

EASTERN UNIVERSITY, SRI LANKA

Faculty of Commerce and Management

Third Year-Second Semester Examination in Business

Administration –Specialization in Marketing Management 2008/2009

(June 2010)

MKT 3113 Service Marketing

Answer all five (5) questions

Time: 03 hours

Q1) Read the following case study and answer the questions given below.

McDonald's success in fast food industry

McDonald's is a leading international fast food restaurant chain with 30,000 restaurants spread across the globe. In India, it launched its operations in 1996, with two stores. As per the Informal Eating Out (EO) survey involving the survey of branded food chains in India, conducted by ACNielsen, McDonald's was found to be the leader in fast food chains. Many factors can be attributed to the success of McDonalds Indian operations.

First, McDonalds has focused on products and changed its menu to suit the tastes of Indian consumers. It launched India specific items including McVeggie burger, McAioo Tikki burger, Veg. Pizza McPuff and Chicken McGrill burger. French Fries prepared by Me Donald are served in less time and are fresh and hot, for which they follow line operation. Considering the Indian preferences and sensibilities, the company doesn't offer pork and beef items in India. It offers egg-less sandwich sauces for vegetarian customers and vegetarian items are prepared at a separate counter at the outlets.

On the pricing front, McDonalds has adopted customized pricing for each of the cities depending upon the tax structure, demand, and purchasing power of the population. However, to attract mass-market customers it has launched a new menu called Happy Price Menu in which selected items are priced at Rs 20 across all the outlets in the country.

As McDonalds is into the food business, establishing an efficient supply chain infrastructure is of great importance. McDonalds has, therefore focused on setting up an efficient and effective supply chain. Its supply chain is three tiered, consisting of farms, processing plants, and distribution centers. The company has selected the farmers who can meet its quality and supply standards and directly sources the produce from them. They are supported by McDonalds in terms of seed technology and latest irrigation methods to enable them to obtain higher yields and better produce. The next level of supply chain activities involves the processing of farm produce. For this, the company has tied up with various local suppliers like Vista

Processed Foods Pvt Ltd. a joint venture of OSI Industries Inc., USA, and McDonald's India Pvt Ltd that processes chicken and vegetarian food products at its plant situated at Taloja, Maharashtra. Dynamics' Dairy supplies cheese, butter, ghee, and milk products and Amrit Food supplies long life UHT Milk and Milk Products for Frozen Desserts from its fully automated plant situated at Ghaziabad, Uttar Pradesh. The next level of supply chain activity is the distribution of processed food to the outlets. For this, the company has tied up with Radhakrishna Foodland, which is into food products distribution. Foodland provides logistics support to McDonalds by providing cold storage facilities and transporting the processed foods to the outlets using temperature controlled transport vehicles.

To maintain the service standards, the company has made it mandatory for personnel to undergo periodic training programs. The core principles of McDonald's that are Quality, Service, Cleanliness, and Value (Q.S.C & V), guide its training programs. The company's highly structured training programs are conducted at four levels: crew development program, restaurant management program, mid-management program and executive development program. Entry-level workers are trained under the basic crew development program. The training is conducted at each restaurant. Crew members are given on-the-job and off-the-job training. The next level of training is the management development program. This training program is devised for the employees in the restaurant management team. The program ranges from the basic level to the advanced level.

McDonalds also focused on creating a right ambience in the outlet. Since it has been positioned as a family restaurant, McDonalds ensured that the physical environment reflected that image. The outlets are spaciouly designed, well lit and has an informal atmosphere, so that kids can play around and families have the opportunity to conduct events like birthday parties. Besides, no-smoking zones have been set-up at the outlets, taking into account the sensibilities of families. The company has also laid special emphasis on the convenience of kids. The height of the counters at some outlets is lower than normal, so that they are easily accessible to kids. In addition McDonalds has made use of vibrant and pleasing colors, and paintings based on different themes, which children can relate to. McDonalds has also created localized advertisements titled "What Your Bahana". The ads have the same theme as the "I'm loving it" global campaign. The characters in the ads cite weird reasons for eating at McDonalds. Humor has been used to put across the message to the consumers.

To keep up the interest in the brand, McDonalds also ran various sales promotional activities targeting the children and family, such as offering toys and conducting contests.

Questions:

- a. Explain the implication of service characteristics on McDonalds adopted marketing strategies.

b. The services marketing mix consists of three additional elements like people, process, and physical evidence apart from the traditional marketing mix elements. How McDonalds was able to utilize these additional three elements to market its services?

(07 Marks)

c. Describe the importance of relationship marketing for McDonalds for its survival and growth.

(07 Marks)

d. McDonalds launched specific items including Mc Veggie burger, Mc Aloo Tikki burger, Veg. Pizza, Mc Puff and Chicken Mc Grill burger to its main menu to satisfy its Indian customer. McDonalds has adopted line flow operation for its French fries section to serve hot and crunchy French fries. Discuss the other process it has adopted for its main menu to serve its customer.

