

Principles of
**SERVICE
MARKETING
AND
MANAGEMENT**



Christopher
LOVELOCK
Lauren
WRIGHT

F713.5



Principles of Service Marketing and Management

Christopher Lovelock

Lovelock Associates

Lauren Wright

California State University, Chico

Prentice Hall
Upper Saddle River, New Jersey 07458

Acquisitions Editor: Gabrielle Dudnyk/Leah Johnson
Editorial Assistant: Michele Foresta
Editor-in-Chief: Natalie Anderson
Marketing Manager: Shannon Moore
Production Editor: Aileen Mason
Permissions Coordinator: Monica Stipanov
Managing Editor: Dee Josephson
Associate Managing Editor: John Roberts
Manufacturing Buyer: Diane Peirano
Manufacturing Supervisor: Arnold Vila
Manufacturing Manager: Vincent Scelta
Senior Designer/Cover Design: Cheryl Asherman
Design Manager: Pat Smythe
Interior Design: Judy Allan/TopDesk Publisher's Group
Photo Research Supervisor: Melinda Lee Reo
Image Permission Supervisor: Kay Dellosa
Photo Researcher: Melinda Alexander
Illustrator (Interior): Electra Graphics and Preparé
Cover and Chapter Illustration: Mark Jasin
Composition: Preparé

Credits and acknowledgments for materials borrowed from other sources and reproduced, with permission, in this textbook appear on page 404.

Copyright © 1999 by Christopher H. Lovelock and Lauren K. Wright

Published by Prentice-Hall, Inc.
Upper Saddle River, New Jersey 07458

All rights reserved. No part of this book may be reproduced, in any form or by any means, without written permission from the Publisher.

Library of Congress Cataloging-in-Publication Data

Lovelock, Christopher H.
Principles of service marketing and management / Christopher
Lovelock, Lauren Wright.
p. cm.
Includes bibliographical references and index.
ISBN 0-13-676875-X
1. Service industries—United States—Marketing. 2. Service
industries—United States—Management. I. Wright, Lauren.
II. Title
HD9981.5\L68 1998
658.8—dc21 98-49946
CIP

Prentice-Hall International (UK) Limited, London
Prentice-Hall of Australia Pty. Limited, Sydney
Prentice-Hall Canada, Inc., Toronto
Prentice-Hall Hispanoamericana, S.A., Mexico
Prentice-Hall of India Private Limited, New Delhi
Prentice-Hall of Japan, Inc., Tokyo
Simon & Schuster Asia Pte. Ltd., Singapore
Editora Prentice-Hall do Brasil, Ltda., Rio de Janeiro

Printed in the United States of America

10 9 8 7 6 5 4 3

Preface

The study of service businesses first emerged as an academic field during the 1970s. But it took almost 20 years for courses in service marketing and management to reach the status of mainstream course offerings, widely taught in business schools around the world. Many people are surprised that it should have taken so long for service courses to move into the mainstream because service industries, in fact, have dominated the economies of most industrialized nations for more than half a century; even in developing economies, the contribution made by services to both employment and the gross domestic product is growing rapidly. But the fact is that research and teaching in management were historically dominated by a focus on manufacturing industries.

That imbalance is now being corrected. Paralleling growing research efforts in both academia and business is the increased student interest in taking courses that focus on management of service organizations. This makes a lot of sense from a career standpoint because most business school graduates will be working in service industries, and existing managers report that manufacturing-based models of business practice are not always useful to them.

The service sector of the economy can best be characterized by its diversity. No single conceptual model can embrace organizations ranging in size from huge international corporations (in such fields as airlines, banking, insurance, telecommunications, hotel chains, and freight transportation) to locally owned and operated small businesses (such as restaurants, laundries, taxis, optometrists, and many business-to-business services). Thus this book provides a carefully designed toolbox for service managers, teaching students how different frameworks and analytical procedures can best be used to examine the varied challenges faced by managers in different situations. In particular, we stress the importance of understanding the underlying processes of service delivery and the way in which new technologies are affecting them. These processes can be grouped into four categories, each of which has distinctive implications for the role played by customers and, thus, for management practice.

