank one solution: The convenience of an all-in-one banking solution, all at one stop*, Maybank, viewed 18 May 2015. [http://www.maybank2u.com.my/mbb\\_info/m2u/public/personalDetail04.do?channelId=ACC-Accounts&cntTypeId=0&cntKey=ACC13.05&programId=ACC13-MIAccount&chCatId=/mbb/Personal/ACC-Accounts](http://www.maybank2u.com.my/mbb_info/m2u/public/personalDetail04.do?channelId=ACC-Accounts&cntTypeId=0&cntKey=ACC13.05&programId=ACC13-MIAccount&chCatId=/mbb/Personal/ACC-Accounts)
- Maybank2U.com. (2015b). *Terms and conditions of Internet banking services*, Maybank2U, viewed 24 March 2015. [http://www.maybank2u.com.my/mbb\\_info/m2u/public/personalDetail04.do?channelId=&cntTypeId=0&programId=FOFooter&cntKey=TNC02&chCatId=/mbb/Personal](http://www.maybank2u.com.my/mbb_info/m2u/public/personalDetail04.do?channelId=&cntTypeId=0&programId=FOFooter&cntKey=TNC02&chCatId=/mbb/Personal)
- Maybank2U.com. (2015c). *Welcome to our M2U loves the earth page*, Maybank2U, viewed 14 April 2015. [http://www.maybank2u.com.my/mbb\\_info/m2u/public/promoDetail.do?channelId=PRO-Promotions&cntTypeId=0&cntKey=PRO09.01b&programId=&chCatId=/mbb/Personal/PRO-Promotions](http://www.maybank2u.com.my/mbb_info/m2u/public/promoDetail.do?channelId=PRO-Promotions&cntTypeId=0&cntKey=PRO09.01b&programId=&chCatId=/mbb/Personal/PRO-Promotions)
- Maybank2u.com. (2015d). *M2U enhanced security*, Maybank2U, viewed 14 March 2015, [http://www.maybank2u.com.my/mbb\\_info/m2u/public/faqList.do?channelId=&faqChPath=/mbb/FAQs/03-Online%20Banking/FOB-OnlineBanking&cs=1&programId=CS-CustService&faqId=OB11-Adapt&chCatId=/mbb/Personal&faqChId=FOB-OnlineBanking](http://www.maybank2u.com.my/mbb_info/m2u/public/faqList.do?channelId=&faqChPath=/mbb/FAQs/03-Online%20Banking/FOB-OnlineBanking&cs=1&programId=CS-CustService&faqId=OB11-Adapt&chCatId=/mbb/Personal&faqChId=FOB-OnlineBanking)
- Maybank2u.com. (2015e). *Cyber Security Malaysia Internet Security Awareness*, Maybank2U, viewed 30 March 2015 [http://www.maybank2u.com.my/mbb\\_info/m2u/public/personalDetail04.do?channelId=&cntTypeId=1&cs=1&cntKey=HLM04&programId=MGCC-News&chCatId=/mbb/Investment](http://www.maybank2u.com.my/mbb_info/m2u/public/personalDetail04.do?channelId=&cntTypeId=1&cs=1&cntKey=HLM04&programId=MGCC-News&chCatId=/mbb/Investment)
- Raj, A. P. (2014). Digital Banking to advance more rapidly in Malaysia. *The Edge Malaysia*, 4 August, viewed 18 May 2015. <http://www.pwc.com/my/en/assets/press/140804-theedge-digital-banking-to-adv-more-rapidly-in-my.pdf>
- Scam Alert. (2009). *Urgent problem Maybank shopping shop*, Scammer Alert, viewed 24 March 2015. <http://www.scammeralert.info/urgent-problem-maybank-phishing-site-brt14-m2u-com/#>
- Top 10 of Malaysia. (2013). *Top 10 banks in Malaysia - people's choice for best banking experience*, viewed 18 May 2015. <http://top10malaysia.com/home/index.php/news-and-events/top10-banks-in-malaysia-peoples-choice-for-best-banking-experiene>
- Zieman. (2014). Online shopping starts to gain more traction in Malaysia. *The Star Online*, 29 March, viewed 18 May 2015. <http://www.thestar.com.my/Business/SME/2014/03/29/Retail-revolution-in-the-making-Online-shopping-starts-to-gain-more-traction-in-Malaysia/?style=biz>

---

# Case Study 2: Starbucks Philippines: Brewing a Filipino-American Experience

Monali Hota and David Newlands

---

## Why the Philippines

The Starbucks group is a premium coffee roaster and retailer. While travelling in Italy in 1983, Starbucks' marketing director, Howard Shultz, visited a coffee house. Until this trip, the business model had been to sell roasting and grinding machines for home use. Shultz recognized people want coffee on the go and understood that Starbucks' future lay in retailing gourmet coffee by the cup but with the unique blend of Italian elegance and American informality. Howard Schultz became president of Starbucks in 1987. He set about by recreating the brand's image. The aim thereafter was rapid growth. Starting with 17 coffee shops in Seattle in 1987, the group has grown to over 21,000 outlets in 60 plus countries today. To achieve this internationalization, the company had to start to expand outside of the US. Their market penetration in North America had become significant. Faced with diminishing new market opportunities, the group decided to expand into the Asia-Pacific region. Starbucks' former International President, Howard Behar, already had overseen the introduction of the brand in Japan and Singapore. Starbucks Coffee International opened in Philippines with a local licensee Rustan Coffee Corporation.

---

M. Hota (✉)

Department of Marketing, Institut d'Economie Scientifique Et de Gestion (IESEG)  
School of Management, Puteaux, France  
e-mail: [m.hota@ieseg.fr](mailto:m.hota@ieseg.fr)

D. Newlands

Department of Operations Management, IESEG School of Management, Puteaux, France

---

## Starbucks' Entry into the Philippines

The partnership of Rustan with Starbucks began in 1996 when the chair of Rustan Group of Companies Ambassador Bienvenido Tantoco and his grandsons Donnie Tantoco and Anton Huang were visiting Seattle. They asked for a meeting with Howard Behar, then president of the Starbucks Coffee North America and Starbucks Coffee International. Behar had introduced the Starbucks brand to Japan and Singapore that year. Howard then took the much criticized decision to set-up Starbucks franchises in the Philippines as the Tantocos convinced him of their impressive business background, especially in the retail sector. His colleagues considered the market to have only a limited wealthy segment. A significant proportion of the population lived on less than half the price of a coffee per day. Despite the doubts, he was convinced that Philippines should be the third Pacific region country where Starbucks was to expand into.

In 1996, it seemed counter intuitive, risky and outside the 'premium brand' image to set up in a country where less than half the population was part of the upper middle and upper class. Trusting that The Philippines would continue to emerge as a vibrant economy made the market a test bed for the group's global expansion program. If they could make Starbucks profitable in the Philippines, the group potentially could use that as a role model for further expansion in the region. Therefore, Rustan Coffee Corporation was established with Eduardo Lopez as president. A team of five people, including the current Chief Operating Officer Emmanuel Lopez, trained in Seattle for 5 months to immerse themselves in the Starbucks culture and to learn how to set up a coffeehouse.

---

## Starbucks Philippines: The Core

In December 1997, the long queues at the first Starbucks store at 6750 Ayala indicated that a robust business was about to brew. The attraction was that Starbucks was an icon of American culture.

Seventeen years and 225 stores later, there are still queues in Starbucks stores, oddly at late hours or very early in the morning where BPO's are located. What makes people so loyal to Starbucks in Philippines? The primary reason is that Starbucks Philippines sets out to provide culturally adapted Filipino coffee drinks in a warm, hospitable environment staffed by enthusiastic partners. However, it takes care to do all this keeping Starbucks' core values in mind—that is, to create a culture of warmth and belonging where everyone is welcome but connections are made with transparency, dignity and respect to deliver the very best. Starbucks' core customer value proposition is to build customer intimacy and a sense of community so that consumers linger around the coffee shops for different perceived benefits. This is the guiding principle of their doing business in any country that they enter no matter what the country specific marketing strategy is and so it is in Philippines.

---

## **Culturally Adapted Coffee and Drinks**

Starbucks uses a globalized product strategy around the world which implies that their products are standardised internationally. The Philippines is an exception to the rule. Filipinos love intense tastes and extremely sweet and salty food. Therefore, Starbucks has introduced certain special products based on Filipino dietary habits that are available only in Starbucks Philippines such as Salted Caramel Mocha Frappuccino, Salted Caramel Mocha and Caramel Espresso.

Also, cold drinks are very popular in The Philippines because the weather is very hot. So Starbucks has a line-up of delicious cold products in addition to coffee in The Philippines. Some popular examples are Strawberries and Cream Blended Beverage, Iced Chai Tea Latte and Mango Passion Fruit Blended Juice Drink.

---

## **Enthusiastic Partners: Legendary Service Experience**

Starbucks Philippines' success is based on enthusiastic "partners" who strive to uplift customer's lives through their passion for coffee and service. Starbucks' baristas in The Philippines are called partners and they work hard to provide the highest standards of beverage quality consistently. Emmanuel T. Lopez, chief operating officer of Rustan Coffee Corporation, the local licensee of Starbucks Coffee International says that the secret weapon in Starbucks armor is the quality of people that they have in the company and that operational excellence is about delivering legendary service with each customer that they connect with. What Starbucks Philippines partners also do is provide a warm, welcoming and clean environment where customers can make connections; whether it is with themselves, others in their community or their neighborhood Starbucks partners.

The factor that creates Starbucks' dominant position in the Filipino market is partner training to take-care of their customer. The group trains employees in how to create value for the customer. Some of this is the core product. Based on psychological stroking and making one-offs to order, the remaining is created as a result of the processes used to make the core goods. Responding to the customer rapidly and accurately is vital. It isn't about refreshment. That is a spin off. It isn't the drink. That is the prop used to create something special. Emphasis is on providing a personalized service. By rejecting the mass product approach and endorsing mass customization and rapid response, Starbucks aims to avoid an 'any color as long as it's black' product where everyone gets pretty much the same thing. Standard offerings are avoided. Instead, options are offered enabling consumers to be involved in the production process itself. Starbucks have learned to adapt the assembly process for drinks, in much the same way Subway produce sandwiches/subs. Starbucks hot beverage process focuses on response to actual customer order, with rapid option implementation. The group's baristas have mastered how to make beverages that are individualized and produced rapidly. This value-add is what makes it worthwhile for consumers to pay the premium that Starbucks commands.

To motivate the barista partners to increase their beverage making skills and knowledge of coffee, Angela Cole, Director of Operations, Starbucks Philippines had the idea to start a contest and crown the coffee master for the whole company to bring attention to coffee expertise. The program has apparently become so successful that Starbucks has adopted a similar program for the international business and North America. For these reasons, the Philippines is said to be one of the best managed countries in the world, especially in the areas of operations and customer service.

Result from this company effort have made Starbucks Philippines customer service so renowned that commentators are discussing it, including: Filipino outsourcing consultants Bigoutsourcing, the Filipino consumer blog gogirlcafé, and Filipino and European customers notes and reviews in travel blogs such as TripAdvisor.

JennyO of gogirlcafe wrote "If there's one principle that Starbucks as a corporation has become famous for, it's their tenet of giving the customer utter and complete service satisfaction... by pampering and cossetting customers to an unusual degree, in surroundings that were genteel, warm, and relaxing." In the Manila café she discusses how the barista always hands over the drink with a smile and redoes the drink if the customer does not like the way the drink was made or if there was a mistake with the order. They also give the customer a free beverage coupon if he/she has been inconvenienced in some way. If the customer happens to visit certain locations often, the baristas there makes an effort to remember their name and call them by that next time they come in. Some baristas also remember the customer's favorite drink and ask them if they will be having their habitual, for example 'Hi Miss Jenny. Going to work? Tall Raspberry Mocha for you today?'

Similarly, whether it is the café at Freeport Zone, Luzon or the café at Las Piñas, the customer reviews in TripAdvisor blogs predominantly convey the quality of Starbucks Philippine's customer service. On 6th November 2012, Anne R. wrote about the café at Freeport Zone, Luzon: "Consistent efficient customer service, taste and ambience =) of course, Starbucks! We are so pleased that Starbucks are able to maintain its excellent taste and service. That is why, wherever we go; we also search for Starbucks so we can rest while enjoying our cup of coffee and enjoying the view." On 9th February 2014, Qrystina wrote about the café at Las Piñas: "Customer Service is superb. We often visit this establishment and are considered as regular patrons. We always enjoy our stay there. The staff is friendly, answers my queries and accommodating my request to the best of their ability." On 13th August 2014, another customer James C simply wrote about the same café: "Customer service deserves a star."

The final clinching evidence for Starbucks Philippine's dedication to customer service and satisfaction is provided by JennyO who filled out a customer satisfaction survey form in the Yupangco branch in 2009. In the form she complained about the lack of Christmas Bearista bears and peppermint syrup, seasonal offerings that Filipino consumers had gotten used to and looked forward to through the years. She did not expect an answer because she suspected that satisfaction survey forms were displayed to make customers feel happy that their feedback is being solicited and

was not sure if the replies were fed into a CRM database. However, to her surprise, she received an email from Rustan Coffee Corporation's Operations Services Manager Carlo R. Lopez, thanking her for her feedback on the bears and the syrup, giving adequate detail to indicate that he had read her feedback and asking for her postal address so they could send her coupons.

Bigoutsource discusses the seven customer service experience lessons to steal from Starbucks. Firstly, Starbucks partners help customers to decide by asking questions. Secondly, Starbucks partners know the names of their customers. Thirdly, these baristas try to know as much as possible about the customers' lives, whether personal or professional. Fourthly, these baristas try to enhance customer experience by assuming responsibility for critical incidents, even if it was the customer that was responsible. Fifthly, Starbucks partners love to make customers smile, whether it is by having fun filled conversations with them or giving them compliments. Sixthly, baristas allow customers to customize and personalize their orders to the maximum extent. Finally, Starbucks partners give utmost importance to product quality. Therefore Bigoutsource states that the Starbucks Philippines in-store customer service experience is one of the key reasons for the brand's success. This is seconded by JennyO of the gogirlcafe blog who says that Starbucks has become most famous because of their tenet of giving the customer ultimate and complete satisfaction with their service.

---

## **Starbucks Philippines: Beyond Coffee**

The arrival of Starbucks in Philippines has spawned a trend in coffeehouses, with prominent competitors being Coffee Bean & Tea Leaf, San Francisco Coffee and Old Town White Coffee to name a few. But Starbucks has managed to be omnipresent in The Philippines despite the growing competition, whether through the entry of foreign brands or the rise of local coffee shops. This is because Starbucks has created many innovative offerings beyond the core of coffee to entice new customers, to retain the loyalty of current customers, and thereby ultimately to maintain and continue leadership in the Filipino market.

---

## **Culturally Adapted Food**

Starbucks is offering a variety of food in the Philippines menu including very American offerings such as Bacon, Egg and Cheddar on English Muffin, New York Cheesecake and Salads and international favorites of Filipino customers such as Moroccan Chicken Wrap and Ratatouille on Cheese Semolina Bread. This was done because Starbucks realized that Filipinos were heavily influenced by western culture.

Food offerings also are localized because Starbucks realized that Filipinos wanted something more local and familiar. They include: market specific salads; specific meat, vegetable and poultry mixes served in bread baps. There also are

other local customary side dishes. Seasonal variations also are introduced to refresh the lineup: Christmas, Easter, spring, summer and rainy season offerings coincide with changing availabilities of produce. Peak season produce is plentiful and low cost. The key issue is presentation. People can buy the same things in the market or supermarket, however it is what the chef/barista does with them that makes the difference between home cooked and professionally prepared. Cognitive dissonance is reduced because the meal range is promoted via health oriented campaigns. The packaging is marketed as eco-friendly. So some culturally adapted food products unique to the Philippines menu that have been introduced by Starbucks are Spam Black Pepper, Egg and Cheddar on New York Bagel, Sticky Cinnamon Bun and Ensaymada. Starbucks has separated its sandwiches into two series—breakfast and lunch. What are working best are the localized food offerings. According to Kenneth Cole, head of marketing, the top selling products in the food category are Ensaymadas and Cinnamon rolls.

---

### **Starbucks Philippines Coffee Shops: Locations and Ambiance**

Starbucks has always selected the right types of locations to open their stores in The Philippines. Starbucks has employed a strategic location selection method in the Philippines. They located stores mainly in urban high footfall areas where their target market (i.e. teens, young adults, upper middle class and higher class adults) is present. They have also located their stores in popular tourist spots in the country. Today more than three-quarters of Starbucks Philippines stores are located in such locations, for example, Manila, Davao City, Boracay and Cebu City. Filipinos have a strong mall culture. In The Philippines, going on a 'date' means hanging out with friends in shopping malls, restaurants and cafés. Due to the hot and humid weather Filipinos gather in air-conditioned places to cool themselves down. Hence, many of Starbucks Philippines' stores are in shopping malls, hosting Filipinos hanging out in the sweltering summer heat. Stores can be found near private schools, universities, business districts (especially BPO centres) and shopping districts where high occupancy (yield) can be achieved.

Apart from store location, store ambiance is a key factor in Starbucks Philippines' success. Starbucks has created an attractive and cosy store image through the use of nice lighting, comfortable couches, soft music and spacious rooms. Filipinos are collectivistic and have strong social values because of which they love to collaborate and prefer to work in groups. Moreover, whether it is study, work or meetings, nothing is complete in Filipino culture without food. Therefore, Starbucks perfectly fits Filipino consumer demand by giving them an ideal place to work and hang out.

Starbucks has adapted their stores to the Filipino culture by extending store opening times until 1 AM to match BPO customer schedules and by introducing alfresco seating using outdoor tables and chairs to allow customers to smoke.



---

## Starbucks Cards

Starbucks Philippines since 2013 has started offering Starbucks cards. These cards are a convenient way to pay for purchases made at Starbucks Philippines coffee shops and can be purchased prepaid with a minimum payment of 300 Php. These cards are stored value cards that can be used at Starbucks Philippine cafés to buy anything from coffee to pastries to tumblers. But they are also loyalty cards that give customers reward points for every visit and purchase made in the form of stars. These stars can then be encashed for different types of gifts depending on the purchases for which those stars were originally earned. As customers keep collecting stars they can move up to bigger benefits. Further, Starbucks really wants to put forth their message of high quality customer service even at this stage. All consumers that have registered their Starbucks card online are protected from card loss. They can track their 90-day purchase history, protect their balance and even register up to 10 Starbucks cards under one account. According to The Philippines Beat, customers with activated cards also immediately get a complimentary Grande handcrafted beverage (valid for 60 days from the time it is given) and will get a free slice of cake every year on their birthday after the purchase of a handcrafted beverage (valid for 60 days from birth date).

Online blogs such as [www.aimeeguerrero.com](http://www.aimeeguerrero.com) and The Philippines Beat have discussed these cards, their features and what consumers can do with them and have thereby created viral marketing campaigns for these cards as these are popular blogs with many followers. The success of these cards can be further gauged by the fact that Starbucks Philippines has now introduced Christmas holiday versions and a mini card version in 2014.

---

## Starbucks Merchandise

Starbucks Philippines has introduced a lot of interesting merchandise such as the Starbucks planner, mugs and tumblers. These are available with standard designs and special themes. The Starbucks planner is a consumer status symbol. The method Starbucks Philippines devised for customers to obtain it implies customers can afford the brand. To get the planner they have to have made a significant total expenditure on the group's products. Customers have to buy regular and Christmas themed drinks and place loyalty stickers in a small booklet that, when full, can be exchanged for a planner of the customer's choice. The other merchandises similarly are chosen for the status they entail.

JennyO provides evidence of Starbucks Philippines dedication to high quality customer service with regards to merchandise such as the planner. She reported the 2009 planner promotion was such a hit that they ran out of stock. When she went with her promo card she was told about that and was asked to leave her name with the branch nearest to her in return for which she was given a free beverage coupon to make up for the inconvenience. JennyO used it at another Starbucks café to get her beverage and was asked the reason by the cashier as she handed in her coupon.

When she confirmed to the cashier that it was due to the planner stockout her order was rung up as a “service recovery”. To her good fortune the order receipt indicated that she had to go online to get a code as she was one of the rare customers that had won a free drink with another free drink. Finally, to top it all, JennyO received a text message that stated that due to the stockout an additional order of planners had been made that would arrive by March 20. In this message the company also apologized for the delay and offered a token of their appreciation to understanding customers such as her that was a free Starbucks bag with the reserved planner. This is the reason why consumers such as JennyO love Starbucks Philippines. They keep coming back to Starbucks as a loyal customer for the experience, the ambiance and the service that is second to none. JennyO is a blogger that publicly expresses her opinions online. But one feels sure there are many more satisfied consumers like her all over the Philippines.

---

## **Social Media and High-Speed Wireless Internet**

Starbucks has established a strong presence on online social media such as Facebook to facilitate communication with target consumers and increase consumer-brand interaction. The Starbucks Facebook page has several types of information of interest to consumers. These include announcements of new sales promotions as well as extensions to existing sales promotions. These also include new product and limited edition announcements, festive season messages and even job vacancy postings. There are comments about Starbucks Philippines’ social welfare campaigns and messages to reassure consumers affected by major natural calamities in the Philippines. This has led to the formation of a strong online community and consumers that love to visit the Starbucks Philippines Facebook page and post comments. Today the page has been visited more than 150,000 times and has been liked by more than 1,900,000 people.

---

## **Starbucks Philippines as a Service Brand?**

Starbucks Philippines mission statement is “to inspire and nurture the human spirit—one person, one cup and one neighborhood” at a time. With this as the central spirit, Starbucks Philippines has strengthened the core with appropriate beverages and enthusiastic partners and added several layers of products, services and digital communication to create a complete service-product package. Marketing experts say that customer evaluation is not limited to product performance in the case of service brands. Customers take everything into consideration whether it is the people, the physical environment or the communication, when they are shaping the brand’s image in their mind. Further, Starbucks Philippines has focused on keeping the internal employee educated, enthusiastic and motivated because of which external customers are satisfied and happy; something that marketing experts say is the hallmark of a service brand. Hence, Starbucks Philippines has joined the

ranks of the parent company Starbucks USA as a true example of a service brand, something that gives customers a special Filipino-American experience, not just the ubiquitous coffee house product.

### Questions for Discussion

1. Discuss how companies can apply the principles of service marketing (such as levels of product and service value) to achieve greater success today. Identify examples from the Starbucks Philippines case.
2. Discuss which of the additional products and services that Starbucks Philippines offers to its customers have contributed the most to the company's success. Justify your answer.
3. Why should Starbucks Philippines be considered as an excellent example of a service brand? Justify your answer.

---

### Bibliography

- Consistent Starbucks Great Customer Service. [http://www.tripadvisor.fr/ShowUserReviews-g4751237-d2162061-r144700885-Starbucks-Subic\\_Bay\\_Freeport\\_Zone\\_Central\\_Luzon\\_Region\\_Luzon.html](http://www.tripadvisor.fr/ShowUserReviews-g4751237-d2162061-r144700885-Starbucks-Subic_Bay_Freeport_Zone_Central_Luzon_Region_Luzon.html)
- Customer Service Deserves a Star. [http://www.tripadvisor.co.uk/ShowUserReviews-g312691-d5889538-r221583121-Starbucks-Las\\_Pinas\\_Metro\\_Manila\\_Luzon.html](http://www.tripadvisor.co.uk/ShowUserReviews-g312691-d5889538-r221583121-Starbucks-Las_Pinas_Metro_Manila_Luzon.html)
- Enriquez, M. C. Why Starbucks is robust in PH. <http://business.inquirer.net/104525/why-starbucks-is-robust-in-ph>, posted on 26th January 2013.
- Get your Starbucks card: A stored value and loyalty card rolled into one. <http://thephilippinebeat.blogspot.fr/2013/08/Starbucks-card-stored-value-loyalty-card-rewards-program.html>, posted on 8th August 2013.
- JennyO. Starbucks Philippines is tops in customer care. <http://gogirlcafe.jennyo.net/2009/starbucks-philippines-is-tops-in-customer-care/>, posted on 23rd January 2009.
- Jones, R. How to make (or break) a service brand. <http://adage.com/article/btob/make-break-a-service-brand/293936/>, posted on 2nd July 2014.
- Lorico, R. 7 customer service experience lessons to steal from Starbucks. <http://www.bigoutsources.com/blog/customer-service-experience-lessons-to-steal-from-starbucks/>, posted on 22nd May 2014.
- Sani, N. A. Competitor of Starbucks. <http://www.studymode.com/essays/Competitor-Of-Starbucks-66423790.html>, posted on 30th December 2014.
- The Starbucks Card Philippines. How to get. <http://www.aimeeguerrero.com/2013/08/the-starbucks-card-philippines-how-to.html#axzz3MANQGdtm>, posted on 8th August 2013.
- Visconti, K. Why Starbucks chose to expand in Philippines. <http://www.rappler.com/business/1413-why-starbucks-chose-to-expand-in-philippines>, posted on 09/02/2012, updated on 18/07/2012.
- White, J. What's the difference between a product brand and a service brand. <http://www.theideabrand.com/2012/10/30/a-product-brand-vs-a-service-brand>, posted on 30th October 2012.

---

# Case Study 3: Co-create a Smart Phone Brand with Consumers via Social Media: A Case Study of Xiaomi in China

Sophie Yang and Anna Wos

*What is the secret to the Xiaomi brand? My answer is customer participation. Xiaomi isn't selling a product, but the desire to be a part of something.*

—Wanqiang Li, Co-Founder and VP

---

## Introduction

Xiaomi was established in Beijing, China in 2010 (Xiaomi 2014) as a mobile manufacturer who relies solely on an online presence of its business. The main idea behind this company was a disagreement for a high-quality technology to be highly overpriced (Mi 2015). Lei Jun, the founder of the company, gathered experts from internet and technology companies such as Google, Motorola, Microsoft, Yahoo among others to bring this idea to reality.

Xiaomi products are designed and manufactured for local Chinese customers, which meet customer expectations more closely than other competing brands. Xiaomi pinned their success on the combination of short supply, high-quality and low-priced products. For example, the Xiaomi MI-Two has similar functions compared to the leading smartphone brands, such as Samsung Galaxy S3 and iPhone 5, and yet it was 50 % cheaper than Apple's phones in the Chinese market (Mi 2015).

With elimination of brick and mortar stores, as well as distributors and retailers, Xiaomi offers its customers highly competitive prices on its products. Apart from

---

S. Yang (✉)  
Coventry University, Coventry, UK  
e-mail: [h.yang@coventry.ac.uk](mailto:h.yang@coventry.ac.uk)

A. Wos  
Lancaster University, Lancaster, Lancashire, UK  
e-mail: [a.wos1@lancaster.ac.uk](mailto:a.wos1@lancaster.ac.uk)

reducing the cost of distribution, Xiaomi also changed how they raise brand awareness. They don't spend money on traditional advertising, focusing more on social networking sites and brand ambassadors to spread positive electronic word-of-mouth (Kan 2014). In 2013, Xiaomi spent only 3.2 % of its revenue on sales and marketing (Bershidsky 2014).

Hennig-Thurau et al. (2004: 39) define electronic word-of-mouth (eWOM) as “any positive or negative statement made by potential, actual, or former customers about a product or company, which is made available to a multitude of people and institutions via the Internet”. On the other hand, Laughlin and MacDonald (2010) identify ‘market mavens’ who are specific types of consumers capable of influencing other consumers. Market mavens are differentiated from opinion leaders with regards to how they obtained their expertise. ‘Market mavens’ obtain pleasure from sharing marketplace information and help others, while ‘opinion leaders’ obtain their expertise through a significant involvement with a specific product. The online brand ambassadors of Xiaomi are therefore more ‘opinion leaders’ than ‘market mavens’.

---

## Xiaomi's Success

The huge success of Xiaomi is confirmed by the company gaining the title of the World's third biggest smartphone maker in 2014 (Shu 2014). For a relatively young company to achieve such a success is rare, particularly when competing with giant brands such as Apple, Samsung, Lenovo or LG. Their revolutionary approach is shifting the focus from profits to customers and their needs. Cutting the cost of distribution and going directly to the end customers, allowed Xiaomi to lower the price of their products and better satisfy the needs of the customers (Lee 2012). Instead of traditional stores, Xiaomi focused on opening service centres and offering its customers better experience with the brand (Millward 2013).

It can be said that the success of Xiaomi comes from the value they co-create with customers, especially with those who actively use and engage with the brand. Customer value co-creation is defined as “the benefit realized from integration of resources through activities and interactions with collaborators in the customer's service network” (McColl-Kennedy et al. 2012: 375). Moreover, Kohler et al. (2011) propose the term ‘co-creation evangelism’ to describe the behaviour of brand zealots—consumers who are active and committed in spreading positive opinions (positive WOM) and trying fervently to convince or persuade others to get engaged in the co-creation project. The co-creation concept comes from the paper of Vargo and Lusch (2004) on the service-dominant (S-D) logic, which considers service as the denominator of the marketing exchange. One of the propositions (FP 6) of S-D logic (Vargo and Lusch 2008) suggests that “the customer is always a co-creator of value: There is no value until an offering is used.” It is evident that Xiaomi, as a product company, is moving towards an S-D logic which demonstrates that goods are the vehicles for service provision.

Xiaomi uses a mixture of social media channels to communicate with their customers. Their approach to communication with their target audiences is to make the customers feel closer to the company. Xiaomi's Global VP, Hugo Barra said:

We're talking to them in the same way that their friends talk to them. . . We're super informal, we're playful. If you look at the copy of our Mi Fan Festival in Singapore for example, we're using words that you wouldn't expect to see on a company page. We're talking about 'crazy sale' and 'shioik' (local slang). It's like building friendships—that's what we have done. (Hong 2014)

With this approach Xiaomi achieved high level of brand loyalty among its customers, who are commonly called Mi fans. Due to law restrictions, foreign social networking sites are banned in China. For that reason, local social networking sites replace Facebook, Youtube role as we know it in Western cultures. To reach the Chinese customers and fans, Xiaomi developed their social presence on channels like Weibo, WeChat, Xiaomi Forum, QQ and others. Weibo is mainly used to attract new customers, while the use of their own community channel like Xiaomi Forum is to provide an in depth information about product and services, aiming to generate loyalty for the brand. WeChat, due to its immediate nature of communication is a great tool to address any service queries from the audience (Wang 2014).

QQ is a leading social networking site with more than 750 million existing users (QQ International 2014). QQ bases their functionality on practice of Western based sites and combines this with their own operation mechanism. There are several sub-products of QQ, but marketing activities of companies mainly take place on QQ Space. QQ Space for Xiaomi smartphones is used to attract customers before the release of any new products and to raise customer interest. This practice gave Xiaomi some record numbers of followers in the Chinese social media sites.

It is known that online communities facilitate eWOM and ultimately influence consumers behaviour (Subramani and Rajagopalan 2003; Cheung et al. 2008), whereas comprehensiveness and relevance are key to information adoption by consumers from online communities (Cheung et al. 2008). Moreover, consumer perceived trust from other users of online communities increases the likelihood of information exchange among consumers (Jarvenpaa et al. 1998; Ridings et al. 2002; Chu and Kim 2011). EWOM from the Xiaomi Forum via social media like QQ provides in-depth information about products and services, aiming to generate loyalty for the brand.

Xiaomi demonstrates the co-creating power consumers can contribute and generate for a brand. However, research suggests that consumers (both as eWOM senders and receivers) participate in online communities for different reasons. Hennig-Thurau et al. (2004) classify the primary motivations for eWOM senders as including consumers' desire for social interaction, desire for economic incentives, concern for other consumers, and the potential to enhance their own self-worth. Brown et al. (2007) echo the importance of social motivation for eWOM

senders, suggesting that online communities act as a social proxy for individual identification. Moreover, reputation, sense of belonging and enjoyment in helping other consumers are significant factors to provoke positive eWOM (Cheung and Lee 2012). On the other hand, for eWOM receivers, Goldsmith and Horowitz (2006) identify eight distinct factors for reliance on this information-gathering technique: to reduce risk, because others do it, to secure lower prices, to receive information easily, by accident (unplanned), because it is cool, because they are stimulated by off-line inputs (such as TV), and finally, to get pre-purchase information. Brand managers, who plan to utilise online brand communities for branding like Xiaomi, need to understand consumer motivations in participating in online brand communities, in order to better facilitate consumer dialogues and increase the effectiveness of those communities.

S-D logic argues that goods-dominant (G-D) logic needs to be altered, as G-D logic views 'producers' as the creator of value, while 'consumers' are the user and/or destroyer of value. On the other hand, S-D logic considers 'producers' and 'consumers' as 'resource integrators' which is central to the co-creation of value. This is the core of another foundational proposition of S-D logic (FP9). In other words, companies are encouraged to view consumers differently as before, as consumers should no longer be passive actors but becoming active players in the marketing exchange process (Prahalad and Ramaswamy 2000). Hence, the challenge for companies is to provide value that is embedded in personalised customer experiences. In the example of Xiaomi, they encourages consumers to take an active role and create value along with the company at different stages of consumption via online social channels like Weibo, WeChat, Xiaomi Forum, QQ and others. Also, Xiaomi uses WeChat to address service queries from the existing customers and audiences, which enables more personalised experiences.

Moreover, the use of Xiaomi's brand ambassadors to spread positive eWOM help facilitate the co-creation process and moves Xiaomi towards S-D logic as a product company. Zwass (2010) defines co-creation as the creation of value by consumers. Related to co-creation is the rise of the 'prosumer'—the consumers who produce content. This development is part of the S-D logic (Vargo and Lusch 2008) where consumers have become active co-creators of value. Zwass (2010) also distinguishes between 'sponsored co-creation', which takes place at the behest of producers, and 'autonomous co-creation', which is the production of value due to consumer activities. As Xiaomi is in charge of the co-creation with their consumers as a smartphone producer, the type of co-creation demonstrated is 'sponsored co-creation' than 'autonomous co-creation'.

Xiaomi's initiatives of using brand ambassadors to spread positive eWOM and facilitate its brand building help raise brand awareness, create brand loyalty, and break into the fierce competition in the smart phone sector. It has been shown that a sense of community fully mediates its influence on willingness to pay for and willingness to talk positively (positive eWOM) about co-created outcomes. Specifically, See-To and Ho (2014) examine how the interaction between consumers' trust, value co-creation and eWOM affect purchase intention on social networking sites, reporting that eWOM has a direct impact on purchase intention, and both trust

and value co-creation moderates the impact of eWOM on purchase intention. Moreover, Gruen et al. (2006) suggest that customer-to-customer eWOM communication greatly increase consumers' perceived value on the product offer of an organisation. This answers why Xiaomi's brand ambassador strategy works in the Chinese market.

Apart from creating a dialogue with the fans online, Xiaomi focuses a lot of effort on ensuring that fans feel also appreciated offline. Each company's anniversary is celebrated with an event—Mi Fan Festival. In previous years, focus of this event was a new product launch, however in 2014 Xiaomi listened to its fans and organised a flash sale. Amanda Chen, Xiaomi's director of marketing said:

For other companies, I think when it comes to anniversaries it's usually about the company itself. For Xiaomi, it's about our Mi fans. We want to please them with new products, more offerings so we held launches. . . but this year we hear our customers, they want more products so we have been trying to get more inventories in. We want to satisfy our fans. (Hong 2014)

Use of social media prior to this event spiked the interest among the fans, who by playing a game could win some discount coupons, etc. Shift of focus from making profit and new product launch to answering fans' wishes and engaging them in pre-event excitement resulted in 1.3 million of handsets and 4.8 million accessories sold in 12 h (Hong 2014; Wong 2014). Success of Mi Fan Festival in 2014 inspired the company to repeat the similar style of the event for year 2015 as well. Fans again could play a game online to win Mi Coupons (free delivery, accessories, gift card) or other prizes for winners (Mi Fan Festival 2015).

Investment in fan economy (Wong 2014) proved to be the right way for Xiaomi, as the nurturing of the fan community generates purchase intention and loyalty. To do this Xiaomi involves its customers in development of their products and services. 'Orange Fridays' are weekly releases of developer updates of the software (Prami 2014). On this day Mi Fans can provide the company with feedback and suggestions which are taken into consideration and there's an opportunity for the customer-company dialogue. With 200,000–300,000 posts generated during such days, the impact of involving Mi Fans in product and service development can't be underestimated. According to Xiaomi's VP Wanqiang Li, the company's secret is a 'sense of participation, getting 10 million people involved in research and development for Xiaomi' (Times Property 2014).

S-D logic illustrates that customers co-create value as they are involved in the value co-creation process through a range of actions and interactions (Vargo and Lusch 2008; Arnould et al. 2006). The concept of value co-creation is said to be consisted of two higher-order constructs which are (1) co-production and (2) value-in-use (Ranjan and Read 2016). In co-production, the control of the value creation process lies with the company (Vargo and Lusch 2004). The three dimensions of co-production are,



- knowledge sharing (which encompasses mutual exchange, physical and mental activities and mutual expertise);
- equity (which encompasses customer centricism, willingness to share control, and provision of a facilitative environment)
- and interaction (which encompasses constructive participation, dialog and engagement)

This case study of Xiaomi shows how the company shares product knowledge with customers via social media sites, provides a facilitative environment online to utilize eWOM for branding, and interacts with potential and existing customers via channels like Weibo, WeChat, Xiaomi Forum and others.

Well developed social media presence of Xiaomi for its Chinese fans is however a challenge for the company when going global. The differences between China-specific and Western social media channels are significant, and so is the way that customers engage with these channels. As Xiaomi now started expanding their business internationally, their successful business model in China may need to be reviewed and tested on the new market. Another issue that the brand faces is the involvement of customers with the brand. Can they count on the same level of engagement in Western countries as they achieved with Mi Fans?

### Questions for Discussion

1. What combination of social media channels would you recommend for Xiaomi when expanding into a new market? Discuss with justification.
2. The success of Xiaomi is not only based on their significantly lower prices but also on service orientation of the business. Please discuss which elements are the most important for the company's success?
3. Identify what are the main challenges for Xiaomi's business model when internationalizing into Western countries? How can the company address and manage them?
4. Discuss the role of Xiaomi employees in the creation of a good quality service. Discuss how they can influence perception of quality for the brand.

---

### References

- Arnould, E. J., Price, L. L., & Malshe, A. (2006). Toward a cultural resource-based theory of the customer. *The service-dominant logic of marketing: Dialog, debate and directions*, pp. 320–333.
- Bershidsky, L. (2014). Xiaomi's Killer App is its business model [online]. Available from: <http://www.bloombergvew.com/articles/2014-11-06/xiaomi-s-killer-app-its-business-model> (20 May 2015).
- Brown, J., Broderick, A. J., & Lee, N. (2007). Word of mouth communication within online communities: conceptualizing the online social network. *Journal of Interactive Marketing*, 21(3), 2–20.
- Cheung, C. M., & Lee, M. K. (2012). What drives consumers to spread electronic word of mouth in online consumer-opinion platforms. *Decision Support Systems*, 53(1), 218–225.

- Cheung, C. M. K., Lee, M. K. O., & Rabjohn, N. (2008). The impact of electronic word-of-mouth: The adoption of online opinions in online customer communities. *Internet Research, 18*(3), 229–247.
- Chu, S. C., & Kim, Y. (2011). Determinants of consumer engagement in electronic word-of-mouth (eWOM) in social networking sites. *International Journal of Advertising, 30*(1), 47–75.
- Goldsmith, R. E., & Horowitz, D. (2006). Measuring motivations for online opinion seeking. *Journal of Interactive Advertising, 6*(2), 2–14.
- Gruen, T. W., Osmonbekov, T., & Czaplewski, A. J. (2006). eWOM: The impact of customer-to-customer online know-how exchange on customer value and loyalty. *Journal of Business research, 59*(4), 449–456.
- Hennig-Thurau, T., Gwinner, K. P., Walsh, G., & Gremler, D. D. (2004). Electronic word-of-mouth via consumer-opinion platforms: What motivates consumers to articulate themselves on the Internet? *Journal of Interactive Marketing, 18*(1), 38–52.
- Hong, K. (2014). Xiaomi's social media strategy drives fan loyalty, books it \$242m in sales in 12 hours [online]. Available from: <http://thenextweb.com/asia/2014/04/09/xiaomis-social-media-strategy-drives-fan-loyalty-books-it-242m-in-sales-in-12-hours/> (20 May 2015).
- Jarvenpaa, S. L., Knoll, K., & Leidner, D. E. (1998). Is anybody out there? Antecedents of trust in global virtual teams. *Journal of Management Information Systems, 14*(4), 29–64.
- Kan, M. (2014) Why are Xiaomi phones so cheap? [online]. Available from: <http://www.cio.com/article/2376222/mobile/why-are-xiaomi-phones-so-cheap-.html> (20 May 2015).
- Kohler, T., Fueller, J., Stieger, D., & Matzler, K. (2011). Avatar-based innovation: Consequences of the virtual co-creation experience. *Computers in Human Behavior, 27*(1), 160–168.
- Laughlin, J. D., & MacDonald, J. B. (2010). Identifying market mavens online by their social behaviors in community-generated media. *Academy of Marketing Studies Journal, 14*(1), 55–70.
- Lee, M. (2012). Interview: China's Xiaomi hopes for the revolution [online]. Available from: <http://www.reuters.com/article/2012/02/27/tech-us-xiaomi-idCATRE81Q0RH20120227?sp=true> (20 May 2015).
- McCull-Kennedy, J. R., Vargo, S. L., Dagger, T. S., Sweeney, J. C., & van Kasteren, Y. (2012). Health care customer value cocreation practice styles. *Journal of Service Research, 15*(4), 370–389.
- Mi (2015) About Xiaomi [online]. Available from: <http://www.mi.com/en/about/>. (20 May 2015).
- Mi Fan Festival. (2015). Mi Fans 2015 [online]. Available from: <http://www.mi.com/my/events/mifans2015/> (20 May 2015).
- Millward, S. (2013) Xiaomi opens the biggest ever service center in Beijing, looks like a store [online]. Available from: [https://www.techinasia.com/xiaomi-store-beijing-opening-soon/?utm\\_source=rss&utm\\_medium=rss&utm\\_campaign=xiaomi-store-beijing-opening-soon](https://www.techinasia.com/xiaomi-store-beijing-opening-soon/?utm_source=rss&utm_medium=rss&utm_campaign=xiaomi-store-beijing-opening-soon) (21 May 2015)
- Prahalad, C. K., & Ramaswamy, V. (2000). Co-opting customer competence. *Harvard Business Review, 78*(1), 79–90.
- Prami, M. (2014) Xiaomi – a Case study [online]. Available from: <http://www.teaglegroup.com/articles-to-share/-/blogs/xiaomi-a-case-study> (20 May 2015).
- QQ International. (2014). About us [online]. Available from: <http://blog.imqq.com/sample-page/> (16 October 2014).
- Ranjan, K. R., & Read, S. (2016). Value co-creation: concept and measurement. *Journal of the Academy of Marketing Science, 44*(3), 290–315.
- Ridings, C. M., Gefen, D., & Arinze, B. (2002). Some antecedents and effects of trust in virtual communities. *The Journal of Strategic Information Systems, 11*(3), 271–295.
- See-To, E. W., & Ho, K. K. (2014). Value co-creation and purchase intention in social network sites: The role of electronic Word-of-Mouth and trust—A theoretical analysis. *Computers in Human Behavior, 31*, 182–189.

- Shu, C. (2014) Xiaomi now the world's third biggest smartphone maker [online]. Available from: <http://techcrunch.com/2014/10/29/xiaomi-now-the-worlds-third-biggest-smartphone-maker-says-idc/> (20 May 2015).
- Subramani, M. R., & Rajagopalan, B. (2003). Knowledge-sharing and influence in online social networks via viral marketing. *Communications of the ACM*, 46(12), 300–307.
- Times Property. (2014). Vice President of Xiaomi Technology guested Times TIT Square [online]. Available from: <http://www.timesgroup.cn/En/page4-2-xx.aspx?id=1560> (20 May 2015).
- Vargo, S. L., & Lusch, R. F. (2004). Evolving to a new dominant logic for marketing. *Journal of Marketing*, 68(1), 1–17.
- Vargo, S. L., & Lusch, R. F. (2008). Service-dominant logic: Continuing the evolution. *Journal of the Academy of Marketing Science*, 36(1), 1–10.
- Wang, X. (2014) Social Marketing Boosts the world's no. 3 smartphone giant, Xiaomi [online]. Available from: [http://blogs.forrester.com/xiaofeng\\_wang/14-12-17-social\\_marketing\\_boosts\\_the\\_worlds\\_no\\_3\\_smartphone\\_giant\\_xiaomi](http://blogs.forrester.com/xiaofeng_wang/14-12-17-social_marketing_boosts_the_worlds_no_3_smartphone_giant_xiaomi) (20 May 2015).
- Wong, K. (2014) Xiaomi and the power of the fan economy [online]. Available from: <http://blog.btrax.com/en/2014/09/22/xiaomi-the-fan-economy-and-word-of-mouth-marketing/> (20 May 2015).
- Xiaomi. (2014). *About us* [online]. <http://www.mi.com/en/about/>
- Zwass, V. (2010). Co-creation: Toward a taxonomy and an integrated research perspective. *International Journal of Electronic Commerce*, 15(1), 11–48.