(07 Marks)

(Total 28 Marks)

Q2) Choose the correct answers for the following Multiple Choice Questions and write those answers in your answer script

(a) Philip Kotler, classified products/services into various categories depending on their degree of tangibility. Surgery and consultancy are classified as

- (a) A pure tangible good
- (b) A pure service
- (c) A major service accompanying minor goods and services
- (d) A tangible good accompanying services
- (e) A pure service accompanied by tangible goods.

(b) When a customer decides to approach a psychiatrist for treatment, this decision of the customer involves which of the following type of perceived risk?

- (a) Psychological risk
- (b) Time risk
- (c) Social risk
- (d) Physical risk
- (e) Functional risk.

(c) A service blue print depicts the entire service process on a map and shows the various stages of customer interaction with the service provider and provides minute details of the service delivery processes, the tangible evidence of the service, and the people involved in carrying it out. Which of the following is/are the element(s) of a blue print?

I. Layout design.

II. Customer role.

III. Onstage and backstage employee actions.

IV. Support processes.

(a) Only (I) above

(b) Both (I) and (II) above

(c) (I), (II) and (III) above

(d) (II), (III) and (IV) above

(e) All (I), (II), (III) and (IV) above.

(d) When Easy talk mobile company enters the mobile service market keeping the cost of mobile low, which of the following type of pricing does the mobile company adopts?

(a) Discounted pricing

(b) Pricing to meet customer expectation

(c) Price discrimination

(d) Market skimming

(e) Penetration pricing.

(e) Different goods and services have varying magnitudes of search, experience and credence qualities. These three kinds of qualities form the basis for differentiating between the consumer evaluation process for goods and services. Which of the following statements are true about the credence qualities?

I. Credence qualities for services includes attribute such as price and convenience.

II. Credence qualities include those attributes of good or a service, which can be assessed after its purchase and utilization.

III. Credence qualities are the qualities of a product or a service that are difficult to assess after its purchase and consumption/utilization.

IV. Services have more credence qualities than goods.

(a) Both (I) and (II) above

(b) Both (I) and (III) above

(c) Both (II) and (IV) above

(d) Both (III) and (IV) above

(e) (I), (II) and (IV) above.

- (f) Which of the following is the minimal level of service that a customer is willing to accept from a service provider and is based on the customer's perception of what level of service is acceptable to him?
- (a) Desired service
 - (b) Adequate service
 - (c) Inadequate service
 - (d) Predicted service
 - (e) Zone of tolerance.
- (g) In which of the following approaches to service research, firms attempt to take the opinion of all the customers in the market, including existing customers, lost customers and potential customers about their services?
- (a) Post-transactional surveys
 - (b) Customer complaint, commitment and inquiry surveys
 - (c) Employee surveys
 - (d) Competitor survey
 - (e) Total market surveys.
- (h) Pricing is a very important element of the marketing mix as the sales and profits of a firm depends to a large extent on the pricing structure of its products or services. Which of the following is not a factor that has to be considered when developing a pricing strategy?
- (a) Size of the company
 - (b) Demand levels
 - (c) Positioning
 - (d) Marketing mix
 - (e) Costs of production and break even analysis.
- (i) Most services providers understand and therefore, treat people management as an important aspect of the service delivery. Which of the following statements is/are true regarding people in a service organization?
- I. The service personnel have an important role in not only designing the service, but also in delivering it.
 - II. The service personnel play an important role in helping the end consumer present his requirements precisely.
 - III. The image of the service is largely affected by the views and characteristics of other users.
- (a) Only (I) above
 - (b) Both (I) and (II) above
 - (c) Both (I) and (III) above
 - (d) Both (II) and (III) above
 - (e) All (I), (II) and (III) above.

- Q3) (a) Describe what is meant by a customer gap and explain how the customer gap relates to the four provider gaps.
(07 Marks)
- (b) Outline the stages in new service development process and state the necessity of those stages in the sequence.
(06 Marks)
- (c) Identify the role played by physical evidence in marketing of services.
(05 Marks)
- (Total 18 Marks)
- Q4) (a) The critical importance of service employees is evident in the service profit chain and the services triangle. Explain this with exploring those two models.
(08 Marks)
- (b) What is service quality and specify how service quality dimensions be a sign of it?
(06 Marks)
- (c) Service performance indexes are comprehensive composites of the most critical performance standards. List out service performance indexes for any service organization that is familiar to you.
(04 Marks)
- (Total 18 Marks)
- Q5) (a) Describe the consumer complaining behaviour and explain the importance of these behaviours for service organization.
(06 Marks)
- (b) What are the strategies the service provider can use for effective service delivery through intermediaries?
(05 Marks)
- (c) Describe the defensive marketing effects of service on profit.
(04 Marks)
- (d) List out the key reasons for service communication problems.
(03 Marks)
- (Total 18 Marks)