**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**THIRD TRIMESTER (Batch 2019-21)**

**END TERM EXAMINATION, APRIL-2020**

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| Course Name | **Management Information Systems** | Course Code | **IT 301** |
| Max. Time | **2.5 hours** | Max. Marks | **40** |

**Instructions:**

1. Answer all the questions in the order they appear in Question paper.
2. Be precise. Adhere to the word limits.

Read the following cases to answer the questions in your own words.

**Case 1: Starbucks (Duration:1 hr, Marks: Max.20)**

Starbucks redefined highly competitive coffee shop business and successfully created an uncontested market by turning the simple coffee drinking experience into a way of life experience by drastically redefining the coffee shop environment by adding music, Wi-Fi, relaxed seating and luxurious interiors. Till Starbucks disrupted the traditional coffee shop market most of the focus was on the price, location and quality of coffee shops. Starbucks innovative value proposition includes wide variety of mostly coffee based menu along with other types of drinks that catered to wide range of audience who are willing to pay top buck for the luxurious and relaxed interiors that are perfect environment for socializing with friends and relax. Another important aspect that Starbucks focused was on the quality of customer service with an exclusive aim of maximum customer delight and they meticulously recruited and trained the best talent in the industry that has added huge value to their brand reputation. Starbucks successfully created an aspirational brand that created highly loyal and delighted customers who repeatedly come to Starbucks for the unique experience it is offering.

For years Starbucks has been successfully maintaining its dominant position in the coffee shop market despite the market becoming highly competitive with many players offering similar product and service offering of Starbucks. There has also been a rise in strong competition from fast food chains such as McDonalds and Dunkin Donuts that now offer premium coffee, which is threatening the market share of established players. In order to hold onto its competitive advantage and create new value proposition for its customers Starbucks has started to focus on the use of information technology, mobility and particularly social media. One such innovative value proposition by Starbucks is the Mobile Payments Application. Starbucks launched its mobile card app in 16 stores in early 2009 and after customer’s adoption increased, Starbucks expanded it countrywide in United States. The main feature of the App allows customers to generate a 2D barcode on their mobile device to be scanned and used as payment in stores. The App is an extension of Starbucks’ existing, tangible, pre-paid reward card for loyal customers. The App is marketed based on its benefits in saving time and making purchases more convenient for the customer. Starbucks refers to the App as “the fastest way to pay.” With this App customer can check their balance, reload card with any major credit card or PayPal, view transactions and conveniently track their Stars in the MSR (My Starbucks Rewards) program. The advantages for consumers are speed and one less card in their wallets. Using the app customers can also locate a mobile payment Starbucks near their location.

Starbucks mobile payments system is hugely successful based on the fact that 6 million average weekly transactions worth US$ 1.5 billion in the U.S that accounts for a full 15% of transactions made at the U.S. Starbucks-operated stores despite the fact many digital wallet service providers are struggling, according to BI Intelligence. The innovative mobile app has digital tipping options, dashboard showing the current reward or loyalty points level, points available with current transaction, pick of the week coffee, recent transactions and messages. The Starbucks mobile payments application can also integrate with social media sites like Facebook, Twitter, etc. where customers can proudly show case their reward level milestones with their friends and family. This will further add up to their brand reputation and brand loyalty. By simply shaking the phone customers can choose the barcode of the coffee drink they want to buy and pay accordingly. The app itself is modelled on the social media site interface where customers can see their regular purchases of Starbucks coffee and rewards points in a feed-style history and timeline.

By developing mobile marketing programs, it seems to present a further opportunity for Starbucks to fortify the targeted long term relationships with its customers. Customers allow Starbucks to gain access to their mobile phones in exchange for improved experience and convenience. Thus, perceived benefits have to exceed perceived risks such as the safety of personal data as well as the security of financial transactions via mobile phones.

Starbucks’ disruptive mobile strategy integrated its highly successful loyalty program called My Starbucks Rewards with payments by customers. Starbucks further incentivizes the customers who habitually buy and pay through mobile app and more reward points are awarded that are redeemed for free drinks and food. The app’s success is not due to the ease of payment with a phone compared to cash or debit or credit card but the fact the customer can see the incentives and rewards he is going to get that will further increase his loyalty with Starbucks. In a way Starbucks is locking the customer for near future. Starbucks loyalty program was diligently crafted over the years and it has been the best in the coffee shop industry or any other industry.

With more than 12 million active users in United States and Canada, Starbucks have added one more new feature where customers can pre-order their coffee using the mobile app and pick up the coffee later. “A prime example of this is our forthcoming mobile order and pay initiative that will allow customers to use their phones and MSR (My Starbucks Rewards) accounts to order ahead of arriving at a store where we plan to pilot in a major U.S. market later this year,” said [Howard Schultz, Starbucks CEO](https://www.mbaknol.com/management-case-studies/case-study-of-starbucks-creating-a-new-coffee-culture/). Customers wanted this functionality of preorder through mobile for the past few years, particularly since the mobile based cab hailing service Uber huge success. Starbucks is able to offer this service right now as the company feels its technology and in-store operations are well equipped to handle such requests. Starbucks is also expanding the number of drive through express service outlets that are best suited for preorder system. Starbucks is also talking to partners and other businesses like retail outlets that will also allow the customers to use their mobile application payment system, rewards system and loyalty programs in non-Starbucks outlets.