---

# Case Study 4: Managing Customer Complaints: The Case of Imperial Orchid Hotels in Thailand

Jaywant Singh and Benedetta Crisafulli

---

## Introduction

The travel and tourism sector is one of the largest in the services industry. According to the World Travel and Tourism Council (WTTC), the contribution of this sector to the world's total GDP is currently estimated at 9 %, and it is expected to reach 10 % by 2024 (WTTC 2014a). Given the general rise in international and domestic travel, this sector is set to grow in the future. Forecasts indicate that this sector will soon reach an annual growth rate of 4 %, which continues to be higher than the annual growth rates of several other service sectors (WTTC 2015). The sector's growth is remarkable in the Asia-Pacific region. Asia, and China in particular, is expected to overtake the USA in the amount of annual investments in tourism by 2021 (WTTC 2014b).

In the past decade, Asian economies have witnessed considerable growth in the travel and tourism sector, despite the global economic downturn. In 2013 alone, this sector contributed to 9 % of Thailand's GDP. In Thailand, this sector is expected to show an annual growth rate of 7 % until 2024, with the number of tourist arrivals increasing from the current 22 million to approximately 53 million (WTTC 2014b). Similar figures apply to other Asian economies, including China and India, registering ca. 9 % of GDP annual growth in travel and tourism. The Asia-Pacific region is, therefore, predicted to become the world's largest tourism destination by 2024.

Within the travel and tourism sector, the hotel industry however remains highly competitive and characterized by low switching costs. Delivering satisfactory services can be difficult to accomplish in this industry, where customer-employee interactions take place at several stages of the customer experience, including

---

J. Singh (✉)

Department of Strategy, Marketing and Innovation, Kingston University, Surrey, UK  
e-mail: [j.singh@kingston.ac.uk](mailto:j.singh@kingston.ac.uk)

B. Crisafulli

School of Management, Cranfield University, Cranfield, UK

when making a reservation, checking in and out of the hotel, and when using ancillary services. Due to frequent face-to-face customer-employee interactions and high human involvement, hotel businesses are particularly prone to incurring service failures. When service failures occur, customers may complain, and in response, the firm might attempt service recovery. A 2014 report by Mintel shows that the ability of staff to deliver effective recovery following hotel service failures influences guest ratings of the hotel stay. Importantly, guest ratings are found to impact other guests' decision to visit the hotel. Hence, only if effective, service recovery can lead to customer acquisition and retention, both crucial to the success of hotel businesses.

Notwithstanding, hotel businesses still largely fail to appreciate best practices in service recovery management, especially those businesses operating in emerging economies. This case study examines the service recovery practices of a well-established hotel group in Thailand, namely Imperial Orchid Hotels (a fictitious name is used for confidentiality). The case attempts to: (1) stimulate discussion around current practices in the areas of complaint-handling and service recovery management within hotel businesses operating in emerging economies, and (2) encourage reflections on the relevance of empirical evidence in informing the design of service recovery strategies. The case ends by providing a set of recommendations to Imperial Orchid Hotels and by raising questions for further discussion.

---

## **The Case of Imperial Orchid Hotels in Thailand**

Imperial Orchid Hotels is a Thai owned hotel group comprising 20 boutique hotels located in the most popular tourist destinations in Thailand. The group has strong brand recognition in Thailand and other Asian countries. The majority of guests are of Asian background, although the group registers a considerable number of European visitors during the summer period (high season). Imperial Orchid Hotels pride themselves for offering world-class service and facilities. The group is known for providing genuine Thai hospitality, and experienced-based holidays in memorable places across Thailand. In 2012, the group won a TripAdvisor Certificate of Excellence Award, which honours top rated hospitality excellence.

Given the focus of Imperial Orchid Hotels on delivering excellent service and consistent with the group's quality assurance policy, the hotels owned by the group are asked to report on the level of guest satisfaction at the end of the financial year. Each hotel asks guests to complete a guest satisfaction survey at the end of their stay when checking out of the hotel. Over the past couple of years, results from the survey reveal that guest satisfaction has been steadily declining. Guests report lower intentions to revisit the hotel and/or to recommend it to family and friends than in the past. Among the reasons for low satisfaction with the hotel stay, the guests report experiencing unsatisfactory services during their stay, followed by poor recovery attempts on the part of the hotel staff. Guests frequently mention service failures related to room service, room facilities (i.e. technology-related) and

room hygiene, as evidenced by the below guest experiences posted on a well-known hotel reviews website in Asia.

### **Couple in Honeymoon, Imperial Orchid Hotels Phuket, Room Service Failure**

*We stayed at this hotel for our honeymoon. On our very first night, we were too tired to eat outside so we thought of ordering something with room service. I called the room service, made the order and let the staff know that I am allergic to garlic. On the phone, they assured me they would have asked the chef to check the food had no garlic. We waited about a half an hour for the food to arrive. When we started eating, I realised that the fish I ordered had been cooked with garlic – I could definitely taste it. Therefore, we complained to the front office. I explained everything to the employee, who sounded worried about what happened. For the inconvenience, the employee replaced the order asking me to select something else that had no garlic. I ordered a beefsteak instead, just to be sure. At that point, I thought they would have not charged us for the meal. Instead, they gave us a rather fake apology for what happened and offered us a free starter. Obviously, the free starter was much cheaper than the beefsteak. Luckily, I did not eat much of the fish I originally ordered as I would have felt sick and ruined my whole holiday.*

### **Family Trip, Imperial Orchid Hotels Hua Hin, Room Hygiene Failure**

*I have been to Imperial Orchid Hotels Hua Hin for a family holiday, with my wife and kids. The hotel exterior looks fantastic, the beach is great and there is always something to entertain the kids. Though, we experienced a serious issue with the hotel. After checking in, we went to the room to leave our luggage and to freshen up. We entered the room and everything looked fine, except that the room was a bit small for four people. We were still jet lagged, so I decided to take a nap before going for dinner whilst my wife and kids were by the pool. When going to bed, I noticed that the bed sheet had big stains on it. None of us had been sitting on the bed, so I was certain that it was a problem with the hygiene of the room. I felt terribly annoyed and irritated, and obviously called the front office to complain. On the phone, the employee was very surprised to hear what happened and even doubted that we had caused the stains on the bed sheet. I obviously expected them to change us the room, but they didn't. They told me that housekeeping is short of staff over weekends, yet they would try to send someone as soon as possible to come and change the bed sheet. Well, I had to wait two hours before someone came to change the bed sheet. To get someone to come and see the bed sheets, I had to call the front office four times and staff either did not pick up or told me they were not aware of the problem and had to check with their manager. Despite the hassle, none of the employee even apologised. Definitely not a hotel I would visit again.*

## **Business Trip, Imperial Orchid Hotels Bangkok, Room Facilities Failure**

*I travelled to Bangkok last January for business, and I stayed at Imperial Orchid Hotels Bangkok. I liked the hotel and the breakfast there, but I thought they really have to do something about customer service. After waiting almost an hour to check in because the hotel was busy, I went to my room to do some work on my laptop. I paid for an executive room, as this type of room is supposed to have high speed Wi-Fi. I tried to connect my laptop but I could not get any Internet connection. I thought I had missed one of the steps in the instructions, so went through the instructions again. After half an hour or even more, I realised that it was not something I did but an issue with the connection. I called the front office and explained the problem. The employee sounded annoyed by my complaint and passed me onto a colleague as she was busy checking other customers in. I then had to explain the problem again to her colleague, who started wondering whether it was an issue with my laptop. After a very long conversation, they told me there was a problem with their server (for some unknown reason) yet they could not tell when this would have been resolved. For the inconvenience, they offered me a free drink at the bar. I was obviously annoyed about the time I wasted on the phone and about the fact I could not do any work. I would have expected the hotel to at least give me a free stay or an upgrade to a better room given the inconvenience.*

## **Efficacy of Service Recovery Management Practices at Imperial Orchid Hotels**

The above real-life customer experiences provide insights into the current practices in service recovery management at Imperial Orchid Hotels. Below, the efficacy of these practices is discussed in detail, aiming to, (1) shed light on the reasons underlying guest dissatisfaction with service recovery at Imperial Orchid Hotels, and (2) reflect upon avenues for improvement. As part of the discussion, evidence from empirical research on consumer responses to service failure and recovery encounters is useful (for a detailed discussion, see Singh and Crisafulli 2015). In particular, the concept of justice (or fairness) from social psychology is highly pertinent to explaining how hotel guests evaluate the service recovery efforts of staff at Imperial Orchid Hotels, and the reasons for low satisfaction ratings.

Concerns about justice typically arise in conflict situations, such as service failures. Service failures occur when service delivery falls short of customer expectations. These events cause conflict between the customer and the firm. In such encounters, justice is undermined as customers feel treated unfairly. In response, firms may attempt service recovery by making an effort at rectifying the situation. Customers evaluate service recovery by judging whether justice is rendered. Accordingly, customers think of whether recovery compensation is fair, the procedures of handling the failure and the treatment received from employees

are fair. Evidence from empirical research demonstrates that customers are satisfied with service recovery when compensation is equitable and fair procedures are followed, thus distributive and procedural justice is rendered. Moreover, customers are satisfied when treated with politeness and empathy, and when given a reasonable explanation for the failure, hence interpersonal and informational justice is rendered. Moreover, research evidence shows that perceptions of justice can vary according to customer cultural background. Below, the recovery efforts of Imperial Orchid Hotels are analysed through the lens of the justice theory framework and evidence from cross-cultural marketing.

## Compensation Policy

Businesses may provide compensation to the customer in an effort to rectify service failures. Evidence from empirical research suggests that recovery compensation is effective when perceived to be fair, thus distributive justice is rendered. Recovery compensation is fair when equitable, hence customers perceive the benefits associated with the compensation to be either proportional to or even greater than the sacrifices incurred as a result of the service failure and of the process of lodging a complaint (Smith et al. 1999). At Imperial Orchid Hotels, the staff evidently made an attempt to provide distributive justice by offering monetary compensation or an additional service. Imperial Orchid Hotels provided a free starter at dinner in response to the room service failure, and a free drink following the issue with the room facilities. Although the compensation might have provided some benefits to the hotel guests, these benefits were not perceived to be commensurate to the inconvenience caused. Guests staying at Imperial Orchid Hotels Phuket, in fact, perceived a complimentary meal as fair compensation given that the wrong order could have led to serious health-related consequences. Similarly, at Imperial Orchid Hotels Bangkok, the guest perceived an upgrade or a free hotel stay as fair compensation for the inconvenience caused by the malfunctioning Wi-Fi connection in the room. In sum, the compensation provided by Imperial Orchid Hotels was not proportional to the sacrifices incurred by the customer, thus deemed unsatisfactory.

## Recovery Processes

Customers are concerned about the procedures followed by the firm in resolving the failure and in delivering compensation. In particular, customers assess whether fair recovery processes are followed, thus procedural justice is rendered. Research shows that procedural justice results from timely resolution of the service failure, flexibility and accessibility of service personnel (e.g., Karatepe 2006; del Río-Lanza et al. 2009) and the adoption of a 'no questions asked' attitude in resolving the failure (Crisafulli and Singh 2016). At Imperial Orchid Hotels Phuket, the hotel staff made an attempt to deliver procedural justice by replacing the wrong order in a



timely manner. Conversely, at Imperial Orchid Hotels Hua Hin, the customer had to wait two hours and to follow up several times with the front office before the bed sheets could be replaced. Similarly, at Imperial Orchid Hotels Bangkok, the guest had to wait hours before the problem with the Wi-Fi connection could be resolved. As a result of the above experiences, the hotel guests might have perceived the recovery process to be inefficient and time consuming, thus unfair. As a consequence, guests felt dissatisfied with the hotel stay.

## **Customer Services**

Employees play a crucial role in handling service failure and recovery encounters. This is especially the case in the context of hotel services, which typically entail face-to-face, customer-firm interactions. During service recovery encounters, customers evaluate the interpersonal treatment from employees. In particular, customers are concerned about whether employees show sensitivity and provide interpersonal justice when handling service failures. Research suggests that interpersonal justice is conveyed when employees show respect, dignity and propriety, and thus address customer needs for self-esteem. Amongst others, McCollough et al. (2000) as well as Chebat and Slusarczyk (2005) demonstrate that customers feel treated fairly when service employees understand or even anticipate their requests, show politeness, empathy and honesty. At Imperial Orchid Hotels, staff do not seem to be delivering interpersonal justice. At Imperial Orchid Hotels Phuket, the employee apologized for the inconvenience, yet the apology appeared insincere at the customer's eyes. At Imperial Orchid Hotels Hua Hin, the front office employee lacked empathy, appeared irritated by the customer complaint and showed indifference to the annoyance caused by the issue with unclean bed sheets. As a result, the customer might have felt treated unfairly and rated the hotel stay unsatisfactory.

## **Communication with Guests**

During service recovery, customers evaluate the adequacy of the firm's communication about the service failure, thus forming perceptions of informational justice. Informational justice is delivered when customers receive a sincere and timely explanation for the service failure, as evidenced by empirical research (e.g., Shapiro et al. 1994; Mattila 2006). The act of providing an explanation for the service failure addresses customer needs to attribute blame on the party responsible for the failure. Whilst sincere explanations are perceived to be fair, explanations attempting to excuse or to justify the firm's actions for the inconvenience caused are perceived as unfair.

At Imperial Orchid Hotels, staff do not seem to be delivering informational justice. In particular, at Imperial Hotels Phuket and Bangkok, the employees made no attempts to clarify the reason why the wrong order had been delivered and the Wi-Fi in the room was not working. At Imperial Orchid Hotels Hua Hin, on the

other hand, the front office employee explained that the hotel was short of housekeeping staff during weekends. Notwithstanding, such explanation might have been perceived as an excuse for the service failure and inadequate recovery. Moreover, it seemed as if the employee attempted to shift blame on the customer by repeatedly asking whether someone had been sitting on the bed and/or could have caused the stains on the bed sheets. As a result, the guest perceived informational *injustice*, and as a consequence, rated the hotel stay as unsatisfactory.

## Cultural Adaptation

Culture can influence customer responses to service recovery. Evidence from research shows that customers from Western societies are highly concerned about monetary compensation during recovery encounters, whereas their Asian counterparts pay greater attention to recovery procedures and the interpersonal treatment received from employees (e.g., Hui and Au 2001; Mattila and Patterson 2004). In the Thai hotel context, Kalafatis et al. (2014) confirm the above by showing that Thai customers are concerned about the manner in which they are treated by employees, more than about compensation or timely recovery processes. These cultural distinctions resonate with Hofstede's dimensions of culture (1980). Consumers belonging to societies high in uncertainty avoidance are satisfied when firms have clearly laid-out recovery procedures, given that such procedures reduce perceived risk of unsuccessful service recovery. Conversely, consumers belonging to societies high in power distance (e.g., Asian societies) value politeness and empathy shown by employees, especially when dealing with employees who cover an important role within the hotel. The above indicates that considerations about the cultural background of customers are important when designing and implementing service recovery strategies.

At Imperial Orchid Hotels group, management does not seem to have made such considerations. At Imperial Orchid Hotels Phuket, guests were from the Western countries. Given that Western societies are concerned about monetary compensation, service managers at this hotel should have considered providing equitable compensation (i.e. distributive justice). Conversely, at Imperial Orchid Hotels Bangkok, the guest was of Asian background. Because Asian customers are highly concerned about issues of interpersonal and informational justice, the hotel staff should have paid more attention towards treating the customer with politeness and providing honest explanations for the failure. The service recovery efforts attempted by Imperial Orchid Hotels did not take the cultural background of hotel guests into consideration. As a result, hotel guests felt treated unfairly and disappointed with service recovery.

## Recommendations to Imperial Orchid Hotels

The appraisal of Imperial Orchid Hotels' service recovery management practices reveals that this hotel group lacks a focus on consumers and their needs for justice. This may explain why the results from recent guest satisfaction surveys reveal decreasing satisfaction levels of hotel guests. Unless existing practices are revised, the hotel group incurs the risks of losing customers and damaging its reputation. Specifically, the case underscores the importance for Imperial Orchid Hotels to revisit the compensation policy, to create recovery processes and employee training programmes that address customer needs for justice. For instance, the compensation policy could be revised to include equitable compensation, especially in the event of severe service failures such as problems related to room hygiene. Further, processes could be revised in such a way that service recovery is timely and communication across departments within individual hotels is improved.

The case study also reaffirms the importance of employee behaviour in conveying justice and in shaping customer satisfaction with service recovery. This aspect poses important implications for the hotel group in relation to employee recruitment and training. Imperial Orchid Hotels are recommended to hire individuals with appropriate interpersonal skills. Moreover, the group should invest resources in training programmes that enable employees to acquire the right interpersonal and informational skills of politeness, empathy, concern, and communication, all crucial for effective guest complaint handling. Further, in the process of revisiting current service recovery management practices, Imperial Orchid Hotels are recommended to take the type of clientele visiting their hotels and their cultural background into consideration. Hotels patronised by a predominately Western clientele should pay more attention towards compensation policies. Conversely, hotels patronised by a predominantly Asian clientele should put greater emphasis towards employee training.

## Discussion Questions

1. Critically appraise the efficacy of current practices in complaint-handling and service recovery management at Imperial Orchid Hotels. Evaluate the appropriateness of Imperial Orchid Hotels' service recovery efforts, as depicted in the customer reviews presented above.
2. How can the current service recovery strategy at Imperial Orchid Hotels be improved? Provide recommendations to management. Evaluate the considerations and changes the hotel group will have to make in order to address your recommendations.
3. What are the key challenges faced by hotel businesses operating in emerging economies, such as Thailand, when designing service recovery strategies? Discuss.
4. How can Imperial Orchid Hotels use the customer insights from hotel reviews websites in Asia (similar to the reviews in the boxes above)? Consider whether and how an *online* service recovery strategy would work, and what benchmarks the hotel group should put in place in order to monitor the success of its recovery strategy.

## References

- Chebat, J., & Slusarczyk, W. (2005). How emotions mediate the effects of perceived justice on loyalty in service recovery situations: An empirical study. *Journal of Business Research*, 58(5), 664–673.
- Crisafulli, B., & Singh, J. (2016). Service guarantee as a recovery strategy: The impact of guarantee terms on perceived justice and firm motives. *Journal of Service Management*, 27(2), 117–143.
- del Río-Lanza, A. B., Vázquez-Casielles, R., & Díaz-Martín, A. M. (2009). Satisfaction with service recovery: Perceived justice and emotional responses. *Journal of Business Research*, 62(8), 775–781.
- Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. Beverly Hills, CA: Sage.
- Hui, M. K., & Au, K. (2001). Justice perceptions of complaint-handling. A cross-cultural comparison between PRC and Canadian customers. *Journal of Business Research*, 52(2), 161–173.
- Kalafatis, S., Singh, J., Crisafulli, B., & Dall'Olmo Riley, F. (2014). Customer perceptions of service recovery fairness: an empirical investigation in the Thai hotel sector. In *Paradigm shifts & Interactions 2014, Proceedings of the 43rd European Marketing Academy Conference (EMAC)*, 3–6 June, Valencia, Spain.
- Karatepe, O. (2006). Customer complaints and organizational responses: The effects of complainants' perceptions of justice on satisfaction and loyalty. *Hospitality Management*, 25(1), 69–90.
- Mattila, A. S. (2006). The power of explanations in mitigating the ill-effects of service failures. *Journal of Services Marketing*, 20(7), 422–428.
- Mattila, A. S., & Patterson, P. G. (2004). The impact of culture on consumers' perceptions of service recovery efforts. *Journal of Retailing*, 80(3), 196–206.
- McCollough, M. A., Berry, L. L., & Yadav, M. S. (2000). An empirical investigation of customer satisfaction after service failure and recovery. *Journal of Service Research*, 3(2), 121–137.
- Mintel. (2014). *Hotels*. Retrieved from <http://www.mintel.co.uk/>
- Shapiro, D. L., Buttner, E. H., & Barry, B. (1994). Explanations: What factors enhance their perceived adequacy? *Organizational Behavior and Human Decision Processes*, 58(3), 346–368.
- Singh, J., & Crisafulli, B. (2015). Customer responses to service failure and recovery experiences. In S. Sahadev, K. Purani, & N. Malhotra (Eds.), *Boundary spanning elements and the marketing function in organizations. Concepts and empirical studies* (pp. 117–135). Switzerland: Springer International Publishing.
- Smith, A. K., Bolton, R. N., & Wagner, J. (1999). A model of customer satisfaction with service encounters involving failure and recovery. *Journal of Marketing Research*, 36(3), 356–372.
- World Travel and Tourism Council. (2014a). *Travel & Tourism. Economic impact 2014 World*. Retrieved from <http://www.wttc.org/-/media/files/reports/economic%20impact%20research/regional%20reports/world2014.pdf>
- World Travel and Tourism Council. (2014b). *Travel & Tourism. Economic impact 2014 Thailand*. Retrieved from <http://www.wttc.org/-/media/files/reports/economic%20impact%20research/country%20reports/thailand2014.pdf>
- World Travel and Tourism Council. (2015). *The economic impact of travel and Tourism, 2015 Annual Update*. Retrieved from [http://www.wttc.org/-/media/files/reports/economic%20impact%20research/economic%20impact%202015%20summary\\_web.pdf](http://www.wttc.org/-/media/files/reports/economic%20impact%20research/economic%20impact%202015%20summary_web.pdf)

---

# Case Study 5: Amazon.in: Surviving in a Jungle

Sanjit Kumar Roy and Rajdeep Charaborti

*Our team can continue to think big, innovate, and raise the bar for customers in India. At current scale and growth rates, India is on track to be our fastest country ever to a billion dollars in gross sales.*

—Jeff Bezos, Founder of Amazon.com

*Amazon has quietly ramped up its India operations and aggressively added merchants on its site. It will certainly fight to become the number one in the e-commerce space in India.*

—Arvind K. Singhal, Chairman and MD, Technopak

---

## Introduction

Alice Mathew, recently bought a T-shirt for her younger son from Snapdeal because it was offering a “better deal”. “The price difference was almost Rs. 100 for the same product on Flipkart.com,” says Mathew, an assistant professor at Mount Carmel College, Bangalore. Her rationale: “When I shop online, I look for the best deal and the best product. It doesn’t matter which site I’m shopping from.”<sup>1</sup> Her shopping philosophy is hardly unique in the Indian context. The Indian online customer is typically vendor-agnostic and seeks the lowest price for the product of his/her choice. The online marketplace has become a vast hunting ground for the

---

<sup>1</sup><http://forbesindia.com/article/real-issue/indias-etail-battleground-amazon-flipkart-and-snapdeal-fight-for-top-slot/38058/1#ixzz3C2nXiLBr>

S.K. Roy (✉)

Department of Marketing (M263), The University of Western Australia, Perth, Australia  
e-mail: [sanjit.roy@uwa.edu.au](mailto:sanjit.roy@uwa.edu.au)

R. Charaborti

Department of Marketing and Strategy, IBS Hyderabad, Hyderabad, Telangana, India

best deals, with multinational and Indian e-commerce giants fighting it out to offer the best prices to lure the fickle deal-seeking Indian customers.<sup>2</sup>

For U.S. e-commerce companies, some of the most tantalizing expansion opportunities lie in India. Hong Kong-based investment bank CLSA<sup>3</sup> forecasts that India's e-commerce market, now at \$3.1 billion, will grow to \$22 billion in the next 5 years. The problem for the likes of Amazon.com and eBay has been the Indian government's strict rules banning companies backed by foreign money from warehousing their inventory on Indian soil—or selling it directly to the nation's billion-plus consumers.<sup>4</sup> The ecommerce industry is currently a regulatory nightmare and customer loyalty is hard to come by. However, armed with deep pockets and tailored strategies, Amazon, eBay and Flipkart are vying for the number one slot in the Indian ecommerce market.<sup>5</sup>

After several years of disappointing economic growth, the government is looking for ways to boost foreign investment. India's Department of Industrial Policy and Promotion published a report earlier in January, 2014 weighing whether it should relax regulations for online retailing and asked e-commerce companies to register their opinions by Jan. 30, 2014. Identifying a great opportunity to enter the Indian market, the U.S.-owned companies pushed hard to change the rules and Amazon played a major role in this, says Amit Agarwal, Amazon India's vice president and country manager.<sup>6</sup>

---

## Amazon.com: The Company

Amazon.com is a Fortune 500 e-commerce company headquartered in Seattle. It was one of the pioneers in the online retail sector. The company was founded by Jeff Bezos (Bezos) in 1994, and was launched in 1995. Initially it was named as Cadabra.com, but founder Bezos renamed the company as *Amazon* after the world's largest river, the *Amazon*. He saw the potential for a huge volume of sales in an online (as opposed to a bricks and mortar) bookstore like Amazon.com which was a completely new concept at that point of time.<sup>7</sup> Initially Amazon started out as an online bookstore and then quickly diversified into different sectors such as electronics and electrical goods, CDs and DVDs, software, video games, clothing,

---

<sup>2</sup><http://forbesindia.com/article/real-issue/indias-etail-battleground-amazon-flipkart-and-snapdeal-fight-for-top-slot/38058/1#ixzz3C2nXiLBr>

<sup>3</sup>CLSA is Asia's leading equity brokers and investment groups focused on institutional broking, investment banking and asset management to corporate and institutional clients around the world.

<sup>4</sup><http://www.businessweek.com/articles/2014-01-23/amazon-and-ebay-inch-into-indias-e-commerce-market>

<sup>5</sup><http://forbesindia.com/article/real-issue/indias-etail-battleground-amazon-flipkart-and-snapdeal-fight-for-top-slot/38058/1#ixzz3C2guBMLM>

<sup>6</sup><http://forbesindia.com/article/real-issue/indias-etail-battleground-amazon-flipkart-and-snapdeal-fight-for-top-slot/38058/1#ixzz3C2guBMLM>

<sup>7</sup>Laura Schneider, "Amazon.com Company Research", [www.about.com](http://www.about.com)

furniture, toys, etc.<sup>8</sup> The motto of Amazon.com is: “to offer the earth’s biggest selection and to be the earth’s most customer-centric company, where customers can find and discover anything they may want to buy online.”<sup>9</sup>

---

## The Initial Days

Throughout the 1990s, the IT boom helped the creation of World Wide Web (www) and the craze of internet was rising rapidly. As use of the internet became more and more popular, different online retailers decided to use the Web as a new channel for commerce. They soon found out that selling products over the Internet offered a variety of choices and opportunities and it was less costly also as it saved the cost related to the payment to the dealers and retailers. Online sales also helped a company to reach a much wider audience across the globe compared to a brick and mortar store. As already mentioned, one of the pioneers of this e-commerce revolution was Bezos, who founded Amazon.com.

In 1994, Bezos resigned as the vice-president of the Wall Street firm D.E. Shaw, moved to Seattle, and started to work on a business plan to come up with an online retail store which eventually came to be known as Amazon.com. He was successful in coming up with a business plan which projected annual web growth at 2300 %. Encouraged by the initial success of the website, Bezos shortlisted 20 products that could be sold over internet. From the initial list of 20 items, he narrowed down the list to the five most promising products according to him: cd-s, computer and software, videos and books. Due to the large worldwide market for literature, and the existing low price that was being offered for books in addition to the huge selection of titles that were available in print, Bezos eventually decided that his brainchild, the online retail website would sell books over the Web.<sup>10</sup> He strategically chose Seattle as the company headquarters because of the easy availability of high-tech work force and its proximity to Oregon which was the hub of a large book distribution center. Bezos then simultaneously started to raise funds for the company and started to work with software developers to build the web site. The web site debuted in July 1995 with the name of Cadabra.com and quickly became the number one book-related site on the Web.<sup>11</sup>

In just 4 months since its inception, Amazon.com became the sixth best site on Point Communications’ “top ten” list, found a place on Yahoo’s “what’s cool list” and Netscape’s “what’s new list.” The sheer volume of the website reveals its range of the titles. The site opened with an accessible database of over one million titles and Customers were given enough scope to make an informed purchase using

---

<sup>8</sup>Laura Schneider, “Amazon.com Company Research”, [www.about.com](http://www.about.com)

<sup>9</sup>“Amazon.com, Inc.” [www.fundinguniverse.com](http://www.fundinguniverse.com)

<sup>10</sup>Laura Schneider, “Amazon.com Company Research”, [www.about.com](http://www.about.com)

<sup>11</sup>Perez, Elizabeth, “Store On Internet Is Open Book: Amazon.com Boasts More Than 1 Million Titles On The Web,” *Seattle Times*, September 19, 1995, p. E1.

search information and comments about the title and its genre. The customers were also given the option to order the books using their credit cards and have the books shipped in a just a few days.<sup>12</sup>

What made Amazon unique was that unlike its large competitors, such as Barnes & Noble and Borders, it carried only a small inventory in the size of approximately 2000 titles in stock. Most of the orders through Amazon.com were received via the channels of wholesalers and publishers, no warehouse was needed. It was basically playing the role of intermediary. Initially the company was being run from Bezos' garage, but its success forced it to move into its Seattle office, which was used as the base to the customer support, shipping, and receiving area. Within a month of launching the web site, Amazon.com was handling orders from all the 50 states of USA as well as from 45 other countries.<sup>13</sup>

As a pioneer in the world of Internet commerce Bezos decided to make the Amazon.com as customer friendly as possible. He also gave importance to ensure that all kinds of customers could relate themselves with the website. For the regular readers, who knew what they were looking for, Amazon.com offered a powerful search engines which was capable of accessing its expanded 1.5 million-title database very fast. Apart from that, Amazon offered 10–30 % discounts on most of the titles ensuring affordable prices to the customers.<sup>14</sup> For the general readers, Amazon offered a content list in categorical manner, which made it easier for the readers to search for the specific genre they were looking for. For the undecided reader, Amazon.com came up a concept called the “recommendation center”. Here a customer could find books based on his or her mood, reading habits, or choices. The “recommendation center” also could suggest different books to a particular reader based on their purchase history.<sup>15</sup> It also included some unique features such as optional gift wrapping and the “eye” service, which informed the customers about the arrival of a new book of their favorite subject or by their favorite author. The site also offered the customers an open discussion forum about the books that were available via the website creating a more informed customer base as well as generating interest amongst the non-readers.<sup>16</sup>

---

<sup>12</sup>Perez, Elizabeth, “Store On Internet Is Open Book: Amazon.com Boasts More Than 1 Million Titles On The Web,” *Seattle Times*, September 19, 1995, p. E1.

<sup>13</sup>Perez, Elizabeth, “Store On Internet Is Open Book: Amazon.com Boasts More Than 1 Million Titles On The Web,” *Seattle Times*, September 19, 1995, p. E1.

<sup>14</sup>Hazleton, Lesley, “Jeff Bezos: How He Built a Billion Dollar Net Worth Before His Company Even Turned A Profit,” *Success*, July 1998, pp. 58–60.

<sup>15</sup>Martin, Michael, “The Next Big Thing: A Bookstore,” *Fortune*, December 9, 1996, pp. 168–70.

<sup>16</sup>Martin, Michael, “The Next Big Thing: A Bookstore,” *Fortune*, December 9, 1996, pp. 168–70.



## Going Public in 1997

Within 2 years of operation, Amazon emerged as a public company in May 1997 and launched its first initial public offering (IPO) of three million shares of common stock. The money generated from the IPO was invested by Bezos on improving the already productive web site and to help broaden the company's distribution capabilities, and to release the pressure on the existing distribution center that came from such a high volume of orders.<sup>17</sup> With the growing size of the business, Amazon.com, in September 1997 declared that an East Coast distribution center in New Castle, Delaware would be opened for the better service delivery. On top of that Bezos announced that there would also be a 70 % expansion of the company's Seattle center to cater to the customers in a much better and efficient manner. The opening of its new office at Delaware helped Amazon to establish itself very close to the East Coast publishers, which decreased Amazon.com's service delivery time. In lieu of this development, Bezos set a goal for the company that 95 % of the in-stock orders will be shipped on the same day, reaching the customers at a much faster pace than before.<sup>18</sup>

Amazon.com was successful in its 'Associate' program as well. Established in July 1996, this program ensured that the individuals who owned web sites could choose books of interest and place ads of those items on their own sites, allowing visitors to purchase those books. Amazon.com only took care of all their orders. Those people, who posted the ads on their websites, were offered 3–8 % commission from books sold on their sites. Though initially started with a low scale, the Associates program really began to show some signs of improvement in mid-1997, when Amazon.com joined hands with Yahoo, Inc. and America Online, Inc. two of the most popular websites. As Amazon continued its growth over time, it was able to get into collaboration with websites including Netscape, GeoCities, Excite, and AltaVista.<sup>19</sup>

With the continued growth of Amazon, Bezos announced in October, 1999 that Amazon.com was on the verge of becoming the first online retailer to reach one million customers. This included customers across the entire United States and 160 countries worldwide. The small business plan from Bezos was now a company with US \$147.8 million in yearly sales.<sup>20</sup>

---

<sup>17</sup>Hazleton, Lesley, "Jeff Bezos: How He Built a Billion Dollar Net Worth Before His Company Even Turned A Profit," *Success*, July 1998, pp. 58–60.

<sup>18</sup>Hazleton, Lesley, "Jeff Bezos: How He Built a Billion Dollar Net Worth Before His Company Even Turned A Profit," *Success*, July 1998, pp. 58–60.

<sup>19</sup>Hazleton, Lesley, "Jeff Bezos: How He Built a Billion Dollar Net Worth Before His Company Even Turned A Profit," *Success*, July 1998, pp. 58–60.

<sup>20</sup>Zito, Kelly, "Amazon CEO Tells of Life at the Top," *San Francisco Chronicle*, December 23, 1999, p. 81.

## Further Expansion in 1998

By February, 1998 the Associates program had 30,000 members, whose commissions reached up to 15 % for recommending and selling books from their web sites. This number went up to 60,000 members within a span of 4 months.<sup>21</sup> Financially also, Amazon was facing a huge growth in customer database. The customer base increased by 50 % in 3 months and reached 2.26 million in March, 1998 which was 564 % more than the previous year. This established Amazon.com as the third largest bookseller in the United States.<sup>22</sup>

In late 1997, Amazon was buoyed by a \$75 million credit. This helped Amazon.com to continue to expand its catalog to over 2.5 million titles, and to redesign the service delivery system to reach to the customer at a much faster time. In addition, the company added Amazon.com Advantage, a program to help and encourage the sales of books written by independent authors and publishers, and Amazon.com Kids, which had over 100,000 titles for younger children and teenagers.<sup>23</sup>

In early 1998, Amazon.com also expanded its business by acquiring three independent business units. To create a stronghold of Amazon.com in Europe, it decided to acquire Bookpages, one of the largest online booksellers in the United Kingdom. This gave Amazon access to the U.K. market. Apart from this, Amazon also acquired the largest online bookseller in Germany, called Telebook. This helped Amazon to add the German titles into its already huge list of titles. Not only these two newly acquired companies gave Amazon.com the desired access in the European market, but it also gave existing Amazon.com customers access to a wider array of titles to choose from.<sup>24</sup> On the other front, Amazon acquired the Internet Movie Database (IMDB), to support plans for its move into online video sales. The vast database of IMDB served as a valuable and important asset in the construction of a customer-friendly and informative web site for video sales.<sup>25</sup>

In 1998, Amazon decided to venture into the online music business. Bezos wanted to make the site as useful as possible for his customers and asked its bookstore customers and the music professionals to come up with designs of the new web site.<sup>26</sup> The music store was opened in June 1998, with a collection of over 125,000 music titles. This online music site was equipped with most of the familiar features of the original Amazon website. people could search the database by artist,

---

<sup>21</sup>Zito, Kelly, "Amazon CEO Tells of Life at the Top," *San Francisco Chronicle*, December 23, 1999, p. 81.

<sup>22</sup>"How Amazon Cleared the Profitability Hurdle," *Business Week*, February 4, 2002.

<sup>23</sup>"How Amazon Cleared the Profitability Hurdle," *Business Week*, February 4, 2002.

<sup>24</sup>"How Amazon Cleared the Profitability Hurdle," *Business Week*, February 4, 2002.

<sup>25</sup>"How Amazon Cleared the Profitability Hurdle," *Business Week*, February 4, 2002.

<sup>26</sup>Jeffrey, Don, "Amazon.com Eyes Retailing Music Online," *Billboard*, January 31, 1998, pp. 8-9.

song title, etc. in addition to that, customers had access to more than 225,000 sound clips from which to make their selection.<sup>27</sup>

Riding on the back of the success of its new websites, Amazon.com had a strong second quarter of 1998. Total number of customers touched three million and sales figures for Amazon.com continued to rise indicating a bright future ahead. Bezos told *Fortune* magazine in December 1996: “By the year 2000, there could be two or three big online bookstores. We need to be one of them.”<sup>28</sup>

---

## Growth Continues: 1999 and Beyond

In 1999, Amazon.com launched an online auction service entitled Amazon Auctions. It divided its product offerings into individual stores on its site to make it easier for customers. The results were evident as the sales climbed to \$1.6 billion proving that Bezos’ efforts to create an online powerhouse had indeed paid off. In 1999 *Time Magazine* named Bezos as the Person of the Year for 1999. This was largely in recognition of the company’s success in popularizing online shopping.<sup>29</sup>

But, there were some negative aspects too. Bezos’ focus on market share over profits forced the analysts speculating whether the company would ever be profitable or not. Though, sales continued to grow as the company added new products to its site (kitchen wares, furnitures, etc.) it continued to post net losses. In addition, the bursting of “dot-com boom” of the late 1990s in the early years of the new millennium made the situation of Amazon even worse.<sup>30</sup>

But, even as Amazon.com’s share price took a dip, Bezos remained optimistic. During 2001, the company had no other option but to lay off 1300 employees and closed a distribution facility.<sup>31</sup> To overcome these problems, Amazon.com joined hands with well-known retailers as Target Corporation and America Online, Inc. Products from other well known retailers such as Toysrus.com Inc., Circuit City Stores Inc. and a host of other retailers were also selling via Amazon.com.<sup>32</sup>

This was the turning point of Amazon.com. In 2001, sales grew by 13 % to reach \$3.12 billion. During the fourth quarter of 2001, Amazon.com secured a net profit of \$5 million. In 2002, the company diversified again and launched its first apparel store in collaboration with retailers like The Gap and Lands’ End. Amazon.com reported a net loss of \$149 million for the year 2002, which was a significant improvement from the \$567 million loss reported in 2001. However, the trend

---

<sup>27</sup>Jeffrey, Don, “Amazon.com Eyes Retailing Music Online,” *Billboard*, January 31, 1998, pp. 8–9.

<sup>28</sup>Martin, Michael, “The Next Big Thing: A Bookstore,” *Fortune*, December 9, 1996, pp. 168–70.

<sup>29</sup>Laura Schneider, “Amazon.com Company Research”, [www.about.com](http://www.about.com)

<sup>30</sup>Haines, Thomas, “Amazon.com Sales Grow While Loss Widens,” *Seattle Times*, January 23, 1998, p. C1.

<sup>31</sup>Soto, Monica, “Amazon Layoffs: What’s It All Mean?,” *Seattle Times*, February 5, 2001.

<sup>32</sup>“How Amazon Cleared the Profitability Hurdle,” *Business Week*, February 4, 2002.

changed in the fourth quarter of 2002 when Amazon could manage a quarterly net profit of \$3 million—the second net profit in its history.<sup>33</sup>

While securing quarterly net profits was a major turning point for Amazon.com, a July 2002 *Business Week* article warned, “After 7 years and more than US\$1000 million in losses, Amazon is still a work in process.”<sup>34</sup> The statement could not be contradicted as Amazon.com was yet to show any consistent profitability over a period of time. Nevertheless, Bezos and his Amazon team believed that the firm was on the right track. With US\$3900 million in annual sales, Amazon.com was on its way to fulfill Bezos’ dream.<sup>35</sup>

One of the reasons behind the success of Amazon.com was the values and the existing work culture of the company. The work culture in Amazon.com was divided into certain segments such as: customer obsession, innovation, bias for action, ownership, high hiring bar and frugality.<sup>36</sup> These segments together indicated that though the focus of the organization would be on the customer, it would not mean that the customers have the last word. The suggestions from the customers would be taken into consideration and the best possible option for both the company as well as the customers will be chosen as the solution. Apart from that, on the recruitment front also, there was a very high ceiling for recruitment. As Amazon.com is known for continuous innovations, their engineers tackle some of the most complex challenges in large-scale computing. Experts from all possible fields such as software development and testing, program managing and user-interface work in small teams across the company to contribute to the e-commerce platform that’s used by the huge customer base of Amazon, the huge network of the sellers and the group of external developers. This is the reason why Bezos ensured a high recruitment bar.<sup>37</sup>

The IT department at Amazon.com has a massive responsibility. Their job included taking care and monitoring of an enormous system that continues to be extremely reliable. Amazon.com described their IT group as “system, database, and networking experts (that) build and operate highly reliable, scalable distributed systems with terabyte-sized databases and infrastructure that can handle a massive number of transactions.”<sup>38</sup> In 2000, VoiceStream Wireless,<sup>39</sup> the then fastest

---

<sup>33</sup>“How Amazon Cleared the Profitability Hurdle,” *Business Week*, February 4, 2002.

<sup>34</sup>Colker, David, “Amazon Delivers Profit for the Second Time,” *Los Angeles Times*, January 24, 2003.

<sup>35</sup>Colker, David, “Amazon Delivers Profit for the Second Time,” *Los Angeles Times*, January 24, 2003.

<sup>36</sup>Laura Schneider, “Amazon.com Company Research”, [www.about.com](http://www.about.com)

<sup>37</sup>Laura Schneider, “Amazon.com Company Research”, [www.about.com](http://www.about.com)

<sup>38</sup>[www.amazon.com](http://www.amazon.com)

<sup>39</sup>One of the major nationwide providers of communication services in the USA and operates and uses the globally dominant GSM technology platform. VoiceStream is a member of The GSM Alliance, L.L.C., a consortium of U.S. and Canadian digital wireless PCS carriers.

growing wireless telephone network in USA joined hands with Amazon.com to sell their products and services through the Amazon.com's online wireless phone store.<sup>40</sup> Speaking on this occasion, VoiceStream President and COO, Bob Stapleton (Bob) opined that, "The agreement between VoiceStream and Amazon.com is a big win for consumers. VoiceStream makes wireless service affordable, Amazon.com makes purchasing it convenient and **hassle** free. VoiceStream and Amazon.com are a powerful team that brings customers the best value in wireless service online and delivers it right to their door."<sup>41</sup> Addressing this Occasion, Christopher Payne (Chris), VP of Amazon Electronics, commented that, "Amazon.com has built a reputation for helping consumers find the best value online. VoiceStream's clear GET MORE offering is an attractive service to online shoppers who have come to expect value and variety when shopping at Amazon.com."<sup>42</sup> The magnitude of the website became so huge that, O'Reilly and Associates<sup>43</sup> decided to come up with a book called "Amazon Hacks", written by Paul Bausch, which will contain details of how to make the most of using Amazon.com.<sup>44</sup> In the words of Rael Dornfest (Rael), editor of O' Reilly and Associates, 'Amazon Hacks' will be a collection of tips and tools for getting the most out of Amazon.com. The book will appeal to a variety of readers, including shoppers using the site to discover new products, Amazon Associates **honoring** their sites for better linking, sellers listing products for sale on Amazon.com, and programmers building their own application using Amazon.com Web Services."<sup>45</sup> Speaking on this occasion, Colin Bryar (Colin), Director of Amazon.com Associates and Web Services, commented that, "We are thrilled that O'Reilly is publishing this book to help third parties create even more interesting applications using our powerful platform. This book represents continued recognition of Amazon.com technology and will be a tremendous resource for Amazon.com Web Services developers, web site owners, sellers and customers who want to take our platform to another level."<sup>46</sup>

---

<sup>40</sup>"Voicestream Wireless Teams Up With Amazon.com 'Get More' Goes Online for Holiday Shopping Season.", Seattle Business Wire, Nov 28, 2000.

<sup>41</sup>"Voicestream Wireless Teams Up With Amazon.com 'Get More' Goes Online for Holiday Shopping Season.", Seattle Business Wire, Nov 28, 2000.

<sup>42</sup>"Voicestream Wireless Teams Up With Amazon.com 'Get More' Goes Online for Holiday Shopping Season.", Seattle Business Wire, Nov 28, 2000.

<sup>43</sup>A leading publishing house who publishes books related to the leading edge computer technologies.

<sup>44</sup>"Unleashing Amazon.com—O'Reilly & Associates to Publish and Release "Amazon Hacks" This Summer." Seattle Business Wire, April 22, 2003.

<sup>45</sup>"Unleashing Amazon.com—O'Reilly & Associates to Publish and Release "Amazon Hacks" This Summer." Seattle Business Wire, April 22, 2003.

<sup>46</sup>"Unleashing Amazon.com—O'Reilly & Associates to Publish and Release "Amazon Hacks" This Summer." Seattle Business Wire, April 22, 2003.

