Chapter 1
Introduction to Services Marketing

GENERAL CONTENT

Multiple Choice Questions

1. There are several reasons why the services sector is increasing in almost all countries around the world. Which is not one of the contributing reasons?
   a. The knowledge-based industries are growing.
   b. Countries are less dependent on agriculture.
   c. Some manufacturing firms are now focusing on marketing services as well.
   d. The construction and manufacturing industries are booming.
   e. More companies are outsourcing some of their service components.
(d; Moderate)

2. Service markets are shaped by all of the following except _____.
   a. government policies
   b. social changes
   c. global economic change
   d. business trends
   e. advances in information technology
(c; Easy)

3. Developments in IT and communication include all of the following, except _____.
   a. User-generated content
   b. Artificial technologies
   c. Internet of Things
   d. Social Changes
(d; Moderate)

4. The non-ownership perspective to define Services includes the following.
   a. Time-based
   b. Rental
   c. Exchange for money, time and effort
   d. Expectation to obtain value
(b, Moderate)

5. Which of the following are included in the four categories of services processing.
   a. People processing
   b. Possession processing
   c. Mental stimulus processing
   d. Information processing
   e. All of the above

(e, Easy)

6. In order to design and implement effective service processes, which of the following are important considerations.
    a. Operational inputs and outputs can vary
    b. Customers are often involved in co-production
    c. Demand and capacity need to be balanced.
    d. a & b
    e. a, b, & c
(e, Moderate)

7. Which of the following is an example of co-production?
    a. Withdrawing from an ATM
    b. Easting fast food
    c. Touring an aquarium
    d. Selling items on eBay
    e. Buying a stereo
(a, Challenging)

8. 8. Links in the Service-Profit Chain include all of the following except
    a. Customer loyalty,
    b. Revenue growth
    c. Service quality
    d. Employee loyalty
    e. Top management leadership
(b, Moderate)

9. The three additional Ps of services marketing that extend the original four Ps of marketing are _____, _____, and _____.
    a. product; price; place; promotion
    b. prospects; process; people; promotion
    c. physical environment; process; people
    d. prosperity; process; people; promotion
    e. physical environment; prosperity; planning; process
(c; Moderate)

10. The service framework for developing effective service strategies excludes _____.
    a. understanding service products, consumers and markets
    b. managing the competitive landscape
    c. applying the 4 Ps of marketing to services
    d. designing and managing the customer interface
    e. developing customer relationships
(b; Moderate)

True/False

11.   Services account for 65% to 80% of the GDP in most developed nations.
(True, Easy)

12.   The dramatic development of Government policies is the most important force transforming service markets
(False, Easy)

13.   Services require a form of acquisition through which customers can obtain benefits.
(False, Moderate)

14.   Service production and consumption are always simultaneous
(True, Difficult)

15.   One way of avoiding turning customers away or having them wait is to use, dynamic pricing and reservations.
(True, Difficult)

16.   HR is often seen from a strategic perspective than a staff function
(False, Easy)

17.   The service-profit chain includes collaboration between marketing, operations, IT and HR
(True, Easy)

18.   Service distribution can take place through physical channels only
(False, Easy)

19.   Customers may go beyond the money to assess how much time and effort are involved in service consumption
(True, Easy)

20.   Despite advances in technology, many services will always need direct interaction between customers and service employees.
(True, Easy)

Short Answer

21. What are the five broad categories within the non-ownership framework?

   Rented goods, defined space and place rentals, labor and expertise rental, access to shared physical environments, and systems and networks: access and usage.
(Moderate)

22. Define services.

    Services are economic activities offered by one party to another. Often time-based performances are used to bring about desired results in recipients themselves or in objects or other assets for which purchasers have responsibility. In exchange for their money, time and effort, customers expect to obtain value from access to good, labor, professional skills, facilities, networks and systems. However, they do not normally take ownership of any of the physical elements involved.
(Moderate)

23. What are the eight common differences between products and services?

    1) Most service products cannot be inventoried, 2) intangible elements usually dominate value creation, 3) services are often difficult to visualize and understand, 4) customers may be involved in co-production, 5) people may be part of the service experience, 6) operational inputs and outputs tend to vary more widely, 7) the time factor frequently assumes great importance, and 8) distribution may take place through non-physical channels.
(Challenging)

24. Provide an example of a service that lies at each end of the tangible-dominant to intangible-dominant spectrum.

    Low—tailored clothing
    High—Internet banking
(Moderate)

25. What are the three vital roles of promotion and education?

    Providing needed information and advice, persuading target customers of the merits of a specific brand or service products, and encouraging customers to take action at specific times.
(Moderate)
Essay

26. Give an example of how the Internet is changing the face of service industries.

    The Internet is transferring power from suppliers to customers, particularly in consumer markets. For example, travel agencies are being replaced by Web sites like Orbitz, Travelocity, and Priceline. These sites allow customers to shop around for the best prices with greater ease. They have in effect changed the distribution system to favor the consumer.
(Moderate)

27. How can firm develop effective marketing strategies?

Firms need to start first understanding why service the service sector is developing so fast, and what forces are driving it. Then firms must understand consumer need and behavior. They can do this using the three-stage model of service consumption to explore how customer make decision, respond to services encounters and evaluate service performance. After that, they need to position their offerings to ensure commercial viability. The position must be so distinctive and defensible that the firm can attract a sufficient volume of business from the target customers. The next step is to apply the 4 Ps of traditional marketing into services, with the understanding that services require attention to different elements because services are different from goods. At the same time, firms have to manage the interface between the customers and the service firms. Hence, there are 3 additional Ps to be managed – process, which includes balancing demand and capacity, physical environment, and people. Finally, in order to be profitable, firms need to build relationships with customers to retain their loyalty, handle customer feedback and have service recovery systems in place, make sure that firms are productivity but maintain standards of service excellence and have a culture that focuses the firm on the service profit chain, while integrating the three key functions of marketing, operations and human resources.
(Moderate)

APPLICATION CONTENT

Multiple Choice Questions

28. A movie theater seat is an example of _____.
    a. renting durable goods
    b. closely engaging customers in the service process
    c. renting portions of a larger physical entity
    d. the centrality of time to services
    e. differences in customer choice criteria
(c; Moderate)

29. Education is an example of a/an _____ service.
    a. people-processing
    b. information processing
    c. mental stimulus processing
    d. possession-processing
    e. physical processing
(c; Moderate)

30. Service firms have reservations systems because
    a. intangible elements usually dominate value creation.
    b. most service products cannot e inventoried.
    c. distribution may take place through non-physical channels.
    d. customers may be involved in co-production.
    e. all of the above.

(b; Moderate)

True/False

33. China is experiencing rapid economic growth and this stimulates demand for production and business services.
(False; Easy)

34. Airbnb is an example of peer-to-peer service.
(True, Easy)

35. The Internet is transferring power from suppliers to customers, especially in consumer markets.
(True; Moderate)

36. Services can be outsourced today to cheaper destinations anywhere in the world.
(True; Moderate)

37. The best way to help customers visualize your service is to highlight credentials/experience and educate consumers to make good choices.
(True; Moderate)

Short Answer

38. Give an example of a government policy that has stimulated the transformation of a service industry.

Deregulation of the telecommunications industry has stimulated competition and altered fee structures.
(Moderate)

39. Give an example of an industry where the Internet has transferred power from suppliers to customers.

The travel industry.
(Moderate)

40. Give an example of a service that offers labor and expertise rental.

Car repair, surgery, management consultancy, etc.
(Easy)

41. Give an example of a service that offers access to physical environments as a form of rental.

Museums, theme parks, trade shows, gyms, zoos, ski resorts, golf courses, toll roads, etc.

(Easy)

42. Give an example of an industry where production and consumption are separable.

Dry cleaning, lawn mowing, weather forecasting, etc.

(Moderate)

Essay

43. Describe the possible differences in customer choice criteria between car rentals and outright purchases.

Renters typically reserve a specific vehicle class or category rather than a specific brand or model. For example, car rental companies offer sub-compact, compact, mid-size, and luxury models. The brand of a subcompact may be a Volkswagen Beetle or a Geo Metro. Physical characteristics like color, upholstery, and the number of cup holders are more important to buyers. Consumer consideration of rental locations, insurance coverage, cleanliness of the vehicle and facilities, and ease of the reservation system are also considerations for rental services that differ from car dealerships.

(Challenging)

44. Provide an example of a service industry where customers are involved in co-production and explain the implications and marketing-related tasks that would be associated with that service.

Theme parks are a good example of customer co-production services. Implications include customers having to visit the facility and participate in rides, shows, and other activities to benefit from the service. Picking the wrong ride at the wrong time may cause the customer to wait in a long line and decrease the value of their service experience. Marketing-related tasks include developing user-friendly equipment and facilities and training customers to perform effectively. For example, theme parks can provide schedules and maps to assist customers in making better and more efficient plans.

(Moderate)

45. Describe the seven Ps of service that would be involved in a banking service.

Product elements of banking would include aspects like checks and plastic ATM cards. Place and time would concern issues of teller and office accessibility along with 24-hour access to ATMs for certain smaller transactions. Price and user outlays would include costs incurred traveling to the bank or ATMs and making tradeoffs

with fees incurred from out of network bank use. Promotion and education include television commercials, free checking offers, and notifications of account changes in the mail. Physical environment aspects include facility layouts and tellers dressing in business attire. Process elements include efficient and correct handling of transactions by both employees and ATMs. Finally, people aspects include the friendliness of tellers and other customer service representatives, as well as other customers.

(Challenging)

Chapter 2
Customer Behavior in a Services Context

GENERAL CONTENT

Multiple Choice Questions

1. The three stages in the consumer decision making process are _____, _____, and _____.
   a. pre-awareness stage, pre-purchase, purchase stage
   b. pre-purchase stage, awareness stage, post-purchase stage
   c. service encounter stage, pre-purchase stage, post-purchase stage
   d. pre-purchase stage, awareness stage, purchase stage
   e. pre-purchase stage, service encounter stage, post-purchase stage

(e; Easy)

2. The key concepts in the pre-purchase stage include all the following except _____.
   a. servuction system
   b. evoked set
   c. perceived risk
   d. zone of tolerance
   e. credence attributes

(a; Easy)

3. The pre-purchase stage begins with _____.
   a. perceived risk
   b. formation of expectations
   c. moments of truth
   d. evoked set
   e. need arousal

(e; Moderate)

4. Tangible characteristics that customers can evaluate prior to purchase are termed _____.
   a. search attributes
   b. experience attributes
   c. credence attributes
   d. satisfaction attributes
   e. capital attributes

(a; Moderate)

5. Characteristics that customers find hard to evaluate even after consumption are
    termed _____.
    a. search attributes
    b. experience attributes
    c. credence attributes
    d. satisfaction attributes
    e. capital attributes
(c; Moderate)

6.   The service encounter stage involves _____.
     a. Moments of truth
     b. Zone of tolerance
     c. Price decisions
     d. trade-offs
(a; Moderate)

7. Services with high levels of contact include
    a. nursing home, airline travel, movie theater
    b. telephone banking, haircut, insurance
    c. four-star hotel, car repair, cable tv
    d. nursing homes, airline travel, four-star hotels
(d; Moderate)

8. Back-stage or invisible process becomes important to customers in which of the
    following situations.
        a. Kitchen sends wrong order
        b. Flowers are delivered to a different address
        c. Refund is refused
        d. All of the above
        e. Only a & b
(d, Challenging)

9. In the theater metaphor, the elements include all but the following _____.
    a. positions
    b. roles
    c. scripts
    d. service facilities
    e. personnel
(a; Easy)

10. The five broad dimensions of service quality are _____.
    a. tangibles, reliability, responsiveness, satisfaction, empathy
    b. intangibles, reliability, responsiveness, assurance, empathy
    c. tangibles, reliability, responsiveness, assurance, empathy
        d. tangibles, attributes, responsiveness, assurance, empathy
(c; Moderate)

True/False

11. The evoked set can be derived from past experience or competing firms.
(False; Moderate)

12. Credence attributes are the characteristics that can only be assessed after customers have gone through the service.
(False; Easy)

13. Everything else being equal, when customers are risk-averse, they will choose the service with the lowest risk perception.
(True; Easy)

14. Expectation elements include desired, adequate and predicted service levels.
(True; Moderate)

15. If good service is predicted, the adequate level for that service will be lower.
(False; Moderate)

16. Consumers will desire a particular level of service, but are willing to accept an adequate level of service and the gap between the two levels is called the zone of acceptance.
(False; Easy)

17. A service encounter is a period of time during which you, as a customer, interact with a service provider.
(True; Easy)

18. In high-contact services, it is important to make the experience appealing for customers both in terms of physical environment and their interaction with service personnel.
(True, Moderate)

19. The backstage, or invisible components of the servuction system, are of little interest to customers.
(True, Moderate)

20. SERVQUAL is an instrument to measure customer loyalty.
(False, Easy)

Short Answer

21. Service consumption can be divided into what three principal stages?

     Pre-purchase, service encounter, and post-purchase.
(Easy)

22. Give an example of a pre-purchase risk-reduction strategy.

     Seeking information from respected personal sources (relying on a firm that has a
     good reputation, looking for guarantees and warranties, visiting facilities, asking
     knowledgeable employees, examining tangible cues, or using the Web to compare
     offerings).
(Moderate)

23. Give an example of a social risk involved in using a service.

     What will my friends think of me if they learned I used this service?
(Easy)

24. What is the service delivery system?

     The visible part of service operations system as well as the customer and other
     customers make up the service delivery system.
(Moderate)

25. How does SERVQUAL measure service quality?

     SERVQUAL measures service quality along the five dimensions of tangibles,
     reliability, responsiveness, assurance, and empathy.
(Easy)

Essay

26. Describe what is meant by adequate service, predicted service, and zone of tolerance.

     Adequate service is the minimum level of service a customer will accept without
     dissatisfaction. Predicted service is the level of service that the customer actually
     anticipates the firm will provide. The zone of tolerance is the extent of variation of
     service customers are willing to accept. Adequate service falls at the bottom of the
     zone of tolerance, whereas predicted service is likely in the middle of the zone of
     tolerance.
(Moderate)

27. Describe the servuction system for a high-contact service like an upscale restaurant.

     The service operations system of a restaurant would consist of the kitchen and cooks
     at its technical core that would be backstage. The interior and exterior of the facility,

visible equipment, and wait staff are also part of the service operations system, but are visible to the customer. Other customers would also patronize the restaurant at the same time and might have an impact on customer perceptions. The visible facilities, backstage technical core, staff, and other customers comprise the service delivery system. Together, they make up the servuction system.
(Challenging)

APPLICATION CONTENT

<u>**Multiple Choice Questions**</u>

28. To develop effective marketing strategies, marketers must understand how people make decisions about buying and using service, what the experience of service delivery and consumption is like for customers, and _____.
    a. how they evaluate competitors
    b. how they evaluate the experience
    c. how often they utilize competitors
    d. how often they complain to the service firm
    e. the length of their relationship with the service firm
(b; Challenging)

29. An example of a service high in credence attribute is _____.
    a. extreme sports
    b. vacation
    c. spa
    d. musical performance
    e. surgery
(e; Moderate)

30. Hotels may organize food tasting to _____.
    a. generate goodwill.
    b. have free trials.
    c. advertise their services.
    d. act as a service guarantee.
    e. make use of evidence management.
(b; Challenging)

31. For customers of credit card companies, which of the following statements are true?
    a. When they make calls to the call center, these are usually the few moments of truth.
    b. There is very little of the theater performance.
    c. They usually experience high-contact with the service personnel.
    d. Only A and B.
    e. All of the above.
(d; Challenging)

32. Dental customers _____ to avoid delays and ensure effective use of dental professionals' time.
    a. sit quietly in the waiting room
    b. commit positive word-of-mouth
    c. confirm and honor appointments
    d. should get to know hygienists
    e. provide accurate histories
(c; Easy)

True/False

33. For B2B services, trade shows can be a way to create a need and engage customers' interest.
(True; Challenging)

34. Many caterers and Chinese restaurants use free trial to create more search attributes to assist prospective customers.
(True; Easy)

35. Airlines are considered a low-contact service when compared to auto repair.
(False; Moderate)

36. Thoughtful banks place a telephone beside their ATMs so that customers can call a real person.
(True; Easy)

37. A dental hygienist confirming needs and setting appointment dates with patients is part of the service script for teeth cleaning.
(False; Moderate)

Short Answer

38. How many needs can be triggered in the pre-purchase stage?

People's unconscious mind	(dreams, ego need, personal identity etc.)
Physical conditions	(hunger, thirst, pain etc.)
External sources	(firm's advertising, third party websites etc.)

(Moderate)

39. Give an example of a service's search attribute.

Restaurant—restaurant positioning (type of food, location, parking availability).

(Easy)

40. Give an example of a restaurant's credence attribute.

    Kitchen hygiene.
(Moderate)

41. What types of risks might be inherent in making an online textbook purchase?

    Financial—extra fees or failure to receive the book.
    Physical—book shows up damaged.
    Temporal—book does not show up before class starts.
    Functional—book does not help the student pass the class.
(Moderate)

42. What type of risk reduction strategy would you suggest a golf course employ to reduce customer fears about rain cancellations?

    Provide rain checks that allow consumers to continue play at a later date.
(Moderate)

Essay

43. Describe how the three-stage model of service consumption could explain consumer behavior in a low-contact service like investing.

