

# **Business Operations and Systems**

aZillion Words

## **Executive Summary**

*This assignment is based on analyzing the reason and solutions for this decreasing number of audience. The circuit selected for this assignment is Buddh International Circuit in India which is located 40km away from Delhi and was inaugurated in 2011. The issue faced in this racing track is of dwindling audience and is discussed in the assignment in detail in the light of operations management. Formula 1 is a popular car racing event and the concerned authorities manage their operations well to cater to the needs of customers in the sports industry. Formula 1 ensures that it delivers its live audience a better and overwhelming experience to ensure that the audience becomes more interest in the racing events. The problem of Formula 1 dwindling audience in Buddh International Circuit in India is identified and analyzed through soft system methodology. The customer value model relates to the issue of Formula 1 racing in India where the cost being paid by the audience is high. According to the 4V profile model, the visibility dimension was not being catered well in the case of Buddh International Circuit as the promotional messages and communication with the audience was weak of Formula 1 racing event. The operations of the Formula 1 Buddh International Circuit in India were weak and did not meet the service expectations of the consumers. Digital experience is preferred by audience visiting their favourite sports event live. The recommended solution given is that of Digital marketing. The hand drawn diagram included shows the issues that are faced due to dwindling audience in live racing events at Buddh International Circuit in India. It is essential for the managers to convert their strategies and performance objectives into operations priority in order to work on them to achieve the desired outcome and to solve the issue that is being faced. Balance scorecard is an effective mean that can be followed by Formula 1 in India to track the changes that are implemented in the organization.*

**Contents**

Introduction ..... 5

PART 1 ..... 5

    Effective business operation management for attracting Customers to racing events..... 5

    Problems of dwindling audience using soft systems ..... 6

    Business Operations Models ..... 8

    Synthesis of important issues around the problem and solution ..... 9

    Evaluation of digital experience ..... 10

    Solutions for reducing the issue of Dwindling Audience..... 10

    Costing model ..... 11

Part 2 ..... 12

    Root definition CATWOE ..... 12

    AS IS Process ..... 12

    TO BE Process..... 13

PART 3 ..... 14

    Converting performance objectives into operations priorities ..... 14

    Balance Score card ..... 15

Conclusion ..... 17

References ..... 18

azillionwords

List of Figures

Figure 1: Soft System Methodology .....	6
Figure 2: Customer Value model.....	8
Figure 3: Service Quality gap .....	9
Figure 4: CATWOE Diagram.....	12
Figure 5: Business Process Model .....	13
Figure 6: Balance Scorecard.....	15

aZillion Words

## Introduction

Formula 1 racing takes place in various countries of the world to attract many racers all around the world to take part in the racing competition. Many of the formula 1 circuit are facing issues in selling the tickets due to decrease in audience for the live event. This assignment is based on analyzing the reason and solutions for this decreasing number of audience. In addition, the circuit selected for this assignment is Buddh International Circuit in India which is located 40km away from Delhi and was inaugurated in 2011. The issue faced in this racing track is of dwindling audience and is discussed in the assignment in detail in the light of operations management.



