

**UNIVERSITY OF SWAZILAND  
FACULTY OF COMMERCE  
DEPARTMENT OF BUSINESS ADMINISTRATION  
MAIN EXAMINATION PAPER                      MAY 2011**

**TITLE OF PAPER                      :**            **SERVICES MARKETING**  
**DEGREE AND YEAR                :**            **B.COM. IV (FULL TIME & LEVEL VI IDE)**  
**TIME ALLOWED                    :**            **THREE (3) HOURS**  
**COURSE CODE                     :**            **BA 424**  
**INSTRUCTIONS                    :**

- 1. TOTAL NUMBER OF QUESTIONS IN THIS PAPER (6)**
- 2. SECTION A IS COMPULSORY**
- 3. ANSWER ANY THREE QUESTIONS FROM SECTION B**
- 4. THE MARKS TO BE AWARDED FOR EACH QUESTION ARE AS INDICATED ALOGSIDE 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 PERMISSSION TO DO SO  
HAS BEEN GRANTED BY THE INVIGILATOR.**

**SECTION A CASE STUDY: ELECTRONIC BANKING SERVICES:  
HIGH-TECH, LOW-TOUCH?**

Source: Hoffman, D.K. & Bateson, J.E.G. (2007), Services Marketing: Concepts, Strategies & Cases, 3<sup>rd</sup> edition

**PROFILE OF HIGH-TECH BANKS**

MeritaNordbanken is one of the leading financial services groups in the Nordic and Baltic Sea. With Finland and Sweden as its base, the Group develops and markets a broad range of financial products and services for private individuals, companies, institutions, and the public sector. The customer base comprises about 6.5 million private individuals and more than 400,000 companies and institutions, which are serviced through 735 branch offices and 1,000 Swedish post offices. Customers also have access to an extensive network of bill payment ATMs and cash dispensers. Almost 2 million customers use MeritaNordbanken's network banking services, which include its telephone bank and PC/Internet bank. MeritaNordbanken's vision is to assist its customers to grow by acting as their leading bank partner, the best supplier of electronic banking services and the most cost-effective financial service institute.

**EXPLAINING THE IMPORTANCE OF NETWORK-BANKING**

The internet has revolutionised the way that businesses operate and the financial world has not been spared. Financial services and online banking services are among the industries that flourished rapidly from an estimated \$240 billion by the turn of the century. Internet banking, online share trading, online mortgage and insurance services are all recording phenomenal growth. Online financial transactions have a clear cost advantage compared to traditional transactions. A look at MeritaNordbanken's personnel data illustrates this. From 1997 to 1998, the bank's personnel declined by 653 in retail operations (the front-line staff) and by 807 for the whole group. This reduction in personnel illustrates a cost-saving generated by the rapid development of online banking services of the MeritaNordbanken Group.

In parallel to the development of the Internet is the development of electronic commerce (e-commerce). One of the most critical elements enabling e-commerce is the banking and financial services sector. Where e-commerce has developed the banking and credit facilities are the major enablers of payment facilities for online transactions. To a large extent, e-commerce transaction relies on the intermediary role of banks, credit card companies and other financial institutions, which must be interconnected. Banks, thus, provide also an infrastructure that links local and national businesses with global banking networks. Banks also give consumers, small businesses and local communities access to financial resources and services that will allow them to participate in e-commerce.

Another aspect that illustrates the growing importance of Internet banking services is the increased automation of data-entry and integration of systems within organisations which is eliminating data redundancy and errors due to data manipulations. These improvements are believed to help raise productivity in organisations.

Finally, the ability to provide better consumer service is also underlined as one of the factors contributing to the development of online banking. Direct communication with customers enables businesses to tailor their products and services to the individual preferences of their customers.

Witness of this phenomenon is the proliferation of Web sites providing individualisation and personalisation capacities to their online visitors. Businesses may provide their customers with personalised information and additional services that help them retain the loyalty of their customers. Customers also benefit from the ability to seek information and eventually shop, pay their bills, consult their accounts, transfer money, etc., at any time or day.

#### **INTERNET BANKING AT MERITANORDBANKEN**

In a statement, available on the bank Web site, Hans Dalborg, the Chief Executive Officer of the MeritaNordbanken Group declared: "We have clearly exceeded our Internet banking goals for 1999, and we are ready to move forward. MeritaNordbanken is the number one bank in the world in terms of monthly log-ons, and we plan to stay at the top." Services through data networks are deeply rooted in the MeritaNordbanken Group. They began in 1982 with automatic telephone payments and were expanded to PC services in 1984, GSM (cellular network) in 1992, the Internet in 1996 and TV in 1998. Today, almost all banking services can be carried out over the Internet.

