

THE UNIVERSITY of NEW SOUTH WALES

SCHOOL of MARKETING

SUBJECT OUTLINE

Services Marketing (MARK5816)

Session 1, 2005

**The University of New South Wales
School of Marketing**

Services Marketing (MARK5816)

SESSION 1, 2005

Corequisites: Mark5800 or 5801

Lecture: Tuesday 6.00 - 7.30pm

Venue: Matthews D

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Tutor To be advised
Tutorials To be advised.

Course Description

Business schools have traditionally focused on the manufacturing sector of the economy, and fast moving consumer goods in particular. In 2005 however, the dominant force in most world economies today (S-E Asia as well as Australia and other developed nations) are service industries.

As consumers, we purchase services every day – be they retail banking, using a supermarket or restaurant, a holiday, medical services, transportation, immigration consultants, travel agents or hairdressing (higher education is also a service!). Professional services (of a B2B or B2C nature) are also prominent – e.g., legal services, financial planning, accountancy, architects, management consultancy, financial services, information technology, market research, and engineering services. Experiential services (tourism, sport, theatre) are also growing. Many product-based organisations (e.g., IBM, Federal Express) also have a strong service component.

A central theme of the course is that services (both commercial B2C & B2B, and not-for-profit) possess a set of unique characteristics that require a distinctive approach to marketing strategy - both in its development and execution. This is not to say that the approach is unique, but rather distinctive. Therefore we build upon and expand the marketing management concepts and models and adapt them to the services sector. We will use marketing to examine how to improve service quality, increase and maintain customer satisfaction levels, generate customer loyalty, and create a healthy service culture within the

firm. In services we discuss the 7 Ps of the 'Services Marketing Mix' (the traditional 4 Ps plus people, processes, and physical evidence). Since many services have a strong people or employee component (the fifth "p" of the marketing mix), we devote time to examining successful internal marketing and relationship management, in addition to the more traditional customer-focussed external marketing.

Learning Objectives.

1. To gain a better understanding of the nature and characteristics of services, knowledgeable about the ways services need to be marketed due to their intangible core, as well as more informed regarding service quality issues and the success factors in services marketing.
2. To appreciate the overlap of marketing with operations management and human resource systems in the design and management of service organisations
3. To gain insight into the problems faced by service marketing professionals as well as strategies managers can employ to increase the effectiveness of services marketing.
4. To develop an understanding of services marketing from both a managerial and entrepreneurial viewpoint as well as the differences and commonalities between goods and services through discussion and case analysis of services in a broad range of private, non-profit, and public sector organisations.

Further the more general aim is:

- To *inform* you about the best current thinking on services marketing and management, through contemporary readings, current case analysis, guest speakers, and lectures.
- To *sensitise* you to services operations, service quality, and other elements of the services which customers and service providers experience.
- To *immerse* you in the services issues facing a particular service firm, so that you can apply your knowledge & skills in analysis and problem-solving.

Hopefully you will emerge from this course as a more knowledgeable services manager and/or consultant, a more demanding service consumer, and a more considerate and customer-aware service provider. You may even have a very enjoyable time in the process!

Course Format

This course will be conducted on a discussion and lecture basis, with the occasional guest speaker from industry. Discussion will be carried on within the framework of assigned readings and up-to-date case studies both in Australia and the S-E Asian region. *It is your responsibility to study the reading assignments prior to class in order that you may contribute, participate intelligently and thus gain maximum value from the course.*

The lectures will primarily summarise and synthesise the key points in the chapters and readings and to explain and/or elaborate upon the more difficult principles. Finally, case studies of service organisations and a practical projects will be used to achieve the course aims.

