

## Chapter 5

### Distributing Services Through Physical and Electronic Channels

#### GENERAL CONTENT

#### Multiple Choice Questions

1. What three interrelated elements does distribution embrace in a typical sales cycle?
  - a. Information and process flow, promotion flow, and place flow.
  - b. Information and promotion flow, negotiation flow, and product flow.
  - c. Product flow, price flow, and place flow.
  - d. Product flow, promotion flow, and place flow.
  - e. Process flow, promotion flow, and place flow.(b; Moderate; p. 110)
  
2. A truck stop is a good example of a \_\_\_\_\_.
  - a. centralized control center
  - b. single-source facility
  - c. k-minus strategy
  - d. multi-purpose facility
  - e. cash cow(d; Easy; p. 116)
  
3. Which of the following is NOT one of the factors that encourage extended operating hours?
  - a. Availability of employees to work during “social” hours.
  - b. Economic pressure from consumers.
  - c. Changes in legislation.
  - d. Economic incentives to improve asset utilization.
  - e. Automated self-service facilities.(a; Moderate; p. 118)
  
4. Which of the following is an example of an economic incentive to improve asset utilization?
  - a. Fixed costs are relatively easy to cover because not much capital is tied up in service facilities
  - b. Incremental costs of extended hours may be covered by increased revenue and decreased crowding
  - c. Advertising expenditures can be reduced because of the substantial increases in positive word-of-mouth
  - d. Workers are relatively less expensive when they work more hours
  - e. The cost to keep lights on and equipment running is not easily recouped by a few extra patrons.(b; Challenging; p. 119)

5. The Internet is superior to traditional channels because \_\_\_\_\_.
- costs are much lower when there is no physical location.
  - the Internet is always open for business, whereas traditional channels may have limited hours.
  - more customers will eventually access the Internet than will use traditional channels.
  - it's better able to help researchers collect data on consumer information and search behaviors.
  - it can distribute both products and services much faster.
- (d; Moderate; p. 119)
6. 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.
- Access; alert; update
  - Complement; alert; conceal
  - Access; attract; conceal
  - Access; guide; conceal
  - Complement; guide; conceal
- (a; Moderate; p. 121)
7. \_\_\_\_\_ 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.
- The Internet
  - International trade
  - Franchising
  - Sole proprietorship
  - Limited partnership
- (c; Easy; p. 122)
8. Franchisors usually seek to exercise control over all aspects of the service performance through tightly defined \_\_\_\_\_.
- service standards
  - procedures
  - scripts
  - physical presentations
  - all of the above
- (e; Easy; p. 123)

9. A local presence may be necessary when exporting information-based services for which of the following reasons?
- a. Appeasing local citizens.
  - b. Conducting secondary research.
  - c. Building personal relationships.
  - d. Bargaining for cheaper facilities.
  - e. Restructuring out of date systems.
- (c; Moderate; p. 130)

10. Which of the following is NOT listed as a factor in favoring adoption of transnational strategies?
- a. Market
  - b. Language
  - c. Competition
  - d. Technology
  - e. Cost
- (b; Moderate; p. 127)

**True/False**

11. Service delivery is shifting to arm's length transactions for many services due to advances in telecommunications.
- (True; Easy; p. 111)
12. The convenience of service factory locations and operational schedules assumes little importance when a customer has to be physically present throughout the service delivery or even just to initiate and terminate the transaction.
- (False; Easy; p. 112)
13. In general, service providers are more likely to visit corporate customers at their premises than to visit individuals in their homes.
- (True; Moderate; p. 112)
14. Physical logistics services now find themselves competing with telecommunications services. This is a result of the instantaneous delivery capability of information-based products.
- (True; Moderate; p. 114)
15. All customers will eventually voluntarily shift from high-contact delivery environments to new electronic channels.
- (False; Moderate; p. 114)
16. A ministore is a single-site service business that involves creating an innovative service factory.
- (False; Moderate; p. 115)

17. The need for economies of scale often restricts choice of location for service facilities.  
(True; Moderate; p. 116)
18. Franchising is not an appealing strategy for growth-oriented service firms because franchisees tend to be less motivated and less concerned about quality than managers in company-owned stores.  
(False; Easy; p. 122)
19. Banks seeking to move into investment services will often act as the distributor for mutual fund products created by an investment firm that lacks extensive distribution channels of its own.  
(True; Moderate; p. 123)
20. People, possession, and information-based services have strikingly similar requirements on an international distribution strategy.  
(False; Moderate; p. 128)

**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	<i>theater</i>	<i>bus service</i>
Service organization comes to customer	<i>house painter</i>	<i>mail delivery</i>
Remote transaction	<i>credit card</i>	<i>telephone</i>

(Moderate; p. 112)

22. Describe arbitrage in the context of service provider pricing.

Arbitrage in service refers to customers taking information or benefits from an expensive service and then placing an order with another, less-expensive service.  
(Challenging; p. 115)

23. Give an example of a service with a locational constraint.

Ski resorts need to be in the mountains (beach resorts need to be at the beach).  
(Moderate; p. 116)

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

Economic pressure from consumers, changes in legislation, economic incentives to improve asset utilization, availability of employees to work during “unsocial” hours,

and automated self-service facilities.  
(Challenging; p. 118)

25. List two of the four 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, 3) creation of Web sites that provide information, take orders and deliver information, and 4) commercialization of smart cards containing microchips that store detailed customer information.

