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SKU: 9781264121328-SOLUTIONS

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12 SERVICES MARKETING

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**Note: An alternate version of each Click and Drag exercise is available in Connect for students with accessibility needs.*

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LEARNING OBJECTIVES (LO)

After reading this chapter students should be able to:

LO 12-1: Describe four unique elements of services.

LO 12-2: Recognize how services differ and how they can be classified.

LO 12-3: Explain how consumers purchase and evaluate services.

LO 12-4: Develop a customer contact audit to identify service advantages.

LO 12-5: Explain the role of the seven Ps in the services marketing mix.

LO 12-6: Discuss the important roles of internal marketing and customer experience management in service organizations.

KEY TERMS

capacity management

customer contact audit

customer experience management (CEM)

four I's of services

gap analysis

idle production capacity

internal marketing

off-peak pricing

service continuum

services

seven Ps of services marketing

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LECTURE NOTES

MARKETING HELPED AIRBNB SURVIVE THE PANDEMIC, NOW DEMAND EXCEEDS SUPPLY!

- Home-sharing business Airbnb began with three guests in a small apartment in San Francisco, but quickly grew to millions of listings in thousands of cities in hundreds of countries.
- COVID-19 closed borders and business declined by 80%.
- To survive, Airbnb noted people were travelling shorter distances to see family.
- New services include Online Experiences (interactive experiences), plus new ad campaign to educated people about experiences that hosts bring to guests7

Mission statement: To create a world where anyone can belong anywhere.

- Airbnb marketing focuses on using technology to create community, relationships, and sense of belonging.
- Airbnb employees offer seminars about how to become an Airbnb host. New hosts learn from experienced hosts.

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[Video 12-1: Airbnb Video]

- Airbnb is the genesis for the 'sharing economy' and is a perfect match with changes in consumer attitudes about ownership.
- Today's consumers are likely to borrow, rent, and share. Many services accommodate these preferences, such as Uber and Lyft.
    - Other services include Turo and Getaround – peer-to-peer car sharing.
    - Pavemint – to find driveway rental space.
    - Rentoid and Spinlister – to rent products and tools rather than purchase.
    - TaskRabbit – to outsource small jobs.
    - Couchsurfing – volunteers who offer free hospitality, advice, and accommodations to international travelers.
- Peer-to-peer sharing services are expected to grow to $335 billion by 2025.

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I. THE UNIQUENESS OF SERVICES

- **Services** are intangible activities or benefits that an organization provides to satisfy consumers' needs in exchange for money or something else of value.
- **[Figure 12-1]** Services are a significant component of the U.S. and global economy.
  - **a.** The World Trade Organization estimates that for all countries combined:
    - Exported merchandise totaled $17.5 trillion.
    - Commercial services totaled $4.9 trillion.
  - **b.** The gross domestic product (GDP) composition of the U.S.:
    - 475percent came from services.
    - 24 percent came from goods (both durable and nondurable).
    - 45% of GDP now comes from services, more than the other three components of GDP.
- Figure 12-1 also shows that the value of services in the economy has increased more than 100 percent since 2000.
- Projections indicate that by 2026:
  - **a.** Service firms will employ more than 135.8 million people.
  - **b.** Goods-producing firms will employ 19.9 million people.
- Services also represent a large export business.
  - **a.** In 2020, the U.S. had over $680 billion of services exports.
  - **b.** This is one of the few areas in which the U.S. has a trade surplus.
- The growth of this sector is the result of increased demand for both exisiting and new services.
- Familiar services include transportation, education, health care, accounting, advertising, entertainment, and others.
- Traditional offerings are evolving. Ex: Concierge services, mobile apps, health care services, news services, and even space travel!

A. The Four I's of Services [LO 12-1]

The **four I's of services** consist of the four unique elements to services: intangibility, inconsistency, inseparability, and inventory.

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1. **Intangibility**.

   a. Services are intangible—They cannot be held, touched, or seen before the purchase decision.

   b. Services are difficult for consumers to evaluate because they tend to be a performance rather than an object.

   c. As a result, marketers must:

   - Make services tangible.
   - Show the benefits of using the service.

2. **Inconsistency**.

   a. Because services depend on the people who provide them, their quality varies with each person's capabilities and day-to-day job performance.

   b. Inconsistency is more of a problem with services than with tangible products.

   - Tangible products can be good or bad in terms of quality.
   - With modern production lines, the quality of tangible products will at least be consistent.

   c. Inconsistency can be reduced through standardization and training.

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3. **Inseparability**.

   a. Consumers cannot separate the deliverer of the service from the service itself.

   b. This interaction between the service provider and the consumer means that they often *co-create* value together.

   c. The amount of interaction between the consumer and the service provider:

   - Depends on the extent to which the consumer must be physically present to receive the service.
   - Ex: University education if student has difficulty interacting with instructors, might not be satisfied with the experience.
   - Interaction between service provider and consumer means that they often *co-create* value together.
   - Some services require that the consumer participate in its delivery. Example: Golf lessons.
   - Other services process tangible objects with less customer involvement. Example: Car repair.

   d. Some services can now be delivered electronically:

   - Often requires no face-to-face customer interaction.

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- Provides a more consistent experience.
- A disadvantage of some *self-service technologies* such as ATMs, grocery store scanning, etc. is that consumers perceive them as being less personal.

4. **Inventory**.

   a. Inventory of services is different from that of products.

   b. Inventory problems exist with products because many items are perishable and there are costs associated with handling.

   c. **Idle production capacity** occurs when the service provider is available but there is no demand for the service.

   d. With services, inventory carrying costs are more subjective.

   - The inventory cost of a service is the cost of the person used to provide the service along with any needed equipment.
   - Inventory carrying costs can be low or nonexistent because idle production capacity can be cut back by either:
     – Reducing employee hours.
     – Paying them on commission.
   - **[Figure 12-2]** The scale of service inventory carrying costs vary widely:
     – From the high-end airlines with highly trained, salaried specialists…
     – To the low-end of real estate agencies and hair salons with employees working on commission and needing little expensive equipment.

   e. One reason service providers must maintain production capacity is because of the importance of time to today's customers.

B. The Service Continuum [LO 12-2]

- The four I's differentiate services from goods in most cases, but many companies are not exclusively service-based or product (good)-based.
- **[Figure 12-3]** The **service continuum** consists of the range of offerings companies bring to the market, from the tangible to the intangible or product-dominant to service-dominant.

  a. With intangible, service-dominant offerings, the four I's are concerns.

  b. With tangible, product-dominant offerings, the four I's are not relevant.

  c. Some businesses have a mix of intangible service and tangible product factors. Ex: Tailor's services to provide a service for clothing.

- Businesses should distinguish between their core offering—either a product or a service—and supplementary services.

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a. Example: Core service—bank account; supplementary service—deposit assistance.

b. Supplementary services:

- Allow service providers to differentiate their offering from competitors.
- May add value for consumers.

c. Key categories of supplementary services include consultation, finance, shipping, installation, maintenance, and upgrades.

d. Innovation in core services relies on the creative efforts of the organization.

e. Understanding the impact of supplementary services, however, may be best accomplished through input from customers.

C. Classifying Services

Services can also be classified in three major ways:

1. Delivery by People or Equipment. **[Figure 12-4]**

a. People-based services.

- Professional services include those offered by management consulting firms such as Booz, Allen & Hamilton, or Accenture.
- Sears utilizes skilled labor to offer appliance repair services.
- Brinks uses unskilled labor to provide store security services.

b. Equipment-based services:

- Do not have inconsistency concerns because…
- People are removed from providing the service.

c. A growing number of customers use self-service technologies such as kiosks and online capabilities.

d. Customer-controlled self-service devices also include smartwatches, sport trackers, and smart home assistants.

2. For-Profit or Nonprofit Organizations.

a. Many organizations involved in services distinguish themselves by their profit or nonprofit tax status.

- *Nonprofit organizations*' excesses in revenue over expenses are not taxed or distributed to shareholders in contrast to *for-profit organizations*.
- If excess revenue exists, the money goes back into the nonprofit organization's treasury to continue the service.