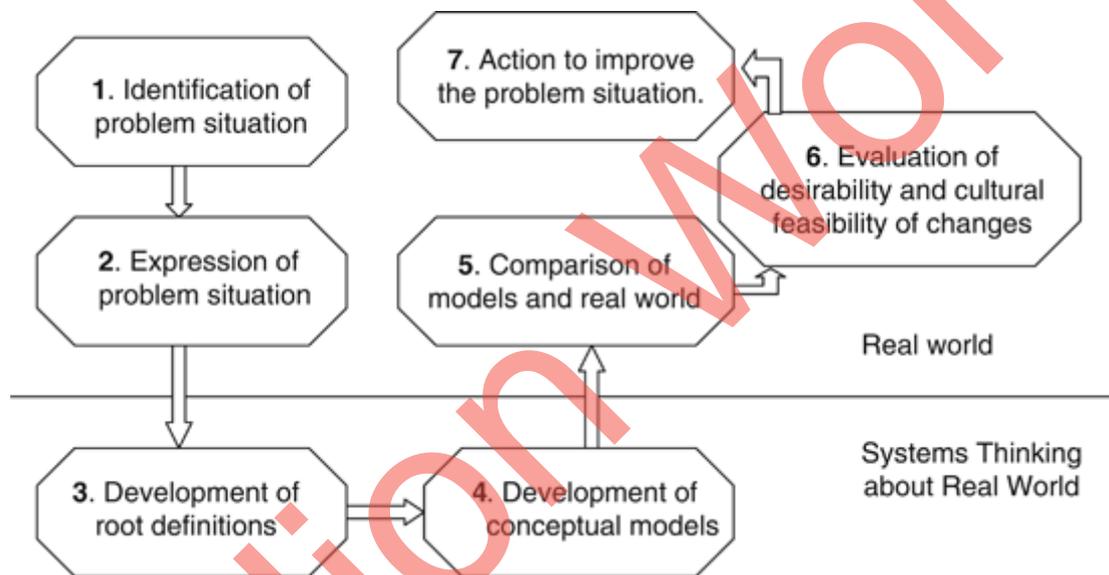
## PART 1

### Effective business operation management for attracting Customers to racing events

Formula 1 is a popular car racing event and the concerned authorities manage their operations well to cater to the needs of customers in the sports industry (Formula1, 2015). According to Jenkins, Pasternak and West (2005), Racing events are conducted because people have interest in watching the racing events live. This is the reason for formula 1 pioneering in organizing racing events that are taking place all over the world. Moreover, Bailey (2014) included that the circuit for racing that are

built also uses a lot of financial and non financial sources but are developed because interest of audience is high in racing. To cater to this interest, Circuits developed by Formula 1 provide them with a platform for regular racing events to deliver high value to the audience on a regular basis. The Economic Times (2011) stated that the prices of the tickets sold at the racing event of Formula 1 in India ranges from 2500 to 40,000 based on area of seating for the audience. As mentioned by Formula1 (2015), Formula 1 ensures that it delivers its live audience a better and overwhelming experience to ensures that the audience becomes more interest in the racing events.

### Problems of dwindling audience using soft systems



**Figure 1: Soft System Methodology**

(Source: Wilson, 2008)

Soft system methodology is a process that identifies a problem, developing a solution to the problem and analyzing the solution in terms of real world application. The problem of Formula 1 dwindling audience in Buddh International Circuit in India can be identified and analyzed through this soft system methodology.

Step 1: Identification of Problem Situation- This is the first step and collects ample data to identify the issue being faced. In the case of Buddh International Circuit in India, Gupta (2011) presented that the issue of lower tickets sales and only 70% of the tickets sold in the first racing event of Formula 1 in India was the underlying issue.

Step 2: Expression of the Problem statement- The problem that was being identified is now expressed and it revolves around reducing live audience as Kannan (2013) mentioned that the problem is of Dwindling live audience in racing events of Formula 1. Due to this reducing audience, the races in the Buddh International Circuit in India are abandoned for a certain time period.

Step 3: Development of root Definitions- This involves the identification of issues that are the major cause of dwindling audience. Folley (2011) stated that the infrastructure and road of India that is used for connecting Delhi and the circuit is not well developed and faces heavy traffic. The area behind the Circuit is full of farmers working in their farms. Kannan (2013) stated that the government of Utar Pradesh has defined this racing event as an entertainment event and not as sports event which results in paying of higher taxes for Formula 1 as well as for consumers when buying tickets. Mehrotra and Macaskill (2011) mentioned that India is an economy that is highly interested in cricket and least in any other sports event. Most of the people of India are not interested in racing events.

Step 4: Development of Conceptual models- this is covered in detail in the next heading using customer value, the service gap model and Four V's Model.

Step 5: the model is compared with the real world situation of Buddh International Circuit in India.

In the further steps actions are undertaken to improve the condition of Buddh International Circuit in India and they are analyzed in terms of applicability in the Indian market.