    The three-stage model of service consumption begins with the pre-purchase stage where consumers become aware of a need. Also in this stage is information search, where needs are clarified, possibly through surfing the Web and making phone calls. In the case of an investing service this might involve reading the Web site information for various Web sites like eTrades or Schwab. Evaluating alternatives is also in this stage. In the investment scenario, this might involve more Web site analysis, phone calls and e-mail with account representatives. The second stage is the service encounter stage. Here, service is requested from the supplier, in this case via e-mail or Web site transaction. The final stage is the post-encounter stage. Here the investor determines how well the firm performed over a period of time and makes a determination about future transactions with the firm.
(Challenging)

44. Explain how a firm like Zurich Insurance can reduce customer perceptions of risk.

    Zurich Bank can display what the bank can do for its customers in its advertising. They can help the customers understand the benefits and usage of the service and how a customer can enjoy the tangible product. They can also encourage prospective customers to preview the service through brochures, Web sites, and videos.

(Moderate)

45. How can a restaurant use SERVQUAL to measure its service quality?

    In restaurants, service quality is important for generating transaction-specific satisfaction. To measure tangibles, restaurants need to assess their physical environment in terms of visual appeal; for reliability, they may assess how error-free their service is from order placement to delivery. They can also measure promptness of service and employees' willingness to help customers. Assurance can be measured through questions about customer confidence. Empathy can be measured by including the questions about individual attention provided for customers in SERVQUAL.

(Challenging)

Chapter 3
Positioning Services in Competitive Markets

GENERAL CONTENT

Multiple Choice Questions

1. A customer-driven services marketing strategy includes all of the following except
   _____.
   a. customer analysis
   b. analyzing market segments
   c. handling customer complaint
   d. articulating desired position in the market
   e. competitor analysis
(c; Easy)

2. Market analysis addresses all of the following factors EXCEPT _____.
   a. Overall size and growth of the market
   b. Customers in the market
   c. Margins and profit potential
   d. Demand levels and trends
(b, Moderate)

3. Market segments to be targeted using existing or new services can be identified using
   _____.
   a. Market analysis
   b. Competitor analysis
   c. Company analysis
   d. Customer Analysis
(c, Challenging)

4. A _____ is composed of a group of buyers who share common
   characteristics, needs, purchasing behavior, or consumption patterns.
   a. target class
   b. class
   c. focal segment
   d. market segment
   e. financial segment
(d; Moderate)

5. A(n) _____ is one that a firm has selected from among those in the broader
   market and may be defined on the basis of several variables.
   a. general segment
   b. segmentation field

c. target segment
d. holistic segment
e. mass customization

(c; Easy)

6. The same individuals may set different priorities for attributes according to all
EXCEPT which of the following?
a. The purpose of using the service.
b. Who makes the decision.
c. The timing of use.
d. Whether the individual is using the service alone or with a group.
e. The cost of the service.

(e; Moderate)

7. An example of a determinant attribute for an airline service is _____.
a. The quality of in-flight service
b. plane size
c. oxygen masks
d. floatation devices

(a, Easy)

8. All potential buyers cannot be targeted often because _____.
a. their needs are varied
b. their purchase behaviour is varied
c. their consumption is varied
d. they are geographically spread
e. All of the above

(e, Moderate)

9. Which of the following is NOT one of the four basic focus strategies?
a. Service focused
b. Unfocused
c. Fully focused
d. Refocused
e. Market focused

(d; Easy)

10. Which of the following is NOT one of the four principles of writing a good
positioning statement?
a. Competitive advantage.
b. Point of difference.
c. Target audience.
d. Reason to believe.
e. Frame of reference.

(a; Moderate)

True/False

11.   The objective of internal corporate analysis is to identify the organization's resources, any limitations or constraints, its goals, and how it values shape the way it does business.
(True; Easy)

12. The best way to anticipate possible competitive responses is to identify all current or potential competitors and to put oneself in their own management's shoes by conducting an internal corporate analysis for each of these competitors.
(True; Moderate)

13.   A target segment should only be selected on the basis of their sales and profit potential.
(False; Moderate)

14.   Attributes that distinguish competing services from one another are the most important ones.
(False; Moderate)

15. Customers can often be segmented based on their willingness to pay a higher price to obtain higher levels of service.
(True; Moderate)

16.   Market niches that seem too narrow to offer sufficient sales in one country are indicative of globally narrow market niches.
(False; Moderate)

17.   A fully-focused organization concentrates on a narrow market segment, but has a wide range of services.
(False; Moderate)

18.   One of the reasons why firms with a narrow product line elect to serve multiple segments is to create a portfolio of customers that hedge against low demand risks.
(True; Challenging)

19. A service-focused firm offers a narrow range of services to a fairly broad market.
(True; Moderate)

20.   Positioning plays a pivotal role in marketing strategy, because it links market analysis and competitive analysis to environmental analysis.
(False; Challenging)

Short Answer

21. What are the three Cs to analyze when developing a market positioning strategy?

	Customer, competitor, company.
(Moderate)

22. Why is it possible to segment customers according to price levels?

	Customers have different sensitivities to price. Price insensitive customers are willing to pay a relatively high price to obtain high levels of service. Price sensitive customers look for inexpensive service with relatively low levels of performance.
(Moderate)

23. Distinguish between important and determinant attributes.

	Important attributes represent what customer's value in a service, whereas determinant attributes are those that actually determine buyers' choices between competing alternatives.
(Moderate)

24. What are the two dimensions along which a company's focus can be described?

	Market and service.
(Easy)

25. What are the characteristics of an unfocused service category?

	Serving broad markets and providing a wide range of services.
(Moderate)

Essay

26. Explain what a fully-focused and a market-focused strategy are and discuss the opportunities and risks inherent in selecting each strategy.

	A fully-focused organization provides a limited range of services to a narrow and specific market segment. Opportunities in this strategy include developing recognized expertise that retains a competitive advantage over other firms. A risk is that the market may be too small to generate the volume of business necessary.

	A market-focused organization concentrates on a narrow segment with a wide range of services. This strategy offers the opportunity to sell multiple services to a single customer that enhances the value of promotional efforts. Managers need to ensure

that the firm has the ability to excel at many different tasks and understand what services go together per customer purchasing practices and preferences.
(Challenging)

27. What are the advantages of positioning charts?

Graphic representations of a firm's profile and product positions are much easier to understand than tables of quantitative data or paragraphs of writing. Charts and maps can help to achieve a "visual awakening." By allowing senior managers to compare their business with that of competitors and understand the nature of competitive threats and opportunities, visual presentations can highlight gaps between how customers (or potential customers) see the organization and how management sees it. This can thus help confirm or get rid of beliefs that a service or a firm occupies a unique position in the marketplace.
(Moderate)

APPLICATION CONTENT

Multiple Choice Questions

28. Bright Horizons strategy included which of the following?
    a. Marketing services to employers instead of parents.
    b. Hiring inexpensive labor.
    c. Commoditized service offerings.
    d. Heavy regulatory oversight.
    e. All of the above are strategies employed by BH.
(a; Moderate)

29. Segmentation variables at Contiki Holidays include all of the following EXCEPT
    _____.
    a. geographic
    b. income
    c. lifestyle
    d. household size
    e. age
(d; Challenging)

30. Convenient departure times count as which attribute for business travelers?
    a. Important
    b. Determinant
    c. Alternative
    d. Segmentation
    e. Quantitative
(b; Moderate)

31. Lasik eye surgery and Starbucks are examples of which focus strategy?
   a. Market focus.
   b. Fully focused.
   c. Service focused.
   d. Partially focused.
   e. Unfocused.
(b; Moderate)

32. Dubai's Burj Al Arab is favorably positioned along which attributes?
   a. Personal service
   b. Convenience
   c. Level of physical extravagance
   d. a & b
   e. a & c
(c; Easy)

True/False

33. Shouldice Hospital is an example of a fully focused firm.
(True; Moderate)

34. LinkedIn positioned itself away from other social sites by focusing exclusively on personal networking and party snapshots.
(False; Easy)

35. Rentokil started off as a firm that manufactured rat poison and a pesticide for killing leeches.
(False; Easy)

36. Visa's positioning is about having one card fits all.
(False; Moderate)

37. Bright Horizons used low-cost strategies to achieve their competitive advantage.
(False; Moderate)

Short Answer

38. Give an example of a psychographic segmentation variable.

   Confident risk takers, seeking constant adventure.
(Moderate)

39. Give an example of service tiering in the airline industry.

   Classes (first, business, economy),

(Easy)

40. Give an example of a key service attribute used in transportation services.

    Punctuality.
(Easy)

41. Give an example of an industry that utilizes service tiering.

    Hotels, airlines, car rentals, hardware and software support, healthcare insurance, cable television, and credit cards.
(Easy)

42. What were the main benefits of capsule hotels when they first started up?

    Convenience and price.
(Easy)

Essay

43. Discuss the analysis that took place to develop Bright Horizons and the ways in which they overcame unappealing industry characteristics.

    Bright Horizons (BH) is a childcare company that was born from an industry with many unappealing characteristics. The firm's analysis showed an industry with no barriers to entry, chronically low margins, high labor intensity, no proprietary technology, low economies of scale, weak brand distinction, and heavy regulatory oversight. Instead of establishing new independent centers, BH formed partnerships with companies to provide daycare services to employees with small children. The advantages over traditional methods included a powerful, low-cost marketing channel, a partner to supply the capital to build and outfit the centers, a partner with a vested interest in the success of the programs, and proximity benefits to parents.
(Moderate)

44. How did Rentokil Initial grow from a manufacturer of rat poison, to the world's large business support services company?

    Through growth within the firm and buying over other companies, Rentokil Initial has developed a wide range of products that includes testing and safety services; security; parcels delivery; interior plants landscaping (including sale or rental of tropical plants); specialized cleaning services; pest control; rental and cleaning of uniforms; clinical waste collection and disposal; personnel services; and a washroom solutions service. The firm sees its core competence as "the ability to carry out high quality services on other people's premises through well-recruited, well-trained, and motivated staff." Promoting use of additional services to existing customers is an

important part of the firm's strategy. Initial Integrated Services offers clients full integration of services. Clients purchase sector-specific solutions that deliver multiple services but features just "one invoice, one account manager, one helpdesk, one contract and one motivated service team". Rentokil Initial's success lies in its ability to position each of its many business and commercial services in terms of the company's core brand values, which include providing superior standards of customer care and using the most technically advanced services and products.

(Moderate)

45. How did positioning maps help the managers of Palace?

The positioning maps first helped them to identify who their competitors were and where they were positioned relative to their competitors on the attributes of room price, level of personal service, level of physical luxury and location. From there, they understood that higher service levels are expensive. They also used the maps to identify potential competitive responses, to help them plan their strategy to tackle the challenges ahead.

(Moderate)

Chapter 4
Developing Service Products: Core and Supplementary Elements

GENERAL CONTENT

Multiple Choice Questions

1. Which is not a form of supplementary service for a luxury hotel?
    a. Room service
    b. Reservation
    c. Check-in/Check-out
    d. Scheduling
(d, Moderate)

2. _____ supply the central, problem-solving benefit that customers seek.
    a. Core products
    b. Supplementary services
    c. Delivery processes
    d. Sustaining processes
    e. Conditional services
(a; Moderate)

3. _____ is required either for service delivery or use of core product.
    a. An enhancing service
    b. A facilitating service
    c. A core service
    d. The Flower of Service
(b, Moderate)

4. The order-taking process should be _____, _____, and _____ so that customers do not waste time and endure unnecessary mental physical effort.
    a. short; curt; abrupt
    b. simple; slow; effortful
    c. short; sweet; ineffective
    d. powerful; simple; abrupt
    e. polite; fast; accurate
(e; Moderate)

5. _____ represent a special type of order taking that entitles customers to a specific unit of service.
    a. Suggestions
    b. Reservations
    c. Trackers

      d. Repossessions
      e. Contracts
(b; Moderate)

6. Features of strong brands do not include which of the following?
      a. Better visualization of intangibles
      b. Reduced risk
      c. Act as surrogates for intangibles
      d. A particular way of doing business
(d, Challenging)

7. Which is not an example of service tiering for Avis car rental?
      a. Different car classes
      b. Chauffeur drive
      c. Mobile concierge
      d. Credit card payment
(d, Challenging)

8. Brand Equity does NOT include the following key component.
      a. Customer experience with the company
      b. External Brand communication
      c. Brand awareness
      d. Brand meaning
      e. Service Employees
(e, Moderate)

9. New service categories include _____.
      a. style changes
      b. line extensions
      c. process innovations
      d. service branding
      e. service innovations
(d, Easy)

10. Three factors that contribute to the success of new service development are:
      a.   Market synergy, organizational factors, market research factors
      b.   Market synergy, external factors, consumer factors
      c.   Organizational factors, customer ideas, value for customers
      d.   Market synergy, organizational factors, consumer factors.

(a; Moderate)

True/False

11. Supplementary services play an important role in differentiation and positioning
     when core products become commoditized.

(True; Moderate)

12. A company's market positioning strategy helps to determine which supplementary
     service should be included.
(True; Moderate)

13. The sequence of arrangement of eight petal of Flower of Service may vary.
(True; Easy)

14. Core products are surrounded by supplementary elements from each of the eight
     clusters of supplementary services.
(False; Easy)

15. To obtain full value from any good or service, customers need relevant information.
(True; Moderate)

16. Companies present their brands mainly through advertising, personnel, and publicity.
(False; Easy)

17. Major service innovations are relatively rare.
(True; Moderate)

18. Endorsed brands do not feature the corporate name.
(False; Easy)

19. Brand meaning has a stronger impact on brand equity than brand awareness.
(True; Moderate)

20. Supplementary service innovations are the most common type of innovation.
(False; Moderate)

Short Answer

21. What are the components that the value proposition must address?

     Core products, and supplementary services, and delivery processes.
(Moderate)

22. List three examples of order-taking elements in order entry.

     On-site order fulfillment.
     Mail/telephone order placement.
     E-mail/Web site order placement.
(Moderate)

23. Give two examples of billing elements.

    Periodic statements of account activity.
    Invoices for individual transactions.
    Verbal statements of amount due.
    Machine display of amount due.
    Self-billing (computed by the customer).
(Moderate)

24. Give an example of a consultation element.

    Advice—personal counseling, tutoring/training in product use, or management or
    technical consulting.
(Easy)

25. Give an example of an exception.

    A child needs to be met at the airport by a child minder from the hotel.
(Moderate)

Essay

26. Describe the four types of "exceptions" listed in the chapter.

   Special requests are one type of exception. These involve a departure from normal operating activities and are common in travel and hospitality industries. Problem-solving refers to an exception where normal service fails to run smoothly as a result of accidents, delays, etc. Handling of complaints/complements/suggestions help service providers react quickly to failures and thrive off of complements. Restitution is the final type of exception listed. This involves repaying customers for severe performance failures.
(Moderate)

27. Discuss the three factors that discriminate between successful and unsuccessful new financial services.

   The three factors that lead to success in new financial services are market synergy, organizational factors, and market research factors. Market synergy refers to the ability of new offerings to fit well with the existing image of a firm, to meet customer needs, and to receive strong support from a firm and its branches. Organizational factors include strong interfunctional cooperation and coordination and a clear direction for the development team. Finally, market research is conducted early in the development process with a clear idea of the type of information needed.
(Challenging)

APPLICATION CONTENT

Multiple Choice Questions

28. Amazon offers customers the opportunity to track the movements of their packages, which have been assigned a unique identification number. This is an example of
   _____.
   a. order-taking
   b. safekeeping
   c. information
   d. consultation
   e. exceptions
(c; Moderate)

29. Customers who visit Giordano outlets are greeted with a cheerful "Hello" and "Thank you" when they enter and leave the store. That is an example of

    _____.
    a. consultation
    b. hospitality
    c. exceptions
    d. courtesy
    e. safekeeping
(b; Moderate)

30. Which of the following is an example of a special request in advance of service delivery?
    a. Dietary requirements
    b. Complaints
    c. Warranties
    d. Refunds
    e. Suggestions
(a; Easy)

31. FedEx Ground is an example of a(n) _____.
    a. branded house
    b. endorsed brand
    c. house of brands
    d. sub-brand
    e. clear strategy
(d; Moderate)

32. Which of the following is NOT one of Sun Microsystem's hardware and software support level?
    a. Gold.
    b. Platinum.
    c. Aluminum.
    d. Bronze.
    e. Silver.
(c; Moderate)

True/False

33. For self-service payment, customers may make payment by inserting coins, banknotes, tokens or cards into machines.
(True; Easy)

34. Giordano is well recognized for both their superior meals and attentive cabin crew.
(False; Moderate)

35. The difference between a product and a service is that a product is a bundle of output while a service is a bundle of supplementary services.
(False; Moderate)

36. The term "branded house" is used to describe firms like Virgin Group that uses distinct individual brand names to cover a range of diverse service offerings in unrelated fields.
(False; Moderate)

37. Crown Plaza hotels are part of the Intercontinental Hotel Group (IHG) but are usually not identified as part of IHG to protect IHG's exclusive image.
(False; Moderate)

Short Answer

38. What are the two roles of supplementary services?

   Facilitating or enhancing.
(Moderate)

39. Give two examples of facilitating services.

   Information, order-taking (billing, payment).
(Moderate)

40. Give two examples of enhancing services.

   Consultation, hospitality (safekeeping, exceptions).
(Moderate)

41. What are the branding alternatives for service firms?

   Branded house, subbrands, endorsed brands, and house of brands.
(Moderate)

42. Provide an example of a major process innovation.

   University of Phoenix competes with other universities by delivering their courses online or in rented facilities at night. It does not have any permanent campus.
(Challenging)

Essay

43. Explain how the core product and supplementary services are integrated in the
     context of an overnight hotel stay.