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- Nonprofit organizations pay tax on revenue-generating holdings not directly related to their core missions.

b. Nonprofit organizations in the U.S. now:

- Have revenue of $1.9 trillion.
- Account for 9 percent of all wages and salaries.
- Examples: United Way, Greenpeace, Salvation Army, Girl Scouts.

c. In recent years, nonprofit organizations have turned to marketing to help achieve their goals. In particular, social marketing has been effective for organizations such as Susan G. Komen, American Red Cross, and March of Dimes.

[*Video 12-2: American Red Cross Video*]

MARKETING MATTERS

Technology: Social Marketing Is a Must for Nonprofits

"Make It Social" is the mantra for many nonprofit organizations today. The recent recession reduced charitable donations, so many of the 1.5 million public charities, private foundations, universities, religious congregations, and other nonprofit organizations have turned to social marketing and social media to engage potential contributors.

The Susan G. Komen for the Cure organization has been one of the most successful to adapt. The Komen foundation uses Facebook, Twitter, YouTube, and Instagram to promote its cause and fund-raising activities. The success of the organization's marketing actions has allowed it to raise and invest more than $2 billion in breast cancer research and community outreach programs.

The American Red Cross recently opened a Digital Disaster Operations Center to help it communicate with the general public, volunteers, and donors. In addition, the Red Cross has created tools such as its blood donation app and crowdfunding websites to raise millions in contributions for disaster victims.

Nonprofit organizations should follow many of the same principles businesses use to engage people with social media. First, they should understand what motivates people to take up causes. Second, nonprofits need to be creative with social media that allow the use of digital photos, video, and gaming skills. Third, nonprofit campaigns should allow for information sharing.

Social marketing campaigns and social media offer nonprofit organizations very effective tools for engaging their members, fans, friends, and the public. For nonprofit organizations that use social marketing and social media, it is important to remember to have a goal and measure progress toward that goal.

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3. **Government Sponsored**.

   a. Federal, state, and local government agencies provide a broad range of services.

   b. There is no direct ownership and they are nonprofit organizations.

   c. They have adopted many marketing practices used by business firms.

   d. Example: The United States Postal Service.

LEARNING REVIEW

12-1. What are the four I's of services?

Answer: The four I's of services are: (1) intangibility, which means that they can't be held, touched, or seen; (2) inconsistency, which means that their quality varies with each person's capabilities and day-to-day job performance; (3) inseparability, which means that the consumer cannot (and does not) separate the deliverer of the service from the service itself; and (4) inventory, which means that inventory carrying costs are more subjective and are related to idle production capacity—when the service provider is available but there is no demand for the service.

12-2. To eliminate service inconsistencies, companies rely on _____ and _____.

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Answer: standardization; training

12-3. Would inventory carrying costs for an accounting firm with certified public accountants be (*a*) high, (*b*) low, or (*c*) nonexistent?

Answer: Inventory carrying costs are related to idle production capacity, which is when the service provider is available but there is no demand. A CPA typically earns a high fixed cost salary. Therefore, if he/she is available but there is no demand for his/her service, the inventory cost of this service is (*a*) "high," because the cost of the accountant's salary must be paid regardless of whether or not the service is performed.

II. HOW CONSUMERS PURCHASE SERVICES [LO 12-3]

Service organizations must understand how the consumer makes a service purchase decision in order to assess quality so that it can present a differential advantage relative to competing offerings.

A. The Purchase Process

- Because services cannot be displayed, demonstrated, or illustrated, consumers cannot make a prepurchase evaluation of all the characteristics of services.

- Because service providers vary in their delivery of a service, an evaluation of a service may change with each purchase.

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- **[Figure 12-5]** Consumers evaluate products and services differently using:

  a. *Search properties*. Tangible products like clothing and furniture have color, size, and style that can be determined before purchase.

  b. *Experience properties*. Services like restaurants and childcare can only be discerned after purchase or during consumption.

  c. *Credence properties*. Services that:

  - Are provided by specialized professionals such as medical diagnoses and legal services.
  - Have characteristics that consumers may find impossible to evaluate even after purchase and consumption.

- To reduce the uncertainty created by these properties during the purchase decision process, consumers turn to personal sources of information such as early adopters, opinion leaders, and reference group members.

- The Mayo Clinic uses an approach called "evidence management" to present customers with concrete and convincing evidence of its strengths.

B. Assessing Service Quality

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- **Gap analysis** is a type of analysis that compares the differences between the consumer's expectations about and experiences with a service based on dimensions of service quality.

- **[Figure 12-6]** This type of analysis asks consumers to assess their expectations and experiences on dimensions of service quality.

  a. Consumer expectations are influenced by word-of-mouth communications, personal needs, past experiences, and promotional activities.

  b. Actual experiences are determined by how an organization delivers its service.

- The relative importance of the various dimensions of service quality varies by the type of service.

- Customers who experience a "service failure:"

  a. Will increase their satisfaction if the service makes a service recovery effort.

  b. May not increase their intent to repurchase.

- Service operators can increase customer satisfaction by letting customers choose between several recovery options. This is particularly true for customers who are also loyalty program members as they have higher expectations for the service.

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MARKETING MATTERS

Technology: Managing Service Failures: The Importance of Monitoring and Guarantees

Only 5 to 10 percent of dissatisfied customers choose to complain—the rest switch companies or make negative comments to other people. Increasingly, the forum for personal comments is on the many social media available to consumers. Several websites exist for consumers to praise or vent their frustrations about the services they purchased. (www.reputationdefender.com)

Most public relations experts agree that it is best to respond to, rather than ignore, comments on the web.

C. Customer Contact and Relationship Marketing [LO 12-4]

- Consumers judge services on the entire sequence of steps, or "service encounters," that make up the service process.
- A **customer contact audit** is a flowchart of the points of interaction or "service encounters" between consumers and a service provider.
- This is particularly important in high-contact services such as hotels, educational institutions, and automobile rental agencies.
- The interactions identified in a customer contact audit:
  - **a.** Serve as the basis for developing relationships with customers.
  - **b.** Affect the success of the relationships if authentic and sincere.
- A *service blueprint*:
  - **a.** Is another version of a customer contact audit.
  - **b.** Includes all employee actions.
  - **c.** Acknowledges that services are designed to be "experiences."

1. A Customer's Car Rental Activities. [Figure 12-7]

a. In a customer contact audit, there are customer contact points where…
- The customer sees the tangible aspects of the service and…
- Some steps in the service are essential but…
- Do not involve points of customer interaction.

b. Example: Customer contact audit for renting a car:

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- A customer decides to rent a car and contacts the rental company (1).
- A customer service representative:
  - Receives the information (2).
  - Checks the availability of the car at the desired location.
- When the customer arrives at the rental site (3):
  - The reservation system is again accessed.
  - The customer provides information regarding payment, address, and driver's license (4).
- A car is assigned to the customer (5).
- The customer proceeds by bus to the car pickup (6).
- On return to the rental location (7):
  - The customer checks in (8).
  - A customer service representative collects information on mileage, gas consumption, and damages (9).
  - A bill is printed (10).
- Each of the steps numbered 1 to 10 is a customer contact point where the tangible aspects of the company's service are seen by the customer.
- The series of steps lettered A to D:
  - Involve an inspection, maintenance, preparation for the next customer, and an update of the reservation system.
  - Are essential in providing a clean, well-maintained car, but are not points of customer interaction.

c. Service providers must create a competitive advantage in the sequence of interactions with the customer.

[*ICA 12-1: Customer Contact Audit for a Service*]

2. Relationship Marketing.

a. The contact between a service provider and a customer represents a service encounter that influences the customer's assessment of the purchase.

b. The number of encounters in a service experience depends on the service.

c. These encounters represent opportunities to develop social bonds, or relationships, with customers.

d. Customer relationships grow through encounters or loyalty incentives.

e. Relationship marketing provides several benefits for service customers:

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- The continuity of a single provider.
- Customized service delivery.
- Reduced stress.
- An absence of switching costs.

f. Customers require that the relationship be balanced in terms of loyalty, benefits, value, kinds of connections, and a respect for privacy from the service provider.

g. Understanding the service characteristics that lead to repeat purchases can help services managers allocate their resources to appropriate relationship marketing activities.

LEARNING REVIEW

12-4. What are the differences between search, experience, and credence properties?