Teaching Schedule

Lecture #, Date	Topic	Readings
1. Tues, 1 March	Introduction to marketing in the services sector	
2. 8 Mar	Distinctive aspects of service products	LPW Ch.1; Grove, Fisk & John Reading #1 in text book.
3. 15 Mar	Service processes & a typology of service types	Ch.2; Heskett et al, Reading #3, & Haeckel et al. #5 in LPW.
4. 22 Mar	Consumer behaviour in service settings	Ch.3; Bitner et al (#3)
	Mid semester break	
5. 5 April	Customer satisfaction & service quality	Ch.4; Brady article #2, & Beck article (#6) in LPW
6. 12 Apr	Customer satisfaction & service quality	Appendix to Ch.4; Hart & Johnson article (# 8)
7. 19 Apr	Managing customer relationships	Ch 6 ; Fournier et al (Attachment 1)
8. 26 Apr	Target marketing & positioning strategy	Ch.7; Shostack article (#7)
9. 3 May	Tools for service managers: Product & branding strategy	Ch. 8; Berry article (#11) Assignment due
10. 10 May	The impact of information technology & Service delivery	Ch. 9; Bowen & Lawler (Attachment 2)
11. 17 May	Consumer complaining behaviour & service recovery	Ch 5; Reicheld & Sasser article (Attachment 3)
12. 24 May	Pricing strategy; managing demand	Ch. 10 & 11; Wirtz et al (Attachment #4)
13. 31 May	Communications strategies & managing the customer service function	Ch. 12, 13; Legg & Baker article (#10)
14. 7 June	Internationalization of services; course revision	Ch. 14

Note: LPW = Lovelock, Patterson and Walker text (3rd edition)

Required Text.

Lovelock, Christopher. H., Paul G. Patterson and Rhett Walker (2004), *Services Marketing: Text, Cases and Readings*, 3rd edition, Pearson Education: Sydney.

A package of Readings is also required.

Method of Assessment

*	Assignment (Service encounter diary)	20%	(Due 3 May)
*	Case (group) presentation	20%	
*	Participation	10%	
*	Final Examination [#]	<u>50%</u> 100%	

Note: To receive a passing grade in this subject, you must perform satisfactorily in all assessment tasks AND gain at least 50% of the allocated marks in the final examination.

Details of Assessment

(1) Assignment

Service Encounter Diary

You are to document your experiences with an extended service encounter - i.e., describe *what happened, and how you felt*. This extended service encounter might, for example, be an 8 hour flight from say Jakarta or Bangkok to Sydney; an extended stay in hospital; a series of visits to a bank to get a housing loan, an overnight (or longer) stay in a hotel, or it might be a series of transactions with a business service provider (architect, accountant, consultant). The encounters might be in Australia or in your home country (if an overseas student). Each of these examples involves multiple 'service encounters'. Refer to the Appendix to this course outline for an example.

The Service Encounter Diary is designed to help you understand customer expectations, and why as consumers we are sometimes satisfied or dissatisfied with the service experience. By recording and analysing your own experiences, particularly in reference to the theories, tools and techniques of services marketing, you should begin to discover what is truly needed to satisfy a customer.

You are required:

1. To document what happened at each service encounter and how you felt. You are also required to give a satisfaction rating, a value for money rating and whether you would recommend this service provider to a close friend or family member (all using 5 point scales). This should not exceed three (3) pages. A sample is shown in Appendix 1.
2. To analyse your overall (dis)satisfaction, quality and value judgements about the service provided in terms of services theory and concepts. Based on this analysis make a series of recommendations for improvement (please use bullet point for and keep it to a maximum half page)- or if your experience was a very satisfying one, then indicate what lessons are there for other service organisations. This analysis phase must not exceed five (5) typed pages.
3. Your report should be typed in double spacing, 12 point font and should contain appropriate headings throughout and an appropriately annotated bibliography (4 - 6 references).

Note 1: It is your responsibility to keep a written copy of your assignment.

Note 2: Late assignments (major project or service diary) will be penalised 20% of maximum marks per working day, and will not be accepted if more than one week late.

(2) Case Study Presentation.

You are to make an in-class presentation (as part of a group) of a case study. No writing is required - merely the presentation. You will however be expected to supply me with copies of any handouts/overheads for evaluation. All group members must participate in the presentation process.

Presentation Time: 25 - 30 minutes, with 10 minutes for questions. See next page for evaluation criteria.

The key criteria for a good PowerPoint presentation are

- Engage your audience with eye contact and the spoken word. PowerPoint only supports your words.
- Don't over-complicate your slides with too much information or gadgetry. Keep it relatively simple.
- Minimise number of slides
- Don't simply read the PowerPoint.