## International Expansion

The global growth of Amazon has played a significant role in the success it has achieved so far. Although Amazon had the infrastructure to deliver products across any country of the globe, it has established country-specific websites and fulfillment networks which were strategically located. It all started with its expansion in the UK and Germany in 1998. These two major expansions were followed by the opening of Amazon.com websites which were specifically suited for the customers located in France (2000), Japan (2000), Canada (2002), and China (2004). These expansions ensured that Amazon had its presence in all the growing e-commerce markets across the world and the financial results of these expansions clearly indicated that the growth in these countries were far ahead than the growth of its original website catering to the American customers.<sup>47</sup> The reason behind might be the stiff competition Amazon was facing in the North Americas as well as their approach to integrate the entire bundle of successful services available to the international market. Thus, it could be said that the expansion of Amazon's international businesses were benefitted from the experience it gained through US markets, though the proper application of these experiences in the international markets played a significant role in accumulating the success of Amazon.com.<sup>48</sup>

Another strategy that made Amazon unique was that it allowed its competitors to advertise on its website. These competitors were allowed to advertise their offerings in the Amazon.com website and were even allowed to compete with Amazon using the same webpage. These merchants were to pay a certain percentage of the price of the variety offerings being sold using its website. Although the gross profit on these transactions was much less compared to if Amazon sold them directly. But the underlying strategy behind this was that Amazon.com website became a one stop destination for the online shoppers with a consistent experience for the customer. It also ensured that Amazon's website carried a much wider variety of items, which made it the most sought after online shopping website. It was estimated that almost 30 % of items sold on Amazon were actually the offerings from the third parties.<sup>49</sup>

---

### Amazon.com: India

On 30th July, 2014 Amazon.com declared its decision to invest an additional \$2 billion as a countermeasure India's largest e-retailer Flipkart, which attracted \$1 billion of fresh funds, raising the level of competition in a nascent but fast-growing e-commerce market to a completely different level.<sup>50</sup> Jeff Bezos, CEO of Amazon.com opined that: "With this additional investment of \$2 billion, our team

---

<sup>47</sup>AMZN 2008 10-K, p. 21.

<sup>48</sup>AMZN 2008 10-K, p. 21.

<sup>49</sup>Rich Miller, "Outage for Amazon Web Services", Data Center Knowledge; July 19, 2009.

<sup>50</sup><http://in.reuters.com/article/2014/07/30/amazon-com-india-idINKBN0FZ0DX20140730>

can continue to think big, innovate, and raise the bar for customers in India. At current scale and growth rates, India is on track to be our fastest country ever to a billion dollars in gross sales.”<sup>51</sup> Amazon, which opened its Indian website in June, 2013, has come up with various innovative measures (e.g. slashing prices, launching same-day delivery, adding new product categories and launching a very strong advertisement campaign) to compete with the leaders of e-commerce market in India. Although Amazon did not previously disclosed their investment plans in India; but on 28th July, 2014, Amazon said it will raise its presence in the country by opening five more fulfillment centers (FCs) or warehouses located in Delhi, Chennai, Jaipur, Ahmedabad and Tauru (outskirts of Gurgaon).<sup>52</sup>

With this additional storage capacity and its two existing FCs on the outskirts of Mumbai and Bangalore, Amazon almost doubled its total storage capacity to over half million square feet, offering fulfillment services to thousands of retailers and small and medium businesses (SMBs) across the country, the company said in a statement.<sup>53</sup>

“We are very excited by our rapid growth and the response we have received from customers and sellers since our launch just over a year ago. The launch of these five new fulfillment centers is part of our continued investment in providing fast and reliable delivery across vast selection of products, and enabling sellers of all sizes to achieve nationwide scale.” Amit Agarwal, vice-president and country manager, Amazon India, said.<sup>54</sup> While talking about the intense competition in the Indian e-commerce market, Harminder Sahani, managing director of retail consultancy Wazir Advisors said “It’s all about who builds up scale faster and remains relevant for the next few decades.”

---

## The Indian e-commerce Sector

Indian e-commerce sector is currently is valued at \$13 billion and is expanding at a compound annual growth rate of 34 %, according to a joint report by consultants Digital–Commerce, the Internet Mobile Association of India and the Indian Market Research Bureau.<sup>55</sup> According to the study conducted by consultancy firm Technopak, out of this \$13 billion Indian e-commerce market, travel services account for about 70 % or \$9.1 billion. According to research firms Forrester and Technopak the Indian e-commerce business is expected to reach \$76 billion by

---

<sup>51</sup><http://in.reuters.com/article/2014/07/30/amazon-com-india-idINKBN0FZ0DX20140730>

<sup>52</sup><http://timesofindia.indiatimes.com/business/india-business/Amazon-plans-5-new-warehouses-in-India/articleshow/39168819.cms>

<sup>53</sup><http://timesofindia.indiatimes.com/business/india-business/Amazon-plans-5-new-warehouses-in-India/articleshow/39168819.cms>

<sup>54</sup><http://timesofindia.indiatimes.com/business/india-business/Amazon-plans-5-new-warehouses-in-India/articleshow/39168819.cms>

<sup>55</sup><http://in.reuters.com/article/2014/07/30/amazon-com-india-idINKBN0FZ0DX20140730>

2021, thus providing a huge source of revenue generation for all the players in the Indian e-commerce sector.<sup>56</sup>

---

## Amazon's Survival Strategies in India

Amazon makes its money in India by charging third-party suppliers to use its website to sell 17 million different products including books, electronics and clothing. To ensure its supremacy in this domain Amazon established an Indian online marketplace in June, 2014 where merchants can transfer their goods to these warehouses and pay Amazon fees to store and deliver their goods. More than 2300 sellers signed up, listing 440,000 products including books, electronics and jewelry in the Amazon's Indian website. That's more than Indian e-commerce pioneer Flipkart but far shy of market leader Snapdeal.com, which lists some 20,000 sellers and 4 million products. To spice up the competition, EBay led a \$50 million round of funding for Snapdeal last year. "Ninety percent of the assortment we have is not comparable to any other e-commerce company in India," says Snapdeal Chief Executive Officer Kunal Bahl. "That's where we've driven growth." Snapdeal is expecting to hit \$1 billion in sales conducted on its website in 2014 while Flipkart says it will do the same in 2015.<sup>57</sup>

Rajiv Prakash (founder, NextIn Advisory Partners) opined that to appeal to local merchants, foreign companies will have to keep improving delivery range and speed. In November, 2013 Amazon did exactly the same and teamed up with India's postal service to deliver packages to remote locations, a project others have given a try but did not adopt. A month later, Amazon launched a guaranteed next-day delivery service for certain products in six major Indian cities; Flipkart and Snapdeal (Only in Delhi) both followed. Talking about the advantages gained by this initiative, Amit Agarwal, vice-president and country manager, Amazon India, opined that "In June 2013, we launched with just two categories. But in just 10 months our total selection now stands at over 15 million products across 20 categories. The pool of sellers in our marketplace has grown more than 30 times since launch. Today, over 75 % of units shipped are fulfilled by Amazon."<sup>58</sup> To counter this action by Amazon, Flipkart announced that it would give a 10 % discounted price compared to Amazon's Indian marketplace. This indicates the problem in hand for Amazon in the Indian e-commerce sector.

To overcome this intense competition, Amazon decided to focus on its global mission—to become "Earth's most customer-centric company". By tying up with the Indian Postal Service, Amazon has gained access to a vast network comprising

---

<sup>56</sup><http://in.reuters.com/article/2014/07/30/amazon-com-india-idINKBN0FZ0DX20140730>

<sup>57</sup><http://www.businessweek.com/articles/2014-01-23/amazon-and-ebay-inch-into-indias-e-commerce-market>

<sup>58</sup>[http://www.business-standard.com/article/companies/amazon-builds-india-business-quietly-114040300984\\_1.html](http://www.business-standard.com/article/companies/amazon-builds-india-business-quietly-114040300984_1.html)



19,000 pin-codes including far-flung locations starting from a metro city to unheard places such as a tiny hamlet on the Indo Tibetan Border.<sup>59</sup> “We believe that customer experience, selection and low prices are critical needs for consumers globally, and it is the same in India,” says Amit Agarwal, vice-president and country manager, Amazon India.<sup>60</sup> This customer-centricity is not only for the end users. Amazon has launched some innovative services to attract sellers as well. The company’s latest delivery service, “easy ship”<sup>61</sup> will allow sellers to ask for a product to be picked up and shipped by Amazon. It will also provide cash-on-delivery for these sellers’ orders, an option so far available only to those who stocked products with Amazon. The service, which has 4000 sellers already registered, will be available in 30 cities to start with. “We now have a complete suite of services for sellers which will help them sell more and make more money,” said Amit Deshpande, an General Manager, Amazon India.

This is just the latest in a string of initiatives from the Seattle-based company that is stirring up the Indian online retail industry. In December, 2013 Amazon launched in-a-day delivery service forcing Flipkart and Snapdeal to follow suit. Flipkart and Amazon also launched their Apple iPhone and iPad applications within a day of each other. “Amazon is forcing Flipkart to push ahead with its customer and seller services,” said Ashish Jhalani, head of advisory services firm eTailing India.<sup>62</sup> In Delhi and Mumbai, Amazon.in is piloting pick-up services where customers can pick up their orders from In & Out stores located at BPCL petrol stations. “Amazon is pretty much the trend-setter,” said Mahesh Murthy, founding partner at early stage venture fund Seedfund. “When Amazon started charging for delivery, Flipkart did the same.” Industry experts said Amazon India has done right by first focusing on backend processes instead of blindly chasing customers upon entry. “They built the logistics network, warehouses and built up a large selection of products that is helping them win customers now,” said Technopak’s Singhal.<sup>63</sup> Supporting these expert opinions Amit Deshpande of Amazon India stated that Amazon’s strong backend infrastructure is helping it scale up fast. “When we decide on areas of focus, we always work backwards from the customer,” said Deshpande of Amazon.in. “Selection, delivery experience, logistics, payments and website experience are areas we are super-focused on.”<sup>64</sup> The customers as well as

---

<sup>59</sup><http://forbesindia.com/article/real-issue/indias-etail-battleground-amazon-flipkart-and-snapdeal-fight-for-top-slot/38058/1#ixzz3C2zzcoKa>

<sup>60</sup><http://forbesindia.com/article/real-issue/indias-etail-battleground-amazon-flipkart-and-snapdeal-fight-for-top-slot/38058/1#ixzz3C2zzcoKa>

<sup>61</sup>[http://www.business-standard.com/article/companies/amazon-builds-india-business-quietly-114040300984\\_1.html](http://www.business-standard.com/article/companies/amazon-builds-india-business-quietly-114040300984_1.html)

<sup>62</sup>[http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627\\_1\\_amazon-india-flipkart-sellers](http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627_1_amazon-india-flipkart-sellers)

<sup>63</sup>[http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627\\_1\\_amazon-india-flipkart-sellers](http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627_1_amazon-india-flipkart-sellers)

<sup>64</sup>[http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627\\_1\\_amazon-india-flipkart-sellers](http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627_1_amazon-india-flipkart-sellers)

merchants took note of these strategies of Amazon. Shradha Patnaik, 24, a communications professional who lives in Delhi stated: “I used to buy books from Flipkart, but now I buy from Amazon.in as I see better variety there and it is the same price if not cheaper than Flipkart.”<sup>65</sup> Merchants too are happy with their experience on the site. “Margin cut at Amazon is about 6–7 %, compared with 10–12 % at Flipkart,” said Hysteria’s Arif.<sup>66</sup>

The indication that Amazon’s strategies are working is clear from the fact that Amazon India’s estimated sales is at over \$200 million (Rs. 1200 crore) in 2013, although the company declined to share sales numbers. At current growth rates, Amazon is capable of touching the sales revenue of \$1 billion (Rs. 6000 crore) by the end of March, 2016. This will make Amazon the first online retailer in India to reach the magic number within 3 years of launch (Flipkart is yet to reach this milestone in its 7 years of existence while the market leader, Snapdeal took 4 years and reached the target in early 2014).<sup>67</sup>

---

## The Road Ahead

While these indicate that Amazon is chipping away at the fortress that Flipkart has built, overtaking the market leader, Snapdeal, will take some more time and will need some more effort from Amazon. While prices in categories such as books are similar or are cheaper in Amazon.in, prices of the electronics products are cheaper in Flipkart across most of the brands and models.<sup>68</sup> Flipkart is able to do this as WS Retail, a seller on Flipkart, is its subsidiary and gets most of its inventory directly from brands. “Flipkart’s WS Retail also buys outright from us and accounts for about 80 % of our volume on Flipkart,” said Vivek Prabhakar, co-founder of design merchandise firm Chumbak, for whom online sites account for 18 % of overall sales.<sup>69</sup> Experts too believe that even though Amazon is the trend setter and has taken the competition in the Indian e-commerce market to a different level altogether, Flipkart has been able to fight back, at least for the time being. “Flipkart has the people and has built processes and technology. They are fighting back powerfully,” said eTailing’s Jhalani.<sup>70</sup> On the other hand, Sahni of Wazir Advisors opined

---

<sup>65</sup>[http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627\\_1\\_amazon-india-flipkart-sellers/2](http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627_1_amazon-india-flipkart-sellers/2)

<sup>66</sup>[http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627\\_1\\_amazon-india-flipkart-sellers/2](http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627_1_amazon-india-flipkart-sellers/2)

<sup>67</sup><http://forbesindia.com/article/real-issue/indias-etail-battleground-amazon-flipkart-and-snapdeal-fight-for-top-slot/38058/1#ixzz3C2zzcoKa>

<sup>68</sup>[http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627\\_1\\_amazon-india-flipkart-sellers/2](http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627_1_amazon-india-flipkart-sellers/2)

<sup>69</sup>[http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627\\_1\\_amazon-india-flipkart-sellers/2](http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627_1_amazon-india-flipkart-sellers/2)

<sup>70</sup>[http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627\\_1\\_amazon-india-flipkart-sellers/2](http://articles.economictimes.indiatimes.com/2014-04-23/news/49347627_1_amazon-india-flipkart-sellers/2)

that local portals such as apparel-focused Myntra and the furniture-centric Pepperfry, also have the ability to offer stiff competition to Amazon. “In furniture and apparel, there are considerations beyond price and product. Customers also look at assortment and service. Somebody doing everything cannot do as good a job as speciality retailers,” Sahni said. Technopak’s Singhal identified that the supply chain is the single biggest issue for all e-commerce portals.<sup>71</sup> “The logistics companies here have strengths in the B2B (business-to-business) space and not in B2C (business-to-consumer). This is going to slow the growth of e-commerce companies unless somebody invests in B2C logistics here,” said Singhal of Technopak.<sup>72</sup>

Nevertheless, many believe the battle will only truly begin when Amazon.in launches apparel. Flipkart is believed to be in talks to acquire rival fashion portal Myntra to shore up its defenses. Amazon, which launched other fashion categories and shoes in the early 2014, has launched the apparel segment in May 2014 and the future of Indian e-commerce sector promises more competition and more innovative ideas to stay ahead. Nevertheless, “Amazon has quietly ramped up its India operations and aggressively added merchants on its site. It will certainly fight to become the number one in the e-commerce space in India,” said Singhal of Technopak.

### Discussion Questions

1. What was the need for Amazon to enter the Indian market in a non-traditional way as per Amazon is concerned?
2. Why did Amazon take a strategy of cannibalisation as per jungle.com is concerned?
3. What are the unconventional threats that Amazon is facing in India from the domestic players like flipkart? How can Amazon overcome these threats?
4. What are the possible differentiating factors that can create an unique position for Amazon in Indian consumers’ minds?

---

<sup>71</sup>[http://www.business-standard.com/article/companies/amazon-builds-india-business-quietly-114040300984\\_1.html](http://www.business-standard.com/article/companies/amazon-builds-india-business-quietly-114040300984_1.html)

<sup>72</sup>[http://www.business-standard.com/article/companies/amazon-builds-india-business-quietly-114040300984\\_1.html](http://www.business-standard.com/article/companies/amazon-builds-india-business-quietly-114040300984_1.html)

---

## Part II

# Service Branding and Servicescapes

---

# Introduction to Service Branding and Servicescapes

Dilip S. Mutum

The importance of branding services has been highlighted by various researchers (Berry 2000; Grace and O’Cass 2005). Service branding has been conceptualised as a ‘covenant’ or set of promises (Balmer and Gray 2003; Brodie et al. 2006). All the processes that deliver service value will influence the consumers’ experiences and perceptions of the service brand. It should be noted that the ‘service brand’ goes beyond the mere branding of services (Brodie 2009). The service brand is integrative and applicable to all marketing offerings. Service branding has been differentiated from product branding where with services, the focus is on the corporate brand as compared to the latter where the product is the primary brand (Berry 2000; McDonald et al. 2001). The intangible nature of services and corporate branding was highlighted by McDonald et al. (2001).

Branding of services is critical because it influences consumer satisfaction, attitude and behavioural intentions towards the brand (Grace and O’Cass 2005). In fact, services brands represent the principal success driver for service organizations (Berry 2000). According to Brodie et al. (2006: 373) “service brands facilitate and mediate the marketing processes used to realize the experiences that drive co-creation of value. They provide sign systems that symbolize meaning in the marketing network, and hence are a fundamental asset or resource that a marketing organization uses in developing service-based competency and hence competitive advantage.”

An important component of service brand is servicescape. Bitner (1992: 58) described servicescape as “the built environment (i.e., the manmade, physical

---

D.S. Mutum (✉)

Department of Marketing and Advertising, Coventry University Business School, Coventry, United Kingdom

e-mail: [dilip.mutum@nottingham.edu.my](mailto:dilip.mutum@nottingham.edu.my)

surroundings as opposed to the natural or social environment)” which affects both consumers and employees in service organisations. These occur in consumption settings such as hotels, retail stores, leisure settings, restaurants, etc.

Research has also shown that servicescape quality has an impact on determining customer affective and behavioural responses to services. For example, a strong positive perception of servicescapes has been linked to higher satisfaction and repeat patronage levels in leisure services (Wakefield and Blodgett 1994). The importance of servicescapes was highlighted by Johnstone and Todd (2011). According to them, servicescapes are places which “satisfies one’s need for emotional support and sense of community”. They are in fact places where increasingly busier people are using to connect with others.

This section presents five very unique cases that cover service branding and servicescapes. The Malaysian Airlines versus AirAsia case study examines how the two Malaysian companies serving different segments of customers, differentiate their service offerings. Both airlines serve different segments of customers and offer different customer experiences. Malaysian Airlines as a national carrier with premium price offerings with a heavy reliance on the service quality attributes while AirAsia branding itself as a low cost carrier. However, AirAsia has emerged as a major competitor to Malaysian Airlines both nationally and internationally.

The Haagen Dazs case examines the challenges of entering and consolidating its position in the Chinese market. The company has positioned itself as a luxury service brand and provides a complete service-product package that is extends beyond servicescapes—which the authors term ‘luxury experiencescape’.

Next, we take a look at the case of the iGaranti mobile application which was launched by Garanti Bank of Turkey. Despite receiving awards and acclaim from the industry, their penetration rate among active mobile banking users in the market remained low.

The next case deals with the dilemma faced by Micheal who takes over his family business called Happy Textile. He examines the changing demographic profile of his customers and has to make a decision whether to re-design the store atmosphere.

The final case study analyses the various social media vehicles used by the online site MakeMyTrip.com to engage and retain customers and build loyalty. It is hoped that these cases would lead to an understanding of the various issues related to service branding and servicescapes that marketers must consider in order to best satisfy customer needs and achieve a competitive advantage.

---

## References

- Balmer, J. M. T., & Gray, E. R. (2003). Corporate brands: What are they? What of them? *European Journal of Marketing*, 37(7/8), 972–997.
- Berry, L. L. (2000). Cultivating service brand equity. *Journal of the Academy of Marketing Science*, 28(1), 128–137.
- Bitner, M. J. (1992). Servicescapes: The impact of physical surroundings on customers and employees. *The Journal of Marketing*, 56, 57–71.

- Brodie, R. J. (2009). From goods to service branding: An integrative perspective. *Marketing Theory*, 9(1), 107–111.
- Brodie, R. J., Glynn, M. S., & Little, V. (2006). The service brand and the service dominant logic: Missing fundamental premise or the need for stronger theory. *Marketing Theory*, 6(3), 363–379.
- Grace, D., & O’Cass, A. (2005). Service branding: Consumer verdicts on service brands. *Journal of Retailing and Consumer Services*, 12(2), 125–139.
- Johnstone, M.-L., & Todd, S. (2011). The servicescape and the social role it plays in consumers’ lives. *European Advances in Consumer Research*, 9, 176–182.
- McDonald, M. H., de Chernatony, L., & Harris, F. (2001). Corporate marketing and service brands-Moving beyond the fast-moving consumer goods model. *European Journal of Marketing*, 35(3/4), 335–352.
- Wakefield, K. L., & Blodgett, J. G. (1994). The importance of servicescapes in leisure service settings. *Journal of Services Marketing*, 8(3), 66–76.

---

# Case Study 6: Malaysian Airlines Versus AirAsia: Customer Satisfaction, Service Quality and Service Branding

Sujana Adapa and Sanjit Kumar Roy

---

## Introduction

The World Airline Report states several reasons such as rapid globalization, increased fuel prices, occurrence of natural disasters, threat of accidents, increased security insurance and deregulation policies to impact the world's airline industry (Flint 2010). The ever changing landscape of world's airline industry coupled with the existing tough situations have been sending out signals to the airline industry to revamp the traditional strategies and venture into new alliances and business models in order to gain the benefits of competitive advantage and effective positioning. As a result many airlines operating globally focused on new interventions either focusing on differentiation or cost leadership strategies. The trigger in the Asia Pacific region is the introduction of the low cost airlines to match with the prevailing economic situation. Now the low cost airlines entered into direct competition with the full service airlines.

The following sections discuss the unique characteristics of the South East Asia region, the evolution of the airline services within the region and the critical factors that contributed to the emergence of the airline services within the region. Then the unique context of Malaysia has been discussed with a specific focus on the aviation industry in Malaysia. The most important aspects related to the Malaysian Airline Systems as a national carrier and the low cost carrier Air Asia are discussed since inception. The main attributes that contributed to customer satisfaction, service quality dimensions, customer engagement and customers' perception of the service brands is presented for both Malaysian airlines and Air Asia service offerings.

---

S. Adapa (✉)  
University of New England, Armidale, NSW, Australia  
e-mail: [sadapa2@une.edu.au](mailto:sadapa2@une.edu.au)

S.K. Roy  
Department of Marketing (M263), The University of Western Australia, Perth, Australia



The main motivation to compare Malaysian airlines and Air Asia is triggered in order to understand the service niches for the airlines whereby there exists very little differentiation with the service offerings to the end users (Chapman 2005). The service innovations in the airlines industry particularly in the form of low cost carriers advancing new service business models propelled airlines to touch base on several key services marketing soft concepts such as customer satisfaction, service quality and branding apart from measurable marketing metrics such as growth, revenue and profits (Chapman 2005). In light of the afore mentioned discussion, it is critical to understand how Malaysian airlines and Air Asia differentiate their service offerings and focus on various differentiation and positioning aspects in capturing the domestic and global markets.

---

## South East Asia

South East Asia (SEA) is the region with ten countries such as Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam. These countries also form the Association of South East Asian Nations (ASEAN) with a key focus of economic prosperity and economic stability through collaboration. SEA region is highly populated with close to 600 million with a total land area of approximately 4.4 million km<sup>2</sup>. SEA region relied traditionally on agriculture, manufacturing and exports sectors. Air services and air transport started in SEA after World War II following the independence of SEA countries with an aim to boost economic activity. The aviation industry in the region generated employment, promoted tourism and fostered international trade.

Many SEA airline services started as a state owned carriers under the strict influence and regulations of the governments within a country that further determined the airport infrastructure (Bowen 2000). The first waves of deregulation and liberalization of the aviation industry in SEA started towards late 1980s. Governments relaxed airline competition and associated regulations allowing the new entrants into the market. Consequently the airline services in the SEA region compete in a free market system on price component as the state-owned airline services were at different stages of privatization.

The deregulation and liberalization policies influenced the freedom of the air rights (see Table 1) and the emergence of open skies policy that allows for the exchange of traffic rights between countries. Within the SEA region Singapore was the first nation to adopt this policy in 1960s that promoted the nation as hub for transfer traffic. Through Multilateral Agreement on Air Services ASEAN called for unlimited third and fourth freedom rights between countries in the SEA region in 2008 and unlimited fifth freedom rights in 2010 (Centre for Asia Pacific Aviation 2008). ASEAN also aims for developing a unified aviation market through the relaxation of restrictions and promotion of flexibility.

**Table 1** List of freedom air rights

Freedom air rights	Explanation
First freedom	Right to fly over a foreign country without landing.
Second freedom	Right to allow technical stops without the enplaning or deplaning of passengers or cargo.
Third freedom	Right to carry passengers or cargo from one's own country to another.
Fourth freedom	Right to carry passengers or cargo from another country to one's own.
Fifth freedom	Right to carry passengers or cargo between foreign countries as part of services connecting the airline's own country.
Sixth freedom	Right to carry passengers or cargo between a second and third country by stopping in one's own country.
Seventh freedom	Right to carry passengers or cargo between two foreign countries without continuing service to one's own country.
Eighth freedom	Right to carry passengers or cargo between two or more points in one foreign country.

Source: Ng (2008)

## Malaysia

Malaysian government focused on industrialization and import-based substitution strategies after independence in order to foster rapid economic growth. The Malaysian government played a vital role in reducing the dependency on the primary agricultural sector and in promoting the diversification of the national economy. Towards the late 1960s the Malaysian government focused on export-oriented industrialization. The New Economic Policy (NEP) in the 1970s in Malaysia has been formulated with an intention to reduce the income disparities in the country. The NEP brought significant changes in policies related to government contracts, equity ownership, public private partnerships, government contracts and procurements. As a result Malaysia has been identified as one of the fastest growing economies in the world. The NEP initiated entrepreneurial orientation and several state-owned enterprises were established.

During the late 1980s approximately 40% of the state-owned enterprises recorded poor growth and were identified as unprofitable companies. Therefore then Prime Minister Tun Mahathir Mohamad strategically focused on privatization in order to make the state-owned enterprises more competitive. The industrialization process in Malaysia was inspired by the economic developments of Japan and Korea that focused on the relationship between the state and private sectors and the interventions played by the Ministry of International Trade and Industry (MITI). The industrial champions identified by MITI received support from the Japanese government in order to meet the needs of the market and similar interventions were followed in Malaysia through the establishment of Malaysian Airlines Systems (MAS).

---

## **Airline Industry in Malaysia**

Malaysian Airline Systems (MAS) enjoyed a monopoly for a long time in Malaysia as a flag carrier without much competition. MAS is well connected with the international routes however missed out on connecting the passengers with the domestic routes. Air Asia as a Low Cost Carrier (LCC) differentiated its airline service offering not only on the price-related dimension but gained a competitive advantage by concentrating on the domestic routes. Both these airlines serve different customer bases and offer distinct customer service experiences. The following sections provide more details on MAS and Air Asia's evolution, service offerings and service quality dimensions.

---

### **Malaysia Airline Systems (MAS)**

Malayan Airways Limited (MAL) established Malaysian Airlines in 1937 through a joint venture of Ocean Steamship Company of Liverpool, the Straits Steamship Company of Singapore and Imperial Airways. However the first commercial passenger flight service took to the skies only in 1947. The airlines changed its name to Malaysian Airways after independence and in 1966 again changed the name to Malaysian-Singapore Airlines under the joint ownership of Malaysian and Singapore governments. In 1972 separate airliners were created and Malaysian Airline Systems (MAS) came into existence following several branding and rebranding strategies. MAS started as a full service national airline serving both domestic and international routes across 100 destinations. MAS have the largest fleet sizes in the South East Asia and have been awarded a five star rating by Skytrax. MAS was established by the Malaysian government with an entrepreneurial orientation and was privatized in 1985 with the Malaysian government holding a 42 % stake. MAS suffered massive losses during the Asian Financial Crisis in 1997 and recorded heavy losses by 2002. The Malaysian government established a new holding company Penerbangan Malaysia (PMB) to control MAS fleet with a strategic reorientation of a state-owned enterprise (Rosnan and Mahmud 2012).

Singapore Airlines (SA) is the major competitor for MAS within the region. MAS therefore focused on the vision of becoming 'An Airline of Excellence' in terms of customers' safety, comfort, service and punctuality. Thus MAS focused on the Total Quality Management (TQM) and Destination Service Excellence (DSE) and embraced customer requirements at the core of business processes. Consequently MAS focused on upgrading of the in-house maintenance and modernisation of its fleet. Offering quality service culture, MAS often highlighted efficient customer service through excellent human relations management. MAS strategically embraced the total quality philosophy to improve the customers' perceived quality of the airlines. MAS managed the service quality dimensions by paying attention to detail in terms of offering basics such as orderliness, cleanliness and customer-friendly service (Zaid 1994). The service quality strategy followed by MAS extended to the physical environment and is evident through the

décor of MAS Golden Lounges at the airport, front-office ticketing counters, cabin interior, cabin crew uniforms, check-in counters and the presentation of in-flight meals.

MAS modernized the aircraft fleet with the latest B747-400, A300 and B737-400/500 aircrafts. MAS introduced flexible menu policy to meet with changing needs and expectations of customers by way of customizing to the tastes and preferences of passengers. MAS focused on enhancing the cabin crew's proficiency in foreign languages through bonus and cash incentive schemes. In order to maintain a competitive advantage MAS invested heavily in technology and upgraded computer systems, engineering maintenance and in-flight entertainment (Zaid 1994). MAS invested in a designed training scheme through Training and Development Qualification Programme (TDQP) in order to train its staff at all levels with an emphasis on quality customer service.

However the recent mishaps such as the mysterious disappearance of MH370 and the fatal accident of MH17 led to insecurity to most public to take MAS for air travel. Despite Malaysia has been cited as the most visited destination by 28 million tourists in 2014, the passenger traffic has slowed down in the domestic and international terminals. MAS faced a tough 2014 financial year coupled with the implementation of six per cent Goods and Services Tax with increased cost pressures and increased passenger service charges.

---

## **Air Asia**

Air Asia (AA) is the first in the region to start its operations as a Low Cost Carrier (LCC) and currently offers its services across 83 destinations through domestic and international routes. Although AA was established by the Malaysian government as a sister concern to MAS and was founded by DRB-HICOM (Diversified Resources Berhad—The Heavy Industries Corporation of Malaysia Berhad) a government-owned conglomerate. AA was originally established to serve the domestic routes that were not served by MAS however failed utterly in generating profits as the Malaysian government was committed towards the national pride and commercial interests in MAS. AA was rebranded as a LCC and focused on various differentiation and positioning strategies.

Air Asia reported that the airlines has flown 217 million passengers since the beginning of its service and connected 10 ASEAN countries (AirAsia 2014). Air Asia's new operating model as a LCC is similar to other LCCs such as SouthWest Airlines, Ryanair and Easyjet. AA followed aggressive positioning and pricing strategies and offered low fares to all destinations. The key focus is on no frills service whereby complimentary meals, drinks or inflight entertainment are not included in the regular airfare. AA positioned itself on the statements of 'no frills, less expensive domestic fares' and 'now everyone can fly' that captured immediate attention from customers. AA offers limited free services to its customers and encourages customers to purchase food and drinks on-board at affordable prices. Airline souvenirs, T-shirts and other promotional material are sold as in-flight

shopping items. Additionally, the airline targets 25 min turnaround time, utilizes Boeing 737-300 aircrafts in its fleet and uses secondary airports instead of the mainstream airports.

Air Asia's CEO Tan Dr Tony Fernandes focused on continuous rebranding and repositioning of the airlines. For example, Air Asia moved away from travel agents as customers can make bookings directly to airline. Information related to the reservations and payments will be sent directly to customers via Short Messaging System (SMS). AA staff performs multitasking and the airline showed improvement in landings, runway braking and aircraft descent methods. Ground handling functions are performed in-house with CEO's involvement. Although the initial focus of the airlines is to connect the regional areas within Malaysia established three major hubs in Kuala Lumpur, Penang and Johar Baru. The expansion on Air Asia has been strategic as the initial expansion related to the short-haul service offerings to Indonesia, Thailand, South China, Philippines and India through franchising and local investment opportunities.

Eventually Air Asia expanded to offer low-cost long-haul services through Air Asia X since 2007 by meeting the compliance and regulatory standards of the international and Malaysian aviation authorities. Air Asia X is positioned on high frequency and point-to-point networks offering non-stop long-haul services. Currently Air Asia X offers long-haul services from Kuala Lumpur to Gold Coast, Perth, Melbourne and Sydney in Australia; Christchurch in New Zealand; and Abu Dhabi and Jeddah in the Middle East. Air Asia X withdrew long-haul services to London and Paris due to low levels of financial performance and entered into a non-equity alliance agreement with Jetstar for economies of scale.

---

## **Customer Satisfaction, Service Quality and Service Branding**

Airlines understand that price competition alone is a no-win proposition and therefore focus on identifying new ways of generating competitive advantage (Tseng and Chiu 2008). Airlines with their service offerings tend to meet customers' expectations through performance oriented measures like service quality, service delivery and customer satisfaction (Kim and Lee 2011). Satisfied customer engages in positive behavioural patterns evident through repeat purchases, word-of-mouth type of communication and brand loyalty. Unique service offerings that match the unmet needs of customers lead to customer satisfaction and often customer delight. For example Air Asia focused on conversion strategies whereby the noncustomer groups are converted to potential customers by positioning itself as the LCC. Similarly AA expanded the usage and frequency of usage rates of the existing air passengers.

Both airlines serve different types of customers and offer different customer experiences. The key differences between MAS and Air Asia on critical characteristics are presented in Table 2 (Holloway 2008). Customer satisfaction for both of these airlines is different as the customer perception on full service and low cost airlines are very different. Air Asia realised that price cutting alone is not

**Table 2** Key differences between Air Asia and MAS

Characteristic	Air Asia	MAS
Brand	One brand	Extended brand
Price	Simple	Complex
Distribution	Internet and direct modes	Internet, direct and travel agent
Checking-in	Kiosk and e-tickets	Kiosk, paper and e-tickets
Network	Point-to-point	Hub-and-spoke
Classes	One class	Multiple classes
In-flight services	No frills	Presence of frills
Aircraft usage	Intensive	Average to intensive
Aircraft type	One type	Multiple
Turnaround time	Under 30 min	Slow congestion
Customer service	Minimal service	Full service
Airport	Secondary	Primary
Operating activities	Core flying	Flying and cargo
Target group	Leisure, price and time sensitive customers	Business and leisure travellers
Services	No frequent flyer programs or passenger lounge	Focus on frequent flyer and passenger lounge

Source: Holloway (2008)

an effective strategy and it is important for the airlines as a LCC to differentiate its service quality in order to enhance customer satisfaction. Customer satisfaction is an important marketing metric as it leads to customer retention apart from increased market share; market growth and penetration; and creates a profitable customer lifetime value. Customers' increasingly relate the low cost of the airlines to the operational efficiency rather than to the low service standards and are integral to the Air Asia's success and value story.

Customer satisfaction also takes into consideration the service brands reputation with the core, actual and augmented service offerings. Both MAS and Air Asia focus on core and actual service offerings to its customers. MAS keep itself abreast of Air Asia through augmented service offerings and better customer engagement practices. As airlines represent highly intangible service offerings, the perceptions of the servicescape by the customers presents important cues to customers and influence their perceptions towards the total service offerings. Airline employees' physical appearance and updated physical facilities influence customers to develop a specific image and perception towards the service brands. MAS maintains the physical servicescape of its brand by way of communicating effectively with its various stakeholders through effective communication that actually created a positive service brand image amongst its customers.

Advertising and publicity also have an impact on customer satisfaction and on the overall service-branding concept. Air Asia focused on aggressive advertising strategies in order to penetrate deeper into the customers minds and position itself as the best low cost carrier yet placing customer at the heart of its business processes. Air Asia followed a cost leadership strategy but at the same time has been careful in capturing the benefits of technological advancements, customer engagement practices, competitive advantage and effective conversion strategies to shift the focus of customers in regards to its intangible service offerings. Positive publicity and aggressive advertising strategies played a vital role in promoting Air Asia as a preferable service brand for customers.

On the other hand customers expectations from the Malaysian Airlines as a national carrier with premium price offerings are different and varied. Customers' expectations on the safety, comfort and quality aspects from the premium carrier are high and are positively correlated to the reputation of the service brand. Although MAS embraced effective customer engagement strategies, service quality dimensions and invested heavily in enhancing its servicescape related dimensions the recent mishaps with the MH370 and MH17 aircrafts generated a negative publicity, reduced the passenger travellers and slowed the growth of MAS in financial terms. MAS is struggling hard to combat the negative publicity generated through the recent mishaps by way of offering massive discounts to its long haul flights in order to attract huge customer numbers. MAS is also continuously focusing on rebuilding its brand image by way of highlighting its consistency in service offerings and dedication to the aviation business by liaising with the families of the MH370 and MH17 aircrafts in negotiating a feasible solution, in order to bring comfort to the passengers families.

In conclusion Air Asia has been perceived as a strong competitor to MAS nationally and internationally within the SEA region. Air Asia offered services to customers that are perceived to offer value for money. The service branding related perceptions towards Air Asia increased over a period of time as the LCC embraced innovative service differentiation aspects in order to maintain its competitive advantage. Although MAS positioned its service offerings on quality, excellence and servicescape related attributes, there seems to be a drastic shift in the customers' expectations and perceptions towards the service brand. The extent of customer dissatisfaction with the Malaysian airlines mishaps with the MH370 and MH17 aircrafts has been intense and MAS should work on effective strategies to rebuild its service brand reputation as well as customer engagement.

### **Discussion Questions**

1. What do you think are the critical services concepts that contributed to the success of Air Asia?
2. What do you think are the core services concepts that contributed to the success of MAS?

3. What do you think are the key differences between MAS and Air Asia in regards to their service branding strategies and service quality dimensions?
4. Identify the customer satisfaction perceptions towards MAS and Air Asia?

---

## References

- AirAsia. (2014). *Company Profile*. Retrieved April 12, 2015 from Welcome to AirAsia.com: <http://www.airasia.com/site/sg/en/page.jsp;jsessionid>
- Bowen, J. (2000). Airline hubs in Southeast Asia: National economic development and nodal accessibility. *Journal of Transport Geography*, 8, 25–41.
- Centre for Asia Pacific Aviation. (2008). *As global economic gloom grows, ASEAN liberalises skies, but ratification could drag*. Retrieved April 12, 2015 from Center for Asia Pacific Aviation- New Analysis, Research and Information for the Aviation Industry: <http://www.centreforaviation.com/news/2008>
- Chapman, B. (2005). The Aviator. *Successful Meetings*, 54(8), 36–44.
- Flint, P. (2010). *World Airline Report*. Air Transport World, July: 24–33.
- Holloway, S. (2008). *Straight and level: Practical airline economics* (3rd ed.). Burlington, VT: Ashgate Publishing Limited.
- Kim, Y. K., & Lee, H. R. (2011). Customer satisfaction using low cost carriers. *Tourism Management*, 32(2), 235–243.
- Ng, E. (2008). *Malaysian AirAsia seeks fair competition*. Retrieved April 12, 2015 from International Business Times: <http://www.ibtimes.com/articles/20080515/malaysian-airasia-seeks-fair-competition.htm>
- Rosnan, H., & Mahmod, R. (2012). Business turnaround plan: The experience of Malaysia Airlines. *South Asian Journal of Business and Management Cases*, 1(2), 211–221.
- Tseng, M. L., & Chiu, S. F. (2008). A grey-fuzzy approach to the customer perception of in-flight service quality in domestic airlines, Taiwan. Paper presented at the *Proceedings of the 9th Asia Pacific industrial engineering & management systems conference, Nusa Dua, Bali, Indonesia*.
- Zaid, A. M. (1994). Malaysia airlines' corporate vision and service quality strategy. *Managing Service Quality*, 4(6), 11–15.



---

# Case Study 7: Häagen-Dazs China: The Luxury Icing on the Cream

David Newlands and Monali Hota

---

## Why China

Häagen-Dazs is a brand that operates in the premium ice cream category and was the first explicitly to focus on adults rather than children. Reuben and Rose Mattus created the Häagen-Dazs brand of ice cream in 1961 in Brooklyn, NY. Since Denmark had a strong reputation for dairy products at that time, the name Häagen-Dazs was invented by the Mattuses composed of two made-up words that gave the brand Scandinavian mystique. The company began with just the three basic ice cream flavors—chocolate, vanilla and coffee. The company rapidly adopted the franchise model of business to grow exponentially throughout the 1970s. This enabled the corporation to multiply the number of flavors and expand the portfolio of retail outlets without the capital investment or risk. Since then, ownership of Häagen-Dazs Company has changed several times. The company was first acquired by Pillsbury in 1983, and then by General Mills when it acquired Pillsbury in 2001.

So Häagen-Dazs today is a General Mills brand. However, in the US and Canada the brand has been licensed to Dreyer's (a subsidiary of Nestlé) that produce and distribute the product. Today, Häagen-Dazs products are sold in over 80 countries around the world through multiple retail channels, including supermarkets, branded shops, restaurants, hotels, air planes and vending machines. The brand had a sales growth of 7 % in 2011 and contributed to US\$750 million sales for General Mills. Häagen-Dazs generates one of the highest profit margins in its parent company's portfolio. This is achieved as a result of Häagen-Dazs's premium positioning. Häagen-Dazs captures only 2 % market share in the global ice cream market, but the brand dominates the premium ice cream category over its competitors Ben & Jerry's (Unilever) and Mövenpick (Nestlé).

---

D. Newlands • M. Hota (✉)  
IESEG School of Management, Lille, France  
e-mail: [m.hota@ieseg.fr](mailto:m.hota@ieseg.fr)

Under Pillsbury's ownership, Häagen-Dazs expanded operations into China. This was in response to burgeoning demand from this high growth market. China's emerging middle classes were being exposed to Western based dairy-based foods. The company successfully launched in adjacent Hong Kong in 1983. Mainland China by comparison was a very different and challenging market. American annual per capita consumption of ice cream was 19.8 pounds (9 kg). Compared to the USA, traditionally Chinese consume fruit as a dessert. As many of them are lactose intolerant, very few consume dairy based products. Häagen-Dazs in the mid-1990s faced competition in this new market from other foreign ice cream makers that also had just started selling their products in China (e.g., Walls entered in 1994). With a relatively low per capita income during the 1990s, the Chinese population was known to be extremely price sensitive. But Häagen-Dazs decided to take the big societal and cultural risk and set up operations in mainland China.

---

### **Häagen-Dazs: The Core**

In 1996 Häagen-Dazs opened its first café in China in Shanghai. The expansion plan was to invest \$40 million over 10 years to open more outlets across China. They started with major eastern cities and followed this by spreading to prosperous hinterland towns and cities.

By the end of 2013, the company had more than 250 cafés in China, including stores in second-tier cities. Revenues in 2010 exceeded \$100 million, buoyed by an annualized growth rate of 21 % in the three previous years. General Mills projected revenue from China will reach around \$900 million in 2015. What makes people so loyal to Häagen-Dazs in China? The primary reason is that Häagen-Dazs China sets out to provide premium ice-cream that conforms to global standards in luxurious spaces that are totally unlike the ice-cream parlours of the West.

---

### **Luxury Service Brand Positioning**

Chinese consumers place a lot of importance on how they are perceived by peers and their society. The central cultural principle of 'saving face' governs many of their daily actions. Face acts as a driver for the growth of luxury goods in China. This is especially evident in consumer choices to prefer to buy imported products with foreign brands. A lot of Chinese people prefer luxury goods such as designer clothes, hand bags and restaurants. Chinese consumers use luxury goods to demonstrate their status and economic success. Luxury brands such as Louis Vuitton and Cartier line the high-end shopping areas of Shanghai and Beijing.

Marketing expert Nirmalya Kumar found China has developed a voracious appetite for luxury brands because its growth has led to the creation of more than a million millionaires in China. People with newly created wealth tend to consume more conspicuously than those with "old money". Kumar reports some estimates that Chinese consumption of luxury brands will account for 60 % of global demand

by 2020. Hence, Häagen-Dazs decided to direct the brand to satisfy Chinese demand for luxury goods that act as obvious markers of economic status. The targeting niche is the expanding pool of the Chinese wealthy upper-class.

With increased buying power and a diminishing stigma attached to obvious displays of wealth, upper-class Chinese were already aligned with Häagen-Dazs' underlying themes of indulgence and self-gratification. Häagen-Dazs has a special brand positioning that encourages people to partake of a leisurely and comfortable life by being self-indulgent. In carving out a brand identity specific to China, Häagen-Dazs therefore decided not to compete with incumbent ice cream brands. Instead they aligned with Western icons of luxury. As Pedro Man, Vice President of the company's Asia-Pacific operations, told reporters in 1998: "What Rolls-Royce is to cars. . . Häagen-Dazs is to ice-cream." Recent research by McKinsey in China shows that consumption is growing faster for luxury services than for luxury products with 20% of the consumer's surveyed saying that they were spending more on experiences, while only 13% said the same about products. What is interesting is that Häagen-Dazs China seems to be perfectly aligned with evolving consumer needs. Therefore, Häagen-Dazs entered China as a luxury product but is moving towards market consolidation by repositioning Häagen-Dazs as a luxury service brand.