Answer: Search properties, such as color, size, and style, can be determined before purchase. Experience properties, such as with restaurants, can only be assessed during or after consumption. Credence properties, which are characteristics of services provided by specialized professionals such as legal advice or medical diagnostics, may be impossible to evaluate even after purchase and consumption.

12-5. Hertz created its differential advantage at the points of _____ in its customer contact audit.

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Answer: interaction between consumer and service provider

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III. MANAGING THE MARKETING OF SERVICES [LO 12-5]

- Careful management of the four Ps—product, price, place, and promotion—is important when marketing services.
- Many service organizations have adopted a **seven Ps of services marketing**, which:

a. Is an expanded services marketing mix.

b. Includes the four Ps (product, price, promotion, and place or distribution)…

c. As well as people, physical environment, and process.

A. Product (Service)

- Managers of products and services must design the product/service concept with the features and benefits that customers desire.
- Because services are intangible and more difficult to describe:

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a. The brand name or identifying logo of the service organization is particularly important when…

b. A consumer makes a purchase decision.

- Service organizations rely on branding strategies to distinguish themselves in the minds of the consumers.
- Strong brand names and symbols are important for service marketers:

a. As a means of differentiation.

b. Conveys an image of quality.

- A service firm with a well-established brand reputation will also find it easier to introduce new services than firms without a brand reputation.

B. Price

- With services, price is referred to in various ways:

a. Hospitals (*charges*).

b. Lawyers (*fees*).

c. Airlines (*fares*).

d. Hotels (*rates*).

e. Education (*tuition*).

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- Since services are intangible, price can indicate the quality of the service.
- When customers buy a service, they also consider nonmonetary costs, which:

a. Consist of the mental and physical efforts required to consume the service.

b. Must be minimized as they purchase and use the service.

- Pricing also plays a role in balancing consumer demand for services:

a. **Off-peak pricing** involves charging different prices during different times of the day or during different days of the week to reflect variations in demand for the service.

b. Example: Discounts for weekend travel on airlines.

C. Place (Distribution)

- Because of the inseparability of services from the producer, place or distribution is a major factor in a service marketing strategy.
- Intermediaries are rarely involved in the distribution of a service.
- Customers used to go to the service provider's physical location to buy it.

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- Competition:

  a. Has forced many service firms to consider the value of convenient distribution.

  b. Find new ways of distributing services to customers.

- Technology:

  a. Is being used to deliver services beyond the provider's physical locations.

  b. Speed and convenience becoming increasingly important to customers when they select service providers.

  c. The Internet now provides global coverage to deliver a variety of services on a 24/7 basis in real time.

D. Promotion

- The value of promotion, specifically advertising, for many services is to:

  a. Show the benefits of purchasing the service.

  b. Stress availability, location, quality, efficiency, and courtesy.

  c. Provide a physical representation of the service or a service encounter.

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[*Video 12-3: Amazon Fresh Video*]

- In most cases, promotional concerns of services are similar to those of products.
- *Publicity* has played a major role in the promotional strategy of nonprofit services and some professional organizations.
- Many services use *public service announcements* (PSAs).

  a. The timing and location of a PSA are under the control of the medium, not the organization.

  b. The nonprofit service group cannot control who sees the message or when the message is given.

- Personal selling can play an important role in services marketing because service employees are often responsible for selling the firm's services.
- Sales promotions, such as coupons, free trials, and contests, are often effective tools for service firms.
- Direct marketing activities are often used to reach specific audiences.

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- Service firms are adopting an integrated marketing communications approach to provide a consistent message and accomplish their promotional objectives.

E. People [LO 12-6]

- Many services depend on people for the creation and delivery of the customer service experience.

  a. The nature of the interaction between employees and customers strongly influences the customer's perceptions of the service experience.

  b. Customers assess the service quality experience based on the performance of the people providing the service.

  c. This has led to a concept called *internal marketing*.

- **Internal marketing**—The notion that a service organization must focus on its employees, or internal market, before successful programs can be directed at customers.

  a. Service firms need to ensure that employees have the attitude, skills, and commitment to meet customer expectations and to sustain customer loyalty.

  b. Employees with a commitment to mutually beneficial relationships with customers are most suitable for services today.

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  c. Employee development is critical to the success of service firms.

  - Recruitment.
  - Training.
  - Communication.
  - Coaching.
  - Management.
  - Leadership.

  d. Many service organizations recognize that:

  - Individual customer behavior influences the service outcome for others.
  - The people element in services includes employees and all customers.

  e. Internal marketing programs prepare employees for their interactions with customers so that organizations can better manage the services they provide.

- **Customer experience management (CEM)** is the process of managing the entire customer experience within the company. It should be:

  a. Intentional, planned, consistent, and similar so that every experience is …

  b. Differentiated from other service offerings and…

  c. Relevant and valuable to the target market.

- Service providers integrate their activities to connect with customers at each contact point to move beyond customer relationships to customer loyalty.

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F. Physical Environment

- The customer's perception of the service is influenced by the:
  - **a.** Appearance of the environment in which the service is delivered.
  - **b.** Location where the firm and customer interact.
- The physical evidence of the service:
  - **a.** Includes all the tangibles surrounding the service.
  - **b.** Consists of buildings, landscaping, vehicles, furnishings, signage, brochures, and equipment.
- Service firms:
  - **a.** Need to manage physical evidence to convey the proper impression of the service to the customer.
  - **b.** Is known as impression, or evidence, management.
- The physical environment provides an opportunity for the firm to send consistent and strong messages about the nature of the service to be delivered.

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G. Process

- Process refers to the actual procedures, mechanisms, and flow of activities by which the service is created and delivered.
- Each service encounter provides customers with the evidence on which to judge the service.
  - **a.** These service encounters involve not only "what" gets created but also "how" it is created.
  - **b.** The customer contact audit can serve as a basis for ensuring better service creation and delivery processes for these service encounters.
- Most services have a limited capacity due to:
  - **a.** The inseparability of the service from the service provider.
  - **b.** The perishable nature of the service.
- Customers must be at the service provider's location at the time the service is available.
- If customers are not present or if the service provider is not available, then unused service capacity is lost.

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- **Capacity management** integrates the service component of the marketing mix with efforts to influence consumer demand.

- **[Figure 12-8]** Service organizations must manage the availability of their offerings so that:

  a. Demand matches capacity over the duration of the demand cycle (one day, week, month, or year).

  b. The organization's assets are used in ways that will maximize the return on investment (ROI).

  c. Some service providers develop differing price structures that are assigned to each segment of consumers to help moderate or adjust demand for the service.

APPLYING MARKETING METRICS
Are JetBlue's Flights Profitably Loaded?

Capacity management is critical in the marketing of many services, including air travel. Airlines feature *load factor* as a capacity management measure on their marketing dashboards, along with two other measures; namely the *operating cost* per available seat flown one mile and the revenue generated by each seat flown one mile, which is called *yield.* Load factor is the percentage of available seats flown one mile occupied by a paying customer. These three measures combine to show airline operating income or loss per available seat flown one mile (ASM):

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Operating Income (Loss) per ASM = (Yield x Load Factor) – Operating Expense

Your Challenge.

JetBlue has asked you to determine the operating income or loss per available seat flown one mile for the first six months of 2011. In addition, you have been asked to determine what load factor JetBlue must reach to break even assuming its current yield and operating expense will not change in the immediate future.

Your Findings.

JetBlue's yield (9.83¢), load factor (82.1%), and operating expense (8.28¢) are shown on JetBlue's marketing dashboard display. Its operating loss is -0.21¢ per ASM during the first six months of 2011.

Operating Income (Loss) per ASM = ($0.0983 x 82.1%) – $0.0828)

Operating Loss per ASM = $0.2096

Assuming JetBlue's yield and operating expense will not change, the airline's load factor will have to increase from 82.1% to 84.23% to break even.

$0.00 = ($0.0983 x Load Factor) - $0.0828

Load Factor = 84.23%

[See UMD12AirlineOperating.xls]

Your Actions. JetBlue should consider:

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- Revising its flight schedules to better accommodate traveler needs and advertise these changes.
- How it uses its existing airplane fleet to serve its customers and produce a profit.

