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Seat No. _____

**Fourth Year B. H. T. M. (Sem. VII) (CBCS)
Examination**

October/November - 2018

**7.6 E.2 Services Management
(New Course)**

Faculty Code : 010

Subject Code : 004707

Time : 3 Hours]

[Total Marks : 70

Instructions :

- (1) All questions carry equal marks i.e. 14 marks each.
- (2) Question no. 8 is compulsory.
- (3) Attempt any four questions from Q. 1 to Q.7.

- 1 Define the term 'Focus'. Classify and explain the four types of service providers based on focus with the help of examples.
- 2 What do you mean by the term service gap ? Critically discuss the various GAPS in the service delivery and explain briefly indicating all types of service gap.
- 3 Should services be classified ? Discuss.
- 4 Marketing has passed through the following different stages – mass marketing, product-variety marketing, target marketing and micro marketing. Explain the statement in detail with the help of examples.
- 5 What is perception and why it is important to know for an organization to know the customer's perception ?
- 6 Discuss critically the relationship between customer satisfaction and service quality.
- 7 Write short notes on :
 - (a) Service Encounters and Moment of Truth
 - (b) Differentiation between goods and services.

The Beauty Industry in India

The Beauty services Industry in India, largely unorganized, and pegged at over Rs. 12,000 crore by some observers (others peg it as low as Rs. 2,000 crore), is slowly but steadily taking the organized route to do business. The emergence of players such as Marico's Kaya Skin Clinic, Lakme Beauty Salon, VLCC, Shahnaz Hussain Herbals, CavinKare's Limelite and Green Trends, Keune and Jawed Habib Hair and Beauty, can be attributed to this trend, say observers. According to industry estimates, the organized and semi-organized beauty services industry in the country is about Rs. 1,500 – Rs. 1,600 crore (some peg it as high as Rs. 6,000 crore). Clearly, the scope for conversion from unorganized to organized is high, say observers. The organized beauty segment is growing at about 25-30 percent per annum, which only highlights how fast the rate of transformation is, say analysts. According to Vineet Gupta, Chief Executive Officer, Jawed Habib Hair and Beauty, 'In the next five years, there will be a marked shift from the unorganized to organized segments in the industry ? This implies a turnaround for the businesses.

Pricing:

At the moment the prices of services rendered depend on the type of treatment and the provider offering the service, though the accent these days is on high quality at a reasonable price. For instance, the average consumer spend in a Kaya Skin Clinic, Shahnaz Husain Herbal salon, Lakme Beauty Salon, or Limelite, works out to about Rs. 1,000 per month (Green Trends in comparison, is CavinKare's budget parlour targeted at the family, where the spend is about Rs. 300 per month per person). Hair specialists, such as Jawed Habib's, on the other hand, may price their hair solutions higher to that of its beauty services, (Jawed Habib's haircuts and styles, for instance, have a premium price tag, though beauty services, are moderately priced).

In contrast, Keune, which is a hair care brand from Holland, marketed by Brushman India through exclusive, company-owned, branded salons and retail outlets, has services modestly priced at about Rs. 300-450 for men's and women's haircuts, while applying hair colour costs about Rs. 600-1250 per person, according to Mr. Brushman MD, Kapil Kumar. Given the burgeoning beauty market, international salon chains are eyeing the Indian marketplace keenly, with the French player Jean-Claude Biguine (JCB) for instance, looking to set up operations in the country shortly.

