

# SERVICES MARKETING IN ASIA

**SECOND  
EDITION**

Christopher Lovelock  
Jochen Wirtz  
Hean Tat Keh  
Xiongwen Lu



**PEOPLE**



**TECHNOLOGY**



**STRATEGY**

# From the Reviewers

*The authors have made an important contribution to the services marketing arena in Asia. The timing is perfect with the transition across many Asian countries from economies dominated by the primary sectors to secondary and tertiary sectors. By combining the best of the academic literatures with the managerial and practice domains, they have a book that will provide food for thought for everyone interested in this vital area (i.e., managers, civil servants, and academics).*

Professor Paddy Padmanabhan  
The INSEAD Chaired Professor of Marketing, INSEAD

*Understanding services marketing in Asia ... extracting meaning from the collective knowledge of the four authors will be a stimulating experience for the marketing student and experienced practitioner alike.*

Pratap Nambiar  
Regional Executive Partner, Global Markets—KPMG Asia Pacific Ltd.

*Services Marketing in Asia sets cutting-edge services marketing knowledge in an Asian context. It is an exciting read, and I will recommend this book to anyone who either is a service leader or seeks to become one.*

Ye Yigan  
Chairman of the Board, China Eastern Airlines Corporation Ltd.

*I am most delighted to see this new Asian edition of Services Marketing in Asia. This book is timely as our Asian economies are rapidly becoming increasingly service-dependent. Most important, it contains the cutting-edge knowledge and best practices that students and executives can learn from. The China component empowers us with the needed knowledge on how to succeed in the world's most populous services market.*

Professor David K. Tse  
Professor of International Marketing, The University of Hong Kong

*An intriguing quest on Asian perspective in services marketing! This book provides a solid understanding of the latest thinking and concepts in services marketing and offers a rational set of tools and tips for today's leaders. Cases from across Asian economies are well researched and discussed which captures the quintessence of Services Marketing in Asia.*

Dr Buck P. Tang  
Divisional Director (International Business), Service Quality Centre, Singapore

*Services Marketing in Asia fills the gap in the understanding of services in Asia. The knowledge gained from this book is both valuable to professors and students, and it is a must-read for top and middle management in services firms.*

Professor Yigang Pan  
Scotiabank Professor of International Business, Schulich School of Business,  
York University, Canada

*This second edition of Services Marketing in Asia continues the excellence of the previous edition. The book communicates its core messages in a powerful manner, and makes it compelling and easy to read. An excellent piece of work!*

Professor Vijay Mahajan  
Dean, Indian School of Business

*Professor Lovelock, the pioneer in services marketing, has a classic text in this book. The Asian adaptation is well done, and it's most relevant to students of marketing in Asia.*

Professor Tan Chin Tiong  
Provost, Singapore Management University

*This book is full of priceless insights and relevant examples. It is a must-read for managers who are interested in services marketing in Asia. It can really help your firm to succeed in the competitive environment in Asia. I highly recommend this book.*

Professor Teck H. Ho  
William Halford, Jr. Family Professor of Marketing, Haas School of Business,  
University of California, Berkeley

*This book presents the latest thinking and insights on services marketing in Asia. It is well-structured and filled with many inspiring ideas, relevant, and practical examples. This is an excellent book for anyone interested in understanding services marketing practices in Asia.*

Professor Jackie Tam  
Department of Management and Marketing, The Hong Kong Polytechnic University

*As Asian economies continue to mature and Asian consumers become more sophisticated, products alone can commoditize and the role of brand experience and services becomes ever more important for manufacturing companies. Services Marketing in Asia provides both insight and an essential guide to thinking through and acting on these issues for companies in Asia to build and sustain competitive advantage.*

Jeremy Rowe  
Program Director, ICI Paints (Asia Pacific), Singapore

*Services Marketing in Asia is a contemporary book which provides powerful insights on services marketing that will be meaningful not only to students of marketing but to practitioners as well. It is a dynamic reference for executives who want to perfect their craft in customer intimacy and for academicians who need up-to-date reference material in teaching the subject.*

Professor Leonardo R. Garcia Jr.  
Dean, School of Professional and Continuing Education,  
De La Salle College of St. Benilde, Philippines

*In many ways, Asia is the home of outstanding service quality. This book does a fantastic job of putting an integrative theoretical framework around service excellence so that there are clear tools and takeaways for the student and practicing manager. The broad spectrum of case studies nicely complements the concepts, and gives the reader an opportunity to practice, refine, and critique the tools. This is an outstanding resource!*

Professor Dilip Soman  
Corus Professor of Strategy and Professor of Marketing, Rotman School of Management,  
University of Toronto, Canada

*Readable and research-based—the two seldom go together. However, Services Marketing in Asia provides comprehensive advice that is equally applicable to either the academic or the practitioner. The chapter on “Pricing and Revenue Management” alone is worth the price of the book.*

David Shackleton  
Senior Vice President, Starwood Asia Pacific, Starwood Hotels & Resorts Worldwide Inc.