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IV. SERVICES IN THE FUTURE

New and better services, and an unprecedented variety of choices, will be the result of three factors: technological development, improved understanding of service delivery and consumption, and the social imperative for sustainability.

- Technological advances are rapidly changing the service industry.
- The key elements of future services include:
  - 5G broadband network for improving mobile communications, autonomous vehicles, and Internet of Things.
  - New technologies create new services such as Google Interpreter for real-time translation in 27 languages.
  - Another new service is the Samsung Smart Trainer, which uses motion-detecting AI to record workouts and coach workouts.

[*Video 12-4: Samsung Smart Trainer Video*]

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- New data and information about service consumers and providers is also leading to changes in service delivery and consumption.
- In some businesses, such as retailing, restaurants, and repair and installation:
  - **a.** Customer satisfaction levels are inflated because…
  - **b.** Employees often engage in "service sweethearting"—giving unauthorized free goods or services to customers.
  - **c.** Many firms are changing employee recruiting and training activities to limit this type of behavior.
- A growing interest in sustainability and "green" businesses is also changing the services industry.
  - **a.** Consumers who first became aware of environmental impact of many products are now also assessing services and their impact.
  - **b.** Recent surveys indicate that green practices influence consumer purchase decisions for many services.
  - **c.** New approaches to environmentally sustainable practices will expand globally as services strive to create a competitive advantage.

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LEARNING REVIEW

12-6. How does a movie theater use off-peak pricing?

Answer: Off-peak pricing consists of charging different prices during different times of the day or during different days of the week to reflect variations in demand for the service. Movie theaters reduce prices for matinees and often for Monday through Thursday shows due to the lower demand for this service during this time of day or days of the week.

12-7. Matching demand with capacity is the focus of _____ management.

Answer: capacity

12-8. What factors will influence future changes in services?

Answer: Technology advances, improved understanding of service delivery and consumption, and the social imperative for sustainability.

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APPLYING MARKETING KNOWLEDGE

1. **Explain how the four I's of services would apply to a Marriot Hotel.**

   Answers: The four I's are intangibility, inconsistency, inseparability, and inventory. With regard to a Marriott Hotel:

   a. **Intangibility**. Intangibility refers to the many elements that cannot be held, touched, or seen, such as the interactions between a guest and hotel personnel.

   b. **Inconsistency**. The inconsistency in a hotel is related to the variation in the capabilities of the hotel personnel. For example, the front-desk personnel may vary in their courtesy, knowledge, efficiency, etc.

   c. **Inseparability**. A customer must go to a hotel to take advantage of its services. Therefore, location is a critical aspect of a hotel's offering.

   d. **Inventory**. The inventory in a hotel is its personnel, equipment, and rooms. The cost of inventory for a Marriot Hotel is the cost of having personnel and rooms available even if there is no demand.

2. **Idle production capacity may be related to inventory or capacity management. How would the pricing component of the marketing mix reduce idle production capacity for (*a*) a car wash, (*b*) a stage theater group, and (*c*) a university?**

   Answers:

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   a. **Car wash**. For a car wash, special deals could be offered for the low demand times (e.g., weekday mornings). A possibility could be a wash and wax for the price of a wash.

   b. **Stage theater group**. For a stage theater group, discounts on tickets could be given for group purchases or on a season ticket. Also, reduced pricing for matinee performances could be provided.

   c. **University**. A university could price differentially for majors (engineering, business, liberal arts) as a function of student demand and seat capacity. Reduced prices might also be used to increase demand during the low demand periods (e.g., summer).

3. **Look back at the service continuum in Figure 12-3. Explain how the following points in the continuum differ in terms of consistency: (*a*) salt, (*b*) automobile, (*c*) advertising agency, and (*d*) teaching?**

   Answers:

   a. **Salt**. Because of the consistency of the production process salt is always consistent in size, shape, weight and other tangible attributes.

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b. **Automobile**. Automobiles are consistent except where people are required for (*a*) the assembly of subcomponents, and (*b*) the delivery of service elements (e.g., delivery, maintenance, repair, etc.).

c. **Advertising agency**. Advertising agencies can be inconsistent in terms of the quality of work provided by individual account representatives and creative people. Most agencies are reasonably consistent in the actual production of advertising copy.

d. **Teaching**. Teaching is highly inconsistent across instructors even when the curriculum is standardized.

4. What are the search, experience, and credence properties of an airline for (*a*) the business traveler and (*b*) pleasure traveler? What properties are most important to each group?

Answers: Business travelers and pleasure travelers may evaluate different service characteristics. For example:

PROPERTIES	BUSINESS TRAVELER	PLEASURE TRAVELER
Search	Flight schedule	Fare
Experience	Food quality	Friendliness
Credence	Pilot skill	Pilot skill

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Business travelers may place greatest importance on search properties, whereas pleasure travelers may place greatest importance on experience properties.

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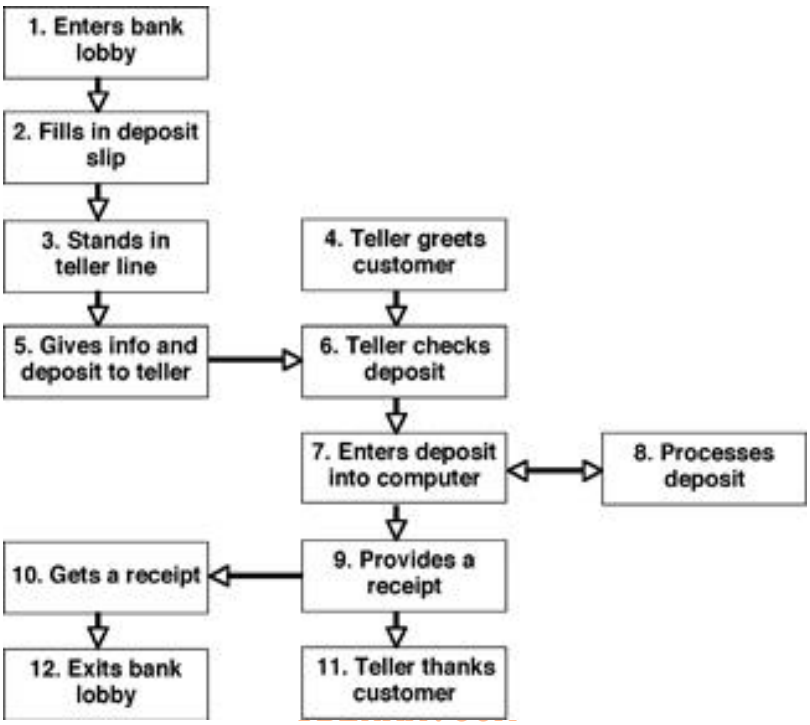
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5. Outline the customer contact audit for the typical deposit you make at your neighborhood bank.

Answer:



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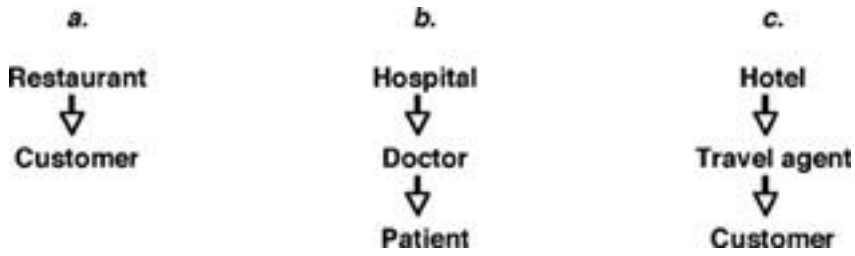
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6. **How does off-peak pricing influence demand for services?**

   Answer: Off-peak pricing is used to stimulate demand by charging different prices during different times of the day, days of the week, or months of the year. The price differences should lead to variations in demand.

7. **Draw the channel of distribution for the following services: (*a*) a restaurant, (*b*) a hospital, and (*c*) a hotel.**

   Answers:



8. **The text suggests that internal marketing is necessary before a successful marketing program can be directed at consumers. Why is this particularly true for service organizations?**

   Answer: Internal marketing is particularly important for service organizations because service employees play a central role in attracting, building, and maintaining relationships with service customers.