By the late 1998, the bank counted half a million customers using its data networks. The customer base today has grown to 1.1 million. Monthly log-ons to the Solo services on the Internet amount to 3 million. Nearly 4 million bills are paid via the Internet every month and the figure is constantly growing. The proportion of share purchase and sale orders and mutual fund transactions over the net has periodically reached 61% and 10%, respectively, in Finland. The growth of online banking is believed to carry on even further in the foreseeable future.

#### **HOW NETWORK SERVICES CREATE CUSTOMER VALUE**

Network services make it possible to handle routine items such as payments as well as sophisticated services regardless of the time or location, with various types of technical tools. Customers can save time and money and receive reports that provide a much better overview of assets, loans, cash flow and transactions. "Customers with an internet connection are more satisfied with their bank than other customers, which illustrates that customer value is appreciated," says Bo Harold, the Executive Vice President. Customer value also arises through a growing service content, clarity, user-friendliness and volume-tolerating reliability.

#### **INTERNET SOLO SERVICES: A CUSTOMER PERSPECTIVE**

The Finnish Bank has a simple interface and is available in three languages (Finnish, Swedish and English). The benefit for prospective customers is that one can test the online banking service with the training function. Interested customers may experience directly the types of services offered by the online bank by logging in with a generic

customer number and password. The Internet bank service provides a rapid overview of all the user accounts (current investments and even loans). By clicking on any of these accounts, the user can have a detailed list of all debits and credits that occurred from each of his/her accounts as well as the name of the payee or payer. Transactions can be set both in Euros and Finnish Marks.

Furthermore, the online bank permits users to invest in high interest accounts or directly on the stock and bond market. Merita bank also offers the ability to pay bills online. The online payment form is simple and user-friendly. It requires the account number of the recipient and its name. A unique reference number is inserted and the user enters the due date as well as the amount of the bill. There is an option which allows users to receive a receipt for a small fee.

Basic online services such as account monitoring and payments are available to Merita customers for about \$20 a year. More complicated services such as share trading, lending and investments are available for an additional \$45 a year plus an additional charge for each buying and selling transaction. The bank also displays clearly its policy with matters regarding security of transactions and the protection of customer data. Encryption software is used to protect data sent across networks and the little lock logo at the bottom of the browser attests that it is doing so. For customers who do not have access to the Internet at home, the physical bank has several PCs at the disposition of its customers. These are also used to train and educate customers to use the bank's system. It is not uncommon to see an elderly customer alongside an employee teaching the basics of Internet Banking. Finally, a telephone number is provided to customers who wish to contact an employee should they face any problems during their online experience.

#### **FUTURE PROSPECTS**

Strong of its advance in terms of network banking services, MeritaNordbanken continues its progression by adding further services via the Internet. For example, up to 16% of credit applications are currently sent to the bank via the Internet. This trend, explains Bo Harald, is "something which has revolutionised the old thinking that personnel service is always indispensable in negotiations on household loans." In addition to new services, Merita is pioneering the use of the latest technologies for its wireless banking services. Basically, the bank plans to offer all services currently available with the online Solo services directly to its customers' mobile phones. A WAP-(Wireless Application Protocol) enabled mobile telephone can be used for account and credit card transaction monitoring, account-to-account-transfers and bill payments. It also enables shopping at MeritaNordbanken's virtual marketplace, the Solo Mall, already familiar to Internet banking customers. All these services will be free of charge for a trial period after which a minimal monthly charge will be introduced. Stock trading will be the next service to be made available via WAP phones.

**QUESTIONS**

- a) Using the information provided in the case, discuss the benefits of SSTs (Self Service Technologies) to both service firms and their customers **(20 marks)**
- b) Discuss some of the challenges that Merita may encounter as it continues to deliver its services electronically **(10 marks)**
- c) Why is it so important to train and educate customers on the use of services? Justify your answer with examples **(10 marks)**

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

**QUESTION TWO**

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

**QUESTION THREE**

- a) Using examples from your environment, discuss why customer retention is such a vital aspect of services marketing. In your discussion, show the benefits of customer retention to the service firm. **(15 marks)**
- b) Briefly discuss the emerging customer retention programmes. **(5 marks)**

**QUESTION FOUR**

- a) Discuss the importance of the three additional Ps in services marketing (People, Processes and Physical Evidence). **(10 marks)**
- b) What are the major design differences between high-customer-contact and low-customer-contact services? **(10 marks)**

**QUESTION FIVE**

- a) Discuss the concept of boundary-spanning personnel and show what provides them with the opportunity to engage in unethical conduct. **(10 marks)**
- b) Discuss the various ethical principles and show why different people may take different ethical decisions under similar circumstances. **(10 marks)**

**QUESTION SIX**

- a) Discuss the concepts of frequency marketing, relationship marketing and aftermarketing. **(15 marks)**
- b) Is it always worthwhile to retain a customer? **(5 marks)**