Distribution:

Pantaloon Retail has also taken its first tentative steps in the beauty services segment with the launch of its budget parlour, Star and Sitara in Bangalore, in May 2006. 'We are targeting Big Bazaar and Central malls for the launch of our parlours', says Kishore Biyani, Managing Director Pantaloon Retail'. A second parlour is due to be launched in Ahmedabad in the next few days" he added. All this action implies more competition for exiting players, who are ramping up operations quickly. Kaya Skin Clinic, for instance, which closed the last financial year with a turnover of Rs. 44 crore on the back of 43 company-owned outlets in 15 locations in the country, will increase the overall number to 50 this fiscal. In the Middle East, where it has three clinics in Dubai and Abu Dhabi, the company will add a few more centres says Rakesh Pandey, Chief Executive Officer, Kaya Skin Clinic. The plan is to achieve a turnover of about Rs. 60 crore this fiscal by pitching its flagship skin solutions to customers, though the company does not rule out an entry into the hair care segment too. "We are currently test marketing a hair loss treatment in Bangalore', he said.

Meanwhile, close rival Lakme Beauty Salons' which has over 85 franchisee controlled outlets in over 34 cities, is keeping its focus on a select few metros and mini-metros'. These include Mumbai, Delhi, Baroda, Kolkata, Jaipur, Ahmedabad and Kochi among others, says a company spokesperson.

According to S. Jagdish, the business-head of CavinKare, the number of Limelite and Green Trends outlets will go up to about 100 in the next two to three years from the current 22 properties located at Bangalore, Chennai and Delhi.

Service Standardization and Training :

VLCC, Keune, Shahnaz Husain (barring some seven to eight outlets in Delhi, all Shahnaz Husain parlours in India are franchisee owned), and Jawed Habib's, are all ramping fast, though the pressure of maintaining a standard format and level of service goes up significantly as outlets increase especially the franchisee run ones. "Yes, the pressure of standardization is there" says Shahnaz Husain, proprietor of Shahnaz Husain Herbals, 'but we handle this by providing regular inputs on products and services to our partners'.

Lakme, on the other hand, had a franchisee model where five company-owned salons act as centres of excellence and training for its associates. "The aim is not only to provide brand saliency, but also equip our partners with the latest trends and techniques", says a company spokesperson.

Training, in fact, is a need stressed by all players in the organized beauty segment given the dearth of quality professionals in the industry. "That is the most important element of the business" says Sandeep Ahuja, Chief Executive Officer, personal care, VLCC, which has five professional training academies in the country apart from 100 slimming-cum-beauty-cum-fitness centres, and a division catering to the manufacture of herbal skincare and body care products.

Modus Operandi:

The format or mode of operation is another area critical to a player, with VLCC, for instance embedding its beauty regimen within its weight loss and fitness programme' Lakme, in contrast plays on its exclusive beauty and hair services; Kaya boasts of its scientific approach to skin problems; while Green Trends is all about affordable hair

and skin solutions using natural products. Limelite is an up market salon-cum-day spa targeting a well-heeled audience', says Jagdish. Green Trends, however 'is your neighbourhood salon', he adds.

The Future Competition :

The US-based Regis Corp, the dominant group in the international hair salon segment with some 11,000 outlets in North America and allied locations, also has its sights on India. Not surprisingly then, its entry is being monitored closely by its nearest rival Toni and Guy with some 3000 salons across the world, who is also believed to be studying the Indian marketplace.

Shahnaz Husain:

Of all the players in the beauty industry, Shahnaz Husain is one of the oldest, most acclaimed players who can be credited with a number of firsts. She is a pioneer in herbal cosmetics and has won more accolades, awards, and mentions in the international press than any other Indian woman. The Esprit magazine of Germany has dubbed her as Asia's Helena Rubenstein, Good Housekeeping calls her Estee Lauder, and The Daily telegraph, has named her the uncrowned queen of Indian beauty therapy'. Today she heads the largest organization of its kind in the world with more than 400 franchisee salons worldwide and ranges of natural formulations for skin, hair and body care. Indeed, hers is the story of a truly successful entrepreneur who transcends geographical boundaries to reign over the world.

