

Introducing services

Introduction

Most organizations provide a service of some sort or another. For organizations such as airlines, trains, universities, car rental, health or government agencies service represents a major part of what they have to offer. They are known as service organizations. Others whose business is the manufacture of products, e.g. computers, mobile phones, washing machines, service is of lesser, albeit significant importance. There are particular problems and challenges in managing services, namely intangibility, inseparability, variability and perishability. In particular, services have to contend with uncertainties over customer involvement and what they expect. To address these and other problems service organizations have adopted an approach called 'McDonaldization', with increasing attention being given to efficiency and technology. Given the difficulties of providing a service, it is not surprising there is ongoing debate over the variability of its quality.

1.1 'What is this thing called service?'

The above question served as the title of an article by Nick Johns published in the *European Journal of Marketing*¹ in 1999. Whilst he noted that 'the word "service" has a great richness and diversity of meaning', there is also, it could be argued, an implicit recognition of the distinctiveness of service. It is equally a fitting introductory question for a text on services marketing management. Through the development of concepts and a body of knowledge services marketing and services management has become an area worthy of study in its own right. In arriving at this point, much of the detail has centred around the differences between service and manufacturing, giving rise to comment that 'it seems reasonable to expect that there are differences between managing an organization that produces something that can be seen, touched and held and managing an organization that produces something that is perceived, sensed, and

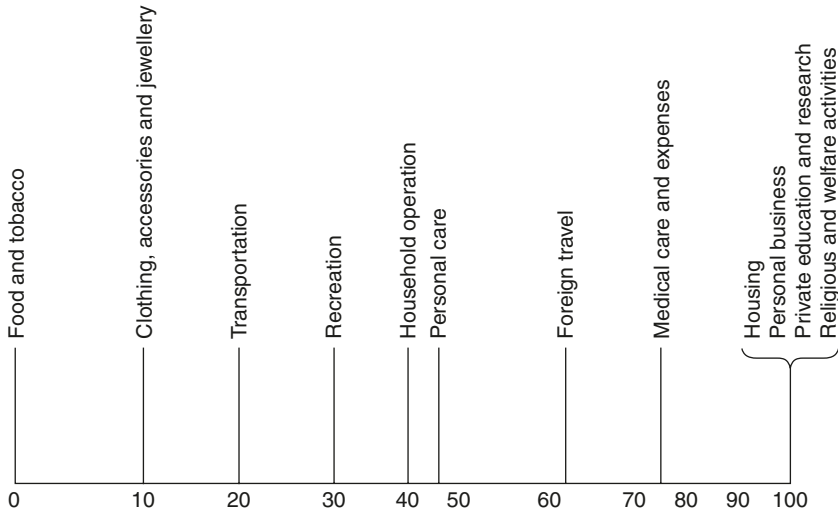


Figure 1.1 Personal consumption expenditure related to services
Source: Rathmell (1966)³

experienced'.² When asked to cite organizations or providers of services who or what might we mention? Answers could include plumbers, airlines, hair stylists, postal services, banks, child care, traffic wardens, estate agents. Although these businesses vary in size, scope and nature they are united by service as their major activity. To put the services/product distinction into perspective it is helpful to consider the goods–services continuum. In 1966 Rathmell³ observed that most marketers have some idea of the meaning of the term 'goods'; they are tangible economic products that are capable of being seen and touched and may or may not be tasted, heard or smelled. As for services, Rathmell asserted that there was no clear understanding. He sought to change this by defining a good as a thing and service as an act, the former being an object, an article, a device or a material and the latter a deed, a performance, or an effort. Economic products were to be regarded as lying along a goods–services continuum with pure goods at one extreme and pure services at the other, but with most of them falling between these two extremes (Figure 1.1).

Some are primarily goods with service support, whereas others are primarily service with goods support. Most goods were seen as a complex of goods and facilitating services and most services, a complex of services and facilitating goods. He applied the measuring rod of personal consumption to distinguish between goods and services. For the food and tobacco category, percentage personal consumption expenditure on the services was nil. For recreation it was 30 per cent and for religious and welfare activities, 100 per cent.

Sixteen years later Shostack⁴ developed a refined version of the goods–services continuum and it remains a valuable perspective for understanding the nature of services (Figure 1.2). The essence of the continuum is that tangibility (ability to see, touch, smell, hear prior to purchase) decreases as one moves from left to right. Tangible entities are in evidence, such as equipment used by a nurse but, in general, they cannot be owned or possessed like salt or dog food. Every organization on the continuum delivers some degree of service as part of its total offer. However, it is the organizations to the right (of

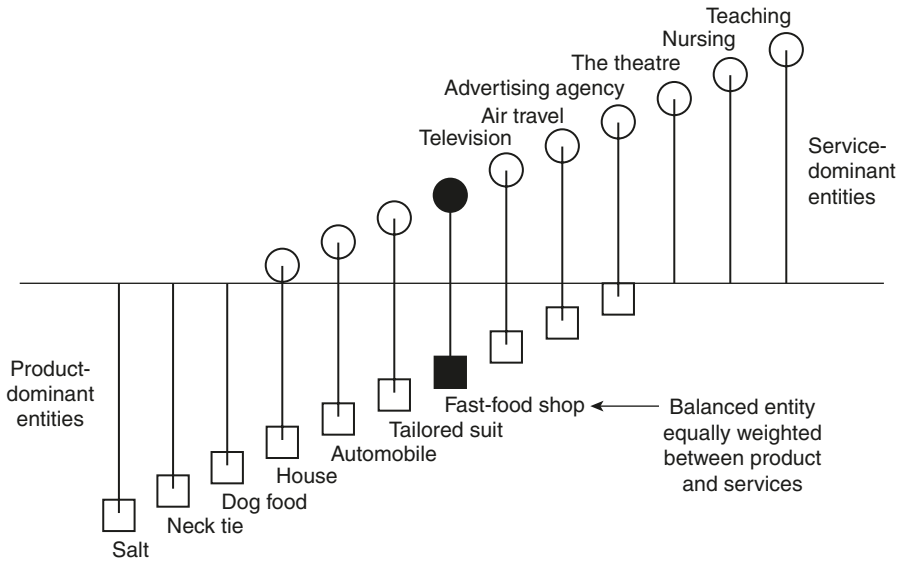


Figure 1.2 A scale of elemental dominance

Source: Shostack (1982)⁴

television) which deliver most in the way of service and can therefore truly bear the hallmark 'service organizations'. It is important to make a distinction between those for whom service is part of the overall offer (e.g. computer manufacturer, car dealer, fashion retailer) and those for whom service is the offer (e.g. bank, hotel, airline, accountant), as the latter exhibit particular characteristics that merit attention.