     The core product refers to the overnight rental of a bedroom. Supplementary services
     include things like parking, room service, reservations, and a breakfast buffet.
     Delivery of both the core and the supplementary services is provided electronically,
     via hotel employee, or by the customer. Phone use and pay TV are automatically
     billed to the room. Room service and check-in are provided by a hotel employee.
     Most breakfast buffets are self-service, requiring the customer to take action.
(Moderate)

44. Discuss how multi-brand strategies can succeed and what the strategies should be
     based on in the hotel industry.

     Many hotel chains offer groups of sub-brands or endorsed brands. For example,
     Hilton Hotels Corporation has ten sub-brands, while Marriott International has
     fifteen. To succeed, each sub-brand must offer a distinct value to customers. For
     example, catering to the ultra wealth at one end of the spectrum with one brand and
     also serving the economy class with another brand. Accommodations, amenities, and
     service must be consistent with the level of customer sought. Target considerations
     include, short-term versus extended stay, business versus pleasure, and ability to pay
     matched with customer needs and desires.
(Challenging)

45. Explain where Sun Microsystems falls on the spectrum of branding alternatives and
     discuss what their strategy involves.

     Sun Microsystems utilizes a sub-branded strategy. The company offers a
     comprehensive hardware and software support program with four different levels of
     support. These range from bronze to platinum. Different levels of support give
     customers the flexibility to tradeoff price for increased service. For example, 24/7
     service is costly, but potentially necessary for some high-powered business
     customers.
(Challenging)

Chapter 5
Distributing Service through Physical and Electronic Channels

GENERAL CONTENT

Multiple Choice Questions

1. Three flows that address *what* is being distributed are:
    a. information and promotion flow, negotiation flow, product flow
    b. electronic channel flow, negotiation flow, price flow
    c. product flow, place flow, price flow
    d. information flow, negotiation flow, distribution flow
(a, Easy)

2. One of the following is NOT an example of distribution when service comes to the customer.
    a.   a credit card company
    b.   house painting
    c.   mobile car wash
    d.   mail delivery
(a, Moderate)

3. Important factors that attract customers to online services are:
    a.   convenience
    b.   ease of search
    c.   broader selection
    d.   24/7 prompt service
    e.   All of the above
 (e, Moderate)

4. In order to develop a location strategy for a distribution channel, firms must consider
    _____.
    a. customer needs
    b. customer expectations
    c. competitive activity
    d. All of the above
    e. None of the above
  (d, Challenging)

5. _____ is a key component of the value proposition of both mini-stores and multi-purpose facilities.
    a. Accessibility
    b. Convenience
    c. Competitor activity
    d. Price consideration

(a; Moderate)

6. Key factors determining the opening hours of a service facility are _____.
    a. Customer needs
    b. Economics of opening hours
    c. Competitor opening hours
    d. Only a & b
    e. Only b & c
(d, Easy)

7. Integrating mobile devices into the service delivery infrastructure can be used as a means to _____ services, _____ customers to opportunities or problems, and _____ information in real time to ensure that it is continuously accurate and relevant.
    a. Access; alert; update
    b. Complement; alert; conceal
    c. Access; attract; conceal
    d. Access; guide; conceal
    e. Complement; guide; conceal
(a; Moderate)

8. _____ has become a popular way to expand delivery of an effective service concept, embracing all of the seven Ps, to multiple sites, without the level of investment capital that would be needed for rapid expansion of company-owned and managed sites.
    a. The Internet
    b. International trade
    c. Franchising
    d. Sole proprietorship
    e. Limited partnership
(c; Easy)

9. Industry drivers for transnational strategies include _____.
    a. market, technological and logistical drivers
    b. cost, government and technology drivers
    c. competition, market, and online drivers
    d. competition, government, and logistical drivers
(b, Moderate)

10. The following is an example of a highly regulated service market where it is difficult for international players to enter.
    a. Healthcare
    b. Logistics
    c. Advertising
    d. Fast food

(a, Moderate)

True/False

11. The convenience of service factory locations and operational schedules assumes great importance when a customer has to physically present throughout the service delivery or even just to initiate and terminate the transaction.
(False; Moderate)

12. In general, service providers are more likely to visit corporate customers at their premises than to visit individuals in their homes.
(True; Moderate)

13. Many core services require a physical location, and this severely restricts distribution.
(True; Easy)

14. Customers who look for functional aspects of a transaction prefer more convenience .
(True; Easy)

15. For services that are complex and have a high perceived risk, people tend to rely on personal channels.
(True; Moderate)

16. Channel convenience is essential for successful delivery of a service through multiple channels.
(False; Easy)

17. While selecting a tactical distribution site, convenience is more important than competitors in that area.
(False; Moderate)

18. Intermediaries are most often used in core service and not in supplementary services.
(False; Moderate)

19. A firm can export a service if its intellectual property and value-creation sources can be protected.
(True; Easy)

20. Knowledge-based services should expand into overseas markets through mergers and acquisitions.
(True; Moderate)

Short Answer

21. List the six options for service delivery (three natures of interaction between the customer and service organization; two availabilities of service outlets) and provide an example of a service that falls into each category.

	Single Site	Multiple Sites
Customer goes to the service organization	*theater*	*bus service*
Service organization comes to customer	*house painter*	*mail delivery*
Arm's length	*credit card*	*telephone*

(Moderate)

22. What is channel integration?

Channel integration is when companies use smart devices as well as traditional channels to successfully deliver service through multiple channels.
(Challenging)

23. Which supplementary services from the Flower of Service can be conducted remotely?

Information, consultation, order-taking, billing, and payment can all be transmitted using online channels.
(Moderate)

24. List the five factors that encourage extended operating hours.

Economic pressure from consumers, changes in laws, economic incentives to improve the use of assets, availability of employees to work during "unsocial" hours, and automated self-service facilities.
(Challenging)

25. List two of the three service delivery innovations facilitated by technology that are described in the chapter.

1) Development of "smart" mobile phones and PDAs, and Wi-Fi high-speed Internet, 2) usage of voice recognition technology, and 3) commercialization of smart cards containing microchips that store detailed customer information.
(Moderate)

Essay

26. Describe the three ways information-based services can be distributed internationally and give an example of each.

Information-based services can be exported to a local service factory. Movies made in the United States are often shown in other countries. Customers can also be imported to receive information-based services, as in the case of universities. The other way information-based services can be distributed internationally is via telecommunications export and then local transformation. This is how major credit cards like Visa are able to offer customers financial services abroad.
(Moderate)

27. Discuss the roles that intermediaries play for service organizations.

Often, supplementary services are outsourced to intermediaries. This intermediary has to complete the offering as experienced by the customer, and ensure that it is as similar to the entire experience offered by the original company. Each element offered by the intermediary needs to fit the overall service concept to create a consistent and seamless branded service experience.
(Moderate)

APPLICATION CONTENT

Multiple Choice Questions

28. _____ is an example of a service that has become global within a few
    years .
    a. FedEx
    b. Starbucks
    c. DHL
    d. Airbnb
    e. Dunkin' Donuts
(d; Easy)

29. Aggreko has experience in all the following kinds of situation except _____.
    a. restoring power to cyclone devastated towns
    b. providing temporary capacity for a power-generating plant
    c. providing shore-based source of power when a ship is docked at a remote port
    d. clearing out the debris after a fire in a resident's home
    e. drying out a hotel that has been damaged by water due to a hurricane
(d; Moderate)

30. Which one of the following methods is NOT a banking service that can be delivered
    remotely?

    a. Face-to-face.
    b. Internet.
    c. Mobile phone.
    d. Call centers.
    e. All of the above are bank service delivery methods.
(a; Moderate)

31. Firms like Dunkin' Donuts and Subway sharing space with quick service restaurants is an example of a(n) _____.
    a. single source market
    b. economy of scale
    c. ministore
    d. economy of scope
    e. multi-brand strategy
(c; Moderate)

32. Which of the following is an example of a franchised service firm?
    a. Subway
    b. Royal Sporting House
    c. Barnes & Noble
    d. Tiffany
    e. Pier One Imports
(a; Moderate)

True/False

33. Taco-Bell's K-Minus strategy is an example of an innovation in locating in multi-purpose facilities.
(False; Moderate)

34. Starwood Hotels & Resorts has global sales offices around the world to manage relationships with key global accounts.
(True; Easy)

35. Frequent flyers are often willing to use special counters to avoid queues.
(False; Easy)

36. Customers respond well to services that allow them to make reservations with ease and convenience.
(True; Easy)

37. Starbucks uses GIS software as a part of its site selection.
(True; Easy)

Short Answer

38. Provide examples of services, which require customer visiting the site, and services where the provider goes to customer.

    Customer visiting the service site: dental clinic, beach resort
    Service provider goes to customer: tree pruning service, Domino's Pizza delivery
(Moderate)

39. How does Emirates Airline use different channels for varying customer groups?

    Emirates Airline uses self-check-in for clients who are more confident and knowledgeable about travel with them.
(Challenging)

40. Give two examples of firms that locate themselves in multi-purpose facilities.

    1) Laundromats, toilets, ATMs internet access, restaurants and inexpensive hotels in at truck stops 2) Oil companies with small retail stores that sell car supplies, food, and household products.
(Moderate)

41. What are the three options for entering international markets?

    Export the service concept, using asset light strategies, having foreign direct investment.
(Moderate)

42. What problems can a company like Uber most likely face in entering international markets?

    The biggest challenge for them is regulatory roadblocks. Incumbents of the industry are used to these challenges and fight back by lobbying regulators in many markets.
(Easy)

Essay

43. Describe Aggreko's core business with specific reference to which of the six service delivery options they employ.

    Aggreko describes itself as "The world leader in temporary utility rental solutions." They provide mobile generators, oil-free air compressors, and temperature control devices to businesses and governments around the globe. They would be categorized as "Service organization comes to customer" and "Multiple Sites" because they maintain 100 depots in 28 countries, while serving customers in 60 countries.
(Moderate)

44. Describe the key drivers of how consumers choose between personal, impersonal, and self-service channels.

    Complex and high-perceived risk services, people tend to rely on personal channels. Higher confidence and knowledge about a service and/or the channel are more likely to lead to use of impersonal and self-service channels. Customers who look for the instrumental aspects of a transaction prefer convenience that also leads to impersonal and service channels. Customers with social motives tend to use personal channels. The most convenient channel is also the most likely to be selected.

(Challenging)

45. How does the control of IP and sources of value creation, as well as the degree of customer interaction affect international market entry?

    Where a firm's IP and value creation sources can be protected and low customer contact interaction is required, the company can just export the service. However, if both are at moderate levels, entrance to international markets can be via licensing, franchising and joint venture. Success is determined by branding, having a global customer base, and global resources, capabilities and networks. For services where added value comes mainly from skills and knowledge of the service provider, and a high degree of customer interaction is needed to deliver value, the most effective way to enter a new market is through foreign direct investment by setting up a branch office, a subsidiary or through mergers and acquisitions.

(Challenging)

Chapter 6
Setting Prices and Implementing Revenue Management

GENERAL CONTENT

Multiple Choice Questions

1. Which of the following is NOT an example of price complication?
    a. Fluctuating air fare
    b. Commissions
    c. Expressway toll
    d. Listed price
(d, Moderate)

2. Which of the following is NOT an objective for service pricing?
    a. Build supply.
    b. Build demand.
    c. Seek profit.
    d. Cover costs.
    e. Build a user base.
(a; Easy)

3. _____ recognizes that resource expenses are linked to the variety and complexity of goods and services produced and not just on physical volume.
    a. Break-even analysis
    b. Variable cost
    c. Fixed cost
    d. Activity-based costing
    e. Semi-fixed cost
(d; Moderate)

4. _____ is defined as the sum of all the perceived benefits minus the sum of all the perceived costs of service.
    a. Net value
    b. Consumer surplus
    c. Gross value
    d. Moderate value
    e. Consumer demand
(a; Moderate)

5. Variable costs include all but which of the following?
    a. Labour Cost
    b. Fuel Cost
    c. Repairs costs
    d. Salaries

(d, Easy)

6. Filling in an account opening form that requires lot of detailed information is a form of _____.
   a.   psychological cost
   b.   physical cost
   c.   sensory cost
   d.   time cost

(a, Challenging)

7. Revenue management is the most effective when applied to firms characterized by all the following conditions EXCEPT _____.
   a.   perishable inventory
   b.   relatively fixed capacity
   c.   varying customer price sensitivity
   d.   fixed inventory
   e.   variable demand

(d; Moderate)

8. Price elasticity is computed as _____.
   a.   percentage change in demand / percentage change in price
   b.   percentage change in price / percentage change in demand
   c.   percentage change in supply / percentage change in price
   d.   percentage change in demand / percentage change in supply
   e.   percentage change in price / percentage change in supply

(a; Moderate)

9. Which of the following is NOT an example of a non-physical fence?
   a.   Time or duration of use.
   b.   Group membership.
   c.   Service level.
   d.   Flexibility of ticket usage.
   e.   Location of reservation.

(c; Challenging)

10. Revenue management practices that help build customers' fairness perceptions include _____.
   a.   designing clear and logical prices
   b.   using high publishes prices
   c.   frame fences as discounts
   d.   "hiding" discounts through bundling
   e.   All of the above

(e, Moderate)

True/False

11. The pricing tripod consists of costs, competition and volume.
(False; Easy)

12. Customers will often pay more for services than they think they are worth.
(False; Easy)

13. In credence services, the customers do not have the skills or knowledge to assess
      value.
(True; Moderate)

14. To make a profit, a firm must set its price low enough to attract customers.
(False; Moderate)

15. Customers often incur significant financial costs in searching for, purchasing, and
      using a service, above and beyond the purchase price paid to the supplier.
(True; Easy)

16. Break-even analysis allows managers to know the sales volume at which service will
      become profitable.
(True; Easy)

17. Psychological costs relate to unpleasant sensations affecting any of the five senses.
(False; Moderate)

18. Firms do not need to consider post-purchase costs, as they occur after the firm has
      already secured a purchase.
(False; Moderate)

19. Firms that are always reacting to competitors' price changes run the risk of pricing
      higher than might really be necessary.
(False; Moderate)

20. Revenue management involves setting prices according to predicted demand levels
among different market segments.
(True; Easy)

Short Answer

21. What three components are considered in a pricing strategy?

      Costs, competition, and value to customer.
(Moderate)

22. What are the objectives for pricing of services?

    Three broad objectives for service pricing strategy are revenue and profit objectives, patronage and user-base-related objectives and strategy-related objectives.
(Moderate)

23. Under what situations can price competitions be reduced?

    Some situations that reduce price competition are: when non-price-related costs of using competing alternatives are high; when personal relationships matter; when switching costs are high and when time and location specificity reduces choice.
(Moderate)

24. What are rate fences? Provide examples to aid your explanation.

    Rate fences can be either physical or non-physical. Physical fences refer to product differences that may be due to different prices, such as the seat location in a theatre, or the size and furnishing of a hotel room. Non-physical fences refer to consumption, transaction or buyer characteristics. For example, they include staying a certain length of time in a hotel, playing golf on a weekday afternoon, cancellation or change penalties, or booking a certain length of time ahead.
(Moderate)

25. How can firms have revenue management practices and yet still have customer satisfaction, trust and good will?

    They can design such that price schedules and fences are clear, logical and fair. High published prices should be used, and fences should be framed as discounts rather than surcharges. The benefits of revenue management should be communicated to customer. Bundling is also a way to 'hide' discounts. Loyal customers should be taken care of first, and finally, there should be service recovery procedures in place to make up for overbooking.
(Challenging)

Essay

26. Discuss how service firms can minimize non-monetary purchase costs.

    Service firms have several options available for reducing the non-monetary costs associated with service purchases. Operations experts can assist in reducing the time required to complete purchases, delivery, and consumption. Psychological costs can be reduced by eliminating or redesigning unpleasant or inconvenient procedures, educating customers, and retraining staff to be friendlier and more helpful. Physical efforts can be reduced during either the search or delivery process. More attractive

visual environments, reduced noise, more comfortable furniture and curtailing offensive smells can decrease sensory costs.
(Challenging)

27. Describe the concept of price elasticity and draw a graph comparing consumers with high and low elasticity.

Price elasticity refers to the amount of impact price has on sales. Consumers are said to be price elastic if small changes in price result in large changes in sales. Consumers are said to be price inelastic if price has little effect on sales. Figure 6.16 depicts a comparison of these two groups.
(Moderate)

APPLICATION CONTENT

Multiple Choice Questions

28. EasyJet needs the following to justify its low prices and to break even:
    a. High load factor
    b. Higher sales
    c. Higher physical costs
    d. Only a & b
    e. All of the above
(d, Moderate)

29. The amount of seats reserved for each class of American Airlines passengers on a flight is referred to as a _____.
    a. field
    b. row
    c. column
    d. bucket
    e. gamble
(d; Moderate)

30. Which of the following is the best example of a service industry that utilizes price complexity?
    a. Fast food
    b. Education
    c. Cellular phone
    d. Moving/transportation
    e. Roofing
(c; Moderate)

31. Which of the following is the best example of a service firm that attracts customers with low base prices and then piles on additional fees.

a. Rental cars
b. Fast food
c. Education
d. Roofing
e. Consulting

(a; Moderate)

32. What different forms of payment methods are can customer use other than cash?
   a. Credit or debit card
   b. App-based payment
   c. Touch ID
   d. All of the above

(d, Easy)

True/False

33. Airlines, hotels, and car rental firms are not very good at varying prices in response to the price sensitivity and needs of different market segments.
(False; Moderate)

34. Yield management computers can determine who is likely to not show up or take other flights.
(True; Easy)

35. Amazon.com is a good example of a firm that aggravated its customers with dynamic pricing.
(True; Moderate)

36. Tickets.com is a good example of a firm that successfully generated more revenue by implementing dynamic pricing.
(True; Moderate)

37. Freight companies often use a combination of distance and weight or shape of parcel as a basis to price their services.
(False; Easy)

Short Answer

38. Give an example of a tradeoff between monetary and non-monetary costs associated with patronizing a dental clinic.

   Paying a higher price for closer proximity or a shorter wait.
(Easy)

39. Describe how rate fences should be used in a hair salon service.

   Rate fences may be perceived as less fair if they are framed as surcharges instead of discounts. A hair salon should thus set a higher weekend price and offer a discount for weekday service.