(Moderate; p. 119)

### **Essay**

26. Discuss the impacts of the cost globalization driver on people processing, possession processing, and information-based processing service categories.

People processing may be affected by cost because of variable labor rates in labor-intensive services. There would be a large difference in the cost of running a service in a third-world country versus a developed nation. Variable labor rates may also affect possession processing, as in automotive services. Skilled labor may be difficult to come by, as in Somalia, or may be abundant, as in Germany. Major cost elements of information-based services can be centralized and minor cost elements localized.

(Challenging; p. 128)

27. 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; p. 130)

## APPLICATION CONTENT

### Multiple Choice Questions

28. An example of a core service, whose physical distribution is severely restricted is \_\_\_\_\_.

- a. McDonald's
- b. Gold's Gym
- c. Club Med
- d. Accenture
- e. Sun Microsystems

(c; Moderate; p. 110)

29. Elaborate statistical analysis, in the form of \_\_\_\_\_, is sometimes used to aid decisions on where to locate supermarkets and similar large stores relative to prospective customers' homes and workplaces.

- a. binary regression
- b. cluster analysis
- c. structural equation models
- d. gravity models
- e. predictive models

(d; Challenging; p. 112)

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

- a. Visit a wealthy customer's home
- b. Internet.
- c. Mobile phone.
- d. Call centers.
- e. ATM

(a; Moderate; p. 114)

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; p. 116)

32. Which of the following is an example of a franchised service firm?
- a. Dunkin' Donuts
  - b. Wal-Mart
  - c. Barnes & Noble
  - d. Starbucks
  - e. Pier One Imports
- (a; Easy; p. 122)

**True/False**

33. Being open on Sunday is part of Chick-fil-A's value strategy.  
(False; Easy; p. 117)
34. A key driver of Swissôtel & Resorts online booking success is the hotel's "Best Rate Guarantee."  
(True; Easy; p. 117)
35. First Direct is an example of a bank with too many branches.  
(False; Moderate; p. 120)
36. First Direct describes itself as the largest virtual bank in the world.  
(True; Moderate; p. 120)
37. DHL is known for using a single transport mode to create its logistics solutions for its global customer base.  
(False; Moderate; p. 126)

**Short Answer**

38. Give an example of a firm whose core service location is severely limited.

Club Med  
(Easy; p. 110)

39. List three ways that Starwood Hotels & Resorts Worldwide manages customer relationships and reservations.

More than 30 Global Sales Offices, 12 customer service centers, toll-free phone and Internet registration.  
(Challenging; p. 111)

40. What three factors make investments in airport retailing appealing?

1) The upscale demographic of airline passengers, 2) many passengers have time to spare while waiting for flights, and 3) many existing terminals have free space that

can be put to profitable use.  
(Moderate, p. 117)

41. What are the two main options for exporting people processing services?

Export the service concept or import customers  
(Challenging; p. 128)

42. Give an example of a firm that imports customers to its service facility.

Vail ski resort in Colorado (any specialist hospital).  
(Easy; p. 130)

### **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 operate from more than 133 locations in over 100 countries.

(Moderate; p. 113)

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 functional aspects of a transaction prefer convenience that also leads to impersonal and service channels. The most convenient channel is also the most likely to be selected.

(Challenging; p. 114)



45. Discuss the impacts of the competition globalization driver on people processing, possession processing, and information-based service categories. Give at least one example of a firm that falls into each category.

For people processing services, the need for simultaneous production and consumption limits leverage of foreign-based competitive advantage in the front-stage of the service factory, but advantage in management systems can be the basis for globalization. For example, McDonalds restaurants must have a facility to serve customers to compete with restaurants in foreign countries. For possession processing services, the lead role of technology creates the driver for competitors with a technical edge. For example, Singapore Airlines services other carriers' aircraft abroad. Information-based competition is highly vulnerable to global dominance by competitors with a monopoly or competitive advantage in information unless restricted by governments. The BBC, Hollywood, and CNN are good examples of firms that fall in this category.

(Challenging; p. 128)