---

## **Ice Cream That Conforms to Global Standards**

Häagen-Dazs' core comprises a very high quality ice-cream product. Every pint of Häagen-Dazs is made only with the most natural ingredients such as fruits, eggs and butterfat. True providence is required to create the premium ice-cream category. Its rich ice-cream is made with ingredients that are considered 'exotic', such as Belgian chocolate and vanilla from Madagascar. Its consistency and density likewise adds to the quality experience, as it contains very minimal air or 'overrun' in technical terms. This means that every pint of Häagen-Dazs that consumers purchase contains more than an equivalent sized tub of ice-cream of another brand. The company takes as much care over how the product is stored. Häagen-Dazs ice-cream has to be stored at temperatures lower than most other ice-creams. From production, through distribution, until the moment of sale, constant monitoring is maintained of the product temperature. This ensures product density and consistency. Häagen-Dazs ice-cream products remain creamy and slow melting. These attributes people know and expect today.

Häagen-Dazs therefore decided to distribute their products themselves as their products needed a constant temperature of  $-26^{\circ}\text{C}$ . They also decided that they would import products from their American and European factories rather than go in for local manufacturing as their research showed that the quality of Chinese dairy products was poor. The ingredients were imported from USA, while the machines to make the ice-cream were imported from USA, Germany and France. The materials for packaging were made in France and this was printed on the packaging

to strongly communicate the aspect of the brand being a high-quality luxurious status symbol.

Häagen-Dazs decided that their ice-cream products shipments were to be distributed from warehouses in Shanghai and Beijing. Distribution out to retail outlets across the country is done with specially designed refrigerated trucks. This was done to ensure the high quality standards crucial to the targeted brand image. Importing products into China automatically imposes duty overheads of 93 %. Ultimately, Chinese consumers are able to buy exactly the same globally accepted high quality *original* Häagen-Dazs ice-cream product. Given Chinese consumers' preference for genuine imported products, this product strategy was both successful and profitable.

This product strategy was bound to be supported by Chinese consumers as they really favor imported products. This is especially true in the food and beverages sector. Key drivers such as rising disposable household income and the prevalence of food safety scandals, such as the 2008 tainted milk scandal are boosting growth in Chinese consumer demand for imported food and beverage. In fact this has reached such high levels today that China has become the largest importer of food and beverage in the world as of 2012.

---

## High-End Ice Cream Cafés

The ratio of restaurant/café-sales to retail store-based sales of Häagen-Dazs in China is exactly the opposite that of all the other countries where it operates in the world. In China 80 % of the company's sales come from café-based sales. Being from a more collectivistic country compared to other normally individualistic country markets, Chinese consumers prefer to enjoy ice-cream as a dining experience with friends and family in a well decorated shop-window fronted diner. This gives visibility to passersby of who is inside. This for them integrates the actions of 'purchasing the product' and 'eating' that allows the consumers to enjoy them together. This social consumption enables psychological stroking, facilitated by the product. The social environment provides greater ego boosts than solitary consumption. Moreover, the overall brand strategy of Häagen-Dazs in China was to target the consumer market for luxury services rather than luxury products. Therefore, Häagen-Dazs decided to open stand-alone ice-cream shops in China. These Häagen-Dazs cafés were set up not only with luxurious designs, decorations and appearance but also with luxurious customer service to create a synergy with the strategy.

Häagen-Dazs' criteria to select café locations focused on high-end real estate in locations flanked by Western luxury brands. Customer service would be like that of a five star luxury hotel chain. Apple's marketing approach has been inspired by five star luxury hotel chains in their American retail stores with customer service practices such as approaching customers with a warm welcome, anticipating unexpressed customer needs, ending with a fond farewell, and owning the relationship. Häagen-Dazs seems to be taking the same approach in China. As a result, the decor

of the Häagen-Dazs cafés emphasize the luxurious side of the product and are designed to set the moods of the consumers and make them feel relaxed, comfortable and pampered. The aim is to create an environment for adult customer contact; psychological stroking and discrete conversation. The environment also suits professionals for time-outs from the office.

Häagen-Dazs makes it clear that there is luxury in the service. Portions are served using Wedgwood tableware by highly trained staff. The custom-designed interiors or with outside seating, and service is suggestive of the ambience to be found in a European patisserie. The extensive all-dessert menu has the word “Indulgence” on the cover. This leads expectations of the luxurious extravagance and delight that is ahead.

The café managers are recruited locally. They are familiar with the customers’ culture and are motivated to ensure their experiences meet expectations. Locating shops in prime locations tends to draw customers that are “dressed to impress”. This further enhances the premium and fashionable service brand image. Häagen-Dazs China cafés are designed as a luxurious space to sit down and indulge in a high quality experience. The cafés are designed to represent the physical embodiment of the brand. They are provided as an environment in which to experience exceptional Häagen-Dazs occasions. Props and ploys are used to create a luxury service the extent of which knows no limits. So experts discuss the polite Häagen-Dazs waitresses dressed in period style ‘maid-costumes’ as well as the water that is served in a luxurious manner with a slice of lemon to demonstrate the extent of luxury in the service provided in Häagen-Dazs cafés.

Some wonderful proof of the luxurious service experience in Häagen-Dazs ice-cream cafés can be found in consumer blogs such as johnchow, The Jiaying Express and sheinchina that discuss the Shanghai café, the first Häagen-Dazs ice-cream café in China. Jonna Wibelius of sheinchina says that the Shanghai café is like an upmarket ice-cream restaurant where they have tables with pink chairs and waiters that are passing around expensive looking menus before taking your order. Similarly, John Chow says that in Shanghai, Häagen-Dazs runs a full sit down restaurant that serves only ice-cream. Chow asserts that it has to be the fanciest ice cream shop in the world! Finally, T. D. Watt vividly describes the fabulous menu and experience in the Shanghai Häagen-Dazs café in the Jiaying Express. Watt states “The extensive menu shows ice cream presented in amazing forms—sushi lookalikes on platters; ice cream transformed into elaborate chocolate confections; others that come with a hot plate—the waitress fries crepe-like pancakes for you to make ice-cream-filled bits of heaven.”

---

## **Häagen-Dazs China: Beyond The Core**

Häagen-Dazs arrived in China when other foreign ice-cream makers such as Walls (a Unilever brand) also had started selling their products. Häagen-Dazs managed to establish a unique niche in China and is very popular despite established and growing competition. Foreign brands such as Nestle, Walls and Meadow Gold

compete with Häagen-Dazs for high-priced ice-cream products (ranging from 2 to 19 Yuan). These foreign players also compete with local companies such as Yili and Mengniu that offer lower priced ice-cream products for 2 Yuan or less. This is because Häagen-Dazs has created many innovative offerings beyond the core of ice-cream shops to entice new customers, demonstrating loyalty of current customers, and hence to maintain and to retain their superior position in the Chinese market.

---

## Culturally Adapted Ice-Cream Based Products

Food has to be a culturally sensitive industry sector. Haagen-Dazs managed the challenge of tweaking its products to suit Chinese preferences while maintaining its global brand identity. This demonstrates the agility of their supply chain to add products that fit customer needs. Häagen-Dazs introduced many new products bespoke for the Chinese market. One of the first of these was a [green tea flavor](#) ice-cream. Green tea ice cream would not sell well in Western markets. It has become the brand's second most popular flavor in China. The brand's cafés offer elegant “dessert creations” that signify special occasions that customers associate with a café visit. This is best exemplified by Jonna Wibelius, on her blog [sheinchina](#), when she describes the menu in the Häagen-Dazs Shanghai café. According to her, going beyond the traditional ice-cream scoops, Häagen-Dazs allows consumers to choose from actual ‘ice cream meals’.

These ice-cream meals are actually unique Häagen-Dazs interpretations of popular Chinese meals such as sushi, teppanyaki and hot pot. The sushi and teppanyaki are an ice-cream look alike on platters that are beautifully presented and add to the luxury of the café experience. But products that take the cake are the ice-cream hotpots that the western media and analysts popularly refer to as ice cream fondues. Michelle Lynn Dinh of [rocketnews](#) sent a reporter to try the Häagen-Dazs Ice-Cream Hot Pot in a Shanghai café last January because she just could not understand how cold meltable ice-cream and hot soup could be served together. This is because traditional hotpot in China consists of a simmering metal pot of stock at the center of the dining table. While the hot pot is kept simmering, ingredients from plates nearby are placed into the pot and are cooked at the table. She realized that this ice-cream meal has been served in the cafés since several years and provides a comprehensive and wonderful description in her article that clearly indicates how this product adds to the promised Häagen-Dazs brand experience. The ice cream hot pot the reporter ordered consisted firstly of a plate filled with ice cream, cake and fruit that had been frozen using dry ice. She then also received hot and smooth chocolate in a separate container. The reporter looked at the dishes set before her and realized that she had to dip everything, the ice-cream, fruits and cake, in the melted chocolate, just like people do with fondue. The [rocketnews](#) reporter likens fondue to fancy hot pot and reported back to Michelle on how the name hotpot could have been given. But this also makes it clear why Westerners refer to it as ice-cream fondue. There were a total of nine flavors of

Häagen-Dazs ice cream: strawberry, mocha, chocolate, cookies & cream, macadamia nut, passion fruit cheesecake, summer berry, mango, and raspberry sorbet. There were also strawberries, grapes, and kiwi, as well as three different types of miniature cakes. With around 1 kg of sweets, the Häagen-Dazs hot pot is enough for two to three people. . . probably more! When the reporter used her fork to stab a ball of ice cream and plunge it into the hot, melted chocolate. She expected the ice cream to melt instantly, but in fact, the exact opposite happened. When the super-hot chocolate came in contact with the deep frozen ice cream, the chocolate hardened! It was like magic! The set also comes with crushed nuts. If you pour them over the chocolate before it hardens, you can enjoy chocolate covered nuts and ice cream! The fruits and cake are also frozen in the same way as the ice cream, so the chocolate also hardens when it comes in contact. According to the rocketnews reporter, “it’s as if your dreams and magic and Obon festival and New Year’s Day all came together in a single flavor.” With 1 kg of premium Häagen-Dazs ice cream, fruits, cakes, nuts, and chocolate, along with two cups of coffee, the entire “meal” came out to 258 Yuan (US\$42), which the reporter considered very expensive. But after glancing around at the surrounding tables, the reporter noticed that many young couples and groups of friends were huddled around their own Häagen-Dazs hot pot, having a wonderful time. “I guess it’s worth the price. . .” the reporter sighed happily.

Häagen-Dazs spotted an opportunity in a Chinese cultural tradition of giving gifts. The company offers products and services to cater to this. In 1997, they introduced mooncakes to its product range. This is a type of confection traditionally given to family, friends, and clients during the Mid-Autumn festival. Haagen-Dazs’s version essentially is a mini ice cream cake. They sell like the proverbial hot cakes. Mooncake sales have grown around 25% a year since they were introduced. The company sells them for premium prices. As a result of high price and high volume, the mooncakes account for 28% of Haagen-Dazs’s revenues in China. Häagen-Dazs begins taking orders weeks ahead of the holiday. These items are so profitable to General Mills that Chief Financial Officer Donald Mulligan specifically mentioned mooncakes at a New York investor conference in September 2013. General Mills **claimed** that “In Shanghai alone, one in every five families consumes one box of Häagen-Dazs mooncakes.” As the Global Times blog discusses, consumers have an emotional need that is their Achilles’ heel. They crave personal connections, including friendship, family affection and love. These may be turned into an opportunity as a result of emotionally oriented and sensitive marketing. Häagen-Dazs ice-cream mooncakes served this purpose successfully.

The company does not only sell family gifts to consumers during the festival. Today, more than a quarter of Häagen-Dazs’ sales in China are to business clients. This is because of the special Mooncake-shaped ice cream product. Elaborate mooncake packages are traditionally sent to partners, employees, and government benefactors during the Chinese Mid-Autumn Festival. The overall market for mooncakes is worth an estimated RMB 15 billion per year. The vast majority of this spend is on traditional dry cakes rather than ice cream. Häagen-Dazs mooncakes are sold via coupons. Recipients go to pick up their gifts at temperature

controlled collection points across China's major cities. Following Häagen-Dazs's success, a variety of Western and domestic brands subsequently entered the mooncake segment, including Nestle, Mengniu, Baxy and Guangming. They set up a joint-venture with Carpigiani, an Italian ice cream equipment maker. Despite the competition, Häagen-Dazs remains one of China's leading mooncake brands. Mooncakes are an example that shows how Häagen-Dazs reinvented a traditional Chinese product. These new products facilitated the corporation to become the first major ice-cream manufacturer to enter the China's B2B gift market.

In 2012 Häagen-Dazs China launched ice-cream cakes shaped like [designer Western perfumes](#) for Valentine's Day. Two new cakes were designed in France to look like premium perfume and called Perfume Pour Elle and Perfume Pour Homme. Perfume pour Elle combines strawberry and vanilla ice cream along with white chocolate. Its advertising slogan was "like the elegant lady who makes you intoxicated." Perfume pour Homme contains chocolate with cream and cookies, and vanilla ice cream.

---

## High End Promotions

Throughout its marketing communications and campaigns, Häagen-Dazs plays on the themes of indulgence, affordable luxury and intense sensuality in a manner appropriate to Chinese culture. In order to comply with a more reserved Chinese sensibility the brand reduced overtly sensual sub-tones that regularly are presented to Western audiences. The company's slogan "dedicated to pleasure" was translated into Chinese as "emotion, enjoyment, happiness and beauty, all to the greatest extent." The company invested heavily to create brand awareness and a premium brand image. Paying close attention to Chinese culture, they successfully created an association of the brand with love, fashion and luxury.

A celebrity endorsement strategy helped Häagen-Dazs increase its credibility and connect with its target customers. The company has collaborated with Chinese fashion icons, athletes and actors to launch new cafés, and for TV and print advertisements. Celebrity endorsement strategies are highly successful in China for three reasons: Firstly, Chinese people conform to collectivistic cultural norms. There is pressure to conform. Individuals demonstrate a natural tendency to avoid risk. Secondly, China is a country where counterfeit products are almost as good as genuine items and service quality is not uniform at each outlet. Therefore, if celebrities "risk" their reputation to associate themselves with new brand, it reassures consumers and supports the perception that the brand's offerings are reliable. Fear that food is unfit stems from incidents including: counterfeit goods (not traceable to its claimed source, not produced by the genuine brand owner), contaminated ingredients (impurities and artificial substances—melanin added to milk, artificial rice, use of illegal pesticides, ground contamination—heavy metals), poor production hygiene, lack or breaks in cold storage and transportation that could lead to goods capable of transferring diseases, viruses and infections, impurities including dirt and cross contamination. Third, due to increasing



consumerism in China, purchasing an endorsed product is aspirational. It is considered a status symbol. All this has helped to increase brand awareness of Häagen-Dazs and showcased the brand as very fashionable and luxurious.

The aspect that worked effectively for the brand is their connection to love. Häagen-Dazs ran a campaign with the slogan, “Love her, bring her to Häagen-Dazs.” This campaign was very successful and attracted a lot of young couples to the brand. Y Wang gives a very interesting explanation for the success of this campaign in the introduction to his PhD thesis on epistemic modelling and protocol dynamics. According to him, this slogan is a slightly revised Chinese version of the original slogan, “Love her, love Häagen-Dazs”, but this slight revision refines the conditional imperative to become a behavioral “protocol” that demands action that is much more explicit and focused than “love”. Communication systems use well-defined formats or protocols to exchange messages. Each message has an exact meaning that is intended to elicit a specific response from a range of possible responses for that particular situation. So in this instance, from the Häagen-Dazs slogan, it seems that Chinese consumers are getting the message that although it may take more than one life to really understand what love is, consumers can simply demonstrate love by taking their girlfriend to a nearby Häagen-Dazs café. That results in buying something there. As Wang further elucidates, it does not matter what love is. What really matters is what you do to prove your (undefined) love. Wang wraps up the discussion by commenting on the huge price difference that Häagen-Dazs has with other regular ice-cream brands in China. This makes it clear that the suitor that is taking his girlfriend to the Häagen-Dazs café is really showing his love to her. This is the reason why buying Häagen-Dazs is now connected to being in love apart from being stylish and fashionable.

Another explanation for the success of the campaign can be found in emotional marketing. Consumers seek emotional gratification and psychological identity from brands. These are not derived purely from quality and quantity. “Emotional marketing” exploits emotional needs as a core brand marketing strategy. Various aspects of the product and service can induce consumers to feel dependent and loyal to a brand. The Global Times blog in China discusses that brands can only have lasting appeal if they affect consumer’s perceptions of what the spirit of love is, without them consciously being aware this is happening. Word-of-mouth buzz can be created in populations. Such marketing is the result of satisfied consumers that are willing to communicate and share emotionally charged experiences. Consumer buzz face to face and via social media happened as a consequence of the “Love her, bring her to Häagen-Dazs” campaign. The slogan associated Häagen-Dazs with consumers’ deepest positive emotions. Ever since then, Häagen-Dazs has been perceived as Cupid, armed with a bow and arrow, representing pure love. This is the reason why buying Häagen-Dazs is now associated to being in love apart from being stylish and fashionable. Jonna Wibelius of the sheinchina blog found interesting evidence of that when she was having a discussion about love and dating with her Chinese male friend and asked him where he would take a girl for a date. He instantly replied that he would take her to a Häagen-Dazs café because most girls

have a romantic idea of Häagen-Dazs and it scores high on their list of 'dream dates'.

The brand's 2011 summer advertising campaign further exemplifies Häagen-Dazs's ability to connect its brand value and identity with the desires of its Chinese audience. The brand showed two TV adverts with a renowned celebrity that appears in romance stories, communicating the message "Summer's hot. Love while it's hot." These commercials made use of the Chinese equivalent of Valentine's Day. This happens during the summer that tends to be very hot and can last for 4 months. Many young couples will go on dates in Häagen-Dazs cafés because "it is a place to show your love." Due to their marketing and advertising strategies, 50% of the Chinese population could recognize and identify Häagen-Dazs by 2009. Awareness of their brand continues to grow.

---

### **Super Premium Pricing**

Chinese consumers traditionally are known as highly price-conscious. They tend to go to great lengths to seek out the lowest price outlet for a given item and are aware of the lowest price for comparable products. The perception of quality turns this notion on its head. For many Chinese consumers, a higher price reflects higher quality, especially when the product is an established brand name. As a result, companies manufacturing high-quality products can be buoyed by reverse price wars in the Chinese market. Competing brands increase prices to attract consumers that only buy the most expensive brands. This also works because China is a market that is craving exclusivity resulting from elevated price points, individualized offerings, prestige and luxury.

In synergy with the quality perception is the concept of luxury products and services as status symbols. Like the proletariat Chinese consumers are now permitted to display their wealth, within limits. They like to visit Häagen-Dazs cafés because they achieve instant and visible bragging rights as they sit with their friends and partners enjoying exorbitantly priced ice-creams. The brand has taken advantage of the Chinese mindset of "saving face". Giving only the most premium brands as gifts allows the giver to appear generous and the recipient to feel important. Therefore, a voucher to visit a Häagen-Dazs café or to collect one of its products would be perceived as an extremely generous gift.

The experience delivered by Häagen-Dazs through its cafés, products and services is accompanied by its constantly reinforced message of high quality and the Western brand name. This is because the original Häagen-Dazs name without translation into Chinese creates an association of the brand name with Northern Europe, mainly due to the letter "ä" that gives credibility to high quality that Häagen-Dazs claims. This ultimately the company enjoys a super-premium product pricing strategy. The brand commands hefty price premiums far above those commanded by local competition. Häagen-Dazs' prices in China are as much as five times as high as prices in Häagen-Dazs USA. Certain products can be as much as seven to ten times higher. To put this in perspective, while an average Chinese

factory worker earns a monthly income of US\$150.13, average prices for the Häagen-Dazs café orders are the equivalent of US\$35, with even a standard banana split costing US\$12.

---

## **Häagen-Dazs China: A Luxurious Experience?**

Marketing experts say that service environments help firms to create a distinctive image and unique positioning as they relate to the style and appearance of the physical surroundings and other experiential elements encountered by the customers at the service delivery site. The service environment, also called servicescape affects buyer behaviour in three key ways. Firstly, it gives symbolic cues about the distinctive nature and quality of the service experience. Secondly, firms can make their service brand's servicescape stand out from the competition and attract the consumers from their target segment. Thirdly, firms can use colours, textures, sounds, scents and spatial design to enhance the desired service experience. With this as the central spirit, Häagen-Dazs China has strengthened the core with luxury service brand positioning, ice-cream that conforms to global standards and high-end ice cream cafés and added several layers of products, services and promotion to create a complete service-product package that is no longer just about servicescapes but about experiencescapes—a luxury experiencescape.

This is confirmed by marketing experts such as Nirmalya Kumar and Kathrine Mo. Kathrine Mo states that Häagen-Dazs is not competing in the ice-cream category in China, but in the status symbol category. Nirmalya Kumar puts it even more succinctly; Häagen-Dazs has positioned itself as a luxury experience brand and not as a food product or ice-cream brand. According to him, the power of the experiencescape that Häagen-Dazs China has created leads some Chinese rural households to save a month's salary and trek to the city for a treat at Haagen-Dazs.

### **Questions for Discussion**

1. Discuss how companies can apply service marketing principles (such as levels of product and service value) to achieve greater success today. Identify examples from the Häagen-Dazs China case.
2. In the case of Häagen-Dazs China the product quality is a part of the core service product and does not surround it along with other elements as the basic or actual service product as is normally the case with competition. Do you agree? Justify your answer.
3. In the case of Häagen-Dazs China, product pricing has become a part of the perceived service product. It is the result of the customer's perception of all the additional products and services that Häagen-Dazs China has added to the core service product to add value. Do you agree? Justify your answer.
4. Why should Häagen-Dazs China be considered as a perfect example of a luxurious service experience? Justify your answer.

## Bibliography

- Alonso, M. D., Brown, K., Julmy, J., Mirels, P., & Winkler, S. (2012). Hitting the Sweet Spot of China: The Häagen-Dazs Story. <http://media2.intoday.in/businesstoday/images/Haagen-Dazs.pdf>
- Mathur, S. Häagen-Dazs: The premium ice-cream adapts to China. [http://www.buddingmarkets.com/?page\\_id=614](http://www.buddingmarkets.com/?page_id=614), posted on 23rd February 2013.
- Mathur, S. (2010). Häagen-Dazs strategy. <http://www.authorstream.com/Presentation/ProfessorMathur-1790091-haagen-dazs-china-strategy/>
- Chua, G., Fernandez, D., Tan, B., & Yu, S. J. (2012). Häagen-Dazs in China.
- Kaplan, D. A. (2011). General mills' global sweet spot. <http://fortune.com/2011/05/16/general-mills-global-sweet-spot/>  
<http://icecreamscience.com/air-bubbles>
- China's increasing appetite for imported food and beverage. <http://www.asiaperspective.net/chinas-increasing-appetite-imported-food-beverage/>, published on 19th March 2014.
- Gallo, C. 5 star luxury hotel inspires 5 best practices by apple. <http://www.unifocus.com/focused-library/5-star-luxury-hotel-inspires-5-best-practices-apple>, accessed on 31st January 2015.
- Wibelius, J. SHE in China. <http://sheinchina.blogspot.fr/2008/09/dream-date-destination-haagen-dazs.html>, published on 30th September 2008.
- Tdwatt23. A day in Shanghai. <http://jiaxingexpress.com/2012/09/>, published on 29th September 2012.
- Chow, J. Shanghai Häagen-Dazs – Fanciest ice cream shop ever. <http://www.johnchow.com/shanghai-haagen-dazs-fanciest-ice-cream-shop-ever/>, written on 12th March 2009.
- Dinh, M. L. Our reporter tries "Häagen-Dazs Ice Cream Hot Pot in China". <http://en.rocketnews24.com/2014/01/21/our-reporter-tries-haagen-dazs-ice-cream-hot-pot-in-china/>, posted on 21st January 2014.
- Poleg, D. Häagen-Dazs China: Let them eat mooncake. <http://www.buybuychina.com/haagen-dazs-china-let-them-eat-mooncake/>, posted on 23rd August 2012.
- Tai, W. The story behind Häagen-Dazs mooncakes. <http://blog.generalmills.com/2011/09/the-story-behind-haagen-dazs-mooncakes/>, posted on 12th September 2011.
- Sauer, A. The week in China: Haagen-Dazs Moon Cake Mania, Yao Ming Nation, Minions and more. <http://www.brandchannel.com/home/post/2013/09/20/The-Week-In-China-092013.aspx>, posted on 20th September 2013.
- Anthony, N. St. Häagen-Dazs mooncakes are big sellers in China. <http://www.startribune.com/business/224626561.html>, updated on 21st September 2013.
- Hunt, K. Perfume cakes for valentine's day. <http://www.blog.generalmills.com/2012/02/perfume-cakes-for-valentine%e2%80%99s-day/>, posted on 14th February 2012.
- Wang, Y. Introduction to PhD thesis on epistemic modelling and protocol dynamics, accessed on 9th February 2015.
- Best marketing touches deep emotions. <http://www.globaltimes.cn/content/836407.shtml>, published on 8th January 2014.
- Magni, M., & Atsmon, Y. China's reverse price wars. <https://hbr.org/2010/03/chinas-reverse-price-wars>, published on 17th March 2010.
- Purpose of service environments. <http://fr.slideshare.net/prithvighag/service-environment>, accessed on 11th February 2015.

---

## Case Study 8: iGaranti: Expanding the Frontiers of Mobile Banking Innovation

Selcen Ozturkcan and Deniz Tuncalp

Between these lines, the iGaranti commercial featured a Turkish pop singer and celebrity (Fig. 1), Mr. Mazhar Alanson, in a Steve Jobs–style-black turtleneck as he held a chemistry lab tube half filled with mercury (Fig. 2) and introduced iGaranti as someone who cares about your money more than you do (alametifarika 2015).

iGaranti is an application designed by the Garanti Bank to serve customers in money and account management, engage them with contextually relevant information. Garanti Bank is the second largest private bank of Turkey that registered assets of 75.9 billion euros and a consolidated net profit of 1143 million euros in 2012. Actually, the Garanti Bank group has a complete range of high-quality products and innovative services for more than 10 million customers in corporate, commercial, SME, and consumer segments offering financial services for everyone through its 9 financial subsidiaries that include payment systems, pension, leasing, factoring, securities and portfolio management. In 2010, the Euromoney Magazine, one of the most influential international financial publications, designated Garanti Bank, the second time in a row, as “The Best Local Bank in Turkey” and “The Best Managed Company in Central and Eastern Europe”.

---

*What if there was someone who thought about your personal finances more than you do? Someone that was always right next to you. . . Someone who started saving at the touch of your finger, gave you good tips while shopping. . . Someone who told you about discounts you would be interested in, let you know that it's a good time to get a credit. . . That someone is iGaranti. Cares about your money even more than you do.*

S. Ozturkcan (✉)  
Kadir Has University, Istanbul, Turkey  
e-mail: [selcen.ozturkcan@gmail.com](mailto:selcen.ozturkcan@gmail.com)

D. Tuncalp  
Istanbul Technical University, İstanbul, Turkey

**Fig. 1** iGaranti app icon



**Fig. 2** TV commercial of iGaranti



Mr. Mehmet Yılmaz,<sup>1</sup> the vice president of marketing and sales at Garanti, had replayed the product launch advertisement a dozen times on that morning of May 2013, and he still found it to be as sharp as the first time he saw it. The iGaranti app, beyond its many advanced features, made a big idea real—if you use the app, you may really enjoy your bank as a clever pal in your pocket advising you on money matters. Garanti’s marketing team intended to get that big idea across through a catchy communications campaign, with a technologically advanced emphasis that

<sup>1</sup>All characters appearing in this case study are fictitious and names are pseudonyms. Any resemblance to real persons is purely coincidental.

would help consumers envision how iGaranti restored the considerate bank in place. On iGaranti application, which is simultaneously available both for Android and Apple smart phones free of charge, the customers may perform their transactions, initiate sales leads for different product offers and receive information about their accounts. The application includes a vast variety of functions, including money remittance, bill payments, person-to-person (P2P) payments, point-of-sale (POS) transactions, in-app digital wallet, and recommending products based on customers' spending habits.

A month into the launch, iGaranti had 100 k downloads, and had acquired the number 1 app position in the “new and noteworthy” section of the iTunes app store. In its first month, it had 75 k active users and 260 k user logins, including 5 k users that had never used Garanti Bank's digital services before. Moreover, 18 k new savings accounts were opened, 800 individual loans were disbursed, and 6 k new credit and debit cards were issued within the first month after the iGaranti's launch (MMA 2013). As of April 8th, 2014, about a year since its introduction, iGaranti app for iPhone had 154,899 downloads and 25,342 active users, while iGaranti for Android had 41,231 downloads and 12,005 active users (Özdikiş and İşbilen 2014). Later on, iGaranti reached 400 k downloads and approximately 250 k customers in 2014 (Garanti 2014a). As of mid-2015, iGaranti had reached a total of 500 k downloads, yet the registered and active users were a total of 280 k and 110 k, respectively (Groenfeldt 2015). However, with approximately 12 M mobile Internet subscribers in Turkey, that was only about 4 % penetration rate, despite the availability in all major application stores, the recognition with numerous industry awards and the great publicity (Fig. 3).

Garanti's marketing team argued that lack of awareness was a key cause of the discrepancy between the love for iGaranti and its lackluster users. The provocative TV and print campaign, including the “high-tech mercury filled chemistry lab tube” commercial, was conceived with this problem in mind. But would people get it, or would they just become more confused? And was it too complicated? Mr. Yılmaz had his share of last-minute doubts.

A major problem with the consumer banking application category was that its many functions were not as easy to explain, as they were to experience. The “high-tech mercury filled chemistry lab tube” ad substituted any explanation with the phrase “someone who cares about your money more than you do.” But maybe it

**Fig. 3** iGaranti at the Apple App Store



would be better to just try something completely straightforward—that is, to explain iGaranti for what it does. Why not simply show a stream of satisfied customers reporting their experiences with iGaranti—e.g., “iGaranti allows me to easily deposit funds to my savings account. With iGaranti you can enjoy special discounts during shopping without the hassle of specialty loyalty cards, iGaranti is also intelligent: it automatically detects my cash flows and offers me credit or savings options. iGaranti even makes personalized suggestions for your concert tickets.” Then a voiceover would tie everything together: “Get the most of your money with a bank caring your finance more than you do.” Mr. Yılmaz knew that things were not that simple, and that he had to account for iGaranti’s best strategic interests and integrate the new television campaign with other marketing decisions. However, before approving the “high-tech mercury filled chemistry lab tube” ad, He decided to step back and review the company’s situation one more time.

---

## Turkish Market’s Technological Readiness

Turkey had comparatively low levels of lending relative to its GDP, which indicates a large and untapped customer potential. Individuals prefer to borrow money from their family and friends, rather than using services of a financial institution. This situation presents a significant opportunity for banks that want to serve the under-banked customers more effectively and to reach the unbanked population. The market consists of a fairly young population with more than 40 % are under the age 25. Therefore, banks are encouraged for new and more technological ways in building their customer base across the young people (Ernst&Young 2013), resulting Turkish banks to be innovative especially in retail banking. Reports indicate that Turkish consumers have been attracted to new technology and reading product reviews on social media plays a key role in learning about new products (Ernst&Young 2012).

On the other hand, Turkish mobile phone market was characterized with its young and increasingly urbanized users. When iGaranti is launched, there are 12 M smart phone users, most of which also have mobile data subscriptions (Fig. 4). After the launch in 2013, the mobile phone users reached to 71.9 M at 92.5 % (TurkTelekom 2015) penetration at the end of 2014.

According to the industry reports published by the Turkish Banks Association, there was a year-by-year increase above 100 % (TBB 2014) in mobile banking, as of September 2014. Total number of registered customers that have logged in at least once had increased to 8.9 M from 4.4 M; total number of registered customers that have logged in at least once in 1-year period had increased to 7.1 M from 3.3 M. The total number of active retail customers, that is the total number of active customers that have logged in at least once in the related 3-month period, had increased to 5.6 M from 2.6 M (Table 1).



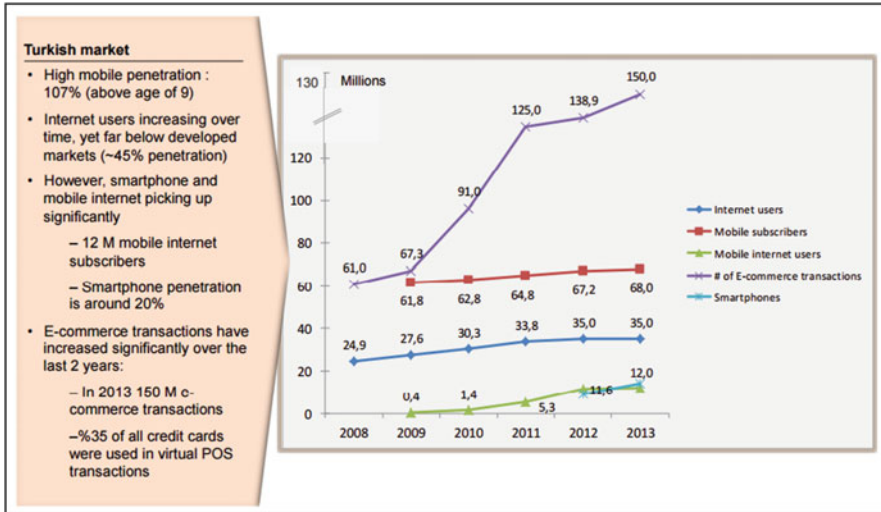


Fig. 4 Turkish Mobile Market (İlhan 2014)

Table 1 Mobile internet banking statistics (TBB 2014)

I. Number of mobile customers using internet banking services			
	Mobile		
Period	Total number of registered customers that logged in at least once	Total number of registered customers that logged in at least once in 1-year period	Number of active customers
Sept. 2013	4,354,272	3,321,456	2,574,847
Dec. 2013	5,371,567	4,321,194	3,227,096
March 2014	6,339,842	5,168,719	4,006,363
June 2014	7,513,963	6,093,607	4,851,233
Sept. 2014	8,852,586	7,115,281	5,643,390

## Garanti Bank: Market Share and Innovativeness

As the second largest bank in Turkey, Garanti Bank’s total assets held 12.8 % market share, with 11.5 % of the total customer deposits in Turkey as of year 2012 (Table 2). It was also renowned as the leading bank of the Internet and mobile banking with 23 % and 31 % market shares, respectively in volumes of the financial transactions (Fig. 5). Furthermore, 85 % of all financial transactions were through digital channels as of year 2015, which had an increase from the 77 % in year 2007.

**Table 2** Garanti bank market share (Garanti 2012)

	Market share	
Assets	12.8 %	<i>Turkey's second largest private bank</i> Increasingly customer driven assets
TL Loans	10.8 %	Uninterrupted support to the economy
FC Loans	18.3 %	With sustainable and healthy growth strategy
Consumer and commercial installment loans	12.8 %	<i>Leader in mortgages</i>
Mortgage loans	13.5 %	
General purpose loans	10.7 %	
Auto loans	16.1 %	
Credit card issuing volume	17.9 %	<i>Leading position in payment systems</i>
Credit card acquiring volume	19.2 %	TL 65 billion total issuing volume
Number of credit cards	16.7 %	>16 million cards
Number of pos terminals	17.7 %	>500 thousand POS terminals
		<i>Turkey's largest credit card platform</i>
		Bonus Card
Total customer deposits	11.5 %	<i>Customer driven, sustainable and wide deposit base</i>
TL customer deposits	10.0 %	Superior service variety resulting in a high demand
FC customer deposits	14.8 %	Deposits level >20 % of total deposits
Customer demand deposits	13.5 %	
Net income	14.3 %	<i>Robust performance</i>
Ordinary banking income	13.6 %	Ordinary banking income backed by Successful business model

*Note:* For sector comparison, BRSA unconsolidated financials are used in market share calculation. Sector data is based on BRSA, commercial banks only

Ordinary Banking Income = Net Interest Income – (General Provisions + Loan-loss provisions and Securities provisions) + Net Trading Gain/Loss + Net Fees and Commissions

Technology's role to build and retain customer relationships remarkably gained importance during the last decade in many industries, including banking. Internet banking, which was categorized initially as a cost-center department, proved capacity as a profit-center, particularly by leading consumers' bank choices. Following the increase in the Internet user penetrations, Garanti had chosen to pursue a continuous technological innovation strategy in order to gain the technology leader position in the market. Over time, Garanti Bank proved this, as the early adapter/launcher of many technological banking innovations in Turkey (Table 3).

Garanti Bank's year 2013 channels mix included 928 branches in 78 cities, Internet banking, mobile banking, 3345 ATMs, call center, and social platforms. Internet banking served 29 % of market share in transaction volume with more than 540 k daily logins of approximately 2.5 M active users. Mobile banking featured a

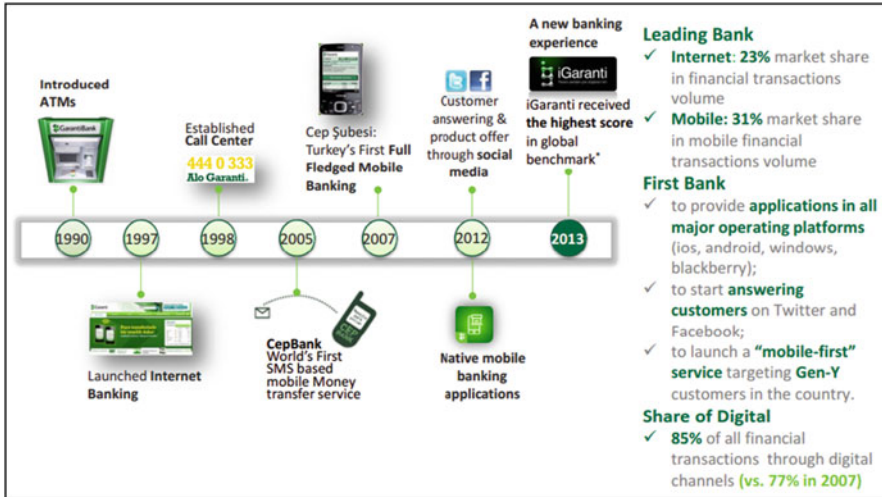


Fig. 5 Garanti Bank Omni-Channels (Garanti 2015)

Table 3 Examples of Garanti innovations (Garanti 2014b)

Year	Innovation
1996	1st private bank to launch SME support package.
1997	Started to offer «firsts» in cash management solution.
2000	1st chip-based installment credit card loyalty program in Turkey—Bonus Card
2005	Turkey's 1st transactions via ATMs without a magnetic card.
2006	1st bank in Turkey to create "paperless banking" operating environment and 1st bank in the world with ID scanning facilities in branches.
2011	Cep-T Paracard: Turkey's 1st prepaid card enabling SIM based secure services
2012	World's 1st banking application for Windows 8
2013	iGaranti: First-of-its-kind financial service leading the future of banking business and the revolution of conventional banking approach.

41 % market share in financial transactions volume, where approximately 500 k active mobile users conducted an average of 469 k transactions in a given month (Fig. 6). 33 % of Garanti Bank users preferred only the self-service channels, while 80 % of all transactions occurred via digital channels. Prior to iGaranti, in year 2012, Garanti Bank enjoyed an annual increase of 227 % in mobile banking users, with its existing mobile banking applications available for iPhone, iPad, Android, Android tablets, Windows 8, and BlackBerry 10 devices.

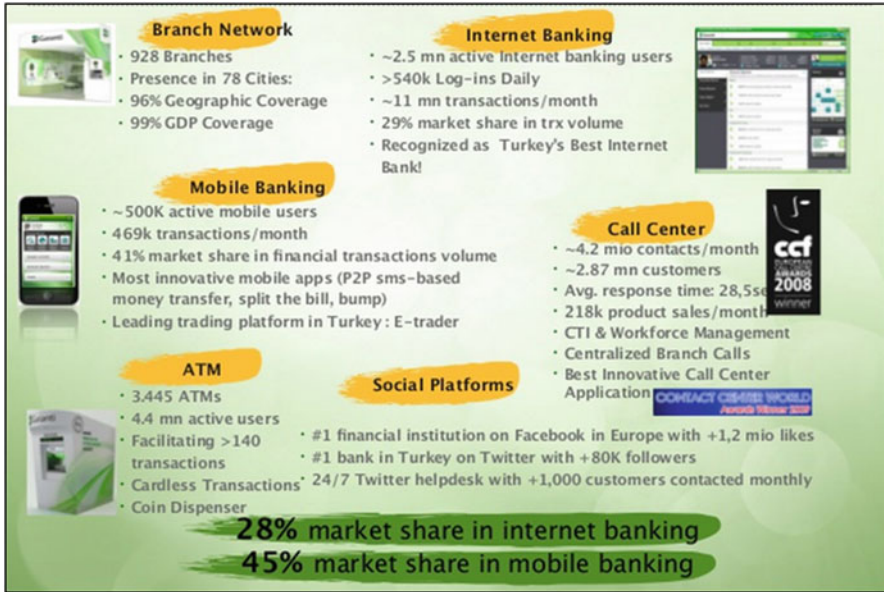
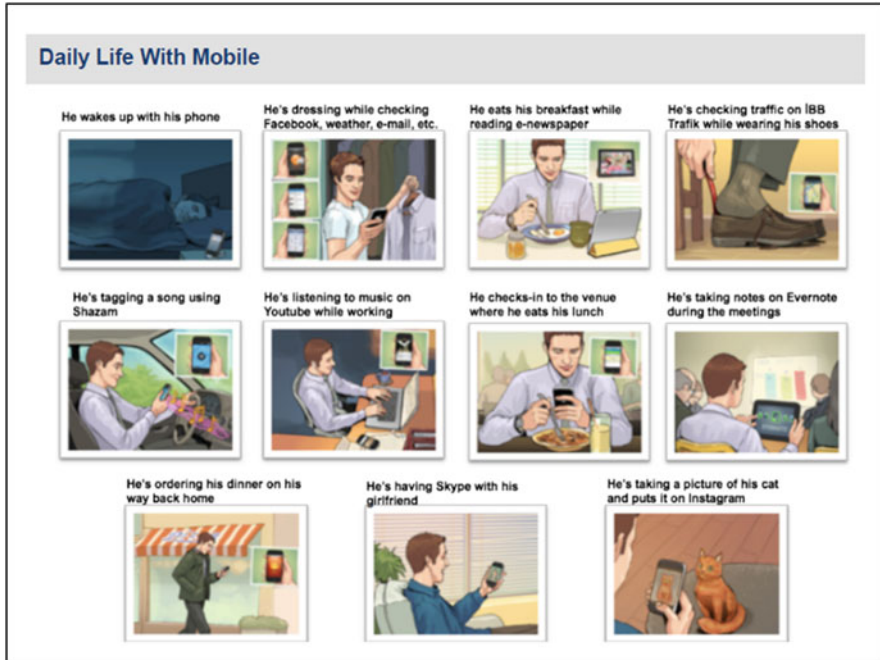


Fig. 6 Garanti Bank's Channel Mix (Güven 2013)

## Early Days of iGaranti

Global trends indicate that retail banks began to prefer staying connected with their existing customers, even those who have stopped using their credit cards or have deferred loan payments. Especially in times of economic lull, learning more about customers' needs, wants, and expectations play a crucial role in building new banking relationships. Most banks invest in new technologies that can capture better data to profile customers with deeper insights for building loyalty and profitability. Rather than dedicating large budgets to mass advertisements, banks have started to optimize their customer contact as the key to success: knowing whom to contact and when, which products and services to discuss, which offers to make, and which channels to use – all in a singular effort to improve on loyalty and profitability as well as building customer service and relationships. Moreover, contact optimization also reduces the side effects of mass advertising, such as annoyed customers (PwC 2011). Following this vision, iGaranti is not only a banking application, but also an early attempt to orchestrate these issues in a single suite of mobile services.

In an effort to develop new products for the unmet needs of the digital population, Garanti Bank partnered with McKinsey consultancy, and decided to connect with Gen C (MMA 2013). Born after 1990, Gen C consisted of *connected* consumers (Fig. 7), namely the “*digital natives*” who spent most of their awake hours connected to the digital world and social networks (PwC 2010). Smart phones



**Fig. 7** Daily life of Consumer Gen C (İlhan 2014)

and tablets perceived as windows to the world, Gen C demanded more engaged, enriching, and efficient brand relationships, valuing apps converging experiences of real and virtual worlds. In an effort to serve Gen C, Garanti started its iGaranti project in November 2011. By then, Gen C consisted of young customers who didn't have permanent banking transactions, but had high levels of mobile phone usage. Right after the project was launched, a second managerial decision was given to include Gen Y (millennial generation) to the target market. Gen Y, who grew with the Internet, had heavy preference for technology based communication as opposed to face-to-face communication channels. In the end, iGaranti targeted customers at 18–30 years of age.