Shahnaz has launched thousands of beauty products and trained hundreds of housewives in India to set up beauty salons in their own homes just as she had started decades ago. The multimillion dollar business started in 1971 with a capital of Rs. 35,000 borrowed from her father. The first Shahnaz Herbal Salon, small shop in her verandah,

has now spread across 104 countries and has six factories and 4,200 employees. Her training schools have created entrepreneurs out of housewives and have given a better life opportunity to the speech and hearing impaired girls who have passed out from her Shamute training school. Apart from being the first to start beauty training schools in India, the credit of pioneering franchises of beauty salons in India, and being the number one beautician in the world, as she currently owns the largest franchise chain in the world, also goes to Shahnaz. She has also authored books on beauty.

Early Days :

Shahnaz Husain was born in a conservative Muslim family. She received her basic education at an Irish convent, Queen Mary's in Allahabad. Shahnaz was engaged at fourteen, married at fifteen, and on her sixteenth birthday had a two-month old daughter. After her marriage she travelled to Tehran, UK, France, and Germany. Her father was keen that she should study further. So he collected numerous brochures for various courses ranging from engineering to beauty care. She selected beauty care and studied as an herbalist by day, wrote by night, did odd typing jobs and ran a magazine in Tehran, in order to earn the extra money required for her course as a chemist. She studied beauty therapy in Germany, London, and New York. She completed her course in cosmetic chemistry and cosmetology, and was all set to become a beauty care specialist using chemical products like the rest.

Reasons for starting Business :

During her stay abroad, while Shahnaz was studying cosmetic chemistry, she was horrified to witness the havoc caused by the use of chemical treatments. She began to question the use of chemical ingredients in beauty care. 'From my family I had inherited a faith in traditional remedies', she said. Realizing that her mother had used creams and cosmetics made from herbs, Shahnaz rejected

the existing salon treatment and upheld the use of natural ingredients. After studying these age old, time-tested Indian herbal remedies, she came up with concoctions of herbs and oils of plants which aimed to create a perfect balance of body, mind, and spirit. Thus, her famous quote, 'I sell civilization in a jar'. In 1970, she received her license to practice and opened her first store with a loan taken from her father.

Obstacles Encountered:

It could not have been easy for a girl who from a child bride went on to become a successful entrepreneur, to be ambitious in a conservative society, blend her own range of creams and potions, and build an empire on it. However, she says that the support and understanding of her family helped her to retain her belief in herself, and keep trying relentlessly. Her father extended a loan of Rs. 35,000 with which she turned her verandah into a beauty salon and later pumped all her revenues into research and development, and eventually bought a 35-acre flower farm. When she started her own exclusive beauty clinic, skin and hair treatments were relatively unknown in India. Superficial beauty treatments or hair styling were special treats women went in for. Shahnaz showed them that beauty is the outcome of long term and lifelong care. She devised her own clinical treatment for modern demands; but combining ancient systems with the latest techniques was not the only challenge. Shahnaz also had to create awareness about the goodness of herbs and the dangers of chemical treatments. Thus, to popularize this concept she started writing articles for news papers and magazines.

Entering the international market against great odds of financial constraints and closed doors did not deter her. In 1980, when Shahnaz participated in the Festival of India in London, she was given a counter in the perfumery section at Selfridges. There, rubbing shoulders with the biggest international brands, without financial resources and advertising (compared to the billions of dollars spent on

advertising and packaging by the others), and having only her 'India and ayurvedic image to help her, Shahnaz sold out her consignment in three days, breaking the existing cosmetic sales record. The London Daily carried the headline, 'Herbal hell breaks loose in Selfridges', the next day heralding the arrival of the diva.

When she participated in the festival of India in Paris and wanted a permanent counter at Galleries Lafayette, the famous Paris department store, she was informed that in order to have a permanent counter, she needs to achieve a certain sales figure. However, realizing that she was running short of sales target, she knew that she had to think of an indigenous idea to push up the sales. So she called her Delhi office and asked her secretary to fly to Paris with four Kashmiri carpets. She offered this carpet as a gift for purchases worth 20,000 francs or over. This resulted in a stampede, something the store had never witnessed before. She actually sold products worth over than the targeted amount, earning a permanent counter at Galleries Lafayette, the world's prestigious cosmetic store.

