Essentials of Services Marketing

4th Edition





Jochen Wirtz

Essentials of Services Marketing

4th Edition



Essentials of Services Marketing

Table of Contents

(`	\sim	١,	Δ	r
ı		()	v	_	ı

Title page

Copyright

Dedication

About the Author

Brief Contents

Contents

Preface

Acknowledgments

Part I: Understanding Service Markets, Products, and Customers

Chapter 1. Introduction to Services Marketing

Why Study Services

Services Dominate the Global Economy

Most New Jobs Are Generated by Services

Understanding Services Offers Personal Competitive Advantage

What Are the Principal Industries of the Service Sector?

Contribution to Gross Domestic Product

Powerful Forces Are Transforming Service Markets

B2B Services as a Core Engine of Economic Development

What Are Services?

Benefits without Ownership

Defining Services

Service Products versus Customer Service and After-Sales Service

Four Broad Categories of Services A Process Perspective

People Processing

Possession Processing

Mental Stimulus Processing

Information Processing

Services Pose Distinct Marketing Challenges

The 7 Ps of Services Marketing

The Traditional Marketing Mix Applied to Services

The Extended Services Marketing Mix for Managing the Customer Interface



Marketing Must Be Integrated with Other Management Functions

The ServiceProfit Chain

A Framework for Developing Effective Service Marketing Strategies

Chapter 2. Understanding Service Consumers

The Three-Stage Model of Service Consumption

Pre-Purchase Stage

Need Awareness

Information Search

Evaluation of Alternative Services

Purchase Decision

Service Encounter Stage

Service Encounters Are Moments of Truth

The Servuction System

Theater as Metaphor for Service Delivery

Role and Script Theories

Perceived Control Theory

Post-Encounter Stage

Customer Satisfaction

Service Quality

Customer Loyalty

Chapter 3. Positioning Services in Competitive Markets

Customer-Driven Services Marketing Strategy

Customer, Competitor, and Company Analysis (3 Cs)

Segmentation, Targeting, and Positioning (STP)

Segmenting Service Markets

Important versus Determinant Service Attributes

Segmenting Based on Service Levels

Targeting Service Markets

Achieving Competitive Advantage through Focus

Principles of Positioning Services

Using Positioning Maps to Plot Competitive Strategy

An Example of Applying Positioning Maps to the Hotel Industry

Mapping Future Scenarios to Identify Potential Competitive Responses

Positioning Charts Help Executives Visualize Strategy

Positioning Digital Services and Platforms

Attributes of Digital Service Available for Positioning

Developing an Effective Positioning Strategy

Part II: Applying the 4 Ps of Marketing to Services



Chapter 4. Developing Service Products and Brands

Understanding Service Products

What Is a Service Product?

What Are the Benefits of Well-Developed Service Products?

Creating Service Products

The Flower of Service

Facilitating Supplementary Services

Billing

Payment

Enhancing Supplementary Services

Hospitality

Exceptions

Managing the Flower of Service

Branding Services

Service Brand Architecture at the Corporate Level

Branding Service Products and Experiences

Branding Service Levels (Service Tiering)

Building Brand Equity

Delivering Branded Service Experiences

New Service Development

A Hierarchy of New Service Categories

Design Thinking in New Service Development

Achieving Success in New Service Development

Chapter 5. Distributing Services through Physical and Electronic Channels

Distribution in a Services Context

What Is Being Distributed?

How Should a Service Be Distributed?

Customers Visit the Service Site

Service Providers Go to Their Customers

The Service Transaction Is Conducted Remotely

Channel Preferences Vary among Customers

Channel Integration Is Key

Where Should a Service Facility Be Located?

Strategic Location Considerations

Tactical Location Considerations

Innovative Location Strategies

When Should Service Be Delivered?

