



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	School of Management
DEPARTMENT	Business Management CEP's
CAMPUS	APB
MODULE NAME	Services Management
MODULE CODE	AC1SERV
SEMESTER	First
ASSESSMENT	Summative Assessment (2 November 2020)

ASSESSMENT DATE	2 November 2020	TIME	08h00 – 23h59
ASSESSOR(S)	Dr N Cunningham		
MODERATOR(S)	Mrs L Botha (Milpark Education)		
DURATION	08h00 – 23h59	TOTAL MARKS	100

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	7
---	---

INFORMATION/INSTRUCTIONS:

- This is an open-book assessment.
- Read the questions carefully and answer only what is asked.
- **All** questions should be answered using your own words and own examples. **Do not simply copy from the textbook or other sources.**
- You may use your module notes, but may not ask any other person for assistance either personally, through social media or any other form of communication.
- Section A should be completed using the Blackboard platform and Section B completed by typing out the answers in the Word document provided and submitting via the Turn-It-In link on Blackboard. Take note that Turn-It-In assesses each submission for similarity (i.e. plagiarism). If it is found that your work is similar to the textbook, other sources or any of your peers, the Student Ethics and Judicial Services will be informed. This would lead to a disciplinary hearing which may include expulsion.

- You are required to sign and submit the anti-plagiarism declaration.
- By submitting your assessment, the general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.

Caselet: Virgin Active ‘disappointed’ by 50-person limit but plans Monday reopening

South Africa’s largest gym chain Virgin Active may not be happy about the 50-person limit placed on gyms and fitness centres as part of the government’s Covid-19 Level 2 regulations but is still planning to reopen its facilities countrywide on August 24. The group, which is majority-owned by Christo Wiese’s JSE-listed investment holding firm Brait SE, confirmed the reopening plans in a post on Twitter on Wednesday. It said it plans to open its doors on Monday at 5am.



The move follows South Africa relaxing its Covid-19 restrictions to Level 2 on Tuesday (August 18), under which gyms can now operate. Level 2 has also seen the unbanning of inter-provincial leisure travel as well as the sale of alcohol and tobacco. Virgin Active said earlier this week that it was awaiting gym protocols from government before it would reopen, but seems to have changed tack, opting to announce the Monday opening date in the hope that government will release the detailed gym protocols before then.

“As we stand today, the entire gym industry has not received the government protocols which it must follow and does not have permission from government to open. We are aware that some gym operators have opened despite this, however, Virgin Active’s responsibility is to put the law, and the safety of our members first,” the group noted in its Twitter post.

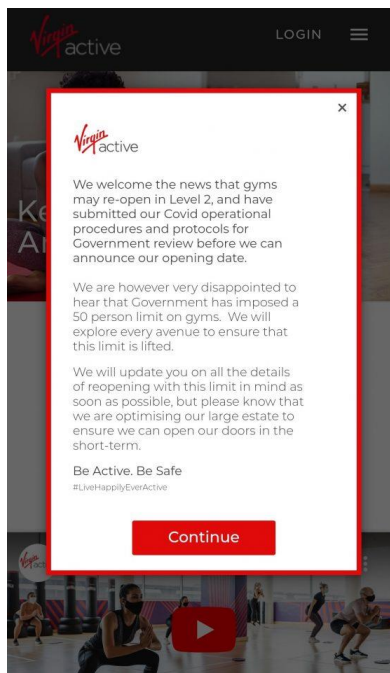
“At present, government has indicated a 50-person limit for gyms. We are optimising our classes and large estate to ensure you can be active in our safe and inclusive environments ... We will update you on all the upgrades and improvements to our member experience in the next few days,” it added in the post directed at members.



Moneyweb sent Virgin Active a list of questions on Tuesday, but it is yet to respond.

While the group has taken a more cautious stance than Planet Fitness and other gym operators on reopening its facilities this week, it also appears unhappy about government's 50-person limit (at any one time) within gym facilities. In a post on its website on Tuesday, the group welcomed the news that gyms can open in Level 2.

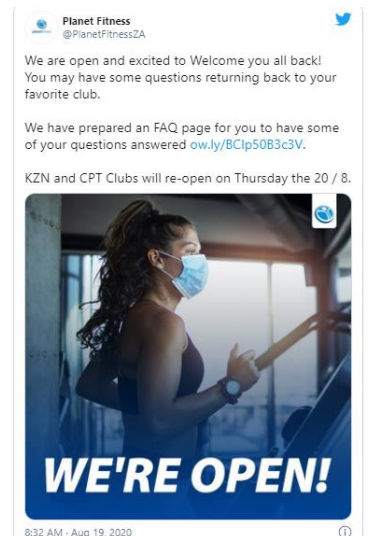
"We are however very disappointed to hear that government has imposed a 50-person limit on gyms. We will explore every avenue to ensure that this limit is lifted," it said.



The post, however, seems to have been removed from Virgin Active's website.

The group's biggest competitor, Planet Fitness, opened its Gauteng gyms on Wednesday and its facilities in the Western Cape and KwaZulu-Natal today (Thursday).

A staff member at the Planet Fitness JustGym at the Pearls of Umhlanga shopping centre in Durban confirmed that the club had opened on Thursday. Speaking on condition of anonymity, she said that the gym was "not so busy" but had been receiving lots of calls regarding its reopening. Google search's showed that Planet Fitness's gyms in other parts of Durban and Cape had also opened with closing times varying between 9pm and 10pm.



Brait's share price was up just over 5% on the JSE on Wednesday, buoyed by the easing of restrictions to Level 2. Its Virgin Active operation in South Africa has been closed for almost five months, together with all other gyms and fitness centres, since the initial 'hard' lockdown in late March.