Since, then, there has been no looking back. Shahnaz went of breaking sales record internationally. At the Kuwait beauty fair at Mishrif, the world's largest cosmetic bazaar, she sold cosmetics worth 37000 dinars in three days, working only eight hours a day. She actually received the letter from the Guinness book of World Records, verifying this.

More than 40% of Shahnaz sales come from Japan. According to Shahnaz, Japanese prefer well-known brands, but when it comes to cosmetics, they prefer natural products. Also, Japanese women spend 16% of their income on cosmetics. But gaining an entry was not that easy. The country's drug department cleared all the lotions and portions before they could be launched in the country.

Shahnaz used the power of the press to gain entry in other countries. Holding press conferences and talking about all ill effects of chemicals and synthetics, gave her a platform to discuss the benefits of her herbal products. She followed this by providing free consultation. Each paper carried her story, and not her advertisement, along with the address

where she could be contacted for free consultation. Shahnaz has never advertised her products, but has used her larger-than-life personality to sell her brand through personal promotion – a rare instance when woman entrepreneur has become a brand herself. However, in 2005, she planned to advertise extensively both in print and electronic media, for the first time.

Ranges of Specialized products :

As leaders in product innovation, the Shahnaz Hussain group has evolved more than 350 formulations of general care, treatment of skin and scalp disorders, health and fitness. In fact, the characteristic feature of the group has been its dynamism, introducing unique concepts from time to time and keeping abreast of the latest techniques in ayurvedic and herbal cosmetology.

The products have grown out of clinical usage, based on massive client feedback, as an answer to precise and individual needs. Based on 'care and cure', the product ranges include entire lines of therapeutic formulations, which perform high level multiple tasks and reflect a deep understanding of protective, preventive and corrective care. They have no exact equivalents in the market. Apart from the legendary Shahnaz Herbal Range, there are ranges for precise needs, as well as those based on specific extracts, such as Flower Power (of floral extracts), Neem Range, Honey Health, Himalayan Herb, Sun Range (sun-block products), Man Power, Kids Collection, Colour Magic (range of make-up cosmetics), Aromatherapy bar, and Shapet (ayurvedic formulations for pets).

A line of ayurvedic health tonics, medicinal formulations (such as pain relieving balm, blood purifiers, cough syrup, Isabgol), food supplements, herbal drinks, herbal teas, immunity enhancers, medicines, ayurvedic slimming capsules, aromatherapy, essential oils, as well as the medicines used in the ayurvedic centres, have also been launched along with

the innovative accessories and gift items (Mahajan). The group has recently launched some revolutionary products in modern skin care, which includes the 24 K gold range, pearl cream and mask, oxygen cream, astro-gem therapy range, diamond collection, and a signature spa collection. Shahnaz also entered the mass market with Fair One, a natural fairness cream and plans to launch Shahnas Forever this year, an entire range at affordable prices for all segments of the market.

Reasons for success:

The undisputed queen of the world of beauty presented an exciting new level of botanical energy with her flower power collection. Rejecting the synthetic artificiality of the west, she portrayed the innocence of nature in her products. She started this herbal crusade single-handedly. As the saying goes, 'imitation is the best form of flattery', and the number of other people entering this niche segment was a compliment to her. But still, she is a force to reckon with and has earned the sobriquet of 'India's beauty ambassador' from none other than Barbara Cartland, for her tremendous contribution towards popularizing Indian products in the West.

One of the main reasons for her success is that since beauty care is an image-based business, she has become the brand ambassador herself. Basing her customized beauty care on the adage that 'external body condition is a barometer of internal health', Shahnaz came up with the beauty care of the level of paramedical care, complete with diagnosis and prescriptions. It was this holistic trend that set the terms for her long innings as the 'Herbal Queen'.

