



Leonardo da Vinci Transfer of Innovation Project

**Transfer of experiential and innovative teaching methods for business education**

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## **Paparazzi: Redefining Customer Service Value Propositions**

### Teaching Notes

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## **Live Learning Case: What is it?**

The use of “Live Learning Case” (LLC) is now a widely accepted part of the preparation of people for management life and is extensively used in undergraduate, postgraduate and executive education courses. As a part of the programme the students are required to work with and for a company on a “live” consultancy project or case study. The company CEOs and customer interviews describe the current environment in which the company operates and include the rationale for executives to develop a new customer value proposition. The case analysis is designed to develop insights into the following:

- How groups scoped the case projects
- How they felt about the “logic of analysis” and “process of discovery”
- What “solutions” and recommendations they arrived at
- How they presented the findings to the client
- How did the client react

The objective of LLC is to teach by a new, very practical oriented way (direct knowledge transfer through “live” learning case-consulting project), strengthen importance of such kind of projects in the curriculum, enhance general motivation and “know how” of students and lecturers by being part of the real business life.

## **Teaching Objectives**

This case has three teaching objectives:

1. To trigger discussions around relationship marketing paradigm in service industry
2. To explore the importance of value proposition redesign in dramatically changing business environment.
3. To involve students in a “live” consultancy project, develop their competence to present and defend their solutions to the client.

## **Teaching the Case**

Many organizations feel the need to redesign their value proposition to the customer as the business environment has changed dramatically over the past ten years. This case can be used as basis to develop a marketing program focused on customer value proposition and provide insight as to how entertainment companies in Lithuania approach marketing. It could be used in undergraduate or graduate Relationship Marketing class.

First, students are prepared by telling them about the LLC case method (see chapter above). The class is divided into same size teams.

Second, students are presented with the analytical approach of the case analysis. This approach is the same to the all groups/individuals, but possibly come up with different “solutions”. We recommend using the approach based on Gilbertson and Gilbertson (1995)<sup>1</sup>:

- the case should be carefully listened;
- the problems should be defined;
- the information should be summarized;
- the information should be analyzed;
- the problem definition is re-examined;

- a number of alternatives to dealing with the problem are generated;
- each alternative is assessed according to its advantages and disadvantages;
- the alternatives are then evaluated;
- the alternatives are then evaluated;
- recommend an alternative and a strategy for implementation;
- recommend an implementation plan including monitoring and control;
- present this in a formal presentation.

Third, students watch video interview (Questions of the interview is presented in the Appendix 1) with the case protagonists Paparazzi chief executive officers and one customer and are exposed to the business company in which customer value has to be redefined. The video material describes the current environment in which the company operates and includes the rationale for executives to develop a new customer value proposition. The videos emphasize the importance of ensuring the health of customer relationships and customer value. In addition, the interviews provide insight as to how entertainment companies in Lithuania approach marketing.

Fourth, the students start the case analysis: summarize and analyze the information. It is useful to provide students the structure of the analysis (see Appendix 2). It is strongly recommended for students the additional information receive by visiting the bar, competitors' bars, speaking with customers, searching the relevant information (customers' feedback, competitors' customers' feedbacks, advertisements, pricelists, marketing offerings, etc.) to gather the necessary information. It is very important part of the LLC analysis as students are involved into the "live" case analysis and decision making process.

Fifth, students create alternative value propositions by performing the customer analysis. Each alternative is assessed according to its advantages and disadvantages. After that the alternatives are evaluated using different criteria. One recommended alternative is chosen.

<sup>1</sup> Gilbertson, D. and Gilbertson ,D.(1995). *Innovation and Management: New Zealand Case Studies*, Dunmore Press, Palmerston North.

Sixth, students are working on the implementation of the chosen value proposition alternative and recommend an implementation plan including monitoring and control.

Lastly, students present the new customer value proposition implementation project to the company owners and the professor in the classroom. Additionally, students are asked to prepare the written report.

## **Company background**

The Paparazzi bar was established in 2004 in Lithuania by an entrepreneur Andrej. He was born in Šalčininkai. The studies at Lithuanian Agricultural University Forestry Faculty were difficult time for him since he had to learn Lithuanian language in order to study successfully. Šalčininkai town is mainly settled by Polish and Russian speaking Lithuanian population. The people from this region are eager to maintain their identity and do not bother to teach their children Lithuanian language. All the universities in Lithuania, although, according to

the law provide education in Lithuanian language. So, if Šalčininkai young people want to study in higher education, they have to go to Poland or Russia, or to learn Lithuanian language.

During his studies at University Andrej spent summers working in Sweden farms where he gained experience and learnt the business principles. In 2001 Andrej started to work in Lithuania in *Lithuanian Pub* as a barman. He liked the job and decided not to go back to Sweden. He enjoyed to communicate with customers a lot and climbed the career ladder fast. In short time Andrej became the bar administrator and was offered to manage the project *Lithuanian wild club*. It was a challenge for a young man but he did not hesitate and started creating a new club's positioning strategy and tactics. He had to select the staff and train it. *Lithuanian wild club* soon became one of the most popular bars in Vilnius. The financial results were very good. The project was a success.

