SERVICES MARKETING

INTEGRATING CUSTOMER FOCUS ACROSS THE FIRM

3RD EDITION

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McGRAW-HILL

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Integrating Customer Focus Across the Firm

Third Edition

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University of North Carolina

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McGraw-Hill Irwin

McGraw-Hill Higher Education

To Brian,
my very brave son,
I love you.
                    —V.A.Z.

To Rich,
my husband of thirty
years, for his unfailing
support.
                    —M.J.B.

ABOUT THE AUTHORS
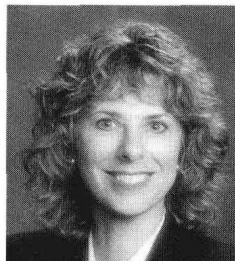
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VALARIE A. ZEITHAML is the Roy and Alice H. Richards Bicentennial Professor and Area Chair of Marketing at the Kenan-Flagler Business School of the University of North Carolina, Chapel Hill. She obtained a master of business administration and doctorate from the University of Maryland. She is the author of more than 60 articles, 10 monographs, and four books including the best-selling business books *Delivering Quality Service: Balancing Customer Perceptions and Expectations* and *Driving Customer Equity*. Previously the owner of her own consulting firm specializing in strategy, measurement, and implementation of services marketing and service quality, Dr. Zeithaml has researched customer expectations in more than 40 industries including information technology, insurance, engineering, and finance. She has won numerous research awards including the Ferber Award from the *Journal of Consumer Research*, the Maynard Award from the *Journal of Marketing*, the Jagdish Sheth Award from the *Journal of the Academy of Marketing Science*, and the O'Dell Award from the *Journal of Marketing Research*. Dr. Zeithaml has consulted with many product and service companies including IBM, General Electric, John Hancock Financial Services, Aetna, Bank of America, U.S. West, Pacific Bell, and Procter & Gamble.

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MARY JO BITNER is the AT&T professor of services marketing and management at Arizona State University and research director for ASU's Center for Services Leadership. She is also faculty coordinator for the ASUMBA Services Marketing and Management Concentration, a unique full-year focus within the college's nationally ranked MBA program. Dr. Bitner has published more than 50 articles and has received a number of awards for her research in leading journals including the *Journal of Marketing, Journal of Retailing, Journal of the Academy of Marketing Science, Journal of Business Research,* and the *International Journal of Service Industry Management.* She served as Special Issue Editor for two volumes of the *Journal of Retailing* devoted to services marketing research. Dr. Bitner has consulted and presented seminars and workshops for numerous businesses and cross-industry groups in services, information technology, and manufacturing including AT&T, Yellow Freight System, Advance PCS, IBM Global Services, Information Technology Services Marketing Association, Ford Motor Company, and Johnson & Johnson. She obtained her master of business administration and Ph.D. degrees from the University of Washington in Seattle.

PREFACE

This is a text for students and businesspeople who recognize the vital role that services play in the economy and its future. The advanced economies of the world are now dominated by services, and virtually all companies view service as critical to retaining their customers today and in the future. Even manufacturing companies that, in the past, have depended on their physical products for their livelihood now recognize that service provides one of their few sustainable competitive advantages.

We wrote this book in recognition of the ever-growing importance of services and the unique challenges faced by managers of services.

WHY A SERVICES MARKETING TEXT?

Since the beginning of our academic careers in marketing, we have devoted our research and teaching efforts to the topic of services marketing. We strongly believe that services marketing is different from goods marketing in significant ways and that it requires different strategies and tactics that traditional marketing texts do not fully reflect. This text is unique in both content and structure, and we hope that you will learn from it as we have in writing it.

Content Overview

The foundation of the text is the recognition that services present special challenges that must be identified and addressed. Problems commonly encountered in service organizations not faced by goods businesses—the inability to inventory, difficulty in synchronizing demand and supply, and challenges in controlling the performance quality of human interactions—need to be articulated and tackled by managers. Many of the strategies include information that is new to marketing. We wrote the text to help students and managers understand and address these special problems of services marketing.

The attraction, retention, and building of strong customer relationships through quality service (and services) are at the heart of the book's content. The topics covered are equally applicable to organizations whose core product is service (such as banks, transportation companies, hotels, hospitals, educational institutions, professional services, telecommunication) and to organizations that depend on service excellence for competitive advantage (high-technology manufacturers, automotive and industrial products, and so on).

Rarely do we repeat material from marketing principles or marketing strategy texts, although in some chapters we include a concise overview of principles from basic marketing texts. Instead, we adjust, when necessary, standard content on topics such as distribution, pricing, and promotion to account for service differences of intangibility, heterogeneity, inseparability, and perishability.