*I find this to be the most authoritative textbook on Asian Services Marketing. In some magical fashion, the authors have combined high levels of academic rigor with liberal doses of practical relevance to present us a book that is not only very enjoyable to read, but is extremely insightful. The conceptual treatment and the case studies are brilliant. I can't think of a better textbook for my services marketing students.*

Professor M. Krishna Erramilli  
Associate Professor and Head of Marketing and International Business Division,  
Nanyang Technological University, Singapore

*On balance, services almost always create more value than the physical process of production itself. In China today, the role and value of services are not well understood, and the challenge of services marketing is immense. Its fast growing economy needs more and better service marketing expertise than ever. The contribution of Services Marketing in Asia is both timely and much needed, and I am convinced that it will make a valuable contribution to best service practices in China.*

Willie Fung  
Senior Vice President and General Manager of Greater China, MasterCard International

*A useful and practical guide which will give you the edge in the booming field of services marketing in Asia. The clear, comprehensive approach put forward by the authors has helped differentiate our positioning in Asia and better serve our clients. If you are in a service industry in Asia or are considering entering this field, you will find Services Marketing in Asia an invaluable resource.*

Jeffrey MacCorkle  
Managing Director, Arthur D Little Greater China

# SERVICES SECOND EDITION MARKETING IN ASIA

Christopher Lovelock  
Jochen Wirtz  
Hean Tat Keh  
Xiongwen Lu

**MANAGING PEOPLE, TECHNOLOGY, AND STRATEGY**



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To my son, Tim, and my daughter, Liz.  
*Christopher H. Lovelock*

To Jeannette and our children Lorraine, Stefanie, and Alexander, with love.  
*Jochen Wirtz*

To my wife, Karen, and our sons, Sean Rong and Sean Heng. Thank you for your love, support,  
patience, and putting up with my long hours at work.  
*Hean Tat Keh*

To my wife, Vicky, and my parents.  
*Xiongwen Lu*

# Brief Contents

Preface xiv

About the Authors xxi

## PART ONE UNDERSTANDING SERVICE PRODUCTS, CONSUMERS, AND MARKETS

**Chapter 1 Introduction to Services Marketing 3**

**Chapter 2 Consumer Behavior in Service Encounters 37**

**Chapter 3 Positioning Services in Competitive Markets 73**

## PART TWO KEY ELEMENTS OF SERVICES MARKETING

**Chapter 4 Creating the Service Product 103**

**Chapter 5 Designing the Communications Mix for Services 143**

**Chapter 6 Pricing and Revenue Management 177**

**Chapter 7 Distributing Services 213**

## PART THREE MANAGING THE SERVICE DELIVERY PROCESS

**Chapter 8 Designing and Managing Service Processes 249**

**Chapter 9 Balancing Demand and Capacity 279**

**Chapter 10 Planning the Service Environment 311**

**Chapter 11 Managing People for Service Advantage 343**

## PART FOUR IMPLEMENTING SERVICES MARKETING

**Chapter 12 Managing Relationships and Building Loyalty 377**

**Chapter 13 Customer Feedback and Service Recovery 413**

**Chapter 14 Improving Service Quality and Productivity 445**

**Chapter 15 Organizing for Service Leadership 485**

CASES 515

INDEX 683

# Cases

1. **Susan Lee, Service Consumer** 517
2. **Four Customers in Search of Solutions: Segmenting Hong Kong's Telecommunications Market (A), (B), (C), and (D)** 519
3. **Bouleau & Huntley: Cross-Selling Professional Services into the Philippines** 525
4. **Giordano: International Expansion** 531
5. **MakeMyTrip.com** 549
6. **Primula Parkroyal Hotel: Marketing a Business and Resort Hotel in Malaysia** 560
7. **Managing an Advertising Agency in Myanmar: JointCom at the Crossroads** 568
8. **Banyan Tree: Developing a Powerful Service Brand** 574 2
9. **Managing Word of Mouth: The Referral Incentive Program That Backfired** 588
10. **Revenue Management at Prego Italian Restaurant** 594
11. **KFC and McDonald's in Shanghai** 607
12. **Menton Bank Asia** 624
13. **Customer Asset Management at DHL in Asia** 634
14. **Bossard Asia Pacific: Can It Make Its CRM Strategy Work?** 641
15. **The Accellion Service Guarantee** 649
16. **Wuxi Hospital for Women and Babies** 652
17. **TLContact.com** 666