1.2 Characteristics of services

Services have the following four key distinguishing characteristics.

1.2.1 Intangibility

This is the most basic and often quoted difference between goods and services. Unlike tangible goods, services cannot generally be seen, tasted, felt, heard or smelled before being consumed. The potential customer is often unable to perceive the service before (and sometimes during and after) the service delivery. For many customers of car repair, for example, the service is totally intangible – they frequently cannot see what is being done and many are unable to evaluate what has been done. Rushton and Carson⁵ asked a number of service organizations whether they consciously perceived a difference between the marketing of goods and services. Several respondents pointed to the intangibility of their products with comments such as:

We haven't got anything to show to customers like a can of baked beans.

It's more difficult trying to explain what they [the customers] get for their money.

Implications

To help a customer picture a service prior to usage a service organization needs to provide something tangible, e.g. computerized representation of hairstyles or a university prospectus.

1.2.2 Inseparability (or simultaneous production and consumption)

There is a marked distinction between physical goods and services in terms of the sequence of production and consumption:

Physical goods	Services
Production	Sold
↓	↓
Storage	Produced and consumed at the same time
↓	
Sold	
↓	
Consumed	

Whereas goods are first produced, then stored and finally sold and consumed, services are first sold, then produced and consumed simultaneously. For the production of many services (e.g. counselling, museums, hairdressing, rail travel, hotels), the customer must be physically present. Some services may be produced and delivered in circumstances where the customer's presence is optional, e.g. carpet cleaning, plumbing. Other services may rely more on written communication, e.g. distance learning course, or on technology, e.g. home banking. Whatever the nature and extent of contact, the potential for inseparability of production and consumption remains.

Implications

The involvement of the customer in the production and delivery of the service means that the service provider must exercise care in what is being produced and how it is produced. The latter task will be of particular significance. How teachers, doctors, bank tellers, lawyers, car mechanics, hairdressers conduct themselves in the presence of the customer may determine the likelihood of repeat business. Therefore, proper selection and training of customer contact personnel is necessary to ensure the delivery of quality.

1.2.3 Variability (or heterogeneity)

An unavoidable consequence of simultaneous production and consumption is variability in performance of a service. The quality of the service may vary depending on

who provides it, as well as when and how it is provided. One hotel provides a fast efficient service and another, a short distance away, delivers a slow, inefficient service. Within a particular hotel, one employee is courteous and helpful while another is arrogant and obstructive. Even within one employee there can be variations in performance over the course of a day.

Implications

Reducing variability involves determining the causes. It may be due to unsuitable personality traits in an employee which are very difficult to detect at the selection stage. There is nothing much that can be done about this except hope that the employee decides to terminate his/her employment! However, there may be good sound reasons for variations in performance. For example, it could be due to poor training and supervision, lack of communication and information, and generally a lack of regular support.

Some have argued for a replacement of labour with automation and a production line approach to service operations. This would mean a reduction in employee discretion and an increase in standardization of procedures. The operation of McDonald's restaurants is put forward as an ideal model of service industrialization.

The other source of variability is, of course, the customer; Peters and Waterman⁶ in their bestseller, *In Search of Excellence*, called for staying 'close to the customer'. Unfortunately, if we regard it as 'physical proximity' then, according to one view,⁷ this is being 'steadily undermined by the zealots of increased productivity and back room operations. The customer is in danger of being controlled to the point where customer service is becoming just another stage in a systematic manufacturing process, McDonald's being the definitive example'.

1.2.4 Perishability

Services cannot be stored for later sales or use. Hotel rooms not occupied, airline seats not purchased and college places not filled cannot be reclaimed. As services are performances they cannot be stored. If demand far exceeds supply it cannot be met, as in manufacturing, by taking goods from a warehouse. Equally, if capacity far exceeds demand, the revenue and/or value of that service is lost.

Implications

Fluctuations in demand characterize service organizations and may pose problems where these fluctuations are unpredictable. Strategies need to be developed for producing a better match between supply and demand (see Chapter 8).

1.3 The '7 Ps' of services

Marketing activity is normally structured around the '4 Ps' – *product, price, promotion* and *place*. However, the distinctive characteristics of services requires the addition of three more Ps – *people, physical evidence* and *process*. As the additional three Ps

figure prominently throughout the text, a brief description of each will suffice at this stage:

- People – the appearance and behaviour of service personnel
- Physical evidence – everything from the appearance, design, layout of the service setting, to brochures, signage, equipment (the ‘tangibilizing’ of the intangible)
- Process – how the service is delivered, the actual procedures and flow of activities.

Each of the three extra Ps is of central importance in services as each represents cues that customers rely on in judging quality and overall image.

1.4 Customer involvement and uncertainty

What makes a service really a service according to Teboul⁸ is the interface: the front office, the dining room and the actual difference between a service and a manufacturing facility is the size of the interface. Teboul correctly identifies the main characteristics of the interface thus:

- The customer is physically present.
- The service and the delivery process are interdependent (simultaneous production and consumption).
- When the customer is in the interface he or she is visiting the factory – the place where the service is delivered. And the larger the interface the more visible the service is.

The physical presence of the customer is an important issue as it raises the questions:

- How much physical presence of the customer is necessary for the delivery of the service to take place?
- What is the nature of the customer contact and the implications for service management?

To say that a service cannot exist without simultaneous production and consumption is not strictly true. For example, a parcel delivery or data processing service is not consumed while it is being produced.

Finally, Teboul does not give an explanation of the ‘size of the interface’. It could mean a number of things, e.g. physical space, amount of time, number of activities etc.

Teboul’s view of service would seem to favour a counselling-type situation where the production, delivery and consumption occur simultaneously and are visible to all concerned. This is a very important view of service but it cannot be regarded as an exclusive explanation of what is meant by service.