### Business Operations Models

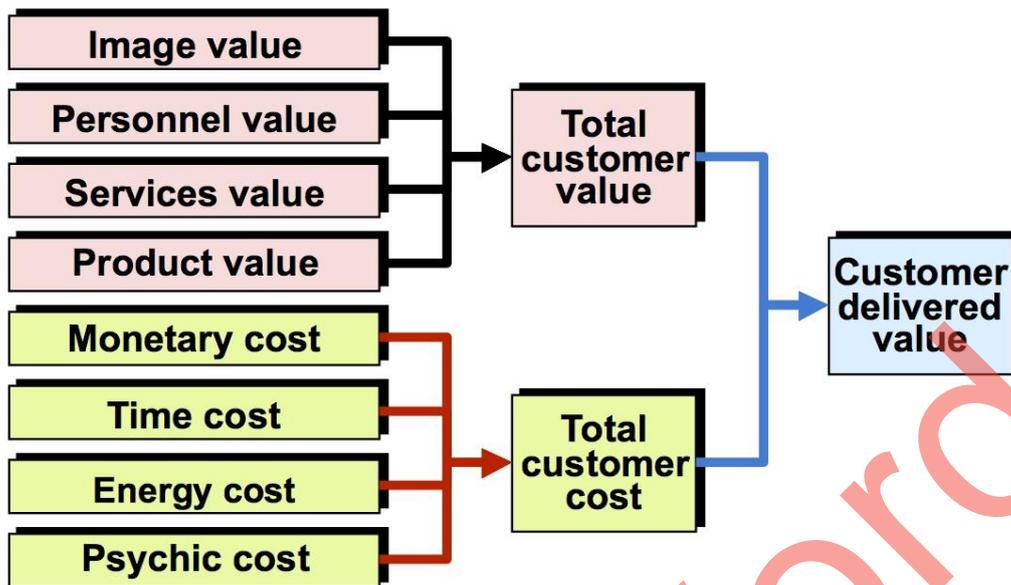


Figure 2: Customer Value model

(Source: Kumar, 2008)

The above customer value model relates to the issue of Formula 1 racing in India where the cost being paid by the audience is high. According to Mehrotra and Macaskill (2011), it includes not only the monetary cost but the time that is utilized to travel to the Buddh International Circuit as the roads are not developed and causes traffic jam. Moreover, Folley (2011) presents that as cows are considered sacred in India therefore the roam on the streets on India unattended and causes increase in the traffic jam. Even the reduced price tickets effects the audience that bought the tickets on regular prices decreasing the overall value that is being delivered to the consumer. The reduce prices also effects the brand image of Formula 1 as customers perceive it as low valued event.

According to the 4V profile model, the visibility dimension was not being catered well in the case of Buddh International Circuit as the promotional messages and communication with the audience was weak of Formula 1 racing event. Although Indian population is less interested in racing events therefore this served as a main mean to connect to audience (Sarkar, 2013).

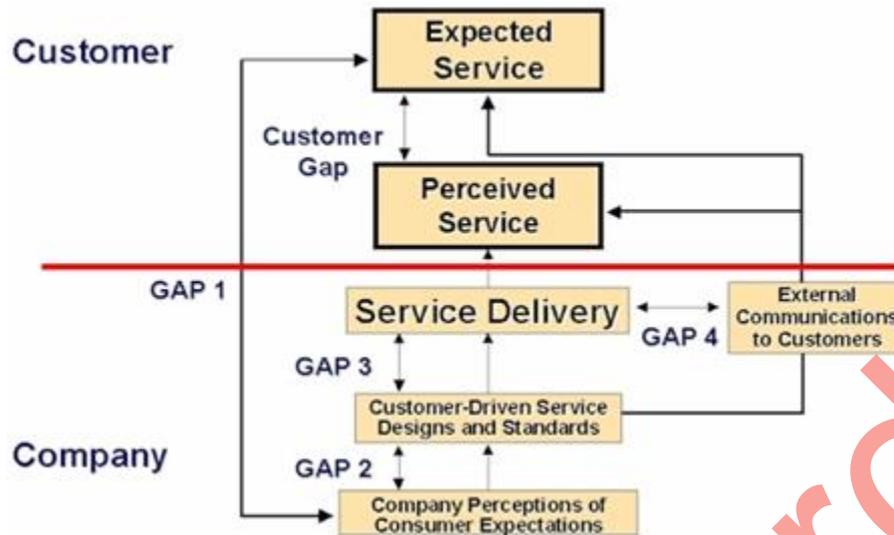


Figure 3: Service Quality gap

(Source: Kapoor, 2013)

The service gap model given above is also linked to the customer service provided by Formula 1 racing event. Folley (2011) stated that the service gap prevails in terms of improper management at the racing event in terms of traffic jam, parking issues, and difficulty in being directed to the seats. Moreover, Bureau (2013) presented that the promotional communication was weak along with immediate low priced tickets resulted in consumer's perception that the service will also be lower than expected. Thus, the operations of the Formula 1 Buddh International Circuit in India were weak and did not meet the service expectations of the consumers.

