

EASTERN UNIVERSITY, SRI LANKA

Faculty of Commerce and Management

Third Year/First Semester Examination in Business Administration –

Specialization in Marketing Management 2012/2013

(April 2015)

Special Repeat

MKT 3013 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 OS1 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 Redheksrihna 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 people 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 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. Training is conducted at each restaurant. Crew members are given on-the-job and classroom training. The next level of training is the management development program. This 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 is 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 that kids can play around and families have the opportunity to conduct events like birthday parties. Besides, no-smoking zones have been set-up in the outlets, taking into account the sensibilities of families. The company has also laid special emphasis on the convenience for kids. The height of the counters at some outlets is lower than normal, so that they are accessible to kids. In addition, McDonalds has made use of vibrant and pleasing wall paintings based on different themes, which children can relate to. McDonalds has also run 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 promotion 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 **process, and physical evidence** apart from the traditional marketing mix. How McDonalds was able to utilize these additional three elements to enhance its services?
- c. Describe the importance of **relationship marketing** for McDonalds for its success and growth.

- 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) (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.

(06 Marks)

- (c) The Servicescape model by Bitner gives a comprehensive framework that explains how customers and service staff respond to service environment, identify the elements of this model and give the relationships among them in a graphical way.

(06 Marks)

(Total 18 Marks)

- Q3) (a) A good service marketing research program includes multiple types of research. List out the available research types and briefly describe how they are different from each other.

(07 Marks)

- (b) "Relationship Marketing focuses on keeping and improving current customer", explain the four types of Retention Strategies to retain the customers in a service organization

(06 Marks)

- (c) Briefly explain the factors that have contributed to discrepancies between service delivery and external communications?

(05Marks)

(Total 18 Marks)

- Q4)** (a) Describe the importance of each stages in the new service development and give account how it is different from the new product development. (06)
- (b) Briefly describe the four general strategies for achieving *integrated marketing communications*. (06)
- © Define the five dimensions of *service quality* and evaluate a service company choice on each of the dimensions. (06)

(Total 18)

- Q5)** (a) What are the four basic human resource strategies a service company could order to enhance the *employees' role in service delivery*? (06)
- (b) List out the process for setting customer-defined standards (06)
- (c) In what ways pricing of service is different from pricing of goods (06)

(Total 18)