Source: Naidoo, S. (2020). *Virgin Active 'disappointed' by 50-person limit but plans Monday reopening*. Available from: <https://www.moneyweb.co.za/news/companies-and-deals/virgin-active-disappointed-by-50-person-limit-but-plans-monday-reopening/>

QUESTION 1

[8 MARKS]

As part of managing a service, one needs to be aware of the characteristics of services and how to overcome the issues these characteristics present service organisations.

Practically explain how Virgin Active (gyms) could overcome the issues that intangibility, inseparability, heterogeneity and perishability present during the Covid-19 pandemic given the fact that they would experience an increased amount of people wanting to come back to the gyms. (8)

Mark allocation: 2 marks per explanation = 8 marks.

QUESTION 2

[5 MARKS]

When customers receive services, they have set various expectations of that service to achieve. Provide a practical example of the **five (5)** types of expectations a customer may have when going to the Virgin Active gym during the Covid-19 pandemic. (5)

Mark allocation: 1 mark per expectation applied to Virgin Active = 5 marks

QUESTION 3

[10 MARKS]

Service organisations, like Virgin Active, strive to offer customers the highest quality service at all times. There are five service quality dimensions that Virgin Active could use to ensure this. Practically explain how Virgin Active could use the **five (5)** service quality dimensions to enhance the perceived service quality during Covid-19. (10)

Mark allocation: 2 marks per service quality dimension applied to Virgin Active = 10 marks

QUESTION 4

[16 MARKS]

The gaps model is used to understand the differences between what the service organisation thinks the customer expects and what the customer actually expects.

Practically present the **four (4)** service quality gaps that could occur to Virgin Active's service offering during Covid-19. As part of your answer, provide a practical example of a service quality gap and recommendation/s on how to overcome the gap. Be sure to motivate your answers. (16)

Mark allocation: 4 marks per service quality gap applied to Virgin Active (2 marks allocated to the example of the service gap and 2 marks allocated to the recommendation on how to overcome the gap) = 16 marks.

QUESTION 5

[5 MARKS]

- 5.1. Explain the role that physical cues like sanitisers and sanitising stations would play in Virgin Active gyms during the Covid-19 pandemic. (2)
- 5.2. Practically explain the **three (3)** possible responses that consumers could have to Virgin Active's servicescape. (3)

QUESTION 6

[9 MARKS]

At times, conflict may occur within a services environment. Provide practical examples of the **three (3)** sources of conflict that an employee at Virgin Active may experience, be sure to clearly motivate why this is a source of conflict. As part of your answer, explain how Virgin Active could overcome this conflict. (9)

Mark allocation: 3 marks per source of conflict applied to the Virgin Active employees (2 marks allocated to the example and motivation of the source of conflict and 1 mark allocated to the explanation of how Virgin Active should overcome the conflict) = 9 marks max

QUESTION 7

[8 MARKS]

When delivering a service, customers are often expected to participate in the service delivery process. Provide practical examples of how Virgin Active gyms could enhance customer participation through the online booking process using the **four (4)** methods. (8)

Mark allocation: 2 marks per method applied to Virgin Active

QUESTION 8

[8 MARKS]

Under normal circumstances, service organisations often face challenges with matching capacity and demand. During the 50-person limit (under Level 2 restrictions), assume that Virgin Active has approached you to assist in smoothing demand. Using the marketing mix explain how you would suggest that Virgin Active smooths demand. (8)

Mark allocation: 2 marks per marketing mix element applied to Virgin Active (smoothing demand) = 8 marks max

QUESTION 9

[9 MARKS]

- 9.1. Provide practical examples of **six (6)** types of service failures that Virgin Active may experience with customers. (6)

Mark allocation: 1 mark per example relating to Virgin Active

- 9.2. Suggest how Virgin Active could act quickly to resolve any one of the types of service failures mentioned in Q9.1. Motivate your suggestion. (3)

Mark allocation: 3 marks allocated to the suggestion relating to a type of failure

QUESTION 10

[22 MARKS]

Assume that once the Covid-19 pandemic is over, Virgin Active would like to offer an exclusive gym service whereby the gym only allows for 80 members and offers more one-on-one service to their members where the ratio of personal trainers to members is far higher than in the current Virgin Active gyms. This new gym would be called 'Virgin Active, Exclusive' which would attract a much higher monthly fee compared to the regular Virgin Active gyms.

- 10.1. Using the **four (4)** factors that influence value, practically explain how 'Virgin Active Exclusive' could be used to increase the perception of value to ensure that customers are satisfied with paying a higher monthly fee. (8)

Mark allocation: 2 marks per factor applied to the Virgin Active Exclusive scenario (8 marks)

- 10.2. When setting the pricing of the new 'Virgin Active Exclusive' gym motivate why 'value as a low price' would not be an appropriate method. (2)

- 10.3. A pricing method that you are considering is the 'value is what I receive for what I give'. Practically explain how you would suggest making use of the **two (2)** options for setting prices for the 'Virgin Active Exclusive' using this method. (6)

Mark allocation: 3 marks per option related to the Virgin Active Exclusive gym (6 marks)

- 10.4. A pricing method that you are considering is the 'value is perceived as the quality I receive for the price I pay'. Practically explain how you would suggest making use of the **two (2)** approaches for setting prices for the 'Virgin Active Exclusive' using this method. Provide at least three suggestions per approach. (6)

Mark allocation: 3 marks per approach related to the Virgin Active Exclusive gym (6 marks)

END OF EXAMINATION