The motivation of iGaranti project involved revealing and realizing the valuable and desirable banking services for Gen C and Y customer segments, to transform the digital banking experience into an efficient helping point for people's daily life. Therefore, enabling customers to do banking transactions anytime—which were already possible with existing Garanti Cep service anyway, was not sufficient. The new app had to be a mobile, direct, living and social banking platform that concentrated on providing 'value added' services to consumers and aimed to match the daily lives in a unique way. To execute this, Garanti Bank partnered with Fjord, a design consultancy firm, to develop a transparent, easy to use, and mobile-only platform that can be integrated into the social media sites easily. The resulting iGaranti app was actually composed of 20 mini-apps. Services ranged

from communicating with users, supporting their financial activities, to providing them with personalized financial coaching and services. Planned features of the iGaranti app included (MMA 2013):

- Providing a clear feature of the user's monetary status for the month, based on scheduled payments;
- Recognizing favorite brands based on spending habits and offers exclusive offers from those brands;
- Offering personalized suggestions and tips based on the user's current financial status, such as information about loans, savings plans, etc.;
- Connecting to Facebook, Twitter, and Foursquare through the app;
- Creating an iGaranti social network to allow for money transfers with friends who also use Garanti Bank;
- Allowing withdrawals from an ATM without having a bank card in hand;
- Creating a virtual wallet via optical character recognition technologies.

---

## iGaranti App

When iGaranti have launched, Garanti bank announced that it “has the potential to revolutionize banking service consumption and the structure of the finance industry” and further described the app as the following on its website:

iGaranti is here to enable you to properly manage your money, take advantage of exclusive campaigns and perform your banking transactions. The control of your expenditures, advice for properly managing your budget, and campaigns that are available for the brands you like are on iGaranti. iGaranti has capabilities such as the “Save Now” button that enables you to save money easily, performing transactions with call steering, and sending money to your Facebook friends. Many other features that are not mentioned here are available on the mobile banking application iGaranti. For detailed information, you can visit [www.igaranti.com.tr](http://www.igaranti.com.tr)

iGaranti project involved 5 main pillars including (1) social, (2) innovations, (3) direct propositions, (4) conventional banking services, and (5) proactive financial status (Fig. 8). In addition to these, there were additional features that were decided upon during the project development phase, too.

iGaranti team worked with a plethora of various suppliers, consultants, and firms in developing the application. These ranged from specialist on mobile payments, mobile money management, merchant-based offers, to voice control. When the project was complete, the app introduced to the market had numerous features (Fig. 9) categorized as:

- (a) *Spending & cash estimates* including indication of current status in comparison to pre-set limits, current account balance, current expenses;
- (b) *Savings help* including a one-click save now button, and accumulated total savings;



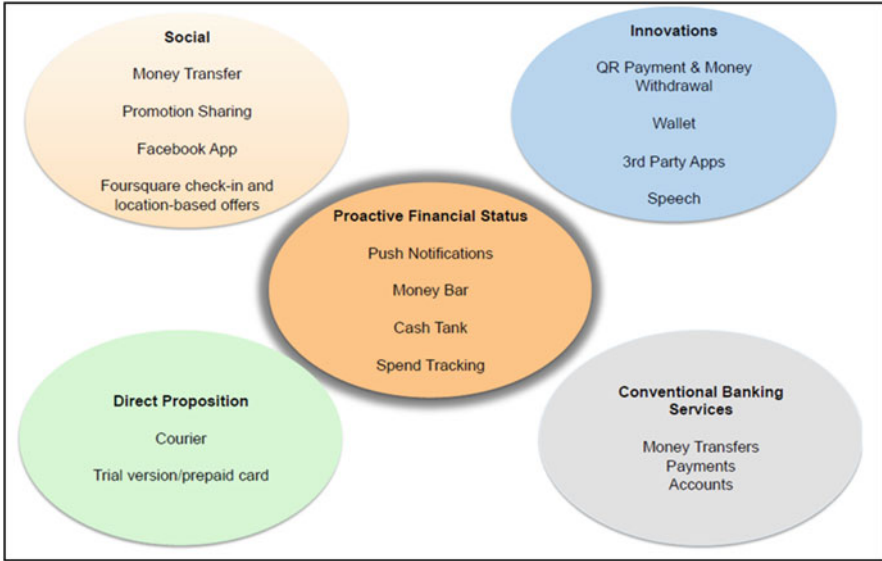
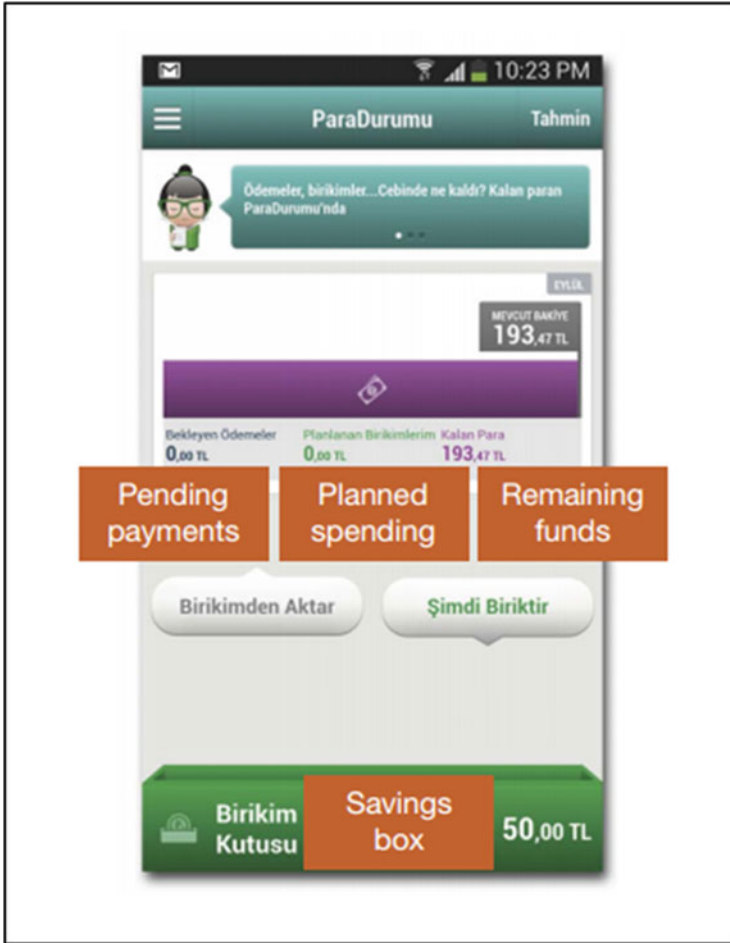


Fig. 8 Pillars of iGaranti (İlhan 2014)

Spending & cash estimates	Savings help	Banking transactions	Social capabilities	Shopping & deals, QR transactions	3rd party apps, e.g., ticket sales, private shopping
<p><b>Limit Göstergesi</b> Limitleriniz kontrol altında!</p>	<p><b>Birikimlerim</b> Artık birikim yapmak harcamak kadar kolay!</p>	<p><b>Para Transferleri</b> Günlük para transferi işlemleri hiç bu kadar kolay olmamıştı.</p>	<p><b>iGaranti Sosyal Ağım</b> Bankacılık sosyalleşiyor, işlemlerinizi kolaylaştırıyor!</p>	<p><b>Akıllı Fırsatlar</b> Akıllı alışveriş kazancınızı artırıyor!</p>	<p><b>Biletix</b> Biletix'in iGarantiler için seçtikleri</p>
<p><b>ParaDurumu</b> Bu ay para durumumuzda neler oluyor hemen söyleyelim!</p>	<p><b>Simdi Biriktir</b> Tek tıkla biriktirin!</p>	<p><b>Dövizlerim</b> Döviz, altın varlıklarınız iGaranti'den yönetebilirsiniz!</p>		<p><b>Akıllı Teklifler</b> Birikim mi yapamıyorsunuz? Nakit ihtiyacınız mı var?</p>	<p><b>Bonubon</b> Bonubon'un iGarantiler için seçtikleri burada!</p>
<p><b>Harcamalarım</b> Yaptığınız harcamalar burada!</p>		<p><b>Kredilerim</b> Küçük büyük fark etmez, ihtiyaçlar hiç bitmez!</p>		<p><b>QR ile Ödeme</b> İnternette veya mağazadan ödeme yapmanın en kolay yolu!</p>	<p><b>Markafoni</b> Markafoni'nin iGarantiler için seçtikleri burada!</p>

Fig. 9 Categorical features of iGaranti

- (c) *Banking transactions* including money transfers, foreign currency and gold accounts, and all sorts of credit accounts;
- (d) *Social capabilities* including an iGaranti social network connected to Facebook;



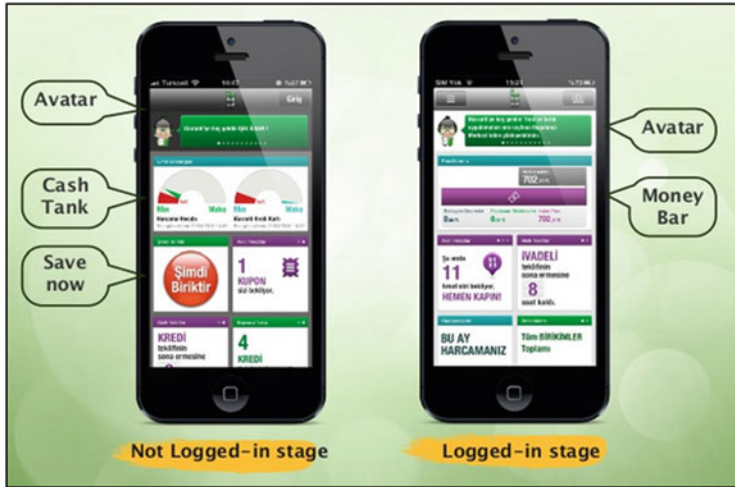
**Fig. 10** iGaranti shows customers how much money they have left

- (e) *Shopping & deals, QR transactions* including notifications of smart shopping discounts and deals, smart savings or credit offers, and online or in-store QR payment function;
- (f) *3rd Party apps* including tickets sales via Biletix (<http://www.biletix.com>), daily vacation package sales via Bonubon (<https://www.bonubon.com>), and apparel flash sales via Markafoni (<https://www.markafoni.com>).

Some of the popular fundamental features of the iGaranti included;

- Money bar: Enabling users to forecast their finances based on data retrieved from past 6 months of spending, saving and cash flow (Fig. 10). Then, utilizing this



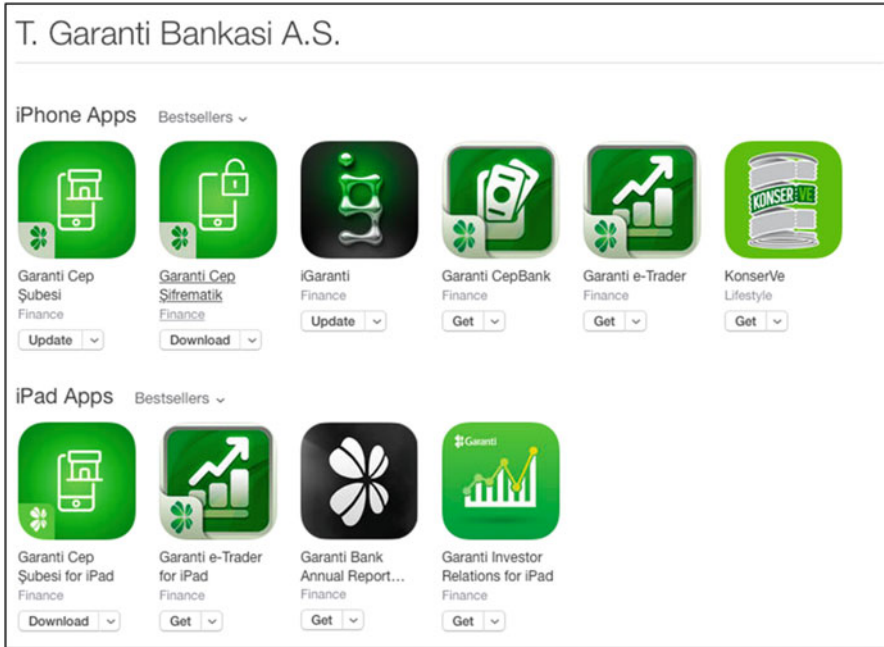


**Fig. 11** iGaranti dashboard

data to generate attractive offers on savings or micro-credit. Money bar was also accessible prior to login at the iGaranti dashboard (Fig. 11).

- QR code: Enabling customers to withdraw money from ATMs without the need to insert their physical cards. This became one of the most popular features of the app. When a customer forgot his/her wallet, it became possible to withdraw money from any ATM with the help of a QR code generated by the iGaranti app.
- Mobile wallet: Enabling customers to scan and save their physical cards including IDs, other banks' debit/credit cards, as well as loyalty and insurance cards via smart phone cameras.
- Voice control: enabling various monetary transactions to be processed via voice control.
- 3rd party offers from (1) Bonubon, a daily vacation package deals site; (2) Markafoni, a private apparel shopping site; and (3) Biletix, Turkish version of Ticketmaster.
- Utilizing the location-based data of its users, iGaranti generates smart 3rd party offers to its customers.

iGaranti was only available for smart phones, but not for tablets. However, the apps of Garanti Bank were not limited to only iGaranti, there was a total of 6 iPhone apps and 4 iPad apps (Fig. 12).



**Fig. 12** Garanti Bank iPhone and iPad Apps

## Market Response

Forrester Research, a global research and advisory firm have awarded iGaranti as the top mobile banking application worldwide in 2014. The ranking evaluated the retail mobile banking offerings of 32 leading retail banks in 11 countries, including the US, the UK, France and Germany. While evaluating these applications, Forrester used a number of criteria and made a comprehensive analysis covering customer touch points, customer engagement, transaction functionality, service features, cross-channel guidance, and marketing. As the global mobile transaction forecasts a market worth of \$721 billion and 450 million users by 2017 (Gartner 2013), iGaranti presents an excellent service innovation case with important lessons from an emerging markets perspective.

iGaranti's market introduction in year 2013 led to some prestigious awards in year 2014 including the following:

- "Golden Smarties" in the categories of "Mobile Application", "Product/Service Launch" and "Innovation" at the Smarties EMEA & UK 2014 Awards held by the Mobile Marketing Association.
- "Innovation of the Year" category at the Digital Communication Awards 2014.

- “Silver” at the digital world’s prestigious W3 Awards given out by International Academy of the Visual Arts (IAVA) in New York.
- “Best Mobile Banking Experience” award at the SmartCard & Payment Awards 2014.
- Highest score in global benchmark per Forrester’s “2014 Global Mobile Banking Functionality Benchmark Scores”, and reflection as a case study in Forrester’s report in 2014.

Garanti Bank’s year 2014 Investor Relations Report (Garanti 2014a) included 6 pillars specifically attributed to iGaranti:

- Took digital transaction banking one-step further and introduced iGaranti, a service embedded into the lives of people, which signify a first in the mobile world.
- Became the first Turkish bank to have a presence on all of the leading platforms with the Mobile Phone Branch.
- Became the first Turkish bank to set up new branches with a disabled-friendly approach.
- iGaranti Glass application became the world’s first financial application developed for Google Glass—also the 68th app on Glassware worldwide.
- Integrated the Beacon technology, which offers a unique shopping experience by communicating with nearby devices, into banking via iGaranti.
- Launched a groundbreaking initiative with the Voice Control feature developed by iGaranti, which allows users to transfer money to the accounts of people in their social networks by voice, as well as browsing within the application.

iGaranti have claimed many awards and recognitions, in addition to the wide press coverage. Two years into its launch, iGaranti counted for an active user base of 110 k. However, the spread of its reach was only about 2 % of the active mobile banking users in the market. Mr. Yılmaz worried about the bottlenecks that had limited further user acceptance and engagement. In an effort to explore both current and prospective users’ attitudes, he visited a number of social media sites and forums (see Table 4).

## Discussion Questions

1. What is Mr. Yılmaz’s interpretation of the problem?
2. Analyze the situation from the customer’s standpoint. What is iGaranti? What factors facilitate its adoption? What factors make adoption difficult? Who is iGaranti best suited for?
  - (a) What is it that you can do with iGaranti that makes it such an exciting app?
  - (b) What is the value iGaranti has for the customer? What are its customer benefits?
  - (c) How is the customer’s privacy concerns addressed with regards to location-based discount and special offers?

**Table 4** Sample consumer comments: reviews on the internet (ekşisözlük 2013)

- 
- “I ordered iGaranti Paracard (debit). Did not ask for any fees. I wonder if it’s completely free, or will I be charged later on? Anyone who knows about it, I am worried now about any costs that might come along”

---

  - “Logic tells that any bank cannot care for us, therefore their slogan is flawed. . . they just want to ripe every possible cent from us. . . it starts like this, and then before you know they’ll start charging us”

---

  - “Nice app. . . though it’s design intelligently, the customer rep button is useless since it directs you to call center, then the call center to the branch. I lost a day to update my home address. . . we are slaves to the bank”

---

  - “I have downloaded and installed the iPad app, got my virtual card number issued, waiting for the carrier to hand me the card. I’ll further browse the app futures afterwards; so far it looks like good. Ability to connect to social networks means availability of extra deals, particularly on foursquare. I hope we’ll get more deals as the user base increases”

---

  - “If it’s free now, there’ll be gradual fee introduced, first 10 cents, then perhaps 25-50 cents. It wasn’t possible to get any service from this bank free of charge, why should we be able to now?”

---

  - “The concept is exactly the same with mint.com. . . perhaps useful for those who know how to use it.. Let’s give it a try and see”

---

  - “Since it is a Garanti bank app, I immediately started wondering what’s wrong with it”

---

  - “While registering, it asked me my identity number, date of birth, my telephone number and e-mail. I wonder why it did not asked me my name and surname and why I haven’t seen any customer contract to accept. Very interesting!”

---

  - “Voice recognition functionality ‘nuance’ is very bad. Maybe they want to spend their money for nothing. The app is generally ok but the user experience is more like a soup. I hate offers popping out here and there. I don’t need these offers to have my cheap coffee.”

---

  - “This app has way more ads than the regular Garanti app.”

---

  - “Fill an app with an unrelated list of awkward functions that nobody can understand and sell it saying that it is ‘beyond its time’.”

---

3. Now adopt the standpoint of social networks, advertisers, brands, and shops: what would they want iGaranti to be? Thinking about the competition: What are iGaranti’s potential strengths and weaknesses in the market?

(a) Discuss the value chain impact of iGaranti on shopper marketing.

4. Conduct a new product adoption analysis of iGaranti by **Roger’s ACCORD** (Rogers 1983) model:

- (a) **Advantage.** Does iGaranti appear as a superior alternative to a well-identified alternative?
- (b) **Compatibility.** Is iGaranti consistent with the lifestyle, experiences, and environment of consumers?
- (c) **Complexity.** Is iGaranti easy to understand and use?
- (d) **Observability.** Are the results of adopting iGaranti observable and describable to others?
- (e) **Riskiness.** Are there foreseeable negative economic, social, or physical consequences of adopting iGaranti?
- (f) **Divisibility.** Can iGaranti be adopted gradually or tried on a limited basis?

**Acknowledgement** We thank Ms. Burcu Gümüş (PhD Student, Istanbul Bilgi University) for her invaluable support.

---

## References

- Alametifarika. (2015). *iGaranti - Someone who cares about your money more than you do advertisement* [Online]. istanbul: alametifarika. Available at: <http://www.alametifarika.com.tr/we-do/garanti-bankasi/igaranti-parani-senden-cok-dusunen-biri-someone-who-cares-about-your-money-more-than-you-do-052013>, accessed 09/11/2015.
- Eksisözlük. (2013). *iGaranti* [Online]. ekşisözlük. Available at: <https://eksisozluk.com/igaranti--3822831?p=1>, accessed 09/11/2015).
- Ernst&Young. (2012). *The customer takes control: global banking survey* [Online]. Ernst&Young. Available at: [http://www.ey.com/Publication/vwLUAssets/ey-global-consumer-banking-survey-2012/\\$FILE/ey-global-consumer-banking-survey-2012.pdf](http://www.ey.com/Publication/vwLUAssets/ey-global-consumer-banking-survey-2012/$FILE/ey-global-consumer-banking-survey-2012.pdf), accessed 09/11/2015.
- Ernst&Young. (2013). *Banking in emerging markets: seizing opportunities, overcoming challenges* [Online]. Ernst&Young. Available at: [http://www.ey.com/Publication/vwLUAssets/Banking-in-emerging-markets-country-reports/\\$FILE/Banking-in-emerging-markets-country-reports.pdf](http://www.ey.com/Publication/vwLUAssets/Banking-in-emerging-markets-country-reports/$FILE/Banking-in-emerging-markets-country-reports.pdf), Accessed 09/11/2015.
- Garanti. (2012). *Annual Report* [Online]. Available at: <https://rapor2012.garanti.com.tr/en/default.aspx>, accessed 09/11/2015.
- Garanti. (2014a). *Garanti Bank Annual Report* [Online]. Istanbul. Available at: [https://www.garantiinvestorrelations.com/en/images/pdf/garanti\\_bank\\_annual\\_report2014.pdf](https://www.garantiinvestorrelations.com/en/images/pdf/garanti_bank_annual_report2014.pdf), accessed 09/11/2015.
- Garanti. (2014b). *Not a coincidence* [Online]. Garanti Investor Relations. Available at: <https://www.garantiinvestorrelations.com/en/images/pdf/CorporatePresentation.pdf>, accessed 09/11/2015.
- Garanti. (2015). *Turkish banking sector and Garanti bank* [Online]. Available at: [https://www.garantiinvestorrelations.com/en/images/pdf/Garanti\\_IR\\_Presentation\\_January2015.pdf](https://www.garantiinvestorrelations.com/en/images/pdf/Garanti_IR_Presentation_January2015.pdf), accessed 09/11/2015.
- Gartner. (2013). *Gartner Says Worldwide Mobile Payment Transaction Value to Surpass \$235 Billion in 2013* [Online]. Available at: <http://www.gartner.com/newsroom/id/2504915>, accessed 09/11/2015.
- Groenfeldt, T. (2015). *Turkey's Garanti Bank Captures Elusive Millennials* [Online]. Digitalist magazine by SAP. Available at: <http://www.digitalistmag.com/industries/garanti-bank-captures-elusive-millennials-02954838>, accessed 09/11/2015.
- Güven, D. (2013). *Digital Banking Channels* [Online]. Available at: <http://www.slideshare.net/mobilehorizons/mobile-horizons-istanbul-2013-deniz-gven>, accessed 09/11/2015.
- İlhan, I. (2014). *Digital Banking at Garanti Bank* [Online]. Available at: <http://www.nuance.co.uk/landing-pages/enterprise/ces-europe/files/2014%20Nuance%20CES%20London%20-%203%20Customer%20Spotlight-%20Garanti%20Bank%20-%20Isik%20Ilhan.pdf>, accessed 09/11/2015.
- MMA. (2013). *iGaranti: MMA Case Study* [Online]. Mobile Marketing Association. Available at: <http://www.mmaglobal.com/case-study-hub/upload/pdfs/mma-2013-463.pdf>, accessed 09/11/2015.
- Özdikiş, Ö., & İşbilen, A. (2014). *Mobile Publish/Subscribe Projects at Garanti Bank with IBM WebSphere MQ & IBM MessageSight* [Online]. Las Vegas, NV: IBM. Available at: [https://www-950.ibm.com/events/www/impact/impact2014cms.nsf/download/kef0275ad21ee21ee145d9cb58fb/\\$FILE/Impact2014\\_1680.pdf](https://www-950.ibm.com/events/www/impact/impact2014cms.nsf/download/kef0275ad21ee21ee145d9cb58fb/$FILE/Impact2014_1680.pdf), accessed 09/11/2015.
- PWC. (2010). *The rise of Generation C: Implications for the world of 2020* [Online]. Booz & Company. Available at: [http://www.strategyand.pwc.com/media/file/Strategyand\\_Rise-of-Generation-C.pdf](http://www.strategyand.pwc.com/media/file/Strategyand_Rise-of-Generation-C.pdf), accessed 09/11/2015.

- PWC. (2011). *Getting to know you: Building a customer-centric business model for retail banks* [Online]. PricewaterhouseCoopers. Available at: <http://www.pwc.com/us/en/financial-services/publications/viewpoints/assets/viewpoint-retail-bank-customer-centric-business-model.pdf>, accessed 09/11/2015.
- Rogers, E. (1983). *The diffusion of innovations*. New York: Free Press.
- TBB. (2014). *Internet and mobile banking statistics* [Online]. Accessed 09/11/2015.
- Turktelekom. (2015). *Turkey telecom sector* [Online]. Available at: <http://www.ttinvestorrelations.com/turk-telekom-group/investing-in-turk-telekom/turkey-telecom-sector.aspx>, Accessed 09/11/2015.

---

# Case Study 9: Happy Textile: Is Store Atmosphere Still A Priority?

Tjong Budisantoso, Johnny Jermias, and Adrian Bradshaw

---

## Introduction

Michael, a recent graduate from a prominent university in Malaysia, decides to move back to his home town of Ciamis in Indonesia to take over his family business that sells textile. He is eager to put into practice all of the business knowledge he acquired during his MBA program. In the first month managing the store he has identified several aspects of the business that could be improved and he thinks that one of the most important aspects, in need of immediate attention, is the store atmosphere. The store looks dull with limited space for customers to move around. Further, the products are not well-organized making it difficult for customers to browse and select the products that they are interested in purchasing. Based on the marketing concepts he learned in his MBA program, and his pleasant experience shopping in many stores in Kuala Lumpur, Michael contemplates redesigning the store to improve its atmosphere. He believes that he needs more space to display the products properly and allow his customers to have a pleasant shopping experience. He considers buying the adjacent store, which has been struggling lately, in order to expand the existing store. However, he realizes that due to its strategic location, purchasing the adjacent store might create potential cash flow problems in the near future, particularly if the forecasted future sales are not as expected.

---

*All the facts and figures shown in this case are with prior consent from Happy Textile with detailed information undisclosed to protect confidentiality. Some information is gathered directly from the company. Some assumptions are used to illustrate some points, without affecting crucial data. The case study does not intend to show either effective or ineffective company business activities.*

T. Budisantoso (✉) • J. Jermias • A. Bradshaw  
James Cook University, Singapore, Singapore  
e-mail: [budisantoso.tjong@jcu.edu.au](mailto:budisantoso.tjong@jcu.edu.au)

## The Town of Ciamis

The town of Ciamis is located in West Java, Indonesia. According to data from the Ciamis Bureau of Statistics (2014) the town has an area of 32,767 km<sup>2</sup> and in 2013 the population was 94,888 47,163 males and 47,725 females. Most of the people living in Ciamis at the time were in the age range 12–29, around 9, 070 in number. The second largest group consisted of children in the age range 5–9; these were 8, 542 in number. The age range 60–64 had a total of 3, 216 people; the least number of people among the age groups.

There was an increase in the Gross Local Product (GLP) of Ciamis from 2010 to 2012 (Ciamis Bureau of Statistics 2014). The GLP in 2010, 2011 and 2012 was Rupiah 1,757,275.137, 1,976,952.169 and 2,227,412.021. The three sectors that contributed significantly to the GLP were transportation and communication; trading, hotel and restaurant and services. The average contribution of transportation and communication to GLP over the 3 year period was around 30%. Meanwhile, in the same 3 year period, trading, hotel and restaurants contributed approximately 22.3% and the services sector around 19.65%. There were 916 shops and 11 minimarkets operating in Ciamis in 2013 (Table 1).

## Happy Textile

Happy Textile has been established for 30 years and is owned by the Lioe family. The business was started on Juanda Street, then moved to a bigger store on Otto Iskandar Street. In 1994, the government asked the owners of the store on Otto Iskandar Street to move to a newly built market. Happy Textile was relocated to town market, a strategically important location, where it still is to this day.

The Lioe family has 3 sons and 1 daughter. Initially, none of the sons nor the daughter were interested in continuing the business. One of the sons, Michael,

**Table 1** Gross local product

No.	Industry sector	2010	2011	2012
1	Agriculture	142,429.403	135,960.221	142,266.695
2	Mining	0.000	0.000	0.000
3	Processing—non mining	51,951.663	57,182.697	66,800.658
4	Electricity, gas and water	86,683.340	100,062.261	118,039.153
5	Construction	66,129.328	71,635.799	80,372.244
6	Trading, hotel and restaurant	382,699.615	441,945.818	507,041.033
7	Transportation and communication	553,172.646	596,496.374	646,210.857
8	Finance, renting and company support	150,013.742	178,833.284	209,099.283
9	Services	324,195.400	394,835.715	457,582.098
	Gross regional product	1,757,275.137	1,976,952.169	2,227,412.021

Source: Ciamis in Figure 2014, Ciamis Bureau of Statistics web site, published in 2014, [www.ciamiskab.bps.go.id](http://www.ciamiskab.bps.go.id), accessed August 16, 2015



finally agreed to continue with the business. He has, in the past, helped the family to manage the store on a part-time basis. Michael has a master's degree in business administration and he has worked as a business consultant. Prior to working as a consultant he had managed his own business but due to capital constraints at the time he decided to close it.

Happy Textile opens daily from 8 am to 4 pm; a strategy that allows them to retain customers and avoid customers shifting to their competitors. This approach has been used for the last 30 years and the store only closes on Hari Raya Puasa and special family occasions. Michael's mother plays an important role in managing and operating the store daily.

---

## **Textile Business**

The town of Ciamis is a part of West Java province and is approximately 122 km from the capital of the province, Bandung. Bandung is known as the centre of textile and fashion in Indonesia. Most of the textile produced in Bandung is exported to other countries and the remaining is sold in local markets, including Ciamis.

The salespersons from Bandung visit weekly and offer various products to stores in Ciamis and surrounding towns. A number of the suppliers in Bandung have been supplying Ciamis and the surrounding towns for many years. When they visit the stores the salespersons show samples of textiles to shop owners. Once the shop owners have selected their preferred pattern the textile will be sent, by courier, from Bandung a few days later.

In Ciamis people buy textile for uniforms, general fashion, banners and for other general use. The demand for textiles is seasonal, for example, the demand for uniform textile is high in June, July and August. Meanwhile the demand for fashion textile is high in months close to Hari Raya Puasa and the demand for textile banners is high in months close to an election. Knowing the pattern of the demand for the various textile products most store owners order their product earlier in order to avoid any price increases and the unavailability of the product.

---

## **Competitors**

Most of the shops in Ciamis, including all of the textile shops, are centrally located in two locations, town market and town centre. Town market attracts the larger number of buyers and is therefore busier than town centre. Town market closes at 6 pm, whilst most of stores at town centre close at 9 pm. Happy Textile has three main competitors, J Textile, SJ Textile and P Textile.

## **J Textile**

J Textile is the biggest textile store in Ciamis. Ten years ago the product lines of J Textile and Happy Textile were quite similar but over the years J Textile has focused on providing an extensive range of textiles. The store offers the widest variety of textiles in town, particularly fashion textile.

The management of J Textile has made a significant investment in the design of their store. The store is spacious and the layout is well-organized. This encourages many of J Textile's customers to spend lengthy periods of time in the store. In addition, all of the staff wear a uniform adding to the overall atmosphere of the store. J Textile heavily promotes its store using radio advertising and shopping bag.

## **SJ Textile**

SJ Textile offers textile, fashion, perfumes and others products. The store was selling kapok as well but decided to discontinue the product. Despite not having a large amount of space SJ Textile has managed to create a store layout where movement is not restricted. Moreover, the layout is well-organized. SJ Textile also heavily promotes its products such as glasses and shopping bags.

## **P Textile**

P Textile unlike SJ Textile focuses only on selling textile. The layout, in contrast to SJ Textile and J Textile, is not well organized. The store space is utilized in such a way that it is crowded and movement is restricted; merchandise is crammed into all available space. The store atmosphere is quite similar to Happy Textile's.

---

## **Profile of the Customers**

The customers of Happy Textile can be categorized as individual customers and institutional customers. Individual customers come from surrounding villages and they are regular customers of Happy Textile. The age of these regular customers is late-30s and older. A key reason why this customer segment patronizes the store is because of its favourable prices; the prices at Happy Textile are competitive. These customers are well-planned shoppers highlighted by the fact that they prepare shopping lists before embarking on a shopping trip.

Another key factor or reason why Happy Textile is able to retain these customers is because the store is able to provide textiles and patterns of textiles that suits the preferences of these customers. Happy Textile's management understands the preferences of their customers because of the store's long historical experience in the textile business in Ciamis. Furthermore, realizing that shop staff are the ones

who interact with the customers, and that staff have extensive experience, the management allows staff to select the textiles from the suppliers.

Happy Textile have a few institutional customers. Institutional customers buy uniforms and souvenirs for their staff on Hari Raya. The store allows their institutional customers to pay for items in instalments. In addition to this type of institutional customer, the store also has institutional customers who re-sell the product, particularly kapok and mattresses made from kapok.

---

## **Retail Mix**

### **Product**

The store carries a wide-range of products but the main product is textile. The types of textile sold by Happy Textile are clothing such as uniforms, batik, suites, sarong and trousers. They also sell non-clothing textiles such as mattresses, kapok, pillows, blankets, towels, plastic, umbrellas and carpets. Kapok, unexpectedly, is the store's best seller. For this product, the store holds the largest market share in Ciamis. Kapok is used to produce mattresses and people in the town prefer to use mattresses made from kapok as it regains its original shape when placed in the sun.

The store also sells normal mattresses as well as those made from kapok. There are three different sizes of mattresses, single, double and king size. The sales of kapok mattresses are steady as there are only a few stores in town that sell mattresses made from kapok.

Uniforms are another best seller. The store supplies uniforms for some institutions in town including elementary, junior and high schools. The demand for this type of textile is seasonal with peak sales in the months of June and July following the school calendar.

### **Price**

The store adopts a bargain-price policy; the lowest price range is chosen and staff informed. This approach ensures that prices are competitive compared with the others stores. The price for kapok is around \$2.5 per kilogram and the price of mattresses made from kapok is around \$50 for a double bed. The price of textile ranges from \$1 to \$8 per meter.

The management of the store applies a cost-based pricing approach. Each product has its own profit margin. For example, the profit margin of uniform textile is lesser, compared to fashion textile. The main consideration is the product turnover. The turnover of uniform textile is faster than fashion textile. The profit margin of non-textile products are considerably larger than textile products (Table 2).

**Table 2** Major product lines and their' prices offered at Happy Textile

No.	Product	Product line	Average price
1	Textile	1. Fashion textile	\$3 per metre
		2. Uniform textile	\$2.5 per metre
		3. Mattress textile	\$2 per metre
		4. Funeral textile	\$1 per metre
		5. Advertising textile	\$1 per metre
		6. Baby birth textile	\$1 per metre
		7. Gordyn	\$3 per metre
		8. Carpet	\$2 per metre
		9. Table cover textile	\$1 per metre
2	Kapok	Kapok	\$2.5 per kilogram
3	Bed cover	Bed cover	\$25 per piece
4	Sarong	1. Male sarong	\$10 per piece
		2. Female sarong	\$8 per piece

Source: Happy Textile

## Place

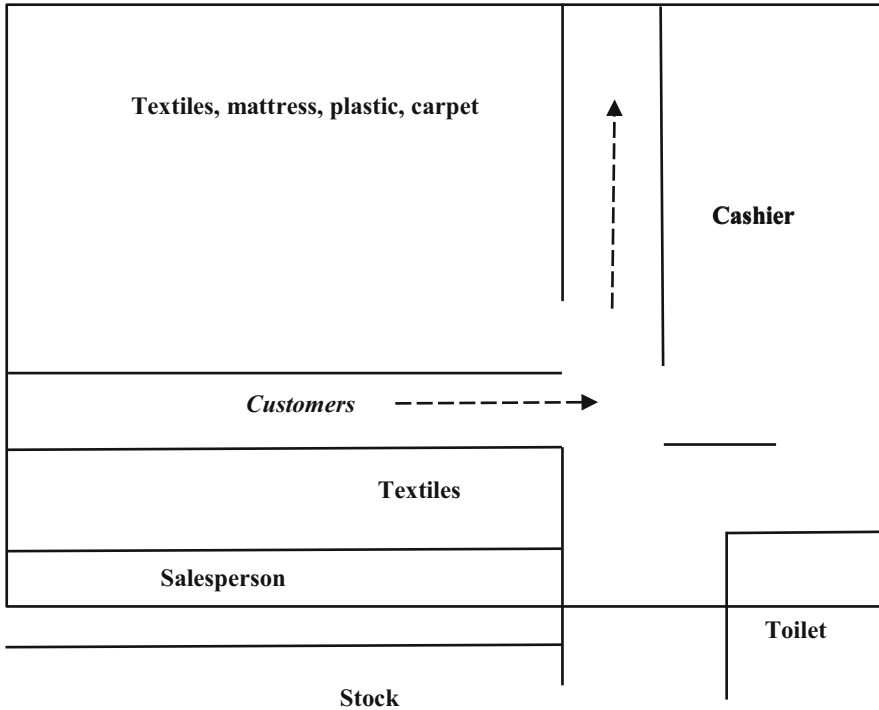
The store is strategically located in town market close to the entrance of the market. People who intend to buy fruits, vegetables and meat need to pass by the store. The store adopts an “open-entrance” strategy allowing shoppers to enter from different angles. The size of the store is around 48 m<sup>2</sup>.

## Physical Evidence

The store atmosphere is not well designed. There is not enough space to accommodate shoppers as the textiles have occupied most of the space. Mattresses, pillows, carpets and plastic are placed just outside of the store. The aisles are cluttered and the layout is not attractive. The movement of shoppers is severely restricted. However, the store looks clean as the staff clean on a daily basis. There is no music, TV or air conditioning inside the store. The cashier is located on the right side of the store (Fig. 1).

## Promotion

The manager of the store does not put a lot of effort into promotion activities. She believes that people in town know about the store already since it has existed for 30 years. In addition, the low-pricing policy is expected to generate word of mouth awareness amongst people in town.



**Fig. 1** Happy Textile' layout. *Source:* Happy Textile

**Process**

All transactions are processed manually. Customers visit the store and choose the product that they want. In the case of textile the customer also informs the staff how many metres of the textile are needed; the staff will then measure and cut the textile accordingly. Once the customer is ready to check out the staff informs the cashier how many metres of textile the customer bought and the cashier calculates how much the customer should pay. There is no receipt issued unless the customer asks for it. All other products are processed in a similarly manner. For kapok and mattresses, staff help to transport the products to the closest bus terminal so that the customer does not have to carry the products.

Management adopts a strict no-return policy for textile. The main reason for applying this policy is because “once the textile has been cut, it is hard to re-sell it to another customer”. However, management accepts the return of products such as mattresses and sarongs.

---

## People

There are five staff working at the store and each one has worked there for at least 10 years. The most senior staff member is in charge of negotiations with institutional customers and the delivery of products. There is one staff member in charge of producing mattresses made from kapok. The other staff are responsible for product sales at the store. Since all of the staff have worked at the store for at least 10 years they have a lot of experience dealing with the customers. As an incentive Happy Textile awards staff a bonus for reaching a predetermined sales target. The bonus is paid to staff immediately.

---

## Service Quality

*Reliability* An experienced sales person ensures the process of measuring and cutting textiles is performed accurately. Additionally, staff provide advice on how many metres of textile the customers should buy and the quality of textile. The advice is accurate and salespersons don't push the customers to buy more than what is needed. Advice is also provided for non-textile products. These reliable salespersons have contributed to the store re-patronage and word of mouth.

*Assurance* All staff have worked for Happy Textile for many years. They have good relationships with the customers and sufficient knowledge of customers' preferences.

*Tangibles* The appearance of the physical facilities is a major concern for Happy Textile. Salespersons do not wear uniforms, the name of the store is not written on invoices or shopping bags and the overall store atmosphere is not good.

*Empathy* The owner of the shop and staff develop and maintain good relationships with customers. To create these relationships, the preference of customers are noticed. For example, a lady who mostly buys kapok has a preference for medium quality mattress textile. To follow-up this preference salespersons always offer medium quality mattress textile to her at a competitive price.

Another example is an institutional customer who follows a collective decision making approach at the institution and then orders uniforms, preferring bright colours. This customer always collects information, such as colour and type of textiles, from her staff before making a decision. Knowing that this customer does not have the time to obtain the information by herself, the store takes the initiative to gather the information before the meeting with this customer. As a result of this approach, the transaction is much faster.

*Responsiveness* Salespersons help customers to carry kapok to the bus terminal. This assistance is needed as most customers who buy kapok are female and rely on

public transport. For customers who buy more than 100 kg of kapok the store provides a delivery service.

---

## Challenges

Michael intends to expand his store to textile store chains. To establish textile store chains he realizes the importance of accounting information systems and store atmosphere. Currently, the store relies on a traditional manual accounting system. Michael's mother plays a significant role in the financial and accounting operations of the store since she is the only person with skills and knowledge of cash, accounts receivable, non-current assets, accounts payable and other accounting information. Consequently, Michael puts implementing an accounting information system high on his agenda.

In addition to implementing an accounting information system, re-designing the store atmosphere is the other main concern. Michael is more conservative about this issue and before embarking on this risky endeavour he decides to conduct in-depth analyses on the overall activities and environment of the store.

Michael utilizes the store atmosphere classification initiated by Baker (1986) to analyse the quality of the store atmosphere. Store atmosphere is differentiated into three factors, ambient, design and social factors. Ambience factors are background features that may or may not be consciously perceived but that affect human senses. He finds that the store is relatively clean and the tense is relaxed. In contrast, the air quality is not too pleasant and the store looks dull.

Design factors refer to features directly perceptible by consumers such as aesthetics and functionality. Michael observes that the store is medium sized, fairly clean and relatively comfortable. On the other hand, he finds that the store is cramped, drab and unattractive. The layout is unorganized and the interior is unimpressive.

Social factors refers to the people in the environment, that is, other customers and service personnel. Based on his observation, the staff are lively, cheerful, stimulating and courteous.

In addition to analysing store atmosphere, he notices the following:

- Most customers do not spend much time browsing around before purchasing a product.
- Customers typically arrive at the store with a shopping list and ask whether the store has those items on the list.
- When asking for the price, customers seem to be aware of the competitors' price for similar products.
- The majority of customers know the owner well.
- Most stores around the area maintain their original appearance.
- Profitable products tend to be traditional in nature and bought by farmers with simple life styles.

- More modern products such as stylized curtains are not profitable due to low sales volume.

Considering all of the factors mentioned above Michael is now less convinced about the need to re-design the store.

### Discussion Questions

1. Identify the trend in demographic profile. Is there any change that has a relationship with shopping behaviour? Explain your answer.
2. Who is the target market of Happy Textile? The target market should be defined using several segmentation variables.
3. Identify the advantages and disadvantages of re-designing the store atmosphere.
4. Should Michael re-design the store atmosphere? Explain your answer.

---

### References

- Baker, J. (1986). The role of the environment in marketing services: The consumer perspective. In J. A. Czepiel, C. A. Congram, & J. Shanahan (Eds.), *The services challenge: Integrating for competitive advantage* (pp. 79–84). Chicago: American Marketing Association.
- Ciamis Bureau of Statistics. (2014). [www.ciamiskab.bps.go.id](http://www.ciamiskab.bps.go.id). Accessed 16 August 2015.



---

# Case Study 10: Social Media and Customer Engagement at Makemytrip.com

Bidyanand Jha and Anita Kshetri

*Passion of winning goes beyond merely chasing targets and achieving them. It's the zest and zeal with which ones goes about the achievement. It's not only about winning, it's about dominating!*

—Deep Kalra, Chairman and Group CEO

*MMT has no "I"s, there are only "We"s. We drive success.*

—Mohit Gupta, Chief business and Marketing officer

MMT Chairman Mr. Deep Kalra, stood at a hotel window staring across the Hudson River at a breathtaking view of downtown New York. But on this January 2015 morning, the view and his mind was pre-occupied with a major decision facing his company- what should be done for the challenging scenario of customer engagement, retention and loyalty. The thought was also flowing in the direction of increased competition, volatile customer base, current practices of MMT and future planning to address the very challenging domain of Customer engagement via social media.

The evolving sophistication of the online travelers & the maturity of competition was starting to demand a variety of services but this would mean high definition process and engagement. Indeed, social media pressure had forced MMT to re-look into the primary sales channel and initiate fresh measures to maintain good relationship with the evolving consumers via social media marketing techniques.

A November 2013 report published by "World Travel Market and Euromonitor International" a research and data processing firm, entitled "The latest trends around the world" agreed that the travel players are differentiating and innovating their products and services, all while embracing social media. In addition, they noted that social media channels are important to improving customer experience,

---

B. Jha (✉) • A. Kshetri

Kirloskar Institute of Advanced Management Studies, Pune, Maharashtra, India

e-mail: [bj@kiams.ac.in](mailto:bj@kiams.ac.in); [bidyajha@gmail.com](mailto:bidyajha@gmail.com)

as seen with the emergence of mobile concierge, while in India, social channels are giving online travel companies sales a welcome boost.