Many organizations do, however, fall into a category similar to that outlined above. They can be portrayed as visible operational processes in which the customer is directly involved in some way. Unlike the purchase of a packet of soap powder, where it is fairly certain that it will do the job it is intended to, a stay in a hotel is potentially full of uncertainty in that so many things can go wrong.

Uncertainty about what the customer actually wants is a key factor for organizations whose major activity is providing a service. The uncertainty can occur before, during and after the service.

1.4.1 Before

The customer, as a major input to the service production process, is regarded as a major source of uncertainty.⁹ Customers may bring with them their bodies, minds, goods or information to be serviced. The uncertainty for the service provider lies in not fully understanding these customer inputs, for example:

- Physical state of a body for a fitness clinic
- Mental state of mind for an education service
- State and complexity of a car for detecting faults during a service
- Capacity of clothing and carpet fabrics to withstand chemical treatment
- Amount and nature of customer information for a medical diagnosis.

In the above situations service providers are unsure about what to expect which in turn may affect their preparedness for creating and delivering an effective service.

1.4.2 During

Customers have been portrayed as posing problems for organizations by 'disrupting routines, ignoring offers of service, failing to comply with procedures and making exaggerated demands'.¹⁰ The challenge for service organizations is the development of strategies to manage customer behaviour, hopefully in a way acceptable to both parties.

1.4.3 After

Intangibility of service means that the object of exchange is often an experience that can neither be touched nor possessed. Therefore, the customer may have difficulty understanding what has been obtained on receipt of a service. For example, what does the customer purchase when buying insurance? The more intangibility there is in a service, the greater this problem becomes. This is known as performance ambiguity.¹¹ As intangibility increases, the customer has less evidence available to assess the service.

1.5 Expectations and perceptions of a service

Before, during (if appropriate) and after consumption of a service two feelings are prominent, namely expectations and perceptions.

Expectations are usually formed prior to usage of a service but may also occur where a customer is actively involved in the delivery of a service. They reflect inclinations or beliefs as to what will or should happen. (See Chapter 5 for discussion.)

Perceptions can also develop during a service, but invariably materialize after usage. They represent the customer's evaluation of the service, particularly in relation to expectations.

Where perceptions match or exceed expectations the customer is said to be satisfied in accordance with the first law of service:¹²

$$\text{Satisfaction} = \text{Perception} - \text{Expectation}$$

(Reading Chapter 5 you will find the word 'quality' substituted for the word 'satisfaction'. Whilst it might appear confusing, the distinction can be explained. Satisfaction can arise where perception exceeds a modest level of customer expectations. Where customers seek quality, expectations will be set much higher.)

Measuring the customer's perception and expectations is vitally important. However, the following question must be asked of the service organization: 'What does it think of customer expectations and perceptions? To arrive at an answer, two variants of the original perceptions/expectations formula might be used. The objective is to determine whether or not any gaps exist between the customers' view and the service organization's perception of the customers' view.

A study that examined doctor-patient relationships¹³ found that 'gaps can arise from inconsistent perceptions of expectations and experiences between patients and physicians'. This research was prefaced with a statement that should act as a continuing reminder for all service organizations:

From a marketing perspective, the provider would design, develop, and deliver the service offering on the basis of his or her perceptions of client expectations. Likewise, modifications to the service offering would be affected by the provider's perceptions of client experiences. Whether these experiences exceed, match, or are below expectations can have a profound effect on future client/professional relationships.

To measure the gaps, doctors and patients were required to indicate their agreement/disagreement with a long list of statements (e.g. see Figure 1.3).

Not surprisingly, significant gaps were found. This is a profound problem for service organizations where the expectations/perceptions of one group are at odds with those of another. Why should this be the case? In terms of customer expectations service organizations may regard them as:

- Unrealistic
- Unprofitable
- Impractical
- Unreasonable.

And yet, by way of promises made, organizations contribute to rising expectations. To attract custom, organizations are often tempted to raise customer expectations. Promises are made to customers on aspects that customers are deemed to value. However, care must be exercised in making promises to customers. Consider the following sample of 'fuzzy over-promises' selected at random from the *Yellow Pages* directory:

- 'Number one for service and care'
- 'Fast and friendly service'
- 'Your satisfaction is our priority'

	Strongly agree	Agree	Neither	Disagree	Strongly disagree
<p>Gap: Customer expectation – service organization's perception of customer expectations</p> <p>Example of statement: I expect my doctor to talk clearly, using words that I understand</p> <p>Gap: Customer experience – service organization's perception of customer experience</p> <p>Example of statement: My doctor spends enough time with me</p>					

Figure 1.3 Gap analysis

'Quality of service you can depend on'
'You can't beat our service'

From the experience of one consultant, 'keeping the service promise is such a basic test that it is both surprising and frustrating that so many organizations fail to pass it'.¹⁴

Of course, over-promising is a risk-laden method for 'managing' customer expectations. Others see it in terms of altering expectations, plotting them in relation to what a firm can realistically deliver.¹⁵ Various approaches are suggested, not least of which is that of shaping customer expectations in accordance with methods designed for the management of employee expectations. Overall, the emphasis (in managing expectations) centres round the need for clarity and focus in the service encounter.

1.6 Core and augmented service

The concept of core and augmented products is well established in marketing. 'What are consumers really buying?' expresses the core element. It was the late Charles Revson of Revlon who captured the essence of the core: 'In the factory we make cosmetics; in the drug store we sell hope.' In similar vein, a manufacturer of ball bearings is marketing anti-friction devices. As the core becomes perfected in the eyes of the customer, competitive pressures force organizations to offer additional benefits. This is the augmented product. It is ironic that much of these additional benefits are in the form of customer services: credit and financing, fast and reliable delivery, free-phone helplines, and repair and maintenance.

Services are also in the business of providing a core benefit, e.g.:

- Rail travel – safe and reliable transportation
- Tax consultant – peace of mind

- Education course – career enhancement, self-actualization
- Hotel – hospitality, rest and recuperation
- Hairdresser – feel more attractive, confidence-booster.

In some cases, different market segments will perceive different core benefits from the same service, e.g. a keep-fit programme may be made up of people who wish to lose weight, get very fit or simply enjoy themselves.