# Contents

Preface	xiv
About the Authors	xxi

## PART ONE UNDERSTANDING SERVICE PRODUCTS, CONSUMERS, AND MARKETS 1

<b>CHAPTER 1 Introduction to Services Marketing</b>	<b>3</b>
Services Dominate the Modern Economy	4
Services Pose Distinctive Marketing Challenges	9
Important Differences Exist Among Services	15
Marketing Must Be Integrated with Other Functions	25
Service Success Requires a Focus on Customers	29
Conclusion	33

<b>CHAPTER 2 Consumer Behavior in Service Encounters</b>	<b>37</b>
Customers Interact with Service Operations	38
The Purchase Process for Services	44
Customer Expectations	48
How Customers Evaluate Services	51
Viewing the Service Business As a System	58
Conclusion	68

<b>CHAPTER 3 Positioning Services in Competitive Markets</b>	<b>73</b>
Focus Underlies the Search for Competitive Advantage	75
Market Segmentation Forms the Basis for Focused Strategies	78
Positioning Distinguishes a Brand from Its Competitors	83
Internal, Market, and Competitor Analyses	88
Using Positioning Maps to Plot Competitive Strategy	91
Changing Competitive Positioning	98
Conclusion	99

## PART TWO KEY ELEMENTS OF SERVICES MARKETING 101

<b>CHAPTER 4 Creating the Service Product</b>	<b>103</b>
Planning and Creating Services	104
Identifying and Classifying Supplementary Services	111
Planning and Branding Service Products	128
New Service Development	131
Conclusion	139

<b>CHAPTER 5</b>	<b>Designing the Communications Mix For Services</b>	<b>143</b>
	The Role of Marketing Communication	144
	Communicating Services Presents Both Challenges and Opportunities	145
	Setting Communication Objectives	153
	The Marketing Communications Mix	156
	Branding of Services	167
	Marketing Communications and the Internet	169
	Conclusion	173
<b>CHAPTER 6</b>	<b>Pricing and Revenue Management</b>	<b>177</b>
	Effective Pricing Is Central to Financial Success	178
	Objectives and Foundations for Setting Prices	178
	Cost-Based Pricing	180
	Value-Based Pricing	186
	Competition-Based Pricing	193
	Revenue Management	194
	Ethical Concerns And Perceived Fairness Of Pricing Policies	199
	Putting Service Pricing Into Practice	204
	Conclusion	210
<b>CHAPTER 7</b>	<b>Distributing Services</b>	<b>215</b>
	Distribution in a Services Context	215
	Determining the Type of Contact: Options for Service Delivery	217
	Place and Time Decisions	220
	Delivering Services in Cyberspace	227
	The Role of Intermediaries	231
	Distributing Services Internationally	235
	Conclusion	246
<b>PART THREE</b>	<b>MANAGING THE SERVICE DELIVERY PROCESS</b>	<b>249</b>
<b>CHAPTER 8</b>	<b>Designing and Managing Service Processes</b>	<b>251</b>
	Blueprinting Services to Create Valued Experiences and Productive Operations	252
	Service Process Redesign	262
	The Customer as Co-Producer	263
	The Problem of Customer Misbehavior	272
	Conclusion	277
<b>CHAPTER 9</b>	<b>Balancing Demand and Capacity</b>	<b>281</b>
	Fluctuations in Demand Threaten Service Productivity	281
	Many Service Organizations are Capacity-Constrained	283
	Patterns and Determinants of Demand	287

	Demand Levels Can Be Managed	289	
	Inventory Demand through Waiting Lines and Reservations		295
	Minimize Perceptions of Waiting Time	300	
	Create an Effective Reservations System	301	
	Conclusion	309	
	<b>CHAPTER 10 Planning the Service Environment</b>		<b>313</b>
	What is the Purpose of Service Environments?	314	
	Understanding Consumer Responses to Service Environments		317
	Dimensions of the Service Environment	323	
	Putting It All Together	335	
	Conclusion	341	
	<b>CHAPTER 11 Managing People for Service Advantage</b>		<b>345</b>
	Service Staff Are Crucially Important	346	
	Front-Line Work Is Difficult and Stressful	348	
	Cycles of Failure, Mediocrity, and Success	351	
	Human Resources Management: How to Get It Right		358
	Service Leadership and Culture	370	
	Conclusion	373	
<b>PART FOUR</b>	<b>IMPLEMENTING SERVICES MARKETING</b>		<b>377</b>
	<b>CHAPTER 12 Managing Relationships and Building Loyalty</b>		<b>379</b>
	The Search for Customer Loyalty	380	
	Understanding the Customer/Firm Relationship		383
	Targeting the Right Customers	388	
	Analyzing and Managing the Customer Base	391	
	Building Customer Loyalty	395	
	Customer Relationship Management (CRM) Systems		407
	Conclusion	410	
	<b>CHAPTER 13 Customer Feedback and Service Recovery</b>		<b>415</b>
	Customer Complaining Behavior	416	
	Customer Responses to Effective Service Recovery		420
	Principles of Effective Service Recovery Systems	423	
	Service Guarantees	427	
	Discouraging Abuse and Opportunistic Behavior	433	
	Learning from Customer Feedback	434	
	Conclusion	440	
	<b>CHAPTER 14 Improving Service Quality and Productivity</b>		<b>447</b>
	Integrating Service Quality and Productivity Strategies	448	
	What Is Service Quality?	449	

