



**Institute of Human Resource Advancement (IHRA)
University of Colombo, Sri Lanka**

**Master of Science in Service Management Course No.05
1st Year 1st Trimester Examination**

(Held in January, 2019)

MSM 5132 – Services Management

Instructions to the Candidates

- (1) This paper consists five (05) questions and six (06) pages.
- (2) Answer only four (04) questions, including question number one (01).
- (3) Write your Index Number on all pages of answer scripts.
- (4) Time allocated for the examination is Three (03) hours.
- (5) Tie up all answer sheets at the end of the examination.
- (6) If a page or a part of this question paper is not printed, please inform the Supervisor immediately.

01.

Cargills (Ceylon) PLC was established in 1844 and built on a strong foundation of values and ethics, guided by trusted leadership. It spearheads the sustainable development of the food industry in Sri Lanka. It's continuous investment in retail has made the Cargills retail arm, Cargills Food City the largest retailer in the island in all categories. Pursuing innovation and food safety, It's manufacturing brands Cargills Supremo and Cargills Finest (processed meats) Cargills Kist (processed fruits and vegetables) and Cargills Magic (Ice cream and dairy products) lead sectorial growth. Its KFC franchise is the largest international restaurant chain in Sri Lanka. Through its marketing and distribution arm spread across the island Cargills distributes its manufactured brands as well as internationally renowned food and non-food brands.

In 1844, William Miller and David Sime Cagill commenced a general warehouse, import and wholesale business in Colombo, Fort. The establishment was named the 'House of Cargills. A successful bid by Sir Chiththampalam A. Gardiner saw the House of Cargills being incorporated as a Public Limited Liability Company on 1st March 1946. In 1981 Ceylon Theatres acquired controlling interest of the company and Mr. Albert A. Page was appointed the Managing Director. Mr. Albert Page went on to become the Chairman on Cargills on 26 November 1982. Under the new management, Cargills explored the potential of innovating on its trading legacy. As a result, in 1983 Cargills established the first supermarket chain in Sri Lanka with the opening of its first outlet at Staple Street.

Cargills ventured into the production of processed meats in 1993 when the Company invested in its first manufacturing facility Cargills Quality Foods, in Mattakkuliya. In 1996 Cargills acquired the franchise license for KFC and innovated on its secret recipe to deliver product that suited the local palate.

Cargills began sourcing fruits and vegetables directly from farmers in 1999 when it established its first collection center in Haguranketha. In 2002 it invested in a dairy processing plant and thereby expanded its out grower network to include dairy farmers. Cargills Magic ice cream was the outcome of this endeavor. In the same year Cargills diversified into agri-processing with Cargills Kist, which created further market opportunities for farmers. In 2008 Cargills acquired Millers Limited consolidating its marketing and distribution operation.

According to research, vegetable prices are one of the many criteria considered in choosing a supermarket. These include the quality of service, the range of non-produce items and convenience of location. In general, there were 'store specific' factors, both positive and negative, that impacted choice.

Cargills Food City is rated the fourth most valuable Brand in Sri Lanka and the most valued Retail Brand in the island according to research conducted by Brand Finance Lanka. Cargills Food City has been recognized for its innovation in taking super marketing to the masses. It has also earned the highest Brand Equity in the Asia Pacific region, with NTUC Fair Price Singapore coming second according to the 2004 survey on Shopper Trends by ACNielsen. Being the only retail

network with its own out-grower network Cargills Food City is proud of its ability to give the highest possible price to suppliers even as it provides nutritious high quality goods to the consumer at the lowest possible price. The retail chain is geared with over 204 outlets spread across the island covering 23 districts. The Cargills agri business model has gained global recognition for linking farmers and entrepreneurs to the market through a sustainable and inclusive value creation process.

The Cargills business model is unique with the information supply and technical support networks which have been developed to benefit smallholders, consumers and Cargills alike. Under the leadership of CEO Ranjit Page, Cargills has embarked over the last decade on an innovative approach to building the capacity and profitability of the farming community in Sri Lanka. It purchases a wide variety of farm produce directly from small landholders. By eliminating middlemen, Cargills is able to minimize transaction costs. Resultant savings are passed on to farmers on the one end and consumers on the other. Its business model guarantees a minimum price that is at least 20% above the estimated production costs. By bringing markets to some 10,000 farmers, Cargills has contributed significantly in reducing distress sales during the time of glut. This has helped in alleviating rural poverty; reducing thereby general disenchantment to farming as an enterprise Cargills Food city, a chain of supermarkets in Sri Lanka. Improves its competitive context by working closely with farmer communities that supply fruits, vegetables, spices, and rice to the chain. It typically pays 20% more than the market does, and importantly, guarantees a minimum, threshold price in order to cushion downward price movements in the market. Process inputs such as drip irrigation systems and collection centers are provided by Food City. Moreover, it underwrites loans granted by banks, and facilitates collaborative arrangements a number of NGOs have with the farmers, in setting up cleaning and packaging centers. Clearly, these CSR efforts benefit rural communities, as much as they help the company improve its competitive context.