Mr. Deep Kalra described the difficulty of making decisions in the new and rapidly changing industrial scenario. “The very nature of online business is brick behind the click, which makes the interaction with customers limited to click. Therefore, it makes the record unreliable during times. The progress of social media maturity has opened up multiple sales channels for customers, it becomes still more difficult to hold the customer for a long and also increases the cost of serving each customer. The changing calendar every year, throws up challenges in engagement of the customer as some new media comes into practice and changes the trade game. We spend hundreds of thousands of dollars on making our process user friendly, creating exciting offers and enhancing visibility on social media. Two years from now some new modes and channels of social media will be in existence, this may change the trade game. Who knows?”

---

## **Online Travel Industry: An Overview**

The boom in technology and informational technology have had an impact on the business world since the late '80s, when the Internet began to penetrate the lives of millions of users around the globe. The concepts of electronic business and commerce started picking up momentum, while the development of internet acumen was in process. From a simple usage of e-mails, this internet technology has gone through various innovations, impacting the way the business is done. It has not impacted only the online industry but also compelling the offline industries to adopt the technology (FICCI Report 2012).

These days, it is hard to imagine the booking of online travel tickets without using an electronic gadget via internet. Booking a flight ticket or holiday package electronically is an invention and the result of development in technology and internet technology. The need for quick and reliable travel services has never been greater than in today's fast based globally-connected world.

During 1946, American airline developed the first automated booking system relying on large metal drums to store memory. Due to the discomfort of operation in managing the memory, in 1959, American airline moved to SABRE (Semi Automated Business Research Environment) an automated airline reservation system. This system was an incremental development in the process of managing customer's record but could not give the best of the services and therefore, the need for further enhancement in the system arose (Comscore 2013).

During 1971, UK develops the Apollo Electronic Reservation system “Travicom” and granted travel agents to have access, which allows bookings for multiple airlines. During 1992, Travicom was further enhanced to facilitate the booking of airlines, hotels, cruise and car rentals. In 1995, Lonely Planet launched a dot com for travel booking named as “lonelyplanet.com”. During 1996, Microsoft founds its own travel booking website named as “Expedia”. In the same time

American airlines subsidiary holding SABRE, founds “Travelocity” which uses SABRE for bookings.

Travelocity launched its own site “do it yourself traveler”. Anticipating the growth potential of helping travelers book their own holidays, priceline.com with its “Name your own price” launched a collaborative pricing model. Subsequently, the pricing model was extended to cars, home loans and even second hand goods but ultimately reverted back to their successful hotel model.

During this time frame, the business dimension emerged from a ticket booking agency to a complete solution providing company in the field of tour and travel. Companies started to propose and capitalize on the opportunity of complete holiday packages. Asian market was considered to be a virgin market and lot of players wanted to enter this market with the tested and established business models of online travel bookings and holiday packages. Companies such as Tripadvisor, Expedia, Thomson cook, Cox and Kings were looking at Asian market especially Indian market.

The attractive business proposals increased the competition and forced business houses to come out with better value proposition to the travelers. In order to grab the opportunity and cash on the travelers wallet, the organizations had to offer the best bargain and value for money. Organizations in order to serve the customer in the most memorable way, started offering lucrative and attractive models.

During 2000–2010, when the market was changing and travelers was in search of the better deal and the best bargain, organizations such as Makemytrip, Yatra, Travelguru, Cleartrip emerged in India with a differential positioning and target market strategy.

Although online businesses had begun to develop in the late 1990s, in India, the supporting ecosystem had not been put in place. In the first phase India was characterized as low internet penetration, a small online shopping user base, slow internet speed and low consumer acceptance.

During 2005, the entry of low cost carriers in the Indian aviation sector marked the beginning of online travel market in India. The decision of low cost carrier to sell the tickets online and through third parties enabled the development of online travel agent. Prior to this entry of low cost aviation, air travel was considered to be a luxury, meant only for corporate and rich class. Low cost carriers changed the scenario and made the service affordable to a large consumer base. They developed their own website and partnered with online travel agents to distribute their tickets online.

Online travel growth was especially sharp in emerging markets, with Asia Pacific recording the highest increase of 19 % in 2012. World online travel growth is expected to continue steady in the next 5 years at a 9.5 % CAGR. Mobile internet devices represented a revolution for the travel industry as they introduced a new reservation channel but they also increased service expectation. Travel companies customers expect real time answers and high level of customization of services wherever they are and at any time. Due to mobile nature of travel, smartphones and tablets are expected to become the key customer service tool in the industry in the next 5 years.

By 2017, the mobile channel is expected to account for over 30% of online travel value sales. The areas expected to grow most within mobile services includes personalized advice, customer assistance, request and feedback. Airline customer service through mobile apps is expected to develop 24/7 planning and emergency assistance.

---

## **Online Travel Market in India**

According to the report published by “World Travel Market” in November 2013, after a slight decline in growth in 2012, India’s travel and tourism industry rebounded with strong results for 2013. Inbound travel was benefitted by the rupee devaluation. Most of the travelers are taking to the skies by the low cost carriers.

Facebook claims to have 82 million users in the country with only 12% of the Indian population online, which makes India the third largest global market after the US and Brazil. The vast majority of users are young urban consumers targeted by online travel companies, which are using social media to engage with them and encourage bookings. Southeast Asia reaps the benefits of proximity and lower costs helping Indians to choose a destination such as Thailand, Vietnam, Cambodia and Bhutan. These are being promoted by the companies extensively through the social media. Expedia India has led the way by advertising 50% off on holiday prices to Thailand via Facebook. Makemytrip is also very active on Facebook by having 1.5 million likes.

Social media is changing the travel scene, India is predicted to have over 300 million internet user by 2017, with more than 75% active on social media. Online travel retail sales in India are forecast to reach US\$14.7 billion in 2017, following a 19% CAGR from 2012. Makemytrip saw over 1 million downloads of its mobile travel app by May 2013. The Indian Ministry of tourism recently started using social media to promote tourism sites throughout the country after joining Facebook in 2013. Leading Indian airline, Jet Airways put social media at the center of its marketing, involving 10 different departments in its social media activities targeting consumers.

---

## **Social Media and Its Importance**

As all firms move online, it has become impending for brands to differentiate themselves. Strategic decisions such as whether to be present on new media platforms or to be present only on the platforms which are widely accepted and populated or to build the largest social network have become some of the most impendent decisions and a daunting process when it comes to finalizing one. Firms today have recognized the need of connecting with their customers online. Online customer service and brand building is easy, less costly and extremely rewarding if it done right. The biggest challenge faced by the firms today is how to align their

corporate brand positioning and extend it online while adopting the changing industry trends. The decision is unavoidable and at times difficult to take, because if they fail to give the expected results or if one of your moves backfires, the firm may even land up paying few million dollars and yet not be able to erase the digital footprints (Earnst and Young 2013).

In India the adaptation process of new media engagement, transaction and methods of doing business has generally been slow. Especially in the travel industry, it has been seen that over the last decade consumers have slowly adopted ecommerce as means of making decisions and purchasing travel plans. It is also observed that of the total ecommerce sales in India, travel alone makes up to three quarters of it. According to a new report by eMarketer, BRIC travel markets in transition: trends influence overall ecommerce” during 2011–16, India’s annual growth rate would be 30.6 %, making the fastest growing online travel sales market.

Use of social media is mostly restricted to services-led initiatives such as reviews and feedback which is, CRM process substituting for not so good offline customer services by sales and customer support personnel. Sales in this industry is heavily dependent on the referral system and hence social networking sites have paved way to huge opportunities for firms to tap on to.

In the year 2010, Harvard Business School in one of their research work published that the biggest benefit the organizations are extracting from social media is brand awareness and product awareness. While this continues to be the key reason of social media adoption, the focus of social media usage has changed from informative source to an online community building source. The online brand community helps in communicating among a group of people about the products, which supports in advocating and spreading positive word of mouth. The community provides a platform for brands to reach a number of potential customers at one go for promotional and marketing initiatives. It helps in customer bond, bolster the brand experience stories, and create strong word of mouth. In the long run, it helps in creating increased customer loyalty, better resolution of customer queries, lowering of marketing and service costs, and flow of innovative ideas.

Firms get better insight into conversations, revenue and cost saving campaigns, half the battle is won if firms are able to freeze on their online presence strategy. If firms can define their social media strategy and objective, they will be able to get the benefit by decreasing their customer acquisition cost, customer retention cost, administrative overheads, routine labor costs, etc. Also firms will be able to increase marketing productivity and profit.

Today all social media networks are trying to imitate each other and offer the same set of features and opportunities to the customers such as Facebook has adopted the #tags from twitter, and twitter today allows users to upload cover image etc. The trick here is not just to be customer centric but to know which social strategy works best during which consumer phase. Companies must know the art of creating social strategies by mapping programs against the marketing funnel. Apart from these the most important element of choosing the right social media mix is to have long term thinking. Growing fans, followers and building a community online is cost intensive; hence must be planned focused on long term objective.

Firms need to understand the consumer phase such as destination search, booking, planning, payment and plan their social media strategy accordingly. It is evident that customers would like to source information from a number of sources and then move to make a purchase. Hence encouraging the competition basically at two phases, information search and purchase decision.

---

## **Overview of Makemytrip**

Makemytrip is an online travel company headquartered at Gurgaon, Haryana, India. Mr. Deep Kalra is the founder of MMT. The company is designed to provide online travel services including flight tickets, domestic and international holiday packages, hotel reservations, rail and bus tickets. Makemytrip was launched in the US market in 2000 to cater to the Indian community for their US to India travel needs. Makemytrip started its Indian operations in September 2005 offering online flight tickets to Indian travelers. In order to broaden the scope of business, the company started offering services in non-air business such as holiday packages, hotel booking, bus and rail bookings. On August 13, 2010, Makemytrip was listed on NASDAQ and went public, making a debut in the US market.

In 2011, the company strengthened focus on the mobile route by creating several travel related apps for all types of mobile devices. In the same year Makemytrip also made three acquisitions namely, Luxury Tours and Travel Private Limited (Singapore), Le Traveneus Technology Private Limited (Gurgaon, India) and My Guest House accommodation (New Delhi, India). Makemytrip other acquisitions include travel operators like ITC Group and Hotel Travel Group to enter the new markets in South-East Asian region in the year 2012.

The company offers hotel reservations in India and international cities alike. There are over 13,000 hotels and guesthouses in India that can be searched and compared online on the Makemytrip website. The hotel range from luxury to budget accommodations. In November 2012, Makemytrip acquired My Guest House Accommodation to increase the overall inventory from budget rooms and service apartments. Makemytrip also offers a wide selection of hotels outside India. Through the acquisitions of easytobook.com, Makemytrip now offers access to more than 184,000 hotels outside India.

In 2012, Makemytrip launched travel mobile applications for iPhone, Android, and Blackberry devices. The app offers services like flight and bus bookings, hotel reservations and holiday packages. It also caters to other post-purchase requirements like generating e-tickets, making cancellations, tracking status of refunds and other travel alerts. The travel itineraries available on the Apps can be shared on Facebook and Twitter. There are various awards given to Makemytrip by various professional bodies numbering into 27.

## Loyalty Programs @ Makemytrip

On 19th September 2011, Makemytrip announced its loyalty program for the repeat customer named as “My Trip Rewards”. With a purpose of encouraging engagement and stipulating rewards for the engagement of customers, “My Trip Rewards” was an effort towards development of loyalty. The two tiered programs—Royale and Elite offers various benefits including points redeemable on Makemytrip products and services. My Trip Rewards is launched in association with PAYBACK, India’s largest multi-partner loyalty program. Members can earn and redeem points with only one card of Makemytrip and with other payback partners like HPCL, ICICI Bank, and future group of companies (Big Bazaar, Pantaloons, Central, etc.).

The Makemytrip loyalty program is aimed at extending the benefits to their customers and enhancing their experience. My trip rewards customers can avail special offers and deals, earn points and redeem them for rewards. By extending the coalition platform across various retail categories both online and offline, PAYBACK brings true enriching loyalty experience. Card users can use the card for everyday shopping and transacting on the internet too. PAYBACK points can also be redeemed to purchase Makemytrip vouchers which can be used to buy Makemytrip products.

In addition, the company has introduced a “daily deals section”, which offers a time bound discount on travel deals to customers. The company has also introduced new payment options like Easy pay to allow an online system to pay for offline bookings and bypass the call centers, for direct customer engagement. It also introduced the flexible payment options such as partial payments and allowing multiple payment instruments to pay for one transaction. Addition to this, Makemytrip also launched the cash on delivery payment option for hotels and international flights to help increase conversion rates across its businesses.

My Trip Rewards is a three tier membership and reward program with the following benefits (makemytrip.com/rewards/ 5 March 2015)

Benefits	Silver	Gold	Platinum
Reward points on every booking with MMT	✓	✓	✓
Special deals and discounts	✓	✓	✓
2000 bonus points for booking 6 room nights or 3 holiday packages.	✓	✓	✓
Additional 2000 bonus points for booking 10th room night.	✓	✓	✓
Special deals and discounts	✓	✓	✓
Zero MMT cancellation fees for domestic flights.		✓	✓
Rs. 1000 voucher for upgrading the membership to GOLD		✓	✓
Free 2 nights and 3 days on luxury properties (On retention of tier)		✓	✓
Rs. 5000 International holiday voucher for upgrading the membership to Platinum.			✓
Priority customer service.			✓

---

## Social Media Strategy of Makemytrip

Social media strategy has always been a proactive step to strive in the market and reach excellence in research, behavior, motive and desire. The scope of social media is very wide which covers transactional as well as strategic dimension. It is been used for extended customer relations initiatives as well as pooling customer latent requirement with high level of engagement and product development. Social media is strongly used for propagating loyalty programs via campaigns and contests. Makemytrip follows an integrative approach in defining their social media strategy. It includes all kind of popular social media vehicle and integration of all stages of customer information search and decision making phase.

Makemytrip populates campaigns and contests which are tailor made according to the recent offers and occasions. With the offers and occasions, the programs are integrated to the loyalty rewards. These initiatives are a step forward to counter the consumer decision making phase by encouraging engagement via the campaigns and contests. The package of campaigns, offers and loyalty rewards are considered to be having pull effect while engagement and decision making. While the company tries its level best to interact and engage with the target audience of Facebook, Twitter, YouTube, and Pinterest the percentage of engagement in relation to number of followers is average.

---

### Makemytrip on Facebook

The MakeMyTrip Page on Facebook has 1.5 million fans and 28 k are talking about MMT. On Facebook Makemytrip follows a multidimensional approach involving posts related to offerings (exotic destinations, packages, and special offers), campaigns and theme based on occasions. An interesting thing about their strategy is that, the content is not limited to the specific target audience or a specific objective. The content mix is spread across the awareness, interest, desire and action cycle which should be an ideal approach for the brand. This is an approach where Makemytrip tries to counter the consumer decision making phase and allows the consumer to make the best decisions ([www.facebook.com/makemytrip/app\\_512541485429310](http://www.facebook.com/makemytrip/app_512541485429310)).

If a customer is only looking for options to travel, Makemytrip posts some 4–5 posts on hot travel destinations and if the consumer is looking for the final push to decide on a travel package, the page gives them several offers to hit the confirm button. So the consumer can consume content which relates to their needs and wants.

The posts on travel destinations are broadly categorized into #Luxury Travels, #Nature Trips, #Adventure Trips, #Man Made Wonders, #Relaxing Holidays with Call to action links like click to know more. These posts actually contains an album with high definition pictures, persuasive content copy with recommendations for the best possible time frame to explore the destination.

The content also includes the announcement of offers and loyalty program on a regular basis. The offers varies from occasion based to an offer on a specific service



or a combination of one or two services in their offerings. The content of the post are tempting and banks on the urgency appeal stating that the offer is limited to first xxx customers and the last date of booking is dd date.

Apart from the posts which is made for awareness, Makemytrip also strives hard to run other campaigns, contest and engagement activities to keep their audience glued to their Facebook Page. The campaign varies from occasion to occasion (like # Wonder Love for Valentine day), contest highlights a specific offer or destination like (#Hotels 50, #FlightPlusHotels, Or #Discover Bhutan) and engagement activities (like spotting a location in films #Filmiplaces). These kind of campaign helps then in reaching out wider section of audience and persuade them in consuming the travel plans from Makemytrip. The specific discounts, offers, gift voucher, and loyalty points encourages the participation and engagement of the customers and also treated as a reward to the winner. This also helps them in keeping the excitement alive among their followers and pool in the potential followers.

The #Travel Pundit section is a virtual representative which posts a funny take on locations and valuable advices/ suggestions for travelers about different travel destinations around the world. These kinds of initiatives and drives showcase the commitment towards customer relation management and leads to positive conversion via Facebook.

---

## Makemytrip on Twitter

Makemytrip has a similar content strategy on Twitter. A modified and tweaked copy of the content is posted on Twitter. The posts can be classified into various category such as awareness post about travel destinations, special offers by the brand, and campaign specific posts. The hashtags are introduced and floated in a timely manner in order to get better responses from the audience. Although the number of followers are less on twitter, Makemytrip has a good response rate on twitter. A key differentiator in the campaigns run on twitter is the latest tweet chat #TravTalk 14 on impact of social media, apps and online platform on travel tourism space organized by 2020 MSL which gives an interesting insight to brands perspective towards leveraging social media, the role of apps and other platforms in their marketing mix. Makemytrip has 21.6 K followers and 6839 tweets, the brand follows 350 people on twitter ([twitter.com/makemytrip](https://twitter.com/makemytrip)).

The recent #Discover Bhutan contest received an overwhelming response on Twitter and it was trending India wide. Apart from the contests which run parallel to Makemytrip Facebook page, on twitter the brand conducted #Thanksfor10K contest as a gesture of appreciation and gratification to the users who made it possible for them to reach the 10 K count on Twitter. #Travel Pundit on Twitter is more or less same as Facebook and delivers funny take on different travel destinations. Makemytrip strategy on Twitter is an extension of brand personality on Facebook. The company understands the need to adopt the campaigns and contest according to the platform. Makemytrip runs some specific programs only on Twitter such that it adds to the community of fans and followers for the brand.

---

## **Makemytrip on YouTube**

Makemytrip official channel on YouTube has 842 subscribers with 11 lac plus views registered till date for 516 videos posted by the brand. The YouTube channel consist of all the TV commercials released by the brand, along with the videos covering travel destinations, hotels and accommodations.

---

## **Makemytrip on Pinterest**

Makemytrip on Pinterest has 37 boards which covers the categories such as best travel destination, food and drinks, around the world, beaches, music festivals, unique places, museums and art, specific destination like Kashmir, Rajasthan, Goa, Hong Kong and so on. Till date the brand has made some 357 pins and has followed 158 followers.

---

## **Makemytrip on Google+**

Makemytrip is present on Google+ but there is no communication whatsoever from the brand on Google+. Although they have 48 + 1's on the page but since there is no effort to connect or engage with the target audience, their presence on Google+ can be considered negligible.

---

## **Social Media Audit of Makemytrip**

Makemytrip strategy on Facebook is result oriented, they use the offers feature for Facebook page very judiciously and align most of their campaigns with recent happenings. The offers and campaigns are attempted to impact on fans and followers, however the influx of negative reviews and complaints is really high on the page which creates negative impression. The Makemytrip page on Facebook has 1.5 million fans and only 14,794 are talking about the brand pointing out to be a low engagement level and ratio. Most of the engagement of fans comes in the form of likes, only few people comments on the posts and very few share the post. This means despite of high level of content management, engagement activity and high impact campaigns brand is not able to engage numbers which they intend to. However the sentiment for the brand on Facebook is neutral to positive.

The brand follows 121 people on Twitter. Interestingly the same campaign of #Discover Bhutan received phenomenal response on twitter comparing to Facebook. This reiterate the importance of twitter in getting into real time conversations with followers and expanding the reach horizon. After investigating the top retweets, gender distribution for people retweeting and mentioning indicates the engagement of males more than female on twitter. Age distribution gives an interesting insight that the age group of 40+ which is considered to be tough to

engage, forms the majority of people retweeting. The twitter strategy of Makemytrip is able to reach a wider segment of target audience.

Out of 516 videos posted on YouTube, most of them are repetition of TV commercials. Makemytrip could have posted some more creative videos which can help people in decision making such as tutorials on planning vacation. They can create travelogues of Makemytrip instructors for a bulk booking trip. Moreover Makemytrip does not integrate YouTube in its content strategy for twitter and Facebook. YouTube integration with the other popular vehicles is missing.

On Pinterest, the brand has made some 357 pins and has 158 followers. This clearly indicates the lack of focus on marketing efforts. The contest posted are same as on other channels but because of low follower count, the engagement rate is very low, can be considered as negligible. Similarly the presence on Google+ also can be counted as negligible.

Makemytrip has taken a courageous step to adopt innovative social media marketing strategies into their marketing mix to differentiate with the brands offering similar services and products. The multi-faceted approach in driving this initiative can be categorized as differential advantage. Even after building a huge community of followers on Facebook, they have been lagging behind in terms of engagement scores. They still needs to explore the beauty of platforms such as YouTube, Pinterest, and Google+ to the best of their potential.

---

## The Competition on Social Media

Yatra.com is one of the major competitor for Makemytrip. On Facebook, Yatra lags behind Makemytrip in terms of number of followers as well as the engagement level. However Yatra leads ahead in the race of connecting and reaching out followers on Twitter as well as Google+. Yatra has 10.8 K followers on Twitter and 2761 +1's on Google+.

The content strategy for Yatra is slightly different than Makemytrip. On Yatra social media most of the communication is personal and emotional. The post usually lay stress on the lines of saving Rs xxxx, if they book a trip with Yatra. There is a section of Travel Tips and contests based on occasions like #YatraColorAFriend for Holi, #MereYaarKiShaadiHai for wedding season.

In terms of engagement on Facebook Makemytrip ranks higher than Yatra, this can be attributed to the quality and variety of content posted by the brand. Makemytrip caters to different target audiences at the same time by posting content which are relevant to needs and wants of the prospective customers. On the contrary Yatra gets more number of average responses per post as compared to Makemytrip. This may be because of the tone of communication which is more personal and persuasive (Medianama.com and marketline.com).

In terms of customer relationship management and responding to the user generated posts Makemytrip is more resilient and active. They respond almost half of the queries and complains made by the customers, on the other hand Yatra leaves most of the queries and complains unentertained.

Overall sentiment for Makemytrip is fairly neutral to positive 18.94 % while the negative sentiments amount to 7.76 % owing to the complaints and grievances posted on social media by users. Yatra.com enjoys a better state in terms of positive sentiments of 21.61 % and surprisingly there is no negative sentiment for Yatra online. Yatra engages in neutral to positive conversations and avoids negative conversations.

Expedia on the other hand, being an American based company founded in 1996 ranks the least. The parent company owns several global brands and present in 60 countries. In India it is present as expedia.co.in. While it has weak social media presence in India, It has been very successful in capturing and extracting best out of Google+ and YouTube with 31 % growth in fan following in Google+ and the second largest number of views on YouTube.

Google trends data analysis shows that Facebook and YouTube have been the most effective and the favorite channels of users in this industry. Google+, Twitter, and Pinterest battle out for better attention span and popularity among users.

Goibibo being laggard in adopting social media during December 2009, it has the second largest fan following on Facebook with 1,277,907 fans and 78,139 people talking about it. It is the only travel and ticketing website to have received the maximum views on YouTube.

---

## The Decision

Mr. Deep Kalra returns to his desk to grapple with the “Social media strategy and effectiveness” decision. As he leaned back in his leather chair, his thoughts bounced back and forth over the current and future practices of social media strategy. There was absolutely no doubt in his mind that customer information search and buying behavior demanded strong social media presence, creativity and innovation.

Makemytrip has managed to integrate their offerings seamlessly with several occasions and events. The ideation and conceptualization of campaigns across platforms are satisfactory. #Discover Bhutan, #Wander Love, and #ThanksFor10K are some of the successful campaigns executed by Makemytrip in recent times. The proper execution of these campaigns has definitely helped the brand in expanding their reach as a result Makemytrip is much more than just a travel portal. It has emerged as online leader with its share of the travel market extending to more than 50 % of all online sales.

As Deep Kalra, sat tugging at his beard, the thought of building sustainable campaigns that deliver value beyond engagement and converts fans into consumers or leads, was topping up. The low usage of video platform YouTube was crossing over the thoughts in the mind.

Suddenly his own quote ran through his mind i.e. “Passion of winning goes beyond merely chasing targets and achieving them. It’s the zest and zeal with which ones goes about the achievement. It’s not only about winning, it’s about dominating!”

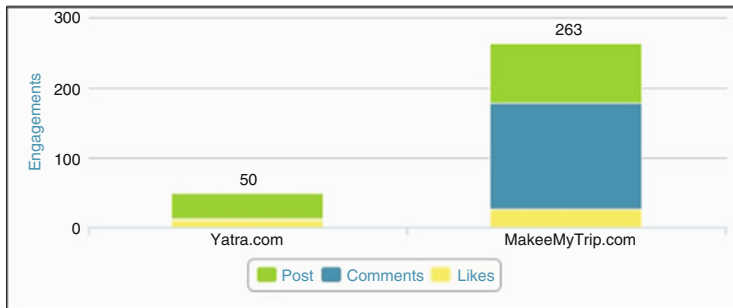
In an industry which is highly dynamic and challenging, the content has to be tailor made to take optimum advantage of the ability of each social media platform.

Short campaigns don't work for the sustainable model of success. Procrastination—just as much as a poor decision—could cost Makemytrip its market leadership.

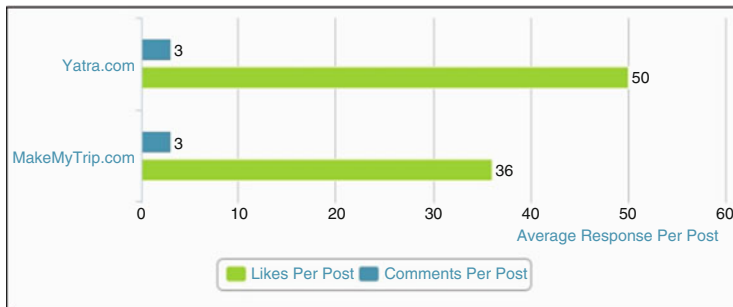
### Discussion Questions

1. Should Makemytrip be present in all popular channels or select few channels only?
2. Should Makemytrip strengthen their community in the existing platforms or diversify further to newer platforms? What would be the economic considerations involved in this decision?
3. Demonstrate the strategic nature of social media decision because of their relation to anticipated competitive maneuvers.
4. Highlight the impact of customer buying behavior on the design of social media strategy, especially regarding the choice of social media channels.

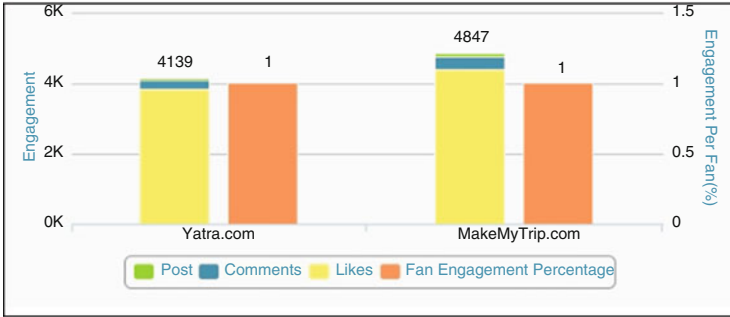
### Annexure 1



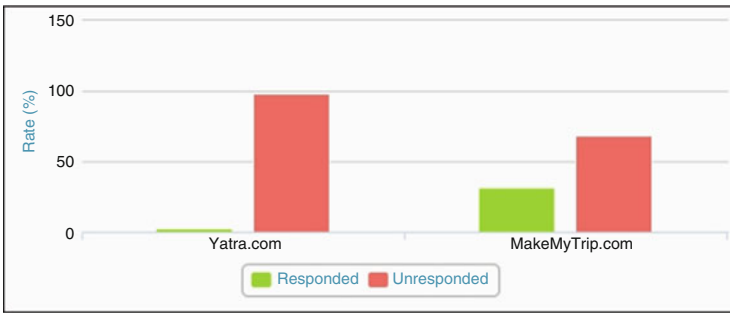
Source: Simplify 360 – A Social Medis Analytics Tool



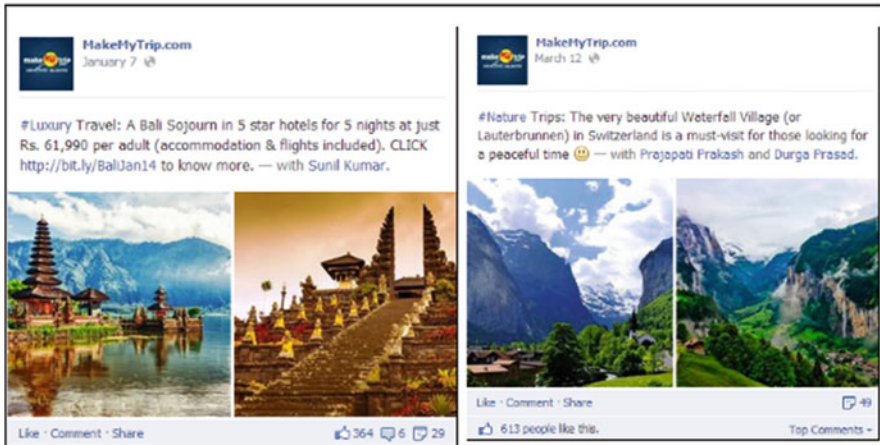
Source: Simplify 360 – A Social Media Analytics Tool



Source: Simplify 360 – A Social Media Analytics Tool





Source: Simplify 360 – A Social Media Analytics Tool




 **Parul Nagpal** Dear MakeMyTrip, Where can one communicate with you. I booked a flight last year in June and cancelled it before flying. I am still awaiting the money back. I have submitted cancelled ticket by airline, raised several requests and nonone responds after keeping me on hold for 15 - 20 mins. Are you fooling customers?  
Like · Reply ·  7 · March 20 at 3:54pm




 **Vivek Juyal** Have faced this too earlier... they think that the customers are stupid and would forget to claim their refund. I had to call them multiple number of times. Please let me know if you plan to report to the consumer forum. I have recorded the evidences and would love to share them with you.  
Like · March 20 at 3:58pm




 **MakeMyTrip.com** Hi Parul, Apologies for the trouble, could you please share your booking ID with us, so that we can look into the matter.  
Like · March 20 at 3:59pm

 **MakeMyTrip.com** @makemytrip · Feb 19  
Rules of #ThanksFor10K:  
Answer all 10 questions correctly  
10 winners who have correct answers will be selected at random  
Q1 coming in 5 min  
Expand  Reply  Retweet  Favorite  More







 **MakeMyTrip.com** @makemytrip · Feb 19  
Starting #ThanksFor10K in a few minutes!! Celebrating 10K Twitter followers :-)  
We'll ask 10 questions & 10 lucky winners will win vouchers!  
Expand  Reply  Retweet  Favorite  More

 Retweeted by MakeMyTrip.com

 **Trendinalia India** @trendinaliaIN · Feb 19  
#ThanksFor10K shows up at this time as Trend in India  
[pic.twitter.com/foN9CAVow2](http://pic.twitter.com/foN9CAVow2)  
 View photo  Reply  Retweet  Favorite  More

 **MakeMyTrip.com** @makemytrip · Feb 19  
Thanks for the AWESOME entries everyone! You all are the best :-)  
#ThanksFor10K contest is closed now & we'll announce the winners tomorrow.  
Expand  Reply  Retweet  Favorite  More

Top Retweets

Tweet	Created On	Retweeted Count	Insight
 In which year did the United Kingdom recognized Bhutan as a country? Reply with #DiscoverBhutan to win a free holiday to Bhutan	07:24 AM Wed March 26	74	Tweet Reach 68900 Tweet Impressions 55145
 What is the name of this monastery? Reply with #DiscoverBhutan to win a free trip, courtesy MakeMyTrip bit.ly/BhutanDIX #DiscoverBhutan	07:51 AM Wed March 26	74	Tweet Reach 66703 Tweet Impressions 52608
 What is the capital city of Bhutan? Is this the largest city in the country? Answer and win a trip to Bhutan	06:32 AM Wed March 26	73	Tweet Reach 68491 Tweet Impressions 54292
 What is the official and most common religion in Bhutan? Reply with #DiscoverBhutan to win a free holiday!	07:35 AM Wed March 26	71	Tweet Reach 67818 Tweet Impressions 54254
 A minimum of 60% of Bhutan's total land shall be maintained under _____ cover for all time. Reply with #DiscoverBhutan and win!	08:24 AM Wed March 26	71	Tweet Reach 66845 Tweet Impressions 50070
 Bhutan is known as Druk Yul. What kind of mythological creature is a Druk? (Which appears on the national flag) Reply with #DiscoverBhutan	06:43 AM Wed March 26	71	Tweet Reach 68055 Tweet Impressions 54444

## References

- Comscore. (2013). *India digital: Future in focus*, [Online], Available: <https://www.comscore.com/Insights/Press-Releases/2013/8/comScore-Releases-the-2013-India-Digital-Future-in-Focus-Report> (13 Dec 2014).
- Earnst and Young. (2013). *Social media marketing: India's trend study 2013*, [Online], Available: <http://www.ey.com/IN/en/services/advisory/social-media-marketing-india-trends-study-2013> (18 Jan 2015).
- FICCI Report. (2012). *The Indian kaleidoscope: Emerging trends in retail*, [Online], Available: <https://www.pwc.in/assets/pdfs/industries/retail-and-consumer/retail-report-300812.pdf> (20 Dec 2014).
- <http://www.makemytrip.com/rewards/> (5 March 2015).
- <http://www.marketline.com/blog/category/social-media/> (2 March 2015).
- <http://www.medianama.com/2011/08/223-makemytrip-launches-loyalty-program-deals-new-site-soon/> (5 March 2015).
- <https://twitter.com/makemytrip> (5 March 2015).
- [https://www.facebook.com/makemytrip/app\\_512541485429310](https://www.facebook.com/makemytrip/app_512541485429310) (5 March 2015).
- Simply 360 Report. (2013). *Social media strategy : Review of Makemytrip* [Online], Available: <http://www.socialsamosa.com/2014/06/social-media-strategy-review-makemytrip/> (June 2014).
- Simply 360 Report (2013). *Travel and booking websites in India : Competitive differentiation* [Online], Available: <http://www.socialsamosa.com/wp-content/uploads/2013/11/Indian-eCommerce-Brands-on-Social-Media.pdf> (June 2014).
- World Economic Forum Report. (2013). *The travel and tourism competitiveness report 2013* [Online], Available: [http://www3.weforum.org/docs/WEF\\_TT\\_Competitiveness\\_Report\\_2013.pdf](http://www3.weforum.org/docs/WEF_TT_Competitiveness_Report_2013.pdf) (20 Feb 2015).
- World Travel Market and Euromonitor Report. (2013). *World Travel Markets: Global Trend Reports 2013* [Online], Available: [http://www.wtmlondon.com/RXUK/RXUK\\_WTMLondon/2015/documents/WTM-Global-Trends-2014.pdf](http://www.wtmlondon.com/RXUK/RXUK_WTMLondon/2015/documents/WTM-Global-Trends-2014.pdf) (20 Feb 2015).



---

## **Part III**

# **Transformative Services**

---

# Introduction to Transformative Services

Sanjit Kumar Roy

Services dominate the lives of consumers all over the world and constitute about 70% of the world economy and are an integral part of consumers' day-to-day experiences. However, transformative consumer research (Mick 2006) has provided limited research attention to the role of services in affecting consumer well-being. Transformative service research (hereafter TSR) is proposed as a “new area” in consumer and service research (Rosenbaum et al. 2011). TSR emphasizes the role of services and service systems in affecting the individual and collective well-being (Ostrom et al. 2015). TSR is the all-encompassing term for service research the central emphasis of which is to investigate the well-being implications of service for consumers and for the broader society.

Anderson et al. (2011: 3) is defined as “the integration of the integration of consumer and service research that centers on creating uplifting changes and improvements in the well-being of consumer entities: individuals (consumers and employees), communities and the ecosystem.” TSR is conceptualised as the research domain at the intersection of transformative consumer research and service research (Anderson et al. 2013). Although the prime focus of TSR research is on consumer well-being, quality of life, and health outcomes service researchers have also examined the more managerially relevant outcomes, such as customer satisfaction, loyalty, repurchase intentions, and intentions to spread word-of-mouth (Rosenbaum 2015). In their TSR framework Anderson et al. (2013) proposed four different dimensions such as service entities, consumer entities, the macro-environment, and well-being outcomes for conducting more research in this domain.

This section presents four very unique cases that encompass transformative service research.

---

S.K. Roy (✉)

Department of Marketing (M263), The University of Western Australia, Perth, Australia  
e-mail: [sanjit.roy@uwa.edu.au](mailto:sanjit.roy@uwa.edu.au)

The Prince Court Medical Centre (PCMC) case study examines healthcare service delivery with the ultimate aim of patient and family well-being. The service delivery also emphasizes the well-being of other important service entities like employees and community.

The Operation Megh Rahat case study is a very unique case which examines the service provided by Indian defence services in disaster management situations. Indian armed forces and especially the Indian army has a rich history in service to the nation whenever they have been called upon to do disaster management work. This case elucidates the transformative role of government services for the societal well-being.

The next case on 'well-being through travel' emphasizes the role of TSR in creating well-being in the travel and tourism services. The case underscores the numerous benefits of well-being through travel such as physical health, transcendence, self-esteem benefits, novelty and escape.

Finally the RIL case study delves into the social responsibility of private firm which has sustainability objectives. It emphasizes the role of firms to create stakeholder engagement via strategies which enable stakeholder well-being.

---

## References

- Anderson, L., Ostrom, A. L., & Bitner, M. J. (2011). Surrounded by services: A new lens for examining the influence of services as social structures on well-being. *Working paper*: W. P. Carey School of Business, Arizona State University.
- Anderson, L., Ostrom, A., Corus, C., Fisk, R., Gallan, A., Giraldo, M., Mende, M., Mulder, M., Rayburn, S., Rosenbaum, M., Shirahada, K., & Williams, J. (2013). Transformative service research: An agenda for the future. *Journal of Business Research*, *66*, 1203–1210.
- Mick, D. G. (2006). Presidential address: Meaning and mattering through transformative consumer research. In C. Pechmann & L. Price (Eds.), *Advances in consumer research* (Vol. 33, pp. 1–4). Duluth, MN: Association for Consumer Research.
- Ostrom, A., Parasuraman, A., Bowne, D., Patricio, L., & Voss, C. (2015). Service research priorities in a rapidly changing context. *Journal of Service Research*, *18*(2), 127–159.
- Rosenbaum, M. S., Corus, C., Ostrom, A. L., Anderson, L., Fisk, R. P., Gallan, A. S., & Williams, J. D. (2011). Conceptualisation and aspirations of transformative service research. *Journal of Research for Consumers*, *19*, 1–6.
- Rosenbaum, M. S. (2015). Transformative service research: Focus on well-being. *The Service Industries Journal*, *35*(7–8), 363–367.

---

# Case Study 11: Prince Court Medical Centre (PCMC): The Hospital with a 5-Star Hotel-Like Experience and Beyond

Amrul Asraf Mohd-Any and Nurul Shahnaz Mahdzan

*Healthcare is now at the cross-roads. While maintaining focus towards providing for the health and well-being of Malaysians, we also realized the unlimited economic potential of this sector. We are aware that healthcare sector is also a wealth creator. Beyond just the organic growth in services, pharmaceuticals and medical devices, we will explore new horizons in services, clinical research, health travel, and generics pharmaceuticals manufacturing.*

(Ministry of Health Malaysia 2008)

—Dato' Sri Liow Tiong Lai

—The former Minister of Health, Malaysia

---

## Healthcare Industry in Malaysia

The Malaysian healthcare industry has undergone significant changes over the past few decades. Prior to colonisation by the West, medical treatment was very limited to conventional remedies and antidotes that were based on beliefs and knowledge passed down orally or informally from generation to generation. These traditional prescriptions consisted of those practiced by the Malays, Chinese, Indians and other indigenous groups in Malaysia. However, it was not until the occupancy by the British in particular that modern Western medical practices were introduced into the country. Since Malaysia gained Independence in 1957, gradual transformations

---

A.A. Mohd-Any (✉)

Faculty of Business and Accountancy, Department of Marketing, University of Malaya, 50603 Kuala Lumpur, Malaysia

e-mail: [amrul\\_asraf@um.edu.my](mailto:amrul_asraf@um.edu.my)

N.S. Mahdzan

Faculty of Business and Accountancy, Department of Finance and Banking, University of Malaya, 50603 Kuala Lumpur, Malaysia

in the healthcare sector have been observed, bringing positive outcomes to meet the needs of the modern society (Malaysia Healthcare Travel Council 2013).

The importance of the healthcare sector to the local economy cannot be undermined. The lifestyles of Malaysians today are different from before; people are more affluent and more health-conscious, with knowledge and attitudes towards health that have tremendously changed. These factors have resulted in a stronger and more dynamic healthcare system nationwide. The importance of the local healthcare system by the government is noted in the Economic Transformation Plan (ETP) that was introduced in 2010. Specifically, one of the National Key Economic Areas (NKEA) that was announced in the ETP is the aim to encourage growth in the healthcare system through investments in the manufacturing of pharmaceutical products, clinical research, medical equipment, elderly care services and the enhancement of partnerships between the public and private healthcare sectors (Performance Management Delivery Unit 2014).

The Malaysian healthcare industry operates in a dual-system where public and private hospitals co-exist. The overall healthcare system is governed by the Malaysian Ministry of Health, while the Association of Private Hospitals of Malaysia assists in facilitating good communication between the two systems. Although the Malaysian healthcare industry is not supported by social insurance, the business for voluntary private medical insurance is fast growing to provide patients the much needed funding for inpatient hospital treatments. Developments in private medical insurance have also promoted growth in the healthcare industry. However, there needs to be a more coherent understanding and collaboration between the insurance and healthcare industry as they are each governed by different regulators—the Central Bank in the case of the former, and the Ministry of Health in the case of the latter (Prince Court Medical Centre 2012).

Medical tourism is a sector that is gradually growing and can potentially boost the Malaysian healthcare industry. The growth is partly attributed to the decent number of public and private hospitals in the country. As of December 2013, the Malaysian healthcare industry comprised 355 hospitals including 141 public and 214 private entities that employ 155,876 and 50,780 staff respectively, ranging from doctors, dentists, pharmacists, optometrists, nurses, radiographers and other medical and healthcare professionals (Ministry of Health Malaysia 2014). Among the treatments available in private hospitals are those related to cardiology, oncology, aesthetic surgery, robotic surgery, fertility treatment, orthopedics, dental implants, ophthalmology, neurology and aesthetics procedures. International accreditations such as those awarded by the US Joint Commission International has helped raised the standards of private hospitals in the eyes of local as well as international stakeholders (Ministry of Health Malaysia 2014). Furthermore, with superior technological advancements, medical treatments are now being offered more efficiently and effectively at more affordable prices. Simultaneously, the safety standards of medical procedures have not been compromised.

With the above changes taking place, the Malaysian healthcare industry has certainly taken a quantum leap to become one of the preferred choices for medical tourism in the region. One of the many private hospitals that has attracted both local

and foreign patients is the prestigious and multi-award winner, Prince Court Medical Centre (PCMC).

---

## Prince Court Medical Centre

Prince Court Medical Centre (PCMC) is a private hospital located in the heart of the Golden Triangle in Kuala Lumpur. It is fully owned by Malaysia's national Petroleum company (Petronas) and began its operations in 2007. With a vision of becoming a leading healthcare provider in Asia, PCMC's mission is to provide quality and family-centred healthcare services to the community as reflected in their values acronym "WE CARE"—Warmth, Ethical, Compassion, Assurance, Respect and Energetic. The personality of PCMC's feline mascot, the Clouded Leopard (*Neofelis nebulosa*) called *Prinze*, symbolises the core features of the organisation—sleek (related to design and facilities), agile (related to the team), strong (related to the skills of the personnel) and adaptable (related to standards and requirements).

PCMC offers 277 single-bedded rooms in 12 wards with 4 categories, i.e. Standard Room, Junior Suite, Suite and VVIP Suite. The rooms range between RM250 (USD58)—RM2880 (USD660) per night and most rooms are equipped with a sofa bed, personal toiletries, safe deposit box, ensuite bathroom, LCD TV with satellite channels, free WIFI, kettle, mini fridge and complimentary valet service. The single occupancy rooms do not only give privacy to patients and visitors, but also deter cross-contamination among patients (Association of Private Hospitals of Malaysia 2015; Prince Court Medical Centre 2015a).

Indeed, PCMC was built with its customers' comfort in mind. This is reflected in the way the hospital has been crafted and engineered with environmentally-friendly features and contemporary design, with patients' interest at heart. The hospital's chic steel-framed built adds to its modern architecture. Similar to luxury city hotels, the rooms and suites are spacious, immaculate and decorated with soothing contemporary art. Customers can even request for rooms that overlook the spectacular view of the award-winning KLCC Twin Towers or the luscious green Royal Selangor Golf Club (RSGC) that would give them a true hotel-like experience. PCMC has separate critical care units such as general intensive, coronary, neurological, burns and neonatal intensive care units.