### Synthesis of important issues around the problem and solution

Kannan (2013) stated that issue of dwindling audience at racing events of Formula 1 is due to the Indian culture that is more towards cricket and does not consider racing as a sport event. Even the government does not consider racing as a sport event and classifies it as an entertainment in which taxes are to be paid by the consumer that increases the cost of the tickets. As given by Bailey (2014), the government is not supporting it much and the promotions of the racing events are not disseminated well thus leading to unawareness. Moreover, due to increase in technology, Indian family prefer to relax and enjoy the event on their big TV with their family without incurring any cost.

### **Evaluation of digital experience**

According to Hammond (2014), digital experience is preferred by audience visiting their favourite sports event live. Consumers when are reaching the venue of the event prefer getting updates about the free parking slot to save their time. Moreover, when they enter the venue, the seats available for upgrade should also be informed to them through their Smartphone App. The need for ordering food through their Smartphone is another digital feature required. On contrast, Li, Blake and Thomas (2013) stated that this digital technology can be expensive for the organizers to adapt and adds to the ticket prices that are being paid by the consumer. In addition, Hammond (2014) mentioned that Digital updates on the event, participating teams also are a need of consumers. Free Wi-Fi to keep the younger audience connected to social media and is another aspect appreciated by the audience. On contrast, Jeffrey and Doron (2011) mentioned that all of the viewers do not owe a Smartphone and are not technology users.

### **Solutions for reducing the issue of Dwindling Audience**

An App that tracks and updates the person in the audience regarding parking, name of team and driver along with the link to follow them, one touch food ordering, guidance to their seat, nearest restroom and exit door can be one of the digital solution that are be followed by Formula 1 racing events at Buddh International Circuit in India. Another solution can be of digital marketing to make consumers aware of the racing event as a sport and not as that of entertainment. In addition, collaborating with government to develop the road that connects the city to the Buddh International Circuit in India to reduce the traffic and travelling time of audience. Digital marketing is a solution that is taken forward at this stage because making consumers aware about the event is important at this initial stage of Formula 1 racing events. Some services that the racing fans can enjoy can also be considered as a solution for reducing the dwindling customer along with digital marketing Including Instant CD of the event, live streaming option for audience who purchased the ticket but did not come for the event. Moreover, News regarding the teams and drivers that took part in the racing event and individual pictures of the audience given to them when departing the Buddh International Circuit can also add to the value delivered to the customers.

**Costing model**

To implement the recommendation given of digital marketing along with interesting programs including pictures, live streaming option, CD of the event and news that are attractive for racing fans; as mentioned by Network (2005), the costing model following will that be of standard cost model to attract higher customer base without increasing much of the cost of Formula 1 racing events.

aZillion Words

## Part 2

### Root definition CATWOE

CATWOE identifies the root definition of issues that are faced by complex business operations of an organization. In CATWOE, C is for customers, A for actors, T for transformation, W for worldwide, O for owners and E for environment (Williams and Hummelbrunner, 2010). The hand drawn diagram shows the issues that are faced due to dwindling audience in live racing events at Buddh International Circuit in India.