The companies long standing strategy of linkages with producers and mechanisms to reduce wastage are the main resources for relatively low prices. Whilst maintain a strong relationship with farmers Cargills employs as a strategy to strengthen them, as farmers constitute a very important part of our internal vegetable supply chain. They work with farmers to make sure that they do not over-produce and make utmost efforts to reduce wastage, not only in farms, but also during transportation. Cargills, as a company, can do that because it has a direct relationship with farmers. From a single seed in a farmer's field to dinner table halfway across Sri Lanka, Cargills brings ideas together to help satisfy our nation's needs. To get there, the company collaborates with customers to create better products and services, streamline supply chains, save energy, reduce costs and move goods to every corner of Sri Lanka. They help farmers get higher yields from fewer acres, and store crops so they have greater flexibility in marketing their harvest. Cargills believes in the philosophy of giving back to the communities where they do business through continuous efforts to improve nutrition, health and education, and protect natural resources. Everyday Cargills nourishes people and ideas-in both expected and unexpected ways.

The sustainability strategy is making social responsibility an integral part of everything they do. It is a Company-wide commitment that channels our expertise and knowledge to create sustainable

value for every direct and indirect stakeholder we touch. Three commitments anchor the many programs, projects and initiatives that Cargills takes on with the objective of reducing the Cost of Living – Enhancing youth skills and Bridging regional disparity.

The company's vision "is to be a Global Corporate Role Model in Community Friendly National Development" and the mission "is to serve the Rural Community, Our customers and all other stakeholders through the core businesses, food with love and other related businesses, based on our three main principles of, reducing the cost of living, enhancing youth skills and bridging regional disparities by enhancing local and global markets. Cargills values are (C.A.R.G.L.L.S) Customer focused, Accountable, Respect, Green, Innovative, Love, Lead, Serve the nation.

Empowering farmers is a commitment that embodies the heart and soul of Cargills and stems from our commitment to bridging regional disparity. Providing nutrition to Sri Lanka's makes Cargills direct partners of the thousands of farmers across Sri Lanka. Each year, Cargills works directly with hundreds of thousands of farmers to help increase their productivity, thereby helping to raise their standard of living and our access to quality raw materials. Activities include training farmers on best practices in crop and animal agriculture; providing credit, inputs, transport and infrastructure for farmers and cooperatives; establishing fair and transparent pricing policies; and increasing access to markets.

The relationships establish with farmers is a bond Cargills will have with the fields they sow. The families they nurture, the communities they live in and the schools where their children learn. Cargills has initiated a farmer community development fund where one rupee is given back to the village against kilogram of vegetables purchased from farmers. This fund is used to provide scholarships for needy children from the community, to provide resources for learning and advancement and to meet basic community needs such as utility connections. The focus is to engage the communities that work with Cargills to charter their own course of development.

"Enhancing Youth Skills" is one of the key principles of the Cargills business philosophy. It is incorporated into its mission statement as a commitment that the organization holds true to its heart. Not surprisingly as much as 70% of its work force is from rural Sri Lanka and 80% is below the age of 25.

Every single individual in our organization is welcome to give in new ideas and suggestions.

The management entertains any new idea no matter how big or small it is. All ideas are carefully screened by a multi-disciplinary innovations team which strives to deliver responsible business results. All multiple manufacturing sites are equipped with state of the art R&D facilities which constantly generate products innovations to delight customers.

Cargills ensures that the food purchased, processes or manufacturing meet the highest quality safety, environmental and social standards. Cargills Quality Dairies and Cargills Quality Foods are accredited with all three ISO Certifications ISO 9001 : 2000 for Quality Management, ISO 14001:22000:2005 for Food Safety Quality Management. The manufacturing processes, which are automated, take place in a sterile environment. Equipped with anti-bacterial cold rooms, cold

storage and manufacturing areas the Cargills Quality Dairies and Cargills Quality Foods plants are the most technologically advanced facilities in the region.

The Cargills Kist quality assurance process is a stringent one that kick starts from the farm. Fruits are purchased during the season and processed in the UHT plant minus the use of any preservatives, aseptically packed and stored for use all year around. The newly installed Retort machine is the only one of its kind in Sri Lanka and will produce a novel TV Diner range of Ready to Eat products in cans and pouches. The total Quality Management process used by our Kist facility, including SLS certifications, CODEX, Standards ensure consistently high products and process quality.

