

EASTERN UNIVERSITY, SRI LANKA

Faculty of Commerce and Management

Third Year First Semester Examination in Bachelor of Business Administration

Specialization in Marketing Management- 2016/17 (October/November 2018)

Proper/Repeat

MKT 3013 Service Marketing

Answer all five (5) questions

**Time: 03 hours
Pages 1-5**

Read the following case and answer the questions given below.

SAHARA'S LOSS IS PASSENGERS' GAIN

In the dynamic world of Indian aviation, failure of the \$500-million plan to merge Jet Airways with Air Sahara has introduced a series of new twists and turns. While there are several winners and losers, passengers are emerging as immediate beneficiaries. Air Sahara operating independently means one more player competing for market share while Jet's muscle to influence the market is weaker. Consolidation, in any case, is not known to benefit customers and moves in the other direction should produce better options for passengers. Since lean season is setting in with the monsoon, cheaper fares are flooding the market and the failed deal is acting as a catalyst to benefit passengers. The confusion arising out of the failed deal has also enthused a number of players like Kingfisher, Air Deccan, Indian and SpiceJet in marketing their products.

Air Sahara has also added to the mood by introducing attractive fares on key trunk routes. In any case, the Sahara Group airline had always played a key role in the price-sensitive market by pushing competitive tariffs and incentives. Air Deccan, Kingfisher and SpiceJet are also gaining market share giving Jet a run for its money. Another key factor is the advantage that new airlines are gaining in terms of poaching of pilots and engineers from Jet as well as Sahara. This would help them ramp up operations faster and enhance competition. Some players like IndiGo — looking at launch of operations this year — also stand to gain since it has become far more easier to hire pilots and engineers from the two warring airlines. The situation could change if one of the existing players, say Kingfisher, takes over Sahara to gain instant market share. That would lead to limited competition in the full-service segment which now controls 72% market share. While the low-cost

segment would remain unaffected, it will be left to Jet, Indian, Kingfisher and Sahara to fight for market share. That will bring in the consolidation factor which may not be great news for the industry while the industry stands to gain. At this juncture, however, all the key players are losing money and the Centre for Asia Pacific Aviation (CAPA) feels that profits are at least a year away. The industry will lose money till the middle of 2019 and airlines which withstand the turbulence will stand to gain, said Kapil Kaul, chief executive for CAPA in the Indian sub-continent. In South Asia. Industry leaders like Vijay Mallya acknowledge that the going would be tough for airlines to remain high and infrastructure is not beefed up in double quick time. While Capt G R Gopinath of Air Deccan has been following 'rapid expansion' strategy, other players like SpiceJet are following a strategy of steady growth to keep losses in check.

The consensus among all players, including Jeh Wadia of GoAir, is that deep pockets are needed to win the game and no airline can make profits right from inception. Increase in capacity in the coming months would also play a key role in pushing fares down, says Ankur Chhabra of Amadeus India. There will be more pressure on fares, he added. Industry veterans feel that the competition in the industry was helping most players to carry on despite high input costs and intense competition. Most of the growth in the sector was due to easy availability of cheaper fuel, he said. —Bottomline pressure will continue in the short run, concedes Mr Gopinath. He feels that mergers help the industry as long as it does not create monopolies, leading to better utilization of available resources. Most low-cost players feel that there would not be any direct fallout from the Jet-Sahara business due to the Jet-Sahara tussle. As Air Sahara gets aggressive to retain market share and build up customer confidence, there will be price pressure on most players. According to Gopinath, airlines —We are targeting a different customer segment and will continue to do so.

Questions:

- I. What are the issues that can be brought to light relevant to competition and profitability in the airline industry?
- II. What are the challenges related to special features of service characters that Air Sahara faces?
- III. Suggest your ways and means to overcome the challenges of Sahara in the future.

- I. "Service Marketing Triangle is a specialized model applicable for effective service performance", comment on this with the elements that are taken at the three angles and the connectivity between them. (07 Marks)
- II. "Customers' service expectations are characterized by a range of levels bounded by desired and adequate service, rather than a single level and these levels depends on many factors", elaborate on this fact. (07 Marks)
- III. What are the **Common Themes** in Critical Service Encounters Research, briefly describe those? (05 Marks)
- IV. What are the **perceived risks** in purchasing and using services and how these could be handle by customers? (06 Marks)

(Total-25 Marks)

- I **Service evaluation** can be carried out by the application of **disconfirmation theory**, briefly explain this theory in relation to customer satisfaction, dissatisfaction and delightment. (05 Marks)
- II Explain briefly the differences between **traditional marketing** and **relationship marketing**? (05 Marks)
- III On what bases the **four categories of services** are identified and describe about those services with examples? (05 Marks)
- IV The customer's judgment of overall excellence of the service provided is in relation to the **quality** that was expected. What does **services gap model** indicates and briefly explain this model? (05 Marks)

(Total-20 Marks)

- I Explain the **service-profit chain** in relation to service quality? (05 Marks)
- II What are the purposes of **service environment**? (05 Marks)
- III In the service development explain about the concepts of "**core services**" and "**supplementary services**"? (05 Marks)
- IV How does **Offensive Marketing** differ from **Defensive Marketing** and what is its effects on profits? (05 Marks)

(Total-20 Marks)

INDEX NO:

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Note: Fill in the blanks with appropriate answers in this question paper and attach it with the answer script. All the blanks carry one mark each.

- a) The level of customer contact with the service organization can range from- contact to- contact and to low-contact.
- b) Messages Originating from Outside the Organization are word of mouth, and
- c) Most business theorists see a continuum with at one endpoint and at the other endpoint.
- d) All human actors who play a part in service delivery and thus influence the buyer's perceptions: namely, the firm's personnel,, and customers in the service environment.
- e) Distribution Options for Serving Customers are customers visit service places, and

- f) Evaluating services may be difficult but it is done through
experience attributes and
- g)is a tool for simultaneously depicting the service process
points of customer contact, and the evidence of service from the customer's point of view
- h) Main Dimensions in Servicescape Model are Ambient Conditions,
and.....
- i) is "the act of expressing socially desired emotions
during service transactions"
- j) When service encounter is unsatisfactory the customers can take
action,..... and
- k) is a function that links the consumer, customer and public
marketer through