As the title suggests, *Principles of Service Marketing and Management* presents an integrated approach to the study of services that places marketing issues within a

broader general management context. Whatever a manager's specific job may be, he or she has to recognize and acknowledge the close ties that link the marketing, operations, and human resource functions. With that perspective in mind, this book has been designed so that instructors can use it for teaching courses in either services marketing or service management.

The theme of this book is that service organizations differ in many important respects from manufacturing businesses, requiring a distinctive approach to planning and implementing marketing strategy. By this, we don't mean to imply that services marketing is uniquely different from goods marketing. If that were true, it would undercut the whole notion of marketing as a coherent management function. Rather, we stress the importance of understanding service organizations on their own terms and then tailoring marketing goals and strategies accordingly. Within this group we include not-for-profit service organizations, as well as the service divisions of manufacturing firms.

The text has 16 chapters and 12 short to medium-length cases. Discussing cases in a classroom (or analyzing them for written projects) gives students a chance to apply what they have learned to real-world settings and to understand the complexities of service management—including the interactions among marketing, operations, and human resources, which are much more closely intertwined in services than in manufacturing.

The service sector presents many exciting work opportunities. We hope that you will also find it an exciting field to study.

Acknowledgments

Over the years, many colleagues in both the academic and business worlds have provided us with valuable insights into the management and marketing of services, through their writings or in conference and seminar discussions. In particular, we want to express our appreciation to John Bateson of Gemini Consulting; Leonard Berry of Texas A&M University; Bernard Booms of the University of Washington; Steven Brown and Mary Jo Bitner of Arizona State University; Pierre Eiglier of Université d'Aix-Marseille III; Ray Fisk of the University of New Orleans; Liam Glynn of University College, Dublin; Christian Grönroos of the Swedish School of Economics in Finland; Stephen Grove of Clemson University; Eric Langeard, formerly of Université d'Aix-Marseille III; Jean-Claude Larreché and James Teboul of INSEAD; Theodore Levitt, James Heskett, Earl Sasser, and Len Schlesinger of Harvard Business School; "Parsu" Parasuraman of the University of Miami; Paul Patterson of the University of New South Wales; Fred Reichheld of Bain & Co.; Sandra Vandermerwe of Imperial College, London; Rhett Walker of the University of Tasmania; Charles Weinberg of the University of British Columbia; Jochen Wirtz of the National University of Singapore; and Valarie Zeithaml of the University of North Carolina.

We are grateful to the reviewers, Eileen Bridges of Kent State University, Tom Brown of Oklahoma State University, Douglas Dalrymple of Indiana University, Dawn Iacobucci of Northwestern University, and Surendra N. Singh of Oklahoma State University, whose insightful comments were very helpful to us.

Special thanks also go to the people at Prentice Hall for their valued assistance in helping to bring this book into being. They include Don Hull, our former acquisitions editor, who commissioned the book; Aileen Mason, our production editor; Cheryl Asherman, cover designer; Judy Allan (interior book design); Mark Jasin (cover and chapter opener art—boat shells); and Barbara Conner (copy editing). Finally, we want to express our appreciation to Gabrielle Dudnyk, our editor, for her enthusiasm and support.

*Christopher Lovelock
Lauren Wright*

About the Authors

Christopher Lovelock, one of the pioneers of service marketing, divides his professional life among writing, teaching, and consulting. Based in New England, he gives seminars and workshops in the United States and around the world. He has also lived and worked in Britain, Canada, France, and Switzerland. His past academic career includes 11 years on the faculty of the Harvard Business School; two years as a visiting professor at the International Institute for Management Development (IMD) in Switzerland, and short-term appointments at Berkeley, Stanford, the Sloan School at MIT, Theseus Institute, and INSEAD. Christopher is author of 60 articles, over 100 teaching cases, and 20 books including *Services Marketing 3/e* (Prentice Hall, 1996) and *Product Plus* (McGraw-Hill, 1994). He is a recipient of the *Journal of Marketing's* Alpha Kappa Psi Award, the American Marketing Association's Award for Career Contributions to the Services Discipline, and many awards for outstanding cases. He holds MA and BCom degrees from the University of Edinburgh, an MBA from Harvard, and a PhD from Stanford.



