

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION PAPER

May 2013

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TITLE OF PAPER : SERVICES MARKETING

COURSE CODE : BA 428 FULL TIME

TIME ALLOWED : THREE (3) HOURS

INSTRUCTIONS:

1. TOTAL NUMBER OF QUESTIONS IN THIS PAPER (6)
2. SECTION A IS COMPULSORY
3. ANSWER ANY THREE (3) QUESTIONS IN SECTION B
4. THE MARKS TO BE AWARDED FOR EACH QUESTION ARE INDICATED ALONGSIDE THE QUESTION

NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH, AND FOR ORDELY AND NEAT PRESENTATION OF WORK. FURTHER MARKS WILL BE AWARDED FOR USE OF RELEVANT EXAMPLES.

SPECIAL REQUIREMENTS : NONE

THIS PAPER SHOULD NOT BE OPENED UNTIL PERMISSION TO DO SO HAS BEEN GRANTED BY THE INVIGILATOR.

PROFITS AND MONEY SHIFT EAST

Source : Business Day, Thursday 22 September, 2011. Insights Business Aviam

The industry consensus forecast by the International Air Transport Association (IATA) indicates that by 2014 there will be 3.3 billion air travelers, up by 800 million from 2.5 billion in 2009. Also, by 2014 international aviation will handle 38 million tons of air cargo, up 12.5 million tons from the 26 million tons carried in 2009. International passenger numbers are expected to rise from 952 million in 2009 to 1.3 billion passengers in 2014. This 313 million traveler increase reflects a compound annual growth rate of 5.9%. The fastest growing markets for international passenger traffic will be China (10.8%), the United Arab Emirates (10.2%), Malaysia (10.1%) and Sri Lanka (9.5%). By 2014 the top five countries for international travel measured by number of passengers will be the US (215 million, an increase of 45 million); the UK (198 million with an increase of 33 million); Germany (163 million with an increase of 29 million); Spain (123 million with an increase of 21 million); and France (111 million with an increase of 21 million)

IATA forecasts that China will be the biggest contributor of new travellers. Of the 800 million new travelers expected in 2014, 360 million (45%) will travel on Asia Pacific routes and of those 214 million will be associated with China – 181 million domestic and 33 million international. The US will remain the largest single country market for domestic passengers (671 million) and international passengers (215 million). Despite some regional differences the forecast indicates that the world will continue to become more mobile. This creates enormous opportunities but it also presents a number of challenges, says Giovanni Bisignani, IATA's director general and CEO. "In five years we need to be able to handle 800 million more passengers and 12.5 million tons of international cargo. To realize this economic growth potential we will need more efficient air traffic management, airport facilities and security programmes. Industry and government will be challenged to work together more closely.

He says the shadow of the global economic recession is expected to affect parts of the industry for some time. Sluggish growth rates in Europe and North America are not only the result of mature markets, lingering consumer debt, high unemployment and austerity measures will damp growth. Bisignani says IATA's vision 2050 group has looked at ways to improve aviation financial and environmental sustainability, its ability to meet consumer needs and develop more efficient infrastructure and aircraft. A recent meeting in Singapore discussed finding ways for airlines to become normal business and finding support among governments for the industry sustainability to allow it to grow the 32 million jobs and \$3.5 trillion in economic activity that aviation supports worldwide.

Bisignani says one of the big features of the Vision 2050 discussion was the importance of Asia to the industry's future. If you look at market capitalization you will also see a shift eastward. The five largest airlines in the world by market capitalization are Air China at \$20

bn, the combined LAN and TAM at \$15bn, Singapore Airlines at \$14 bn, Cathay Pacific at \$12 bn. and China Southern at \$11bn. So the profits and the money are in this region. Asia is also driving growth. According to the industry aggregate forecast, of the 800 million new air travellers in 2014, 360 million or 45% will fly within Asia Pacific. China will be at the center of that growth, with 181 million more domestic travelers and 31 million new international travelers. In 2009, Asia Pacific overtook North America as the world's largest aviation market by a few million people. Both accounted for about 26% of global traffic. By 2014 North America will fall to 23% and Asia Pacific will rise to 30%. We see a similar pattern in domestic markets, which will generate 488 million new passengers by 2014. China will lead with 13.9% growth, followed by Vietnam at 10.9%, SA at 10.6%, India at 10.5% and the Philippines at 10.2%. Bisignani says international cargo growth will also be dominated by Asia, with Hong Kong growing at 12.3% China at 11.7% Vietnam at 11.4% Chinese Taipei at 11.3% and the Russian Federation at 11%.

SECTION A

- a. IATA has made forecasts for the two mainstream categories in air transportation. What are they? [2 marks]
- b. What is expected to happen with international passenger figures? [1 mark]
- c. What is expected in the international travel business? [5 marks]
- d. Which five markets are expected to be the leaders in terms of international travel? [5 marks]
- e. Which market will contribute the most and by how much and which route, and mix of domestic and international new travelers? [6 marks]
- f. The industry has a bright future. Opportunities are great. This can only be realized if three broad objectives are made. What are these? [3 marks]
- g. Europe and North America are slowing down in growth. What are the causes of this slow down in growth? [8 marks]
- h. IATA's vision 2050 singles out Asia as the industry future. What is the motivation for this? (20 marks)

SECTION B

Q. 1 Discuss with examples the importance of managing the physical evidence of a Company. (20 marks)

Q. 2 The service delivery process has migrated/moved from "what has to be done, to what the Customer needs". Discuss with relevant examples the stages of operational competitiveness.

(20 marks)

Q. 3 Unconditional guarantees result in benefits for both the Company, and the Customer. Discuss with examples.

Q. 4 Discuss the possible solutions to service operation problems. (20 marks)

Q. 5 Customer retention has its own unique characteristics. Discuss these with examples. (20 marks)