The 'augmented product' for services is usually in the form of further services and these are also referred to as supplementary, peripheral and facilitating. A good example of augmentation is the introduction by British Airways of a speech recognition service to improve the efficiency of their customer flight and confirmation services while making it easier and more pleasant for customers to access flight information.¹⁶ The airline industry is interesting as customers will take for granted that its core service, safety, is guaranteed. Consequently customers look for other benefits (reservation procedure, schedule convenience, on-board seating comfort and food quality) before selecting a particular airline. Similarly, in health services people will look beyond the core service, which they see as difficult to evaluate, to the 'little things' such as ease of making an appointment with a doctor or the quality of hospital food.

Services will vary in how much they need or resort to augmentation. Those that are low cost with no-frills (e.g. budget airlines) will offer far fewer 'extras' than those at the expensive, high-value end (e.g. exclusive hotels).

1.7 The 'McDonaldization' of services

Many writers have urged services to 'design and manage for efficiency'.¹⁷ One of the earliest (1972, 1976) and most significant was Levitt.^{18,19} He argued that services should be run like factories and believed that by adopting the predictability of the factory system, disruptions caused by people (employees and customers) in services would be minimized. 'Whenever people are involved', he argued, a key management issue is 'about how to control their personal behaviour and channel their choices'.²⁰ This type of thinking²¹ and action is still prevalent today, arousing much in the way of controversy.

Over time, industrialization (of services) came to mean standardization, routinization and ultimately McDonaldization. Through the use of rules, regulations, scripts and technology, services sought to control the behaviour of employees and customers. Just as the production side of service (the back office) had been successfully 'industrialized', organizations have pursued a similar approach for managing the tensions and unpredictability on the consumption side (the front office). In 1992,²² George Ritzer published a ground-breaking book on the 'McDonaldization of Society' (subsequent editions appearing in 1996 and 2004). For those interested in services marketing and management, the implications are of significance. Whilst acknowledging its many advantages he warns of its seductions and attractions.

Ritzer defines McDonaldization as 'the process by which the principles of the fast-food restaurant are coming to dominate more and more sectors of American society as well as the rest of the world'.²³ He attributes its success to four dimensions (efficiency,

calculability, predictability and control) seemingly attractive to employees, customers and management. A brief account of the four dimensions follows.

Efficiency is regarded as the optimum method for getting from one point to another. The McDonald's restaurant offers the best available way to get from being hungry to being full. Customers see it as the quickest way to satisfy a need. Efficiency, then, for customers is obtaining something quickly with the minimum of effort, e.g. the Internet has increased shopping efficiency. Employees are also said to gain. By clearly defining what is to be done and how it is to be done, tasks are performed more rapidly and easily. For service management, efficiency means getting the most output from the least input, maximizing (where relevant) profitability. Sometimes customers are put to work (unpaid) in a drive for efficiency, e.g. putting petrol in your car and paying for it at the pump. The service literature refers to customers here as co-producers or part-time employees! Higher education offers up a futuristic view of efficiency: multiple choice exams (as the inane form of assessment) set and marked by computer and results delivered to students electronically within a short time period.

Calculability emphasizes calculating, counting, quantifying, e.g. how much time should a doctor spend with a patient. We live in a world 'completely overwhelmed by numbers and calculations'.²⁴ Services are not immune. Increasingly, management is asking, how many ..., how often ..., how much ..., how soon ...'. Steps in the service process are measured for the time they take and those that take the least are deemed the most efficient. Calculability, thus, makes it easier to determine efficiency.

Predictability means order, certainty, knowing what to expect. It suggests, for a service, that it can be pre-programmed/choreographed. Surprises are unlikely. The package tour is an apt illustration of a highly predictable service. Both customers and service provider know what is going to happen, where, when and how. In such circumstances predictability, as well as calculability, facilitates efficiency.

Control is the fourth dimension. It is exerted through the substitution of non-humans for human technology. A human technology (a screwdriver for example) is controlled by people; a non-human technology (the assembly line for instance) controls people. The ultimate stage in control is, of course, where people are replaced by machines. There is then no more uncertainty or unpredictability. It is also important to remember that control (of employees and customers) is exerted in many other ways in services, e.g. the use of scripts and uniforms, regulations and procedures, automated voice systems and the design of interior facilities.

1.8 The downside of McDonaldization

Ritzer acknowledges the benefits of efficiency, predictability, calculability and control. However, with the addition of a fifth dimension, the irrationality or rationality, he draws our attention to the negative aspects of McDonaldization. Through relentless standardization and numbing routines, both employees and customers can feel dehumanized and depersonalized. As employees are made to become more robotic-like in their behaviour, stress and a sense of loss of identity may follow. Customers feel as though they are part of an assembly line, a statistic to be processed. They regard tightly scripted procedures as fake or phoney. Frustration, for both parties, is a likely outcome with employees engaging in acts of sabotage and customers in acts

of revenge (see Chapter 6). Moreover, trying to process many people and/or their possessions as quickly as possible with inadequate resources can have an adverse affect on service quality. So, a 'McDonaldized organization', for all its attractions, is not without problems.

1.9 Technology in services

As mentioned in the paragraph above, many services are faced with increasing demand and customer contact. To help address the problems services are turning to technology. The National Health Service is a good example. Struggling to cope with ever-increasing demands, the introduction of new technology will now play a much larger part in delivering medical care. In addition to the out-of-hours phone service (NHS24), patients will be diagnosed and monitored from afar by using telemedicine facilities and the Internet. With help and support from a health professional (not a doctor), the patient will play an increasing role in managing his/her own condition. Unlike the examples of the petrol pump or self-service in the supermarket, this example provides a more substantive, if controversial, illustration of the customer as part-time employee or co-producer of a service. Furthermore, the advance of technology not only enables services to transfer some of the work to customers but also allows organizations to vary according to customer type, the service received. With the advent of information technology, organizations can now amass a substantial amount of data on customers. Those seen as less worthy, less profitable or perceived to be a cause of inefficiency (e.g. elderly people blocking hospital beds) will need to serve themselves or simply go away.²⁵

Welcome to the new consumer apartheid. Those long lines and frustrating telephone trees aren't always the result of companies simply not caring about pleasing the customer anymore. Increasingly, companies have made a deliberate decision to give some people skimpy service because that's all their business is worth. Call it the dark side of the technology boom, where marketers can amass a mountain of data that gives them an almost Orwellian view of each buyer. Consumers have become commodities to pamper, squeeze, or toss away, according to Leonard L Berry, marketing professor at Texas A&M University. He sees 'a decline in the level of respect given to customers and their experiences'.²⁶

