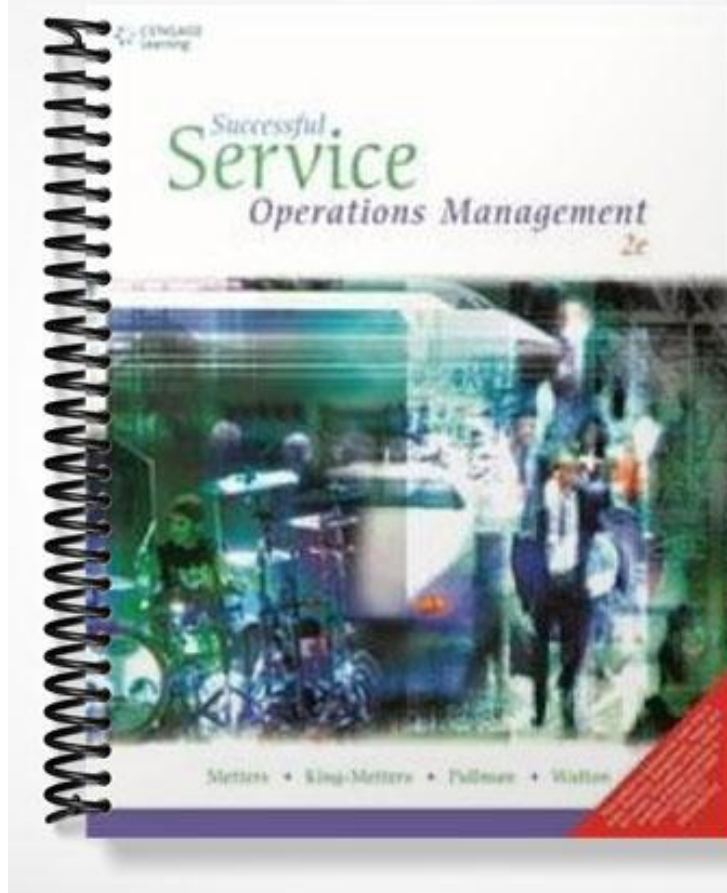


TEST BANK



Chapter 2 – Strategic Positioning

- 1) Clearly defining a target market lets employees know which customers are the most important.
 - a) True
 - b) False
- 2) From the customer's point of view, the service concept is the reason for choosing a particular firm.
 - a) True
 - b) False
- 3) Service delivery system ideas can sometimes run counter to the service concept.
 - a) True
 - b) False
- 4) A key difference between manufacturing and services is that, with services, growth strategies need to reflect the difference in customer contact.
 - a) True
 - b) False
- 5) The service concept can be broadly described as the set of core competencies that distinguish a firm from its competitors.
 - a) True
 - b) False
- 6) The maturity phase is the least profitable phase of the multi-site services life cycle.
 - a) True
 - b) False
- 7) Small, privately owned "mom and pop" firms that trade their ownership of a single unit for shares of stock in a firm encompassing many units in the same industry are known as industry roll-ups.
 - a) True
 - b) False

- 8) Fully mature firms frequently utilize franchise agreements when expanding internationally.
- a) True
 - b) False
- 9) In the entrepreneurial stage of the multi-site service firm lifecycle, the skills that matter most are a founder's ability to standardize the firm's operating systems as quickly as possible.
- a) True
 - b) False
- 10) An order winner is a competitive priority that an individual company emphasizes to cause a customer to choose it over its competitors.
- a) True
 - b) False
- 11) Order qualifiers are those competitive priorities that firms in an industry must have just to be able to compete.
- a) True
 - b) False
- 12) A firm's strategy and therefore operational structures, marketing plans, and personnel will change over time as indicated by the multi-site service lifecycle.
- a) True
 - b) False
- 13) Franchising enables service companies to grow much more rapidly than they could if they had to fund the expansion out of its own cash flow.
- a) True
 - b) False
- 14) The term "roll-up" refers to the practice of a company using its publicly traded stock to buy up small firms in a fragmented industry.
- a) True
 - b) False

- 15) Which of the following is not one of the four elements of a strategic service vision?
- a) Focus on the target market
 - b) Adjustable capacity
 - c) Development of an operating strategy
 - d) Implementation of a service delivery system
- 16) Which of the following best describes the service delivery system?
- a) Defining instructions given to human resources, marketing, operations and finance
 - b) Defining the structure required to deliver the service concept
 - c) Specific decisions regarding personnel, procedures, equipment, capacity and facilities
 - d) Ensuring that personnel know and understand the specific target market for their firm
- 17) Which element of the strategic service vision is stated from the point of view of the customer?
- a) Target market
 - b) Service concept
 - c) Operating strategy
 - d) Service delivery system
- 18) The acronym SWOT refers to:
- a) Strategy, Winners, Organization, Tactics
 - b) Strengths, Weaknesses, Opportunities, Tactics
 - c) Strategy, Winners, Opportunities, Threats
 - d) Strengths, Weaknesses, Opportunities, Threats
- 19) The competitive priority emphasized most by FedEx is?
- a) Cost
 - b) Quality
 - c) Service
 - d) Time
 - e) Flexibility