Presentation Schedule:

Weeks 1-2: **No tutorials - No case Presentations**

Week 3: Kiwi Experience (Case 1 in LPW textbook). Questions 1-4

Week 4: No tutorials

Week 5: An Incident in the babies room (Case 13 in LPW). Qns 1-6

Week 6: No tutorials

Week 7: (a) Perth Zoo, (case in LPW), Questions 1, 2, 3, 5, 6, 7.

Or

(b) A cross cultural assignment (see Prof Patterson)

Note: There will be 2 presentations this week. (a) and (b) above are to be assigned to case teams.

Week 8: Bringing a Client Focus to Austrade Bangkok (case in LPW). Qn: What lessons can other international services marketers learn from this case?

Week 9: No tutorials

Week 10: (a) Aussie Pooch Mobile, (case in LPW). Qns 1, 2, 4, 5.

Or

(b) A conjoint approach to pricing sports memberships, (case in LPW). Qns 1-3.

Week 11: No tutorials

Week 12: Giordano, (case in LPW). Qns 2-6.

Week 13: Longstay in Thailand, (case in LPW). Qns 1 & 2.

EVALUATION of CASE PRESENTATION

1. **Identification of Case Issues** 1.....10
 - *Case issues accurately and completely identified?
 - *Relative importance of issues described?
 - *Adequate background information provided?

2. **Case Issues Effectively Addressed Using Services Concepts/Frameworks** 1.....10
 - *Services marketing concepts integrated with case analysis
 - *Options for resolving the case issues identified ?
 - *Rationale provided for choosing an option(s)? or
 - *Appropriate external material presented ?

3. **Presentation** 1.....10
 - *Well-organised and presented?
 - *Appropriate and effective use of exhibits and visual aids?
 - *Convincing and interesting?

4. **Audience Involvement** 1.....10
 - *Effectively encouraged audience involvement?
 - *Presentation tailored to target audience?

5. **General Creativity** in arriving at a solution 1.....10

CASE: _____

TEAM: _____

MARK: _____

Participation/Weekly Course Discussion.

My expectations are that this class is a standing business appointment and your presence is required.

In basic marketing, you learned about the 4 'Ps' of Marketing Management, these being Product, Price, Promotion and Place. There are four equally important 4 'Ps' of student involvement in case and assigned reading discussion. These are:

- Preparation. If the student does not read and analyse the case, and then formulate an action plan, the case discussion will mean little.
- Presence. If the student is not present, she or he cannot learn and, more importantly, cannot add her or his unique thoughts and insight to the group discussion.
- Promptness. Students who enter the classroom late disrupt the discussion and depreciate the decorum of the process.
- Participation. Each student's learning is best facilitated by regular participation. More important, the student has the responsibility to share his or her understanding and judgement with the class to advance the group's collective skills and knowledge.

Additional Reference Material.

- Berry, L., and Parasuraman, A. *Marketing Services - Competing through Quality*, The Free Press, 1991.
- Berry, L. *Discovering the Soul of Service*, The Free Press, 1999.
- Christopher, M., A. Payne and D. Ballantyne, 3rd ed. *Relationship Marketing*, Butterworth Heinemann, 2003.
- Rust, R., A. Zahorik and T. Keiningham, *Service Marketing*, Harper Collins, 1996
- Schneider, B. and D. Bowen, *Winning The Service Game*, Harvard Business School Press, 1995
- Swartz, T., Bowen D. and Brown, S.W., *Advances in Services Marketing and Management*, Vol.1 to 5 (1992-1996).
- Swartz, Teresa A. and Dawn Iacobucci eds., *Handbook of Services Marketing and Management*, Sage Publications, 2000.
- Zeithaml, V., and M. J. Bitner, *Services Marketing*, 3rd ed. McGraw Hill, 2003
- Zeithaml, V., Parasurman, A. and Berry, L. *Delivering Quality Service*, The Free Press. 1995