(Moderate)

40. Draw a graph of the relationship between price per seat on an airline and demand for seats. Label each price bucket.

   See Figure 6.17.

(Challenging)

41. Relate fairness perceptions to DVD rental late fees.

   Late fees for DVD rentals should not exceed the potentially lost revenue from rental fees during the late period if fairness perceptions are considered.

(Challenging)

42. Name two e-tailers that utilize traditional auction models.

   eBay and Yahoo!

(Moderate)

Essay

43. Describe how airlines utilize revenue management to enhance profitability.

   Revenue management involves setting prices according to predicted demand levels among different market segments. Airlines utilize massive databases on past travel to forecast demand and attempt to allocate optimal capacity to the least price sensitive segments. For example, business travelers pay higher prices for booking flights closer to travel dates, whereas vacationers book in advance. Higher demand travel dates also garner higher prices.

(Challenging)

44. Give an example of a service firm that uses service recovery to compensate for overbooking and discuss how the firm compensates.

   A Westin beach resort frees up capacity by offering guests who are departing the next day the option of spending their last night a luxury hotel near the airport or in the city at no cost. Guests gain variety and experience luxury that delights. The hotel benefits by relieving needed capacity in exchange for a small cost.

(Moderate)

45. Discuss how a health club could strategically manage capacity via payment schedules.

    Member usage patterns seem to be closely related to payment schedules. Members seem to use the health club in the month immediately following payment and then steadily decline in usage until the next payment. Members with monthly payment plans use the facilities with greater frequency. This indicates that capacity could be reduced and profits maintained by charging annual fees that are due outside of peak months.

(Moderate)

Chapter 7
Promoting Services and Educating Customers

GENERAL CONTENT

<u>**Multiple Choice Questions**</u>

1. An effective communication strategy does NOT consider which of the following?
    a. Prospective buyer
    b. Consumer's media habits
    c. Employee preference
    d. Content, structure and style of message
(c, Easy)

2. Which of the following is not a communication objective?
    a. Position the brand
    b. Manage customer search
    c. Manage customer satisfaction
    d. Manage communication channels
(d, Moderate)

3. In order to manage service encounter, services communication tries to _____.
    a. build awareness
    b. manage customer satisfaction
    c. develop liking
    d. familiarize customers with the service process in advance
(d, Easy)

4. Which of the following is not a role played by service marketing communications?
    a. Add value through communication content.
    b. Facilitate customer involvement in service production.
    c. Positioning to attract investors.
    d. Stimulate or dampen demand to match capacity.
    e. Position and differentiate the service.
(c; Moderate)

5. Problems of intangibility include which of the following?
    a. Clutter
    b. Creative
    c. Non-searchability
    d. Message design
(c, Moderate)

6. Direct marketing is a form of _____.
    a. personal channel

    b.   non-personal channel
    c.   mass media
    d.   Above the line
(a, Moderate)

7. Which of the following does NOT represent sales promotion considerations?
    a.   Focus on permission-based marketing
    b.   Provide an incentive for purchase
    c.   Time specificity
    d.   Customer group focus
(a, Challenging)

8. A sticky site is
    a.   slow to download
    b.   not updated frequently
    c.   high in quality content
    d.   Only a & b.
(c, Challenging)

9. Service delivery channels include _____.
    a.   Service outlets
    b.   Self-service delivery points
    c.   Front-line employees
    d.   All of the above
(d, Moderate)

10. Corporate design includes _____.
    a.   trademarked symbols
    b.   tangible, recognizable symbols
    c.   corporate colors.
    d.   All of the above.
(d, Easy)

True/False

11. Communication objectives are "what" decisions while "where" and "how" are
    tactical decisions.
(True; Easy)

12. One of the challenges in service communication is problem of intangibility.
(True; Moderate)

13. The AIDA model moves from cognitive to affective to behavioural responses.
(True; Moderate)

14. Non-personal mass media tend to be effective in creating awareness and positioning the service.
(True; Easy)

15. Communication in the servicescape can be used to manage consumer behavior during service encounter.
(True; Moderate)

16. Subjective claims in service marketing can be presented through a testimonial.
(False; Challenging)

17. Corporate communication is essential to ensure that a consistent style and message is communicated through all the channels
(False; Moderate)

18. Corporate design ties together and reinforces all communications to deliver strong brand identity.
(False; Moderate)

19. The timing of communication is typically managed with the help of a media plan.
(True; Easy)

20. Blogs and other online media can be seen as lying in between WOM and online media.
(True; Moderate)

Short Answer

21. Who are the targeted audiences for services communication?

Service communication targets three broad categories: current users, prospects, and firm's employees.
(Moderate)

22. What are the common communication objectives along the communication funnel?

At the customer acquisition stage, the main objective is to develop awareness and liking for the brand and encourage potential customers to purchase. At the service encounter management stage, communication must familiarize customers with the service process and manage quality perception. At the customer engagement stage, communication tries to build loyalty, brand community WOM, and customer satisfaction.
(Moderate)

23. List an advertising strategy used to overcome non-searchability aspects of a service.

   Consumption documentation (reputation documentation).
(Moderate)

24. List the five W's in the checklist for marketing communications planning.

   Who is our target audience, what do we need to communicate and achieve, how should we communicate this, where should we communicate this, and when do the communications need to take place?
(Challenging)

25. What are some communications tasks that marketers use the internet for?

   Creating consumer awareness and interest; providing information and consultation; allowing two-way communications with customers through email and chat rooms; encouraging product trial; allowing customers to place orders; measuring the effectiveness of specific advertising or promotional campaigns.
(Moderate)

Essay

26. Describe the differences between traditional marketing communication strategies and service business communication strategies.

    Traditional marketing communication strategies were largely shaped by the needs and practices associated with manufactured goods. Services require consideration of intangibility of service performances, customer involvement in production, the role of customer contact personnel, the difficulty in evaluating many services, and the need to bring demand and supply into balance. Service quality is often subjective and identical service performances may mean different things to different customers. Most services also cannot be inventoried like manufactured goods and may be subject to delivery constraints.

(Challenging)

27. Discuss some of the key planning considerations of marketing communications.

    Planning a marketing communications campaign should reflect a good understanding of the service product and how well prospective buyers can evaluate its characteristics in advance of purchase. It is therefore essential to understand target market segments and their exposure to different media, as well as consumers' awareness of the product and their attributes toward it.

(Moderate)

APPLICATION CONTENT

Multiple Choice Questions

28. _____ uses the metaphor of a strong commitment to appeal to their customers.
    a. Prudential
    b. Allstate
    c. Accenture
    d. MasterCard
    e. Merrill Lynch
(e; Challenging)

29. Fedex's Panda One is built on _____.
    a. direct marketing
    b. advertising
    c. personal selling
    d. sales promotion
    e. public relations
(e; Moderate)

30. SAS International Hotels devised which of the following sales promotions targeted at older consumers?
    a. First to provide senior citizen discounts.
    b. Provided a discount percent equivalent to their age.
    c. A free hotel room if large family gatherings were held at the hotel.
    d. Free ballroom service for large family gatherings.
    e. Discount for large family gatherings.
(b; Challenging)

31. _____ refers to a group of technologies for distributing audio or video programs over the Internet using a publisher/subscriber method.
    a. Podcasting
    b. Webcasting
    c. Websiting
    d. Webenabling
    e. Webscribing
(a; Moderate)

32. _____ technology facilitates the rise of user-generated content.
    a. Podcasting
    b. Narrowcasting
    c. TiVo
    d. YouTube
    e. Web 2.0
(e; Challenging)

True/False

33. EBay Social Shopping uses product recommendations from blogs to help people make decisions about Christmas presents.
(False; Easy)

34. Communication can be used to manage customers only at the pre-stage.
(False; Easy)

35. Advertising serves to build awareness, inform, persuade, and remind.
(True; Easy)

36. DHL gained significant favorable publicity when it safely transported two giant pandas from Chengdu, China to the National Zoo in Washington, D.C.
(False; Moderate)

37. EasyJet built a very successful model based on banner advertising.
(False; Moderate)

Short Answer

38. Give an example of how Starbucks can show the contribution of service personnel and backstage operations.

    Starbucks has publicity materials and web pages showing customers what service personnel are doing behind the scenes. Starbucks shows how coffee beans are cultivated, harvested and produced, highlighting its use of the finest and freshest.
(Challenging)

39. Give an example of a metaphor used to communicate a firm's value proposition.

    "You're in Good Hands"—Allstate (Prudential's use of the Rock of Gibraltar)
(Moderate)

40. What form of communication, or communication medium, has made Google immensely successful?

    Word-of-mouth.
(Challenging)

41. According to the chapter, why are BP's bright green and yellow, Texaco's red, black and white, and Sunoco's blue, maroon, and yellow so strikingly different?

    Corporate design is particularly important for companies operating in competitive markets. Gasoline is a particularly competitive industry and firms need to be easily recognizable in different locations.
(Challenging)

42. What is one of the most widely recognized corporate symbols in the world?

    McDonald's golden arches.
(Easy)

Essay

43. Discuss mental impalpability and provide two examples of strategies in advertising used by some firms to overcome mental impalpability.

    Mental impalpability refers to the complexity, multidimensionality, or novelty of a service such that it is difficult for consumers to understand what the experience of using the service will be like and what benefits will result. An example of a firm that utilizes advertising strategies to combat mental impalpability is Accenture, who uses a golfing situation with Tiger Woods as a metaphor for the high-performance business that Accenture can provide. Another example is the "priceless" experience

expressed by MasterCard advertising that shows all of the tangible and intangible aspects of purchases that can be made with their service.

(Moderate)

44. Discuss the impact that technology like TiVo has on marketing communications efforts.

TiVo is the modern version of a VCR. It allows customers to pause and fast-forward through programs. This technology allows consumers to skip commercials. Developing a communications plan needs to account for this, specifically with respect to employing alternative communications strategies. More interesting/ entertaining commercials that customers desire to watch and product placement in television shows are some of the options available.

(Moderate)

45. Discuss how firms use symbols as a basis for corporate branding.

Companies have succeeded in creating tangible, recognizable symbols to connect with their corporate brand names. Animal motifs are common physical symbols for services. Examples include the eagles of the US Postal Service (AeroMexico and Eagle Star Insurance also feature an eagle), the lions of ING Bank and the Royal Bank of Canada, the ram of the investment firm T. Rowe Price, the Chinese dragon of Hong Kong's Dragonair and the kangaroo on Qantas Airlines. Merrill Lynch, the global financial services company, used its famous slogan, "We're Bullish on America" as the basis for its corporate symbol—a bull. Easily recognizable corporate symbols are especially important when services are offered in markets where the local language is not written in Roman script or where a significant proportion of the population is unable to read.

(Challenging)

Chapter 8
Designing and Managing Service Processes

GENERAL CONTENT

Multiple Choice Questions

1. Blueprinting is a more complex form of _____.
   a. linear graphing
   b. flow charting
   c. Cox & Snell analysis
   d. non-linear graphing
   e. cluster analysis
(b; Easy)

2. The first step in developing a service blueprint is _____.
   a. to reach a consensus on which activities are more important than others
   b. to identify all the key activities involved in creating and delivering the service
   c. to identify the links between a set of alternative service possibilities
   d. to identify the key employees who will be enacting the service blueprint
   e. to identify the key customers who will be participating in the service
(b; Easy)

3. Service blueprints _____, and how these are supported by backstage activities and systems.
   a. enhance servicescape features such as furniture and lighting
   b. complicate employee handling of special requests
   c. clarify the interactions between customers and employees
   d. enhance customer technical know-how
   e. diminish customer complaining capacity
(c; Moderate)

4. The line of _____ divides front-stage activities from backstage activities.
   a. service standards and scripts
   b. physical evidence
   c. internal physical interaction
   d. internal IT interaction
   e. visibility
(e; Challenging)

5. Which of the following is NOT a key component of a service blueprint?
   a. Line of transference
   b. Line of interaction
   c. Line of visibility
   d. Backstage actions by customer contact personnel

   e.   Front-stage actions by customer contact personnel
(a; Moderate)

6. Server _____ ensure that service staffs do things correctly, as requested, in
    the right order, and at the right speed.
    a.   kanbans
    b.   poka-yokes
    c.   jidokas
    d.   banzais
    e.   sodokus
(b; Moderate)

7. Service process redesign efforts typically focus on achieving all EXCEPT which of
     the following key performance measures?
    a.   Reduced number of service failures.
    b.   Reduced cycle time.
    c.   Enhanced productivity.
    d.   Increased profitability.
    e.   Increased customer satisfaction.
(d; Challenging)

8. Service process redesign can be categorized into all EXCEPT which of the following
types?
    a.   Getting rid of non-value adding steps.
    b.   Shifting to self-service.
    c.   Delivering direct service.
    d.   Separating services.
    e.   Redesigning the physical aspect of service processes.
(d; Moderate)

9. Redesign efforts should ideally achieve all of the following but ONE.
    a.   Reduced number of service failures
    b.   Creation of blueprints
    c.   Reduced cycle time
    d.   Enhanced productivity
    e.   Increased customer satisfaction
(b, Moderate)

10. Which of the following is NOT an advantage of self-service technologies?
    a. Greater choice of products
    b. Higher perceived level of customization.
    c. Convenience of location.
    d. Greater control over service delivery.
    e. Cost and time savings.
(a; Moderate)

True/False

11. A blueprint specifies in some detail how a service process should be constructed.
(True; Easy)

12. A key characteristic of service blueprinting is that it makes little or no distinction between what customers experience "front-stage" and the activities of employees and support processes "backstage."
(False; Easy)

13. A drawback of service blueprints is that they cannot give managers the opportunity to identify potential fail points in the process where there is a significant risk of things going wrong and diminishing service quality
(False; Moderate)

14. Blueprints can pinpoint the stages in the process where customers commonly have to wait.
(True; Moderate)

15. Part of the challenge of implementing poka-yokes in service contexts is the need to address not only server errors, but also customer errors.
(True; Moderate)

16. Service staff poka-yokes usually focus on preparing the customer for the encounter, understanding and anticipating their role in the service transaction, and selecting the correct service or transaction.
(False; Moderate)

17. Service process redesign encompasses reconstitution, rearrangement, or substitution of service processes.
(True; Moderate)

18. Customer participation refers to the actions and resources supplied by customers during the service production and/or delivery process, including all but emotional inputs.
(False; Moderate)

19. A key problem with self-service technologies is that so few of them incorporate service recovery systems.
(True; Moderate)

20. SST is only better than the interpersonal alternative if it saves time, provides ease of access, cost savings, or some other benefits.
(True; Easy)

Short Answer

21. What is flowcharting?

    Flowcharting is a technique for displaying the nature and sequence of the different steps in delivery service to customers.
(Moderate)

22. List the nine components of a service blueprint.

    1. Definition of standards for each front-stage activity.
    2. Physical and other evidence for front-stage activities.
    3. Main customer actions.
    4. Line of interaction.
    5. Front-stage actions by customer contact personnel.
    6. Line of visibility.
    7. Backstage actions by customer contact personnel.
    8. Support processes involving other service personnel.
    9. Support processes involving information technology.
(Challenging)

23. How can firms prevent customer failures?

    They can employ the three-step approach: 1) systematically collect information on the most common failure points, 2) identify their root causes and 3) create strategies to prevent the failures identified.
(Moderate)

24. What does SST stand for?

    Self-service technology.
(Easy)

25. What three questions does Mary Jo Bitner suggest managers should put in their firms' SSTs to the test with?

    Does the SST work reliably? Is the SST better than the interpersonal alternative? If it fails, what systems are in place to recover?
(Moderate)

Essay

26. Discuss the potential company benefits, potential customer benefits, and challenges and limitations of the direct service approach to managing the service delivery process.

Potential company benefits of the direct service approach include eliminating store locations, expanding the customer base, and company differentiation. This is because the direct approach takes a service to a customer. The benefits to customers include increased convenience and improved access to the service. Challenges and limitations involved in direct service include logistical burdens, cost, and a need for credibility and trust. Reducing physical locations is often traded for an increase in field staff and vehicles, which then must efficiently travel from one location to another to serve customers.

(Moderate)

27. Discuss the potential company benefits, potential customer benefits, and challenges and limitations of the bundled service approach to managing the service delivery process.