The Role of Intermediaries

Benefits and Costs of Alternative Distribution Channels

Franchising



Other Intermediaries

The Challenge of Distribution in Large Domestic Markets

Distributing Services Internationally

Factors Favoring Adoption of Transnational Strategies

Barriers to International Trade in Services

How to Enter International Markets

Chapter 6. Setting Prices and Implementing Revenue Management

Effective Pricing Is Central to Financial Success

Objectives for Establishing Prices

Pricing Strategy Stands on Three Foundations

Cost-Based Pricing

Value-Based Pricing

Reducing Related Monetary and Non-Monetary Costs

Competition-Based Pricing

Revenue Management: What It Is and How It Works

Reserving Capacity for High-Yield Customers

How Can We Measure the Effectiveness of a Firms Revenue Management?

How Does Competitors Pricing Affect Revenue Management?

Price Elasticity

Designing Rate Fences

Fairness and Ethical Concerns in Service Pricing

Service Pricing Is Complex

Piling on the Fees

Designing Fairness into Revenue Management

Putting Service Pricing into Practice

How Much Should Be Charged?

What Should Be the Specified Basis for Pricing?

Who Should Collect Payment and Where Should Payment Be Made?

When Should Payment Be Made?

How Should Payment Be Made?

How Should Prices Be Communicated to Target Markets?

Chapter 7. Promoting Services and Educating Customers

Integrated Service Marketing Communications

Defining the Target Audience

Specifying Service Communication Objectives

Strategic Service Communications Objectives

Tactical Service Communications Objectives

Crafting Effective Service Communication Messages

Problems of Intangibility

Overcoming the Problems of Intangibility



The Services Marketing Communications Mix

Service Communications Media and Their Effectiveness

Communications Originate from Different Sources

Messages Transmitted through Traditional Marketing Channels

Messages Transmitted Online

Messages Transmitted through Service Delivery Channels

Messages Originating from Outside the Organization

Timing Decisions of Services Marketing Communications

Budget Decisions and Program Evaluation

Ethical and Consumer Privacy Issues in Communications

The Role of Corporate Design

Integrated Marketing Communications

Part III: Managing the Customer Interface

Chapter 8. Designing Service Processes

What Is a Service Process?

Designing and Documenting Service Processes

Developing a Service Blueprint

Blueprinting the Restaurant Experience: A Three-Act Performance

Identifying Fail Points

Fail-Proofing to Design Fail Points Out of Service Processes

Setting Service Standards and Targets

Consumer Perceptions and Emotions in Service Process Design

Service Process Redesign

Service Process Redesign Should Improve Both Quality and Productivity

Customer Participation in Service Processes

Customers as Service Co-Creators

Reducing Service Failures Caused by Customers

Self-Service Technologies, Service Robots, and Al

Customer Benefits and Adoption of Self-Service Technology

Customer Disadvantages and Barriers of Adoption of Self-Service Technology

Assessing and Improving SSTs

Managing Customers Reluctance to Change

Service Robots in the Frontline

Beginning of the Service Revolution

Service Robots versus Traditional SSTs

What Services Will Robots Deliver?

Chapter 9. Balancing Demand and Capacity

Fluctuations in Demand Threaten Profitability

From Excess Demand to Excess Capacity



Building Blocks of Managing Capacity and Demand

Defining Productive Service Capacity

Managing Capacity

Stretching Capacity Levels

Adjusting Capacity to Match Demand

Understand Patterns of Demand

Managing Demand

Marketing Mix Elements Can Be Used to Shape Demand Patterns

Inventory Demand through Waiting Lines and Queuing Systems

Waiting Is a Universal Phenomenon

Managing Waiting Lines

Different Queue Configurations

Virtual Waits

Queuing Systems Can Be Tailored to Market Segments

Customer Perceptions of Waiting Time

The Psychology of Waiting Time

Inventory Demand through Reservation Systems

Reservation Strategies Should Focus on Yield

Create Alternative Uses for Otherwise Wasted Capacity

Chapter 10. Crafting the Service Environment

Service Environments: An Important Element of the Services Marketing Mix

What Is The Purpose of Service Environments?

