20 Years of “Services Marketing”

1984 – Lovelock, 1st edition

1991 – Lovelock, 2nd edition

1996 – Lovelock, 3rd edition

2001 – Lovelock, 4th edition

2002 – Lovelock, Wirtz, and Keh, Services Marketing in Asia

2004 – Lovelock & Wirtz, 5th edition
What’s New?

- New co-author – Jochen Wirtz
- New streamlined structure – slimmed down from 18 chapters to 15, more tightly written
- Coverage of latest research and developments in management practice (check the references!)
- New examples
- New readings – 6 of 8 are new
- New cases – 12 of 15 are new, balance all updated
Jochen Wirtz, PhD
Associate Professor, National University of Singapore

- Born in Germany
- PhD in services marketing, London Business School (chair: John Bateson)
- Winner of six best paper awards, including (with Patricia Chew) most outstanding article of 2002 in *International Journal of Service Industry*, 2002
- Six awards for outstanding teaching, including university-wide award, 2003
Jochen and family at Awards Banquet for NUS Outstanding Educator Award, 2003

NUS Outstanding Educator Award, (university-wide) 2003

(Only two awards each year among 2,700 NUS faculty)

Target Markets for SM5

- Primary targets
  - MBA courses in services marketing, service management
  - Upper division undergraduate courses (same)

- Secondary targets (with supplementary readings and cases)
  - MBA courses in public and nonprofit marketing
  - Courses in tourism, hotel and restaurant marketing
  - Courses in marketing at other professional schools (e.g., architecture, public health)

- Can also be used in executive education courses that emphasize services marketing/management
Implementation in a Course

- SM5 offers an integrative package:
  - 15 chapters of text (with lots of examples)
  - 8 readings
  - 15 cases

- Not built around a central conceptual framework that must be built through a pre-defined sequence of chapters

- Instead, offers a “toolbox” of important concepts and theoretical constructs that have practical application to management

- Very flexible—after Part 1, chapters can be taught in multiple sequences; certain topics can be omitted in short courses

- Links research findings to good managerial practice

- End-chapter questions, cases study questions, and suggested student papers/projects get students to work through concepts, come up with detailed analysis and practical solutions
SM5 CONTENT HIGHLIGHTS

Chapters, Readings, Cases, Pedagogical Aids
Part 1: Understanding Service Products, Consumers and Markets

1. Introduction to Services Marketing
   - Differences among services are as important as differences between goods and services
   - Service success requires focus on both customers and competitive markets

2. Consumer Behavior in Service Encounters

3. Positioning Services in Competitive Markets
   - Positioning distinguishes a service brand from its competitors
   - Using positioning maps to plot competitive strategy
### Four Categories of Services Employing Different Underlying Processes (Fig. 1.5)

<table>
<thead>
<tr>
<th>TANGIBLE ACTS</th>
<th>INTANGIBLE ACTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is the Nature of the Service Act?</strong></td>
<td><strong>Who or What is the Direct Recipient of the Service?</strong></td>
</tr>
<tr>
<td>DIRECTED AT PEOPLE</td>
<td>DIRECTED AT POSSESSIONS</td>
</tr>
<tr>
<td><strong>People Processing</strong></td>
<td><strong>Possession Processing</strong></td>
</tr>
<tr>
<td>e.g., airlines, hospitals, haircutting, restaurants hotels, fitness centers</td>
<td>e.g., freight, repair, cleaning, landscaping, retailing, recycling</td>
</tr>
<tr>
<td><strong>Mental Stimulus Processing</strong></td>
<td><strong>Information Processing</strong></td>
</tr>
<tr>
<td>e.g., broadcasting, consulting, education, psychotherapy</td>
<td>e.g., accounting, banking, insurance, legal, research</td>
</tr>
</tbody>
</table>
Positioning after New Hotel Construction: Price vs. Service Level (Fig. 3.6)
Part 2: Key Elements of Services Marketing

4. Creating the Service Product
   - Flower of Service model of core and supplementary services

5. Designing the Communications Mix for Services

6. Pricing and Revenue Management
   - Activity based costing (ABC)
   - Revenue management (+ Kimes & Chase reading + 2 cases)
   - Ethical concerns and perceived fairness in pricing policies

7. Distributing Services
   - Place, cyberspace, and time
   - Role of intermediaries, franchising (Aussie Pooch case)
   - International distribution of services
The Flower of Service: Categorizing Supplementary Services (Fig. 4-5)

**KEY:**
- Facilitating elements
- Enhancing elements
Splitting Responsibilities for Delivering Supplementary Services (Fig. 7.2)

As created by originating firm

As enhanced by distributor

As experienced by customer

Core + Core = Core
Part 3: Managing the Service Delivery Process

8. Designing and Managing Service Processes
   - Detailed review and example of blueprinting
   - The customer as productive co-producer vs. the “Jaycustomer” as abusive threat to profitability, quality, and safety

9. Balancing Demand and Capacity

10. Planning the Service Environment
    - Designing and managing the servicecape: role of music, scents, and colors (+ Haeckel, Carbone, and Berry reading)
    - Role of architecture and other visual design elements, illustrated by photos

11. Managing People for Service Advantage
Simplified Example: Blueprinting a Hotel Visit
(extract only)

<table>
<thead>
<tr>
<th>Line of Interaction</th>
<th>Front</th>
<th>Backstage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Actions</td>
<td>Make reservation</td>
<td>Phone Contact</td>
</tr>
<tr>
<td>Face-to-face</td>
<td>Arrive, valet park</td>
<td>Rep. records, confirms</td>
</tr>
<tr>
<td></td>
<td>Check-in at reception</td>
<td>Enter data</td>
</tr>
<tr>
<td></td>
<td>Go to room</td>
<td>Make up Room</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Line of Visibility</th>
<th>Hotel exterior, lobby, employees, key</th>
<th>Elevator, corridor, room, bellhop</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doorman greets, valet takes car</td>
<td>Receptionist verifies, gives key to room</td>
<td>Valet Parks Car</td>
</tr>
<tr>
<td>Receptionist verifies, gives key to room</td>
<td>Make up Room</td>
<td></td>
</tr>
</tbody>
</table>

Physical Evidence
Comparison of Hotel Lobbies
(Figure 10.1)

The servicescape is part of the value proposition!

