

UNIVERSITY OF SWAZILAND  
FACULTY OF COMMERCE  
DEPARTMENT OF BUSINESS ADMINISTRATION  
SUPPLEMENTARY EXAMINATION PAPER JULY 2007

TITLE OF PAPER : SERVICES MARKETING  
DEGREE AND YEAR : B. COM. IV  
TIME ALLOWED : THREE (3) HOURS  
COURSE CODE : BA 424  
INSTRUCTIONS : 1. TOTAL NUMBER OF QUESTIONS IN THIS PAPER (6)  
2. SECTION A IS COMPULSORY. ANSWER ANY THREE QUESTIONS FROM SECTION B  
3. THE MARKS TO BE AWARDED FOR EACH QUESTION ARE AS INDICATED ALONGSIDE THE QUESTION

NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH AND FOR ORDERLY AND NEAT PRESENTATION OF WORK. FURTHER MARKS WILL BE AWARDED FOR THE USE OF RELEVANT EXAMPLES

SPECIAL REQUIREMENTS: NONE

THIS PAPER SHOULD NOT BE OPENED UNTIL PERMISSION TO DO SO HAS BEEN GRANTED BY THE INVIGILATOR.

## SECTION A CASE STUDY

**MEASURING CUSTOMER SATISFACTION: THE FEDEX APPROACH**

When Federal Express first opened its doors on April 17, 1973, it shipped eight packages, seven of which were trial runs addressed from one Federal Express employee to another. No one had any idea that this event marked the birth of an entire industry - overnight mail or parcel delivery. Particularly inspiring to college students is that Fred Smith, the CEO of FedEx, had sketched out the early details of the operation in an undergraduate paper at Yale University. The paper was given a grade of "C." By 1990, the company was generating \$7 billion in annual sales revenue and controlled 43 percent of the air express mail market.

FedEx has two ambitious goals: 100 percent customer satisfaction with every interaction and transaction, and 100 percent performance on every package handled. In its early days, Federal Express defined service quality as the percentage of packages delivered on time. After cataloguing complaints for many years, it had become apparent that the percentage of on-time delivery was an internal measure of service quality and did not necessarily reflect absolute service quality by customer standards.

The customer's definition of service quality, which included eight service failures to be avoided, became known as the "Hierarchy of Horrors" and included (1) wrong-day delivery; (2) right day, late delivery; (3) pick-up not made; (4) lost package; (5) customer misinformed by FedEx; (6) billing and paperwork mistakes; (7) employee performance failures; and (8) damaged packages. Based on these categories generated by customer complaints, it was readily apparent that on-time delivery was not the only measure important to FedEx customers.

In addition to categorising customer complaints, FedEx measures service quality by tracking 12 service quality indicators every day, both individually and in total. Moreover, the firm conducts numerous customer research studies each year in five major categories: (1) service quality studies, conducted quarterly, of four market segments: base business that is phoned to FedEx, U.S. export customers, manned-centre customers, and drop-box customers; (2) 10 targeted customer studies, conducted semi-annually, that contact customers who have had an experience with one of 10 specific FedEx processes such as customer service, billing, and invoice adjustments; (3) FedEx centre comment cards, which are collected and tabulated twice a year and used as feedback to the managers of each centre; (4) customer automation studies of FedEx's 7,600 largest customers, representing 30 percent of the company's total package volume, who are equipped with automated systems that permit package tracking and a variety of other self-service activities; and (5) the Canadian customer study conducted yearly, which is the single most frequent point of destination for FedEx packages shipped outside the United States.

How successful is FedEx? In monetary terms, its success has been history making. FedEx was the first company in U.S. history to top the \$1 billion in revenues within its first 10 years of existence. Customer satisfaction ratings at FedEx are also legendary. The highest quarterly rating of customer satisfaction achieved thus far has been a 94 percent "completely satisfied" rating from customers on

a 5-point scale that ranges from “completely dissatisfied to “completely satisfied.” Most firms combine “somewhat satisfied” and “completely satisfied” responses when calculating customer satisfaction ratings, but not at FedEx. Due to achievements such as these and many others, FedEx is a recipient of the Malcolm Baldrige Quality Award.

**QUESTIONS**

- a) From your knowledge of Services Marketing, do you think FedEx will achieve its ambitious goals? Justify your answer. [5 marks]
- b) Does FedEx use quantitative or qualitative methods to assess customer satisfaction? Provide specific examples of questions to be used in each case [10 marks]
- c) What are the advantages and disadvantages of using solely quantitative measures of customer satisfaction? [10 marks]
- d) What are the advantages and disadvantages of using solely qualitative measures of service quality? [10 marks]
- e) What are the advantages of using qualitative and quantitative measures in combination? [5 marks]

**Source:** Hoffman, K.D. & Bateson, J.E.G, (2006) Services Marketing: Concepts, Strategies, & Cases, Thomson South-Western, Massachusetts, pp. 520-21.

**SECTION B      ANSWER ANY THREE QUESTIONS FROM THIS SECTION**

**QUESTION TWO**

Discuss the unique characteristics of services. In your discussions, highlight the problems faced by marketers as a result of these characteristics and also show how they can overcome these problems. (20 marks)

**QUESTION THREE**

- a) Discuss the various opportunities for ethical misconduct among service organisations in Swaziland. Cite examples from the media or from your own experience. (10 marks)
- b) Using examples from real life, discuss the following methods for ethical decision making: (10 marks)
  - a) Teleology
  - b) Egoism
  - c) Utilitarianism
  - d) Deontology
  - e) Relativism

**QUESTION FOUR**

Using examples, discuss the special problems encountered by service firms when designing a services communications mix (20 marks)

**QUESTION FIVE**

- a) Use examples to discuss the various categories of physical evidence (5 marks)
- b) Show, by use of examples, how sensory appeals can be used to create a service atmosphere (15 marks)

**QUESTION SIX**

- a) With practical examples, discuss the different types of service failures (15 marks)
- b) Briefly describe the types of complaints and explain why many customers don't complain (5 marks)