



EXAMINER'S REPORT

MAY 2001

SERVICES MARKETING MANAGEMENT

General Comments

The overall pass rate was relatively high this year. However the majority of grades were concentrated in the pass category. A few students received a B grade. No candidate received an A grade. This was disappointing as the examiner viewed the questions as relatively straightforward. Many of the comments made by the examiner last year are equally applicable this year. Candidates simply did not know the subject material well enough to answer confidently the type of questions that are and will be asked on the paper. Poor answering technique was also a contributing factor. Candidates either did not answer the question as asked or answered part of the question and left the remainder unanswered. An over reliance on examples/life experiences, at the expense of solid theory will not earn candidates many marks. As in previous years question one acted as lifebuoy to those students who were not prepared sufficiently to deal with the more individual specific questions of section B.

Question 1

Over two decades ago service marketers recognised the need for new frameworks, concepts and strategies in marketing and managing service businesses. There is general agreement that inherent differences between goods and services exist and that they result in unique management challenges. Intangibility, heterogeneity, simultaneous production and consumption and perishability encapsulate the primary differences between services and products. Service marketers also adopted the concept of an expanded marketing mix to include people, physical evidence and process. These are within the control of the firm and any or all of them may influence the customer.

Question 2

Required candidates to discuss two critical concepts, customer satisfaction and service quality. Service encounters or "moments of truth" are the building blocks of both satisfaction and quality. Every service encounter is an opportunity to build perceptions of quality and satisfaction. Within each service encounter there are underlying themes of pleasure and displeasure. Service firms can employ strategies to enhance customer perceptions of service quality and increase customer satisfaction.

Question 3

Part of understanding customer expectations is knowing what to do when the service fails. Students were expected to demonstrate that ineffective service recovery following a bad experience can lead to customers who are so dissatisfied that they become "terrorists" and

can impact on employee morale. Customers expect to be treated fairly when they complain- not just in terms of the outcome or compensation they receive- but also in terms of the procedures used and how they are treated interpersonally. Specific strategies are available to the firm for service recovery.

Question 4

Because of inherent characteristics, services can be difficult to comprehend or evaluate before purchase. Physical evidence, comprising of the servicescape and other tangibles, serves as a primary cue for communicating service quality attributes, setting customer expectations and creating the service experience. The course text presents a general framework for understanding servicescape effects on employee and customer behaviours. A physical evidence strategy needs to be researched, planned and effectively implemented.

Question 5

Four forms of distribution in services were described in the course, namely, franchisees, agents/brokers, direct and electronic channels. Direct or company owned channels do not require the use of intermediaries. As well as some general key problems involving intermediaries, each of the other three channels has its own set of benefits and channels. Possible intermediary management strategies include control, empowerment and partnering.

Question 6

Recently corporate strategists have recognised the limitations of evaluating corporate performance on financials alone and now acknowledge the necessity of complementing financial measures with operational measures of customer satisfaction, internal processes and the organisation's innovation and improvement activities.