The Gap Model: A Conceptual tool to Identify and Correct Service Quality Problems	456
Measuring and Improving Service Quality	459
Defining and Measuring Productivity	468
Improving Service Productivity	469
Conclusion	475
Appendix: Systematic Approaches to Productivity, Quality Improvement, and Process Standardization	479

#### **CHAPTER 15 Organizing for Service Leadership 487**

The Search for Synergy in Service Management	488
Creating a Leading Service Organization	497
In Search of Leadership	503
Leading a Service Organization	503
Conclusion	512

#### **CASES**

1 Susan Lee, Service Consumer	517
2 Four Customers in Search of Solutions: Segmenting Hong Kong's Telecommunications Market (A), (B), (C), and (D)	519
3 Bouleau & Huntley: Cross-Selling Professional Services into the Philippines	525
4 Giordano: International Expansion	531
5 MakeMyTrip.com	549
6 Primula Parkroyal Hotel: Marketing a Business and Resort Hotel in Malaysia	560
7 Managing an Advertising Agency in Myanmar: JointCom at the Crossroads	568
8 Banyan Tree: Developing a Powerful Service Brand	574
9 Managing Word of Mouth: The Referral Incentive Program That Backfired	588
10 Revenue Management at Prego Italian Restaurant	594
11 KFC and McDonald's in Shanghai	607
12 Menton Bank Asia	624
13 Customer Asset Management at DHL in Asia	634
14 Bossard Asia Pacific: Can It Make Its CRM Strategy Work?	641
15 The Accellion Service Guarantee	649
16 Wuxi Hospital for Women and Babies	652
17 TLContact.com	666

#### **INDEX 683**

# Preface

The preparation of the second edition of *Services Marketing in Asia: Managing People, Technology, and Strategy* has been an exciting challenge. Building on the success of the first edition, this second edition offers a unique and truly Asian perspective of services marketing. As far as we are aware, this is still the only textbook on services marketing that has been specifically written with a direct focus on Asian practice, viewed from multiple perspectives.

This book incorporates the latest thinking in services marketing. We have pooled our skills in teaching, consulting, and research to create a versatile, flexible text for instructors teaching in a variety of environments in different parts of Asia. The geographic coverage of the book is very broad, covering all major economies in Asia, including China, Hong Kong, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam.

As its title implies, the second edition of *Services Marketing in Asia: Managing People, Technology, and Strategy* takes a strongly managerial perspective, but it is also rooted in solid academic research, complemented by memorable concepts and frameworks—all designed to bridge the gap between the real world and academic theory.

Services marketing, once a tiny academic field championed by just a handful of pioneering professors, has become a thriving area of activity in other parts of the world as well as in Asia. Paralleling growth in the service sector is the increasing enrollment in services marketing courses at tertiary institutions. Therefore, a good understanding of the latest thinking and concepts is important, especially as managers often find that manufacturing-based models of business practice are not always useful to the service-specific issues that they face.

## Objectives of This Book

The four authors aimed to achieve the following main objectives when writing this second edition:

- To provide an in-depth appreciation and understanding of the unique challenges inherent in managing and delivering service excellence at a profit. Readers will be introduced to, and have the opportunity to work with, tools and strategies that address these challenges.
- To develop an understanding of the “state of the art” of service management principles, combined with local and regional perspectives.

- To promote a customer-service-oriented mindset.
- To help the reader to work more effectively as a manager (or consultant) in service-driven organizations, bringing Asian insights to the global stage.

By the time readers finish this book, we predict that few of them will ever look at the services their company provides, any service firms they interact with, or the services they themselves experience in the same light again!

## What's New in the Second Asian Edition?

Responding to the rapid changes in technology and the environment of the service sector in Asia, this second edition has been both streamlined and restructured to sharpen the focus on essentials and add in-depth coverage of new concepts and ideas. It consists of 15 chapters and 17 cases of varying lengths and levels of difficulty. We feature new Asian cases on firms operating across many Asian cultures (e.g., Banyan Tree, DHL, KFC, McDonald's, and Giordano) as well as on organizations operating in specific Asian countries and regions, including in China, Hong Kong, Taiwan, India, Malaysia, Myanmar, the Philippines, and Singapore.