Due to their strong belief that hospitals are not merely for people seeking medical treatment but also a place to heal and recuperate, the service theatre is given top priority. One who steps into PCMC for the first time would definitely agree that PCMC offers a completely brand new healthcare experience. The medical centre has a spacious state-of-the-art lobby equipped with a smart-designed reception area to ease the check-in and check-out processes as well as to provide its customers general assistance. Besides that, PCMC also offers concierge services such as shopping arrangements, city sightseeing as well as room-service. PCMC believes that every single detail of the luxurious touch-points and intricate servicescapes are important in a patient's healing process. In line with their vision

**Table 1** Facilities and services offered at PCMC

Anaesthesiology	Cancer treatment and pain management
Cardiology and cardiothoracic surgery	Cosmetic and reconstructive surgery
Craniofacial surgery	Cytogenetic studies
Dentistry/Orthodontics	Dermatology
Ear, nose and throat	Endocrinology
Fertility treatment	Gastroenterology
General medicine	General screening and wellness
General surgery	Haematology
Hand and microsurgery	Imaging and interventional
Intensive care	Neonatology
Nephrology	Neurology and neurosurgery
Obstetrics and gynaecology	Ophthalmology
Orthopaedic and rehabilitative medicine	Paediatric medicine and surgery
Radiology	Rheumatology
Urology	

Source: Association of Private Hospitals of Malaysia (2015)

to be an industry leader in Asia, PCMC offers the highest international standards through world-class facilities, innovative technology and excellent customer service for both local and international patients.

Table 1 lists the various medical facilities and services at PCMC. The list denotes the extensiveness of the hospital in providing comprehensive medical services under one roof.

## Patients' and Family's Well-Being

At PCMC, patients and family members are treated with great care from the moment they step into the hospital. This is because PCMC believes in the importance of providing a warm and hospitable welcome to patients. In this regards, the reception staff make it an effort to ensure that patient registration is made simple and efficient.

To erase ill-perceptions that hospital food is generally distasteful, PCMC ensures that their award-winning chefs provide food that are of 5-star-hotel quality for all meals throughout the day. Furthermore, in 2014, a new and improved inpatient menu was introduced. Besides offering *halal* food, PCMC ensures that patients with special dietary needs (such as being vegetarian or vegan) are carefully taken care of. If required, their in-house dieticians are available to offer dietary advice. To accentuate the 5-star hotel feeling, à la carte room service is also offered to patients and visitors. As evidenced by their excellent commitment to food and beverage preparation, PCMC was awarded the Halal certification & Service To Care Awards for Food & Beverage Category, and Best Brands Wellness Hospital

two years in a row (2009–2010) (Association of Private Hospitals of Malaysia 2015).

PCMC has certain rules to be adhered to in order to ensure that everyone's safety and comfort is maintained at all times. All intensive care units (ICU) are not only designated as non-smoking facilities, but flowers and underage children are also restricted from entering these critical areas. In addition, visitors with any recent illness or who have received vaccinations are required to consult the nurses in charge before entering the unit. Different visiting times are designated for inpatient wards and the ICU to minimise congestion in those areas.

Excellent customer services are provided throughout the patients' treatment and stay. Staff in charge of concierge and valet services are ever-ready to assist the family members or visitors of patients make hotel reservations should they require accommodation in the city of Kuala Lumpur. Customer Relations Officers pay inpatient visits to ensure their comfort and offer help including interpretation services, when necessary. PCMC also takes spiritual needs earnestly. Muslim prayer rooms and an inter-faith room for quiet reflection and meditation are available. Because PCMC is well aware of the anxiety and emotions experienced by the patients and family members, a pastoral care service is provided upon request to connect the patients to religious representatives of their faiths for spiritual support and guidance.

In line with their mission to be committed to provide quality healthcare services, PCMC's interaction with patients is highly commendable. Based on the principles of professionalism, compassion, integrity and teamwork, patients will be cared for by dedicated medical and healthcare professionals along with the use of the latest and modern healthcare technology. Highly qualified physicians, specialists and medical officers with diverse local and international experiences and qualifications are always available with patients' interest and well-being in mind. To safeguard the well-being of patients, 24-hour nursing care is also provided. Apart from having an enthusiastic team of radiologists, pharmacists, physical rehabilitation therapists and dieticians to ensure complete treatment and care, patients' rooms are well maintained by dedicated housekeeping staff and patient services personnel for a delightful home-away-from-home experience (Prince Court Medical Centre 2015b).

Besides superior facilities and services, PCMC is also committed to nurturing customer-provider relationships. Many activities have been held to foster this relationship such as a treasure hunt that was conducted during World Cancer Day in February 2013. Patients and family members took part in the event that ended with mural painting activities by cancer patients, to reflect their perceptions of healthy living (Prince Court Medical Centre 2013a).

## **Employees' and Community's Well-Being**

PCMC is known for its admirable initiatives and activities aimed at sustaining the well-being of employees and the community. During the first 2 weeks of December



2014, PCMC collaborated with Ministry of Health Malaysia (MoH) in the Patient Safety Awareness Week which corresponded with the Ministry's 13 Malaysian Patient Safety Goals launched in 2013. The mission of this initiative was to improve the safety of patients in both public and private hospitals, which PCMC considers a catalyst to raising healthcare standards. The awareness week themed '*United in Safety*' aimed to educate patients, employees, and the general community on the safety measures undertaken by PCMC during medical procedures. This initiative symbolises PCMC's sincere efforts to implement safety measures and monitor systems that would assure patients of its high standards and commitment. The campaign also fosters more involvement from patients during medical treatments and encourages patients to seek for clarification on any doubts or concerns that they may have (Prince Court Medical Centre 2014a).

Food has always been associated with one's lifestyle. To cultivate the right eating habit among the staff and public, PCMC organised a month long activity with the theme '*Eat Right, Your Way, Every Day*'. There were healthy cooking demonstrations of Malay, Chinese and Indian food led by the Modification Centre and the Food & Beverage Department. The highlight of the event was the Kids Camp that attracted over 30 children between the ages of 4–11 years to participate in cooking, drawing and colouring contests. PCMC chefs and dieticians were involved in educating them on having simple healthy meals. Apart from healthy food awareness, physical activities to keep fit such as Qigong and '*poco-poco*' dance were organised by the Corporate Affairs and Communications department (Prince Court Medical Centre 2013b).

PCMC is also active in responding to its external environment. When Malaysia and Singapore were affected by haze in 2014 due to hot spots in Sumatera, PCMC played its part by educating the public on recommended precautionary measures. Tips on how to stay safe during such situations were posted on PCMC's website with easy-to-follow guidelines to help the public face uncertainties (Prince Court Medical Centre 2014b). PCMC also reacted to the global Ebola attack by spreading awareness through attractive online infographics (Prince Court Medical Centre 2014c).

PCMC's efforts in connecting with the community continued with a workshop addressing chronic skin disorders among children themed as '*An Update on Atopic Dermatitis & Eczema Management in Infants*'. The event, launched by PCMC's CEO Dr. Chong Su-Li in April 2015, was jointly organised by PCMC and One Johnson & Johnson Malaysia (One J&J) and was attended by paediatricians and general physicians from various hospitals and clinics. Case study presentations, open discussions and hands-on sessions were conducted to educate patients and their family members regarding the adverse effects of skin disorders. The collaboration was not only beneficial to PCMC and One J&J as organisers, but more so, to the healthcare community through knowledge sharing and experience exchange. Key consultants present during the event were Dr. Leong Kin Fon, an experienced Consultant Paediatric Dermatologist with vast knowledge in infant Atopic Dermatitis from Hospital Kuala Lumpur (HKL), and Dr. Vikram Jaisinghani from One

J&J, who was there to demonstrate the importance and ways of cleaning and moisturising infants (Prince Court Medical Centre 2015c).

PCMC also offers seminars and workshops to help doctors improve communications with patients and to be more compassionate when conveying to patients the painful truth about their health conditions. Such skills are especially crucial when dealing with patients who may be emotionally unstable or in denial of their true health circumstances. Besides enhancing professionalism and self-respect at the workplace, the workshop also aims to increase doctors' well-being by reducing their stress when dealing with challenging patients (Prince Court Medical Centre 2015d).

The superior customer service at PCMC has led the hospital to be the resource organisation for Telekom Malaysia, the main telecommunications service provider in Malaysia. PCMC was invited to participate in the 'TM Customer Experience Summit 2015' themed as '*Creating Frictionless Experiences*' to share their experience in managing service operations. The presentation, led by Plastic & Reconstructive Surgeon Dr. Mohamad Nasir Zahari, showcased a real life story about how a burn victim made a telephone call to PCMC's emergency department and how doctors and nurses were involved in the case from the second the call was made to the day of discharge. Every moment of truth was given undivided attention by the staff. This important event was also participated by world's most prominent company, Google, as well as a leading Malaysian private hospital systems, KPJ Ampang Puteri (Prince Court Medical Centre 2015e). The win-win experience sharing activities has helped Telekom and other participants in their quest for a frictionless customer experience, which in turn has certainly increased the brand equity of PCMC.

The catastrophic flood that hit the Peninsular Malaysia in 2014 had garnered PCMC's attention. To ease the burden of those severely affected especially in the East Coast, humanitarian efforts were initiated by PCMC's parent company, Petronas. The programme involved cleaning up and clearing activities, and providing food supplies and basic necessities to victims. More than 400 Petronas employees were mobilised to the remote town of Dabong in Kuala Krai, Kelantan to offer assistance to schools that were inundated due to the floods (Prince Court Medical Centre 2014d).

PCMC also collaborates with PETRONITA (The Wives and Women Staff Association of Petronas) in Corporate Social Responsibility (CSR) programmes. PCMC believes that it is their duty, as a responsible corporate citizen, to raise the community's awareness on various issues that may affect them. The CSR initiatives corroborate the government's call for private healthcare organisations to actively participate in CSR programmes, as outlined in the Private Health Care Act. Among the CSR programmes conducted are those targeted to children with cleft lips, and anyone with eye disorders and bone cancer (Prince Court Medical Centre 2015f). Such programmes aim to instil positive attitudes and emotions among the underprivileged and to bring them closer to mainstream society. The CSR programmes enable PCMC to reach out to, while establishing long lasting and trusting relationships with, the community.

PCMC also engages with customers and the public through all its online and social media touch points. PCMC's user-friendly website allows easy navigation and browsing and is well maintained with current events and news archive. PCMC also interacts with the public via Facebook by providing healthy cooking and eating tips to its followers.

---

## Awards and Accolades

The endeavours that PCMC have taken to provide the best to all stakeholders have been well rewarded. In regards to medical tourism, PCMC reigned the title of the world's best hospital for medical tourists in 2013 by the Medical Travel Quality Alliance (MTQUA) (Prince Court Medical Centre 2013c) and the Gold Award for Kuala Lumpur Mayor's Tourism Awards 2014 under the Medical Tourism Category (Prince Court Medical Centre 2014e). In the same year, PCMC received the prestigious 'International Clinic of the Year' award during the International Medical Travel Exhibition and Conference (IMTEC) in Dubai (Prince Court Medical Centre 2014f).

---

## Strengths, Challenges and Opportunities

Relative to other destinations in the region, one of the key attributes possessed by Malaysian players in the healthcare industry is the use of English as a language of communication by medical staffs and general employees. This gives the Malaysian healthcare sector an added advantage over its regional counterparts. The doctors at PCMC are mostly overseas-trained, namely in the UK, the US and Australia, and this gives the centre a cutting edge from the perspective of international patients. Arguably, the closest competition faced by local healthcare players are those from Singapore, given their high reputation and availability of sophisticated technology in medical care. Malaysian healthcare providers, on the other hand, are able to offer their services with comparatively more value for money due to legal mandates of its fee structure (Prince Court Medical Centre 2012). There is also no bias in terms of the recipient of the service; for example, patients of any nationality or background will be charged the same rate, unlike certain other neighbouring countries that have been accused of practicing price discrimination. Another contributing factor that has enhanced the domestic healthcare industry is the easier and cheaper accessibility into the country, made possible with low-cost airline carriers such as AirAsia.

One of the key challenges faced by players in the healthcare sector is the issue of searching for and retaining good, talented employees (Prince Court Medical Centre 2012). Although the number of fresh graduates in nursing and pharmacy is sizeable, the local healthcare industry faces stiff competition from the Middle East, America and Australia as these fresh graduates are constantly being headhunted by players from these countries. While PCMC has spent a lot in training fresh graduates on the job, these trainees do not hesitate to move abroad on receipt of more lucrative

offers. This leaves PCMC in a losing position when the gains from the training investments are not fully reaped (Prince Court Medical Centre 2012).

The dual-tier local healthcare system complements each other in ways that ultimately benefit patients because more and better healthcare services can be offered. In addition to the encouraging demand by local patrons, there is also strong demand by patients from other regions, such as from Indonesia, Bangladesh and Myanmar. Part of the encouraging demand is a result of more affluent societies in those countries, particularly from the middle-income group. PCMC sees growth opportunity stemming from an increase in cancer cases worldwide, and due to its close connections with doctors from Myanmar, a rising number of referral cancer cases from the country have been channelled to PCMC. Overall, the number of medical patients received by PCMC from outer Kuala Lumpur and from across the region is indeed commendable, as reflected in an award it received from the Malaysian Healthcare Travel Council for outstanding achievement for the “Highest Number of Healthcare Travellers, Central Region 2012” (Prince Court Medical Centre 2013d).

---

## Future Outlook

Expansions in Malaysia’s healthcare industry is expected due to growth in population and epidemiological shifts in chronic disease patterns within Southeast Asia (Yap and Chern 2015). Domestic healthcare spending is predicted to increase by about 10 % yearly, reaching an estimated \$22.9 billion by 2018 (Yap and Chern 2015). Stable economic progress, an increase in the elderly population, growth in the middle-income market, and an increasingly health-conscious society are some of the forces that are seen to thrust the industry forward.

While external economic influence in 2015 may be seen as a challenge, the currency depreciation that Malaysia has experienced during the year may actually work in favour of local tourism (The Star Online 2015), including medical tourism. Devaluation of the Malaysian Ringgit is expected to boost the national medical tourism industry with encouraging regional demand from Indonesia, Bangladesh, Myanmar and other countries.

Nonetheless, PCMC will need to deal intricately with the main challenges of retaining good and experienced employees in order to overcome the shortage in medical personnel. In addition, PCMC will need to continuously change public misperceptions that the centre is a hospital that caters only for the upper class, but rather, a hospital that cares for the well-being of *all* stakeholders. The efforts that have been undertaken to date are solid evidence of the slogan that it has manifested all these years—*Prince Court cares*.

### Discussion Questions

1. Transformative service is a new concept in marketing research. In the context of this case study, describe the efforts that PCMC have taken to deliver transformative service to its stakeholders.

2. Besides patients' affairs, why do you think PCMC is concerned about the well-being of the community?
3. Evaluate how PCMC's servicescapes have enriched the experience of its customers.
4. What are the implications of being a responsible corporate citizen?
5. Discuss the main factors that have placed PCMC at the frontier of regional healthcare services.
6. Discuss the opportunities and challenges faced by PCMC in the quest of elevating its standards to meet the future needs of society.
7. What can competitors do differently from PCMC in delivering transformative service?

---

## References

- Association of Private Hospitals of Malaysia. (2015). *Prince Court Medical Centre*, viewed 15 March 2015. <http://www.hospitals-malaysia.org/portal/hospital.asp?action=view&hospitalid=29>
- Malaysia Healthcare Travel Council. (2013). *Healthcare Industry in Malaysia*, viewed 24 March 2015. <http://www.mhtc.org.my/en/healthcare-industry-in-malaysia.aspx>
- Ministry of Health Malaysia. (2008). *Creating Wealth Through Excellence in Healthcare*, viewed 20 April 2015. <http://www.moh.gov.my/images/gallery/ETP/NKEA%20Penjagaan%20Kesihatan.pdf>
- Ministry of Health Malaysia. (2014). *Health Facts 2014*, viewed 20 March 2015. <http://www.moh.gov.my/images/gallery/publications/HEALTH%20FACTS%202014.pdf>
- Performance Management Delivery Unit. (2014). *Healthcare NKEA Fact Sheet*, viewed 25 March 2015. [http://etp.pemandu.gov.my/upload/NKEA\\_Factsheet\\_Healthcare.pdf](http://etp.pemandu.gov.my/upload/NKEA_Factsheet_Healthcare.pdf)
- Prince Court Medical Centre. (2012). *Interview with The Prospect Group Part 1*, Prince Court Medical Centre, viewed 25 March 2015. <http://www.princecourt.com/news-and-updates/news/interview-with-the-prospect-group-part-1/>
- Prince Court Medical Centre. (2013a). *World Cancer Day: Treasure Hunt*, Prince Court Medical Centre, viewed 15 May 2015. <http://www.princecourt.com/news-and-updates/news/world-cancer-day-treasure-hunt/>
- Prince Court Medical Centre. (2013b). *Nutrition Month Celebration*, Prince Court Medical Centre, viewed 20 March 2015. <http://www.princecourt.com/news-and-updates/news/nutrition-month-celebration/>
- Prince Court Medical Centre. (2013c). *Malaysia Healthcare Travel Expo: The World's Best Hospital*, Prince Court Medical Centre, viewed 21 March 2015. <http://www.princecourt.com/news-and-updates/malaysia-healthcare-travel-expo-the-worlds-best-hospital/>
- Prince Court Medical Centre. (2013d). *Award for outstanding achievement*, Prince Court Medical Centre, viewed 21 March 2015. <http://www.princecourt.com/news-and-updates/award-for-outstanding-achievement/>
- Prince Court Medical Centre. (2014a). *Patient Safety Week*, Prince Court Medical Centre, viewed 20 March 2015. <http://www.princecourt.com/past-events/patient-safety-week/>
- Prince Court Medical Centre. (2014b). *How to Manage the Haze Situation*, Prince Court Medical Centre, viewed 20 March 2015. <http://www.princecourt.com/news-and-updates/how-to-manage-the-haze-situation/>
- Prince Court Medical Centre. (2014c). *EBOLA Virus*, Prince Court Medical Centre, viewed 20 March 2015. <http://www.princecourt.com/news-and-updates/ebola-virus/>

- Prince Court Medical Centre. (2014d). *Post Flood Relief Effort*, Prince Court Medical Centre, viewed 20 March 2015. <http://www.princecourt.com/news-and-updates/post-flood-relief-effort/>
- Prince Court Medical Centre. (2014e). *Winner of KL Mayor Tourism's Award 2014*, Prince Court Medical Centre, viewed 21 March 2015. <http://www.princecourt.com/news-and-updates/news/winner-kl-mayor-tourisms-award-2014/>
- Prince Court Medical Centre. (2014f). *Malaysia's Medical Hospital Wins Major International Award*, Prince Court Medical Centre, viewed 21 March 2015. <http://www.princecourt.com/news-and-updates/news/malaysias-medical-hospital-wins-major-international-award/>
- Prince Court Medical Centre. (2015a). *Information About Prince Court Medical Centre*, Prince Court Medical Centre, viewed 15 March 2015. <http://www.princecourt.com/information-about-prince-court-medical-centre/>
- Prince Court Medical Centre. (2015b). *People at PCMC*, Prince Court Medical Centre, viewed 15 March 2015. <http://www.princecourt.com/information-about-prince-court-medical-centre/people-at-pcmc/>
- Prince Court Medical Centre. (2015c). *An Update on Atopic Dermatitis & Eczema Management in Infants*, Prince Court Medical Centre, viewed 20 March 2015. <http://www.princecourt.com/past-events/an-update-on-atopic-dermatitis-eczema-management-in-infants/>
- Prince Court Medical Centre. (2015d). *Medical Protection Society (MPS) workshop*, Prince Court Medical Centre, viewed 20 March 2015. <http://www.princecourt.com/wp-content/uploads/MPS-Info.png>
- Prince Court Medical Centre. (2015e). *TM Customer Experience Summit 2015*, Prince Court Medical Centre, viewed 20 March 2015. <http://www.princecourt.com/past-events/tm-customer-experience-summit-2015/>
- Prince Court Medical Centre. (2015f). *Corporate Social Responsibility*, Prince Court Medical Centre, viewed 21 March 2015. <http://www.princecourt.com/news-events/corporate-social-responsibility/>
- The Star Online. (2015). Ringgit depreciation to boost export, tourism. *The Star Online*, viewed 18 November 2015. <http://www.thestar.com.my/Business/Business-News/2015/01/28/Ringgit-decline-will-boost-tourism/?style=biz>
- Yap, J., & Chern, C. Y. (2015). *2015 Health Care Outlook Southeast Asia*, Deloitte Touche Tohmatsu Limited, viewed 4 November 2015. <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Life-Sciences-Health-Care/gx-lshc-2015-health-care-outlook-se-asia.pdf>

---

# Case Study 12: Indian Armed Forces Disaster Management Services in Kashmir Floods 2014: “Operation Megh Rahat”—A Case of Transformative Service

Dipanjan Kumar Dey

---

## Introduction

With the advent of new century, India has seen a barrage of disasters. These disasters have come in different forms such as earthquake (Bhuj, Gujarat, 2001, Kashmir, 2005, Sikkim, 2011); Tsunami (2004); cloud burst (Mumbai, 2006, Leh, 2010, Uttarakhand, 2013) and floods (Bihar, 2008; Kashmir, 2014). With each of these disasters, the common theme underlying in assistance of restoration of society back to normalcy is the services provided by the Indian armed forces, especially the Indian army.

Although, the main mission of army is to defend against enemy nations, Indian army has time and again proven its excellence in disaster management services. Theoretically, for disasters, the principle for army is “last to enter and first to leave”. However, when theory is matched with practice, this is never true in India. The major factor for army’s increasing involvement in providing disaster management services is lack of preparedness of the civic administration to handle natural calamities. Moreover, armed forces are an epitome of discipline and efficiency, the two most basic requirements to successfully manage disaster response and relief. The required wherewithal including the command, control and communication, are available with the army. Additionally, a key component of army training includes preparation for disasters. These range from natural calamities as well as man-made catastrophes such as nuclear or biological warfare.

Indian army went through one of its sternest tests in providing disaster management services in Jammu and Kashmir during the floods of September, 2014. Not only they had to face inclement and dangerous weather conditions, they also had to contend with people whose relationship with Indian army at best can be described

---

D.K. Dey (✉)

Department of Marketing and Strategy, IBS Hyderabad, IFHE University, Hyderabad, 501203  
Telangana, India

e-mail: [dipanjan.dey@gmail.com](mailto:dipanjan.dey@gmail.com)

as difficult. Yet, by virtue of their discipline, training and focus they carried out operation Megh Rahat and saved lives of thousands of Kashmir citizens who will remain indebted to them for their whole lives.

---

## Indian Army

The land based division of the Indian armed forces is known as the Indian army. The commander in chief is the president of India whereas the real leadership lies with ministry of defense. The chief of army staff commanding the Indian army is a four star general. There are various regiments and units in the Indian army that have a very rich history right from the times of east India Company (Singh 1993).

As with any other army in the world the most important job of the Indian army is to safeguard the nation's security and unity. It is bound to defend the country from any outward aggressions and intimidations. Moreover, it is also the duty to preserve harmony and security within the country's borders. Indian army is renowned for conducting humanitarian rescue missions especially during natural calamities. It can be called to service during any emergency internal situations as well (Headquarters Army Training Command 2004). The Indian army has actively participated and proven its credentials in international operations as well. It has also been an active contributor in several United Nations peacekeeping assignments including the ones in Congo, Angola, Cyprus, Lebanon, El Salvador, Liberia, Mozambique, Cambodia, Vietnam, Namibia and Somalia.

A regimental system is in place in the Indian army. For the sake of operations and geographic sense, there are seven different commands that are in place. The division is the basic field formation of the Indian army. Refer to Exhibit 1 for detailed structure. Indian army is an all - volunteer force that comprises of over 80 % of the Indian armed forces active recruits. It has 1.13 million active troops and 960,000 reserve troops, thus forming one of the largest and strongest armies of the world.

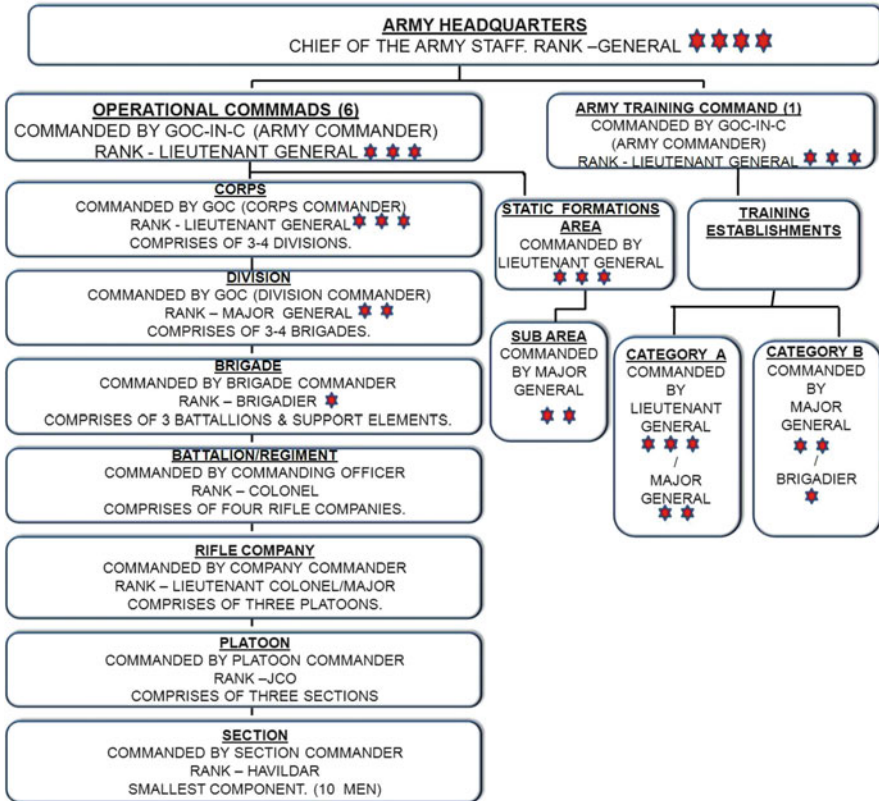
---

## The Kashmir Floods

Torrential rainfall led to severe floods seen around the vast number of districts in the Kashmir region in the month of September, 2014. From 2nd September, 2014 onwards the entire state of Jammu and Kashmir received copious amount of rainfall during the last leg of rainy season in India. As a result, landslides and heavy flooding were observed in the state. In the capital city of Srinagar, river Jhelum was flowing 1.34 m above the danger mark. The water discharge rate was also reported as thrice of that of the normal rate. As per home ministry records, 2600 villages across the state were badly affected and 390 villages out of those were completely submerged due to flooding. Refer to Exhibit 2 for a glimpse of the devastation.

The administration of the Jammu and Kashmir state was nearly dysfunctional during the flood time. As per the chief minister of the state at that time Mr. Omar





**Exhibit 1** Source: Indian Army Official Website (<http://indianarmy.nic.in/Site/FormTemplate/frmTempSimple.aspx?MnId=jWpItvNTxeRCQw7ycWMIng==&ParentID=R0cWIBZTodi8KtAh2gQsw==>)

Abdullah, this flood was the worst in a century. Responding to public criticism of his administrations inability to deal with the situation, he told the media:

“I had no government” in the first few days following the floods, as “My secretariat, the police headquarters, the control room, fire services, hospitals, all the infrastructure was underwater.” Adding “I had no cell phone and no connectivity. I am now starting to track down ministers and officers.” (Najar and Barry 2014)

Many reasons were put forward by ecological experts for the Kashmir floods such as climate change, unplanned and uncontrolled development, intrusion of river banks, lakes, ponds, and massive loss of wet lands, absence of local government flood forecasting system, and poor governance (Nandi 2014).

Most parts of Srinagar were submerged due to the floods. Kashmir being a popular tourist destination also caused many tourists to be trapped during the floods in and around the adjoining areas of Srinagar (The Indian Express 2014). Boats had



**Exhibit 2** *Source:* The New York Times

to be brought from Delhi to help with evacuations and the armed force begun rescue operations in the city (BBC Asia 2014). A large number of bridges were informed to have been broken across the state. The initial assessment of damages to property was projected between INR (Indian National Rupee) 5000 crores (1 crore = INR10<sup>7</sup>) to INR 6000 crores. The state government requested the central regime for 25,000 tents and 40,000,000 blankets for the affected public. There was a total estimated loss of INR 1 trillion to Kashmir division alone.

## **Response and Relief Operation of Indian Army: Megh Rahat**

From the 2nd September, 2014 Indian armed forces of which Indian Army was the major part, started its disaster management services. These included providing relief, rescue, search, relocation and basic humanitarian assistance to thousands of people who were caught in the Kashmir floods (refer to Exhibits 3 and 4) (Najar and Masood 2014) More than two hundred thousand people were rescued within 2 weeks of launch of operation Megh Rahat that included vast areas of Jammu and Kashmir (Press Trust of India 2014; Press Information Bureau 2014). Indian Army and specifically Northern Command's humanitarian assistance to civil authorities was named 'Operation MEGH RAHAT' (ANI 2014).

Operation Megh Rahat led to the mobilization of vast amount of resources in the form of number of men (more than 30,000), 15 task forces of engineering, close to a 100 helicopters and aircrafts as well as rescue specialists and commandos (Press Information Bureau 2014). The operation was carried out on the principles of having a coordinated synergy with the civilian administration and the police. To



**Exhibit 3** *Source:* Additional Directorate General of Public Information, IHQ of MoD (Army)



**Exhibit 4** *Source:* Additional Directorate General of Public Information, IHQ of MoD (Army)

supplement the rescue work, the army arranged 19 relief shelters, where the rescued people were provided food, shelter, and medical assistance. These were spread across Srinagar region as well as various parts of Jammu and Kashmir (Press Information Bureau [2014](#)).

---

## Problems in Operation Megh Rahat

Rumors are a part and parcel of disaster prone zones. Kashmir floods were no different with some local media reports stating that there was discrimination in carrying out relief operations by the army. Army vehemently denied in and blamed it on the complex geo political situation in Kashmir. Further, there were rumors of journalists being embedded in rescue operations for gaining public relations points. The Indian army strongly refuted such false media reports. It further very strongly denied the swirling misgivings related to rescue being done according to “a hierarchy of importance and influence”, rather than “on the first-seen-first-saved basis”. There were also some reported incidents of stone throwing by some people while army was conducting its operation Megh Rahat. The army commander said, “The incidents were very few and blown out of proportion. Most people rescued were extremely appreciative of the Army’s effort, and that the rescue task was aided by local volunteers who have contributed immensely” (Ashraf 2014).

Logistical issues also crept while operation Megh Rahat was in full swing with rescue boats supply demanding immediate attention from the army. To overcome this situation immediate assistance was provided from all across India, wherein rescue boats were brought in even from the state of Tamil Nadu, which is as far as 3000 kms from Kashmir. By the 11th September, there were 224 army boats and 148 NDRF’s (National Disaster Relief Force) inflatable boats in the affected zone conducting rescue and search operations (Press Information Bureau 2014).

Some issues related to perception of rescue operations being carried out will always remain, especially in a politically volatile state like Jammu and Kashmir, where some people have been known to be sympathetic towards insurgents. The politicization of operation Megh Rahat was further compounded by those opposing Indian armed forces by claiming that they were only doing what is mandated by the Government for disaster relief and that the Army is only doing relief for their own purpose to ‘win hearts and minds’ as part of their operational plans. However, such arguments gave chance for some people to question the role of locals in supporting insurgency and asking them to introspect the valiant help provided by Indian army in assisting them at their time of crisis.

---

## Indian Army: Transformative Service Agenda

Indian armed forces and especially the Indian army has a rich history in service to the nation whenever they have been called upon to do disaster management work. The idea scenario calls for Indian army only to handle specific tasks during relief operations, and in situations when civil administration is incapable to provide the required services. However, as described by Shrivastava (2010), the real truth is:

they are the core of the government response capacity and tend to be the first responders of the Government of India in a major disaster. The Armed Forces have historically played a major role in emergency support functions such as communications, search and rescue

operations, health and medical facilities, transportation, power, food and civil supplies, and public works and engineering, especially in the immediate aftermath of a disaster.

The service capabilities of Indian army are so proven over the years for managing disaster relief situations that the people of India believe that all kinds of exigencies and crises situations can be managed by them. As a result they have a huge amount of faith on the Indian army in distress situations. The governments over the years share similar kind of belief on army's capabilities to provide life-saving services during difficult situations. It is a well-established fact that discipline and competence are the first demand in disaster response and relief responsibilities, which are often risky missions and quite naturally the army possesses these qualities in post-disaster operations. Further, the purpose why the army is called upon to support public administration in the very first instance is the public outcry, mounting political understandings and ever increasing media stare. No government or political institution is prepared to take a gamble; hence, deployment of the army in such circumstances turns out to be a play-safe option.

---

## Looking Ahead

In recent times, there is a growing disenchantment within a few quarters of Indian army related to over exposure of men in helping civil administration. There are in-fact two schools of thought with respect to this scenario. One stream recommends phased withdrawal from getting involved with civil administration so that focus is purely on primary responsibility of defending the nation. On the other hand, there are few who advocate towards higher degrees of involvement and engagement with civilian authorities and to be more participative in nature. These thoughts are the result of an increasing frequency of calls to the army by civic authorities even for routine natured services. Since, the demarcation of degree of seriousness of relief services to be provided by armed forces is not very clear, hence when and to how deep the army should get involved in providing civilian services is a matter of debate.

Due to the efficiency of Indian army (and Indian armed forces in general), it has come to the observation of many that civilian authorities are grossly inadequate to handle their duties. They are shunning responsibilities and not showing any kind of requisite initiatives during situations of disaster. The case of Operation Megh Rahat in Jammu and Kashmir is a glaring example of this issue. There is a need to ponder deeply and ask a few questions. Why civil administration should not be put on trial for negligence of their duties? Why level of preparedness even in most disaster prone areas is not up to the mark? Why training levels are so inadequate among civic administrators to carry out rescue and relief operations?

The army is capable of providing life-saving services to citizens of India and wherever else it is called. However, does that mean that we will not learn our lessons and make civil administration responsible for failing to perform its most basic duties? Kashmir floods changed the way Indian army was looked upon in the

valley. By providing selfless services during the devastating floods and assisting thousands of citizens of Kashmir during their most difficult times the Indian army has set very high standards of service delivery for civic administration to follow. They can make a start by punishing those responsible for mindless constructions, those who flouted the rules and those who chose to ignore the nature for purely commercial reasons.

### Discussion Questions

1. Discuss role of Indian army in providing transformative services to the Indian society.
2. Discuss how operation Megh Rahat: a disaster relief service operation, is an application of transformative service provided by Indian army.
3. Comment on the transformative service leadership qualities of Indian army in the event of disasters such as Kashmir floods.
4. What are the key management lessons in transformative service management that civilian organizations can learn from the operation Megh Rahat?

---

### References

- ANI (6 September 2014). J-K floods: Indian Army in aid to civil administration under ‘Operation MEGH RAHAT’. *Udhampur: ANI News. ANI*. Available at: <http://www.aninews.in/newsdetail2/story182423/j-k-floods-indian-army-in-aid-to-civil-administration-under-039-operation-megh-rahath-039-.html>
- Ashraf, A. (September 26, 2014). Exclusive: Lt Gen who led Kashmir rescue says, “Past cannot be swept away by floods”. *First Post*. Available at: <http://www.firstpost.com/india/exclusive-lt-gen-who-led-jk-rescue-says-past-cannot-be-swept-away-by-floods-1730825.html>
- BBC Asia (7 September, 2014). India Pakistan floods: Kashmir city of Srinagar inundated. *British Broadcasting Corporation, Asia*. Available at: <http://www.bbc.com/news/world-asia-29100226>
- Headquarters Army Training Command. “Indian Army Doctrine”. October 2004. Archive link via archive.org (original url: [http://indianarmy.nic.in/indianarmydoctrine\\_1.doc](http://indianarmy.nic.in/indianarmydoctrine_1.doc))
- Najar, N., & Barry, E. (12 September, 2014). Embrace of social media aids flood victims in Kashmir. *The New York Times*. Available at: [http://www.nytimes.com/2014/09/13/world/asia/embrace-of-social-media-aids-flood-victims-in-kashmir.html?\\_r=0](http://www.nytimes.com/2014/09/13/world/asia/embrace-of-social-media-aids-flood-victims-in-kashmir.html?_r=0)
- Najar, N., & Masood, S. (8 September, 2014). India and Pakistan strain as flooding kills hundreds. *The New York Times*. Available at: [http://www.nytimes.com/2014/09/09/world/asia/hundreds-dead-in-flooding-in-india-and-pakistan.html?\\_r=0](http://www.nytimes.com/2014/09/09/world/asia/hundreds-dead-in-flooding-in-india-and-pakistan.html?_r=0)
- Nandi, J. (Sep 16, 2014). Kashmir floods is a man-made ecological disaster: Bombay Natural History Society. *The Times of India*. Available at: <http://timesofindia.indiatimes.com/india/Kashmir-floods-is-a-man-made-ecological-disaster-Bombay-Natural-History-Society/article-show/42634703.cms>
- Press Information Bureau (11 September, 2014). Round up at 1800 Hrs--- Over 1,10,000 People Rescued So Far by Armed Forces Another Batch of Marine Commandos Arrives in Srinagar. *Press Information Bureau, Ministry of Defence, Government of India*. Available at: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=109584>
- Press Information Bureau (18 September, 2014). Union Government provides massive relief in flood affected J&K Rescue operations regularly coordinated by NCMC. *Press Information*

Bureau, Ministry of Home Affairs, Government of India. Available at: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=109800>

Press Trust of India (13 September, 2014). Over 1,42,000 people rescued in flood-hit Jammu and Kashmir so far. *Business Standard*. Available at: [http://www.business-standard.com/article/pti-stories/over-1-42-000-people-rescued-in-flood-hit-j-k-so-far-114091300355\\_1.html](http://www.business-standard.com/article/pti-stories/over-1-42-000-people-rescued-in-flood-hit-j-k-so-far-114091300355_1.html)

Singh, S. (1993). *Battle honours of the Indian army 1757–1971*. New Delhi: Vision Books. ISBN 8170941156.

Srivastava, K. (2010). Disaster: Challenges and perspectives. *Industrial Psychiatry Journal*, 19(1), 1–4. doi:10.4103/0972-6748.77623.

The Indian Express (7 September, 2014). Srinagar: People trapped, city submerged, administration missing. *The Indian Express*. Available at: <http://indianexpress.com/article/india/india-others/jk-floods-people-trapped-city-submerged-administration-missing/>



---

# Case Study 13: Wellbeing Through Travel: High Value-Low Impact Tourism in the Developing Country, Bhutan

Raechel Johns and Thinley Namgyal

---

## Introduction

Increasingly services marketing research is calling for a focus on improved wellbeing through the delivery of services (Anderson et al. 2013). This includes a focus on the service innovation at the base of the pyramid (i.e. The world's poorest), being sustainable in service delivery and improving societal wellbeing (Ostrom et al. 2015). Bhutan, a small landlocked developing nation in the Himalaya Mountains borders China and India (Nyaupane and Timothy 2010). Bhutan has always been of interest to tourists, due to the spiritual, adventure and cultural aspects. In 2012, 105,407 tourists visited Bhutan. This represented a 64.62 % increase in visitors from the previous years (Tourism Council of Bhutan 2013). Such a rapid growth in tourists indicates an increased focus on tourism services within the region and may also suggest increased promotion and word of mouth.

The Kingdom of Bhutan is an attractive tourism destination for many tourists, particularly due to the focus on Gross National Happiness, Buddhism and outdoor activities. Tourism enables Bhutan to share in global economic development through increasing tourism numbers, while retaining and sharing their cultural identity (Brunet et al. 2001). Despite the focus on tourism, however, tourism was not offered until 1974 (Gurung and Seeland 2008). Traditionally a high value/low volume approach was utilised where tourism numbers were restricted. This has evolved in recent times to a high value/low impact approach, to enhance sustainability, both economically and environmentally (Tourism Council of Bhutan

---

R. Johns (✉)

University of Canberra, Bruce, ACT, Australia

e-mail: [Raechel.Johns@canberra.edu.au](mailto:Raechel.Johns@canberra.edu.au)

T. Namgyal

Royal Institute of Management, Semtokha, Bhutan



2013). Tourism in Bhutan has brought in considerable revenue and has tended to attract upper-class tourists, generally (Gurung and Seeland 2008).

Tourists are attracted to the culture of Bhutan, including Buddhism. Furthermore, adventure tours and trekking encourages tourists and finally the nation's principles of Gross National Happiness also increases attention on the country and ultimately results in tourism (Tourism Council of Bhutan 2013).

This case study outlines the increased focus on sustainability within marketing and tourism. Then, a case study on tourism in Bhutan will be provided. The objective of this case study is to outline how 'wellness' can be utilised in providing tourism services within a developing nation.

---

## Sustainability in Marketing

Over the past few decades, an increased focus on environmental principles has increased. More recently, focus on sustainability has become an essential focus in business (Belz and Peattie 2009).

Principles of Sustainability were outlined by the United Nations' World Commission on Environment and Development in 1987. They include:

- Needs and equity
- Intergenerationality: a long term perspective, with a balance between focus on present and future needs
- Global environmentalism: This indicates that the environmental is a vulnerable physical system with a finite ability to provide for production and consumption systems

Belz and Peattie (2009).

Sustainability marketing offers a broad, relationship perspective. While eco-marketing focuses on commercial transactions and relationship marketing offers a market focus, but with a relationship focus; sustainability is broader and still relationship focus. Conventional marketing tends to ignore the needs of the poorest consumers and poorest nations, because they lack sufficient purchasing power. However, sustainability in marketing seeks for opportunities for the poor, helping them to consume more and lead a good lifestyle (Belz and Peattie 2009).

Sustainable tourism is increasingly being researched and practiced globally (Weaver 2012). In a tourism context, ecotourism is becoming a way of introducing sustainability to a tourism context. Tourism tends to "disrupt, disturb, or otherwise do damage to natural habitats and local communities" (Stronza and Gordillo 2008: 448), therefore it is essential for tourism operators and Governments to approach tourism in a different way. This is how ecotourism and wellbeing in tourism have become priorities.

## Wellbeing and Tourism

As time pressures and stress increasingly impact on consumer’s lifestyles, there is an increased focus in wellbeing and tourism. Wellness in tourism can relate to the use of Spas (Cooper and Cooper 2009) and retreats but also can include action-based retreats. While wellbeing is a broad term encompassing positive outcomes for consumers, ‘wellness’ relates to a natural and holistic approach to health (Cooper and Cooper 2009). Both wellbeing and wellness can be utilised within a tourism context.

‘Wellness’ can be utilised to focus on health, fitness and preventing illness (Cooper and Cooper 2009). One example of wellness is spa tourism, and the environments of spa tourism are varied, providing a benefit to the consumer. Figure 1 indicates the environments within a spa context.

Figure 1, above, indicates that wellness in a tourism context relates to health, business, psychology of the consumer, the social environment, regulation and the physical environment. Although the diagram above applies specifically within a spa context, more broadly it could apply within a tourism and wellbeing context.

Figure 2 provides an understanding of health through tourism.

The figure above indicates that when considering ‘wellness’ in tourism, there is a crossover between proactive wellness tourism and more reactive medical wellness. However, wellness tourism is not always related to medical wellness tourism and instead can more broadly relate to spirituality, lifestyle or beauty. Numerous benefits can arrive from wellness through tourism, including:

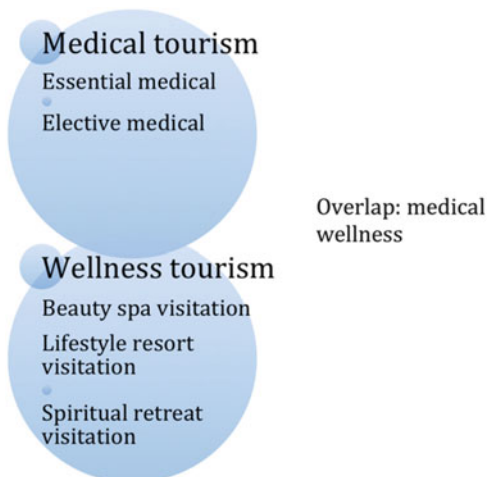
- Indulgence
- Physical health
- Transcendence
- Self-esteem benefits
- Novelty
- Escape

Voigt et al. (2010).



**Fig. 1** Environments of health and wellness spa tourism. *Source:* Adapted from Cooper and Cooper (2009)

**Fig. 2** Summarised depiction of health tourism.  
*Source:* Adapted from Voigt et al. (2010)



Each of these could be considered influential factors for a consumer making a destination choice, particularly where ‘wellness’ is perceived to be an outcome. For these reasons, wellness tourism appeals to a growing segment of travellers who seek out wellness tourism for any combination of benefits. In addition, wellbeing outcomes through the delivery of services can be focused on health, happiness or decreasing disparity (Anderson et al. 2013). For a developing country, such as Bhutan, wellness tourism is not necessarily a strategic business decision, but rather is aligned with the values of the nation. Nevertheless, it has brought economic benefits to the nation. Findings related to tourism within Bhutan are now discussed.