Journals

- Harvard Business Review
- International Journal of Service Industry Management
- Journal of the Academy of Marketing Science
- Journal of Consumer Satisfaction/Dissatisfaction and Complaining Behavior.
- Journal of Management Consulting
- Journal of Marketing
- Journal of Professional Services Marketing
- Journal of Retailing
- Journal of Service Marketing
- Journal of Services Research
- Services Industry Journal
- Sloan Management Review

SERVICE ENCOUNTER DIARY
AN ANALYSIS OF A SERVICE EXPERIENCE WITH
THE
OTFORD FARM TRAIL RIDES

Appendix 1: Example of an Extended Service Encounter

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SCENARIO:

Consider a 28 year old Taiwanese, male university student who had ridden horses for a period of some 2 years and really enjoys it as an exciting leisure sport. The customer mostly had rides at the Dunmore House Equestrian Centre Pty. Limited (about 1 km north of the Kiama) until the Dunmore closed in January 1995. Due to this temporary close and the farm has suspended the time for re-open, the customer had to find another place to have this recreation. He was recommended by the manager of the Dunmore House Equestrian Centre to have trail rides at the Otford Farm Trail Rides, Otford. (north of Wollongong in NSW)

QUESTION

The thoughts and emotions of the customer were recorded before, during and after his rides at the Otford Farm Trail Rides and are documented below. An evaluation of this customer's experiences at the farm will be subject to an analysis adhering to the following guidelines.

- 1). Analyze and explain what happened in terms of services marketing theory;
 - 2). Assuming this scenario is typical of a number of recent customer experiences, elicit the marketing and management implications for the operation of these trail rides;
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CUSTOMER EXPERIENCE - 'A'

1. February 1995; Rang the Otford Farm to book a trail ride at 2:00 pm for 3 people and the receptionist told me the address and a brief direction how to get there.
2. My friends and I arrived about 2:15pm. The reception office looks more like a big iron container.
3. All new clients were be required to complete a riding ability form at the front desk at book-in and pay the fee. One thing I doubted is that it seems not many people would have time to read & understand details of disclaimer of liability listed on the form since the statements listed so profuse. No one explained or verified the form to us.

4. After finishing the procedure for book-in I was told to get a helmet. I selected a most clean one even that it still smell not good.
5. I was told to wait beside the horse pen. People harnessed saddles for us but no body checked what horse I prefer. I was arranged to ride a grey one; I do not like grey horses. I felt a little disappointed until the manager told me the horse is quick.
6. Damien was the guide for our two hour trail rides. He rechecked things if the harness was right to each client. Before we departed Damien asked us where we would like to go whether any specific place we are more interested. Since no one had any idea Damien recommended some places and explained our journey briefly about where we were going to be.
7. The ride went through an Australian bush and crossed the border of the farm to arrived at the Stanwell Park . Damien watched the traffic carefully and led us to pass the high way. How exciting it is! I had never ever had this experience before since I always ride in a limited filed of an private area. After we arrived at the top of the wide grass we could see the whole view of Wollongong and spectacular coastal scenery. Especially, we had a long speedy running on the grass. It is fantastic!
8. We returned to the property of the farm and rode through a forest. Damien introduced the environment where we passed to us.
9. After passing a small brook we arrived at a wide grass and there was about ten-something horses herded there. We were allowed to speed our horses as fast as possible. I and my friends did really enjoy our speed running to the full on the grass. More fantastically, Damien led us to hasten the horses that herded on the grass toward the trail returning to the farm. I had not expected to have such a experience before the ride. It really surprised me.

Overall Satisfaction with Guide (OSG) = 4

Overall Satisfaction with Farm (OSF)= 3

Experience - 'B'.

1. Two weeks later: my friends again invited me to visit the trail farm. Rang the farm to make appointment at 2:00pm.
2. Arrived there we asked the manager that we would like Damien to be our guide again. The manager said Damien was studying a course and would not be there until next month, thus he arranged Sam to be our guide.
3. We departed and "went forward"; Sam did not ask us or tell us how our rides would be, we totally had no any idea where we were going! Even when I asked him how will he arrange our ride, he just said,"Depends!". Depends on what? He did not explain anything.
4. We just followed Sam. While most of us had passed across a small stream, one of my friend got a problem. His horse did not want to pass the stream, and he could not rein it. We waited opposite for him to came down this side. However, Sam seemed to have no intention to help him; actually Sam just presented a weary expression and murmured,"What is he doing?" It was not until I turned back riding toward my friend, that Sam rode with me to help my friend to rein his horse to pass the stream.
5. My friend asked me that he want to switch the priority with me to be next to the guide since he thought his horse was uncontrollable. So I slowed down my speed and he was trying to overtake. However, Sam thundered up to us as soon as he saw our overtaking. "No overtaking, never! Understand? Cityslicker! " he roared. Of course I will remember; I will never forget his ill manners.