The book's content focuses on knowledge needed to implement quality service and service strategies for competitive advantage across industries. Included are frameworks for customer-focused management, and strategies for how to increase customer satisfaction and retention through service strategies. In addition to standard marketing

topics (such as market segmentation), this text introduces students to entirely new topics that include management and measurement of service quality, service recovery, the linking of customer measurement to performance measurement, service mapping, and cross-functional treatment of issues through integration of marketing with disciplines such as operations and human resources. Each of these topics represents pivotal content for tomorrow's businesses as they structure around process rather than task, engage in one-to-one marketing, mass customize their offerings, and attempt to build strong relationships with their customers.

Distinguishing Content Features

The distinguishing features of our text and the new features in this edition include the following:

1. Greater emphasis on the topic of service quality than existing marketing and service marketing texts.

2. Increased focus on customer expectations and perceptions and what they imply for marketers.

3. Increased coverage of business-to-business application.

4. Increased technology and Internet coverage.

5. A chapter on service recovery that includes a conceptual framework for understanding the topic.

6. A chapter on the financial and economic impact of service quality.

7. A chapter on customer-defined service standards.

8. Cross-functional treatment of issues through integration of marketing with other disciplines such as operations and human resources.

9. Consumer-based pricing and value pricing strategies.

10. A chapter on integrated services marketing communications.

11. Description of a set of tools that must be added to basic marketing techniques when dealing with services rather than goods.

12. Introduction of three service Ps to the traditional marketing mix and increased focus on customer relationships and relationship marketing strategies.

13. An entire chapter that recognizes human resource challenges and human resource strategies for delivering customer-focused services.

14. Coverage of new service development processes and a detailed and complete introduction to service blueprinting—a tool for describing, designing, and positioning services.

15. Coverage of the customer's role in service delivery and strategies for making customers productive partners in service creation.

16. A chapter on the role of physical evidence, particularly the physical environment or "servicescape."

17. Global features in each chapter.

18. Fully updated technology spotlights in each chapter.

19. Exercises in each chapter.

20. Updated or new examples throughout the text.

Conceptual and Research Foundations

We synthesized research and conceptual material from many talented academics and practitioners to create this text. We relied on pioneering work of researchers and businesspeople from diverse disciplines such as marketing, human resources, operations, and management. Because the field of services marketing is international in its roots, we also drew from work originating around the globe. We have continued this strong conceptual grounding in the third edition by integrating new research into every chapter. The framework of the book is managerially focused, with every chapter presenting company examples and strategies for addressing issues in the chapter.

Conceptual Frameworks in Chapters

We developed integrating frameworks in most chapters. For example, we created new frameworks for understanding service recovery strategies, service pricing, integrated marketing communications, customer relationships, customer roles, and internal marketing.

Unique Structure

The text features a structure completely different from the standard 4P (marketing mix) structure of introductory marketing texts. Beginning with Chapter 2, it is organized into parts around the gaps model of service quality. For example, Chapters 2, 3, and 4 each deal with an aspect of the customer gap—customer behavior, expectations, and perceptions, respectively—to form the focus for services marketing strategies. The managerial content in the rest of the chapters is framed by the gaps model using part openers that build the model gap by gap. Each part of the book includes multiple chapters with strategies for understanding and closing these critical gaps. The final chapter sums up the text using the fully integrated gaps model.

Fully Integrated Text

In the 1980s and early 1990s, the field of services marketing was so new that insufficient material had been written on the topic to create a traditional text. For that reason, the books used as texts contained cases and readings that had to be interpreted by educators for their students. These early services marketing books were therefore different from standard texts—where the major function is to synthesize and conceptualize the material—and placed a burden on the professor to blend the components. This book contains integrated text materials, thereby removing from professors and students the tremendous burden of synthesis and compilation.

WHAT COURSES AND STUDENTS CAN USE THE TEXT?

In our years of experience teaching services marketing, we have found that a broad cross section of students is drawn to learning about services marketing. Students with career interests in services industries as well as goods industries with high service

components (such as industrial products, high-tech products, and durable products) want and need to understand these topics. Students who wish to become consultants and entrepreneurs want to learn the strategic view of marketing, which involves not just physical goods but also the myriad services that envelop these goods. Virtually all students—even those who will work for packaged goods firms—will face employers needing to understand the basics of services marketing and management.

Although services marketing courses are usually designated as marketing electives, a large number of enrollees in our classes have been finance students seeking to broaden their knowledge and career opportunities in financial services. Business students with human resource, information technology, accounting, and operations majors also enroll, as do nonbusiness students from such diverse disciplines as health administration, recreation and parks, public and nonprofit administration, law, and library science.

