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SERVICES MARKETING

Integrating Customer Focus Across the Firm

4th edition

Valarie A. Zeithaml

Mary Jo Bitner

Dwayne D. Gremler

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**Integrating Customer Focus
Across the Firm**

Fourth Edition

Valarie A. Zeithaml
University of North Carolina

Mary Jo Bitner
Arizona State University

Dwayne D. Gremler
Bowling Green State University



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SERVICES MARKETING: INTEGRATING CUSTOMER FOCUS ACROSS THE FIRM

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To Hugo, my lifelong
friend.

—V.A.Z.

To my family—husband,
Rich, and daughters
Andrea and Christa—for
their unfailing love and
support.

—M.J.B.

To my mother, Pat, for
her years of support,
and in memory of my
father, David.

—D.D.G.

ABOUT THE AUTHORS



Mary Jo Bitner (left), Valarie Zeithaml and
Dwayne Gremler

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VALARIE ZEITHAML is the Roy and Alice H. Richards Bicentennial Professor and MBA Associate Dean at the Kenan-Flagler Business School of the University of North Carolina at Chapel Hill. Since receiving her MBA and PhD in marketing from the Robert H. Smith School of Business at the University of Maryland in 1980, Professor Zeithaml has devoted her career to researching and teaching the topics of service quality and services management. She is the co-author of *Delivering Quality Service: Balancing Customer Perceptions and Expectations* (Free Press, 1990), now in its 13th printing; and *Driving Customer Equity: How Customer Lifetime Value Is Reshaping Corporate Strategy* (with Roland Rust and Katherine Lemon, Free Press, 2000). In 2002, *Driving Customer Equity* won the first Berry–American Marketing Association Book Prize for the best marketing book of the past three years.

In 2004, Professor Zeithaml received both the Innovative Contributor to Marketing Award given by the Marketing Management Association and the Outstanding Marketing Educator Award given by the Academy of Marketing Science. In 2001, she received the American Marketing Association's Career Contributions to the Services Discipline Award.

Professor Zeithaml has won five teaching awards, including the Gerald Barrett Faculty Award from the University of North Carolina and The Fuqua School Outstanding MBA Teaching Award from Duke University. She is also the recipient of numerous research awards, including the Robert Ferber Consumer Research Award from the *Journal of Consumer Research*, the Harold H. Maynard Award from the *Journal of Marketing*, the MSI Paul Root Award from the *Journal of Marketing*, the Jagdish Sheth Award from the *Journal of the Academy of Marketing Science*, and the William F. O'Dell Award from the *Journal of Marketing Research*. She has consulted with more than 50 service and product companies.

Professor Zeithami served on the Board of Directors of the American Marketing Association from 2000 to 2003 and is currently an Academic Trustee of the Marketing Science Institute.

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DWAYNE D. GREMLER is Associate Professor of Marketing at Bowling Green State University. He received his MBA and PhD degrees from the W. P. Carey School of Business at Arizona State University. Throughout his academic career, Dr. Gremler has been a passionate advocate for the research and instruction of services marketing issues. He has served as Chair of the American Marketing Association's Services Marketing Special Interest Group and has helped organize services marketing conferences in Australia, The Netherlands, France, and the United States. Dr. Gremler has been invited to conduct seminars and present research on services marketing issues in several countries. Dr. Gremler's research addresses customer loyalty in service businesses, customer-employee interactions in service delivery, service guarantees, and word-of-mouth communication. He has published articles in the *Journal of Service Research*, *International Journal of Service Industry Management*, *Journal of the Academy of Marketing Science*, and *Journal of Marketing Education*. He has also been the recipient of several research awards at BGSU, including the College of Business Administration Outstanding Scholar Award and the Robert A. Patton Scholarly Achievement Award. While a professor at the University of Idaho, Dr. Gremler received the First Interstate Bank Student Excellence in Award for teaching, an award determined by students in the College of Business and Economics.

PREFACE

This text is 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 topics in services marketing. We strongly believe that services marketing is different from goods marketing in significant ways and that it requires 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. Issues commonly encountered in service organizations—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 and approaches that are new to marketing. We wrote the text to help students and managers understand and address these special challenges of services marketing.

The development 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. Instead, we adjust, when necessary, standard content on topics such as distribution, pricing, and promotion to account for service characteristics of intangibility, heterogeneity, inseparability, and perishability.

The book's content focuses on knowledge needed to implement service strategies for competitive advantage across industries. Included are frameworks for customer-focused management, and strategies for increasing customer satisfaction and retention through service. In addition to standard marketing topics (such as pricing), 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 blueprinting, customer coproduction, and cross-functional treat-

ment 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. A new feature called "Strategy Insight" in each chapter—a feature that focuses on emerging or existing strategic initiatives involving services.
4. Increased coverage of business-to-business applications.
5. Increased technology and Internet coverage, including updated "Technology Spotlight" boxes in each chapter.
6. A chapter on service recovery that includes a conceptual framework for understanding the topic.
7. A chapter on the financial and economic impact of service quality.
8. A chapter on customer-defined service standards.
9. Cross-functional treatment of issues through integration of marketing with other disciplines such as operations and human resources management.
10. Consumer-based pricing and value pricing strategies.
11. A chapter on integrated services marketing communications.
12. Description of a set of tools that must be added to basic marketing techniques when dealing with services rather than goods.
13. Introduction of three service Ps to the traditional marketing mix and increased focus on customer relationships and relationship marketing strategies.
14. An entire chapter that recognizes human resource challenges and human resource strategies for delivering customer-focused services.
15. Coverage of new service development processes and a detailed and complete introduction to service blueprinting—a tool for describing, designing, and positioning services.
16. Coverage of the customer's role in service delivery and strategies for making customers productive partners in service creation.
17. A chapter on the role of physical evidence, particularly the physical environment or "servicescape."
18. Global features in each chapter and expanded examples of global services marketing.

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 fourth 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. The text is organized around the gaps model of service quality, which is described fully in Chapter 2. Beginning with Chapter 3, the text is organized into parts around the gaps model. For example, Chapters 3, 4, and 5 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.

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. Other target audiences are (1) service management classes at both the undergraduate and graduate levels and (2) marketing management classes at the graduate level in which 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 55 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. We also offer a comprehensive instructor's manual and test bank.

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

The text material includes 18 chapters divided into six parts. Part 1 includes an introduction in Chapter 1 and an overview of the gaps model in Chapter 2. Part 2 discusses the focus on the customer. Part 3 focuses on listening to customer requirements, including chapters covering marketing research for services, building customer relationships, and service recovery. Part 4 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 5 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 6 focuses on managing services promises and includes chapters on integrated services marketing communications and pricing of services. Finally, Part 7 examines the financial and economic effect of service quality.

THE SUPPLEMENTARY MATERIALS

Instructor's Manual

The *Instructor's Manual* includes sample syllabi, suggestions for in-class exercises and projects, teaching notes for each of the cases included in the text, 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.

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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 4. 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 Maria Elena Vazquez who provided examples of international services marketing and has been a friend and valued colleague. She also wishes to thank her colleagues, MBA students, and EMBA students at the University of North Carolina. The students' interest in the topic of services marketing, their creativity in approaching the papers and assignments, and their continuing contact are appreciated. She also thanks the Marketing Science Institute, of which she is an academic trustee, for the ongoing inspiration from their many conferences and working papers. She is especially indebted to Marni Clippinger, David Reibstein, Susan Keane, Leigh McAllister, J. B. Steenkamp, and Sunil Gupta for their support and talent.

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