Through its mobile payment system Starbucks eliminated the need to carry cash, coin change issues, tipping problems, reduced the time spent on ordering and making coffee, understanding the menu and coffee types, offers and rewards available, raised the customer delight, loyalty and rewards, number of visits, new customers and created a new revenue source for the company, helped in acquiring new customers and also created an uncontested space in the digital wallet market.

Questions:

1. What is the strategy adopted by Starbucks to handle the highly competitive coffee shop business? ***(Max. Marks. 4, Word limit: 75-100 words).***
2. Which two major technologies are used by Starbucks for gaining the competitive advantage. Briefly explain the business value given to the company by each one of them. ***(Max. Marks. 10, Word limit: 300-400 words).***
3. Explain briefly the Starbucks loyalty program using information technology. What is the customer value given by such use of technology? ***(Max. Marks. 6, Word limit: 200-300 words).***

**Case 2: Entrepreneurship: Rashmi Garments (Duration:1 hr, Marks: Max.20)**

Mrs. Rashmi Agarwal, who is a post graduate in Economics, has established Rashmi Garments, in May, 1987, by installing two machines — one her own and the other purchased from a local dealer, with a total investment of Rs. 20,000. The idea of starting her own business came in 1984, when she saw an advertisement in the newspaper for a one-month Entrepreneurship Development Programme (EDP) being conducted by the Small Industry Service (SISI), Okhla, New Delhi. She learnt how to start her own venture.

Feeling encouraged, she decided to start a garment unit as she had learnt something about garments during her school days. In order to add to her technical know-how, in 1985, she enrolled herself for a two-year part time course in Fashion Designing with the Young Women’s Christian Association (YWCA), New Delhi and completed the course in 1987. In the meantime, on the advice of her husband, she applied for a shed to the Director of Industries (DI) Delhi. The shed was allotted to her in Oct, 1986 at the Flatted Factory Complex (FFC), Jhandewalan, New Delhi. Due to lack of sufficient space, Mrs. Rashmi Agarwal, who had been earlier living in a joint family, had shifted to her newly constructed house at Vikaspuri 25 km away from her unit.

Mrs. Rashmi Agarwal, has two school going children — a girl and a boy aged seven and four years respectively, and they were admitted to a school in Karol Bagh near her unit, so that she can take care of them after they returned from the school to her unit. Mr. A.K. Agarwal is a Post graduate in M.Sc (Chemistry) and working as a Circle Officer with the Delhi Administration. He had witnessed an event in his neighbourhood, where a young widow had been ill-treated by her in laws. This had left a great impact on him and his interest to see his wife Mrs. Rashmi Agarwal, do something outside home turned into his determination to make her economically independent. During the initial stages, since Mrs. Agarwal’s unit was not in full production, workers were unwilling to join as they were unsure about the units’ survival. After a great deal of effort, she was able to get through the local machine dealer, one worker at Rs. 1,000 per month.

Mrs. Agarwal’s initial strategy was to approach the customers in the local market with sample pieces of her items. The response was not encouraging, despite her offering 10% less than the market rate, the dealers and shopkeepers were unwilling to purchase her items. Mrs. Agarwal, then decided to supply the items at cost price. This proved successful to get an entry into the market. In the next month, she was approached by three dealers who placed orders with her. Thereafter, she was approached by three more dealers. Taking this an opportunity, Mrs. Agarwal had decided to sell her items at 10% -15% profit. This was acceptable to her old as well as new customers. She then employed three more workers and added two more machines to her unit for meeting the demand of her customers. In the initial couple of months, it was difficult for her to cope with the customer’s requirements regarding the type, size and the quantity of the items.

In the month of April 1988, she was approached by two customers from Jammu & Kashmir land Allahabad (U.P.) with orders. When the items were supplied through a bank, the customers refused to accept then. Then, her husband had to go to get the items back.

Mrs. Rashmi has reinvested more than 70% of the profit into her venture. Gradually, her total investment rose from Rs. 20,000/- to Rs. 40,000/- and the turnover also increased from Rs. 5,000/- to Rs. 60,000/- PM during the same period. She now had eight workers including one cutting and designing master and eight machines in her unit and there were more than ten customers in the local market. She always took care of her workers and was ready to help them any time, however, she did not get their help at the time of her need. The workers would always turn up late for work even when the customer’s demand was high. This created tension in her mind. Her workers said that she was always ready to help them at the hour of their need and that was why they used to work till late in the evening and sometimes even on weekly holidays, however, at the same time, they also had their personal problems and limitations.

Mrs. Rashmi thinks that her total involvement with the unit had left little time for her to look after her children properly. Mrs. Agarwal used to participate with her husband in the discussions with the customers. This increased her confidence in the marketing activities. In the absence of her husband, she had begun to take the decisions. Thought the market demand for Rashmi Garments, is increasing, yet Mrs. Rashmi Agarwal is finding it difficult to cope, due to lack of space and manpower. She thinks of expanding her business and at the same time she would like to spend more time at home with her growing children. She is to decide which way to go?

QUESTIONS:

1. Critically evaluate Mrs. Rashmi Agarwal as an entrepreneur, on the basis of the information given in the case. Identify the major issues faced by her. ***(Max. Marks. 5, Word limit: 75-100 words).***
2. Being an Information Technology consultant, prepare a business proposal to resolve the issues faced by an entrepreneur and taking her to next level. ***(Max. Marks. 15, Word limit: 300-400 words).***