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## Chapter 1 Introduction to Services Marketing

### GENERAL CONTENT

#### Multiple Choice Questions

1. There are several reasons why the services sector is increasing in almost all countries around the world. Which is not one of the contributing reasons?
  - a. The knowledge-based industries are growing.
  - b. Countries are less dependent on agriculture.
  - c. Some manufacturing firms are now focusing on marketing services as well.
  - d. The construction and manufacturing industries are booming.
  - e. More companies are outsourcing some of their service components.(d; Moderate; p. 6)
  
2. Service markets are shaped by all of the following except \_\_\_\_\_.
  - a. government policies
  - b. social changes
  - c. global economic change
  - d. business trends
  - e. advances in information technology(c; Easy; p. 10)
  
3. The following are all business trends transforming service markets except \_\_\_\_\_.
  - a. push to increase shareholder value
  - b. growth of franchising
  - c. new agreements on trade in services
  - d. marketing emphasis by non-profit organizations
  - e. focus on quality and customer satisfaction(c; Moderate; p. 12)
  
4. The three broad categories of things processed in services are \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
  - a. people; physical objects; data
  - b. people; organizations; documents
  - c. people; data; projects
  - d. physical objects; data; documents
  - e. physical objects; organizations(a; Easy; p. 15)

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5. The two considerations used to categorize service are \_\_\_\_\_ and \_\_\_\_\_.
- promotion versus place; price versus product
  - place versus time; people versus ideas
  - place versus people; time versus money
  - people versus possession; tangible versus intangible
  - people versus intangible; tangible versus possession
- (d; Moderate; p. 15)
6. A useful way to distinguish between goods and services is to place them on a continuum from \_\_\_\_\_ to \_\_\_\_\_.
- practical; impractical
  - tangible-dominant; intangible-dominant
  - low; high
  - reliable; unreliable
  - prepared; unprepared
- (b; Easy; p. 20)
7. Customers being turned away or having to wait is an implication of which aspect of services?
- People may be a part of the service experience.
  - Intangible elements usually dominate value creation.
  - Services are often difficult to visualize and understand.
  - Customers may be involved in co-production.
  - Most services cannot be inventoried.
- (e; Easy; p. 21)
8. Which of the following is an example of co-production?
- Withdrawing from an ATM.
  - Eating fast food.
  - Touring an aquarium.
  - Buying a stereo.
  - Selling items on eBay.
- (a; Challenging; p. 23)
9. The three additional Ps of services marketing that extend the original four Ps of marketing are \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
- product; price; place; promotion
  - prospects; process; people; promotion
  - physical environment; process; people
  - prosperity; process; people; promotion
  - physical environment; prosperity; planning; process
- (c; Moderate; p. 23)
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10. The service framework for developing effective service strategies excludes \_\_\_\_\_.
- a. understanding service products, consumers and markets
  - b. managing the competitive landscape
  - c. applying the 4 Ps of marketing to services
  - d. designing and managing the customer interface
  - e. developing customer relationships
- (b; Moderate; p. 25)

**True/False**

11. In most highly developed nations, services account for between three-fifths and four-fifths of the GDP.  
(True; Easy; p. 6)
12. Typically service jobs are not well-paid positions and require little education.  
(False; Easy; p. 7)
13. When migrants from developing countries move back to their own countries after living and working abroad in developed countries, there will be a vacuum in the employment market of developing economies.  
(False; Challenging; p. 11)
14. Systems and networks access and usage is an example of the ownership of services.  
(False; Moderate; p. 12)
15. Other customers typically do not impact the satisfaction of other consumers in service settings.  
(False; Easy; p. 19)
16. Time is of great importance in services so operations managers have to be concerned about minimizing customer waiting time.  
(True; Easy; p. 21)
17. Marketers should not attempt to shape customer roles and behaviors.  
(False; Moderate; p. 22)
18. Failures are inevitable in service industries.  
(True; Moderate; p. 23)
19. The appearance of buildings, landscaping, vehicles, and uniforms provide tangible evidence of a firm's service quality.  
(True; Moderate; p. 24)

20. Servicescape is only a consideration if customers have to enter a service factory.  
(True; Moderate; p. 24)

### **Short Answer**

21. What are the five broad categories within the non-ownership framework?

Rented goods, defined space and place rentals, labor and expertise rental, access to shared physical environments, and systems and networks: access and usage.

(Moderate; p. 14)

22. Define services.

Services are economic activities offered by one party to another. Often time-based performances are used to bring about desired results in recipients themselves or in objects or other assets for which purchasers have responsibility. In exchange for their money, time and effort, customers expect to obtain value from access to good, labor, professional skills, facilities, networks and systems. However, they do not normally take ownership of any of the physical elements involved.

(Moderate; p. 15)

23. What are the eight common differences between products and services?

1) Most service products cannot be inventoried, 2) intangible elements usually dominate value creation, 3) services are often difficult to visualize and understand, 4) customers may be involved in co-production, 5) people may be part of the service experience, 6) operational inputs and outputs tend to vary more widely, 7) the time factor frequently assumes great importance, and 8) distribution may take place through non-physical channels.

(Challenging; p. 19)

24. Provide an example of a service that lies at each end of the tangible-dominant to intangible-dominant spectrum.

Low—tailored clothing

High—Internet banking

(Moderate; p. 20)

25. What are the three vital roles of promotion and education?

Providing needed information and advice, persuading target customers of the merits of a specific brand or service products, and encouraging customers to take action at specific times.