Students need only a basic marketing course as a prerequisite for a services marketing course and this text. The primary target audience for the text is services marketing classes at the undergraduate (junior or senior elective courses), graduate (both masters and doctoral courses), and executive student levels. Secondary target audiences are (1) service management classes at both the undergraduate and graduate levels and (2) marketing management classes at the graduate level where a professor wishes to provide more comprehensive teaching of services than is possible with a standard marketing management text. A subset of chapters would also provide a more concise text for use in a quarter-length or mini-semester course. A further reduced set of chapters may be used to supplement undergraduate and graduate basic marketing courses to enhance the treatment of services.

WHAT CAN WE PROVIDE EDUCATORS TO TEACH SERVICES MARKETING?

As a team, we have accumulated more than 30 years of experience teaching the subject of services marketing. We set out to create a text that represents the approaches we have found most effective. We incorporated all that we have learned in our many years of teaching services marketing—teaching materials, student exercises, case analyses, research, and PowerPoint slides on a CD-ROM.

HOW MANY PARTS AND CHAPTERS ARE INCLUDED, AND WHAT DO THEY COVER?

The text material includes 18 chapters divided into six parts. After an introduction in Chapter 1, Part 1 discusses the focus on the customer. Part 2 focuses on listening to customer requirements, including chapters covering marketing research for services, building customer relationships, and service recovery. Part 3 involves aligning service strategy through design and standards and includes chapters on service development and design, customer-defined service standards, and physical evidence and the servicescape. Part 4 concerns the delivery and performance of service and has chapters on employees' and customers' roles in service delivery, conveying service through intermediaries and electronic channels, and managing demand and capacity. Part 5 focuses on managing services promises and includes chapters on integrated services marketing communications and pricing of services. Finally, Part 6 examines the over-

all picture of services marketing and the text, including two chapters—one on the financial and economic effect of service quality and the other on the integrated gaps model of service quality.

THE SUPPLEMENTARY MATERIALS

Instructor's Manual

The *Instructor's Manual* includes sample syllabi, suggestions for in-class exercises and projects, and answers to end-of-chapter discussion questions and exercises. The *Instructor's Manual* uses the "active learning" educational paradigm, which involves students in constructing their own learning experiences and exposes them to the collegial patterns present in work situations. Active learning offers an educational underpinning for the pivotal workforce skills required in business, among them oral and written communication skills, listening skills, and critical thinking and problem solving.

PowerPoint CD-ROM

We offer a CD-ROM that contains figures and tables from the text that are useful for instructors in class. The full-color PowerPoint slides contained on the CD-ROM were created to present a coordinated look for course presentation.

ACKNOWLEDGMENTS

We owe a great deal to the pioneering service researchers and scholars who developed the field of services marketing. They include John Bateson, Leonard Berry, Bernard Booms, Dave Bowen, Steve Brown, Larry Crosby, John Czepiel, Ray Fisk, William George, Christian Gronroos, Steve Grove, Evert Gummesson, Chuck Lamb, Christopher Lovelock, Parsu Parasuraman, Ben Schneider, Lynn Shostack, and Carol Surprenant. We also owe gratitude to the second generation of service researchers who broadened and enriched the services marketing field. When we attempted to compile a list of those researchers, we realized that it was too extensive to include here. The length of that list is testament to the influence of the early pioneers and to the importance that services marketing has achieved both in academia and practice.

We sincerely thank Dwayne Gremler, who drew on his extensive experience teaching services marketing to work with us to creating the *Instructor's Manual* for the text.

We remain indebted to Parsu Parasuraman and Len Berry, who have been research partners of Dr. Zeithaml's since 1982. The gaps model around which the text is structured was developed in collaboration with them, as was the model of customer expectations used in Chapter 3. Much of the research and measurement content in this text was shaped by what the team found in a 15-year program of research on service quality.

Dr. Zeithaml also expresses special thanks to her colleagues at the University of North Carolina. Gary Armstrong has been a particular mentor and "adult" in all matters relating to textbook writing, marketing education, and academic life. Bill Perreault shared his extensive experience in textbook writing and research, as well as provided support and creative ideas about marketing education. Charlotte Mason and Rebecca Ratner were intellectual catalysts and friends, as were C. L. Kendall and Paul Bloom.

Dr. Bitner expresses special thanks to Steve Brown, Michael Mokwa, and the Center for Services Leadership and the Department of Marketing at Arizona State. Their support and encouragement were invaluable in bringing this project to reality. She also

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