Cargills always figured that putting people before products just made good common sense. So far, it's been working out for us. The company's relationships with farmers yield the highest quality of rice, milk, fruits and vegetables. The connections they make in communities create a loyal following, and the support provided to suppliers pays off every day. Cargills has the ambition to take their business to the next level via its Green Business Program as part of its larger cooperate strategy. Through the "Green Business" program Cargills is committed to minimizing its environmental impacts throughout the entire supply chain, from the farm to the trolley. Cargills is also committed to a role of environmental leadership in all facets of business.

The One Trust came into being from the very heart of Cargills out of compassion and empathy for our fellow Sri Lankans whose lives were devastated in the Boxing Day Tsunami of 2004. Today one Trust has expanded its vision to heal the spirits and hearts of children affected by war and restore their ability to hope and dream. One trust aims to build a sustainable support system by engaging multiple stakeholders towards strengthening and empowering children directly or indirectly affected by conflict.

Round-the-clock convenience Cargills has further driven the growth of convenience stores in Sri Lanka through its 15 Cargills express outlets, which are located at 24-hour fuel stations. Cargills Express caters especially to the pressures of modern life styles, which leave many with little time to shop for essentials. The round-the-clock convenience stores offer everything from snacks and drinks to canned, packed and frozen foods, as well over-the-counter drugs, magazines and other convenience items.

Made from fresh milk collected from local dairy farmers, Cargills Magic is a big part of the Cargills promise of bringing nutritious, quality food to consumers at an affordable price and is Sri Lanka's No # 1 Dairy Ice Cream. Around 5,000 dairy farmers located in Banduragoda, Hanguranketha and the coconut triangle directly supply fresh milk to Cargills Magic. The farmers are organized into cooperative style associations through which Cargills provides them a guaranteed market and a standard price, raw materials at subsidized rates, technical inputs etc. The entire production process is automated with the high-tech plant able to churn out as much as 3,200 liters of ice cream per hour. The plant has the capacity to produce over 10 million liters of ice cream per annum. Cargills Magic is a trailer blazer being the first Ice Cream manufacturer to introduce fresh fruit, indigenous flavors and festive collections to its product portfolio.

One of Sri Lanka's most trusted food brands, Cargills Kist offers a range of delectable Juices, Jams, Sauces, Cordials & accompaniments made from fresh produce directly hand picked from orchards. Today's Sri Lankan generation has grown up with the Kist brand, and they have grown to trust it for its quality and taste. Cargills leverages its ability to source the freshest quality produce from farmers and suppliers directly to ensure that Kist products retain all their natural goodness and flavor. The Kist production plant employs state-of-the-art aseptic packing and processing facilities that conform to international food manufacturing standards.

Agribusiness, as is well known, involves trade of food production in all its aspects. From that angle it includes farming, seed supply, agri-chemicals, farm machinery, wholesaling and distribution, processing, storing, marketing trade and retailing. Currently, Cargills Agri-business focuses on direct produce purchase from the farmers, processing and retailing. Its future plans on Agri-business will follow an end-to-end approach. Thus, means Cargills, besides facilitating direct market access to farmers, would also concentrate on the development of farmer and farming. In that pursuits Cargills will undertake up-skilled farmers' knowledge and know-how through training and would make certain supply of high quality seeds and agri-chemicals.

(Source: Diasz, L 2017, *Marketing and business strategy*, 1stEdn, Soft wave Printing and packaging (Pvt) Ltd, Col.05 SL)

Case Questions

- i. Identify the business strategy (among Porter's Generic Strategies) of Cargills foodcity. Justify your answer
- ii. Explain how the Porter's 5 competitive forces can be used to describe the profitability and the attractiveness of the FMCG Super Market Industry in Sri Lanka?
- iii. Explain the existing marketing mix strategies of Cargills foodcity.
- iv. What are the strategies you suggested for the future survival of the company

(Marks 10 x 04 = 40 Marks)

02. "Service business is a business model, that offers intangible values beyond a physical product". Identify different types of service classifications and explain three (03) types of classification using examples from service sector.

(20 marks)

03. i. "Frontline work is really stressful". Discuss the above statement emphasizing the role of 'emotional labor' in service delivery.

(10 marks)

ii. 'Managing the service business is really challengeable'. Explain the above statement comparing the business practices related with goods and services. Provide appropriate examples to explain your answer.

(10 marks)

(Total 20 marks)

04. Explain circle of failure, mediocrity and success using appropriate examples in the service sector.

(20 marks)

05. Briefly explain following concepts with its' practical applications.

i. Nornann's Service Management System

(08 marks)

ii. Service Blue Print strategy

(06 marks)

iii. Buyer behavior in service consumption

(06 marks)

(Total 20 marks)

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