

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT

Third Year/ First Semester Examination in Business Administration
(Specialization in Marketing)–2005/06 (July/August 2007)

MKT 3113 Service Marketing

Answer all Questions

Time: Three Hours

1) **Read the case and answer the questions below**

Vick's Pizza Corporation

Victor Firenze, chief executive of Vick's Pizza Corporation, looked somber as he addressed senior executives of the national pizza restaurant chain that bore his nickname. "We're facing yet another lawsuit for injuries due to alleged dangerous driving by one of our delivery drivers," he announced at the company's head office in Illinois. "It comes on top of some very bad publicity about accidents involving our drivers in recent years."

Speed had always been a key strategic thrust for Vick's Pizza, which used the slogan, "It's quick at Vick's." The company's restaurants not only prepared pizza rapidly but also delivered it quickly. The company promise to home deliver a pizza within 30 minutes of a phone order or to cut \$3 off the price had boosted it from a single pizzeria 20 years earlier to the status of a national chain with thousands of outlets and over \$3 billion in sales. But now a growing number of critics were saying that, in Vick's case, at least, speed was a killer.

Vick's executives argued that the system did not promote fast or reckless driving. "The speed takes place in the store – not on the road," declared a spokesperson. "We can custom-make a pizza within 10 to 12 minutes. Our average delivery area is only 1 to 2 miles, so there's enough time to deliver."

The company's own records indicated that during the previous year, accidents involving Vick's drivers had cost 20 lives. 18 of them during pizza runs. But it had declined to specify how many of the victims were employees. Randell Meins, Vick's vice president for corporate communications, stated in a television interview that the company had always encouraged drivers to take care, had never penalized late drivers, was urging franchise

owners and store managers to promote safe driving, and would soon implement a new safety course for all Vick's drivers.

Meins cited the owner of several franchises in Ohio, who had declared: "We never ask a driver to break the speed limit. We never want them to do anything unsafe on the road. And we always tell them to fasten their seat belts. "Although acknowledging that "even one death is too many," Meins noted that with 230 million pizzas delivered last year, this works out to only one death per 11.5 million pies. "We're not minimizing the death by any means," Meins said. "But that's what the mathematics show."

Martina Gomes, director of a non-profit safety research and advocacy group, expressed outrage over the Vick's statistic. "Great!" she said. "Now we know the value of the life of a 17-year-old - 11.5 million pizzas." Gomes offered her own statistical analysis. Vick's, she said, employed some 75,000 part-time drivers. Assuming that this amounted to the equivalent of 20,000 full-time drivers - four for each of the 5,000 Vick's outlets - she claimed that 20 deaths in one year meant that the company's drivers faced a death rate between three and six times higher than that in the construction industry and twice as high as that of miners.

"The point is this," said Gomes. "Would parents let their kids drive for Vick's if they knew they were three times more likely to die doing that job than if they were working in construction?"

Scott and Linda Hurding's 17-year-old son had been the latest Vick's driver to die, the only Vick's employee so far during the current year. Hustling to deliver pizzas in a semirural area near Dallas, Texas, Mike Hurding often covered 100 miles a night. His parents and classmates said that he was proud that he almost always made the delivery within the 15-minute limit and was determined never to get the "King of the Lates" badge allegedly given every week by his franchisor to the driver most often late on deliveries.

Mike died when the company-owned pickup he was driving in a delivery run skidded off a wet road and hit a utility pole as he tried to avoid another car that was braking to make a left-hand turn. A police reconstruction of the accident concluded that Mike had been driving 45 mph on a road with a 30 mph speed limit and was not wearing a seat belt. The other driver was not charged. Vick's subsequently offered the Hurding family about \$ 5,000 in worker's compensation to cover funeral costs. Gomes estimated that the 20 deaths during the

previous year had cost Vick's some \$90,000 in death benefits. Like many other critics of the company, she argued that Vick's was unconcerned because the cost was so low. Accordingly, she had written to Victor Firenze, asking that Vick's pay \$500,000 to each accident victim, abandon the 30 minute rule, and hire only drivers aged 18 or older.

Linda Hurding, Mike's mother, told a TV reporter that Vick's guarantee to deliver each pizza within 30 minutes or knock \$3 off the price was just "a license to speed." Blaming this policy for their son's death, the Hurding parents and a group of family friends had started a petition drive asking for federal restrictions on the policy. Within a month of beginning their drive, the petitioners had delivered the first batch of more than 1,500 signatures to the offices of their U.S senator. "We're angry and we're fighting," the Hurdings said. Meantime, a state agency in Texas was looking into the case to determine whether Vick's policy violated the Occupational Safety and Health Act under its jurisdiction.

