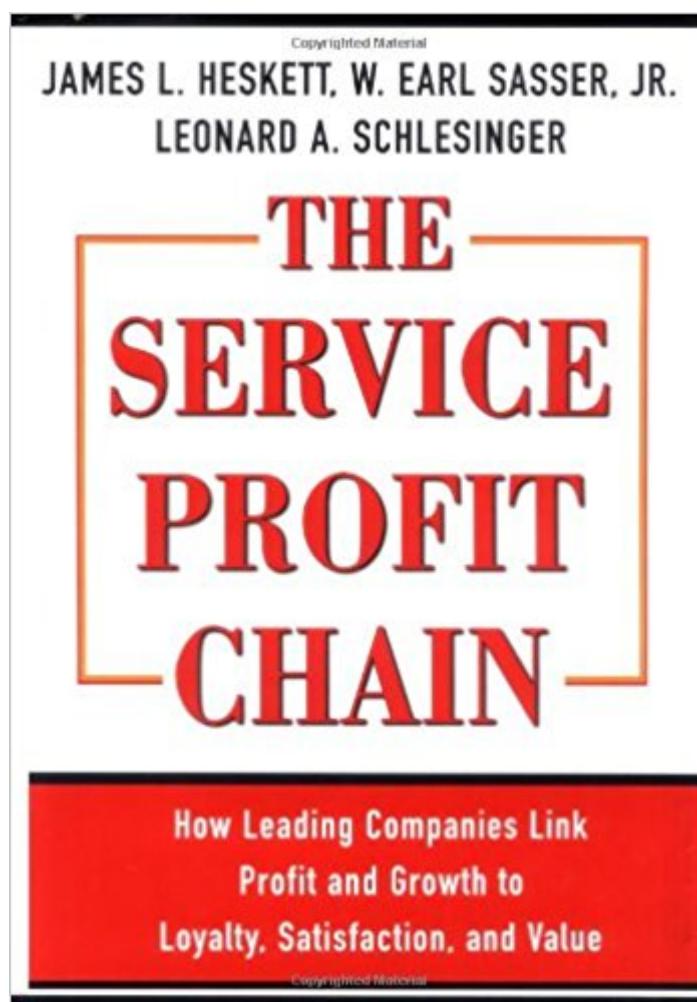


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# The Service Profit Chain



## Synopsis

In this pathbreaking book, world-renowned Harvard Business School service firm experts James L. Heskett, W. Earl Sasser, Jr. and Leonard A. Schlesinger reveal that leading companies stay on top by managing the service profit chain. Why are a select few service firms better at what they do -- year in and year out -- than their competitors? For most senior managers, the profusion of anecdotal "service excellence" books fails to address this key question. Based on five years of painstaking research, the authors show how managers at American Express, Southwest Airlines, Banc One, Waste Management, USAA, MBNA, Intuit, British Airways, Taco Bell, Fairfield Inns, Ritz-Carlton Hotel, and the Merry Maids subsidiary of ServiceMaster employ a quantifiable set of relationships that directly links profit and growth to not only customer loyalty and satisfaction, but to employee loyalty, satisfaction, and productivity. The strongest relationships the authors discovered are those between (1) profit and customer loyalty; (2) employee loyalty and customer loyalty; and (3) employee satisfaction and customer satisfaction. Moreover, these relationships are mutually reinforcing; that is, satisfied customers contribute to employee satisfaction and vice versa. Here, finally, is the foundation for a powerful strategic service vision, a model on which any manager can build more focused operations and marketing capabilities. For example, the authors demonstrate how, in Banc One's operating divisions, a direct relationship between customer loyalty measured by the "depth" of a relationship, the number of banking services a customer utilizes, and profitability led the bank to encourage existing customers to further extend the bank services they use. Taco Bell has found that their stores in the top quadrant of customer satisfaction ratings outperform their other stores on all measures. At American Express Travel Services, offices that ticket quickly and accurately are more profitable than those which don't. With hundreds of examples like these, the authors show how to manage the customer-employee "satisfaction mirror" and the customer value equation to achieve a "customer's eye view" of goods and services. They describe how companies in any service industry can (1) measure service profit chain relationships across operating units; (2) communicate the resulting self-appraisal; (3) develop a "balanced scorecard" of performance; (4) develop a recognitions and rewards system tied to established measures; (5) communicate results company-wide; (6) develop an internal "best practice" information exchange; and (7) improve overall service profit chain performance. What difference can service profit chain management make? A lot. Between 1986 and 1995, the common stock prices of the companies studied by the authors increased 147%, nearly twice as fast as the price of the stocks of their closest competitors. The proven success and high-yielding results from these high-achieving companies will make *The Service Profit Chain* required reading for senior, division, and business unit managers in all service

companies, as well as for students of service management.