Potential company benefits of the bundled service approach include company differentiation, customer retention, and increased per capita service use. These are due to customers paying slightly less for each component, but more overall because of the combination of services. Potential benefits to the customer include increased convenience and customized service. Customers are better serviced because they do not have to interact with multiple service organizations to achieve multiple similar objectives. Challenges and limitations include an extensive understanding of the target customer and the perception of wastefulness.

(Moderate)

APPLICATION CONTENT

Multiple Choice Questions

28. How many "acts" does a meal at Chez Jean consist of?
    a. One act
    b. Two acts
    c. Three acts
    d. Four acts
    e. Five acts
(c; Moderate)

29. Banks ensure eye contact by requiring tellers to record _____ on a checklist at the start of a transaction.
    a. the customer's eye color
    b. the customer's bank account number
    c. the customer's shirt size
    d. the customer's account type
    e. the customer's nationality
(a; Easy)

30. Examples of preparing customers for service encounters include all of the following
    EXCEPT _____.
    a. printing dress code requests on invitations
    b. sending reminders of dental appointments
    c. printing guidelines on customer cards
    d. billing customers for services rendered
    e. all of the above are examples of preparing customers for service encounters
(d; Moderate)

31 Marriage counseling is a service that requires a _____ level of participation
    from customers.
    a. minimal
    b. high
    c. moderate
    d. low
    e. absolute
(b; Moderate)

32. The internet kiosk with a touchscreen in Vienna, Austria is getting popular for the
    following reasons EXCEPT _____.
    a. it is conveniently located
    b. it saves customers from having to deal with other undesirable customers
    c. it is accessible 24/7
    d. it doesn't make mistakes, unlike employees
    e. it has easy access to websites
(b; Challenging)

True/False

33. Restaurants are often quite theatrical in their use of physical evidence (such as
    furnishing, décor, uniforms, lighting, and table settings).
(True; Easy)

34. "Risk of excessive wait" points in a restaurant service blueprint provided in the
    chapter occur mainly in the backstage processes.
(False; Moderate)

35. "Failure" points in the restaurant service blueprint provided in the chapter only occur
    in the backstage processes.
(False; Easy)

36. Poke-yokes originated from Total Quality Management methods in manufacturing.
(True; Moderate)

37. A good example of a service poka-yoke is a surgeon whose surgical instrument trays
    have indentations for each instrument.
(True; Moderate)

Short Answer

38. What is the only fail point in the service blueprint that was listed as physical
    evidence in the restaurant drama?

    Food taste, quality.
(Moderate)

39. What are the acts that "restaurant drama" can be divided into?

    Activities that take place before the core product is encountered, delivery of the core
    product, and subsequent activities while still involved with the service provider.
(Moderate)

40. Which aspect of service process redesign did FedEx employ when it transferred more
    than 50 percent of its transactions from call centers to its Web site?

    Shifting to self-service.
(Moderate)

41. When a rental car customer is not interested in filling out paperwork or processing
    payment and check of the rental car, this is an example of which service process
    redesign?

    Eliminating non-value adding steps.
(Moderate)

42. How is the patient a service co-creator?

    While doctors have a legal and ethical duty to help their patients, they can only
    succeed if the doctor and patient cooperate with each other.
(Moderate)

Essay

43. Describe and draw a flowchart for a possession processing service.

    When you use your DVD player, the picture quality on the TV screen is poor. Fed
    up with the situation, you search the Online Yellow Pages to find a repair store in
    your area. At the store, the neatly–dressed technician checks your machine carefully

but quickly. He tells you that it needs to be adjusted and cleaned. You are impressed by his professional manner. The estimated price seems reasonable. You are also pleased that repairs are guaranteed for 3 months, so you agree to the work and are told that the player will be ready in three days' time. The technician disappears into the back office with your machine and you leave the store. When you return to pick up the product, the technician explains the work that he did and demonstrates that the machine is now working well. You pay the agreed price and leave the store with your machine. Back home, you plug in the player, insert a DVD, and find that the picture is now much improved. See Figure 8.2 for diagram

(Challenging)

44. Describe how poke-yokes contribute services as a fail-safe method.

Server poka-yokes ensure that service staff do things correctly, as requested, in the right order and at the right speed. Examples include surgeons whose surgical instrument trays have indentations for each instrument. For a given operation, all of the instruments are nested in the tray so it is clear if the surgeon has not removed all instruments from the patient before closing the incision. Some service firms use poka-yokes to ensure that certain steps or standards in the customer-staff interaction are adhered to. At one restaurant, servers place round coasters in front of those diners who have ordered a decaffeinated coffee and square coasters in front of the others. Customer poka-yokes usually focus on preparing the customer for the encounter (including getting them to bring the right materials for the transaction and to arrive on time, if applicable), understanding and anticipating their role in the service transaction, and selecting the correct service or transaction.

(Moderate)

45. Which kinds of services are the easiest to offer using SSTs. Explain why.

Information-based services can easily be offered using SSTs. These services include not only such supplementary services as getting information, placing orders and reservations and making payment, but also delivery of core products in fields such as banking, research, entertainment and self-paced education. One innovation that has had a great impact in the Internet age has been the development of on-line auctions, led by eBay. No human auctioneer is needed to go between buyers and sellers. Many companies have developed strategies designed to encourage customers to serve themselves through the World Wide Web. They hope that this will result in customers reducing the use of more expensive alternatives like direct contact with employees, use of intermediaries like brokers and travel agents, or voice-to-voice telephone.

(Moderate)

Chapter 9
Balancing Demand against Productive Capacity

GENERAL CONTENT

Multiple Choice Questions

1. Which of the following is NOT one of the conditions that fixed-capacity firms may face?
    a. Excess capacity.
    b. Demand exceeds desired capacity.
    c. Demand and supply are well-balanced.
    d. Ideal demand exceeds capacity.
    e. Excess demand.
(d; Moderate)

2. Which of the following is NOT one of the productive capacity forms in a service context?
    a. Physical facilities designed to contain customers
    b. Physical equipment used to process people, possessions, or information
    c. Customers
    d. Labor
    e. Infrastructure
(c; Moderate)

3. Which of the following is the correct action for a firm to take that wants to reduce demand and has insufficient capacity?
    a. Take no action.
    b. Consider override for most desirable segments.
    c. Consider priority systems for most desirable segments.
    d. Increase prices or encourage use in other time slots.
    e. Lower prices selectively.
(d; Challenging)

4. Which of the following is NOT one of the ways to change the overall level of capacity to match demand variations?
    a. Use part-time employees.
    b. Ask customers to share.
    c. Invite customers to perform self-service.
    d. Cross-train employees.
    e. Share facilities with the supplier.
(e; Moderate)

5. All of the following are questions to ask about demand patterns and their underlying causes EXCEPT _____.

    a. Do demand levels follow a predictable cycle?
    b. What are the underlying causes of these cyclical variations?
    c. How much demand are competitors receiving?
    d. Do demand levels seem to change randomly?
    e. Can demand for a particular service over time be disaggregated by market segment?
(c; Moderate)

6. Which of the following is NOT one of the five basic approaches to managing demand?
    a. Taking no action and leaving demand to find its own levels.
    b. Reduce demand in peak periods.
    c. Increase demand when there is excess capacity.
    d. Inventory capacity until demand increases.
    e. Inventory demand by creating a formalized queuing system.
(d; Easy)

7. Marketing strategies can be used to shape demand in all ways EXCEPT _____.
    a. modify mode of delivery
    b. use price and other cost to manage demand
    c. change product elements
    d. modify time and place of delivery
    e. use promotion and education
(a; Easy)

8. All of the following are ways to make waits more bearable EXCEPT _____.
    a. encourage group waits
    b. keep customers occupied while waiting
    c. make customers feel comfortable during waits
    d. let customers know how long they are expected to wait
    e. provide the customers with no explanation for the wait
(e; Easy)

9. Which of the following is NOT one of the alternative queuing configurations discussed?
    a. Single line/single servers at sequential stages
    b. Multiple line to single servers ("snake")
    c. Parallel lines to multiple servers
    d. Designated lines to designated servers
    e. "Take a Number" (single or multiple servers)
(b; Moderate)

10. Which of the following is NOT one of the benefits of having a reservations system?
    a. Helps service personnel to serve more effectively.

b. Helps in pre-selling the service.
c. Helps customers to avoid queuing.
d. Helps firms to keep some time aside for emergency jobs.
e. Allows demand to be controlled.

(a; Moderate)

True/False

11. The term "productive capacity" refers to the resources or assets that a firm can employ to create goods and services.

(True; Moderate)

12. Medical clinics, hotels, and passenger aircrafts are all examples of physical facilities designed to contain goods and services.

(False; Moderate)

13. Financial success in businesses with limited capacity depends largely on how capacity is used.

(True; Easy)

14. Optimum and maximum capacities are never one and the same (e.g. a sport performance).

(False; Easy)

15. One way to stretch capacity is to ensure slack time is encountered.

(False; Easy)

16. Demand patterns are usually random.

(False; Moderate)

17. Good records of a firm's transactions can help one to understand demand patterns.

(True; Easy)

18. When a firm wants to inventory demand via a reservation system and has insufficient capacity it should lower prices selectively.

(False; Moderate)

19. We need to have queuing or reservations systems because demand cannot be inventoried.

(True; Moderate)

20. Yield analysis forces managers to recognize the opportunity cost of selling capacity for a given date to a customer from one market segment when another might subsequently yield a higher rate.

(True; Moderate)

Short Answer

21. What are the four supply and demand conditions that a fixed-capacity service may face?

    Excess demand, demand exceeds optimum capacity, demand and supply are well balanced, and excess capacity.
(Moderate)

22. What are the two basic approaches to fluctuating demand?

    Adjust the level of capacity to meet variations in demand.
    Stretch or shrink existing capacity.
(Challenging)

23. List the six actions managers can take to adjust capacity as needed.

    Schedule downtime during periods of low demand.
    Use part-time employees.
    Rent or share extra facilities and equipment.
    Ask customers to share.
    Invite customers to perform self-service.
    Cross train employees.
(Challenging)

24. List the four key marketing strategies that can be employed to reshape demand.

    Use price and other costs to manage demand, change product elements, modify the place and time of delivery, and promotion and education
(Challenging)

25. What are thee strategies that can be employed when considering a modification to the place and time of service delivery?

    No change, varying the times when the service is available, and offering the service to customers at new locations.
(Moderate)

Essay

26. Describe four of the ten propositions on the psychology of waiting lines.

Waiting lines create dissatisfied customers for a number of reasons. The ten propositions describe characteristics that can increase or decrease satisfaction. First, unoccupied time feels longer than occupied time. The solution is to find a way to occupy customers, perhaps with other services. Second, pre- and post-process waits feel longer than in-process waits. Express/electronic check-in and speedy billing can reduce dissatisfaction here. Third, anxiety makes waits seem longer. Here again, occupying customers can help reduce negative effects. Fourth, uncertain waits are longer than known, finite waits. Adjusting to a wait of known length is easier because customers can see a finish line approaching.

(Challenging)

27. Describe what the term "yield" means in the context of a reservation strategy.

The term "yield" refers to the average revenue received per unit of capacity. Firms should aim to maximize this yield to enhance profitability. Yield analysis forces managers to consider the opportunity cost of selling capacity for a given date to one customer segment when another might yield a higher rate. Reservation systems can provide the detailed information necessary to support an optimal strategy from both a historical perspective and current updates.

(Moderate)

APPLICATION CONTENT

Multiple Choice Questions

28. Mont Tremblant uses all the following ways to attract guests during summer
     EXCEPT _____.
     a. water sports on the lake
     b. face painting
     c. balloon sculpting
     d. wind surfing
     e. roller-blading
(d; Moderate)

29. The demand on a city bus is likely to vary by all EXCEPT which of the following?
     a. Time of day.
     b. Day of the week.
     c. Season of the year.
     d. Population density in the city.
     e. All of the above will likely cause demand to vary on a city bus.
(d; Challenging)

30. _____ is usually the first variable to be proposed for bringing demand and
     supply into balance.
     a. Price.
     b. Place.

     c. Personnel.
     d. Product.
     e. Promotion.
(a; Moderate)

31. One way for car washes to decrease the number of visitors to the existing site is to
     a. Offer free pickup and delivery of cars to be washed.
     b. Offer mobile car wash services.
     c. Add more service options.
     d. Increase prices to get the most out of current customers.
     e. Educate customers on when they should have their cars washed.
(b; Moderate)

32. Supermarket employees are cross-trained as cashier and stockers to
     _____.
     a. manage patterns of demand
     b. discourage undesirable demand
     c. attend to shoppers when peak periods are
     d. encourage shoppers to come to their supermarket
     e. channel calls to medical services
(c; Moderate)

True/False

33. A subway can increase the capacity on a route after all seats have been occupied.
(True; Challenging)

34. Capacity of service can be stretched over long period of time and staff may be able to work at high levels of efficiency.
(False; Moderate)

35. One of the most direct ways for a hotel to reduce excess demand at peak periods is to charge customers more money to use the service during those periods.
(True; Easy)

36. Many firms allow customers to make their own reservations to manage their revenue.
(True; Challenging)

Short Answer

37. Describe how optimum and maximum capacities may differ in the restaurant industry.

     A full restaurant may deteriorate service because the staff is rushed and there is a greater likelihood of errors and delays.
(Moderate)

38. Give a situation where optimal and maximum capacities are the same.

    Live theater or a sports performance.
(Moderate)

39. Discuss why a subway car has elastic capacity.

    A subway car has elastic capacity because it is designed to seat perhaps 40 and allow another 60 to stand with adequate space. Under rush hour conditions it can supply space for 200, though the space would be extremely cramped.
(Moderate)

40. How did BMW occupy customers while they were waiting for their cars to be serviced?

    BMW owners could wait in comfort at the BMW service centers. The waiting areas are furnished with designer furniture, plasma TV mounted on walls, Wi-Fi hotspots, magazines and freshly brewed cappuccino.
(Challenging)

41. Which company is taking advantage of reservations system to do business?

    PrimeTimeTables is an exclusive online company that helps customers to get table reservations at the most popular dining spots, where only people who are somebody, or have the proper connections can get a table.
(Challenging)

Essay

42. Describe how ski resorts manage traditionally seasonal supply and demand fluctuations.

    Traditionally ski resorts only operated during the winter months, shutting down for the summer. Realizing that hiking and mountain biking were coming into vogue, as well as the value of offering other summer activities, resorts began opening in the summertime. This allowed the firms to smooth the seasonal demand and create value out of unused capacity. Chairlifts used for skiing and restaurants used for feeding customers now operate year-round instead of laying dormant for half of the year.
(Easy)

43. Describe how Disney decided to deal with long lines.

    Disney implemented virtual waiting lines at their most popular attractions in response to long waiting lines and subsequent customer dissatisfaction. Customers

pick up a special pass called FASTPASS, which tells them how close to the front of the line they are without actually standing in line. This causes lines to self-regulate such that customers who are not close to the front, do not stand around taking up space and find alternative things to do. This enhances both customer satisfaction and has been shown to increase profit because customers will spend money elsewhere instead of idling in line. Disney provides this service at no charge extra.
(Moderate)

44. Discuss how PrimeTimeTables can be successful in their business and the problems they face in the provision of their service.

Mr. Riffaud is the president of Personal Concierge International. This company is a leader in providing exclusive concierge service in the United States. In the process, Mr. Riffaud has built a large network of contacts with exclusive restaurants. This is one of the ways in which he manages to obtain those hard-to-get reservations at the most popular dining spots. His clients are delighted with his service and have been flooding him with requests for reservations. However, there have been protests from restaurant owners. They feel that he is upsetting their reservations management system, and also selling their tables for a price. Even though Mr. Riffaud does cancel unsold reservations, restaurant owners felt that these could have been sold to other customers who really wanted to have a table.
(Challenging)

Chapter 10
Crafting the Service Environment

GENERAL CONTENT

<u>**Multiple Choice Questions**</u>

1. Service environments, also called _____ relate to the style and appearance of the physical surroundings and other experiential elements encountered by customers at service delivery sites.
   a. service planes
   b. servicescapes
   c. service boxes
   d. servicetomies
   e. service vaults
(b; Easy)

2. Which of the following is not a core purpose of service environment?
   a. Shape customer behavior
   b. Signal quality and to position, differentiate, and strengthen the brand
   c. Increase customer satisfaction
   d. Be a core component in value proposition
   e. Facilitate the service encounter
(c, Easy)

3. In environmental psychology the typical outcome variable is _____ or _____ of an environment.
   a. service; repurchase
   b. control; reproach
   c. control; avoidance
   d. control; sensibility
   e. approach; avoidance
(e; Moderate)

4. The two dimensions of Russell's model of affect are _____ and _____.
   a. centrality; dominance
   b. pleasure; arousal
   c. centrality; permanence
   d. pleasure; regret
   e. fullness; looseness
(b; Moderate)

5. The _____ complex a(n) _____ process becomes, the more powerful is its potential impact on _____.

    a.   more; affective; cognition
    b.   more; cognitive; affect
    c.   less; cognitive; services
    d.   less; affective; cognition
    e.   less; cognitive; affect
(b; Challenging)

6. If a service environment is inherently _____, one should avoid increasing _____ levels, as this would move customers into the "distressed" region of Russell's model.
    a.   pleasant; arousal
    b.   pleasant; excitement
    c.   pleasant; relaxation
    d.   unpleasant; arousal
    e.   unpleasant; excitement
(d; Moderate)

7. Which of the following is NOT one of the dimensions of the service environment?
    a.   Exterior facilities
    b.   General infrastructure
    c.   Store layout
    d.   Interior displays
    e.   Location
(e; Moderate)

8. Which of the following is an ambient condition?
    a.   Facility layout
    b.   Displays
    c.   Music
    d.   Location
    e.   Price
(c; Easy)

9. Of the following, which is NOT an ambient condition that irritates shoppers according to Alain d'Astous?
    a.   Store is too small
    b.   Store is not clean
    c.   Too hot inside the store or the shopping center
    d.   Music inside the store is too loud
    e.   Bad smell in the store
(a; Moderate)

10. Of the following, which is NOT an environmental design condition that irritates shoppers according to Alain d'Astous?
    a. Arrangement of store items is always the same.
    b. No mirror in the dressing room.

   c. Unable to find what one needs.
   d. Directions within the store are inadequate.
   e. Store is too small.
(a; Moderate)

True/False

11. Service consumers use service environment as an important quality proxy.
(True; Easy)

12. Servicescapes help to shape the desired feelings and reactions in customers and
    employees.
(True; Easy)

13. In practice, the large majority of service encounters are routine, involving a high
    level cognitive processing and little affect.
(False; Moderate)

14. Ambient conditions refer to those characteristics of the environment pertaining to our
    five senses.
(True; Easy)

15. The use of orange is commonly associated with its ability to encourage verbal
    expression.
(True; Moderate)

16. Functionality refers to the floor plan, size and shape of furnishings, counters, and
     potential machinery and equipment, and the ways in which they are arranged.
(False; Easy)

17. Spatial layout refers to the ability of items to facilitate the performance of service
     transactions.
(False; Moderate)

18. Signs are frequently used to teach and reinforce behavioral rules in service settings.
(True; Easy)

19. The appearance of both service personnel and customers can reinforce or detract
     from the impression created by the service environment.
(True; Moderate)
20. Marketing communications attempt not to attract customers who will enhance the
     ambiance with their presence because of potential legal ramifications.
(False; Moderate)

Short Answer

21. What are the three important ways in which the service environment and its accompanying atmosphere impact buyer behavior?