6. No one said anything during the ride. We were really dissatisfied with Sam. The atmosphere was so bad. One of my friend suggested to go back and complain to the manager; he said that he could not take this any more.

7. We 'ambled' toward the Stanwell Park. According the last experience, I supposed that we would pass the high way and have a nice running again. However, Sam asked us to get off the horse and gave us ten minutes to 'walk across' the rode to see the coastal scenery. It was not really what I had expected!

8. During the whole ride we just ambled and ambled, no any speed running, and not any gossip. It really let me feel so stupid. I seemed to pay my money to take their horses out for a constitutional! This was not what I wanted or paid for!

9. Finished the ride and returned the riding helmets, the manager asked us as commonly, " How is the ride?"; my friend answered him, "not so good", and soon, the manager found out our unfavorable attitude. The manager came to us and ask us what happened. We told him what happened and how we felt during the ride. However, after listened to our complaint he did not say anything except one word, " sorry".

Anyway, I probably will not go to the Otford Farm Trail Rides again at least next few months since this bed experience resulted from the ill manner guide has made me a really negative attitude toward the farm. I am afraid to meet a similar encounter if I go there again. Additionally, the manager did not respond positively after my complaint; I have no idea whether he agreed with me or maybe just another person who thought we are cityslickers.

Overall Satisfaction with Guide (OSG)= 1

Overall Satisfaction with Farm (OSF)= 2

*** Using 5-point scale: 1=very dissatisfied and 5=very satisfied.**

Would I recommend this trail ride to a friend? Probably not (rating of 2).

**# 5-point scale: 1=definitely not 2=probably not 3=unsure 4=probably yes
5=definitely yes.**

Example #2

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SATISFACTION/DISSATISFACTION WITH A SERVICE EXPERIENCE: AN OVERNIGHT STAY IN A PRIVATE HOSPITAL

Scenario: Following a sporting accident, the 36 year old patient (customer) was having knee surgery under a general anaesthetic. The patient was required to stay overnight in the Sydney private hospital (nominated by the specialist as one of only 2 hospitals where he preferred to operate) following the operation. The patient had not had a stay in hospital for some 10 years. He had private medical insurance covering private hospital and choice of own doctor (but not physiotherapy, nor pharmaceutical)

Patient Experience:

1. Rang hospital to book-in at Admissions Office, 4 weeks prior to surgery (money was immediately mentioned, seemed more concerned with payment of bills than me - made clear the need to pay on day; no literature was sent; I was told to ring day before surgery; they were not keen on me staying overnight - I must get permission of Dr J; person in Admissions was a bit abrupt.
2. Rang hospital day before admission. OK to stay overnight; must be in by 8am! When asked why? I was told "because surgeon insists!" But I was told by surgeon's office I was 8th in line - also I was driving from Wollongong! (some 80 km away) "It is for the surgeon's convenience!" Also she (receptionist) told me surgeon is "abrupt and lacks bedside manner but is technically excellent". No instruction was given re fasting.
3. I was told admission Office 8am on day of surgery - on arrival at hospital. Hospital appears very new, modern and clean. Well organised (much better than I expected). Judi was admissions officer - very nice and apologised about always speaking about money, but that some patients don't pay. They explained things well and I paid by Bankcard. She was "human" and we briefly discussed her customer relations training - which was really only on-the-job and technical training not customer relations. She called another lady who escorted me to my room. Both were in nice uniforms (grey & white).
4. Ward Sister (Margaret - an Irish lady) came in and explained procedures. She was friendly but a little flustered as she forgot to get a specimen (urine) from me and apologised. She took my pulse, blood pressure etc, and gave me antiseptic shampoo to shower with. She was friendly and somewhat efficient. She also said she would lock my valuables in the draw and mind the key for me. She helped me relax.
5. Male nurse came in and shaved my knee - yuk! Well at least he was chatty and friendly.
6. Ward Sister-in-charge came in with forms to sign re operation and anaesthesia. She was not as friendly but still friendly, but a little bit more officious. Still I was treated with a lot of respect. She gave the impression of knowing her job. She also answered a few questions I had. Told me I should not drive, not even tomorrow. I mentioned previous blood clots on my lungs following a previous operation. She attended to this by informing anaesthetist.
7. The anaesthetist arrived. Discussed my general health and told me procedure. He also answered the questions I had (length of operation, etc) We discussed previous clotting. He explained the precautions they would take.
8. Sister-in-charge returned and put special stocking on me to prevent clotting following operation.