Shape Customers Service Experiences and Behaviors

Signal Quality and Position, Differentiate, and Strengthen the Brand

Core Component of the Value Proposition

Facilitate the Service Encounter and Enhance Productivity

The Theory behind Consumer Responses to Service Environments

Feelings Are a Key Driver of Customer Responses to Service Environments

The Servicescape Model: An Integrative Framework

Dimensions of the Service Environment

The Effect of Ambient Conditions

Spatial Layout and Functionality

Signs, Symbols, and Artifacts

People Are Part of the Service Environment Too

Putting It All Together

Design with a Holistic View

Design from a Customers Perspective

Tools to Guide Servicescape Design

Chapter 11. Managing People for Service Advantage



Service Employees Are Extremely Important

Service Personnel as a Source of Customer Loyalty and Competitive Advantage

Front-Line Work Is Difficult and Stressful

Service Jobs Are Boundary-Spanning Positions

Sources of Role Conflict and Role Stress

Emotional Labor

Service Sweatshops

Cycles of Failure, Mediocrity, and Success

The Cycle of Failure

The Cycle of Mediocrity

The Cycle of Success

Human Resource ManagementHow to Get It Right

Hire the Right People

Tools to Identify the Best Candidates

Train Service Employees Actively

Internal Communications to Shape the Service Culture and Behaviors

Empower the Front Line

Build High-Performance Service-Delivery Teams

Integrate Teams across Departments and Functional Areas

Motivate and Energize People

Service Culture, Climate, and Leadership

Building a Service-Oriented Culture

A Climate for Service

Qualities of Effective Leaders in Service Organizations

Focusing the Entire Organization on the Front Line

Part IV: Developing Customer Relationships

Chapter 12. Managing Relationships and Building Loyalty

The Search for Customer Loyalty

Why Is Customer Loyalty So Important to a Firms Profitability?

Assessing the Value of a Loyal Customer

Worksheet for Calculating Customer Lifetime Value

The Gap between Actual and Potential Customer Value

Why Are Customers Loyal?

The Wheel of Loyalty

Building a Foundation for Loyalty

Target the Right Customers

Search for Value, Not Just Volume

Manage the Customer Base through Effective Tiering of Services

Customer Satisfaction and Service Quality Are Prerequisites for Loyalty

Strategies for Developing Loyalty Bonds with Customers



Deepen the Relationship

Encourage Loyalty through Financial and Non-Financial Rewards

Build Higher-Level Bonds

Strategies for Reducing Customer Switching

Analyze Customer Switching and Monitor Declining Accounts

Address Key Churn Drivers

Implement Effective Complaint Handling and Service Recovery Procedures

Increase Switching Costs

Enablers of Customer Loyalty Strategies

Customer Loyalty in a Transactional Marketing Context

Relationship Marketing

Creating Membership-Type Relationships as Enablers for Loyalty Strategies

Customer Relationship Management

Common Objectives of CRM Systems

What Does a Comprehensive CRM Strategy Include?

Common Failures in CRM Implementation

How to Get CRM Implementation Right

Chapter 13. Complaint Handling and Service Recovery

Customer Complaining Behavior

Customer Response Options to Service Failure

Understanding Customer Complaining Behavior

What Do Customers Expect Once They Have Made a Complaint?

Customer Responses to Effective Service Recovery

Impact of Effective Service Recovery on Customer Loyalty

The Service Recovery Paradox

Principles of Effective Service Recovery Systems

Make It Easy for Customers to Give Feedback

Enable Effective Service Recovery

How Generous Should Compensation Be?

Dealing with Complaining Customers

Service Guarantees

The Power of Service Guarantees

How to Design Service Guarantees

Is Full Satisfaction the Best You Can Guarantee?