Lauren Wright is professor and former marketing department chair at California State University (CSU), Chico. In 1998, she was a visiting faculty fellow at the University of Canterbury in Christchurch, New Zealand. Winner of an award for outstanding undergraduate teaching, Lauren has been recognized as a Master Teacher at CSU-Chico and advises faculty on effective teaching campus-wide. Her name is listed in the 1998 publication *Who's Who among America's Teachers*. She is chair of the American Marketing Association's Special Interest Group for Services Marketing (SERVSIG), founded the annual SERVSIG Doctoral Consortium, and has served as research director for the International Service Quality Association. She has published numerous articles on service quality, new service success, business process redesign, and action learning. Lauren holds a BS from the University of Oregon and MBA and PhD degrees from Pennsylvania State University.



Brief Contents

<i>Preface</i>		xvii
<i>About the Authors</i>		xix
PART One	Understanding Services	1
CHAPTER One	Why Study Services?	2
CHAPTER Two	Understanding Service Processes	24
CHAPTER Three	Customer Contact with Service Organizations	44
CHAPTER Four	Service from the Customer's Viewpoint	64
PART Two	Creating Value through Service	85
CHAPTER Five	Productivity and Quality: Two Sides of the Same Coin	86
CHAPTER Six	Managing Relationships and Building Customer Loyalty	108
CHAPTER Seven	Complaint Handling and Service Recovery	132
PART Three	Service Marketing Strategy	151
CHAPTER Eight	Service Positioning and Design	152
CHAPTER Nine	Adding Value with Supplementary Product Elements	174
CHAPTER Ten	Designing Service Delivery Systems	196
CHAPTER Eleven	Price and Other Costs of Service	219
CHAPTER Twelve	Customer Education and Service Promotion	242
PART Four	Integrating Marketing with Operations and Human Resource Management	265
CHAPTER Thirteen	Tools for Service Marketers	266
CHAPTER Fourteen	Balancing Demand and Capacity	287
CHAPTER Fifteen	Managing Waiting Lines and Reservations	304
CHAPTER Sixteen	Service Employees: From Recruitment to Retention	326
Cases		347
Endnotes		388
Glossary		397
Credits		404
Index		405

Contents

<i>Preface</i>	xvii
<i>About the Authors</i>	xix

PART One	<i>Understanding Services</i>	1
CHAPTER One	<i>Why Study Services?</i>	2
	<i>Service Evolution in an Era of Change</i>	3
	SERVICES IN THE MODERN ECONOMY	4
	What Is a Service?	5
	Understanding the Service Sector	5
	THE EVOLVING ENVIRONMENT OF SERVICES	7
	Changing Patterns of Government Regulation	8
	Relaxation of Professional Association Restrictions on Marketing	9
	Privatization of Some Public and Nonprofit Services	9
	Technological Innovations	9
	Growth of Service Chains and Franchise Networks	10
	Internationalization and Globalization	11
	Pressures to Improve Productivity	11
	The Service Quality Movement	11
	Expansion of Leasing and Rental Businesses	13
	Manufacturers as Service Providers	13
	Pressures on Public and Nonprofit Organizations to Find New Income Sources	13
	Hiring and Promotion of Innovative Managers	13
	MARKETING SERVICES VERSUS PHYSICAL GOODS	14
	Basic Differences between Goods and Services	14
	AN INTEGRATED APPROACH TO SERVICE MANAGEMENT	17
	The Eight Components of Integrated Service Management	18