### New Topics, New Structure

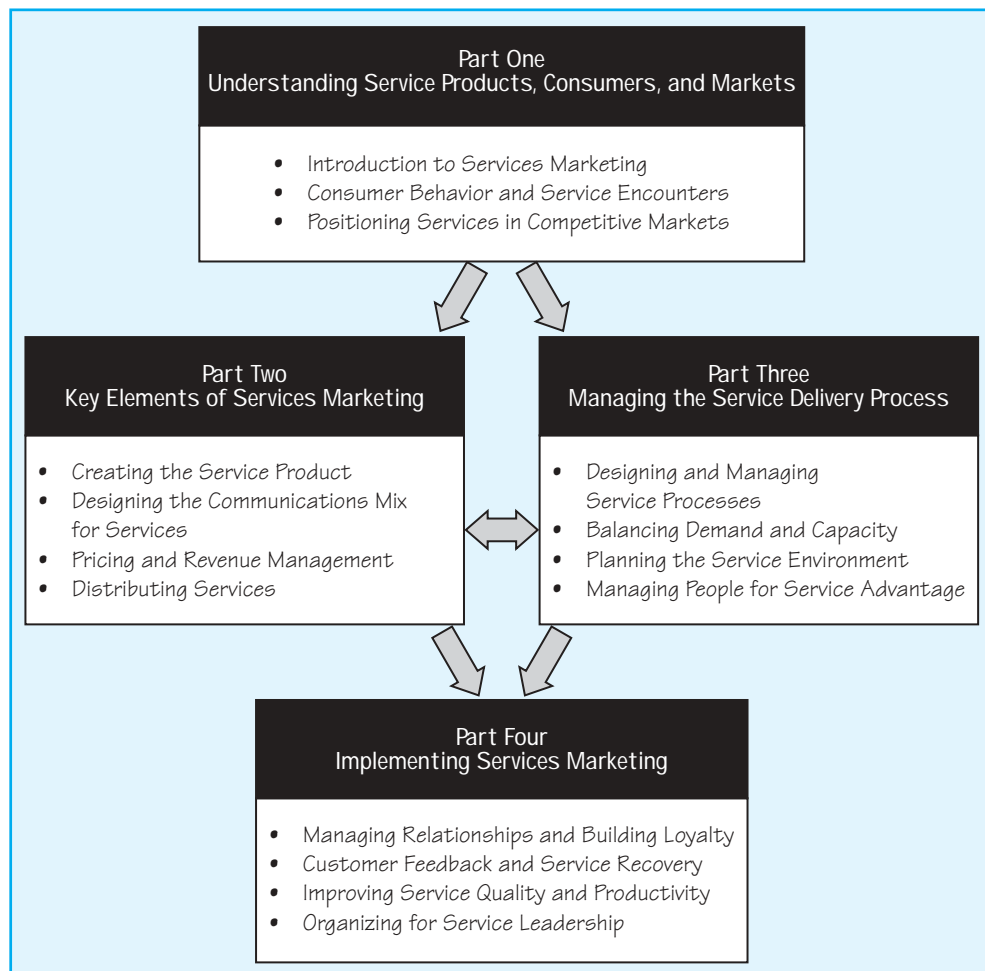
- The book presents coverage of the latest research and developments in the service sector, ranging from customer relationship management (CRM), customer asset management, and Six Sigma quality to revenue (yield) management and customer feedback systems. In addition, there is substantive coverage of consumer behavior, service staff management issues, branding, business-to-business services, and technology-based services.
- We emphasize that marketing strategy takes place in a highly competitive environment, reflecting our belief that service firms must be competitively positioned as well as customer focused.
- All chapters feature expanded references, with new published research findings being added to every topic.
- The book has been streamlined to avoid unnecessary repetition and restructured to ensure an enhanced sequence of topics. Despite the addition of new material, tighter editing has resulted in a leaner and crisper set of chapters.
- We have reduced the number of chapters to 15 (down from 18 in the previous edition). Every chapter has been revised, and some have been retitled to reflect a more focused emphasis. Material on technology and international strategy will now be found throughout the book rather than being presented in separate chapters. Coverage of demand and capacity management, queuing, and reservations has been consolidated in a single chapter, with material on revenue management being transferred to the pricing chapter.

- Figure A presents the revised four-part structure of the book, showing how chapter topics are sequenced.
- Particular attention has been paid to making this new edition stimulating and highly readable. The result is a text that is clear, focused, and designed to capture student interest. Boxed inserts within each chapter present numerous interesting examples, primarily from Asia, that describe important research findings, illustrate practical applications of important service marketing concepts, and present best practices in services marketing. Many of these inserts are new to this edition.

