

Chapter 1

New Perspectives on Marketing in the Service Economy

GENERAL CONTENT

Multiple Choice Questions

1. For-profit firms seek to achieve _____ profits subject to _____ constraints, although not-for-profit service suppliers seek to achieve _____ profits subject to _____ constraints.
 - a. social; financial; financial; social
 - b. social; financial; social; financial
 - c. financial; transactional; social; regulatory
 - d. financial; social; social; financial
 - e. transactional; social; limited; transactional(d; Moderate; p. 5)

2. The acronym for the new North American classification system that includes services is _____.
 - a. NAFTA
 - b. NAICS
 - c. NACS
 - d. NACSS
 - e. NEICE(b; Moderate; p. 8)

3. 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)

4. A useful way to distinguish between goods and services is to place them on a continuum from _____ to _____.
 - a. practical; impractical
 - b. tangible-dominant; intangible-dominant
 - c. low; high
 - d. reliable; unreliable
 - e. prepared; unprepared(b; Easy; p. 14)

5. Firms' market offerings are divided into _____ and _____ elements.
- a. core product; supplementary service
 - b. marketing; management
 - c. product; delivery
 - d. service; delivery
 - e. planning; delivery
- (a; Moderate; p. 15)
6. Customers being turned away or having to wait is an implication of which aspect of services?
- a. People may be a part of the service experience.
 - b. Intangible elements usually dominate value creation.
 - c. Services are often difficult to visualize and understand.
 - d. Customers may be involved in co-production.
 - e. Most services cannot be inventoried.
- (e; Easy; p. 17)
7. The three additional Ps of services marketing that extend the original four Ps of marketing are _____, _____, and _____.
- a. price; place; promotion
 - b. process; people; promotion
 - c. physical environment; process; people;
 - d. prosperity; process; promotion
 - e. physical environment; planning; process
- (c; Moderate; p. 21)
8. Service employees should have which set of the following?
- a. Positive attitude, technical skills, and analytical skills.
 - b. Positive attitude, leadership skills, and analytical skills.
 - c. Technical skills, leadership skills, and interpersonal skills.
 - d. Positive attitude, interpersonal skills, and technical skills.
 - e. Technical skills, leadership skills, and analytical skills.
- (d; Moderate; p. 27)
9. What are the three management functions that are central to meeting the needs of service customers?
- a. Marketing, operations, and finance.
 - b. Marketing, operations, and human resources.
 - c. Marketing, finance, and accounting.
 - d. Marketing, finance, and operations.
 - e. Finance, accounting, and human resources.
- (b; Moderate; p. 28)

10. Which one of the following is NOT one of the four broad categories of service?
- a. People processing
 - b. Possession processing
 - c. Mental stimulus processing
 - d. Information processing
 - e. Involvement processing
- (e; Easy; p. 29)

True/False

11. Businesses are outsourcing fewer tasks in order to focus on their core business.
(False; Easy; p. 4)
12. In most highly developed nations, services account for between two-thirds and three-fourths of the GDP.
(True; Easy; p. 5)
13. Typically service jobs are not well-paid positions and require little education.
(False; Easy; p. 7)
14. People processing, possession processing, mental stimulus processing, and information processing make up the four broad categories of services.
(True; Easy; p16)
15. In most possession-processing services, the customer's involvement is usually limited to dropping off the item that needs treatment, requesting the service, explaining the problem, and returning later to pick up the item and pay the bill.
(True; Moderate; p. 18)
16. For mental-stimulus-processing, recipients must be physically present in the service factory.
(False; Easy; p. 19)
17. In all cases of possession processing, production and consumption can be described as inseparable.
(False, moderate; p. 18)
18. Documenting performance, explaining what was done and why, and offering guarantees are additional ways to reassure customers and reduce anxiety.
(True; Easy; p. 25)
19. Other customers typically do not impact the satisfaction of other consumers in service settings.
(False; Easy; p. 25)

20. The appearance of buildings, landscaping, vehicles, and uniforms provide tangible evidence of a firm's service quality.
(True; Moderate; p. 27)

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. 12)

22. Define services.

Services are economic activities offered by one party to another, most commonly employing time-based performances to bring about desired results in recipients themselves or in objects or other assets for which purchasers have responsibility.