	Linking Service Marketing, Operations, and Human Resources	20
	Creating Value in a Context of Values	21
	<i>Conclusion</i>	23
	<i>Study Questions and Exercises</i>	23
CHAPTER Two	<i>Understanding Service Processes</i>	24
	<i>Susan Munro, Service Consumer</i>	25
	HOW DO SERVICES DIFFER FROM ONE ANOTHER?	26
	The Value of Classification Schemes	26
	How Might Services Be Classified?	27
	SERVICE AS A PROCESS	30
	Categorizing Service Processes	31
	People Processing	32
	Possession Processing	33
	Mental Stimulus Processing	34
	Information Processing	34
	DIFFERENT PROCESSES POSE DISTINCTIVE MANAGEMENT CHALLENGES	35
	Identifying Service Benefits	36
	Designing the Service Factory	36
	Finding Alternative Channels for Service Delivery	37
	<i>Entrepreneur Sells Mobile Oil Changes</i>	38
	Balancing Supply and Demand	40
	Making the Most of Information Technology	40
	Seeing People as Part of the Product	42
	<i>Conclusion</i>	42
	<i>Study Questions and Exercises</i>	43
CHAPTER Three	<i>Customer Contact with Service Organizations</i>	44
	<i>The Bank with No Branches</i>	45
	CUSTOMERS AND THE SERVICE OPERATION	46
	Contact with the Service Organization	46
	<i>Not Everybody Loves Banking by ATM</i>	46
	Service Encounters: Three Levels of Customer Contact	48
	SERVICE AS A SYSTEM	49
	Service Operations System	50
	Service Delivery System	50
	<i>What Options Do You Use for Delivery of Bank Services?</i>	52
	Service Marketing System	52
	Physical Evidence	53
	MANAGING SERVICE ENCOUNTERS	54
	Managing People in Service Encounters	55
	Critical Incidents in Service Encounters	56
	<i>Studying Critical Incidents in the Airline, Hotel, and Restaurant Businesses</i>	57
	THE CUSTOMER AS COPRODUCER	59
	Service Firms as Educators	59
	Increasing Productivity and Quality When Customers Are Coproducers	60
	<i>Conclusion</i>	62
	<i>Study Questions and Exercises</i>	62
CHAPTER Four	<i>Service from the Customer's Viewpoint</i>	64
	<i>Progressive Insurance to the Rescue</i>	65
	HOW CUSTOMERS EVALUATE SERVICE PERFORMANCES	66
	Evaluation of Different Service Types	66

A Continuum of Product Attributes	67
THE PURCHASE PROCESS FOR SERVICES	71
The Prepurchase Stage	72
<i>Part I: The Prepurchase Stage</i>	74
The Service Encounter Stage	74
The Postpurchase Stage	76
THE SERVICE OFFERING	76
Core and Supplementary Product Elements	76
<i>Part II: The Service Encounter Stage</i>	77
<i>Part III: The Postpurchase Stage</i>	78
Competing on Supplementary Service Elements	80
Where's the Leverage?	80
MAPPING THE CUSTOMER'S SERVICE EXPERIENCE	81
<i>Conclusion</i>	82
<i>Study Questions and Exercises</i>	84