### New Cases

The book features an exceptional selection of up-to-date, classroom-tested cases of varying lengths and levels of difficulty. We prepared or co-authored a majority of the cases, most of which are unavailable elsewhere.

**Figure A**  
New Structure of  
Services  
Marketing



- To offer instructors greater choice, the number of cases has been expanded from 13 to 17. The new selection provides a broader coverage of service issues, application areas, and Asian contexts.
- Eleven of the cases are new to this edition. Almost all of the cases carried over from the previous edition have been updated and feature a 2005 copyright date.

## Target Audiences and Courses

This text is equally suitable for courses directed at advanced undergraduate or MBA and EMBA students working in an Asian business context. *Services Marketing in Asia*, Second Edition, places marketing issues within a broader management context. Whatever a manager's specific job may be, he or she has to understand and acknowledge the close ties that link the marketing, operations, and human resource functions. With that perspective in mind, this book has been designed so that instructors can make selective use of chapters and cases to teach courses of various lengths and formats in either services marketing or service management.

## Distinguishing Features of the Book

Key features of this highly readable book include its strong managerial orientation and strategic focus, use of memorable conceptual frameworks that have been classroom tested for relevance to both undergraduate and MBA students, incorporation of key academic research findings, use of interesting examples to link theory to practice, and inclusion of carefully selected cases to accompany the text chapters.

*Services Marketing in Asia* is designed to complement the materials found in traditional marketing principles texts. It avoids sweeping and often misleading generalizations about services, recognizing explicitly that the differences between specific categories of services (based on the nature of the underlying service process) may be as important to student understanding as the broader differences between goods marketing and services marketing. It also draws a distinction between the marketing of services and the marketing of goods *through service*.

The book shows how different technologies—and information and communications technology in particular—are changing the nature of service delivery and can offer innovative ways for service providers and customers to relate to each other. Yet many services remain labor intensive, so we devote significant emphasis to the people aspects of service management.

The service sector of the economy can best be characterized by its diversity. No single conceptual model suffices to cover marketing-relevant issues among organizations ranging from huge international corporations (in fields such as airlines,

banking, insurance, telecommunications, supply chain management, and professional services) to locally owned and operated small businesses, such as restaurants, laundries, taxis, optometrists, and many business-to-business services. In response, *Services Marketing in Asia* offers a carefully designed “toolbox” for service managers, teaching students how different concepts, frameworks, and analytical procedures can best be used to examine and resolve the varied challenges faced by managers in different situations. Once introduced, many of these tools reappear in subsequent chapters.

Throughout the book, we stress the importance for service marketers of understanding the operational processes underlying service creation and delivery. These processes are grouped into four categories, each of which has distinctive implications for the nature of service encounters, the roles played by customers and service personnel, the strategic application of information and communications technologies to delivery systems, and management practice.

## Pedagogical Aids

In response to adopter requests, the following pedagogical enhancements are available for the text:

- An introduction to each chapter highlights key issues and questions to be addressed.
- Four types of boxed inserts accompany many of the chapters:
  - *Best Practice in Action* (demonstrations of the application of best practices)
  - *Research Insights* (summaries of highly relevant rigorous academic research)
  - *Service Perspectives* (in-depth examples that illustrate key concepts)
  - *Management Memo* (reviews of key concepts that apply to service management)
- Interesting graphics, including reproductions of ads and photos, are included to enhance both visual appeal and student learning.
- Review Questions and Application Exercises are located at the end of each chapter.
- Each case includes suggested study questions.
- The *Instructor's Resource Manual for Services Marketing in Asia* includes:
  - Detailed course design and teaching hints, as well as two sample course outlines.
  - Chapter-by-chapter teaching suggestions, along with discussion of learning objectives and sample responses to study questions and exercises.
  - A description of 16 suggested student exercises and five comprehensive projects (designed for either individual or team use).

- Detailed teaching notes for each of the cases, as well as suggestions for possible chapters with which they might be paired.
- CD ROM with video clips to accompany the text and some of the cases.

New and Improved Teaching Resources at [www.prenhall.com/Lovelock](http://www.prenhall.com/Lovelock)

- Revised and enlarged supplements include an excellent online instructor's manual.
- To further enhance the mix of teaching materials, several popular cases from the first edition of the book are being made available on the Web site for *Services Marketing in Asia*. The Web site also includes a "Note on Studying and Learning from Cases" for students.
- Detailed teaching notes are provided for all cases, including teaching objectives, suggested study questions, in-depth analysis of each question, and helpful hints on potential teaching strategies for each case.
- Instructors can now select from more than 400 online PowerPoint slides, keyed to each chapter. These materials include both text slides and graphics. All slides have been designed to be clear, comprehensive, and easily readable. Instructors should contact their local Prentice Hall representative for information on how to access the PowerPoint slides. Additional cases may be downloaded from the Web site ([www.prenhall.com/Lovelock](http://www.prenhall.com/Lovelock)) at the discretion of the instructor.