The benefits of technology, for service organizations, are apparent in terms of productivity and cost savings. But what of the customer? After all, 'much of this technology delivered service is initiated and carried out by the consumer and involves no direct or indirect contact with representatives of the service provider'.²⁷ This is given further meaning by the view that 'across industries, technology is dramatically altering interpersonal encounter relationships, and in some instances, eliminating them altogether'.²⁸ So in this age of increasing technology-based service, what are the views of the customers? Dabholkar²⁹ studied a situation in a fast-food restaurant where customers could use a computerized touch screen to order a meal (technology-based self-service). The study found that feeling in control and the potential enjoyment from using this type of delivery, were important determinants of service quality. Reliability (error free), speed of delivery and ease of use were also found to

be important. In an extensive study of consumers, Howard and Worboys³⁰ found that time-saving was seen as the biggest advantage of self-service. However, the findings also suggest that consumers still prefer the concept of human interaction rather than technological interfaces. Similar findings by Curry and Penman from the banking sector³¹ indicate that the human element in the banker/customer relationship is more influential than the technology element. Equally they draw attention to differences between banks and their employees in the use of technology.

In a review of electronic government in the public sector, Hazlett and Hill³² point to a 'lack of evidence to support the claim that the use of technology in service delivery results in less bureaucracy and increased quality'. They conclude that 'it is by no means certain that e-government can produce truly innovative, responsive public services, indeed it may merely exacerbate electronically, existing shortcomings'. It would appear that the overriding problem for technology in services is the willingness and ability of customers to use it. Parasuraman³³ has developed a scale called the technology readiness index designed to classify people in terms of their tendency to embrace and use new technology. The classification is arranged hierarchically with explorers at the top and laggards at the bottom. Not surprisingly, research indicates that those most favourably disposed to technology and heavy users are well educated, with a high income and younger. Those at the other end tend to be older, of a lower education level and income. What is intriguing is how far into the future this particular way of classifying people (in relation to technology use) will persist. Even more so, if you recall an earlier reference (Brady²⁵) and with some worry, those at the lower or bottom end are the same group for whom technology will be the 'option' for accessing a range of services.

Technology not only appears in service provider/customer contacts. It is also present within the service organization's work environment. The aims are largely twofold: management control and efficiency. The following examples are simply illustrative. Ocado, an upmarket online grocer and a favourite with wealthier stay-at-home shoppers in London and the South East, has been the subject of a study³⁴ by the trade union GMB (General and Municipal Boilermakers). It centres on the company's practices at its distribution centre at Hatfield, where its warehouse workers, in company with an estimated 10 000 in all among other named firms (Tesco, Marks & Spencer, Sainsbury, B&Q, Boots and Homebase), are compelled to strap on chunky electronic surveillance tags that direct them to pick up goods for delivery. Professor Michael Blakemore of Durham University (the report author) says satellite and radio-based computer technology is turning some warehouses into 'battery farms' and creating 'prison surveillance'. Employers argue the union is over-reacting. They insist the system is not used to spy on workers but to make things easier and improve customer service. However, Paul Kenny, the union's acting General-Secretary, says: 'The GMB is not a Luddite organization, but we will not stand idly by to see our members reduced to robots with heartbeats.'

The other example involves a 2003 study of nurses working in three NHS trust hospitals who were required to use computer systems which produced detailed care plans for patients.³⁵ The stated aims of the projects were to improve nursing practice, to improve the quality of records, and to gain a better understanding of how nursing resources were used. Although surveillance was not principally intended, the systems were capable of linking any activity on the system to an identifiable user. Resistance did exist but what was at issue here was the standardization (or if you

like McDonaldization) of nursing practice. Set against the nurses' aim of defending (or enhancing) their professional status and autonomy, the question then became one of what is nursing and how should it be done? What do these two brief examples signify? On the one hand there is management's need to control, to achieve efficiency goals. On the other hand there is the employee's loss of individuality, sense of self and the anxiety and stress brought on by monitoring.

(For a view on technology see the thoughts of Sholto Ramsay in Appendix 1.)

1.10 Call centres

The efficiencies of McDonaldization and advances in technology have given rise to the call centre (also known as customer contact centres). Many people work in them (see Chapter 9), and unless you are a hermit, your daily routine will regularly include some contact with call centres. They continue to be the subject of controversy with graphic accounts of employment conditions and customer experiences. Moore³⁶ portrays it thus:

We all know what it feels like. You ring the bank or building society and an automated voice tells you to press a dozen buttons on your telephone keypad, then you listen to 'Greensleeves' for 10 minutes and finally hear the dreaded recorded message: 'You are held in a queue, your call will be answered shortly ...' By the time a human being answers, your stress levels are sky high.

Now spare a thought for the person on the other end of the telephone. You could be the 500th disgruntled customer they have had to deal with today, while staring non-stop at a computer screen on long shifts without proper breaks and under constant surveillance.

Call centres – where often huge teams of people handle a never-ending flow of customers' calls – have been described as '21st century sweat shops' and modern-day 'dark satanic mills', while their workers have been called 'battery hens' and 'galley slaves'. Horror stories, which have recently come to light, include tales of managers who threaten staff with wearing disposable nappies if they visit the toilet too often, and the worker who was disciplined for taking two six-second breaks between calls. It is no wonder some call centre staff report high levels of stress and anxiety.

Additionally, in a report by the Citizens Advice Bureau³⁷ evidence pointed to a number of common problems its clients have when dealing with call centres, whether provided by a government agency or a private company. These problems occurred across a wide range of services from access to benefits to provision of after-sales services (see Figure 1.4).