    As a message-creating medium, an attention-creating medium, and an affect-creating medium.
(Moderate)

22. What is the primary focus of the Mehrabian-Russell Stimulus-Response Model?

    It shows that feelings or affect are central to how we respond to environmental stimuli to which we are exposed.
(Moderate)

23. What are the three stages of the Mehrabian-Russell Stimulus-Response Model?

    The three stages are environmental stimuli, affect, and response.
(Moderate)

24. List the four key things that signs can be used for in a servicescape.

    Labels, giving directions, communicating the service script, and behavioral rules.
(Challenging)

25. List the four tools that managers can use to guide their design of the service process.

    Careful observation, feedback and ideas from frontline staff and customers, field experiments, and blueprinting.
(Moderate)

Essay

26. Describe the challenge inherent in using signs, symbols, and artifacts in a servicescape and discuss when this task is particularly important.

    The challenge for servicescape designers is to clearly guide customers through the process of service delivery and teach the service process in as intuitive a manner as possible. This task is particularly important where there are a high proportion of new or infrequent customers and/or a high degree of self-service. Customers become disoriented and frustrated when they cannot derive clear signals from a servicescape.
(Moderate)

27. Describe what is meant by a holistic view of a service environment and provide examples.

    Designers must consider the total service experience when designing servicescapes. Consumer response is based on a reaction to the total service experience, not individual aspects of the service. For example, a beautifully stained hardwood floor is not perfect flooring if it does not match its surroundings. The service may be attempting to generate a deliberately grungy look as in the case of some teen clothing stores and a high-class floor would look out of place.
(Moderate)

APPLICATION CONTENT

Multiple Choice Questions

28. According to Steve Broughton, the key to driving unwanted people away is
    _____.
    a. classical music
    b. laws
    c. direct recourse
    d. indirect recourse
    e. segmentation
(a; Easy)

29. Which of the following fragrances would you use to boost energy levels and help make customers feel happy and rejuvenated?
    a. Lemon
    b. Black pepper
    c. Lavender
    d. Eucalyptus
    e. Rose
(a; Moderate)

30. The Westin Hotels uses _____ to ensure that people feel good in the
    environment.
    a. scent
    b. color
    c. feng shui
    d. music
    e. spatial layout
(a; Easy)

31. Finnair uses _____at different stages of long-haul flight.
    a. scent
    b. color
    c. music
    d. light
    e. All of the above
(d; Easy)

32. The term _____, used by Dennis Nickson and his colleagues, would most
    apply to sales associates at Victoria's Secret or Calvin Klein.
    a. restricted labor
    b. value-added labor
    c. functional labor
    d. aesthetic labor
    e. synergistic labor
(d; Challenging)

True/False

33. Facing competition from numerous casinos in other locations, Las Vegas has been
    trying to reposition itself away from being an adult destination to a somewhat more
    wholesome family fun resort.
(True; Easy)

34. According to the Mehrabian-Russell Stimulus-Response Model, people avoid
    crowded environments because there of the number of people rather than being
    deterred by the unpleasant feeling of crowding, people being in the way, or lacking
    perceived control.
(False; Easy)

35. A spa environment should be designed with low arousal and high pleasantness.
(True; Challenging)

36. Fast music environments have been shown to generate more revenue and get
    customers to spend longer amounts of time in an environment than slow music
    environments.
(False; Moderate)

37. Staff acting as Cinderella or the seven dwarfs at Disney theme parks are part of the
    service environment.
(True; Moderate)

Short Answer

38. Describe how movie theaters in the United States are responding to falling
    attendance.

    Several upstart boutique chains have buildings with different theme and have
    lavishly decorated bars and restaurants and supervised playrooms for children.
(Moderate)

39. Discuss how the United Kingdom uses music to discourage jaycustomers in the
    subway system.

    The strategy is to play classical music that is apparently painful to vandals' and
    loiterers' ears.
(Moderate)

40. Describe one of the two examples from the book that show a link between scent and
    increased spending.

    Gamblers put more quarters in slot machines when a Vegas casino was scented with
    a pleasant artificial smell. (People were willing to pay around $10 more for Nike
    sneakers when they tried them on in a floral scented room.)
(Moderate)

41. A community center that designs classrooms in a U-shaped manner to facilitate
    bringing people together is considering which aspect of crafting the service
    environment?

    Spatial layout.
(Easy)

42. List the five guidelines for parking design described in the chapter.

    Provide friendly warnings, keep paint fresh, provide safety lighting, provide
    maternity parking, and help customers remember where they parked their vehicle.
(Moderate)

Essay

43. Describe how Spain's Guggenheim Museum in Bilbao designs its servicescape to attract visitors.

The design of the building communicated several different kinds of messages to its audience. It is shaped like a ship and blends in with the environment of the river. The museum is a mixture of regular forms built in stone and curved forms made of titanium, and huge glass walls for natural light to penetrate the museum. Because of the glass walls, visitors inside the museum can see the surrounding hills. The titanium panels outside have been arranged to look like fish scales, in keeping with the image of being by the Nervion river. Outside the museum, a 43-foot-tall shaped structure of a "topiary terrier" (a breed of dog), made up of pots of fresh pansies (flowers) greets visitors. There is also a huge spider sculpture called "Maman" done by the Louise Bourgeois, the twentieth-century leading sculptor, who was born in Paris but made her home in New York. Even the design of the galleries is meant to hint at what visitors can expect inside. The shapes of the galleries and the content of the galleries complement each other.

(Challenging)

44. Describe the design flaws of the Jordan Sheraton Hotel.

The new Sheraton Hotel, located in Jordan, opened without clear signage that would guide guests from the ballrooms to the restrooms. Existing signs were etched in muted gold on dark marble pillars, likely causing them not to stand out. Unfortunately, more obvious signs might not have been deemed appropriate because of the focus on elegant décor. There is certainly a tradeoff that was made in this case.

(Moderate)

45. Describe the design flaws of the new airport lounge in a major Asian city.

At the new airport lounge, a series of connected glass panels hung from the ceiling, which luggage would regularly catch on, causing the panels to shake and disconnect. The designers did not consider the extent of foot traffic through the area when laying out the servicescape.

(Moderate)

Chapter 11
Managing People for Service Advantage

GENERAL CONTENT

<u>**Multiple Choice Questions**</u>

1. From the customer's perspective which of the following is the most important aspect of service?
   a. Management's responsiveness to occurrences of failure.
   b. Timely delivery of service.
   c. Efficient handling of special requests.
   d. The encounter with service staff.
   e. A fair price.
   (d; Moderate)

2. Service employees are important to customers and competitive positioning because the front line _____.
   a. is the most visible part of the firm
   b. contains more employees than management
   c. is often the first to deal with customer complaints
   d. is better trained at dealing with customers than are managers
   e. all of the above
   (a; Easy)

3. The Service-Profit Chain needs _____ to achieve service excellence and customer loyalty.
   a. An excellent service process
   b. Customer focus
   c. High-performing, satisfied employees
   d. Profit focus at the leadership
   (c, Challenging)

4. Emotional labor is when employees _____.
   a. find it hard to be emotional because they are too overworked
   b. have a gap between what they feel inside, and what management expects them to display to their customers
   c. have to keep their emotions under control at the work place
   d. feel happy all the time because they enjoy their jobs
   e. are emotionally stressed by all the demands of their jobs
   (b; Challenging)

5. Outcomes of the "Cycle of Failure" for firms include _____ and _____.
   a. low service quality; low employee turnover

b. low service quality; high employee turnover
c. high service quality; low employee turnover
d. high service quality; high employee turnover
e. mediocre service quality; unpredictable employee turnover

(b; Easy)

6. The "Cycle of Failure" includes all of the following EXCEPT _____.
a. emphasis on rules
b. emphasis on attracting new customers
c. adequate pay and job security
d. low skill levels
e. use of technology to control quality

(c; Moderate)

7. Companies that engage in a "Cycle of Success" are more likely to have which of the following?
a. Happier employees
b. More loyal customers
c. Higher profit margins
d. Better wages
e. All of the above

(e; Easy)

8. Employees should be trained in all these areas EXCEPT _____.
a. organizational culture
b. organizational revenue
c. service knowledge
d. interpersonal skills
e. product knowledge

(b; Easy)

9. Managers often omit which of the cost variables of high turnover/low pay?
a. Cost of constant recruiting
b. Low productivity of inexperienced workers
c. Cost of constantly attracting new customers
d. Income lost from customers turned off by negative word of mouth
e. All of the above

(e, Moderate)

10. Potential ways to reduce conflict and break down the barriers between departments include _____.
a. transferring individuals internally
b. establishing cross-departmental and cross-functional project teams
c. establishing cross-departmental and cross-functional delivery teams
d. having management's commitment

    e. All of the above
(e, Easy)

True/False

11. Employee satisfaction typically has little impact on customer satisfaction.
(False; Easy)

12. Services need to train employees to deal with stress, difficult customers, and get
      support from their team leaders.
(True, Easy)

13. Friendly, warm, and independent personality traits are found in people with lower
      self-esteem.
(False; Easy)

14. Customer contact personnel have to attend to both operational and marketing goals
      and this causes person/role conflict.
(False; Moderate)

15. The "Cycle of Mediocrity" is most often found in large, bureaucratic organizations
      like regulated oligopolies.
(True; Moderate)

16. Great references from past employers are not a form of behavioral observation.
(False; Moderate)

17. Interpersonal skills include visual communication, attentive listening, and body
      language and tend to be specific to each service setting.
(False; Moderate)

18. Technical skills encompass all the required knowledge related to processes.
(True; Easy)

19. Successful performance in a job is often measured by high productivity or
      outstanding customer service rather than the absence of mistakes.
(False, Moderate)

20. In order for services to succeed in motivating and energizing people, they need to
      utilize the full range of available rewards.
(True, Easy)

<u>Short Answer</u>

21. What are the three main causes of role stress in frontline positions?

Person/role, organization/client, and interclient conflicts.
(Moderate)

22. What are the three levels of employee involvement?

Suggestion involvement, job involvement, and high involvement.
(Moderate)

23. What is job content?

Job content is when employees are satisfied just by knowing that they are doing a good job.
(Moderate)

24. What qualities should effective leaders have in service organizations?

Leaders should love their business and be excited about it. They need to be driven by a set of core values of service quality excellence and performance. Leaders must recognize the key part played by employees in delivering services. Effective leaders are able to ask great questions and get answers from the team, and they have a talent for communicating with others in a way that is easy to understand.
(Challenging)

25. Define service culture.

A service culture includes shared perceptions of what is important in an organization and shared values and beliefs of why those things are important.
(Moderate)

Essay

26. Discuss why call centers are important or unimportant to customer perceptions of service firms. Give an example to back up your argument.

   Call centers can play a critical role in customer perceptions of a service firm. This is particularly important for remote service firms like credit card companies. The call to the service center may be the only time the customer interacts with personnel from the company. That interaction may frame the customer's entire perception of the firm with one call. It is also likely that the customer is calling because of a problem or special request. Handling that one problem or request well could be the difference between retaining and losing the customer.
(Moderate)

27. How can firms build a strong service culture?

A strong service culture is one where the entire organization focuses on the frontline, and understands that it is the lifeline of the business. They practice the inverted pyramid, which shows that the role of top management and middle management is to support the frontline in their task of delivering service excellence to their customers. In firms with a passion for service, top management is informed and actively involved. They achieve this by regularly talking to and working with frontline staff and customers, even spending time serving customers themselves.
(Moderate)

APPLICATION CONTENT

Multiple Choice Questions

28. Cora Griffth has nine rules of success for excellent service as a waitress. They include all of the following EXCEPT _____.
   a. getting things right the first time
   b. listening first
   c. anticipating customers' wants
   d. treating customers like family
   e. taking pride in one's work
(a; Challenging)

29. Excellent service firms use all of the following to identify the best job candidates EXCEPT _____.
   a. observing behavior
   b. conducting personality tests
   c. interviewing applicants
   d. viewing transcripts
   e. providing applicants with realistic job previews

(d; Easy)

30. One of Ritz-Carlton's hiring principles is _____.
    a. maintain a tight knit group
    b. hire people with the right personality
    c. "training, training, training"
    d. customer service is first
    e. new hires lead the way
(b; Moderate)

31. If a Nordstrom sales associate replaces shirts at no cost to the client, it is an example
    of _____.
    a. centralized decision-making
    b. service theft
    c. employee empowerment
    d. service sabotage
    e. rule setting
(c; Easy)

32. Singapore Airlines uses teams for all of the following EXCEPT _____.
    a. train staff
    b. provide emotional support
    c. assess staff
    d. promote staff
    e. mentor cabin crew
(a; Moderate)

True/False

33. According to John Wooden, "Too often, the big talkers are the big doers."
(False; Moderate)

34. The Ritz-Carlton uses personality profiles to select the best applicants.
(True; Moderate)

35. Training at Apple includes how to phrase words in a positive rather than negative
way.
(True; Challenging)

36. All employees are eager to be empowered.
(False; Challenging)
37. Southwest Airlines illustrates a high-involvement company.
(True; Moderate)

Short Answer

38. The suggested salary to attract top performers is in the range of what percentile of the market?

   The range is from the 65th to 80th percentile.
(Moderate)

39. Give two reasons for using multiple interviewers.

   Multiple interviewers reduce the risk of "similar-to-me" biases and people are more careful in their evaluations when they know someone else is evaluating the same applicant.
(Challenging)

40. Give an example of a company where the winner of the show gets a chance to join the company.

   The Trump Organization
(Moderate)

41. Give an example of an organization that helps company's build a service culture.

   Up Your Service! College.
(Moderate)

42. How does Southwest Airlines ensure continuation of the firm's family feel?

   Southwest has a Culture Committee that ensures the employees are connected to the cultural foundations of the company. They have used the following programs to help reinforce Southwest culture.
       a. Walk a Mile in My Shoes
       b. A Day in the Field
       c. Helping Hands

(Easy)

Essay

44. How is Cora Griffith's work strategy indicative of the "Cycle of Success?"

   Cora Griffith's nine rules of success exemplify the "Cycle of Success." She is enthusiastic about her job and develops outstanding service relationships with both existing and new customers. Her philosophy is marked by listening to customers,

anticipating their needs, maintaining efficiency, and continuing to learn. She gives credit to the owners of the café for showing her the value of customer care. This agrees with the "Cycle of Success" tenets of hiring and retaining motivated employees that provide higher quality, customer-pleasing service.
(Challenging)

43. Discuss the causes and implications of low-pay/high turnover human resource strategies.

Failure to measure all relevant costs is a key contributor to the cycle of failure. A firm saves money on pay, but loses money through employee and customer channels. Inherent in high turnover situations are the costs of constant recruiting, hiring, and training costs. New employees are also less productive than seasoned employees due to learning curves. Attracting new customers costs much more than retaining current customers because of continued advertising and promotional campaigns.
(Challenging)

45. Describe how Disney selects the right people.

Disney is comprised of a multitude of frontline and behind-the-scenes employees. As such, they categorize employees by their potential for on-stage or backstage work. On-stage refers to cast members who are assigned roles that require an appearance, personality, and skill that matches a desired presentation to customers (e.g. playing Snow White at a Disney theme park). Backstage are likewise suited for their positions (e.g. computer operators). Each is selected for their jobs based on intrinsic qualities that cannot be taught.
(Moderate)