## Acknowledgments

Over the years, many colleagues in both the academic and business worlds have provided us with valuable insights into the management and marketing of services, through their writings and in conference or seminar discussions. We have also benefited enormously from in-class and after-class discussions with MBA and executive program participants.

We are pleased to acknowledge the insightful and helpful comments of our editorial advisory board: Bai Changhong of Nankai University, China; Leonardo R. Garcia Jr., De La Salle College of St. Benilde, Philippines; M. Krishna Erramilli of Nanyang Technological University, Singapore; Aliah Hanim M. Salleh of University Kebangsaan Malaysia; and Yigang Pan of the University of Hong Kong. We also express gratitude to Michael Hui of the Chinese University of Hong Kong and Jacob Jou of National Sun Yat-Sen University, Taiwan, for their reviews of the first edition. We are grateful, too, to the many instructors who adopted the book, and suggested improvements to this new edition. They challenged our thinking and, through their critiques and suggestions, encouraged us to include many substantial changes.

Although it's impossible to mention everyone who has influenced our thinking over the years, we particularly want to express our appreciation to the following individuals: John Bateson of SHL Group; Leonard Berry of Texas A&M University; Mary Jo Bitner and Stephen Brown of Arizona State University; David Bowen of the Thunderbird School; Richard Chase of the University of Southern California; Raymond Fisk of the University of New Orleans; Christian Grönroos of the Swedish School of Economics in Finland; Stephen Grove of Clemson University; Evert Gummesson of Stockholm University; James Heskett, Theodore Levitt, Earl Sasser, and Leonard Schlesinger, all currently or formerly of Harvard Business School; Robert Johnston of Warwick Business School; Sheryl Kimes of the Cornell University School of Hotel Administration; David Maister of Maister Associates; Anna Mattila of Pennsylvania State University; "Parsu" Parasuraman of the University of Miami; Javier Reynoso of EGADE, Tec de Monterrey; Roland Rust and Benjamin Schneider of the University of Maryland; Charles Weinberg of the University of British Columbia; Lauren Wright of California State University, Chico; George Yip of London Business School; and Valarie Zeithaml of the University of North Carolina.

We thank, too, the authors (named in the section "About the Contributors") of cases, as well as the copyright holders for permission to reprint these and other materials.

It takes more than authors to create a book and its supplements. Warm thanks are due to our many research assistants who helped us with various aspects of the cases, the text, or the instructor's resource manual. They are: Patricia Y. P. Chew, Ziyun Dai, Seng Lee Lou, Denis C. L. Tan, Shawn T. H. Tay, Wang Bin, Maureen Yong, Joycelin Huang, Elizabeth X. Xie, Ning Cen, and Yingwen Wang. And, of course, we're very appreciative of all the hard work put in by the editing and production team in helping to transform our sometimes messy manuscript into a handsome published text. Thank you for all your enthusiasm and support!

# About the Authors

As a team, Christopher Lovelock, Jochen Wirtz, Hean Tat Keh, and Xiongwen Lu possess a blend of skills and experience that is ideally suited to writing an authoritative and engaging services marketing text focusing on Asia.



**CHRISTOPHER LOVELOCK** is one of the pioneers of services marketing. Based in the United States, he is a frequent visitor to Asia. He consults and gives seminars for managers around the world, with a particular focus on strategic planning in services and managing the customer experience. He is an adjunct professor at the Yale School of Management, where he teaches an MBA services marketing course. Dr Lovelock's distinguished academic career has included 11 years on the faculty of the Harvard Business School and two years as a visiting professor at IMD in Switzerland. He has also held appointments at Berkeley, Stanford, and the Sloan School at MIT, as well as visiting professorships at The University of Queensland in Australia and at both INSEAD and Theseus Institute in France. He obtained a BCom and an MA in economics from the University of Edinburgh, then worked in advertising with the London office of J. Walter Thompson Co. and in corporate planning with Canadian Industries Ltd in Montreal. Later, he obtained an MBA from Harvard and a PhD from Stanford. Author or coauthor of over 60 articles, more than 100 teaching cases, and 26 books, he serves on the editorial review boards of the *International Journal of Service Industry Management*, *Journal of Service Research*, *Service Industries Journal*, *Cornell Hotel and Restaurant Administration Quarterly*, and *Marketing Management*. He is a recipient of the American Marketing Association's Award for Career Contributions to the Services Discipline and of a best article award from the *Journal of Marketing*. Recognized many times for excellence in case writing, he has twice won top honors in the *BusinessWeek* "European Case of the Year" Award.