### AS IS Process

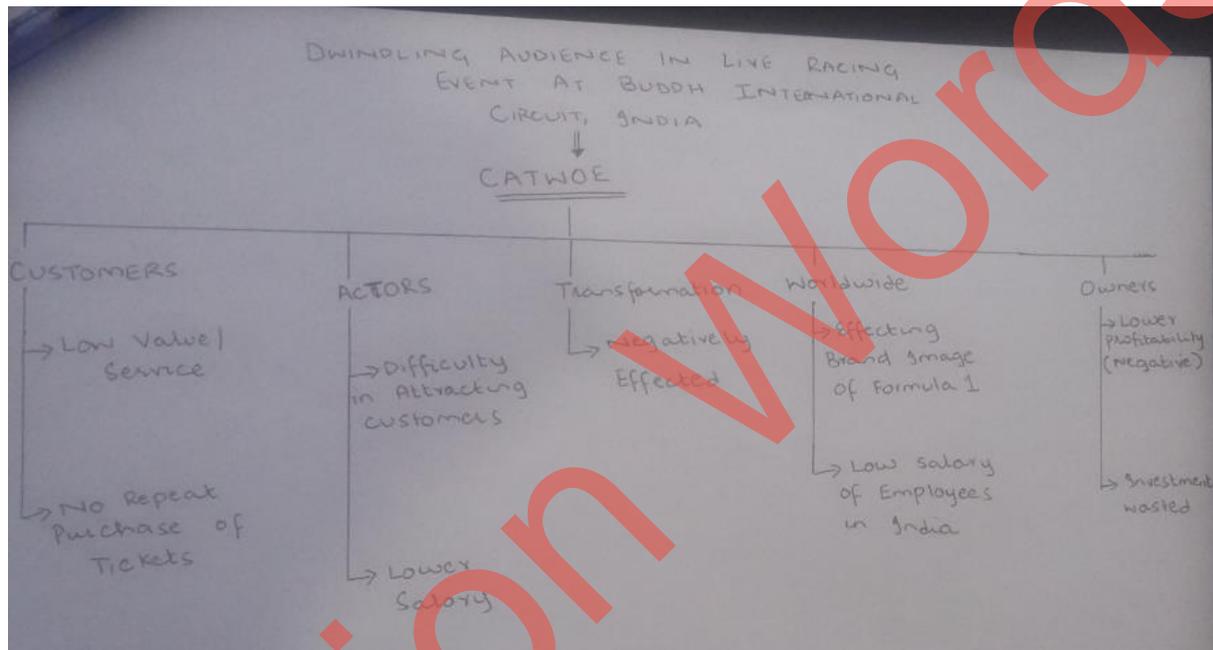
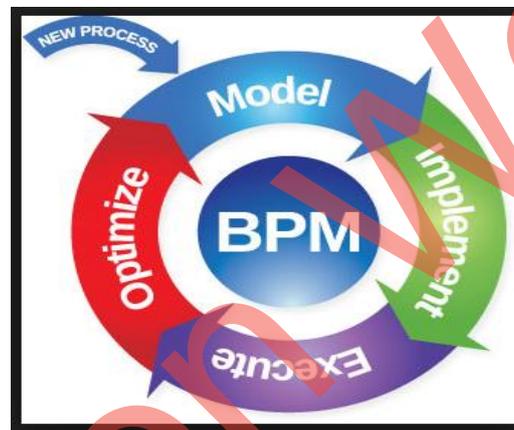


Figure 4: CATWOE Diagram

The AS IS process is illustrated in the hand drawn diagram. The figure shows that the issues for customers includes low value and service delivered to them thus resulting in no repeat purchase due to time and monetary cost used to attend the event. As stated by Sharma (2007), customers are the revenue providers, delivering higher value to them can yield profits for the company itself therefore the customers are to be given higher importance. According to the hand drawn diagram, The actors in the CATWOE process are the race event organizers in the circuit and issues that they face includes difficulty in attracting customers due to their perception of racing events as entertainment and not as an sports. This also results in lower salary of the actors due to lower revenue generated from the event. Moreover, transformational activities are negatively affected due to the issue of lower audience for the event. Worldwide component of CATWOE is based on stakeholders therefore the salaries

of employees working at Buddh International Circuit in India are affected along with the deteriorating brand image of Formula 1 worldwide due to its failure in India. The owner of the circuit is Jaypee Group who spent a lot in constructing this circuit therefore their profitability from this construction is low and is eventually in loss and the investment the group did is not yielding effective results. However, the environment is not affected by the dwindling customers at Buddh International Circuit in India. As mentioned by Dolles and Soderman (2008), Indian economy is one of the developing and populous economy; most of the businesses that have just entered India are working well but only if they comply with the culture and traditions of India. The Formula 1 racing event is not into the culture of India at all.

### TO BE Process



**Figure 5: Business Process Model**

(Source: Dijkman, Hofstetter and Koehler, 2011)

According to the above given business process model by Dijkman, Hofstetter and Koehler (2011), the recommendation of digital marketing to make people aware of the racing event and to inform them that racing event is a sports event and not an entertainment is implemented. Additional services recommended that the Fans of racing event will enjoy can also be implemented by using this model. A proper plan will be developed along with the targets and key person involved. The plan will be implemented for one event first, if the process is leading to better results than the plan will be executed on a continuous basis for all Formula 1 racing events in Buddh International Circuit, India.