After six months Andrej moved to the office and started looking for new ideas. He travelled a lot around Europe searching for interesting extraordinary ideas for club business. He wanted to open more bars in Poland, Latvia, and Lithuania. However in 2002 Andrej left the company. He was anxious to test his experience and abilities and decided to start his own business. One day he met his good friend Eduard. And told him about the plans. Eduard felt that it is a very good idea and they both started discussing a new business establishment possibility. Eduard was working in a logistics company at that time. He inspired Andrej to move on and use Andrej successful experience in the bar business opening their own bar. As they needed more investment, Andrej and Eduard invited their mutual friend Renatas to join in.

After the thorough analysis of the market in Vilnius, the three friends found out that there was not a single bar in Vilnius which would be open late at night. In Europe at that time there were lots of night bars and they were very popular. As Lithuania was to join Europe Union in 2004 the idea to open a night bar in Vilnius looked very attractive. As the people income was increasing, it was evident that they would start spending more on their leisure and entertainment. Moreover, it was logical to expect more tourists in Lithuania after joining the EU.

The entrepreneurs prepared the business plan and managed to receive financial support from *Nord LT* bank. Out of 200 names for the bar Paparazzi name was chosen as it was not yet registered in Lithuania and provided an initial idea for the environment character, sophisticated service, and higher than average price. The bar was opened in 2004 December. In two years Paparazzi bar became very popular and operated successfully increasing its income. However, the crisis period from 2008 till 2010 had influenced the bar's performance and the income were decreasing, still the bar owners managed to maintain the business on the survival level. In 2011 the recession was almost over and the business started to recover. But in February they received the shocking message from the landlord informing them that in four months they have to leave the building.

Thus, the CEOs were facing the new challenges: How to move successfully the business concept to another location? What factors accounted for the success of Paparazzi bar in 2004 and what are the success factors for moving the business to another location in 2011? What brand image did Paparazzi develop during 2004-2010, and how the business

movement to another location could help to revitalize the Paparazzi brand? What new opportunities occur for customer value proposition?

### **Relevant Academic Literature**

In preparation for teaching this case, instructors may want to refer to the books and articles listed here.

#### Value perception –market analysis

1. Aaker, D.A. and McLoughlin, A.K. (2010). Strategic Market Management: Global Perspectives. New York: John Wiley & Sons.
2. Andersen, A.R. (1985). "Backward Market Research", Harvard Business Review, May/June

#### Value Creation – Strategy creation (STP: Segmentation, Targeting, Positioning)

1. Tracy, M., Wiersema, F. (1993). "Customer Intimacy and Other Value Disciplines", Harvard Business Review, January/February
2. Yankelovich, D., Meer, D. (2006). "Rediscovering Market Segmentation", Harvard Business Review, Vol. 84, Issue 2, February
3. D'Aveni, R.A. (2007). "Mapping Your Competitive Position", Harvard Business Review, November

#### Value proposition - Tactics

1. Gronroos, C. (1993). "From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing". Asia-Austria Marketing Journal, 2 (August), 9-29
2. Moon, Y. (2005). "Break Free from the Product Life Cycle", Harvard Business Review, May.
3. Rust, R.T., Moorman, Ch., and Bhalla G. (2010). Rethinking Marketing. Harvard Business Review, January-February

## APPENDIX 1

### INTERVIEW QUESTIONS

#### CEO Andrej

1. What factors accounted for the Paparazzi bar opening in 2004?
2. Please provide us a general concept of the Paparazzi bar.
3. How would you describe your average customer?
4. What would be the main reason that a person comes to the bar?
5. How have bar customers' behavior changed?
6. Who are your main competitors? Which competitor is the strongest?
7. What do they offer that is so attractive to the customer?
8. How do you communicate with your customers?
9. Do you keep customers' database?
10. How do you acquire and use the customers' database ?
11. How often do you communicate with the customers?
12. Where do you keep the data?
13. How do you slice the data finely to segment customers and develop marketing strategies?
14. What main idea do you communicate to your customers?
15. What is your price level compared to your customers?
16. How do you determine your prices?
17. Why would a customer spend more at your bar rather somewhere else?
18. What would be the perfect location for your bar – if you had a choice of anywhere?
19. What are the biggest challenges you face in this business?
20. Paparazzi bar is moving to new premises. What opportunities do you see to redefine customer value proposition?
21. Why do you think people like Paparazzi?

#### CEO Eduard

1. Paparazzi bar is moving to new premises. What opportunities do you see to redefine customer value proposition?
2. What are the biggest challenges you face in this business?
3. Why do you think people like Paparazzi?

#### Customer

1. Why this evening you have chosen Paparazzi?
2. How often do you come here?
3. Why do you like Paparazzi?

## APPENDIX 2

### STRUCTURE OF CASE ANALYSIS/REPORT

#### Value perception –market analysis

- I. Paparazzi bar situation analysis (Summary of past strategy.
  - a. Target segment
  - b. Positioning strategies
  - c. 7P analysis
  
- II. Competitor analysis
  1. Identify direct and indirect Paparazzi bar competitors-which are most successful and why.
  2. Positioning strategies (low/high prices, high quality service,, mixed, etc.)
  3. Weaknesses and strengths
  4. Marketing techniques they use to attract customers

#### Value Creation – Strategy creation (STP: Segmentation, Targeting, Positioning)

- III. Cocktail bar and night club customer analysis
  1. How could the cocktail bar and night club market be segmented into groups that would require a unique business strategy?
  2. How do segments differ in their motivation priority?
  3. Why are some customers dissatisfied?
  4. What are their unmet needs for each segment?
  
- IV. What value to the customer PAPARAZZI bar should offer?

#### Value proposition - Tactics

- V. Implementation of the solution – value proposition and 7P