(Moderate; p. 22)

**Essay**

26. Give an example of how the Internet is changing the face of service industries.

The Internet is transferring power from suppliers to customers, particularly in consumer markets. For example, travel agencies are being replaced by Web sites like Orbitz, Travelocity, and Priceline. These sites allow customers to shop around for the best prices with greater ease. They have in effect changed the distribution system to favor the consumer.

(Moderate; p. 12)

27. How can firm develop effective marketing strategies?

Firms need to start first understanding why service the service sector is developing so fast, and what forces are driving it. Then firms must understand consumer need and behavior. They can do this using the three-stage model of service consumption to explore how customer make decision, respond to services encounters and evaluate service performance. After that, they need to position their offerings to ensure commercial viability. The position must be so distinctive and defensible that the firm can attract a sufficient volume of business from the target customers. The next step is to apply the 4 Ps of traditional marketing into services, with the understanding that services require attention to different elements because services are different from goods. At the same time, firms have to manage the interface between the customers and the service firms. Hence, there are 3 additional Ps to be managed – process, which includes balancing demand and capacity, physical environment, and people. Finally, in order to be profitable, firms need to build relationships with customers to retain their loyalty, handle customer feedback and have service recovery systems in place, make sure that firms are productivity but maintain standards of service excellence and have a culture that focuses the firm on the service profit chain, while integrating the three key functions of marketing, operations and human resources.

(Moderate; p. 24)

**APPLICATION CONTENT****Multiple Choice Questions**

28. A movie theater seat is an example of \_\_\_\_\_.
- renting durable goods
  - closely engaging customers in the service process
  - renting portions of a larger physical entity
  - the centrality of time to services
  - differences in customer choice criteria

(c; Moderate; p. 14)

29. Education is an example of a/an \_\_\_\_\_ service.
- people-processing
  - information processing
  - mental stimulus processing
  - possession-processing
  - physical processing
- (c; Moderate; p. 15)
30. Service firms have reservations systems because
- intangible elements usually dominate value creation.
  - most service products cannot be inventoried.
  - distribution may take place through non-physical channels.
  - customers may be involved in co-production.
  - all of the above.
- (b; Moderate; p. 19)
31. Which of the following is the best example of a supplementary service?
- Appliance maintenance
  - Hotel room rental
  - Fast food consumption
  - House cleaning
  - Landscaping
- (a; Moderate; pp. 20)
32. Online educational programs offered by the University of Phoenix are an example of \_\_\_\_\_.
- revolutionary products/services
  - collective products/services
  - additional services
  - supplementary services
  - core products/services
- (e; Moderate; p. 20)

### **True/False**

33. China is experiencing rapid economic growth and this stimulates demand for production and business services.  
(False; Easy; p. 7)
34. IBM is a good example of a firm that has shifted from manufacturing intensive operations to service intensive operations.  
(True; Moderate; p. 9)
35. The Internet is transferring power from suppliers to customers, especially in consumer markets.

(True; Moderate; p. 12)

36. Services can be outsourced today to cheaper destinations anywhere in the world.

(True; Moderate; p. 13)

37. The best way to help customers visualize your service is to highlight credentials/experience and educate consumers to make good choices.

(True; Moderate; p. 19)

### **Short Answer**

38. Give an example of a government policy that has stimulated the transformation of a service industry.

Deregulation of the telecommunications industry has stimulated competition and altered fee structures.

(Moderate; p. 11)

39. Give an example of an industry where the Internet has transferred power from suppliers to customers.

The travel industry.

(Moderate; p. 12)

40. Give an example of a service that offers labor and expertise rental.

Car repair, surgery, management consultancy, etc.

(Easy, p. 14)

41. Give an example of a service that offers access to physical environments as a form of rental.

Museums, theme parks, trade shows, gyms, zoos, ski resorts, golf courses, toll roads, etc.

(Easy; p. 14)

42. Give an example of an industry where production and consumption are separable.

Dry cleaning, lawn mowing, weather forecasting, etc.

(Moderate; p. 16)

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**Essay**

43. Describe the possible differences in customer choice criteria between car rentals and outright purchases.

Renters typically reserve a specific vehicle class or category rather than a specific brand or model. For example, car rental companies offer sub-compact, compact, mid-size, and luxury models. The brand of a subcompact may be a Volkswagen Beetle or a Geo Metro. Physical characteristics like color, upholstery, and the number of cup holders are more important to buyers. Consumer consideration of rental locations, insurance coverage, cleanliness of the vehicle and facilities, and ease of the reservation system are also considerations for rental services that differ from car dealerships.

(Challenging; p. 13)

44. Provide an example of a service industry where customers are involved in co-production and explain the implications and marketing-related tasks that would be associated with that service.

Theme parks are a good example of customer co-production services. Implications include customers having to visit the facility and participate in rides, shows, and other activities to benefit from the service. Picking the wrong ride at the wrong time may cause the customer to wait in a long line and decrease the value of their service experience. Marketing-related tasks include developing user-friendly equipment and facilities and training customers to perform effectively. For example, theme parks can provide schedules and maps to assist customers in making better and more efficient plans.

(Moderate; p. 19)

45. Describe the seven Ps of service that would be involved in a banking service.

Product elements of banking would include aspects like checks and plastic ATM cards. Place and time would concern issues of teller and office accessibility along with 24-hour access to ATMs for certain smaller transactions. Price and user outlays would include costs incurred traveling to the bank or ATMs and making tradeoffs with fees incurred from out of network bank use. Promotion and education include television commercials, free checking offers, and notifications of account changes in the mail. Physical environment aspects include facility layouts and tellers dressing in business attire. Process elements include efficient and correct handling of transactions by both employees and ATMs. Finally, people aspects include the friendliness of tellers and other customer service representatives, as well as other customers.

(Challenging; p. 20)