## PART 3

### **Converting performance objectives into operations priorities**

It is essential for managers to convert their strategies and performance objectives into operations priority in order to work on them to achieve the desired outcome and to solve the issue that is being faced. The performance objectives develop by the managers at Formula 1 for reducing the dwindling customers in live racing events in Buddh International Circuit, India are converted into operations priority by setting targets and by the efforts of all employers, event organizers and sponsors.

The recommendation of digital advertising is the mean to achieve the operational priorities. Digital advertising requires a platform to advertise therefore youth can be targeted by social media websites including Facebook and Twitter. An advertising agency can help in developing attractive and effective advertisements to interact with consumers. An online Video can help in informing the customers about the racing as a sport event and not as an entertainment event. Moreover, the brand image and popularity of Formula 1 racing tracks worldwide can be portrayed on social media websites and on sports websites of India. As mentioned by Edelman (2010), digital marketing serves as an effective tool for marketing operations as it helps in disseminating information to current and potential customers within seconds leading to attracting them towards the brand.

The value adding services at Buddh International Circuit, India can be highlighted through their marketing campaign in order to make the customers in India realize that the customer value is the top most priority of the management. The operations will flow in a timely manner to reduce the wait time for customers in buying tickets. The operations regarding ticket selling will be a systematic process including ticket availability online as well as at Buddh International Circuit, India. The ticket provider employees will be well trained and educated and will record the information of customers and then will provide them with the tickets emphasizing on customer value service offered. An App can be developed for advertising and for sending promotional messages to the old customers along with using SMS marketing for attracting customers. Kaplan (2012) stated that mobile marketing is a marketing mean that helps in gaining customer attention as only few of the consumers ignore SMS, remaining at least read the message and take some kind of action to it. Moreover, Brown, Bessant and Lamming (2013) presented that a proper mechanism

and operations of an organization can lead to higher benefits for it in terms of productivity, customer satisfaction and eventually results in profitability and better brand image of the company. In addition, Kozinets, De Valck, Wojnicki and Wilner (2010) mentioned that digital advertisement leads to greater sharing and word of mouth about the advertisement from one viewer to another resulting in increase of brand awareness.

A website for Indian customers can be developed to convey all the information regarding racing teams and drivers participating in the racing event of Buddh International Circuit, India. The customers are to be ensured that they will not face any kind of trouble in the venue as the services and the event is planned according to the needs of the customers to deliver higher value to them. The resources required will include effective collaboration with sponsors, government, advertising agencies and other officials to ensure that the digital advertising is working effectively in reducing the dwindling customer base in Buddh International Circuit of India.

### Balance Score card

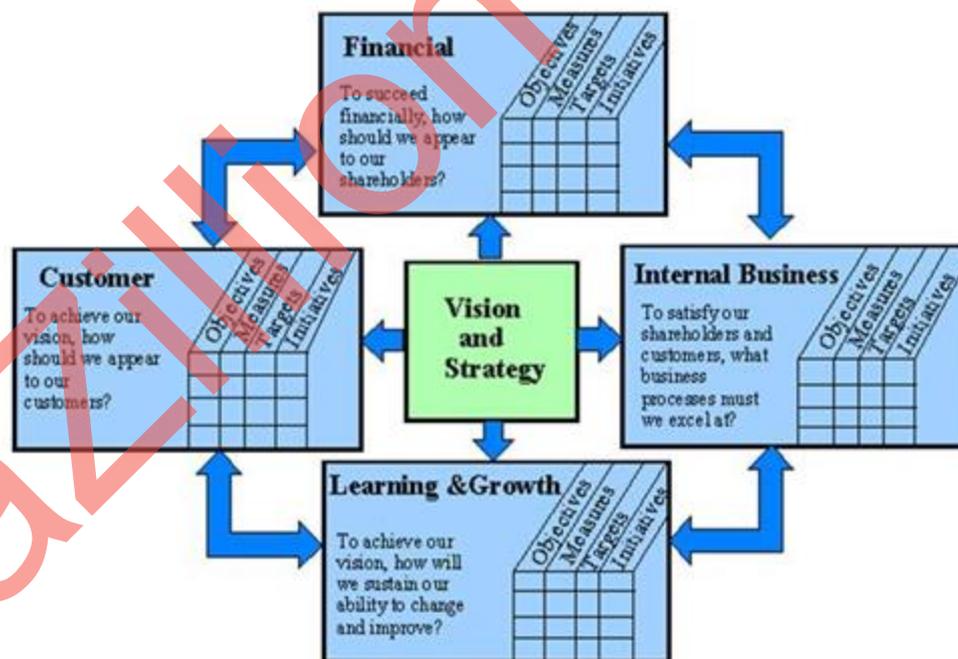


Figure 6: Balance Scorecard

(Source: Niven, 2010)