Chapter 12
Managing Relationships and Building Loyalty

GENERAL CONTENT

Multiple Choice Questions

1. Factors that work to increase the profit growth from loyal customers include
   _____.
   a. Profit from increased purchases
   b. Profit from reduced customer service costs
   c. Profit from referrals to others
   d. Acquisition costs can be amortized over a longer period
   e. All of the above
   (f, Challenging)

2. Analysis to assess the gap between the actual and potential value of the customers
   involves _____.
   a. Analysis of current purchase behaviour
   b. Analysis of how long do customers remain with the firm
   c. Analysis of management's loyalty programs
   d. All of the above
   e. Only a, b & c
   (e, Moderate)

3. The wheel of loyalty is composed of which of the following three main components?
   a. Create loyalty bonds; deliver quality service; segment the market
   b. Create loyalty bonds; build higher level bonds; deliver quality service
   c. Build a foundation for loyalty; create bundling; build higher level bonds
   d. Build a foundation for loyalty; create loyalty bonds; reduce churn drivers
   e. Create loyalty bonds; understand customer value; understand service value
   (d; Moderate)

4. Picking the "right" customers can enhance _____.
   a. Long-term revenues
   b. Growth from referrals,
   c. Employee satisfaction
   d. All of the above.
   (d, Moderate)

5. The segment that sees high value in firm's offer, spends more over time while costing
   less to maintain, and spreads positive WOM is called _____.
   a. Gold

   b. Platinum
   c. Iron
   d. Lead
(b, Moderate)

6. Which of the following is an example of a financial reward for loyal customers?
   a. Priority program
   b. Frequent-flyer miles
   c. Special recognition and appreciation
   d. Free gifts
(b, Moderate)

7. Which of the following is NOT one of the strategies for developing loyalty bonds with customers?
   a. Deepening the relationship
   b. Lag-based bonds
   c. Social bonds
   d. Customization bonds
   e. Structural bonds
(b; Moderate)

8. Which of the following is NOT one of the key strategies used to reduce customer defections?
   a. Eliminate nuisance customers.
   b. Address key churn drivers.
   c. Implement effective complaint handling and service recovery procedures.
   d. Increase switching costs.
   e. Analyze customer defections and monitor declining accounts.
(a; Easy)

9. The key questions to ask when defining a firm's customer relationship strategy include all EXCEPT _____.
   a. What is the increase in profit from increase the share-of-wallet with our current customers?
   b. How much customization or one-to-one marketing and service delivery is suitable and profitable?
   c. How will top management feel about our strategy?
   d. How should our value proposition change to increase customer loyalty?
   e. How much time and resources can we provide to CRM right now?
(c; Moderate)

10. Marketing activity designed to create extended relationships with customers is called _____.
   a. relationship marketing
   b. loyalty programs

    c.   transactional marketing
    d.   customer service marketing
(a, Moderate)

True/False

11. The longer customers stay with a firm, the more profitable they become.
(True, Easy)

12. Zero defection refers to when a company can retain all customers it can serve,
     profitably or not profitably.
(False, Easy)

13. Customers derive benefits of greater confidence, social benefits and special treatment
     from loyal relationships with firms.
(True; Moderate)

14. Loyalty management begins with segmenting the market to match customer needs
     and firm profitability.
(False; Easy)

15. "Right" customers are always big spenders.
(False; Easy)

16. It is critical for service firms to understand the needs of customers within different
     profitability tiers and adjust their service levels accordingly.
(True; Moderate)

17. True loyalty refers to a high "share of heart" where customers have a true liking of
     the brand/service.
(False; Moderate)

18. The two ends of the customer satisfaction/loyalty relationship are terrorist and
     apostle.
(True; Challenging)

19. The common objective of a CRM system is to offer a unified customer interface that
     delivers customization and personalization.
(True; Moderate)

20. Rather than transforming the entire business, service firms should focus on clearly
     defined problems within their customer relationship cycle.
(True, Easy)

Short Answer

21. Define loyalty in a service context.

Loyalty is a customer's willingness to continue patronizing a firm over the long-
term, preferably exclusively, and recommending the firm's products to others.
(Easy)

22. Why do firms benefit from a price premium with loyal customers?

New customers often benefit from introductory promotional discounts, whereas
long-term customers are more likely to pay regular prices and will pay even more
when highly satisfied.
(Moderate)

23. What are the three clusters of benefits that customers derive from relationships with
the firm?

Confidence benefits, social benefits and special treatment benefits.
(Moderate)

24. Describe the "Iron" customer segment discussed by Zeithaml, Rust, and Lemon.

These are the bulk of the customer base. They give the firm economies of scale and
are often only marginally profitable.
(Challenging)

25. Explain what a "structural bond" means.

Structural bonds are mostly seen in B2B settings and aim to stimulate loyalty
through joint investment and sharing of information, processes, and equipment.
(Moderate)

Essay

26. Describe the wheel of loyalty.

According to the wheel of loyalty, customer loyalty is derived from three main
components. The first is building a foundation for loyalty. Here, the market is
segmented to match customer needs and firm capabilities, customers are selected to
match the core value proposition, services are tiered, and quality service is delivered.
The second component is creating customer loyalty bonds. This component involves
building social, customization, and structural bonds. It also involves rewarding
(financial, recognition, bonuses) and deepening the relationship through cross selling
and bundling of services. The third component reduces churn drivers through

effective complaint handling and increasing switching costs. All of these processes are enabled through frontline staff, account managers, membership programs, and CRM systems.

(Challenging)

27. Discuss the framework of the five key processes involved in a CRM strategy.

The first key process is strategy development that involves the assessment of business strategy. This is typically the responsibility of top management. Once developed, it should guide the development of customer strategy, including the choice of target segments and tiers, the design of loyalty bonds, and churn management. Value creation, the second process, translates the business and customer strategies into specific propositions. The value to customers includes all benefits delivered through tier rewards, loyalty rewards, and customization. Value to the firm should include reduced customer acquisition, retention costs, and increased profit. Multichannel integration is the third process. This simply refers to the need to interact consistently across different interfaces (e.g. face-to-face and online). The fourth process is information management. A firm's ability to maintain multichannel consistency and provide value creation, etc. rests on its management of information. Customer information (demographics, etc.) and churn information (turnover) are key aspects of information of which firms need to be aware. Finally, performance assessment allows a firm to know how well it is doing on creating value, achieving market and service delivery performance objectives, and its CRM process performance overall.

(Challenging)

APPLICATION CONTENT

Multiple Choice Questions

28. Vanguard's success is measured by which of the following?
    a. Low redemption rates
    b. High redemption rates
    c. Low customer turnover
    d. High customer turnover
    e. Portfolio stability
(a; Challenging)

29. Which of the following is NOT an aspect of Capital One 360's no-frills strategy?
    a. High interest rates
    b. Offers only a handful of basic products
    c. Lures low-maintenance customers
    d. Firing customers who don't fit the profile
    e. Increased contact with the bank
(e; Moderate)

30. Common CRM applications include all of the following EXCEPT _____.
    a. Data collection
    b. Marketing automation
    c. Data entry
    d. Sales force automation
    e. Finance automation
(e; Easy)

31. Which of the following is NOT an example of common CRM applications?
    a. Data collection
    b. Data analysis
    c. Market reinvestment
    d. Sales force automation
    e. Call center automation
(c; Moderate)

32. Common failures in CRM implementation include all of the following EXCEPT
    _____.
    a. employee enthusiasm about CRM
    b. inadequate support from top management.
    c. inadequate understanding of customer lifetime value
    d. lack of coordination
    e. failure to reengineer business processes
(a; Moderate)

True/False

33. Enterprise Rent-A-Car targets customers who need a temporary replacement car.
(True; Moderate)

34. Vanguard Group is very careful about acquiring the right type of customers.
(True; Easy)

35. Capital One 360 could be called the fast-food model of consumer banking because it
     is about as no-frills as it gets.
(True; Moderate)

36. Customer satisfaction (based on the ACSI) is highly related to the stock price of
     individual firms.
(True; Moderate)

37. Part of British Airways' strategy is that customers can earn BA points and air miles
     on other airlines.
(True; Challenging)

Short Answer

38. What benefits do customers derive from relationships in service industries?

     Customers derive three categories of benefits from strong, established relationships
     with the service firms:
     • Confidence benefits
     • Social benefits
     • Special treatment benefits
 (Moderate)

39. Describe how Vanguard Group keeps its costs down to attract the right type of
     customers.

     Vanguard focuses on index funds that create lower management fees and higher
     long-term returns. They also do little advertising and have a policy of not trading.
(Moderate)

40. Give an example of a firm discussed in the chapter that successfully built a strategy
     on serving customer segments that were neglected by established players that didn't
     perceive them as sufficiently "valuable."

     Enterprise Rent-A-Car or Charles Schwab.
(Moderate)

41. Describe the difference between miles and points on British Airways.

Miles refer to distance flown and are redeemed for air travel rewards. Points earned, upgrade members to higher silver or gold tiers.
(Moderate)

42. How can firms reduce customer churn, and what proactive and reactive measures can they take?

Firms can regularly run churn diagnostics to gain better understanding of why customers defect. Some firms even try to predict churn of individual accounts through churn-alert systems, which monitor the activity in individual customer account. They can reduce churn by delivering quality service, minimizing inconvenience, having fair and transparent pricing, and offering other proactive loyalty programs. In addition, they use reactive measures also by using specially trained call-center staff (called save teams) to deal with customers who intend to cancel their accounts.
(Moderate)

Essay

43. Discuss how Vanguard Group's pricing is set up to reward the right kind of customers.

For many of Vanguard's investors, only a one-time upfront fee is charged that goes into the fund to compensate all current investors for the administrative costs of selling new shares. The fee basically subsidizes long-term investors, and penalizes short-term investors. They also created Admiral shares for their loyal investors, which carry an expense fee one-third below ordinary shares. These efforts keep administrative and sales costs to the firm down, which are passed along to their loyal investors.
(Challenging)

44. Discuss how tiering helps a leading U.S. market research agency better understand its customers.

This agency uses the four-tier pyramid suggested by Zeithaml, Rust, and Lemon. Platinum clients are large accounts that are willing to plan a certain amount of research during the year and also able to commit to the timing, scope, and nature of the projects. They make capacity management easy and provide high margins because of the size of the projects. Gold accounts are similar, but represent a more price sensitive segment. These accounts are still fairly large, but unwilling to commit to a specified amount of work during the year. Iron accounts spend a moderate amount in research and commission work on a project-by-project basis. They seek the lowest price and often do not allow the research firm time to finish a quality job. Lead accounts request isolated, low cost projects, which are quick and dirty and

often invite multiple bids on their business. These accounts also tend to be high maintenance, as they do not understand research well enough.
(Moderate)

45. Discuss the benefits offered by British Airways to its Gold tier members.

Gold tier members at British Airways receive a host of benefits for their patronage and the value of their patronage. Members can be guaranteed a seat in economy even when a flight is fully booked and the member gives more than 24 hours of notice, essentially bumping another consumer from a lower tier. They receive the highest priority on standbys and advance notification of delays over 4 hours from the United States or Canada. They are checked in first and may board the aircraft at their leisure. Members are given access to the first-class departure lounge even when not flying on British Airways. They receive an additional 50 percent bonus for air miles and free cabin upgrades for achieving a certain amount of points within a year.
(Moderate)

Chapter 13
Complaint Handling and Service Recovery

GENERAL CONTENT

Multiple Choice Questions

1. Which of the following is NOT one of the options customers take when they are dissatisfied with a service encounter?
    a. Take legal action.
    b. Vent their anger on the service equipment.
    c. Do nothing.
    d. Complain to the service firm.
    e. Give negative word of mouth.
(b; Easy)

2. Which of the following is NOT one of the reasons why customers complain that is listed in the book?
    a. Better understand the failure
    b. Vent their anger
    c. Help improve the service
    d. Obtain restitution or compensation
    e. For altruistic reasons
(a; Easy)

3. On average, what percentage of customers complains when they are unhappy with service?
    a. 0 percent
    b. 5–10 percent
    c. 15–25 percent
    d. 30–50 percent
    e. 60–75 percent
(b; Easy)

4. _____ involves the employees of the firm who provide the service recovery and their behavior toward the customer.
    a. Procedural justice
    b. Legal justice
    c. Interactional justice
    d. Relational justice
    e. Outcome justice
(c; Moderate)

5. The _____ refers to the sometimes-observed effect that customers who experience a service failure and then have it resolved to their full satisfaction are more

likely to make future purchases than are customers who have no problem in the first place.
   a. referent renewal paradox
   b. referent contribution paradox
   c. referent acquisition paradox
   d. service recovery paradox
   e. service renewal paradox
(d; Challenging)

6. Which of the following is NOT one of the guidelines provided for the Front Line on how to handle customer complaints?
   a. Consider compensation
   b. Keep the customer informed of progress
   c. Explain the problem from the service firm's point of view
   d. Acknowledge the customer's feelings
   e. Act fast
(c; Moderate)

7. Effective service recovery procedures should be _____, _____, _____, and _____.
   a. proactive, engaged, universal, empowered
   b. planned, engaged, universal, trained
   c. proactive, planned, trained, empowered
   d. trained, engaged, flexible, spontaneous
   e. trained, engaged, universal, empowered
(c; Moderate)

8. All EXCEPT which of the following are reasons that service guarantees are powerful tools for both promoting and achieving service quality?
   a. Guarantees reduce consumer complaining, increasing customer satisfaction and information from customers.
   b. Guarantees force firms to focus on what their customers want and expect in each element of the service.
   c. Guarantees set clear standards, telling customers and employees alike what the company stands for.
   d. Guarantees building "market muscle" by reducing the risk of the purchase decision and developing long-term loyalty.
   e. Guarantees force service organizations understand why they fail and encourage them to identify and overcome potential fail points.
(a; Challenging)

9. Which of the following is NOT one of the criteria that service guarantees should be designed to meet?
   a. Easy to understand and communicate
   b. Meaningful to the customer

    c. Conditional
    d. Easy to invoke
    e. Credible
(c; Easy)

10. All of the following are jaycustomers EXCEPT _____.
    a. The Cheat
    b. The Rule Breaker
    c. The Belligerent
    d. The Deadbeat
    e. The Hooligan
(e; Moderate)

True/False

11. Complaining behavior can be influenced by role perceptions and social norms.
(True; Moderate)

12. People in lower socioeconomic levels are more likely to complain than those in higher levels.
(False; Moderate)

13. Procedural justice concerns the compensation that a customer receives as a result of the losses and inconveniences incurred because of a service failure.
(False; Moderate)

14. Interactional justice involves the employees of the firm who provide the service recovery and their behavior toward the customer.
(True; Easy)

15. Service recovery is an umbrella term for systematic efforts by a firm to correct a problem following a service failure and retain a customer's goodwill.
(True; Easy)

16. Proper service recovery can be accomplished by making it easy for customers to give feedback, enabling effective service recovery, and establishing appropriate compensation levels.
(True; Easy)

17. Service recovery efforts should be fairly rigid to makes sure the same recovery is achieved each time.
(False; Moderate)

18. Compensation should be based on the positioning of the firm, the severity of the failure, and who the specific affected customer is.

(True; Moderate)

19. Service guarantees are always appropriate.
(False; Easy)

20. A jaycustomer is defined in the book as one who acts in a thoughtless or abusive
     way, causing problems for the firm, its employees, and other customers.
(True; Easy)

Short Answer

21. What are the three main response options for customers who experience service
     failures?

     Take public action, take private action, or take no action.
(Moderate)

22. What is procedural justice?

     It concerns the perceived fairness of the policies and rules that any customer will
     have to go through in order to seek fairness.
(Moderate)

23. What is the true impact of a customer defection?

     When a dissatisfied customer defects, the firm loses more than just the value of the
     next transaction. It may also lose a long-term stream of profits from that customer. In
     addition, I may lose profits from anyone else who switches suppliers or is stopped
     from doing business with that firm because of negative comments from an unhappy
     friend.
(Moderate)

24. Explain what is meant by "the service recovery paradox."

     The service recovery paradox occurs when customers are more satisfied following a
     failure and recovery than if no failure had occurred at all.
(Moderate)

25. Explain a situation where a service firm should not implement a service guarantee.

     Firms that currently have poor or uncontrollably variant service performance should
     not implement service guarantees because they will have to enact the service
     guarantee more frequently than might be profitable.
(Easy)

Essay

26. Discuss the four common service recovery mistakes made by organizations.

    The first mistake managers make is disregarding evidence that shows that service recovery provides a significant financial return. This is generated by a focus on cost cutting and failing to respect and retain their customers. Another mistake is failing to invest enough in actions that would prevent service issues. Here again, cost is a key driver, limiting training and education. Poorly trained front-line staff is not capable of performing necessary service recoveries. A third mistake is when customer service employees fail to display good attitudes. Customers respond to the attitudes of the employees they encounter. Poor attitudes decrease the effectiveness of other recovery efforts like recompense. The final mistake is that organizations make it difficult to complain or give feedback. Complaints help organizations recognize problems with their services and also allow for recovery attempts. Limiting complaints reduces customer retention and allows faulty service procedures to continue unchecked.
(Challenging)

27. Explain what is meant by a "combined guarantee."

    Combined guarantees stem from the ambiguity inherent in traditional "full satisfaction" guarantees. The guarantee combines the wide scope of a full satisfaction guarantee with the low uncertainty of specific performance standards. The combined guarantee was shown to be superior to the pure full satisfaction or attribute-specific guarantee designs. Specific performance standards are guaranteed, but should the consumer be dissatisfied with any other element of the service, the full satisfaction coverage of the combined guarantee applies.
(Moderate)

APPLICATION CONTENT

Multiple Choice Questions

28. Which of the following services best represents how little complaining consumers actually do?
    a. TARP
    b. Land's End
    c. Hampton Inn
    d. FedEx
    e. A public bus company
(e; Easy)

29. How many failures can a service firm commit before the recovery paradox is wiped out?
    a. One failure
    b. Two failures
    c. Three failures
    d. Four failures
    e. Five failures
(a; Moderate)

30. Which of the following is NOT one of the elements of effective service recovery?
    a. Do the job right the first time.
    b. Seek alternative recompense strategies.
    c. Identify service complaints.
    d. Resolve complaints effectively.
    e. Learn from the recovery experience.
(b; Moderate)

31. When Marriott Long Wharf Hotel faces the situation of overbooking, all of the following are steps to recover the situation EXCEPT _____.
    a. upgrade the guest to a suite
    b. helping the guest get a room in another hotel
    c. giving the guest money to pay for the cab fare
    d. giving the guest complimentary continental breakfast
    e. call the guest later at the other hotel to make sure he is alright
(a; Moderate)

32. Recent research shows that the amount of a guarantee payout has no effect on consumer cheating. Which of the following is one of the important managerial implications of this?
    a. Guarantees can be restricted to new customers because of the propensity for repeat customers to cheat.
    b. Guarantees can be kept low to prevent rewarding cheaters.
    c. Managers can reap the marketing rewards of higher guarantees without increased payouts due to consumer cheating.
    d. Managers cannot expect to recover the difference in guarantees for different types of consumers.
    e. Guarantee levels can be used to dissuade consumer cheating.
(c; Moderate)

True/False

33. Customers who complain are more likely to be white-collar workers than blue-collar workers.
(True; Moderate)

34. L. L. Bean's 100 percent satisfaction guarantee is a good example of a service guarantee that goes wrong and hurts a firm's financial performance.