Orbit Hotel and Hostel, Los Angeles

Four Seasons Hotel, New York
Part 4: Implementing Services Marketing

12. Managing Relationships and Building Loyalty
   - How to calculate customer lifetime value (+ Mass Audubon case)
   - Customer relationship management systems

13. Customer Feedback and Service Recovery

14. Improving Service Quality and Productivity

15. Organizing for Service Leadership
   - Integrating marketing, operations, and human resources
   - Moving up the service leadership ladder – losers, nonentities, professionals, leaders
   - Individual leadership qualities, culture and climate
The Wheel of Loyalty (Fig. 12.7)

1. Build a Foundation for Loyalty
   - Segment the market
   - Be selective in acquisition
   - Use effective tiering of service
   - Deliver quality service

2. Create Loyalty Bonds
   - Build higher level bonds
   - Give loyalty rewards
   - Deepen the relationship

3. Reduce Churn Drivers
   - Conduct churn diagnostic
   - Address key churn drivers
   - Implement complaint handling & service recovery
   - Increase switching costs

Enabled through:
- Frontline staff
- Account managers
- Membership programs
- CRM Systems

Customer Loyalty

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Segment the market
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Courses of Action Open to a Dissatisfied Customer (Figure 13.1)

Service Encounter is Dissatisfactory

- Take some form of public action
  - Complain to the service firm
  - Complain to a third party
  - Take legal action to seek redress
  - Defect (switch provider)
  - Negative word-of-mouth

- Take some form of private action
  - Any one or a combination of these responses is possible

- Take no action
Cause and Effect Chart for Airline Departure Delays (Fig. 14.3)

- **Facilities, Equipment**
  - Arrive late
  - Oversized bags

- **Frontstage Personnel**
  - Aircraft late to gate
  - Mechanical Failures
  - Late pushback
  - Late food service
  - Late baggage
  - Late fuel

- **Procedures**
  - Gate agents cannot process fast enough
  - Late/Unavailable airline crew
  - Delayed check-in procedure
  - Acceptance of late passengers
  - Poor announcement of departures
  - Weight and balance sheet late

- **Materials, Supplies**
  - Late cabin cleaners

- **Backstage Personnel**
  -Acceptance of late passengers

- **Information**
  - Acceptance of late passengers

- **Customers**
  - Gate agents cannot process fast enough
  - Acceptance of late passengers
Eight Readings – Important Insights from Thoughtful Practitioners and Leading Researchers

- Selected for readability and potential to stimulate classroom discussion
- On average, shorter than those in previous edition
- Two carried over from 4th edition, six new
- Academic authors featured are:
- Topics: service theater, competing in a weak industry, service brand equity, yield management, leading the customer experience, investing to build customer equity, why service stinks, action-profit linkage model
15 Terrific Classroom-Tested Cases, Offering Instructors Lots of Choice and Flexibility

- Number of cases has been increased to 15 (including a 3-part case series) – up from 10 in 4th edition
- 12 cases are new to this edition, 3 carried over from 4th edition and updated
- Students will appreciate an exceptionally up-to-date selection – all © 2000 or later, most © 2003 or 2004
- A mix of lengths and levels of difficulty
- Cases drawn from Harvard, Yale, and INSEAD collections, as well as new cases from Lovelock and Wirtz
- A broad cross-section of service industries and situations
- Teaching notes provide detailed analysis and teaching suggestions to help instructors do a great job in class
### Most Cases Can Be Used for Class or Written Assignments; Depict a Wide Array of Situations

<table>
<thead>
<tr>
<th>Fast food</th>
<th>Car sales and repair</th>
</tr>
</thead>
<tbody>
<tr>
<td>High tech</td>
<td>Telecommunications</td>
</tr>
<tr>
<td>Car insurance</td>
<td>Retail banking</td>
</tr>
<tr>
<td>e-Service</td>
<td>Apparel retailing</td>
</tr>
<tr>
<td>Restaurant</td>
<td>Hotels</td>
</tr>
<tr>
<td>Environmental organization</td>
<td>Franchised dog washing</td>
</tr>
</tbody>
</table>
Aussie Pooch Mobile: When the Client is a Dog, CB means “Canine Behavior”

APM franchisee Elaine Beal washes Zak the Rottweiler outside his owner’s home in suburban Brisbane
Pedagogical Aids in the Book

- Introduction to each chapter highlights key issues and questions

- Four types of boxed inserts
  - Best Practice in Action (application of best practices)
  - Research Insights (summaries of research findings)
  - Service Perspectives (in-depth examples illustrating key concepts)
  - Management Memo (reviews of key concepts)

- Review questions and application exercises

- Suggested study questions for all cases

- Good selection of graphics (many also as PowerPoints)

- Occasional cartoons use humor to make a point
Instructor’s Resource Material

- Detailed instructors’ manual on course website
  - Summaries of chapters with teaching hints
  - Answers to study questions
  - Sample course outlines
  - Summaries of readings with teaching hints
  - 16 student exercises and 5 comprehensive projects
  - Advice on how to succeed in case teaching
  - Outstanding teaching notes for cases

- More than 280 PowerPoint slides, organized into 15 chapter-specific files