Balance scorecard is an effective mean that can be followed to track the changes that are implemented in the organization. The financial objective of Formula 1 in Buddh International Circuit, India will be of selling all tickets on full prices without slashing down the prices to half. This can be measured by the ticket selling department by the number of tickets sold. However, as the ticket ranges from 2500 to 40,000 Indian Rupee therefore it will be analyzed that tickets of which amount are sold less and efforts will be made to attract those customers that are likely to purchase those remaining tickets.

The balance scorecard of customers will help in analyzing the change implemented in Formula 1 in India. The objectives of customer aspect will be to ensure that 100% of the customers are satisfied by the service and 99% of the customers are repetitively buying tickets and attending the racing event at Buddh International Circuit, India. The satisfaction of customers can be measured by customer survey feedback and they will be encouraged to post their suggestions and complains. Repetitive buying tickets can be measured by the data base maintained by the ticket selling department as they will collect information of customers for the first time and if the customer comes again, then by his/her name, the information can be retrieved. The target for all these objectives will be 30<sup>th</sup> December 2017.

The internal operations of the Formula 1 in India will be converted to digital means and innovation will be highly preferred in the organization. The initiative taken in this aspect will that be of learning organization. Moreover, the activities will take place in timely manner. Efficient operations will be measured at each supply chain component level in order to solve any issue if faced. Customer relationship management and customer value will be highly emphasized in the internal operations of Formula 1.

Objectives of Learning and growth included in the balance scorecard revolve around employee development, organizational development and informational development. The latest technology will be adapted to ensure that the information of consumers is being scanned and recorded for recognizing their needs. Moreover, internal and external environment will be regularly scanned for organizational development and trainings for employees will be given for employee development. The innovation level

and the ability to cope up with the changing needs will help in identifying the learning and growth of Formula 1 after implementation of the recommended changes.

### **Conclusion**

The change to be implemented is of Digital marketing in order to reduce the Dwindling customer base in Formula 1 live racing events in Buddh International Circuit, India. CATWOE model is used to determine the issues that this problem will lead to. Recommended solutions are given along with converting them into operational priority. Balance scorecard is recommended for measuring the success of change implemented in Buddh International Circuit, India.

azillion Words

## References

- Bailey, T. (2014). *The First American Grand Prix: The Savannah Auto Races, 1908-1911*. McFarland: North Carolina.
- Brown, S., Bessant, J. R., and Lamming, R. (2013). *Strategic operations management (3<sup>rd</sup> Edition)*. Routledge: New York.
- Bureau, E (2013). Indian Grand Prix may be dropped from 2014 F1 calendar [Online]. Available at <[http://articles.economictimes.indiatimes.com/2013-07-30/news/40873220\\_1\\_indian-grand-prix-jaypee-sports-international-jpsi](http://articles.economictimes.indiatimes.com/2013-07-30/news/40873220_1_indian-grand-prix-jaypee-sports-international-jpsi)> [Accessed on 27th January 2015]
- Dijkman, R., Hofstetter, J. and Koehler, J. (2011). *Business process model and notation*. Springer-Verlag GmbH: Berlin Heidelberg.
- Dolles, H., and Soderman, S. (2008). Mega-sporting events in Asia—Impacts on society, business and management: An introduction. *Asian Business & Management*, 7(2), 147-162.
- Edelman, D. C. (2010). Branding in the digital age. *Harvard business review*, 88(12), 62-69.
- Folley, M. (2011). Bernie goes to Bollywood... but not everyone is singing his praises as India prepares for F1 [Online]. Available at <<http://www.dailymail.co.uk/sport/formulaone/article-2052274/Bernie-goes-Bollywood-singing-Ecclestones-praises-India-prepares-F1.html>> [Accessed on 27<sup>th</sup> January 2015].
- Formula1 (2015). Understanding F1 Racing [Online]. Available at <[http://www.formula1.com/inside\\_f1/understanding\\_f1\\_racing/](http://www.formula1.com/inside_f1/understanding_f1_racing/)> [Accessed on 27<sup>th</sup> January 2015]
- Gupta, H. (2011). Now get F1 race day tickets at half the price [Online]. Available at <<http://www.techim.com/now-get-f1-race-day-tickets-at-half-the-price.html>> [Accessed on 27<sup>th</sup> January 2015].
- Hammond, T. (2014). Stadiums race to digitize: How sports teams are scrambling to keep Millennials coming to games [Online]. Available at

