THE OPEN UNIVERSITY OF SRI LANKA
FACULTY OF MANAGEMENT STUDIES
BMSHONS IN MARKETING MANAGEMENT
MMU5401 SERVICES MARKETING
FINAL EXAMINATION – 2025 / 2026
DURATION – THREE (03) HOURS

DATE: 04th JULY 2026 *TIME: 09.30 am – 12.30 pm*

INSTRUCTIONS:

- **PART 1 consists of a Compulsory case study carrying 40 marks.**
- **PART 2 consists of 4 questions. Each question carries 20 marks. You are required to answer Any Three (3) questions (60 marks in total).**
- **Marks have been mentioned at the end of each question.**
- **Start each answer on a new page.**

PART 1: Compulsory Case Study (40 Marks)

Question 01. Case Study

Lanka Hotels & Resorts – Reimagining Hospitality in a Changing World

Lanka Hotels & Resorts (LHR) is one of Sri Lanka's most recognized hospitality brands, operating a portfolio of city hotels, beach resorts, and eco-lodges across the island. Over the past decade, LHR has evolved from a traditional accommodation provider into a full-service experiential hospitality company, driven by a deliberate shift in its services marketing strategy.

At the heart of LHR's transformation has been a deep focus on managing the service encounter. The company introduced a structured Guest Journey Framework, mapping every touchpoint from initial online search and booking, to check-in, in-stay experiences, and post-departure follow-up. By treating each point of contact as an opportunity to delight or disappoint, LHR systematically reduced service failures and improved overall guest satisfaction scores.

LHR invested heavily in its human resources, recognizing that employees are the most visible element of service delivery. A comprehensive internal marketing programme was introduced, rebranding frontline staff as "Experience Ambassadors." This initiative included intensive training on service standards, empowerment to resolve guest complaints on the spot, and performance incentives linked to guest satisfaction ratings. Management believed that satisfied employees would naturally create satisfied guests.

Service quality became a central pillar of LHR's competitive strategy. The company adopted a structured approach to measuring and managing service quality, gathering data through post-stay digital surveys, mystery guest audits, and real-time social media monitoring. Feedback was systematically analyzed and shared with department heads, who were required to develop improvement plans within defined timeframes.

To address the inevitable service failures that occur in any hospitality setting, LHR developed a formal Service Recovery Protocol. Frontline staff were trained to acknowledge complaints promptly, apologize sincerely, offer an immediate remedy, and follow up with a personalized gesture of goodwill. LHR tracked recovery outcomes carefully and found that guests who experienced an effective recovery often became more loyal than guests who had never encountered a problem at all.

LHR also embraced digital transformation as a means of enhancing the service experience. A mobile application allowed guests to manage their bookings, request services, provide real-time feedback, and access a digital concierge. The company leveraged data analytics to personalize guest experiences, recognizing returning guests with customized welcome amenities and tailored activity recommendations based on past preferences.

In response to the post-pandemic shift in consumer expectations, LHR launched a Loyalty and Relationship Programme called "LHR Circle." Membership tiers offered increasingly valuable benefits including room upgrades, exclusive dining experiences, and early access to promotional rates. The programme was designed not only to reward repeat stays but to deepen the emotional connection between guests and the brand. Within two years of launch, LHR Circle members accounted for over 45% of total room nights sold.

Despite these achievements, LHR faces ongoing challenges. Growing competition from international hotel chains, increasing price sensitivity among domestic travelers, and the rising expectations of digitally empowered guests continue to pressure the business. The company's leadership recognizes that sustaining competitive advantage in services marketing requires continuous innovation, genuine customer centricity, and the ability to consistently deliver on its brand promise across all properties.

i. Discuss the four (04) key characteristics of services are evident in LHR's operations and explain the challenges these characteristics create for the management of service quality.

(10 marks)

ii. Discuss how Lanka Hotels & Resorts might manage the gap between customer expectations and perceived service delivery, and explain what actions management should take when service failures occur.

(15 marks)

iii. Evaluate the LHR Circle loyalty programme in terms of its potential to build customer loyalty and long-term relationships, and discuss the key factors that determine whether such a programme succeeds or fails.

(15 marks)

(Total 40 Marks)

PART 2: Answer Any Three (3) Questions (20 Marks Each)

Question 02

Services marketing operates within a distinctly different environment from the marketing of physical goods. The extended services marketing mix reflects the additional dimensions that must be managed to deliver consistent service experiences and build competitive advantage.

i. Explain how the additional three (03) elements of the extended services marketing mix contribute to shaping the customer experience in a service organization of your choice. Provide relevant examples to support your answer.

(10 marks)

ii. Discuss how technology-enabled services and digital channels have transformed the way service organizations manage the Place and Promotion elements of the marketing mix. Use examples from the Sri Lankan or global service sector to illustrate your answer.

(10 marks)

(Total 20 Marks)

Question 03

Service quality is a fundamental determinant of customer satisfaction, loyalty, and organizational performance. Understanding how service quality is conceptualized and measured enables managers to identify and address performance gaps.

i. Identify and explain any two dimensions (02) of service quality that customers typically use to evaluate a service experience. For each dimension, provide a practical example drawn from a service industry in Sri Lanka.

(10 marks)

ii. Briefly explain the role of customer feedback and complaint management in helping a service organization maintain and improve its service quality standards.

(10 marks)

(Total 20 Marks)

Question 04

The design of service processes and the management of the service encounter are critical to achieving consistent and satisfying customer experiences. Service blueprinting and participation management are important tools in this context.

i. Explain the concept of a service process and, describe how a poorly designed process might negatively affect the customer experience, using an example from the banking or healthcare sector.

(10 marks)

ii. Discuss the benefits and challenges of customer co-production in service delivery, and evaluate how organizations can effectively manage customer participation to enhance overall service outcomes.

(10 marks)

(Total 20 Marks)

Question 05

Service innovation and digital transformation are reshaping the competitive landscape across service industries globally. Organizations that successfully innovate and embrace digital technologies are better positioned to meet evolving customer expectations and sustain long-term growth.

i. Discuss the importance of service innovation for organizations operating in competitive service markets.

(10 marks)

ii. Identify and briefly discuss two contemporary challenges facing service organizations in Sri Lanka, and explain how services marketing strategies can be used to address these challenges.

(10 marks)

(Total 20 Marks)

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