PART Two	Creating Value through Service	85
CHAPTER Five	Productivity and Quality: Two Sides of the Same Coin	86
	<i>A.D. 2032: "Now All Restaurants Are Taco Bells"</i>	87
	MINDING THE SERVICE <i>Ps</i> AND <i>Qs</i>	88
	CUSTOMER EXPECTATIONS	88
	How Are Expectations Formed?	88
	Different Levels of Customer Expectations	89
	<i>Do Germans and Americans Rate Their Banking Services Differently?</i>	90
	UNDERSTANDING SERVICE QUALITY	92
	How Customers Evaluate Service Quality	92
	Five Quality Dimensions	94
	Learning from Service Failures	95
	CUSTOMER SATISFACTION	97
	Satisfaction, Delight, and Loyalty	97
	Using Customer Satisfaction Information	98
	Benefits of Customer Satisfaction	99
	Return on Quality	100
	Building a Quality Information System	100
	<i>The SERVQUAL Scale</i>	102
	PRODUCTIVITY ISSUES FOR SERVICE FIRMS	103
	Measuring Service Productivity	104
	Productivity and Customer Satisfaction	105
	<i>When Productivity Improvement Clashed with Service Quality At UPS</i>	106
	<i>Conclusion</i>	106
	<i>Study Questions and Exercises</i>	107
CHAPTER Six	Managing Relationships and Building Customer Loyalty	108
	<i>Creating a Formula for Success in Ski Resorts</i>	109
	TARGETING THE RIGHT CUSTOMERS	110
	Searching for Value, Not Just Numbers	111
	Relationship Marketing	111
	<i>Review of Principles of Market Segmentation</i>	112
	<i>Attracting Older Passengers at Southwest Airlines</i>	113
	SEGMENTATION STRATEGIES FOR EFFECTIVE CAPACITY UTILIZATION	114

	<i>Different Products for Different Seasons at Boston's Symphony Hall</i>	114
	Customers as a Product Element	115
	Mixing or Separating Different Segments	115
	ABUSIVE CUSTOMERS AND HOW TO DEAL WITH THEM	116
	Addressing the Challenge of Jaycustomers	116
	Six Types of Jaycustomers	117
	<i>Ripping Off Insurance Companies</i>	118
	<i>Policing for Reckless Behavior on the Slopes</i>	119
	Can Firms Restrict Service to Target Customers Only?	121
	SELECTING THE APPROPRIATE CUSTOMER PORTFOLIO	121
	Creating a Portfolio of Market Segments	122
	<i>Predicting the Future Mix of a Cable TV Company's Subscriber Portfolio</i>	122
	CREATING AND MAINTAINING VALUED RELATIONSHIPS	123
	Relationships versus Transactions	123
	The Loyalty Effect	125
	Realizing the Full Profit Potential of a Customer Relationship	126
	Loyalty Programs	128
	<i>Reinforcing Loyalty by Rewarding Frequent Flyers</i>	129
	<i>Conclusion</i>	130
	<i>Study Questions and Exercises</i>	131
CHAPTER Seven	<i>Complaint Handling and Service Recovery</i>	132
	<i>Why Did the Hotel Guests Pass Up a Free Breakfast?</i>	133
	CONSUMER COMPLAINTS	134
	Customer Responses to Service Failures	134
	The TARP Study of Consumer Complaint Handling	135
	Variations in Dissatisfaction by Industry	137
	Factors Influencing Complaining Behavior	139
	Complaints as Market Research Data	139
	Making It Easier for Customers to Complain	141
	IMPACT OF SERVICE RECOVERY EFFORTS ON CUSTOMER LOYALTY	141
	Service Recovery after Customer Complaints	141
	Principles of Effective Problem Resolution	142
	<i>Guidelines for Effective Problem Resolution</i>	143
	SERVICE GUARANTEES	144
	<i>Examples of Two Service Guarantees</i>	144
	Building Company Strategy around the Service Guarantee at Promus	145
	<i>How Unconditional Is Your Guarantee?</i>	146
	Designing the Guarantee	147
	<i>Tracking Down Guests Who Cheat</i>	148
	<i>Conclusion</i>	149
	<i>Study Questions and Exercises</i>	149
PART Three	<i>Service Marketing Strategy</i>	151
CHAPTER Eight	<i>Service Positioning and Design</i>	152
	<i>Desperately Seeking Service Strategies</i>	153
	SERVICE LEADERSHIP: THE NEED FOR FOCUS	154
	Four Focus Strategies	154
	CREATING A DISTINCTIVE SERVICE STRATEGY	155