<<http://www.techrepublic.com/article/how-sports-teams-are-scrambling-to-keep-millennials-coming-to-games/>> [Accessed on 27th January 2015]

Jeffrey, R., and Doron, A. (2011). Celling India: exploring a society's embrace of the mobile phone. *South Asian History and Culture*, 2(3), 397-416.

Jenkins, M., Pasternak, K., and West, R. (2005). *Performance at the limit: Business lessons from Formula 1 motor racing*. Cambridge University Press.

Kannan (2013). Why India's Formula 1 Grand Prix is under threat [Online]. Available at < <http://www.bbc.com/news/business-24659690>> [Accessed on 27<sup>th</sup> January 2015].

Kaplan, A. M. (2012). If you love something, let it go mobile: Mobile marketing and mobile social media 4x4. *Business Horizons*, 55(2), 129-139.

Kapoor, R. (2011). *Service Marketing: Concepts & Practices*. Tata McGraw-Hill Education: New Delhi.

Kozinets, R. V., De Valck, K., Wojnicki, A. C., and Wilner, S. J. (2010). Networked narratives: understanding word-of-mouth marketing in online communities. *Journal of marketing*, 74(2), 71-89.

Kumar, V. (2008). *Customer Lifetime Value: The Path to Profitability* (1<sup>st</sup> Edition). Now Publishers Inc: India.

Li, S., Blake, A., and Thomas, R. (2013). Modelling the economic impact of sports events: The case of the Beijing Olympics. *Economic Modelling*, 30, 235-244.

Mehrotra, K. and Macaskill, A. (2011). Formula One Brings \$650 Million Race to New Delhi After Struggles in Asia [Online]. Available at < <http://www.bloomberg.com/news/2011-10-28/formula-one-brings-650-million-race-to-new-delhi-after-struggles-in-asia.html>> [Accessed on 27<sup>th</sup> January 2015].

Network, S. C. M. (2005). International standard cost model manual. *Measuring and reducing administrative burdens for businesses* [Online]. Available at < <http://www.oecd.org/gov/regulatory-policy/34227698.pdf>> [Accessed on 27<sup>th</sup> January 2015]

Niven, P. (2010). *Balanced Scorecard Step-by-Step: Maximizing Performance and Maintaining Results* (3<sup>rd</sup> Edition). John Wiley and Sons: U.S.

Sarkar, J. (2013). F1: Brands unfazed with low turnout at Buddh International Circuit [Online]. Available at <<http://timesofindia.indiatimes.com/business/india-business/F1-Brands-unfazed-with-low-turnout-at-Buddh-International-Circuit/articleshow/24678753.cms>> [Accessed on 27th January 2015]

Sharma, A. (2007). The metrics of relationships: measuring satisfaction, loyalty and profitability of relational customers. *Journal of Relationship Marketing*, 6(2), 33-50.

The Economic Times (2011). Jaypee will lose \$35 million on the F1 race—every year. So, why has it invested \$400 million to build a world-class circuit? [Online]. Available at <[http://epaper.timesofindia.com/Repository/getFiles.asp?Style=OliveXLib:LowLevelEntityToPrint\\_ETNEW&Type=text/html&Locale=english-skin-custom&Path=ETM/2011/09/22&ID=Ar00800](http://epaper.timesofindia.com/Repository/getFiles.asp?Style=OliveXLib:LowLevelEntityToPrint_ETNEW&Type=text/html&Locale=english-skin-custom&Path=ETM/2011/09/22&ID=Ar00800)> [Accessed on 27<sup>th</sup> January 2015].

Williams, B. and Hummelbrunner, R. (2010). *Systems Concepts in Action: A Practitioner's Toolkit*. Stanford University Press: California.