- 20) The competitive priority emphasized most by Southwest is?
- a) Cost
 - b) Quality
 - c) Service
 - d) Time
 - e) Flexibility
- 21) The objective of strategic positioning is to
- a) Determine the service delivery system
 - b) Position firm resources where they are most needed
 - c) Determine necessary equipment, personnel, etc.
 - d) Identify the target market
- 22) Which statement best describes the “maturity” phase of the multi-site services life cycle?
- a) Requires the development of training programs, accounting systems and procedure writing
 - b) Involves selling the concept to a wider consumer and managerial audience
 - c) Requires local marketing and public relations skills
 - d) Involves maintaining market position, standards and operational control
- 23) Industry roll-ups and franchising are alternatives to traditional internal funding and are utilized during which stage of the multi-site services life cycle?
- a) The multi-site rationalization phase
 - b) The growth phase
 - c) The maturity phase
 - d) The decline/regeneration phase
- 24) Of those listed, which is the strongest motivating factor for deciding to franchise?
- a) Ability to influence behavior
 - b) Need for rapid financial growth
 - c) Desire to control service delivery
 - d) Ease of procedure and product modification
- 25) The best description of an operational issue facing firms who choose to franchise is which if the following?
- a) Consensus between franchisors and franchisees
 - b) Ability to change procedures and products
 - c) Ability to change channels of distribution
 - d) All of the above

- 26) Which of the following statements best describe a managerial trade-off in franchising?
- a) Risk shifted to franchisee, but limits profit to franchiser
 - b) Increased managerial control for franchiser, but lower managerial control for franchisee
 - c) Risk shifted to franchiser, but limits profit to franchisee
 - d) Higher profit potential for franchiser, but lower profit potential for franchisee
 - e) Both c and d
- 27) What percentage of retail dollars flow through franchised units in the United States?
- a) One-half
 - b) Two-thirds
 - c) One-third
 - d) Three-quarters
- 28) Industry rollups succeed because?
- a) Once-independent competitive units can share resources
 - b) Small operators retain their local connections and personal touch while achieving economies of scale
 - c) Rolled-up firms no longer require expertise in front-office skills
 - d) All of the above
 - e) Only a and b
- 29) Challenges and requirements for the multi-site rationalization state of the service firm lifecycle include which of the following
- a) Selecting a dominant paradigm for marketing, operations, and human resources
 - b) Keeping a well-known concept “fresh”
 - c) Selling the service concept to wider consumer and managerial audiences is a critical skill
 - d) Wider-scale advertising becomes both feasible and more important than local public relations
 - e) None of the above
- 30) Franchise fees are usually composed of which of the following?
- a) Up-front fees and back-end fees
 - b) Up front fees and royalties based on gross sales
 - c) Up front fees and royalties based on net income
 - d) Up front fees and royalties based on market penetration

- 31) A core competency must meet which of the following tests:
- a) Provide access to a wide array of potential markets
 - b) Contribute to the customers' perceptions of the benefits of the end product or service
 - c) Be difficult for other competitors to imitate
 - d) All of the above
- 32) Characteristics of industries to target for roll-ups include:
- a) Growing and fragmented markets
 - b) Enough competitors to allow roll-up partners to be selectively chosen
 - c) Geographic dispersion
 - d) All of the above
 - e) Only a and b
- 33) Disadvantages of franchising include which of the following:
- a) Higher risk for the franchiser
 - b) Limits income of successful concept
 - c) Slower growth than through financing
 - d) Shifts profits to franchiser
- 34) Stages of the multi-site service firm lifecycle include which of the following
- a) Success
 - b) Failure
 - c) Implementation
 - d) Growth
- 35) The set of operational oriented dimensions that companies can compete on are called:
- a) Order Winners
 - b) Core competencies
 - c) Order Qualifiers
 - d) Competitive priorities
 - e) Order Attributes

Essay Question 1

Describe why firms choose to franchise and the specific advantages and disadvantages that are experienced in the finance, operations, human resources and marketing functions.

Essay Question 2

Describe the multi-site service firm lifecycle and discuss how strategy, decision-making, and managerial challenges change over the lifecycle?

Essay Question 3

Discuss the key differences between franchising and roll-ups and the conditions in which a firm would choose one growth strategy over the other.

Essay Question 4

In the lodging industry, discuss the differences in target market, competitive priorities, order winners, and order qualifiers between a high end luxury hotel such as The Ritz Carlton and a budget motel like Motel 8. What are some of the key operational decisions that support and differentiate their service strategies?

Answer Key

- | | | | | | |
|-----|---|-----|---|-----|---|
| 1) | A | 2) | A | 3) | A |
| 4) | A | 5) | A | 6) | B |
| 7) | A | 8) | A | 9) | B |
| 10) | A | 11) | A | 12) | A |
| 13) | A | 14) | A | 15) | B |
| 16) | C | 17) | B | 18) | D |
| 19) | D | 20) | A | 21) | D |
| 22) | D | 23) | B | 24) | B |
| 25) | D | 26) | A | 27) | C |
| 28) | E | 29) | A | 30) | B |
| 31) | D | 32) | E | 33) | B |
| 34) | D | 35) | D | | |