Vick's faced criticism and legal action on other fronts as well. In Eugene, Oregon, the widow of a motorcyclist allegedly struck and killed by a Vick's driver nine months earlier had sued the company for damages. In Atlanta, attorney Anders Mundel had just filed suit on behalf of Wilson and Jennifer Groncki, who suffered neck, back, and arm injuries when their car was broadsided by a Vick's delivery truck whose driver had run a stop sign as she left a Vick's store with four pizzas for home delivery.

The Gronckis alleged that the store manager had rushed to the scene of the wreck and yelled, "Let's get this pizza on the road!" In addition to unspecified monetary damages, the suit sought to force Vick's to abandon the 30-minute rule, which the attorney called "a grossly negligent corporate policy."

Attorney Mundel was also helping other lawyers around the country to press cases against the company and had organized an information network, including a Web site, to coordinate the filing of vases in different jurisdictions. "Even if Vick's franchisees, managers, and executives do not actively encourage reckless driving," he argued, "the 30 minute rule acts as an inherent encouragement, putting great pressure on the drivers."

As part of her research, safety advocate Gomes had interviewed a number of current and former Vick's employees, several of whom preferred to remain anonymous for fear of reprisals from the managers at the stores where they worked. Gomes claimed that her research showed that "the cast majority" of the company's drivers were under 18.

Nelson Chen, a 20-year-old college student and former part-time Vick's employee who worked in several Vick's outlets in southern California over a three-year period, told Gorn that he and other drivers "speeded all the time. I would even run stop signs – anything make those deliveries. "Declining to give her last name, Sue, a 19-year-old Vick's driver in Kansas, said that managers "get uptight when pizzas are running late and start yelling everyone to hurry up, hurry up!"

A consultant familiar with the industry agreed "There's a lot of pressure to speed. It's written in the manuals, but it's there. If a driver goes out with four deliveries and ends with only a minute to make that last one but figures he's two minutes away, he's going speed, he's going to cut corners."

Two weeks after Mike Hurding's death, Vick's sent a letter to its corporate-owned stores and its franchisees, stating that it was company policy to hire drivers 18 or older. The directives, however, was not binding on the franchisees, who operated some 65 percent of Vick's restaurants.

The newly filed Atlanta lawsuit, together with continuing criticism of the company, had been widely reported in the media. Firenze and his colleagues were worried. Historically, the company had enjoyed a positive public image and a reputation as a generous donor to local community activities. "We definitely have a perception problem," said Meins. "We're taking a lot of heat right now." But Harry Carpaccio, the senior vice president of marketing, warned against taking precipitous action. "The last thing we need to do is to panic," he declared. "The 30 minute guarantee is very, very important to our customers. Sales could be hard if we drop it."

Questions:

- a) Describe Vicks' service delivery system from receipt of the order to delivery of the pizza to customer.

(07 Mar

- b) How important is the thirty-minute guarantee? And what are the reasons for the delivery?

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c) How serious is the present situation for Vick's Pizza Corporation? How well has it handled the situation so far?

(07 Marks)

d) If you were a senior manager of Vick's Pizza Corporation, what do you think the corporation should do now?

(07 Marks)

(Total 28 Marks)

a) To what extent do you consider the *marketing mix*, which has been traditionally applied to the goods marketing, appropriate for the service marketing?

(06 Marks)

b) Explain the difference between *desired service* and *adequate service* with an example.

(04 Marks)

c) How does *optimal capacity utilization* differ from *maximal capacity utilization*?

(04 Marks)

d) What are the benefits of *franchising* for the franchiser?

(04 Marks)

(Total 18 Marks)

a) Briefly explain the five categories of *consumer behaviour* that a marketer of service should understand?

(06 Marks)

b) Discuss the difference between *perceptions of service quality* and *customer satisfaction*.

(04 Marks)

c) List out the types of *research methods* that are used for marketing research by service companies.

(04 Marks)

d) Which approach to *pricing* (cost based, competition based, demand based) is most fair to customer?

(04 Marks)

(Total 18 Marks)

- Q4) a) What are the four basic human resource strategies a service company could apply in order to enhance the *employees' role in service delivery*?
(06 Marks)
- b) Define the five dimensions of *service quality* and evaluate a service company of your choice on each of the dimensions.
(06 Marks)
- c) Describe the four levels of *retention strategies* in relationship marketing with suitable example for each level.
(06 Marks)
- (Total 18 Marks)

- Q5) a) Briefly describe the steps in the new *service design* and the importance of each step.
(05 Marks)
- b) How can an effective *physical evidence* strategy help to close service gap 2?
(05 Marks)
- c) Briefly describe the four general strategies for achieving *integrated service marketing communications*.
(05 Marks)
- d) List out the benefits to a company of having an effective *service recovery* strategy.
(03 Marks)
- (Total 18 Marks)