Well How do I feel pre-op?? Reasonably relaxed, but a bit nervous. Hospital and staff give impression of knowing their job - gives me confidence. Hospital ambience is very clean, professional. I received a card from Sisters of Mercy explaining their philosophy with patients which was very reassuring.

9. Irish sister (Margaret) called into my room to say she was going to lunch - but "pre-medication' tablets would be given to me as soon as anaesthetist calls (I felt reassured).
10. All nursing staff introduce themselves by their first name.
11. Margaret offered to stay and chat immediately prior to going into surgery if I was anxious (even though she was obviously very busy).
12. Orderly came and took me to operating room. He was friendly and called me by my first name.
13. Dr J. visited me 30 min after I was returned from recovery room and explained things - but I was non compus mentis!!
14. Staff forgot I was staying, at dinner time (ie evening meal) did not deliver my meal until specifically requested.
15. Physiotherapist came and spent only a few minutes with me. She did not really tell me anything I did not already know. She seemed a bit miffed when I didn't agree with everything she said, nor when I asked her several questions.

16. Check-out. I was presented with a bill for \$169 for medication, which came as quite a shock as I thought this was covered by the hospital bill per se. I was informed that because this was part of the hospital stay, it would be refunded under private insurance. One drug on the bill was \$89 although the admissions/exiting officer could not explain what it was. Thrombosis (anti-clotting) stockings were charged at \$39 which seemed excessive.

Overall Satisfaction with Hospital (OSH): 4 (satisfied)*

17. Ten days later - returned to surgeon for checkup. Both he and I were happy with the knee; surgeon explained in detail what he did in operation. He gave me (for my records) two 'internal' photographs showing torn cartilage & other damage.

Overall Satisfaction with Surgeon (OSS): 4*

18. Upon claiming at my medical fund for the \$169 medication bill which was paid upon leaving hospital, I was informed that it was not claimable even though it was during a hospital stay. This contradicted the advice from the hospital. So I am out of pocket \$169. OSH:3*

19. Received a \$40 bill for physiotherapist which was totally unexpected .

20. I wrote to the hospital complaining about 'excessive' bill for medication and the unexpected physiotherapy bill. A week later I received a letter (a) justifying the medication costs and (b) informing me that the surgeon "had authorised" the physiotherapy - however since the physiotherapist was only with me for a mere 5 minutes, this bill was reduced from \$40 to \$20.

Epilogue

21. Well 3 months later - How do I feel about my experience with Dr J. and the private hospital? The knee surgery seems to have been very successful - its feeling good. Some of the surprises I received (costs for medication, etc) I guess I should have expected - or at least made more assertive enquiries upon admission. So to some extent I guess I'm to blame.

Overall Satisfaction with Hospital (OSH) = 4

Overall Satisfaction with Surgeon (OSS) = 4

(Using scale: 1 = very dissatisfied to 5 = very satisfied.)

Overall value for Money = 4 where *(1 = poor value to 5 = excellent value)*

Would I recommend this surgeon and this hospital to a close friend? Well, I recently recommended Dr J. to a colleague who required similar knee surgery. Would I recommend the Sydney private hospital? Only if you could afford it!!

Surgeon = 5 Hospital = 4

(Scale: 1= highly unlikely to 5 = certainly recommend)