(Moderate; p. 13)

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. 20)

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

Tangible—tailored clothing

Intangible—Internet banking

(Easy; p. 14)

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. 24)

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. 9)

27. How do operations and human resources functions contribute to meeting the needs of service customers?

Operations is responsible for managing service delivery through equipment, facilities, systems, and many tasks performed by customer contact employees. Operations managers are frequently involved in product and process design, as well as physical environment design. Human resources is typically seen as a staffing function. HR management is responsible for job definition, recruitment, training, reward systems, and quality of work life. Both operations and human resources should view their activities as strategic, involving both employees and customers in the design and delivery of the service process.

(Moderate; p. 28)

APPLICATION CONTENT

Multiple Choice Questions

28. Rolls Royce introduced TotalCare® to do which of the following?
- a. build brand equity
 - b. limit competitive entry into the spare engine parts business
 - c. co-produce engines with customers
 - d. innovate new engines
 - e. recover from service failures

(c; Moderate; p. 17)

29. A movie theater seat is an example of _____.
- a. renting durable goods
 - b. closely engaging customers in the service process
 - c. renting portions of a larger physical entity
 - d. the centrality of time to services
 - e. differences in customer choice criteria

(c; Moderate; p. 13)

30. Lexus dealers compete with _____ for service sales.
a. Toyota dealers
b. Lexus manufacturers
c. BMW dealers
d. the best independent repair garages
e. all of the above
(d; Moderate; p. 15)
31. Which of the following is the best example of a supplementary service?
a. Appliance maintenance
b. Hotel room rental
c. Fast food consumption
d. House cleaning
e. Landscaping
(a; Moderate; pp. 15, 21-22)
32. Online educational programs offered by the University of Phoenix are an example of _____.
a. revolutionary products/services
b. collective products/services
c. additional services
d. supplementary services
e. core products/services
(e; Moderate; p. 22)

True/False

33. A typical university is a simple service organization that offers mainly educational services.
(False; Easy; p. 4)
34. Less than 15 percent of service jobs around the world can currently be carried out remotely.
(True; Moderate; p. 10)
35. The Internet is transferring power from suppliers to customers, especially in consumer markets.
(True; Easy; p. 9)
36. IBM is a good example of a firm that has shifted from manufacturing intensive operations to service intensive operations.
(True; Moderate; p. 15)
37. The best way to help customers visualize your service is to highlight credentials/experience and educate consumers to make good choices.
(True; Moderate; pp. 24-25)

Short Answer

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

The travel industry.

(Moderate; p. 9)

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

A ban on smoking in restaurants and the limitation of trans fats in food preparation has improved customer comfort and health measures in restaurants. This will encourage people to dine out more often.

(Moderate; p. 11)

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

Dry cleaning, lawn mowing, weather forecasting, etc.

(Moderate; p. 12)

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

Car repair, surgery, management consultancy, etc.

(Easy, p. 13)

42. 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. 13)

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, rental car companies offer sub-compact, compact, mid-size, and luxury models. The brand of a subcompact may be a Kia or a Chevy. 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.

Working out at the gym under the direction of a personal trainer is a good example of a customer co-production service. Implications include customers having to 1) show up, and 2) perform the prescribed workouts to benefit (get fit, lose weight, etc.) from the service (trainer's expertise). Picking the wrong gym or personal trainer could result in emotional or physical discomfort and decrease the value of the customer's service experience. Marketing-related tasks include developing user-friendly equipment and facilities, training fitness experts to adapt to different personalities and fitness levels, and training customers to perform effectively and trust their trainers. For example, trainers set up preliminary consults to question customers and develop personal workout plans to suit the needs of the individual. (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. 21)