	A Sustainable Competitive Advantage	156
	<i>Classifying Technology Users—From Mouse Potatoes to Media Junkies</i>	157
	SERVICE POSITIONING	158
	<i>Transporting Business Travelers into the 21st Century</i>	158
	Positioning and Marketing Strategy	159
	Service Repositioning	159
	Perceptual Maps as Positioning Tools	159
	<i>A Repositioning Success Story</i>	161
	Using Perceptual Maps to Evaluate Positioning Strategies	161
	UNDERSTANDING SERVICE PRODUCTS	166
	The Power of Service Brands	166
	The Branded Customer Experience	167
	NEW SERVICE DEVELOPMENT	168
	Value-Added Services for Physical Products	168
	Transforming Services into Goods	169
	The Role of Blueprinting in Service Design	170
	Complexity and Divergence	171
	<i>Conclusion</i>	172
	<i>Study Questions and Exercises</i>	173
CHAPTER Nine	<i>Adding Value with Supplementary Product Elements</i>	174
	<i>Starbucks Creates a Coffee Cult</i>	175
	CORE PRODUCTS AND SUPPLEMENTARY SERVICES	176
	The Augmented Product	176
	CLASSIFYING SUPPLEMENTARY SERVICES	177
	Information	179
	Order Taking	180
	Billing	182
	Payment	183
	Consultation	184
	<i>Paying with E-Cash through Reloadable Smart Cards</i>	185
	Hospitality	186
	Safekeeping	187
	<i>Hospitals Offer Hotel-Style Perks to Fill Maternity Beds</i>	188
	Exceptions	189
	MANAGERIAL IMPLICATIONS	191
	<i>The Flower of Service at White Flower Farm</i>	192
	Product Policy Issues	192
	<i>Conclusion</i>	194
	<i>Study Questions and Exercises</i>	194
CHAPTER Ten	<i>Designing Service Delivery Systems</i>	196
	<i>Local Copyshop Grows into Global Business</i>	
	Service Provider	197
	EVALUATING ALTERNATIVE DELIVERY CHANNELS	198
	Decisions on Where, When, and How	198
	Options for Service Delivery	198
	THE PHYSICAL EVIDENCE OF THE SERVICESCAPE	200
	Role of Physical Environments	201
	<i>Let's Go Shopping (Maybe at Your Store)</i>	202
	<i>E-Commerce Begins to Reshape the Retail Landscape</i>	204
	PLACE AND TIME DECISIONS	205
	Where Should Services Be Delivered?	205
	<i>Airports Transformed Into Shopping Malls</i>	206
	When Should Service Be Delivered?	206

	Factors That Encourage Extended Operating Hours	207
	Responding to Customers' Need for Convenience	208
	Moving to 24/7 Service	209
	Servicing Manufactured Products	210
	THE PROCESS OF SERVICE DELIVERY	211
	Planning and Configuring Service Delivery	211
	<i>Hewlett-Packard's Global Service Strategy</i>	212
	How Technology Is Revolutionizing Service Delivery	213
	<i>Electronic Kiosks Deliver Both Commercial and Government Services</i>	214
	Promoting and Delivering Services in Cyberspace	215
	Marketplace or Marketspace?	215
	THE ROLE OF INTERMEDIARIES	216
	The Challenge of Maintaining Consistency	217
	<i>Conclusion</i>	218
	<i>Study Questions and Exercises</i>	218
CHAPTER Eleven	<i>Price and Other Costs of Service</i>	219
	<i>America Online: When the Price Isn't Right</i>	220
	PAYING FOR SERVICE	221
	What Makes Service Pricing Different?	221
	<i>Understanding Costs, Contribution, and Break-Even Analysis</i>	222
	Ethical Concerns	223
	Understanding the Costs of Service Incurred by Customers	224
	Understanding Value	226
	Increasing Net Value by Reducing Nonfinancial Costs of Service	226
	FOUNDATIONS OF PRICING STRATEGY	227
	<i>Customers Find Unexpected Surcharges on Nonbank ATMs</i>	228
	The Pricing Tripod	229
	Establishing Monetary Pricing Objectives	230
	Price Elasticity	231
	VALUE STRATEGIES FOR SERVICE PRICING	232
	Pricing Strategies to Reduce Uncertainty	232
	Relationship Pricing	233
	Low-Cost Leadership	234
	PUTTING SERVICE-PRICING STRATEGY INTO PRACTICE	234
	<i>Southwest Airlines: Low-Price Leader with a Low-Cost Culture</i>	234
	How Much Should Be Charged?	235
	What Should Be the Basis for Pricing?	236
	Who Should Collect Payment?	238
	Where Should Payment Be Made?	238
	When Should Payment Be Made?	238
	How Should Payment Be Made?	239
	Communicating Prices to the Target Markets	239
	<i>Conclusion</i>	240
	<i>Study Questions and Exercises</i>	241
CHAPTER Twelve	<i>Customer Education and Service Promotion</i>	242
	<i>Seeing Is Selling: Using Trade Shows to Promote Services</i>	243
	THE ROLE OF MARKETING COMMUNICATION IN SERVICES	243
	Services versus Goods: Implications for Communication Strategy	244
	<i>FEDEX Promotes a Change in Customer Behavior</i>	246