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9. **Outline the capacity management strategies that an airline must consider.**

   Answer: An airline must consider strategies for the following groups:

GROUP	STRATEGY
Business travelers	Frequent flyer programs
Vacationers	Off-peak pricing; restrictions during peak business times
Charter groups	Block seats; package deals with hotels

10. **In recent years many, service businesses have begun to provide their employees with uniforms. Explain the rationale behind this strategy in terms of the concepts discussed in this chapter.**

    Answer: The strategy for supplying uniforms has two purposes: First is the desire to reduce inconsistency in appearance. Second, consumers judge the services by the appearance of the personnel. Smart, stylish uniforms may help the evaluation of the service.

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BUILDING YOUR MARKETING PLAN

In this section of your marketing plan, you should distinguish between your core product—a good or service—and supplementary services.

1. **Develop an internal marketing program that will ensure that employees are prepared to deliver the core and supplementary services.**

2. **Using the flowchart in Figure 12-7 as a guide, create a customer contact audit to identify specific points of interaction with customers.**

3. **Describe marketing activities that will (*a*) address each of the four I's as they relate to your service and (*b*) encourage the development of relationships with your customers.**

Add this section as an appendix to your marketing plan and use the results to develop your marketing mix strategy.

Helping with Common Student Problems

In writing their marketing plans, students often have a myopic view of their "product strategy." If the plan is for an existing business, the "product strategy" probably only deals with what the business is selling now. In contrast, for a new business, the "product strategy" is probably only the new offering. Students must realize that the foundation for the product strategy in their marketing plan mixes all the considerations discussed in Chapters 10, 11, and 12.

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TEACHING NOTE FOR VIDEO CASE VC-12

Minnesota Lynx: Building a Team Brand and Being a Vehicle for Change!

Synopsis

This case describes the marketing program at the Minnesota Lynx basketball team, one of 12 teams in the Women's National Basketball Association. The Minnesota Lynx has been one of the most successful franchises in the league, winning the WNBA Championship four times. Head Coach Cheryl Reeve and her team of managers have created "the gold standard in the league because we have a very connected business and basketball staff."

The case provides students with an opportunity to understand how marketing concepts can be applied to services, specifically a professional basketball team. Like all services, basketball is an experience that is constantly changing because the players, the opponents, and the outcome of each game are always different. Each element of the marketing mix and the specific marketing activities used to create the Lynx experience are described. Students also learn about the Lynx efforts to use their team and platform as a vehicle for social change.

Teaching Suggestions

Introduce the class to the unique aspects of services by discussing services they use. The list might include airlines, hairstylists, hotels, automobile repair centers, and movie theaters. Ask how the 4 I's of services—intangibility, inconsistency, inseparability, and inventory—are evident in their examples. Some students will also mention that professional sports are a service. Use that example to ask:

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1. How many of you played basketball as a child or high school student?

2. How many of you went to or watched a professional basketball game recently? Why or why not?

3. What could a major league basketball team do to make it more likely that you would attend games?

These questions then lead to the questions posed in the case.

[*Video 12-5: Minnesota Lynx Video Case*]

Answers to Questions

1. What is the Minnesota Lynx "product"? Do the Lynx have an organizational purpose or a brand purpose in addition to playing basketball?

Answer:

Of course, the Lynx product offering includes the basketball game and the quality of play. In addition, however, it includes all the elements of the experience such as the merchandise, food, facilities, activities, and interactions with staff and fans. According to Vice President of

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Marketing Marissa Blomstrom, "we try and make the experience at the Target Center the best possible." The Lynx observe that different segments attend a basketball game for different types of experiences. For example:

a. **Season Ticket Members.** Attend to watch the team succeed.

b. **Couples and Families**. Attend to have fun.

c. **Youth**. Enjoy being with friends and seeing stars.

d. **Groups.** Want an opportunity for networking.

The different interests of each of these groups, and the fact that many elements of the service are constantly changing, combine to create a special marketing challenge for the Lynx. The team must try to provide a multifaceted and consistent experience. To do this, it offers key elements such as star players, a team store, supporter clubs, fun activities such as putting your message on the scoreboard, and a team mascot.

The Lynx also have an organizational purpose that is "bigger than basketball" explains Blomstrom. The team uses marketing tools to create a message about its "limitless" brand, and to use basketball as a vehicle for social change.

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2. Which of the seven elements of the services marketing mix are most important in the Lynx marketing program?

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Answer:

Each of the seven Ps of services marketing play an important role in the Lynx marketing program:

a. **Product**. In addition to defining their product as an "experience," the Minnesota Lynx have used marketing activities to create a memorable logo and brand name and position Lynx basketball to attract fans from other sports and fans who care about women's athletics.

b. **Price**. The Minnesota Lynx use value pricing to match prices with each possible type of fan, including season ticket holders, half-season fans, and groups. The team also uses dynamic pricing based on the opponent, the day of the week, and if it is a playoff game.

c. **Place**. The Minnesota Lynx games are played at the Target Center in Minneapolis, Minnesota.

d. **Promotion**. The Lynx use all forms of promotion including advertising, personal selling, public relations, sales promotion, and direct marketing.

e. **People**. The Lynx players and marketing team are essential to creating and delivering the basketball experience. All the activities contribute to the process of customer experience management (CEM). In addition, everyone involved with the organization loves basketball. Coach Reeve, for example, exclaims, "I just can't imagine life without basketball in it. It fills me up every day!"

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f. **Physical Environment**. The Target Center is designed and managed to enhance the fan experience. "When somebody shows up at Target Center we make them feel like this is the place to be," explains Blomstrom. The arena provides a great atmosphere, a mobile app for food and beverage orders, a retail store, and contactless transaction options.

g. **Process**. These are the activities that are related to "how" the experience is created. The Lynx marketing team and customer experience management team constantly evaluate the contact points with customers and uses promotions to manage the experience throughout the season.

Each of the seven Ps contributes to the Minnesota Lynx offering, so a key issue is to integrate them. While the product element helps position basketball relative to other professional sports, place, promotion, people, and environment are essential to creating the unique basketball experience, and pricing and process contribute to the efficiency and profitability of the organization.

3. How is promotion (advertising, personal selling, public relations, sales promotion, and direct marketing) used by the Lynx?

Answers:

a. **Promotion tools used**. Lynx advertising includes TV, radio, and outdoor ads. The personal selling activities are handled by a team of salespeople who make personal phone calls to help sell season ticket memberships and large group packages. The public relations activities include press releases, news conferences with the players, and public appearances by the mascot. Sales promotions include promotional night giveaways and fan engagement events. Finally, the club uses direct marketing such as email and direct mail to deliver timely, relevant messages.

b. **Specific target markets being reached**. Each of the promotional activities is targeted at specific types of consumers described in Question 1.

4. Describe the activities the Lynx undertake as part of their customer experience management program.

Answer:

In addition to the activities that influence the experience at games in the arena, the Minnesota Lynx marketing team also utilizes social media, landing pages, and e-mail. The platforms, which have a quarter of a million fan users, include:

- Facebook
- Twitter
- Instagram
- YouTube
- TikTok
- Pinterest

As Blomstrom explains, "everything is on the table." These media are integrated with the entire marketing program and managed as a portfolio of many marketing activities available to the Lynx.

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5. How do the Minnesota Lynx assess the impact of its marketing activities? Has its program been successful?

Answers:

The team utilizes traditional measures of success such as win-loss record, number of playoff appearances, and number of championships. In addition, there are other measures of success such as awards, number of players on the Olympic team, attendance, sponsorships, and advertising deals. One of the primary marketing objectives for the Lynx is ticket sales. The team currently attracts an average of 9,000 fans to each of their games, just behind the Los Angeles Sparks and the Phoenix Mercury. In addition, the Lynx measure its success by the number of season ticket holders.

The Lynx can also measure its impact through three other sources of revenue—broadcast rights, sponsorships, and merchandise sales. The WNBA, for example, signed a $25 million television contract with ESPN, and the Lynx also signed a local television deal with Fox Sports North and a sponsorship deal with the Mayo Clinic. The Lynx also assess their impact on creating awareness of and change in social issues. They often wear warm-up shirts that say "Change Starts With Us"!