(False; Moderate)

35. Conditional guarantees are more effective.
(False; Moderate)

36. The Cheat is the kind of jaycustomer who delays payments.
(False; Moderate)

37. Hampton Inn has developed a way to identify guests who appear to be cheating and give them a lot of personalized attention and follow-up from the company.
(True; Easy)

Short Answer

38. Who are airline customers most likely to complain about an unsatisfactory meal?

    Flight attendants.
(Easy)

39. The story about the desk clerk at the Marriott Long Wharf Hotel in Boston is a good example of what aspect of effective service recovery?

    Planned service recovery.
(Challenging)

40. How function does a service guarantee serve for firms?

    It is one way for particularly customer-focused firms to institutionalize professional complaint handling and effective service recovery.
(Moderate)

41. Give an example of a single attribute-specific guarantee.

    Any of three popular pizzas that guarantee they will be served within 10 minutes of ordering on weekdays between 12:00 a.m. and 2:00 p.m.
(Moderate)

42. Give an example of a full-satisfaction guarantee.

    Land's End guarantee: "If you are not completely satisfied with any item you buy from us, at any time during your use of it, return it and we will refund your full purchase price."
(Moderate)

Essay

43. Describe the three complaint barriers for dissatisfied consumers and explain how a firm can reduce these barriers.

Inconvenience, doubtful payoff, and unpleasantness are the three key barriers to complaining. Inconvenience consists of difficulty in finding the right complaint procedure or the effort involved in the procedure. Firms can reduce inconvenience through customer service hotlines, e-mail addresses, phone book listings, brochures, etc. Doubtful payoff refers to a consumer's belief that complaining will result in any positive response. Minimizing doubtful payoff can be accomplished by having solid and recognized service recovery procedures in place. Service improvements that result from customer feedback should be prominently featured. Unpleasantness results from fear of being treated poorly, being hassled, or feeling embarrassed. Firms can reduce these fears by thanking customers for feedback, training the frontline staff not to hassle or belittle customers, and through allowing anonymous feedback.

(Challenging)

44. Describe a service guarantee offered in the chapter that instills confidence and one that does not.

The LL Bean Guarantee represents a total service guarantee that is not limited to certain components of the service or qualified by situational factors. Their guarantee instills consumer confidence allowing customers to return anything purchase at any time if it proves to be not what is expected.

The Merchants Home Loan Guarantee exemplifies the opposite policy. Their policies are conditional. There are many obligations that the customer has to bear as well, in the loan transaction, just as the company has responsibilities. For example, to determine the level of service received, there are guidelines like the customer was educated and understood the loan process, the closing documents were reviewed prior to closing, the customer was treated courteously etc.

(Challenging)

45. Discuss the perceived advantages of Hampton Inn's 100 percent satisfaction guarantee.

The guarantee provides many advantages to Hampton Inn. Customers like it because they are confident that they will be satisfied. Another important aspect is that it helps managers identify new opportunities for quality improvement. In essence, it increased the pressure and exposed leaks in the system, providing financial incentives to fix the holes. Ultimately, the guarantee has helped generate

increased consistency across the service delivery for Hampton Inn and allowed for much greater customer retention.

(Moderate)

Chapter 14
Improving Service Quality and Productivity

GENERAL CONTENT

Multiple Choice Questions

1. Which factors in service redesign can lead to productivity–customer satisfaction alignment?
    a. Leaner design
    b. Faster design
    c. Convenient design
    d. All of the above
(d, Challenging)

2. Which following reasons add more complexity to the Service Quality-Productivity-Profit Triangle?
    a. Productivity improvements can make customer satisfaction drop.
    b. Some improvements in customer satisfaction strategies can be costly.
    c. Some quality improvements may not have any implication for productivity.
    d. All of the above
    e. None of the above
(d, Challenging)

3. Service quality is a high standard of performance that consistently meets _____.
    a. profit goals
    b. productivity goals
    c. customer expectations
    d. All of the above
(c, Moderate)

4. The Gaps Model is used to _____.
    a. improve customer satisfaction
    b. reduce productivity problems
    c. diagnose and address service quality problems
    d. enhance a firm's profitability
(c, Easy)

5. The _____ is the difference between what service providers believe customers expect and customers' actual needs and expectations
    a. interpretation gap
    b. standard gap
    c. knowledge gap
    d. service quality gap
    e. internal communications gap
(c; Moderate)

6. SERVQUAL is an example of a _____ measure of service quality.
    a. hard
    b. soft
    c. sophisticated
    d. None of the above
(b, Easy)

7. Objectives of a customer feedback system does NOT include _____.
    a. Conducting total market survey
    b. Creating a customer-oriented service culture
    c. Customer-driven learning improvements
    d. Benchmarking of service quality and performance
(a, Moderate)

8. Which of the following is NOT a category in extended Fishbone Diagram?
    a. Equipment
    b. Personnel
    c. Information
    d. Accounting
(d, Easy)

9. The Return on Quality approach are based on all of the following assumptions EXCEPT
    a) not all quality expenditures are equally justified.
    b) it is possible to spend too much on quality.
    c) quality is imperative so we need to put our resources behind it.
    d) quality efforts must make sense financially.
    e) quality is an investment.
(c; Moderate)

10. Which of the following is one of the customer-driven approaches to improving productivity?
    a. Ask customers not to use third parties.
    b. Limiting customer involvement in production.
    c. Changing the timing of customer demand.
    d. Reducing backstage elements of production.

    e.   Reducing front-stage elements of production.
(c; Moderate)

True/False

11. Higher productivity should lead to higher profitability through reduced customer turnover.
(False; Easy)

12. Some marketing strategies for customer satisfaction can prove to be costly and disruptive.
(True; Moderate)

13. Service quality gap is the difference between what customers expect and their perception of the service actually delivered.
(True; Easy)

14. Hard measures are used to measure service quality by talking to the customers.
(False; Easy)

15. One weakness of mystery shopping for customer feedback collection is that it is expensive.
(True; Moderate)

16. Efficiency is a measure of the degree to which an organization meets its goals and desired outcomes.
(False; Easy)

17. Pareto Analysis underlies the 80/20 rule, because 80% of problems are caused by 20% of variables.
(True; Moderate)

18. Cutbacks in front-stage staffing means that there are insufficient personnel to serve customers promptly.
(True; Easy)

19. TQM comprises of requirements, definitions, guidelines, and related standards to provide independent quality assessment.
(False; Moderate)

20. The GAPS model is used to capture all possible sources of gaps in customer service quality perceptions.
(True; Easy)

Short Answer

21. Explain the Service Quality–Productivity–Profit Triangle.

   According to this model, everything else being equal, higher customer satisfaction should improve the bottom line through increased share of wallet, and higher productivity should lead to higher profitability. But in reality, some quality improvements can be expensive for companies and productivity improvements may not always lead to profitability or customer satisfaction.

(Moderate)

22. What is service quality?

   Common perspective on quality includes the manufacturing-based approach, but in Service perspective we define quality as a high standard of performance that consistently meets or exceeds customer expectations.

(Moderate)

23. Describe one of the primary components of the prescription for the policy gap.

   Establish the right service processes and specify standards. These can be done by getting the customer service processes right, developing tiered service products that meet customer expectations, and setting, communicating and reinforcing measurable customer-oriented service standards for all work units.

(Moderate)

24. What is the collection of customer feedback tools that a firm can use?

   Total market survey, annual survey on overall satisfaction, transactional survey, service feedback cards, mystery shopping, unsolicited feedback, focus group discussions and service reviews.

(Moderate)

25. List the four ways to improve service productivity.

   Careful control of costs at every step of the process, reduce waste of materials and labor, replace workers with automated machines and customer-operated self-service technologies, and broaden the variety of tasks that a service worker can perform.

(Moderate)

Essay

26. Discuss what could be involved in the prescription for "The Delivery Gap."

The delivery gap can be rectified by ensuring that customer service teams are motivated and able to meet service standards. This can be accomplished by improving recruitment in human resources and selecting employees that fit the necessary skill set and abilities to perform the job well. Once hired, employees need to be well trained on the technical and soft skills needed to perform effectively. Employee roles also should be clarified, ensuring that employees understand how their job contributes to customer satisfaction. Cross-functional service teams and empowered managers can better offer customer-centric service delivery and problem resolution. Finally, performance should be measured and regular feedback should be provided to continue the cycle of excellence.

(Moderate)

27. Explain what SERVQUAL is and how it is used in services.

SERVQUAL is a self-report tool used to measure customer satisfaction with service encounters. Valarie Zeithaml and her colleagues developed the instrument. It is based on the premise that customers can evaluate a firm's service quality by comparing their perceptions of its service with their own expectations. The scale contains 22 perception items and a series of expectation items that reflect the five dimensions of service quality. The scale indicates high quality when perceived performance exceeds expectations and low quality when expectations exceed perceived performance. Services can use this tool to understand the level of quality at which customers perceive them and determine which dimensions of service quality would most improve those perceptions.

(Moderate)

APPLICATION CONTENT

Multiple Choice Questions

28. FedEx approaches quality management from which of the following perspectives?
    a. Percent of packages on time
    b. Percent of flights arriving safely
    c. Baseline of zero failures
    d. Low turnover
    e. High Turnover
(c; Challenging)

29. Which of the following is the best example of the source of a delayed flight caused by procedures?
    a. Cutoff too close to departure time
    b. Late cabin crews
    c. Late cabin cleaners
    d. Weather
    e. Oversize baggage

(a; Moderate)

30. Which of the following is the best example of the source of a delayed flight caused by front-stage personnel?
    a. Air traffic
    b. Late food service
    c. Late fuel
    d. Gate agents cannot process passengers quickly enough
    e. Poor announcement of departures
(d; Moderate)

31. Which of the following is one of Holiday Inn's hotel areas that show a particularly strong impact on revenue per available room?
    a. Dining facilities
    b. The lobby
    c. The exterior
    d. Public restrooms
    e. Kitchen facilities
(c; Moderate)

32. _____ is the authentication or identification of individuals based on physical characteristics or traits.
    a. Service amping
    b. Decryption
    c. Biometrics
    d. Encryption
    e. Electronic access
(c; Easy)

True/False

33. FedEx's Service Quality Indicator is a 10-item measure of satisfaction and service quality from the customers' viewpoint.
(False; Moderate)

34. FedEx was one of the first companies to understand the need for a firm-wide index of service quality that embraced all the key activities that had an impact on customers.
(True; Moderate)

35. A study by Holiday Inn actually showed that as the number of defects per hotel increase, the amount of revenue per room increases.
(False; Easy)

36. The Return on Quality perspective from Holiday Inn suggests that the focus of preventative maintenance should be on the hotel exterior, the guest rooms, and guest bathrooms.

(True; Moderate)

37. Self-service pumps with credit card readers increase gas station productivity, but lead to higher costs because of additional fees.
(False; Moderate)

Short Answer

38. Describe what is meant by the 80/20 rule in the context of an airline.

The 80/20 rule refers to 80 percent of failures being explained by 20 percent of causal variables. In an airline, this would mean that late flights are caused by only four or five factors.
(Moderate)

39. What is the difference between fishbone diagrams and blueprinting?

Fishbone diagrams tell us the cases and importance of quality problems. Blueprinting allows us to drill down further to identify where exactly in a service process the problem was caused.
(Moderate)

40. Give an example of biometric test usage in a service environment.

Disneyworld provides season pass holders with access to services facilities using a biometric card.
(Challenging)

41. What is ISO 9000?

ISO 9000 is a certification that a company meets a predetermined set of quality management standards that are independently assessed.
(Challenging)

42. List a major service firm from the chapter that has received the Malcolm-Baldrige National Quality Award.

The Ritz-Carlton (FedEx, and AT&T).
(Challenging)

Essay

43. Describe what is involved when an auditor conducts a quality analysis at Holiday Inn hotels.

The franchisor's quality assurance reports examine different areas of each hotel. Two of the areas relate to the guest rooms (bedroom and bathroom) and ten relate to the commercial areas (exterior, lobby, public restrooms, dining facilities, etc). Each area typically has 10–12 items that can pass or fail inspection and inspectors note the number of defects in the entire hotel.

(Challenging)

44. Discuss the advantages of using a customer's physical characteristics to increase productivity in the delivery of service quality.

Biometrics refers to the practice of using physical characteristics to identify an individual. In the context of service productivity, its use provides several advantages. Customer processing can be more secure and accurate, as physical characteristics are more difficult to replicate than account/access numbers and passwords. Biometrics allow for more thorough use of self-service options, as it is more difficult to lose physical characteristics (e.g. a fingerprint) than it is to forget a password or account number. Other applications include voice recognition for call-centers, self-service banking, and home shopping.

(Challenging)

45. Discuss what the six sigma approach is and how it can be applied to service quality and productivity.

Six sigma was originally developed by Motorola engineers in the mid-1980's to address complaints from sales reps about having to fulfill too many warranty obligations. Six sigma, statistically, means achieving a quality level of only 3.4 defects per million opportunities. Over time six sigma has evolved from a defection reduction approach to an overall business improvement approach that can now be applied to services. Process improvements and process design/redesign form the cornerstone of the six sigma approach. Many services use this strategy to reduce defective encounters, reduce cycle times, and improve productivity. For example, GE Capital applied six sigma to reduce the backroom costs of selling consumer loans, credit card insurance, and payment protection.

(Challenging)

Chapter 15
Building a World-Class Service Organization

GENERAL CONTENT

<u>**Multiple Choice Questions**</u>

1. Which of the following is NOT a service performance level?
    a. Service losers
    b. Service non-entities
    c. Service professionals
    d. Service providers
(d, Easy)

2. Customers patronize service _____ for reasons other than performance
    a. losers
    b. non-entities
    c. professionals
    d. leaders
(a, Moderate)

3. Customer loyalty helps firms achieve which of the following?
    a. Increase in market share
    b. Increase in shareholder value
    c. Share of community goodwill
    d. All of the above
(d, easy)

<u>**True/False**</u>

4. Human leaders at the HR level of an organization need to take a service firm in the
       right direction.
(False; Easy)

5. Service excellence is often underpinned by effective use of teams.
(True; Easy)

6. Senior executives see the quality of their employees as a strategic advantage.
(True; Easy)

7. Service non-entities have a clear market positioning strategy.
(False; Easy)

8. For service leaders, the function of human resources is to coach and facilitate the workers.
(False; Moderate)

9. Service leaders are recognized for innovation, focus, and excellence .
(True; Moderate)

10. Market losers meet some quality expectations.
(False; Moderate)

APPLICATION CONTENT

<u>Short Answer</u>

11. Does customer satisfaction have any long-term level impact on service organizations?

Service firms that consistently show higher levels of customer satisfaction have significantly higher risk-adjusted returns and future stock price movements. Research also shows that increase in customer satisfaction lags behind operational improvements, and profits lag behind customer satisfaction. This means that the short-run impact of operational improvements is not immediately evident, and companies that are striving to better their performance or move to a higher level of performance must hold a long-term perspective. Their operational strategies will result in better customer satisfaction ratings and eventually better profits in the long-run.
(Moderate)

12. What is required to transform a service firm from a service loser into a service leader?

Moving to a higher level of performance requires a comprehensive approach to service management. The 4 Ps of service should be carefully established with service brands designed to build customer satisfaction and compete successfully in marketspace. New technologies are increasingly opening up new markets and routes to reach obscure customer groups in innovative ways. Important decisions need to be made regarding service process and service environment where the customer interaction, or the "drama" of service, takes place. Healthy customer relationships can be built with long-run orientation and commitment from the leadership of the firm to reach the pinnacle of service.
(Moderate)