Putting Promotion and Education in a Broader Context	246
Internal Communications	248
Ethical Issues in Communication	248
Setting Communication Objectives	249
<i>Questions Raised about Marketing</i>	
<i>to Children through Their Schools</i>	249
Key Planning Considerations	250
THE MARKETING COMMUNICATIONS MIX	251
Personal Communications	252
Advertising	253
Publicity and Public Relations	254
Sales Promotion	255
Instructional Materials	257
Corporate Design	257
Servicescape Design	258
<i>Can You Recognize a Service Company from These Clues?</i>	258
Integrated Communications for Service Marketing	260
IMPACT OF NEW TECHNOLOGIES	
ON MARKETING COMMUNICATION	260
<i>Participating in Trade Shows and Exhibitions</i>	261
Designing an Internet Communications Strategy	261
<i>Conclusion</i>	263
<i>Answers to Symbol Quiz on Page 258</i>	264
<i>Study Questions and Exercises</i>	264

PART Four	<i>Integrating Marketing with Operations and Human Resource Management</i>	265
CHAPTER Thirteen	<i>Tools for Service Marketers</i>	266
	<i>Crossing the English Channel ... by Train</i>	267
	DESIGNING FOR SUCCESS	268
	Service as an Art Form	269
	Role and Script Theories	270
	To Delight or Disappoint?	271
	THE RESTAURANT EXPERIENCE: A PLAY IN THREE ACTS	272
	<i>Cosmetic Surgeons Flunk Servicescapes 101</i>	273
	Act I: Appointment with Destiny	273
	Act II: Banquet of the Gods	276
	Act III: Return to Reality	278
	The Grand Finale	280
	SERVICE AS A SCIENCE	280
	Reengineering Business Processes	280
	Capacity Planning	281
	Understanding Employee Roles	282
	CREATING NEW SERVICE DRAMAS	283
	Using Research to Design New Services	283
	Transforming Research Findings into Reality	284
	<i>Conclusion</i>	286
	<i>Study Questions and Exercises</i>	286
CHAPTER Fourteen	<i>Balancing Demand and Capacity</i>	287
	<i>Cape Cod: A Seasonal Tourist Destination</i>	288
	THE UPS AND DOWNS OF DEMAND	288
	Effective Use of Productive Capacity	289
	From Excess Demand to Excess Capacity	289