With an understanding of sustainability in marketing and wellness in tourism now provided, this case study will highlight tourism in Bhutan. This section was developed from findings presented in the 2012 Annual Report presented by the Tourism Council of Bhutan, and from a face to face interview with the Tourism Council of Bhutan, conducted in 2014.

---

## Tourism in Bhutan

I wonder then if at heart, Bhutan’s aim is not to directly cultivate a more responsible form of happiness, one that is grounded in deeper Buddhist values of enacted wisdom and compassion (McDonald 2003: 4).

With its unique focus on happiness above all else and its pristine beauty through nature, Bhutan has appealed to tourists as a destination on the ‘bucket list’. It is not surprising, therefore, that tourism is a major contributor to the Bhutanese economy.

With its ‘high value, low impact’ tourism policy, Bhutan remains a desirable destination for many holiday planners, particularly those from The USA

(approximately 14 % of visitors), Japan (approximately 16 % of visitors) and Europe (Germany approx. 7 %, France, 4 %, UK nearly 6 % etc). Australian visitors make up 4.38 % of the visitor statistics (Tourism Council of Bhutan 2013).

As Bhutan evolves from a subsistence farming rural society to a society with an emerging service sector, emphasising tourism and hydro-energy (Rinzin et al. 2007), researchers are increasingly focusing on the tourism offering of the nation. As tourism is one of the fastest growing service sectors (Rinzin et al. 2007) and increasingly certain segments of tourists are interested in ecotourism, wellness and sustainable environments, Bhutan is an attractive destination choice for these customers. In particular, as affluent travellers make destination choices, many tourists seek to travel from rich countries to developing countries, due to their desire for leisure, natural environments and quiet serenity (Rinzin et al. 2007).

Despite issues within the nation, such as high infant mortality, low life expectancy in the past, health concerns such as contaminated water and increasing unemployment (Brunet et al. 2001), Bhutan manages to appeal to tourists from varying backgrounds. The rich heritage, distinctive traditions, religious festivals and unique architecture and pristine environment attracts significant interest from tourists. In fact, Bhutan is one of the most sought after destinations globally (Brunet et al. 2001).

Although the term ‘ecotourism’ is used to discuss the tourism offering of Bhutan, it is used to describe both environmental and cultural components of the nation. This is not necessarily true to the definition of ecotourism, as it is broadly used to encompass all nature-based tourism (Weaver 1998; cited in Brunet et al. 2001). In addition to the natural environment, the focus on Buddhism, including the Buddhist respect for the living, has meant that the natural environment is greatly valued in Bhutan, offering a resource both economically and in terms of lifestyle (Brunet et al. 2001).

Predominately attracting older tourists to the nation (Gurung and Seeland 2008), a focus on high value/low impact means that tourism services are careful to ensure that visitors to the nation are careful around the natural environment. The Royal Government of Bhutan has always been cautious regarding tourism (Gurung and Seeland 2008) no doubt due to the impact of tourism on natural and cultural environments (Nyaupane and Timothy 2010; Stronza and Gordillo 2008).

Restrictions in tourism have been due to the focus on sustainability and to preserve the unique culture. Despite the restrictions in the past, there were no restrictions for Indian tourists (Nyaupane and Timothy 2010). Taking a sustainable ecotourism approach (Gurung and Seeland 2008), all visitors must register with a tour operator and be accompanied by a tour guide at all times (Gurung and Seeland 2008). Furthermore, tourism operators are restricted to local operators, rather than foreign investors. It is also restricted to particular regions (Rinzin et al. 2007) to reduce the impact on the nation, overall.

Over 88 % of visitors to Bhutan use Drukair to enter Bhutan (Tourism Council of Bhutan 2013). Drukair is the only airline servicing Bhutan (Nyaupane and Timothy 2010). The remaining 11.9 % enter Bhutan via road. 41.49 % enter via Bangkok while 25.9 enter via Kathmandu (Tourism Council of Bhutan 2013).

2012 was the peak year for visitor arrivals to Bhutan, at 105,407. This is a growth rate of nearly 65 % from 2011's data (Tourism Council of Bhutan 2013). Initially a limit on tourist numbers of 200 foreign tourists per year was established (Brunet et al. 2001), however this quota has now been removed, seeing considerable increases in tourism numbers. Perhaps the initial restriction on tourism, in addition to the features of the country, has made the nation more desirable to tourists, however, Dorji (2001) indicates that the policy was initially developed to protect the environment and culture of the country.

Visitor data indicates that the majority of visitors to Bhutan are aged over 60, with 46–55 and 55–60 being the next largest segments. The under 16 market is the smallest visitor segment to Bhutan. The majority of visitors have a Masters degree, followed by those with a Bachelors degree (Tourism Council of Bhutan 2013).

Nearly 100 % of visitors (99.26 %) participate in cultural aspects of Bhutan during the trip. Nature based activities account for 13.04 %, including trekking (7.32 %), bird watching, flora and fauna (1.22 %) and adventure sport (4.5 %). Culture rates as the major drawcard for the majority of visitors (66 %), followed by nature (43 %), Gross National Happiness (33 %), Undiscovered destination (31 %) and Buddhism (25 %). The great majority of visitors say that organising their travel was very easy (Tourism Council of Bhutan 2013).

Visitors stay for an average of nearly 7 days, a slight decrease from previous years. Visitors from Switzerland stay, on average, for the longest period (10.91 days), while visitors from Thailand stay for the shortest time period (4.21 days) (Tourism Council of Bhutan 2013).

Bhutan impresses, and over 80 % of visitors have possible plans to return to Bhutan. Visitors use the following words to describe Bhutan:

- beautiful
- friendly
- natural
- cultural
- spiritual/religious
- happy

Tourism Council of Bhutan (2013).

Regional visitors—those from India, Bangladesh and Maldives—do not fall under the tourism survey detailed above. They have no requirements to tour with a tour guide, and their spending and activities differ from those listed above. Table 1 provides a more comprehensive summary of wellness tourism.

The table above indicates the various 'therapies' and treatments associated with wellness tourism. The table indicates that, in many cases, the services offered cross over between resort styles. While Bhutan focuses on each of the three elements, it is predominately the spiritual focus for which the nation is known—Buddhism, including both study and meditation and happiness through both Buddhism and Gross National Happiness. Furthermore, Lifestyle Resorts are also a focus within

**Table 1** Wellness tourism typology and services offered

Beauty spa visitation	Beauty spa visitation and lifestyle resort visitation	Lifestyle resort visitation	Lifestyle resort visitation and spiritual retreat visitation	Spiritual retreat visitation	Beauty spa, lifestyle resort and spiritual retreat visitation
	Body and facial beauty treatments		Movement therapies	Studying and learning (e.g. Buddhism)	Manual pressure based therapies (e.g. massage)
	Water based and sweat bathing treatments		Energy therapies and new age		Specific water based and sweat bathing treatments such as 'sweat lodges' or 'rebirthing'
	Manipulative/adjustment therapies (e.g. chiropractic)		Meditation		
			Nutrition (e.g. cooking classes)		
			Counseling and group therapy		

Source: Adapted from Voigt et al. (2010)

Bhutan, however physical fitness is not particularly linked to a traditional lifestyle resort, as indicated in the table above, but more so through trekking and adventure holidays. This spirituality, or 'wellness' is all linked to overall happiness.

---

## Happiness Through Tourism

Because tourism relates to leisure and leisure and happiness are related, it is appropriate that tourists are seeking happiness in their travel. Increasingly, tourists are seeking a travel adventure that calms them, inspires them or educates them. Travel to Bhutan fulfils each of these elements. Therefore, we suggest that the increase in tourism to Bhutan is related to the happiness theme of the nation.

Happiness through travel to Bhutan is related to three main areas: Buddhism study, meditation, temples and generally; Gross National Happiness, promoted through talks and general conversation; and physical health, through food and exercise. Bhutan appeals to tourists due to the culture, environment, pristine nature, activities, religion and generally, due to happiness. This unique combination of attributes result in Bhutan being a unique tourism destination. Furthermore, the restriction on tourism has resulted in an increase in tourism numbers since the quota has been lifted.

Theoretically, the focus on wellness in tourism is increasingly being researched. While spirituality has been researched, limited research has explored Gross National Happiness and the impact of this on tourism; marketing; and business more generally. Further research, therefore, could explore these elements. While this would be applicable to Bhutan; more broadly the research could also apply to an understanding of happiness in business, more generally.

A greater understanding, also of spirituality and religion in tourism would be useful. Researchers should explore religious pilgrimages in more depth. In particular, it would be useful to note how Buddhism particularly drives visitors to a destination, and Buddhism as a religion can be quite popular to be adopted late in life.

Finally, it would be useful to understand 'supply and demand' within a tourism context, in more depth. The previous restriction on tourism within Bhutan may have resulted in greater desire for tourists to visit the nation. Huge increases in tourist numbers have been evident in recent years and it would be useful for this pattern to be further explored in other contexts.

This case study has outlined an understanding of 'wellness' in tourism; ecotourism more generally and sustainability in marketing offerings. By highlighting the way Bhutan has attracted tourists through the transition to a focus on service offerings, an understanding of a unique combination of tourism attributes has been provided. Tourism providers must have a complete understanding of their offering to the market. Some practical suggestions for tourism operators include:

- increasing a focus on 'wellness' as this is increasingly driving a segment of travellers

- consider ways to increase the perception of ‘selectiveness’. The minimal supply of tourism in Bhutan has increased the desire to travel to this destination. If tourism operators can somehow promote selectiveness, greater tourism numbers may be evident
- consider ways to increase service quality, while maintaining the cultural values of the nation
- consider ways to transform service to focus on community wellbeing, considering both local communities and tourists

## Discussion Questions

1. How can developing nations appeal to tourists? While Bhutan has a focus on wellness, culture and adventure, what are some other possibilities, based on examples you know?
2. How could Bhutan further increase tourism numbers? What are the risks of attempting to do this?
3. How does the focus on Gross National Happiness differentiate Bhutan from other tourism destinations?
4. How can tourism destinations increase service quality, whilst maintaining cultural values of the nation?

---

## References

- Anderson, L., Ostrom, A., Corus, C., Fisk, R., Gallan, A., Giraldo, M., Mende, M., Mulder, M., Rayburn, S., Rosenbaum, M., Shirahada, K., & Williams, J. (2013). Transformative service research: An agenda for the future. *Journal of Business Research*, 66, 1203–1210.
- Belz, F., & Peattie, K. (2009). *Sustainability marketing, a global perspective*. Chichester: Wiley.
- Brunet, S., Bauer, J., De Lacy, T., & Tshering, K. (2001). Tourism development in Bhutan: Tensions between tradition and modernity. *Journal of Sustainable Tourism*, 9(3), 243–263.
- Cooper and Cooper. (2009). *Health and wellness tourism*. Bristol: Channel View Publications.
- Dorji, T. (2001). Sustainability of tourism in Bhutan. *Journal of Bhutan Studies*, 3(1), 1–21.
- Gurung, D., & Seeland, K. (2008). Ecotourism in Bhutan, extending its benefits to rural communities. *Annals of Tourism Research*, 35(2), 489–508.
- McDonald, R. (2003). Finding happiness in wisdom and compassion: The real challenges for an alternative development strategy. *Journal of Bhutan Studies*, 9, 1–22.
- Nyaupane, G., & Timothy, D. (2010). Power, regionalism and tourism policy in Bhutan. *Annals of Tourism Research*, 37(4), 969–988.
- Ostrom, A., Parasuraman, A., Bowne, D., Patricio, L., & Voss, C. (2015). Service research priorities in a rapidly changing context. *Journal of Service Research*, 18(2), 127–159.
- Rinzin, C., Vermeulen, W., & Glasbergen, P. (2007). Ecotourism as a mechanism for sustainable development: The case of Bhutan. *Environmental Sciences*, 4(2), 109–125.
- Stronza, A., & Gordillo, J. (2008). Community views of ecotourism. *Annals of Tourism Research*, 35(2), 448–468.
- Tourism Council of Bhutan. (2013). *Bhutan Tourism Monitor, Annual Report 2012*, Produced by the Tourism Council of Bhutan.



- Voigt, C., Laing, J., Wray, M., Brown, G., Howat, G., Weiler, B., & Trembath, R. (2010). Health tourism in Australia: Supply, demand and opportunities. CRC for Sustainable Tourism
- Weaver, D. (2012). Organic, incremental and induced paths to sustainable mass tourism convergence. *Tourism Management*, *33*, 1030–1037.

---

# Case Study 14: Reliance Indian Limited (RIL): Growth Through Innovation?

Sudeepta Pradhan and Sanjit Kumar Roy

*“At Reliance, business priorities co-exist with social commitments and our activities support inclusive growth” . . . . . “Our fundamental belief is that for us growth is a way of life and we have to grow at all times.”*

—Mukesh D. Ambani, Chairman and Managing Director,  
RIL

*The life of a business and the lives of its stakeholders are interdependent. At Reliance we consciously develop and nurture relationships across the entire range of stakeholders. This helps us understand pertinent issues, develop our businesses, enhance shareholder value and manage risks better. It is the relationship, trust and commitment to stakeholder interest and the warm reciprocal of the same by the stakeholders that makes Reliance robust, resilient and sustainable ([http://www.ril.com/DownloadFiles/SustainabilityReports/RIL\\_CSR\\_2006.pdf](http://www.ril.com/DownloadFiles/SustainabilityReports/RIL_CSR_2006.pdf)).*

---

## Introduction

As per a study by the Varkey Foundation in partnership with UNESCO reported on January 16, 2015, Reliance Industries Limited (RIL) was quoted to have spent a huge sum of USD 5.4 million on education related Corporate Social

---

S. Pradhan (✉)  
IBS, Hyderabad, Hyderabad, Telangana, India  
e-mail: [sudeepta.pradhan.24@gmail.com](mailto:sudeepta.pradhan.24@gmail.com)

S.K. Roy  
Department of Marketing (M263), The University of Western Australia, Perth, Australia

Responsibility (CSR) activities.<sup>1</sup> RIL ranks the 80th position the top-100 list as per the world's first comprehensive study in the global corporate education CSR spends. Incidentally, RIL was the first Indian private sector company to post a profit of USD 1 billion net profit in a quarter. It also spent over INR 700 crore of its net profit on CSR in the year 2013–2014 a major portion of it in healthcare and rural development initiatives.<sup>2</sup> The 2014 annual report of RIL reported an expenditure of 3.24 % of its net profits. 59 % of the total INR 712 crore was spent on healthcare, 23 % for rural development, 11 % on education for poor children, and 7 % on other social activities. The new [Companies Bill](#) that was passed in the previous fiscal year mandates every firm with a [net worth](#) of Rs. 100 crore to spend a minimum of 2 % of their 3-year average annual net profits for CSR activities. During the year 2014–2015, the CSR activities of RIL affected over 1 million lives, across 5500 locations and over 407,000 farmers.<sup>3</sup> RIL was in news in 2013 for being a potential CSR leader.<sup>4</sup>

---

## About the Company

RIL is a Fortune 500 company and the largest private sector corporation in India. The company was founded by Dhirubhai Ambani (28 December 1932–6 July 2002) who dared to dream to create the largest company in India, despite hailing from a modest background. He was also named as the top businessman of the twentieth century and appreciated for his ingenuity, innovation and leadership qualities. He was one of the first Indian businessmen who recognized the significance of investors and the immense potential of the capital markets to shape the future of the industry. He followed a simple policy: “*Think big. Think differently. Think fast. Think ahead. Aim for the best.*” Dhirubhai's shaped the Reliance Group to be the largest conglomerate in India, and helped it achieve its zeniths amidst global corporate giants. He was given prestigious awards and titles like the Lifetime Achievement Award (The Economic Times), Man of the Century (Chemtech Foundation), Indian Entrepreneur of the twentieth Century (FICCI), to name a few.

---

<sup>1</sup>Press Trust of India (2015).

<sup>2</sup>Press Trust of India (2014)

<sup>3</sup>PTI (2014)

<sup>4</sup>Subramanian and Mulgaonkar (2013)

---

## Products in Reliance Industries

RIL contributes nearly 14 % to the total Indian exports. It has a presence in various sectors like retail, logistics, textiles, natural resources and energy, communications, science and technology, health care, petrochemicals and construction. The four major operations of the company are classified into Oil and Gas Exploration and Production; Petrochemicals; Petroleum Refining and Marketing business; and others.<sup>5</sup> The major competitors of RIL are Indian Oil Corporation in the petrochemical sector; Sahara Q in the retail sector; and Airtel in Telecommunication sector. RIL was the largest refining unit at a single location; the largest producer of Polyester fiber and yarn; the 5th largest producer of Paraxylene and Polypropylene; and the 8th largest producer of purified Terephthalic Acid and Mono Ethylene Glycol.<sup>6</sup> The Retail sector includes Reliance Fresh, Reliance Digital, Reliance Footprint, Reliance Trends, Reliance Mart, Reliance Home Kitchens, Reliance Time Out, Reliance Wellness, Reliance Autozone, Reliance Super, Reliance iStore, Reliance Market and Reliance Jewels. RIL has 123 subsidiaries and 10 associate firms. It is the largest retailer in India with 1466 outlets countrywide.

---

## Promotions by RIL

RIL utilizes advertising tools to implement the best marketing strategies. They use emotional promotional campaigns; discounts and schemes to attract consumers. However, RIL started spending less on promotions and reduced prices to pull customers to the company. In the retail sector, RIL has no major advertising campaigns. It regularly sponsors sports activities and purchased an IPL (cricket team) and conducts rehabilitation programs for the downtrodden. RIL works on the motto “Growth is Life” and spans in the areas of retail and telecommunications, hydrocarbon exploration and production, petroleum refining, marketing and petrochemicals. Focusing on innovation and growth, RIL is the largest polyester yarn and fiber producer worldwide.<sup>7</sup> The company started in the late 70s as a textiles firm and gradually diversified into polyester, fiber intermediates, plastics, petrochemicals, petroleum refining and oil and gas exploration and production. RIL integrated into different industry sectors, most significantly into petrochemicals and crude oil and Reliance Industrial Infrastructure Limited.

---

<sup>5</sup>Bhasin (2015)

<sup>6</sup>[www.ril.com/html/aboutus/about\\_brands](http://www.ril.com/html/aboutus/about_brands)

<sup>7</sup>[www.ril.com/html/aboutus/aboutus.html](http://www.ril.com/html/aboutus/aboutus.html)

## The Strategy Roadmap of RIL

**Sustainability Strategy** For RIL, sustainable development is a significant cornerstone of its business strategy for profitable growth. They adopted the principle of materiality and pointed out key issues after deliberation with management and key stakeholders. The sustainable development strategy includes: Energy Security, Health and Safety, Corporate Governance and Transparency, Product Responsibility, Climate Change and Waste Management. RIL strongly believes in the concept of '*growth through innovation*' as it will act as a point of differentiation and provide the firm with huge competitive advantage. It intends to make long term profits by implementing sustainable solutions, effective talent management, and innovation and R & D facilities. As a part of its sustainability efforts RIL has good quality Health and Safety standards; Environment; Product Responsibility; Social Institution Building. Sustainability at RIL combines small critical steps to redefine its future businesses. Its initiatives are a projection of its Founder Late Shri Dhirubhai Ambani, who envisioned India as a sustainable nation where government and society complement each other constructively. RIL's has effective CSR initiatives that elevate the quality of life. The steps RIL takes as its CSR initiative include healthcare, education, rural wellbeing and employment opportunities. RIL makes efforts to carry on its social responsibility in a traditional manner to empower people and engage socially.<sup>8</sup> As a part of its product responsibility RIL offers efficient product and services having minimum environmental impact and consideration of customer safety.

**Social Institution Building as CSR** RIL focuses on social welfare and community development as a core factor of its Corporate Social Responsibility (CSR) philosophy. RIL interacts closely and continuously with people and communities around its manufacturing divisions to bring around changes and aid the underprivileged. It contributes to the areas of health, education, infrastructure development (drinking water, improving village infrastructure, construction of schools etc.), relief and assistance in the event of a natural disaster and other social initiatives (Table 1). As a part of its strategy, RIL made significant investments in E & P of O & G to secure energy supplies<sup>9</sup>; implemented systems to monitor and measure sustainability performance; created sustainability awareness programs online; and formed the Reliance Innovation Council.

<sup>8</sup><http://www.ril.com/ar2014-15/RIL%20AR%202014%20-15.pdf>

<sup>9</sup>[http://www.ril.com/DownloadFiles/SustainiabilityReports/RIL\\_SR2007\\_08.pdf](http://www.ril.com/DownloadFiles/SustainiabilityReports/RIL_SR2007_08.pdf)

**Table 1** The six major focus areas of CSR in RIL

---

**1. Rural Transformation:** To work towards bridging the developmental gap between rural 'Bharat' and urban India by improving livelihood, addressing poverty, hunger and malnutrition.

Key initiatives include:

- (a) Supporting Farm and non-farm livelihoods
- (b) Improving water conservation and rain-water harvesting
- (c) Developing community based initiatives like VFAs and producer companies towards building capacity of the community and ensuring sustainability.
- (d) Using technology towards delivering need based information for improving quality of life.
- (e) Improving food security and enhancing nutrition
- (f) Developing Community infrastructure

---

**2. Healthcare:** To address issues around affordability and accessibility of quality healthcare and bring about improvement in awareness and health seeking behavior in various parts of India, enabling a better living, through initiatives such as:

- (a) Primary, secondary and tertiary care facilities
- (b) Conducting need based health camps and providing consultation, medicines etc.
- (c) Working on maternal and child health
- (d) Behavioural change for improved mother and child health
- (e) Improving healthcare delivery through innovative outreach programmes
- (f) Working for the visually impaired
- (g) Working in the areas of Communicable and non-communicable diseases
- (h) Using technology for training, competency evaluation and clinical decision support for medical professionals with a view to improve quality of healthcare

---

**3. Education:** To work on several educational initiatives to provide quality education, training, skill enhancement for improving the quality of living and livelihood. Initiatives are aimed at:

- (a) Promoting primary and secondary education
- (b) Enabling higher education through merit cum means scholarships, including for differently abled across the country.
- (c) Using sports as a tool for development of students in both urban and rural settings
- (d) Promoting higher education including setting up and supporting universities
- (e) Skill development and vocational training

---

**4. Environment:** To enable enhanced livelihood and quality of life, promote environment sustainability through various initiatives for:

- (a) Ecological sustainability
- (b) Promoting biodiversity
- (c) Conservation of natural resources
- (d) Maintaining quality of soil, air and water
- (e) Promoting renewable energy
- (f) Developing gardens and river fronts

---

**5. Arts, Heritage and Culture:** To work towards preserving the rich heritage, arts and culture of India for its future generation and make conscious efforts to ensure its continuity and enhance avenues for livelihoods of traditional artisans and craftsmen. Key initiatives include:

- (a) Working towards protecting and promoting India's art, culture and heritage through various promotional and developmental projects and programmes.
- (b) Support and promotion of artists and craftsman
- (c) Promotion and preservation of traditional art and handicraft
- (d) Documenting India's rich heritage for the benefit of future generations

---

**6. Disaster Response:** RIL has a track record of organizing timely relief and rehabilitation of communities affected by natural calamities. To strengthen efforts in the area of Disaster Response towards establishing RIL as one of the leading organizations with the capacity to respond in a timely and impactful manner in the affected areas. Key initiatives include:

- (a) Building capacities of local communities to respond to disasters
  - (b) Developing expertise and resources to respond to disaster
-

## Growth Through Commitments

RIL has been involved in numerous socially responsible activities over the past years with intent to improve the quality of lives of people across India.<sup>10</sup> Sustainable Development is the cornerstone of RIL to achieve sustainable growth and create thriving eco-systems. The Reliance Foundation (RF) was set up in 2010, to boost philanthropic initiatives of RIL and express its vision of sustainable growth in India. Led by Smt. Nita M Ambani, and supported by three independent directors—Dharam Vir Kapur, Yogendra Tridevi and RA Mashelkar; the RF aims at development through the creation of meaningful and innovative activities addressing the country's developmental challenges. Functioning under the umbrella of the RF, RIL carries on its various developmental activities. The Foundation has three core commitments SIS (S—Scale, I—Impact and S—Sustainability).<sup>11</sup> RIL carries on its responsible activities to “empower people and deepen its engagement with a view to improve lives, living and livelihood of millions on a sustainable basis”,<sup>12,13</sup> RIL has six major focus areas: Rural Transformation, Health, Education, Environment, Arts, Heritage and Culture, and Disaster Response.<sup>14</sup> RIL believed that the safety of its employees; belief and concern for environment would lead to sustainable growth.<sup>15</sup>

---

## Implementation of Strategy

RIL implements its CSR activities directly as well as in partnership with experts in the area. In case of direct engagement the initiatives are conceptualized and executed through a team of RIL professionals directly. It enters into a partnership with organizations having the technical expertise and experience to perform activities in the core focus areas of operation, to improve outcomes. RIL is also intrinsically involved in stakeholder engagement as a part of its strategy (Table 2).

---

<sup>10</sup><http://www.ril.com/getattachment/d5fd70ef-e019-47e5-bb83-de2077874505/Corporate-Social-Responsibility-Policy.aspx>

<sup>11</sup><http://www.ril.com/getattachment/d5fd70ef-e019-47e5-bb83-de2077874505/Corporate-Social-Responsibility-Policy.aspx>

<sup>12</sup>RIL aims to continue its efforts to build on its tradition of Social Responsibility to empower people and deepen its engagement with a view to improve lives, living and livelihood of millions on a sustainable basis.

<sup>13</sup>[www.reliancefoundation.org/aboutus.html](http://www.reliancefoundation.org/aboutus.html)

<sup>14</sup>[www.ril.com/html/aboutus/our\\_commitments](http://www.ril.com/html/aboutus/our_commitments)

<sup>15</sup>[www.relianceadagroup.com/ada/corporate](http://www.relianceadagroup.com/ada/corporate)

**Table 2** Stakeholder engagement

Stakeholders	Key expectations	Mechanism for engagement
Shareholders	High returns transparency	Annual general meetings (AGMs) shareholders' grievance meetings one-to-one meeting open forum
Customers	Product quality and reliable delivery adequate product information competitive pricing	Market research external customer satisfaction survey
Suppliers	Volume of business timely payment renewal of contracts honouring terms of contract	Separate contractors' cell monthly contractors' safety meetings
Employees	Job satisfaction and growth work-life balance corporate lifestyle	Feedback mechanism- 'employees suggestion scheme' awards for 'best case studies' for internal learning- 'QUEST', 'peer group sharing' HSE committees 'toolbox talks' self development modules ILNA (individual learning needs assessment) career progression/job rotation/role diversification business dialogue- 'shop floor communication meet' In-house newsletters
Regulatory authorities	Compliance	'Going beyond statutory compliance' in words and deeds, by: maintaining and updating all records support to local authorities in times of crisis supporting neighbouring industries through local associations
Communities/ NGO	Employment opportunities company's investment in 'wealth creation' in the area through infrastructure development	Needs assessment absorption of project affected persons 'village awareness programmes' participation in village functions supporting social initiatives of NGOs through trusts
Trade unions	Employee rights and welfare favourable terms of employment	Collective bargaining agreement complex business communication committee

[http://www.ril.com/DownloadFiles/SustainabilityReports/RIL\\_CSR](http://www.ril.com/DownloadFiles/SustainabilityReports/RIL_CSR)

## Measuring and Reporting Outcomes and Impact

RIL has a Monitoring & Evaluation (M&E) framework that focuses on measuring the outcome and impact on the affected communities. The M&E department includes a team of in-house experts who analyze various aspects of the CSR programs through a series of detailed processes. The experts follow a distinct process/steps, namely (a) Impact assessment studies (b) Routine program monitoring to track key operational strategies (c) Focus on beneficiary acceptance and course correction (d) Efficient information systems towards developing solutions



for collecting, collating, storing, processing and transmitting information.<sup>16</sup> RIL has a CSR and Governance Committee which is responsible for deciding the various policies related to the responsible activities of the firm. The Committee is formed by RIL's Board of Directors. The CSR & G Committee recommends policies to RIL's Board of Directors for their approval. The Board meets at least twice a year to review the implementation of CSR programs and for guidance.

---

## The Road Ahead

RIL was awarded the 'Excellent Energy Efficient Unit Award' at the CII National Energy Efficiency Summit; the 'HSE Company of the Year' at the Asia Oil & Gas Awards 2015, organised by Oliver Kinross; the 'Golden Peacock Environment Management Award' for the year 2014; the 15th annual 'Greentech Environment Award' 2014; 'Corporate Social Responsibility Company of the Year' for the second consecutive year in the Asia Oil & Gas Awards 2015, organised by Oliver Kinross; the 'Best Corporate Social Responsibility Practices' Award; and the 'Best use of Corporate Social Responsibility practices in Manufacturing' Award at the 3rd Global CSR Excellence and Leadership Conference of the World CSR Congress.<sup>17</sup> It is highly proactive in its CSR activities and its relationship with significant stakeholders. It intends to build long-term relationships with its stakeholders and therefore makes attempts to understand their needs and concerns. It is involved in focused interaction/dialogue with key stakeholders.<sup>18</sup> After getting the feedback RIL modifies its activities to act on their issues and design improved programs to enhance the quality of life. RIL has a structured form of 'engagement' with its employees; suppliers (conducting contractor safety meetings); communities; local regulatory bodies and the government. RIL acts over and above the 'statutory compliance' and acts on significant issues related to development, and emergency situations. However, given the increasing expectations from the company, it is challenging for RIL to engage with stakeholders. RIL associates with the Gujarat Safety Council,<sup>19</sup> Lions Club and Rotary International (to name a few) to develop the nearby communities. RIL realized that a long lasting relationship with internal stakeholders is a potential strength and advantage so the formal channels of communication need to be strengthened to augment the process.

---

<sup>16</sup>[http://www.ril.com/DownloadFiles/SustainabilityReports/ril\\_sr2013\\_14.pdf](http://www.ril.com/DownloadFiles/SustainabilityReports/ril_sr2013_14.pdf)

<sup>17</sup><http://www.ril.com/ar2014-15/RIL%20AR%202014%20-15.pdf>

<sup>18</sup>Stakeholders include shareholders, customers, suppliers, employees, regulatory authorities, local community, trade unions, NGOs and contractors, investors and opinion leaders to name a few.

<sup>19</sup>Gujarat Safety Council is an NGO committed to creating awareness and cultivating a safety culture among the people of Gujarat for the last 30 years.

## Appendices

### Appendix 1: CSR Activities of RIL in Detail

#### Education

CSR teams of RIL work vehemently to support the educational requirements of schools in the neighboring regions benefiting the underprivileged students of the society. RIL has a group of 9 schools that cater to 13,251 students all across India.<sup>20</sup> It also played a major role to support the Government's initiative to educate the girl child, with projects like "Kanya Kelvani<sup>21</sup>" (in Gujarat). A partnership with UNESCO/BBC was initiated to benefit schools with the latest training aids.<sup>22</sup>

#### Health

RIL built Community Medical Centers near its manufacturing divisions to provide inclusive health services to neighboring villages. It's Project 'Drishti' was an unique initiative of RIL in association with the National Association of Blind, helped conduct over 9000 free corneal graft surgeries to the underprivileged segment of the society. RIL also partnered with the Government, NGOs and several agencies to combat TB, HIV/AIDS. The Jamnagar Manufacturing Division provides nutrition and medicines to HIV infected children through the 'Project Balkalyan'. The Dhirubhai Ambani Hospital (Lodhivali, Maharashtra) plays a major role in improve the quality of life in its surrounding areas. It provides timely and specialized aid to accident victims of Mumbai-Pune highway and provides them with free lifesaving treatment. The Nagothane Manufacturing Division provides free out-patient treatment to nearby tribal people living in hill tops, and helped build roads to the hilltops making it motorable to the village Gangawane. The Early Intervention and Rehabilitation Center established by RIL to support mentally challenged children residing in the areas of Tallarevu Mandal and Yanam.

#### Safety Initiatives for Community

RIL's Hazira Manufacturing Division institutionalized safety training, helping over 158,000 tanker/truck drivers. The Division collaborated with 'Life

(continued)

<sup>20</sup> [www.karmayog.org/csr501to1000/csr501to1000\\_21458.htm](http://www.karmayog.org/csr501to1000/csr501to1000_21458.htm)

<sup>21</sup> **Kanya Kelvani:** The Kanya Kelvani is a flagship program of the Government that encourages formal education with special focus on the girls, amidst celebratory claims of 0 % dropout rates being attained in several districts in Gujarat.

<sup>22</sup> [www.ril.com/html/aboutus/social\\_resp\\_comm\\_dev](http://www.ril.com/html/aboutus/social_resp_comm_dev)

Line Foundation<sup>23</sup>, adopting a 110 km stretch on the State Highway in Gujarat spanning from Sachin to Bharuch to provide care to victims of highway accidents.

#### **Environment Initiatives for the Community**

As a part of its cleanliness drive, a ‘zero garbage’ drive was commenced in Reliance Townships to popularize *waste management* in Surat and in villages surrounding the Hazira Manufacturing Division. To reduce plastic litter, RIL facilitated a direct sale of waste PET bottles to processing units. It partnered with the Gujarat Engineering Research Institute<sup>24</sup> to construct a 900 m long road using 5 % plastic waste. The CSR team used non-recyclable plastic waste to construct tar roads that reduced construction costs and improved the quality of the road, road life, and resulted in low road maintenance. RIL tried creating awareness among rural folks to use alternate energy and efficient energy usage. The Division declared a ‘Green Idea Award Scheme’ in the year 2010, to encourage innovation amongst students of Surat/RIL employees.

#### **Community Development**

The Reliance Rural Development Trust started 797 works in 760 villages of Gujarat to improve infrastructure under the Gokul Gram Yojana.<sup>25</sup> 478 Anganwadi buildings, 58 concrete roads, 61 underground sumps were completed in the financial year 2010–2011. RIL developed street lights; constructed bus sheds, roads, solar street lights in villages; and provided

(continued)

<sup>23</sup>**Life Line Foundation:** The Lifeline Foundation works towards ensuring that there are no deaths in the cities or on the highways of India, due to lack of timely medical aid. It is a registered NGO that pioneered emergency medical services on the highways and cities of India.

<sup>24</sup>**Gujarat Engineering Research Institute (GERI):** The GERI, Vadodara established in 1960 is a premier R&D Institute of Government of Gujarat engaged in investigations, testing and R&D activities in almost all the fields of Civil Engineering. The main laboratories of the Institute is located at Vadodara and deals in subjects of Material Testing, Soil Mechanics, Geo-mechanics, Geology, Hydraulic Model Study, Sedimentation Survey and Road Research Study. The institute deals with various research projects and testing of various material and final products like cement concrete, mortar, etc.

<sup>25</sup>**Gokul Gram Yojana (GGY):** The main objectives of the GGY are to provide basic amenities, Increase employment opportunities, Integrate development schemes, Integrate people participation in the development process, Idolize the feeling of community partnership and help create villages with clean environment, beautiful surrounding and having basic amenities within a stipulated frame.

free supply of blankets etc. Further, free drinking water was supplied to neighboring villages during periods of water shortage.

#### **Livelihood Support Programs**

Divisions like Hazira, Vadodra, Gadimoga offer training programs to various Self Help Groups to help rural women to be “self sustaining” and earn income to sustain their families. RIL offers courses in dress designing, health care, beauty, hospital attendant etc. The youth are offered courses in hand pump repairing, plumbing, driving, hardware repair, mobile repairing etc. Farmers were also provided training in horticulture cultivation and fruit saplings.

#### **Improving Quality of Agricultural Produce**

Several exhibitions were conducted for farmers to circulate advanced technologies for production; storage and distribution of agricultural products; and promotion of Leno bags amongst farmers. RIL also provided solutions for banana farmers, especially those engaged in exporting their products.

#### **Heritage Conservation and Culture**

RIL was passionately involved in development of religious places such as Dwarka, Sudama Setu (a bridge connecting both the two banks of river Gomati); Shardapeeth of Jagadguru Shankaracharyaji; the Dhirajdhm at Nathdwara Temple. RIL distributed gifts to girls during the Navratri festival and was also associated in providing financial assistance to institutions organizing Navratri. Financial assistance was provided for festivals like Durga puja, Shivratri, Sardar Patel’s birth anniversary during the financial year 2010–2011.

#### **Promoting Sports and Sportsmen**

RIL is continuously involved in promoting and supporting sports and sportsmen and supports G1 Cricket Tournament, Reliance Inter-Cricket Tournament, Central Board of Cricket, Jamnagar District Football Association and Gujarat State Football Association etc.

#### **Supporting Institutions**

The Dahej Manufacturing Division of RIL financially supported the ‘Swajaldhara Scheme’,<sup>26</sup> and to educational institutions like: Consumer Education and Research Council (CERC), Centre for Environmental Planning and Technology (CEPT), MP Shah Medical College, Gramshree Trust etc.

---

<sup>26</sup>**Swajaldhara Scheme:** The scheme provided drinking water by laying pipeline in neighboring villages.

## Teaching Note

### Topics: Corporate, Business and Marketing Strategy

- (a) **Case Synopsis**—Business strategy of RIL focuses on sustainable development as a key factor of profitable growth. RIL uses a dialogue between the company and its stakeholders to implement its CSR strategy. It uses the concept of ‘*growth through innovation*’ as a differentiating factor that would help the firm with huge competitive advantage. It intends to make long term profits by implementing sustainable solutions, effective talent management, and innovation and R & D facilities. RIL implements its CSR activities directly as well as in partnership with experts in the area. In case of direct engagement the initiatives are conceptualized and executed through a team of RIL professionals directly. It enters into a partnership with organizations having the technical expertise and experience to perform activities in the core focus areas of operation, to improve outcomes. RIL is also intrinsically involved in stakeholder engagement as a part of its strategy.

**Keywords:** Business Strategy, CSR, Sustainable Development, Stakeholder engagement, India

- (b) **Teaching objectives**

The case intends to discuss concepts such as:

Marketing strategies;

Promotion strategies;

CSR;

Stakeholder engagement and its advantages;

- (c) **Level of program where the case is to be taught**

The case can be effectively used to teach at postgraduate and executive level program.

- (d) **Suggested assignment questions**

(i) What are the potential advantages of CSR?

(ii) Can CSR be effectively used as a strategy?

(iii) Given the wide range of industries RIL owns, should they go for a common strategy that ‘*fits all*’ or have a different strategy for every business unit separately?

- (e) **Suggested readings**

(i) ril.com

(ii) Societal marketing

(iii) *Marketing Management* by Kotler, Keller, Koushi, Jha

- (f) **Suggested discussion questions with answers**

1. What are the various marketing strategies of RIL?

Discuss

(i) Product concept strategies

(ii) The four distinct stages in product life cycle-marketing strategies

- Market pioneering stage during the market pioneering stage,
- Market growth stage during the market growth stage
- Market maturity stage
- Market decline stage

- (iii) Product line decision
  - (iv) Channel of distribution/Place strategies
  - (v) Types of channel of distribution
  - (vi) Pricing strategies
    - Skimming price
    - High price for product quality leadership
    - Marginal cost pricing marginal pricing
    - Perceived value pricing
    - Value pricing
    - Pricing according to the customer ability to pay
    - Product mix pricing
    - Competition oriented pricing
    - Tender pricing product line pricing
    - Competition pricing
    - Penetration pricing
  - (vii) Tools of promotional mix
    - Advertising
    - Sales promotion
    - Public relations
2. Can CSR act as a source of competitive advantage and sustainable growth?
 

Yes through proper stakeholder dialogue and by addressing key stakeholder needs. NOTE: Students can be asked to discuss and debate on the pros and cons of CSR to get a holistic view.
  3. Can CSR act as a point of differentiation and an effective marketing strategy?
 

CSR can act as a differentiating factor for customers who tend to believe that they are socially active when they purchase from such firms. Therefore, CSR related advertisements should be effectively designed to appeal such customers.
  4. Is stakeholder engagement an effective promotion strategy?
- (g) **Potential uses of the case**  
The case intends to clarify the benefits of implementing CSR by a company, and how CSR has strategic impacts in sustainable growth of the company.
- (h) **Suggested teaching approach**  
Interactive
- (i) **Proposed Session Plan**  
For a session of 90 min:
- Initial 10 min can be used to discuss the business of RIL and its history
  - 10 min—The Indian economy
  - 20 min—Discussion on CSR
  - 15 min—Advantages of CSR and is it a source of competitive advantage?
  - 10 min—Sustainable development through CSR
  - 10 min—CSR as a Strategy?
  - 10 min—Strategies of RIL and their effectiveness
  - 5 min—Suggestions for RIL

## References

- Bhasin, H. (2015). *Marketing mix of Reliance industries – Reliance industries marketing mix*, December 20, 2015. Retrieved from <http://www.marketing91.com/marketing-mix-of-reliance-industries-reliance-industries-marketing-mix/>
- Press Trust of India (2014). *Mukesh Ambani-led Reliance Industries Ltd becomes first private company to post USD 1 billion quarterly net profit*, July 19, 2014. Retrieved from <http://indianexpress.com/article/business/companies/reliance-industries-q1-net-profit-up-13-7-percent-beats-estimates/>
- Press Trust of India (2015). *RIL, ONGC on top-100 global list for education CSR spending*, January 16, 2015. Retrieved from [http://www.business-standard.com/article/pti-stories/ril-ongc-on-top-100-global-list-for-education-csr-spending-115011600866\\_1.html](http://www.business-standard.com/article/pti-stories/ril-ongc-on-top-100-global-list-for-education-csr-spending-115011600866_1.html)
- PTI (2014). *Reliance Industries Ltd spends over Rs 700 crore on CSR in FY'14*, May 20, 2014. Retrieved from [http://articles.economictimes.indiatimes.com/2014-05-20/news/49974739\\_1\\_reliance-industries-ltd-csr-activities-reliance-foundation](http://articles.economictimes.indiatimes.com/2014-05-20/news/49974739_1_reliance-industries-ltd-csr-activities-reliance-foundation)
- Subramanian, N. S., & Mulgaonkar, S. (2013). *ONGC, RIL top list of potential CSR leaders*, January 2, 2013. Retrieved from [http://www.business-standard.com/article/companies/ongc-ril-top-list-of-potential-csr-leaders-113010200201\\_1.html](http://www.business-standard.com/article/companies/ongc-ril-top-list-of-potential-csr-leaders-113010200201_1.html)

## Web Sources

[www.karmayog.org](http://www.karmayog.org)  
[www.relianceadagroup.com](http://www.relianceadagroup.com)  
[www.reliancefoundation.org](http://www.reliancefoundation.org)  
[www.ril.com](http://www.ril.com)  
[www.marketing91.com](http://www.marketing91.com)

---

## Conclusion

Sanjit Kumar Roy

Asia represents the largest and is also the most densely populated continent. This continent is made up of diverse ethnicities, cultures as well as political and economic systems. As the Asian countries continue to develop, the services industries are playing an increasingly significant role in the economy of these countries. There has also been a shift in focus from just a manufacturing base to higher value-add activities as evidenced by the flow of FDI to services. For many countries like Thailand, the tourism sector is a major contributor to their national economy. Besides the continuing growth of the service sector, the role of services in other industries, including manufacturing and retail, are also increasing.

With development consumers in these countries are also becoming more sophisticated, discerning and are beginning to demand a level of service similar to that in the more developed countries. The changing attitudes and preferences of consumers have resulted in an increased.

This book presents 14 case studies 8 countries divided into 3 sections. Each of these sections focus on a specific area of services marketing, namely, Part I: Service experience and co-creation; Part II: Service branding and servicescapes and Part III: Transformative services. The cases cover eight countries including India (four cases), Malaysia (three cases), China (two cases) and one case each from Philippines, Thailand, Indonesia, Turkey and Bhutan.

These cases cover several industries including airlines, *food and beverage, banking, tourism, etc. and each case is unique. For example, one of the case studies examines the “wellness” aspect of the tourism industry in Bhutan. Besides this interesting aspect, the case is quite significant due to the fact that there are very few marketing case studies from this landlocked Himalayan Kingdom. Another case study which is quite different is from India. The ‘Operation Megh Rahat’ case takes a transformative service perspective to examine the issues involved in the rescue*

---

S.K. Roy (✉)

Department of Marketing (M263), The University of Western Australia, Perth, Australia

e-mail: [sanjit.roy@uwa.edu.au](mailto:sanjit.roy@uwa.edu.au)



---

*and relief operation launched by the Indian Army during severe floods in Kashmir in 2014.* It is hoped that the questions at the end of each case study would stimulate further discussion and research.

We acknowledge that some of the more developed Asian countries, namely, Japan and Singapore, have not been covered in this book. However, cases from these two countries have been covered elsewhere.

We sincerely believe that this case study book is important and timely in providing a framework for instructors, researchers (both academic and industry) and students, to understand the service dynamics occurring in these countries.