Another reason for her success is that she just did not concentrate only on make-up and doing hair, but proposed total skin care. Her company, showing an annual growth rate of 19.4% is not finance driven but emotion driven.

Current Stage of Business

Health and Beauty products:

Today, Shahnaz is described as Asia's Helena Rubenstein, exporting more than 400 'nature care and cure' products to 104 countries and having over 650 salons globally. Shahnaz has 400 formulations for general care, and treatment of skin and scalp disorders already on the shelves. She has outlets at prestigious stores such as Galleries Lafayette in Paris, Harrods and Selfridges in London, and Seibu Chain in Japan. Her products also sell at Bloomingdales in New York, La Rinascente in Milan, and El Certe Inglis in Spain, as well as in exclusive outlets and clinics worldwide. In fact, Shahnaz was the first Asian to enter Galleries Lafayette in Paris in herbal care, and the first Asian to be featured in the 18-foot shop window of the store. Hers is the first Indian herbal cosmetic company to have featured in Harrods and Selfridges.

Today, her products are selling globally from US to Japan, in Europe, Russia, Middle East Africa, South East Asia, Australia, and even in Iceland. Her empire is estimated to be worth 200 million dollars with a growth rate of 19.4 percent.

After creating a presence in the premium product range, Shahnaz has entered the mass market in India with Shahnaz Forever, which she will be marketing with Elder Pharmaceuticals, starting from Rupees 150.

Spas:

Shahnaz Hussain ventured into the spa business by setting up the Medispa in the US island of Saipan, off the pacific coast, in collaboration with Hyakumata group of Japan to open a spa at their 24-hour golf course. This is now called Shahnaz Hussain Ayurvedic Spa. She has incorporated holistic healing techniques such as yoga and meditation along with the spa experience. The spa has traditional ayurvedic treatments and soothing massages, anti-stress treatment, aromatherapy, specialized body packs

skin and hair treatments, supervised diets, yoga, meditation etc. This spa received much success and was followed by spas in Toronto and Greece. Based on this success, Shahnaz Hussain is planning to launch a spa collection. She is planning to set up a health resort in Dhauj (Haryana), just 45 km away from New delhi. It is targeted at foreign tourists and city dwellers who wish to get a healthy weekend getaway (Mahajan). Currently, the group is considering spa proposals for countries such as Saudi Arabia, Spain, Italy and Australia.

Beauty Training Schools :

Shahnaz is also the pioneer of vocational beauty training in India. More than three decades ago, when only the apprenticeship training was available; Shahnaz started her beauty institute, Woman's World International, to provide comprehensive training in beauty.

All the courses offered at these institutes are in tune with international standards and students are taught the latest techniques in skin and hair care. These schools were the basis of the franchise-based enterprise.

The Franchisees :

In 1979, Shahnaz started her first franchise clinic in Calcutta. This was the beginning of the world-wide chain. Shahanaz began to encourage ordinary housewives to open salons in their own homes. She has already shown them the way by opening her very first salon in her own house. Shahnaz trained them and offered the Shahnaz Herbal Franchise.

Shahnaz also adopted a highly successful method to promote the new franchise salons. She made it a point to attend their opening. She addressed press conferences,

where she spoke on the benefits of herbal care and also gave free consultations. This not only attracted crowds to the inauguration of the salons, but also gave the new venture a real impetus. It was based on a personal interaction, where she would meet people, listen to their problems, and provide beauty solutions. Apart from training all the franchisees and therapists, refresher courses are also provided from time to time. An excellent feedback system is maintained and all new developments and techniques are communicated to the franchisees from time to time.