Epilogue

The Lynx marketing team continues to add new and exciting marketing elements to the Lynx program. For example, the team recently unveiled a new Nike uniform collection that recognizes the league's players as Heroines, Explorers, and Rebels. "Each uniform embodies player and team characteristics – attitude, potential, power, and honors not only our fans, but our community as well," explains Carly Knox. The team also announced an innovative collaboration between the Lynx and the public transportation operator, Metro Transit, to offer free roundtrip passes for Lynx home games. In addition, the Lynx have created a partnership with U.S. Bank called the "Our Courts. Our Future." program, which renovates basketball courts to "unite communities through the power of sport, while also supporting youth development programs on and off the court."

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Sources: "Minnesota Lynx Unveil New Uniforms," lynx.wnba.com, April 8, 2021; "Minnesota Timberwolves & Lynx and U.S. Bank Unveil Renovated Basketball Court at Jerry Gamble Boys & Girls Club," nba.com, October 26, 2021; and Pat Borzi, "How the Minnesota Lynx Went from Also-Rans to Outperforming the WNBA," tcbmag.com, March 11, 2019.

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TEACHING NOTE FOR APPENDIX D CASE D-12

Philadelphia Phillies, Inc.: Sports Marketing 101

Synopsis

The Philadelphia Phillies is a major league baseball team located in a large metropolitan area. This location means it must compete for fan (consumer) attention and dollars with not only other professional sports (the Philadelphia Eagles in football, the Philadelphia 76ers in basketball, etc.) and local college sports (University of Pennsylvania, Villanova, etc.) but also other summer recreational activities—like visits to the New Jersey shore, the Poconos mountains, golf club memberships, etc. and with the options of watching the Phillies and other sporting events on TV.

The case makes the important point that Phillies management cannot promise a winning baseball team because there will be both good years and bad years. This is why president and chief executive officer (CEO) David Montgomery wants Phillies fans at a game to be at a "happening"—to be close to the field in its new stadium, to be surrounded by other excited fans, and to have a fun day or night at the ballgame. This involves offering everything from special nights targeted at special segments of fans to laughing at the antics of the Phillies Phanatic—probably the most successful mascot in all of U.S. professional sports.

Teaching Suggestions

Introduce the class to the kinds of marketing issues David Montgomery and the Phillies face by asking these questions to set the stage for the class discussion of the case:

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1. How many of you are major league baseball fans?
2. How many of you went to a major league baseball game last season? Why or why not?
3. What could a major league baseball team do to make it more likely that you would attend games?

Answers to Questions

1. (*a*) What is the "product" that the Phillies market? (*b*) What "products" are the Phillies careful not to market?

Answers:

a. **The "product" to market**. As students observe in the video, Phillies marketing executives market the Phillies "product" or service as entertainment—a "happening"—the positive aspects of Phillies baseball. This includes the ambiance of being at its quite new Citizens Bank Park baseball stadium that opened in 2004, having an inexpensive fun experience of watching the Phillies and the Phanatic, eating hot dogs, being surrounded by Phillies fans, and having a good time.

The video also shows huge efforts that Phillies put into being good "community citizens." Some examples:

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- **The Phillie Phanatic mascot**. The "Phanatic" is really three Phanatics because the demand for its public appearances is so great. The mascot appears at charity, hospital, and other public events.

- **The Phillies "Ballgirls."** These 18 women are college students not only at local colleges (like the University of Pennsylvania, Temple, Drexel, and West Chester) but also from those as far away as the University of Nevada and Syracuse. The "Ballgirls" appear at schools, golf outings, local charity softball games, and at Citizens Bank Park—often as part of the Green Team (below).

- **The Green Team**. To promote the Phillies concern about sustainability and the environment, the Ballgirls—dressed in green T-shirts—collect cans and bottles for recycling every two or three innings at the game.

b. **The "products" not to market**. It is interesting to note what the Phillies do *not* market:

- The same quality team as last year. This may work for Wheaties but not most sports teams.
- The promise of winning, which may come back to haunt the executives if the team nosedives.
- One particular player, who may be traded, become injured, or has a bad year.

2. How does the "quality" dimension in marketing the Philadelphia Phillies as an entertainment service differ from that in marketing a consumer product such as a breakfast cereal?

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Answer:

Alluded to in Question #1 above, a firm marketing breakfast cereal often stresses: (1) the high quality of the product and (2) the guarantee of that high quality from one purchase to the next that often continues year after year. But marketing the Phillies is an example of using sophisticated concepts of today's "sports marketing." And marketing a sports team is clearly an example of marketing a service. Unlike breakfast cereal, the performance of the team is likely to be very different from the previous day. This explains the care that must be taken on deciding what the "product" is and what appeals to use (Question #1 above).

3. In terms of a social network marketing strategy, (*a*) what are the likely characteristics of the Phillies fans and (*b*) what should the Phillies Facebook fan page contain?

Answers:

a. **Characteristics of the Phillies fans**. The characteristics of the Phillies fans who like to use Phillies social networks are probably:

- Especially loyal Phillies fans who want more information about the team than they can get from newspapers, TV, and radio.
- Younger fans who are comfortable using social network media like Facebook and Twitter.

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b. **Phillies Facebook fan page**. In terms of media strategy, it is often difficult to understand the importance of social networks reaching fans and potential fans. For example, Bonnie Clark, Vice President of Communications for the Phillies, says in the video that in late 2009, the Phillies had 190,000 "friends" on *Facebook* and 7,400 on *Twitter*. The Phillies *Facebook* fan page contains the latest information on what Phillies players are injured, upcoming "event" or "premium" nights at the ballpark, what players might be arriving in trades, and local Phillies community events.

4. Considering all five elements of the promotional mix (advertising, personal selling, public relations, sales promotion, and direct marketing), what specific promotional activities should the Phillies use? Which should be used off-season? During the season?

Answers:

Social network activities were touched on in Question 3 above. An unusual aspect of sports marketing is the critical importance of the free daily publicity the Phillies receives on the sports pages of local newspapers and on sports segments of radio and TV news programs, especially during the baseball season. With this volume of coverage by publicity, Table A shows that traditional paid newspaper, radio, and TV ads are relatively unimportant.

Table A also shows that the Phillies' use of personal selling, sales promotion, and public relations are very different than those of firms marketing more traditional products. An example of a unique public relations activity is the Phillies sponsorship of its "Rookie League" youth teams targeting children from 7 to 16 years old.

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TABLE A

Importance of Specific Promotions for the Philadelphia Phillies

	WHEN USED AND IMPORTANCE*		
Element of the Promotional Mix	**Specific Promotion and How It Is Used**	**Off-Season**	**During Season**
Advertising	• Billboards and ads on trucks	1	2
	• Newspaper ads	1	0
	• Radio ads	2	2
	• TV ads	3	3
	• Phillies yearbook/score card	0	1
	• In-stadium electronic ads/signage	0	3
Personal Selling	• Visits to potential "luxury suite" buyers	3	1
	• Phillies "dream week" baseball camp	1	0
	• Visits to sponsors of event days	3	0
Sales Promotion	• Special promotion (premium) days at ball park	0	3
	• Special "event days" at ball park	0	3
	• Phillies "superfan" sweepstakes	2	1
Public Relations	• Coverage by sports pages of newspaper	2	3
	• Coverage by sports news on radio	1	2
	• Coverage by sports news on TV	2	3
	• Personal appearances by Phillies Ballgirls	2	3
	• Personal appearances by Phillies players	1	2
	• Sponsorship of youth teams		
Direct Marketing	• Direct mail to season ticket holders	3	1
	• Phillies information update on Web site, Facebook, and Twitter	2	3
	• *Phillies* magazine sent to fans	2	2

Scale used to describe importance of specific promotion: 3 = very important, 2 = important, 1 = some importance, 0 = not used/of no importance.

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5. **What kind of special promotion gift days (with premiums) and event days (no premiums) can the Phillies use to increase attendance by targeting these fan segments: (*a*) 14 and under, (*b*) 15 and over, (*c*) other special fan segments, and (*d*) all fans?**

   Answers:

   This question gives students the opportunity to have fun using their creativity to identify special promotions and special events that might attract people to the Phillies ballpark. Using the blackboard, you might do the following in class:

   a. Write the headings of the two left-hand columns in Table B on the blackboard and ask students for their ideas about specific examples of gift or event days that might attract people to the park.

   b. Then write the four right-hand columns in Table B on the blackboard and ask which of the segments the special promotions/events might appeal to.

   c. Then give the actual Phillies promotions shown in Table B, which is based on the Phillies marketing plan for the past few years. Criteria used in deciding on these special promotions and events include (1) their ability to attract fans, (2) the cost, and (3) whether they can be co-sponsored so that a portion of the cost will be paid by the sponsor, such as McDonald's or Southwest Airlines.