## **Book Information**

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## **Customer Reviews**

That the customer should be--indeed, must be--at the heart of any service company's strategy is certainly not a cosmos-altering revelation. But the equations, formulas, research, and just plain common sense that three Harvard Business School professors apply to the process of creating a lifetime customer is definitely worth attention. Much of what they propose is based on a series of Harvard Business Review articles and consulting gigs as well as the tenure of a CEO of Au Bon Pain; in addition, the case histories, though a bit shopworn (including British Airways and WalMart), continue to pound home the high-profit level possible in long-term customer relationships. Marketers may fear the coming of the customer-centric organization, since many processes and functions will be turned upside down in a new kind of reengineering. Employees, however, will rejoice, since the front line is the key to unlocking customer satisfaction. Barbara Jacobs

Herbert D. Kelleher Chairman, President and CEO of Southwest Airlines Co. I am very angry with Jim Heskett, Earl Sasser and Len Schlesinger because I am deathly afraid that our competitors will read their book! The skunks have set forth in an accurate, profound, intelligible, and easily understandable way the core values, tenets, and practices that animate Southwest Airlines and can make any service business successful.C. William Pollard Chairman, The Servicemaster Company Profit and service do mix. Jim Heskett, Earl Sasser and Len Schlesinger have provided a systematic

way for us to understand the link. The examples that the authors draw from their studies and experiences make the book come alive -- it is a real learning experience. John B. McCoy Chairman and CEO, Banc One Corporation Unveils a great model that managers can use to maximize both customer loyalty and profit. It links an action plan for managing all elements of a business with a thorough process for measuring results. David H. Maister Author of *Managing the Professional Service Firm* and *True Professionalism* If you read only one book on service industry management, this is the one to read -- and to re-read. The simple but powerful framework integrates numerous insights covering a wide range of service industry topics. Leonard Berry Professor of Marketing and JCPenney Professor of Retailing Studies, Texas A&M University, Author of *On Great Service* and *Marketing Services* The authors effectively integrate their wide body of research and thinking into an incisive framework for organizational leadership.

This reference is a bit dated but the case studies given herein are valuable examples of how customer service can boost an organization's market position. Unfortunately the author goes back to the well on the same few case studies repeatedly. This is a book that could stand some better editing in a much needed updated edition.

As a former student of Heskett's and Sasser's in the early '70's, I have followed their research in the field of service management. As a student and consulting practitioner of "high performance service management" for 18 years, I have over 50 books in my library on "service management" with publication dates going back to 1976. This book provides not only a refined summary of all of the best service management theories, but it breaks new ground as far as making a new service order happen within a business. If you want to truly achieve - distinctive and sustained levels of service, lower total costs, higher everyday margins, and happier, more loyal employees and customers, then this book is for you. It is well written and organized, but it is a process book instead of one with a lot of quick-fix, anecdotal stories that have been unproductively popular for too long. You will have to work intellectually to get through this book, but you will be conceptually re-oriented down the right path towards true competitive advantage. The book does update and improve on the authors' own research and publishing - notably Heskett's book entitled "Service Breakthroughs" (Free Press, 1990). In the "what's new" department, what I liked best was the third part of the book sub-titled "Putting It All Together". To go from a top-down, financial management company to a bottom-up, service excellence performer takes a total transformation starting with the dated, unspoken core assumptions or beliefs of the CEO. The authors illustrate with case studies that big change is

necessary for big gain, but it most often will involve some big pain. They do an excellent job, however, of preparing the would be change artist for the transformational bumps ahead. D. Bruce Merrifield, Jr bruce@merrifield.com [...]

The multiple examples that use about 50% of the book's volumes are lengthy, tedious and at times redundant. This book would have been as valuable if it occupied half the number of pages. Also, whoever edited the book needs to know that 'insure' is the act of providing insurance, whereas 'ensure' is the act of verifying or 'making sure'.

This is a excellent book for these in the service industr. Most read for new managers of any industry.

This is a very complete book about this model, I think that it provides valuable information and examples about the subjetc.

Let you know how important the value that a customer gives to a product and service, impact directly to your profits and how important is to work on satisfaction for both client and employee.

thanks

No complaints..

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