Comments and research on and about call centres have been widely discussed and contested. How far do they represent the reality of call centres? A useful starting point for reflection is to think of services as made up of a back office and front office (see Chapter 3). The back office has developed along the lines of a factory, inaccessible to the customer. In its traditional form the front office is open to the customer on terms of face-to-face interaction. There continues to be much debate over how much of a service should be back office and how much should be front office. Of course

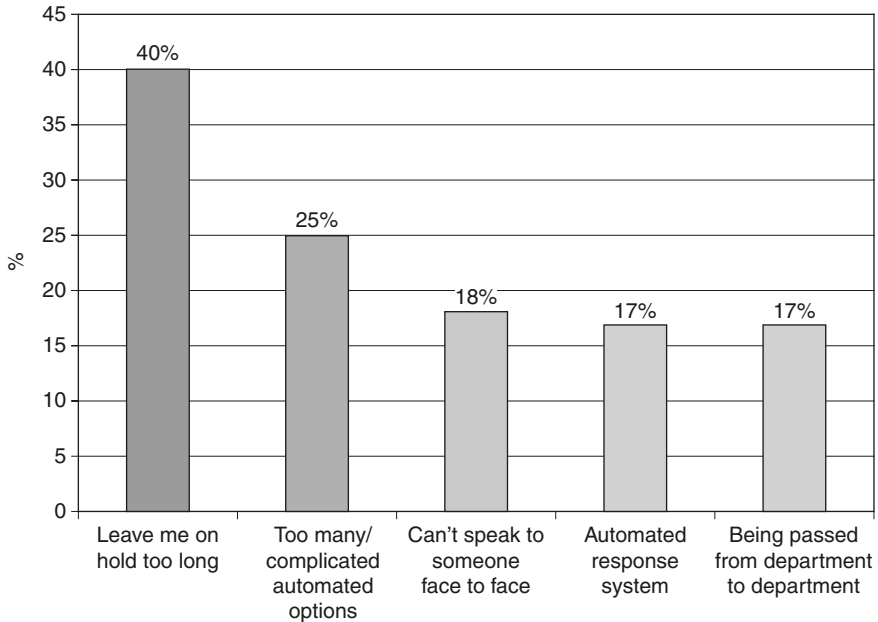


Figure 1.4 Most annoying aspects of call centres

Source: MORI survey commissioned by Citizens Advice. A nationally representative sample of 2253 adults (aged 15 years and over) were interviewed face-to-face throughout Great Britain by MORI between 8 and 13 July 2004

the nature of a service will partly determine the balance. However, the call centre represents a new kind of 'front-line' facility³⁸ redefined more in terms of a back office operation. Customers can experience difficulty in gaining access. Once obtained, contact may be with an automated response system. Frustration is inevitably felt. For employees in call centres it is a matter of being subject to some demanding working conditions.

It is to these working conditions that much of the comment/research has been directed. In the course of this debate reference is made to Frederick Winslow Taylor, author of the *Principles of Scientific Management*, published in 1911.³⁹ His objectives were to achieve:

- Efficiency, by increasing the output per worker and reducing 'underworking' by employees
- Standardization of job performance, by dividing tasks up into small and closely specified sub tasks
- Discipline, by establishing hierarchical authority and introducing a system whereby all management's policy decisions could be implemented.

Taylor was clearly obsessed with the achievement of efficiency, matching people to a task and then supervising, rewarding and punishing them in line with their performance. He believed there was no such thing as skill and all work could be analysed step-by-step as a series of unskilled operations that could then be constrained into

any kind of job. Tasks specified what was to be done, how it was to be done and, importantly, the exact time allowed for doing it.

The routinization and fragmentation of tasks advocated by Taylor appear to be present in the call centre labour process.

There is no question that the interaction of telephone and computer technologies, which defines the call centre, has produced new developments in the Taylorization of white-collar work.⁴⁰

Operational efficiency is a key driving force and in order to maintain that employees are subject to electronic surveillance and monitoring by supervisors. The situation (for the employee) has been described as akin to having 'an assembly line in the head, always feeling under pressure and constantly aware that the completion of one task is immediately followed by another'.⁴¹ Of course excessive and continuous control can be 'counterproductive' as employees become demotivated, demoralized and stressed out. Research by the Communication Workers Union suggests that staff turnover is in the region of 33%. The two most common factors cited for leaving are poor rates of pay and the intensity of the call centre environment. However, the buzz and vibrancy of the call centre atmosphere is also highlighted as one of the main features that staff like about their work.⁴² On the subject of front-line call centre employee satisfaction, it would appear there is a general perception that it is not a measure seen to be critical.⁴³ What is vital is the performance of employees over a range of measures:

- The number of calls handled
- Time spent logging information
- Duration of calls
- Gaps between calls
- Numbers of calls waiting
- Numbers of calls abandoned.

These are all quantitative indicators designed to manage workforce productivity. Not so much in evidence are feedback mechanisms for the quality of service.

Successfully managing quantity and quality represents, in the view of some, a general dilemma that appears irresolvable:

If operators are driven too hard with targets and quantitative output measurement, then the quality of service may suffer, as motivation and commitment are adversely affected. If on the other hand, there is an over-emphasis on informality with a relaxation of targets and surveillance, the centre may not turn over sufficient business.⁴⁴

Moving toward employee empowerment and away from the traditional production line approach runs the risk of inconsistent quality of service due to the variability of both customers and employees.⁴⁵ The quality/quantity dilemma reflects a wider challenge beyond that of the call centre. In most service situations there are three parties involved: customers, management and employees. How can the needs of all three be satisfied? In other words, how does one create a win:win:win outcome?

Whatever one might think of call centres, they have attracted an enormous amount of academic and media attention in recent years, most of it projecting a very 'bleak picture of life at the sharp end of a technological treadmill'.⁴⁶ Other portrayals of the call centre are of 'dark satanic mills' and 'sweat shops'. Some have sought to inject a note of realism into the debate. Evidence collected does not always support these 'exaggerated claims'.⁴⁷

1.11 The trouble with service ...

The literature on service provides knowledge on how to deliver quality and satisfy the customer. By applying a range of concepts, models and techniques the service provider should be in a position to deliver what the market wants. The everyday service reality experienced by customers and employees and often expressed through the media suggests something different. Why, then, is there such a discrepancy? A number of points are worthy of consideration:

- Probably at the top of any list should be efficiency, a word we hear much of today and one, according to a leading authority, that has a bad name.⁴⁸ Whether public or private, service organizations are seeking to obtain more and more output from fewer and fewer inputs (resources). Tight control and demanding use of resources is not necessarily a formula for delivering service quality.
- Front-line employees are regarded as pivotal for success by service organizations. That at least is the theory. The reality is that working conditions on the front line can be less than favourable: demanding management and customers, low pay and inadequate training. Consequently the resulting stress, frustration and lack of motivation impacts on performance.
- The ever-increasing use of technology frustrates those who equate service with personal service. Being served by a fellow human being is viewed by many as the hallmark of service. When the technology fails or is poorly designed from a user perspective, customer dissatisfaction is inevitable.
- 'All consumers are not created equal', as Hallberg observed.⁴⁹ Who you are (defined in terms of job status) and what you are worth to an organization (defined in terms of profitability) determines the quality of service received. In a study⁵⁰ of who gets the best service from British businesses, the customer's occupation was found to be significant. On the matter of profitability Zeithaml, Rust and Lemon⁵¹ suggested that by sorting customers into profitability tiers or levels service can be tailored to achieve even higher profitability levels (see Chapter 11).
- We live in an environment of rising expectations with marketing promising better and better service. Competitive pressures are a major driving force. The trouble is that promises are not always matched with proper resources and commitment.