Epilogue

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Has the marketing of the Phillies been successful? Using a "measure of success" (see Chapter 8) of annual home-game attendance, Phillies management has marketed a very successful product. Annual attendance exceeding two million—whether the team is winning or not—is a remarkable achievement and one sought by most other major league baseball teams. Certainly a portion of this success in 2008 and 2009 is attributable to the successful creative marketing actions taken by Phillies' management—along with a spectacularly successful on-field product: The Phillies won the 2008 World Series and lost to the New York Yankees in the 2009 World Series in six games. In 2010 and 2011, the Phillies lost to the eventual World Series winners San Francisco Giants and St. Louis Cardinals, respectively.

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TABLE B

Philadelphia Phillies Special Promotions and Events and Possible Target Markets for Them

Special Promotions/Events		Target Market			
Gift or Non-Gift	**Specific Examples**	**14 & younger**	**15 & over**	**Other Special Fan Segment**	**All Fans**
Gift Days (Premiums)	G-Force Card Pack	X			X
	McDonald's Jimmy Rollins Day (wristbands)		X		
	Phanatic Birthday (bobble head)	X			
	Mother's Appreciation Day (pink cup; blanket)		X		
	Phillie Phanatic Parade of Champions (Book)	X			
	Father's Appreciation Day (Bull's Bar-b-que Apron; straw golf hat)		X		
	Turkey Hill (Phillies Ball Set)	X			
	Peanut Chews College Night (T-shirt)			X	
	Goya Latino Family's Night (Latino Legends poster)			X	
Event Days (no Premiums)	Scout's Day			X	
	Teacher Appreciation Night Fuji Film Friday		X		
	Hatfield Phillies Franks Dollar Dog Night				X
	Asian Pacific Celebration			X	
	Modell's Sporting Goods Run the Bases	X			
	Women's Softball Celebration			X	
	Modell's Sporting Goods Senior Stroll the Bases			X	
	Independence Blue Cross Fireworks				X

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ICA 12-1: IN-CLASS ACTIVITY

Customer Contact Audit for a Service

Learning Objective. To have students identify, describe, and assess the elements of a service to understand the activities that employees and customers perform during the service delivery process.

Nature of the Activity. To have students develop a simple customer contact audit for a service they are familiar with.

Estimated Class Time and Teaching Suggestions. About 20 minutes. Students may be formed into 4-person teams. Designate half the teams as the "banking" teams and the other half as the "fast-food" teams.

Materials Needed.

- Copies for each student of the:
  a. "Customer Contact Audit" handout.
  b. "Customer Contact Audit Answers" handout.
- Chalk/markers for students to write their customer contact audits on the board. OPTIONAL: Self-stick 3M Post-It easel pad with enough sheets for students to write their customer contact audits on the paper and affix to the classroom wall.

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Steps to Teach this ICA.

1. Give the following mini-lecture on the delivery of services and the use of a customer contact audit to improve service quality:

   "Most of you have used or are familiar with financial, hospitality, entertainment, and educational services. As a result, you have participated in the service delivery process by opening a bank account, checking into a hotel, renting a video, or enrolling in this class! Providers of financial, hospitality, entertainment, and educational services need to match its delivery with customer expectations.

   To do this, marketers use **gap analysis**, which identifies the differences between a consumer's expectations about and their experiences with a service based on specific dimensions of service quality, such as reliability, tangibles (equipment, etc.), responsiveness, assurance, and empathy. The **customer contact audit**, which is a flowchart of the points of interaction between a consumer and a service provider, can help in this analysis.

   The customer contact audit graphically depicts the service delivery process and the points of customer contact, or **service encounters**, so that marketers and employees understand what the service is and their roles in its delivery. A customer contact audit breaks down a service into its components and depicts:

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a. **The logical steps or tasks in the process**. These include the activities and interactions that contact and support employees as well as customers engage in during the delivery of the service.

b. **Service encounters**. The tangible aspects of the service delivery process as seen by the customer, such as reliability, empathy, courtesy, accuracy, timeliness, etc. These become the indicators of service quality from the customer's perspective.

Any deviations between customers' expectations and the service that is delivered indicate a service failure or bottleneck that can be used to improve service quality."

2. Briefly go over Figure 12-7 to provide students with an example of a customer contact audit for a car rental.

3. Form students into 4-person teams. Designate half the teams as the "banking" team and the other half as the "fast-food" team.

4. Pass out the Customer Contact Audit Handout.

5. Briefly explain the nature of this ICA to the "banking" and "fast-food" teams:

"In your teams, using the Customer Contact Audit Handout as a guide, create a customer contact audit for your service. After **about 10 minutes**, one of your team members may be selected to present your blueprint to the class."

a. **Banking teams**. Making a deposit into a checking account at a local bank. [NOTE: The deposit should be made to a teller inside the lobby and NOT via an ATM or drive-thru banking.]

b. **Fast-Food teams**. Ordering food at a local fast-food restaurant. [NOTE: Order food inside to dine in, NOT via a drive-thru or for take-out.]

6. Have a representative from each team write/tape their customer contact audits for their "banking" or "fast-food" services on the board/classroom wall.

7. Select 2 teams from each service type to discuss their customer contact audits. Have the rest of the students comment on their customer contact audits. Identify (1) any significant service encounters or "behind-the-scenes" activities that are missing from this audit and (2) where service failures are likely to occur and how can they be corrected.

8. You may want to pass out the Customer Contact Audit Answers Handout to use as a guide to elaborate on the student comments and bring out other issues or to compare the sample answers to what the student teams came up with during their analyses.

Marketing Lesson. Marketers use customer contact audits to understand the service delivery process from the customer's perspective. It allows them to monitor the service encounter for customer satisfaction and quality at each point of customer contact.

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CUSTOMER CONTACT AUDIT ANSWERS HANDOUT
(THESE ARE NOT MEANT TO BE EXHAUSTIVE)

AUDIT ISSUE	(A) BANKING	(B) FAST-FOOD
1. How does "Customer" initiate service?	• Parks car in parking lot. • Walks into lobby. • Fills out deposit slip. • Walks to teller window. • Waits until teller is ready. • Gives deposit to teller.	• Parks car in parking lot. • Walks into restaurant to counter. • Waits until server is ready to take order. • Gives money to server.
2. What does the "Customer contact person" do?	• Greets customer and asks what he/she can do. • Takes deposit slip and ID. • Uses computer to verify the checking account info. • Takes check/money for deposit. • Processes deposit. • Gives customer a receipt. • Thanks customer.	• Greets customer and asks to take the order. • Suggests to customer optional menu items. • Verifies order. • Takes customer's money and makes change. • Assembles order. • Gives customer the order. • Thanks customer.
3. What does the "Support Personnel" do?	• Teller Supervisor: Makes sure there is enough money for change; handles problems. • Bank Operations: Makes sure computer and security systems operate; interacts with armored car personnel; ensures money, office, and other supplies are adequately stocked. • Maintenance: Cleans lobby, bathrooms, and parking lot.	• Line Cooks: Makes food; fulfills beverage orders. • Maintenance: Cleans dining area, bathrooms, and parking lot. • Manager: Orders food from suppliers; schedules and pays employees.
4. How to correct service failures?	• Clear communication of role in service delivery, job description, and expectations. • Training. • Apologize and resolve the problem.	• Clear communication of role in service delivery, job description, and expectations. • Training. • Apologize and resolve the problem.