Is It Always Beneficial to Introduce a Service Guarantee?

Discouraging Abuse and Opportunistic Customer Behavior

Seven Types of Jaycustomers

Dealing with Customer Fraud

Part V: Striving for Service Excellence

Chapter 14. Improving Service Quality and Productivity



Integrating Service Quality and Productivity Strategies

Service Quality, Productivity, and Profitability

What Is Service Quality?

Identifying and Correcting Service Quality Problems

The Gaps Model in Service Design and Delivery

How to Close Service Quality Gaps

Measuring Service Quality

Soft and Hard Service Quality Measures

Learning From Customer Feedback

Key Objectives of Effective Customer Feedback Systems

Use a Mix of Customer Feedback Collection Tools

Analysis, Reporting, and Dissemination of Customer Feedback

Hard Measures of Service Quality

Tools to Analyze and Address Service Quality Problems

Root Cause Analysis: The Fishbone Diagram

Pareto Analysis

BlueprintingA Powerful Tool for Identifying Fail Points

Return on Quality

Assess Costs and Benefits of Quality Initiatives

Determine the Optimal Level of Reliability

Defining and Measuring Productivity

Defining Productivity in a Service Context

Measuring Productivity

Service Productivity, Efficiency, and Effectiveness

Improving Service Productivity

Generic Productivity Improvement Strategies

Customer-Driven Approaches to Improve Productivity

How Productivity Improvements Impact Quality and Value

Integration and Systematic Approaches to Improving Service Quality and Productivity

Systematic Approaches to Improving Service Quality and Productivity

Which Approach Should a Firm Adopt?

Chapter 15. Building a World-Class Service Organization

Customer Satisfaction and Corporate Performance

Customer Satisfaction and the Wallet Allocation Rule

Creating a World-Class Service Organization

From Losers to Leaders: Four Levels of Service Performance

Moving to a Higher Level of Performance

Cost-Effective Service Excellence

Dual-Culture Strategy

Operations Management Approach



Focused Service Factory Strategy Business Models Based on CESE Pathways

Conclusion and Wrap-Up

Part	V	ŀ	Ca	SAS	•
ιαιι	v	Ι.	Va	ろせる	3

- Case 1. Sullivan Ford Auto World
- Case 2. Susan Munro, Service Customer
- Case 3. Dr. Becketts Dental Office
- Case 4. Ubers Unintended Burdens
- Case 5. Kiwi Experience
- Case 6. The Accra Beach Hotel: Block Booking of Capacity during a Peak Period
- Case 7. Revenue Management at The View
- Case 8. Aussie Pooch Mobile
- Case 9. Service Robots in the Frontline: How Will Aarion Banks Customers Respond?
- Case 10. Digital Luxury Services: Tradition versus Innovation in Luxury Fashion
- Case 11. National Library Board, Singapore: Delivering Cost-Effective Service Excellence through Innovation and People
- Case 12. Red Lobster
- Case 13. Banyan Tree: Branding the Intangible
- Case 14. Singapore Airlines: Managing Human Resources for Cost-Effective Service Excellence
- Case 15. Menton Bank
- Case 16. Dr. Mahalee Goes to London: Global Client Management
- Case 17. Platform versus Pipeline Business Models: Are Airbnb and Marriott Right to Move into Each Others Turf?
- Case 18. The Royal Dining Membership Program Dilemma
- Case 19. The Broadstripe Service Guarantee
- Case 20. What Drives Share of Streaming for Streaming Video Services? The Launch of HBO Max
- Case 21. LUX*: Staging a Service Revolution in a Resort Chain

Name, Brand, and Organization Index

Α

В

C



D Ε F G Н J Κ L М Ν 0 Р Q R S Т U ٧ W Χ Υ Ζ Subject Index Α В С D Ε

F G H

J

Κ

L

М

Ν

0

Р

Q

R

S

T U

٧

W

Υ

Z