Shahnaz Hussain Forever Beautiful Shops and Ayurvedic Centres:

The success of the franchise system prompted the opening of Shahnaz Hussain Forever Beautiful Shops and Ayurvedic Centres based on a concept of lifestyle marketing. The wide and varied ranges, along with accessories, are housed under one roof, with exclusive shop design and efficient customer information system. Specially trained sales staff provides guidance and information regarding products. Shahnaz Hussain ayurvedic centres, carrying out traditional treatments of panchkarma, dhara, and Kerala massage, have also been set up for the cure of various ailments. The centre employs ayurvedic physicians and professionally trained personnel to conduct the various treatments. An individualized approach, along with all necessary facilities have been made available, to provide a perfect environment for treatment.

Research and Development :

Research and development have always received high priority in the group's two R&D units. To ensure the purity of raw material, a herb and flower farm has also been set up near Delhi. Thus, quality control is exercised right from the raw material stage. This is done through rigorous testing and research. The extraction of essential oils, infusions, decoctions, tinctures and other extracts is carried out by the

group itself. Various methods of soil culture and cultivation are followed, using superior natural composts and fertilizers, which actually contribute not only towards the purity and quality of the raw material, but towards actually creating a superior product. Various preparations are obtained from the herbs and flowers for use in the formulations, such as infusions, decoctions, distillates, essences, powders, tinctures, and so on, in keeping with the ayurvedic system. These are made under strict supervision, using the latest technology. Stringent quality control tests are carried out for various dilutions. Thus, by exercising control at each stage, high quality is ensured.

Shahnaz Hussain Herbal has a large network of over 400 franchise and associate clinics in India and abroad, operating under the franchise system. The franchise clinics have extended not only to the cities, but even small towns all over India. Today, a countrywise zonal distribution network exists, with 40 distributors and more than 600 sub-distributors all over India. There are more than 500 outlets in India, which include the franchise clinics, Shahnaz Hussain shops, and counters in leading stores, shops and cottage industries emporia. Thus, the brand is ideally positioned in the herbal cure and care market. The year 2005 has been a remarkable year of global branding, setting up franchise clinics, shops, and spas, as well as launching products in Russia, Scotland, London, Manchester, Australia, Malaysia and Indonesia.

Awards and Accolades:

Shahnaz has been conferred several national and international awards apart from the Greatest Woman Entrepreneur Award from Success Magazine. She has received Arch of Europe International Gold Star in Madrid, Spain, the Quality Excellence Award in Geneva, Cannes and London, Golden America Award in New York, the Outstanding Woman Entrepreneur Award in London, Woman of the

Millennium Award in USA, Woman of the year Award from the Governor of California, USA and the Outstanding Entrepreneur of the Millennium by Dame Barbara Cartland, in London. Shahnaz was the only woman among eighteen leading Indian entrepreneurs, who was invited to attend the recently held Forbes Global CEO Conference in Sydney, Australia.

In 2006, she received the Padma Shri Award. The prestigious Padma awards are the higher civilian awards and Shahnaz Hussain who has single-handedly put India on the world beauty map, and kept the Indian flag flying high at the cosmetic capitals of the world, has truly earned it. She has also been awarded the Udyog Ratan Award for export excellence (won three times) the Rajiv Gandhi Gold Medal for propagating the Indian herbal heritage, and the Export Excellence Award (thrice) from the Delhi Government.

Conclusion and Lessons Learnt :

‘What really matters in life is not what you want but how badly you want it. You can achieve the level of success if you want it that much’, has been one of Shahnaz’s guiding principles. She also says that, “If I am walking towards the goal and if I feel the door is closed, I don’t walk away, but open my own doors’. Thus, having a vision, being passionate and focused about it and trying to achieve it with a crusader’s zeal, no matter what the obstacles, have been the reason Shahnaz could find success in spite of coming from a conservative family and trying to sell a new concept to the world. The 61-year old entrepreneur says, ‘You never fail until you stop trying; I never stop, so I never fail’.

Questions :

- 1 What were Shahnaz’s reasons for starting business ? Relate it to customer perceptions prevalent at that time.
- 2 How did Shahnaz use customer perceptions to design her marketing strategies ?
- 3 Critically relate Shahnaz’s current business with the customer perceptions she has based them on.