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CUSTOMER CONTACT AUDIT HANDOUT

1. Identify the service delivery process to be audited.
2. Analyze the service delivery process from the "customer's" point of view. Answer these questions:
   (a) How does the "Customer" initiate the service?
   (b) What steps, activities, etc. does the "Customer" perform during the delivery of the service?
3. Identify the "customer contact personnel" who actually deliver the service to the customer. Answer these questions:
   (a) Who are the "Customer Contact Employees" that deliver the service to customers?
   (b) What steps, activities, etc. does each "Customer Contact Employee" perform during the delivery of the service?
4. Identify the service "support personnel" who assist the customer contact personnel in delivering the service. Answer these questions:
   (a) Who are the "Support Personnel" that enable the customer contact personnel to deliver the service to customers?
   (b) What steps and/or 'behind-the-scene' activities, etc. does each of these "Support Personnel" perform during the delivery of the service?
5. Identify the service encounters and the potential contacts where service failure can occur.
6. If you have experienced a service failure for the service your team is analyzing, what could the organization do to recover from it?

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Connect Exercises

Connect Exercise 1: The Four I's of Services

Activity Summary: In this click and drag activity, students learn about the four unique elements of services: intangibility, inconsistency, inseparability, and inventory. Students are given eight draggable items that provide a description of a unique element of the service when moused over (auto shop, class choice restaurant, painter, hair salon, day spa, airline flight, and athletic club). Students drop the service onto the unique element it exemplifies.

Tagging (Topic, Learning Objectives, AACSB, Bloom's, Difficulty)
Topic: Services Marketing
Learning Objective: LO 12-01: Describe four unique elements of services.
AACSB: Knowledge Application
Blooms: Apply
Difficulty Level: 2 Medium

Follow-Up Activity: As a follow-up activity, instructors could ask students working in groups or individually to choose a service provider and identify how each of the four unique characteristics of services impacts its business. Also, ask students to identify how firms overcome the challenges of the four I's of services.

Connect Exercise 2: iSeeit! Video Case: Service Quality

Activity Summary: In this straightforward whiteboard animation video, the tangible and intangible elements of service quality at the Coffee Collective are identified and the service gap is discussed. After watching the 3-minute video, students are asked three follow-up questions related to the unique characteristics of services and the service gap.

Tagging (Topic, Learning Objectives, AACSB, Bloom's, Difficulty)
Topic: Services Marketing
Learning Objective: LO 12-01: Describe four unique elements of services.
LO 12-03: Explain how consumers purchase and evaluate services.
AACSB: Knowledge Application
Blooms: Understand
Difficulty Level: 2 Medium

Follow-Up Activity: Instructors could ask students to perform their own gap analysis for a local service provider using a SERVQUAL framework. Have students record their expectations and experiences with a service provider's tangibility, reliability, responsiveness, assurance, and empathy, and share their experiences with the class or record their experiences in a brief written analysis. http://www.serviceperformance.com/the-5-service-dimensions-all-customers-care-about/

Connect Exercise 3: The Service Continuum

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Activity Summary: In this click and drag activity, students are introduced to the concept of the service continuum as the they place six products (ER visit, Yoga Class, Starbucks, Jiffy Lube, Frito-Lay Doritos, and Lumber) on the service continuum. The products can be classified as Service-Dominated, Balanced, or Product-Dominated.

Tagging (Topic, Learning Objectives, AACSB, Bloom's, Difficulty)
Topic: Components and Classifications of Products and Services
Learning Objective: LO 12-02 Recognize how services differ and how they can be classified.
AACSB: Knowledge Application
Blooms: Apply
Difficulty Level: 2 Medium

Follow-Up Activity: An easy extension to this activity is to draw the service continuum (see example below) on the chalkboard or whiteboard. Next, ask students to work in pairs to come up with an example for each of the three categories. Call one student per pair to the front to add their examples to the continuum. Once the table is complete, ask the students to identify how the marketing mix is implemented differently in each of the three categories. For example, what does "product" mean for a firm that is service dominated as opposed to a firm that is product dominated?

Service Dominated	Balanced	Product Dominated

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Connect Exercise 4: Evaluating Services

Activity Summary: In this click and drag activity, students explore the different ways consumers evaluate goods and services. Students are presented with six product purchase scenarios (new shoes, hair blow out, nutritional counseling, perfume, dog sitter, and legal services) which describe how the consumer gathers information and/or evaluates their purchase. Students then determine whether search, experience, or credence properties were used by the consumer in the evaluation of the product by dropping the product onto the correct property.

Tagging (Topic, Learning Objectives, AACSB, Bloom's, Difficulty)
Topic: Services Marketing
Learning Objective: LO 12-03 Explain how consumers purchase and evaluate services.
AACSB: Knowledge Application
Blooms: Apply
Difficulty Level: 2 Medium

Follow-Up Activity: To ensure that students understand the difference between the properties, instructors can create a small deck (approximately 8-10 cards) of products with consumer evaluation scenarios. While the students are evaluation, instructors should write three columns on the board (search, experience, and credence). Working in pairs, students would evaluate the scenario and determine whether search, experience, or credence properties were the primary method of evaluation and then place their card in the appropriate column. It is ideal to have multiple student pairs evaluating the same scenario so that disagreements in classification can be explored.

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Connect Exercise 5: Evaluating Service Quality

Activity Summary: In this click and drag activity, students are given the five dimensions of service quality (reliability, tangibility, responsiveness, assurance, and empathy) and are asked to match an example of a service encounter to each of the dimensions. Examples of the service encounters include appliance repair, oil changes, visiting an amusement park, getting a will, and going to the doctor.

Tagging (Topic, Learning Objectives, AACSB, Bloom's, Difficulty)
Topic: Services Marketing
Learning Objective: LO 12-03: Explain how consumers purchase and evaluate services.
AACSB: Knowledge Application
Blooms: Apply
Difficulty Level: 2 Medium

Follow-Up Activity: To extend the conversation, write the five dimensions of service quality on the board and ask students to explain how/why each dimension creates value for customers. To apply the concept, ask students to complete a gap analysis for a local service provider (restaurant, salon, doctor, DMV, etc.) and share their findings with suggestions for improvement. As an alternative, the class could complete the analysis on a division of the university (bursar, registrar, residential life, parking services, athletics, dining, etc.) then share results and suggestions for improvement.

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Connect Exercise 6: Minnesota Lynx

Activity Summary: In this 8-minute video case, students are introduced to services marketing for the Minnesota Lynx. After viewing the video, students are asked five questions covering the topics of the unique characteristics of services, the seven Ps of services marketing and gap analysis.

Tagging (Topic, Learning Objectives, AACSB, Bloom's, Difficulty)
Topic: Services Marketing
Learning Objective: LO 12-01: Describe four unique elements of services.
LO 12-02 Recognize how services differ and how they can be classified.
LO 12-03: Explain how consumers purchase and evaluate services.
AACSB: Knowledge Application
Blooms: Understand
Difficulty Level: 1 Easy, 2 Medium

Follow-Up Activity: As a follow up, ask student to analyze a university sports team (or the university itself) in terms of the seven Ps of services marketing; product, price, promotion, place, physical environment, people, and process. In the analysis, ask students to identify 1) what the service currently provides for each P and 2) what the service **should** provide to create additional customer value.

Connect Exercise 7: Marketing Analytics: Capacity Management

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Activity Summary: In this analytics activity, students read a mini-case about a small movie theater whose owner is evaluating a number of pricing and promotion changes with a goal of maximizing her profit through capacity management. Key marketing metrics included in the spreadsheet are average ticket price, revenue per screen, and admissions per screen. Students then utilize the interactive spreadsheet to analyze the firm's current situation and potential marketing tactics.

Tagging (**Topic, Learning Objectives, AACSB, Bloom's, Difficulty)**
Topic: Marketing Metrics
Learning Objective: LO 12-06 Discuss the important roles of internal marketing and customer experience management in service organizations.
AACSB: Analytical Thinking
Blooms: Analyze
Difficulty Level: 3 Hard

Follow-Up Activity: Instructors could have students extend the spreadsheet by suggesting additional marketing tactics for the movie theater. As an alternate activity, instructors could ask students to think of examples of capacity management in other industries. To start the conversation, encourage students to consider the airline, rental car, bounce house, or ski resort industries. Ask students to identify the different factors that affect capacity management in each industry making note of factors within the firm's control and beyond the firm's control (for example, seasonality, time of day, day of week, location, etc.) Have students share concrete examples of service industries implementing capacity management they locate online.

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