The above points may be contested and rightly so. Other reasons should be considered. In the course of such a discussion, two questions should be borne in mind:

- Who defines service?
- What constitutes good or bad service?

In addressing these questions you should consider, for the first question particularly, the three perspectives already mentioned in this chapter: management, employees, customers. For the second question, who or what is to be congratulated or to be blamed?

Summary

Managing a service requires knowledge and understanding of its four characteristics: intangibility, inseparability, variability and perishability. For each one there are important implications. Additionally there is a need to acknowledge that services possess three additional Ps (people, process and physical evidence) over and above the standard '4 Ps' of the marketing mix. Equally, the appearance of gaps between what consumers receive from a service (their perceptions) and what they hope for (their expectations) must be an ongoing concern. Furthermore, there may be differences of view between customers and the service organization over what to expect and what has been received. Another difficult area for services is customer involvement and the uncertainty that brings. To try to minimize the impact of this some services are operating more like a factory with the emphasis on standardization, efficiency measures and an increasing role for technology. This trend has engendered some criticism, particularly over the effect on service quality.

Appendix 1.1 Technology and the future of services

Technology, consumers' changing concerns and external factors will drive services marketing.

Key changes

- 1 Enterprises used to deliver services through humans – this was the services encounter. In the Internet-enabled future, enterprises will deliver service value through technologies: the Internet will be the 'point of contact'.
- 2 Customers will use their own technologies to delve into the enterprise's systems to achieve results when and how they choose. Those same technologies will enable customers to manage and mediate their service encounters.
- 3 Ubiquitous, connected technologies will change the perimeter and scope of enterprises. Enterprises will partner with customers and other commercial organizations seamlessly and rapidly so as to deliver value to customers.
- 4 Customers will become a core asset of companies. Enterprises will organize their services around 'marketspaces' rather than the concept of the market. Technologies enable enterprises of whatever size to gather together the resources and skills required to deliver within the marketspace.
- 5 Customers or other third parties will control the destinies of brands. Already customers are communicating together about services. On the Internet circuit, customers and concerned stakeholders will always get to the chicane first!

Key premises

- 1 Marketers will rely ever more heavily on technology to achieve success.
- 2 The affordability and ubiquity of information technologies is changing how consumers operate in the market. Once upon a time enterprises owned the powerful stuff, now consumers increasingly own and develop the innovative technologies. Think peer-to-peer file sharing or VOIP telephony.
- 3 The Internet is changing the value of IT for all agents in the market. Scale no longer has advantage.
- 4 Information technologies are creating an increasingly segmented market or rather technology can deliver service at new price points. Profit now exists at the long tail of the market rather than at the mass market.

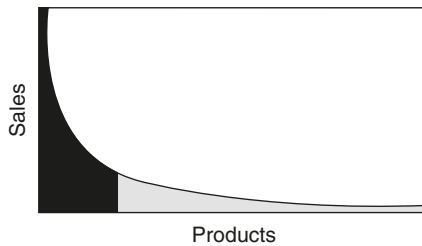


Figure A.1 Sales vs products

- 5 IT is reducing the 'information disparity' between consumers and marketers.
- 6 IT is 'empowering' consumers in many ways, but is also enabling new opportunities for corporate enterprises to add value in new and distinctive ways.

The last ten years of technology may not have radically changed marketing theory, but it has certainly changed the practice of marketing. And if we might agree that marketing theory remains essentially the same as before, technology has changed the emphasis of marketing theory.

Marketing retains the key aim of 'satisfying customers' and the elements of marketing such as the marketing mix and the 4 Ps retain their hegemony, at least within the minds of marketers. What has changed and continues to change is how these elements are deployed and their relative value to the marketer. Marketers who can understand these changes and grasp the new opportunities will be the winner in the future.

These changes reflect to a large extent the impact of technology on markets and consumer behaviour and especially how the benefits of information technologies have begun to flow to consumers and away from many corporate enterprises.

Understanding the Internet

At the heart of the changes is the Internet, which we can define as both a network of computers (or mobile phones or cars) and a set of technologies that naturally connect together all these disparate devices through public protocols. Most people experience the Internet through their PC and therefore consider it a computer thing rather than recognizing it is also a whole way of organizing communications networks.

The Internet is significant to marketers in a number of ways:

- The network is both increasingly connected and ubiquitous, connecting everybody in very immediate ways and in an information-rich fashion. It has the reach of mass media and yet can operate in a very local or niche fashion!
- The network is international and does not respect territories, long the basis for establishing different pricing regimes in different countries.
- Unlike previous marketing networks, such as television advertising, we can identify and potentially address each individual separately. This is the promise of segments of one.
- Information in the network flows in both directions and therefore allows for a range of interactions between enterprises and individual consumers. These can be conscious interactions such as customers engaging in online booking or they might be invisible interactions such as the measurement of consumer activities on websites by marketing analysts.
- Interactions take place in real time and as a result a whole range of interactions between a number of enterprises can take place 'at once'. When a consumer makes a request of one enterprise, the latter may poll other suppliers or partners in real time. The speed and immediacy of the encounter is hugely accelerated.
- The power of the network is underpinned by the sets of Internet technologies which are based on open and published standards. These technologies are designed to naturally inter-operate with each other in (increasingly) seamless ways. The analogy of the railways all agreeing a single standard gauge in the nineteenth century does not capture the way in which all industries have started to apply the Internet paradigm to their own industrial processes by creating open standards to their data. In the past, owning proprietary standards was a source of power: today it is a liability.
- The technologies upon which the Internet relies are themselves becoming ubiquitous and commoditized within the market. This can significantly reduce the capital required to enter markets and significantly reduce the risks. This suggests that the Internet can impact not only at the level of marketing strategy, but also at higher level of corporate strategy where the individual themes of strategy as promulgated by Porter are increasingly subject to the same Internet forces.

