



PAT-161100020306 Seat No. _____

M. B. A. (Sem. III) (CBCS) Examination

October/November - 2018

Service & Relationship Marketing

Time : 3 Hours]

[Total Marks : 70

Instruction : All questions carry equal marks.

1 Explain the GAPS Model of service quality in brief.

OR

1 What is Service Environment ? Explain in brief with suitable examples.

- 2 (a) Differentiate between goods and services.
(b) Why capacity and demand management is a major challenge for service firms ?

OR

- (a) Make a different between Customer Acquisition and Customer Retention strategies.
(b) Explain : The BSP - Basic Service Package.
- 3 For success of any business front line staff of the firm is most important person – Justify this with reference Banking and Insurance Services.

OR

3 What is importance of Marketing Communications in service marketing ? Explain the communication process in service industry.

- 4 (a) Explain the relationship between 'Marketing communication and internet'.
(b) Suggest suitable Marketing Strategy for education services.

OR

- 4 (a) Write note on : The Flower of Service.
(b) Why product marketing mix is not sufficient for services marketing mix ? Explain in detail the marketing mix of service marketing.

5 “Subway’s Marketing Strategy in India”

The Indian fast food industry is pegged at INR 20 billion with an expected annual growth rate of 40%. Several multinationals including McDonald’s, Domino’s and Pizza Hut have established their presence in India. A new entrant is Sub-way-leading sandwich chain, which, with 16,900 outlets in Canada and the USA, has surpassed McDonald’s branch strength in these two countries. Worldwide, it has a total of 22,361 restaurants, spread across 78 countries. Subway operates in India through a wholly owned subsidiary, Subway Systems India (Subway). Subway increased the numbers of outlets in India to 200 by 2005. Subway sells a wide range of vegetarian and non-vegetarian sandwiches, which consumers can customize. To cater to Indian tastes, it also offers many Indian recipes such as paneer tikka, chicken tikka, chicken seekh kebab, and spicy vegetable. In deference to Indian sentiments and sensibilities, the company does not use beef products in India. The preparation counters for vegetarian food are kept separate. What is special about Subway outlets is that the orders are prepared right in front of the customers, with customers being able to even customize their meal. They can choose the toppings, spices to be added, etc. Speaking about the products that the fast-food chain sells, Chetan Arora, Business Development Manager, Subway Systems India says, “There is no other fast food chain in India that serves the products we serve. Further, customer interaction is maximum at our stores as the customer can be involved at all stages of the sandwich making process, starting from choosing the bread to the meat, the sauces, spices, and so on, which again is unique to us.”

Subway had adopted the franchising route to penetrate the market. Each store involves an investment of INR 4.5 – 6 million. It has an area of 700 sq. ft. to 1,000 sq. ft. with two sections- dine-in and takeaway counters. Justifying the move to use the franchising route, Fred DeLuca, Chairman and Founder of

Subway, said, “We have never compromised on quality and services. But you cannot be present in 70 countries to monitor this on a day-to-day basis. So we follow the franchisee route everywhere.” The franchisee has to bear the cost of setting up the outlet. These include an initial franchise fee, and purchasing or leasing the equipment. The franchisee is also responsible for managing the restaurant and personnel. The franchisee should pay a royalty fee of 8% and 3.5% toward an advertising fund; in lieu, subway provides assistance in identifying the location for the outlet, in designing the store, in preparing the menu, in setting up operational systems, in conducting training programmes, and in carrying out periodic evaluations.

On the pricing front, the prices range from INR 40 – INR 220 – depending on the recipe the customer chooses - 10–15% higher than its nearest competitor McDonald’s. But analysts are not sure about the company’s premium pricing strategy. Mr. Arvind Singhal, MD of a retail management consultancy firm, KSA Technopak, commented, “As such, there is no negative perception about sandwiches in India. However, the premium pricing strategy for the product may have to be altered, keeping the price-conscious Indian customer in mind.”

Subway has a unique arrangement to promote its brand. The advertising expenses are financed from a specially created advertising fund that is operated by the franchisees themselves. The franchisees contribute a certain percentage of the sales proceeds to build the fund. They also promote the brand locally. The development of advertising campaigns is being looked after by Triton advertising agency. The main objectives of the advertising campaigns are to attract customers to the outlet and also to project the image of the outlet is one that offers healthy and fresh food.

Questions for Discussion:

- 1 “We have never compromised on quality and services. But you cannot be present in 70 countries to monitor this on a day to day basis. so we follow the franchisee route everywhere.” Do you agree with this statement ?
 - 2 Subway has adopted a premium pricing strategy with prices 15% higher than those of its competitors. Do you feel that such a pricing strategy is appropriate for the price-conscious Indian consumer market ?
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