**JOCHEN WIRTZ** is one of the leading authorities in services marketing in Asia. He is an Associate Professor at the National University of Singapore, where he teaches services marketing courses in Executive MBA, MBA and undergraduate programs. He is also the codirector of NUS's joint Executive MBA program with UCLA. He received his PhD in services marketing from the London Business School, and holds a BA (Hons) in marketing and accounting and a professional certification in banking from Germany. Dr Wirtz's research focuses on service management and he has published some 50 academic articles in, among others, *Harvard Business Review*, *Journal of Business Research*, *Journal of Consumer Psychology*, *Journal of Retailing*, *Journal of the Academy of Marketing Science*, *Journal of Services*

*Marketing, Journal of Service Research, Managing Service Quality, and Psychology and Marketing.* In addition, he has published some 70 conference papers, six books, and some 40 book chapters. He has received six best paper awards, including the “Emerald Literati Club 2003 Award for Excellence” for the most outstanding paper of the year in the *International Journal of Service Industry Management*. In recognition of his teaching excellence, Dr Wirtz has received six awards for outstanding teaching at NUS Business School, including the prestigious universitywide “Outstanding Educator Award” in 2003. Dr Wirtz has also been active as a management consultant, working with both international consulting firms including Accenture, Arthur D. Little, and KPMG, and major service companies in the areas of strategy, business development and service management across Asia. Originally from Germany, Dr Wirtz moved to Asia in 1992 after studying and working in London for seven years.



**HEAN TAT KEH** is an Associate Professor of Marketing at the Guanghua School of Management, Peking University in Beijing, China. Previously, Dr Keh taught at the National University of Singapore for five years. A Malaysian of Chinese ancestry, he obtained his BBA (Hons) from the University of East Asia, Macau, his MBA from the Hong Kong University of Science and Technology, and his PhD from the University of Washington, Seattle. His corporate experience includes working at the Wharf (Holdings) Limited in Hong Kong. A popular and award-winning educator, Dr Keh has taught widely in undergraduate, MBA, and executive education programs. His research and teaching interests include marketing channels, services marketing, branding, entrepreneurial marketing, and global marketing. A prolific researcher, his research articles appear regularly in prestigious scholarly and managerial journals, including the *European Journal of Operational Research*, *IEEE Transactions on Engineering Management*, *Omega*, *Long Range Planning*, *Business Horizons*, and *Entrepreneurship Theory and Practice*. Dr Keh is also coauthor of another book, *Strategic Asian Marketing: An Essential Guide for Managers*, published by Prentice Hall in 2004. He has been featured in articles in the *Asian Wall Street Journal*, the *Straits Times* (Singapore), *Today* (Singapore), the *New Straits Times* (Malaysia), and *CEO I.T.* magazine, and has also appeared on Channel News Asia (Singapore) to discuss marketing issues. Dr Keh has consulted for Lundbeck (Denmark), NOL/APL (Singapore), Motorola, Singapore Pools, the Asian Strategy and Leadership Institute (Malaysia), and Rosauer Supermarkets (USA). He is multilingual, and is fluent in English, Mandarin, Cantonese, Fujianese, and Malay.



**XIONGWEN LU** is Professor of Marketing in the School of Management at Fudan University and Honorary Professor at the University of Hong Kong. Recognized as one of the most distinguished marketing academicians in China, Dr Lu has been elected a Standing Director of the Chinese Marketing Association, Vice Chairman of Shanghai Marketing Association, and Director of the Center for Chinese Marketing Research (cosponsored by the Chinese Marketing Association and Fudan University). He obtained his Bachelor's, Master's and PhD degrees in economics at Fudan University. In the United States, he has been a research fellow at the Tuck School of Business, Dartmouth College, as well as a visiting faculty member at the Sloan School of Management, MIT, and Fisher College of Business, the Ohio State University. An award-winning lecturer, Dr Lu teaches extensively in PhD, Executive MBA and MBA programs in courses on *Current Development of Marketing Theory*, *Marketing in Immature Markets*, *International Marketing* and *Services Marketing*. A dedicated and extraordinary researcher, Dr Lu has successfully chaired numerous research projects funded by the National Natural Science Foundation, the State Ministry of Education of China, and Shanghai Municipal Government. His empirical research of immature markets such as China has explored comparative studies on the nature of markets in developed and developing countries. Dr Lu's published works include two research books, one textbook, as well as more than two dozen papers in the leading Chinese journals and international conferences. He is the translator of Dr Lovelock's original *Services Marketing* (3rd edition) in China. He has also been prominent as a consultant to local listed enterprises and multinational companies such as Alcatel, MasterCard, Unilever, Emerson Electric, Bao Steel, and Sunbeam.

## About the Contributors

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