The role of the Internet is changing the way that we conceptualize IT within the enterprise. Previously the role of IT was to apply control within the enterprise. The edge of the organization could be thought of as the end of the reach of the IT systems. Where enterprises did create data networks they were usually between businesses and not targeted at the end consumer. In the age of Internet we can understand the new IT in two ways:

- One way is to understand that IT is a delivery mechanism for a growing range of experiences and benefits which are being delivered as databits in a common language. These often combine products, information and services in new packages.
- The delivery mechanism is the Internet whether that be your PC or a mobile phone or even your car's GPS transponder.
- The common language is understood by a range of technologies which manage network protocols, for example, by translating data into audible music.

- Before the Internet, corporate technologies and consumer technologies had to be connected and enabled by humans; today consumers are increasingly able to manipulate corporate systems to achieve their goals. The one constant of services delivery, the human encounter, is being elided. For example, more and more people are booking holidays from the comfort of their own homes. They are querying travel business systems for information about holidays and availability, they are then paying for them online without once talking to a representative. Consumer bookings start a whole range of transactions between intermediaries and final suppliers.
- In the past marketers had an advantage: they had better IT than their customers. Increasingly this state is reversed. Furthermore, those consumers are using their skills and infrastructure to parallel marketing and sales channels that entirely avoid or ignore commercial channels.

We can think through some of these ideas by addressing them in the context of the themes of this book:

- Settings and structure
- Services delivery
- Relationships
- Performance and evaluation.

Settings and structure

Environmental uncertainty will play a large role in services marketing over the coming decade. This environmental uncertainty includes far more than the forces being unleashed by global warming and the pressures of climate change. The bounds of the market environment will change as companies seemingly remote can suddenly expand into other marketspaces. Watch how the likes of Apple have become players in the music industry, or the ambitions of ebay and Google in the telecoms industry.

As services marketers become 'gateways' to solutions so the infrastructure needs to connect a number of enterprises at once. The notion of a singular enterprise disappears, but for the services marketer the problem lies in stitching together these sometimes disparate threads. How do you ensure that the third-party call centres support your brand as required? What happens if the company that provides your in-flight meal experiences industrial action?

Services delivery

In the past, services were delivered by commercial organizations to passive receiving customers. Internet behaviour has changed this workflow. Customers are now active seekers of services; they choose the time and place, and as we said, engage in service interaction with any other human presence. In this scenario, the enterprise still has control of the interaction in some fashion. There are even more remote interactions taking place where, for example, other customers provide support services to your customers. Increasingly, software companies rely on the expertise of customer forums to ensure that customers with problems can get to resolution.

The enterprise in this scenario provides the platform for action. Many of the most exciting services businesses at this moment – Google, ebay, Paypal – provide platforms

for third-party interaction in which they themselves are not principals. Utilizing the ubiquitous Internet that threads together buyer and sellers, or searcher and advertisers, creating both a commercial ecology in which they are at the top of the food chain as well as a plethora of commercial services for other inhabitants of this space. Notice the broad range of services that Google provides around the core (free) search service.

As companies look for growth, they will need to choose how they can foster an ecology around their services. In that sense how they can become a large part of customers lives.

Relationships

Building a relationship with customers has long been the goal of services marketers. Professional services practitioners have long shown how profitable such an approach can be. However, the consumer services market rarely offers opportunities for such engagement. One thing that was stable in both scenarios was that this was a conversation between the enterprise and the customer.

In our Internet future, the enterprise can often find itself remote from such conversations as consumers commune together to discuss products and services. Whilst there are many communities specializing in individual services, very few are controlled by the enterprise. With blogging and tagging consumers are creating conversations in which businesses can be subjects but are rarely welcomed as participants. It is not enough to employ evangelists to spout the party line, senior staff must engage with conversation and respond actively to consumer needs.

Whilst this scenario reduces the control, it opens exciting avenues for invoking customers in the innovation process and feedback processes. For a long time software companies have engaged senior customers in beta testing processes.

Performance

As the delivery of services become decentred and complex, so the ability to measure its performance becomes equally hard. What should be the metrics, who takes responsibility for delivery? Where does one service start and another stop?

Users of the Internet auction site ebay can have a number of relationships to the company and other users. They can be customers of ebay itself, they will also be customers or suppliers to other customers and they may be using a payment system called Paypal, which coincidentally is now owned by ebay. Within this ecology, different players enjoy different responsibility for delivering services that cannot be disentangled from each other. Ebay's solution is to coopt customers as guardians of quality and performance through the use of published feedback systems such as ratings.

In the last year or so, we have heard the phrase 'the market is a conversation' used with greater frequency. The idea of interaction and communication between equals is increasingly a feature of Internet markets and therefore all services markets. Customers talk with customers, customers talk to suppliers. As with all other elements of emerging services, the system is no longer controlled by suppliers. Indeed the measurement of service quality is often being undertaken on third-party sites where customers and prospective customers freely discuss the quality and appeal of different service providers. Hoteliers around the world know that websites like Trip Advisor are playing an ever-larger role in shaping customer decisions. As customers

grow ever-more cynical of media relationships with advertisers, the old critical channels are losing their importance in comparison to customer judgements. The increasing importance of search engines demonstrates how customers are seeking out information about services before they purchase and are relying on the word of other customers.

This method of performance measurement is clearly customer-centric but may be insufficient as services become more complex or technical. Furthermore, as service delivery becomes increasingly globalized, customers may find themselves buying from suppliers that are operating outside of the customer's domestic legal framework. How many customers check terms and conditions to see under which legal system a supplier is operating; if they do, they may find that they need to sue them in Asia to gain redress.

In summary, new technologies and the falling cost of technology will allow service suppliers to enter new markets and will change the requirements for scale which is exciting for SMEs and companies from emerging economies. For consumers, this opens up new opportunities and increasing competition, whilst creating new risks for the unwary. The global market will be like all previous markets: comprised of the honest, the opportunists and the same gang of charlatans.

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