	MEASURING AND MANAGING CAPACITY	290
	Defining Productive Capacity	290
	Measuring Capacity	291
	Stretching and Shrinking the Level of Capacity	291
	Chasing Demand	292
	Creating Flexible Capacity	292
	UNDERSTANDING THE PATTERNS	
	AND DETERMINANTS OF DEMAND	293
	Multiple Influences on Demand	293
	<i>Questions about the Patterns of Demand</i>	
	<i>and Their Underlying Causes</i>	294
	Analyzing Demand	295
	<i>Discouraging Demand for Nonemergency Calls</i>	296
	STRATEGIES FOR MANAGING DEMAND	297
	Dividing Up Demand by Market Segment	297
	Managing Demand under Different Conditions	298
	Using Marketing Strategies to Shape Demand Patterns	299
	<i>Summer on the Ski Slopes</i>	301
	<i>Conclusion</i>	302
	<i>Study Questions and Exercises</i>	302
CHAPTER Fifteen	<i>Managing Waiting Lines and Reservations</i>	304
	<i>Cutting the Wait at First National Bank of Chicago</i>	305
	WAITING TO GET PROCESSED	306
	STEALING THE CUSTOMER'S TIME	306
	The Nature of Queues	307
	Elements of a Queuing System	307
	Matching Queuing Systems to Market Segments	311
	MINIMIZING THE PERCEIVED LENGTH OF THE WAIT	312
	The Psychology of Waiting Time	312
	Giving Customers Information on Waiting	315
	CALCULATING WAITING TIMES	315
	Predicting the Behavior of Simple Queuing Systems	315
	<i>Improving Check-In Service at Logan Airport</i>	316
	RESERVATIONS	316
	Designing a Reservations System	316
	<i>Calculating Statistics for Simple Queues</i>	317
	Information Needs	318
	YIELD MANAGEMENT	319
	Segmentation Issues in Reservations Strategy	319
	A Scientific Approach to Capacity Allocation	320
	<i>Pricing Seats on Flight 2015</i>	322
	<i>Conclusion</i>	322
	<i>Study Questions and Exercises</i>	323
CHAPTER Sixteen	<i>Service Employees: From Recruitment to Retention</i>	325
	<i>Southwest Airlines: A Company of People</i>	326
	Human Resources: An Asset Worth Managing	326
	High-Contact Service Encounters	327
	Role of Front-Stage Personnel	328
	Emotional Labor	328
	<i>Displaying Emotions</i>	330
	JOB DESIGN AND RECRUITMENT	330
	Empowerment of Employees	330
	Recruiting the Right People for the Job	332
	Who Must Be Hired versus What Can Be Taught	333

Challenges and Opportunities in Recruiting Workers for Technology-Based Jobs	334
<i>Technology Solves a Skills Shortage</i>	334
SERVICE JOBS AS RELATIONSHIPS	335
<i>Recruiting Employees Who Work by Phone at BT</i>	335
Employee Retention and Customer Retention	336
Cycles of Failure, Mediocrity, and Success	337
<i>Loyal Agents Equal Loyal Customers at State Farm</i>	337
<i>Reworking the Sociology of the Workplace at Beth Israel Hospital</i>	342
The Role of Unions	342
HUMAN RESOURCE MANAGEMENT IN A MULTICULTURAL CONTEXT	343
<i>EuroDisney and the Challenges of Multiculturalism</i>	344
Conclusion	345
Study Questions and Exercises	345

Cases	347
VICK'S PIZZA CORPORATION	347
ARROW MANAGEMENT	349
HAMPTON INN: THE 100% SATISFACTION GUARANTEE	351
FOUR CUSTOMERS IN SEARCH OF SOLUTIONS	354
SULLIVAN'S AUTO WORLD	355
DR. BECKETT'S DENTAL OFFICE	360
ROYAL WINNIPEG BALLET	363
MR. MAHALEEL GOES TO LONDON	366
RED LOBSTER	367
TURBULENT SKIES FOR CONSTELLATION AIRLINES	369
MENTON BANK	373
MUSEUM OF FINE ARTS, BOSTON	378

Endnotes	388
Glossary	397
Credits	404
Index	405

PART

One

Understanding Services