Chapter 2

1. What was a key reason for Scott Dunn Travel's early success?

 A) Offering the lowest prices in the market

 B) Focusing on luxurious and highly personalized service\*

 C) Partnering with budget travel agencies

 D) Avoiding expansion into international markets

2. What business philosophy did Andrew Dunn follow in establishing Scott Dunn Travel?

 A) Selling the cheapest services possible

 B) Prioritizing exclusivity and quality over low prices\*

 C) Targeting a broad, mass-market customer base

 D) Focusing only on domestic travelers

3. What is a primary benefit of investing in excellent customer service?

 A) Lowering staff training costs

 B) Increased customer retention and lifetime value\*

 C) Reducing the need for advertising

 D) Encouraging short-term sales rather than long-term relationships

4. According to research, how much can profits increase by retaining just 5% more customers?

 A) 10%–20%

 B) 25%–85%\*

 C) 5%–15%

 D) 50%–100%

5. What percentage of Scott Dunn Travel’s business comes from repeat customers?

 A) 40%

 B) 50%

 C) 60%

 D) 70%\*

6. How did Scott Dunn Travel differentiate itself from competitors in its early years?

 A) Lower prices and basic accommodations

 B) Opulent chalet experiences with premium services\*

 C) Minimal staffing to cut costs

 D) Exclusive partnerships with budget airlines

7. What strategy helped Scott Dunn Travel survive economic downturns?

 A) Expanding rapidly to compensate for losses

 B) Cutting back on quantity while maintaining quality\*

 C) Lowering service standards to remain competitive

 D) Relying solely on government subsidies

8. What does the term "unexpected acts of kindness" (U.A.K.) refer to in Scott Dunn's service philosophy?

 A) Unplanned budget cuts to increase profits

 B) Small, thoughtful gestures to enhance customer experience\*

 C) Complimentary flights for new customers

 D) Discounts offered only during off-peak seasons

9. What business strategy helped Scott Dunn secure investors in 1992?

 A) Selling shares and offering free vacations\*

 B) Downsizing the company

 C) Launching a budget travel segment

 D) Avoiding international expansion

10. What is a primary reason companies invest in customer service?

 A) To reduce employee training expenses

 B) To improve customer satisfaction and loyalty\*

 C) To increase short-term sales only

 D) To eliminate service costs

11. What percentage of employment in North America is in the service sector?

 A) 50%

 B) 60%

 C) 70%

 D) 80%\*

12. Which country has seen its service sector grow from 54% to over 70% of total employment?

 A) China

 B) South Korea\*

 C) Germany

 D) Australia

13. What factor has contributed to the growing dominance of the service sector in economies worldwide?

 A) Increased automation in the hospitality industry

 B) Rising consumer demand for service-oriented experiences\*

 C) Government mandates requiring higher employment in services

 D) A decrease in global travel demand

14. What five dimensions define service quality according to Parasuraman et al.?

 A) Price, accessibility, branding, reliability, and speed

 B) Reliability, assurance, empathy, responsiveness, and tangibles\*

 C) Convenience, digital presence, affordability, reputation, and innovation

 D) Cleanliness, location, accessibility, flexibility, and variety

15. What is customer lifetime value (CLV)?

 A) The estimated revenue a customer will generate over their relationship with a company\*

 B) The price a customer pays for a one-time purchase

 C) The total cost of customer acquisition

 D) The amount of time a customer spends on a website

16. What is an example of offensive marketing in hospitality?

 A) Targeting new high-value customers through premium services\*

 B) Offering large discounts to compete on price

 C) Reducing marketing efforts to cut costs

 D) Eliminating personalized customer service

17. What is the key focus of defensive marketing?

 A) Attracting as many customers as possible

 B) Retaining existing customers and encouraging loyalty\*

 C) Increasing marketing costs to boost brand awareness

 D) Focusing only on short-term gains

18. What does the Apostle Model categorize as "Hostages"?

 A) Customers with high satisfaction and high loyalty

 B) Customers with low satisfaction but high loyalty\*

 C) Customers with high satisfaction but low loyalty

 D) Customers who frequently switch brands

19. What factor contributes to higher profits for companies that excel in customer service?

 A) Ability to charge premium prices\*

 B) Reduction in customer engagement

 C) Elimination of marketing expenses

 D) Higher turnover rates among employees

20. How did Loews Hotels respond to the financial crisis caused by the COVID-19 pandemic?

 A) Firing 80% of its workforce

 B) Reducing executive salaries and creating relief programs for employees\*

 C) Closing permanently in multiple locations

 D) Eliminating customer loyalty programs

21. What is an example of a behavioral consequence of poor customer service?

 A) Increased customer satisfaction

 B) Negative word-of-mouth and customer defection\*

 C) Higher customer retention rates

 D) Increased employee morale

22. What was one reason Marina Bay Sands was ranked as the world’s most valuable casino brand?

 A) It focuses solely on gambling revenue

 B) It integrates luxury accommodations, dining, and entertainment\*

 C) It charges the highest hotel rates globally

 D) It avoids digital marketing campaigns

23. What is one major impact of customer "terrorists"?

 A) They help promote a brand through loyalty programs

 B) They publicly criticize companies, damaging brand reputation\*

 C) They encourage companies to increase advertising

 D) They provide positive feedback on digital platforms

24. What type of customers generate 80% of Starbucks’ revenue?

 A) Hostages

 B) Apostles\*

 C) Defectors

 D) Mercenaries

25. What role does social media play in customer complaints today?

 A) It limits customers' ability to express dissatisfaction

 B) It amplifies negative feedback, spreading complaints rapidly\*

 C) It makes customer concerns less relevant

 D) It has no impact on brand reputation