

Contents

<i>List of figures</i>	xii
<i>List of tables</i>	xiv
<i>List of boxes</i>	xv
<i>Preface</i>	xvi
<i>Acknowledgements</i>	xix
<i>Chapter synopses</i>	xx
1 Introduction	1
<i>Service pricing in practice</i>	<i>1</i>
<i>The study of pricing</i>	<i>4</i>
<i>The importance of the service sector</i>	<i>7</i>
<i>Definition of service</i>	<i>9</i>
<i>Service pricing – issues and challenges</i>	<i>11</i>
<i>Service characteristics impact on pricing</i>	<i>13</i>
<i>The cost-plus approach in pricing</i>	<i>16</i>
<i>Complexity of service pricing</i>	<i>18</i>
PART I	
The buyer as an individual	21
2 The expected net value (ENV) framework	23
<i>Buyer choice</i>	<i>23</i>
<i>The ENV framework</i>	<i>26</i>
<i>Conclusion</i>	<i>39</i>
3 Advanced purchase and the separation of purchase and consumption	41
<i>Risk at the point of purchase: valuation risk</i>	<i>42</i>
<i>Risk at the point of purchase: acquisition risk</i>	<i>46</i>

	<i>Bringing acquisition and valuation risks into the ENV framework</i>	48
	<i>The marketing mix and its role in delivering net value</i>	49
	<i>Competition: its influence on the ENV</i>	53
	<i>Random components of choice</i>	56
	<i>The expectations of service customers</i>	62
	<i>Understanding the strategic nature of ENV</i>	66
	<i>Trading off benefits and outlays</i>	68
4	Seven strategies for higher revenues	70
	<i>Strategy 1: price on value, not cost</i>	70
	<i>Strategy 2: convert pareto loss into revenue</i>	72
	<i>Strategy 3: decouple purchase (exchange) and consumption</i>	76
	<i>Strategy 4: mitigate risk in valuation for advance purchase</i>	78
	<i>Strategy 5: change the benefits</i>	79
	<i>Strategy 6: customer effort could yield higher revenue</i>	81
	<i>Strategy 7: find the highest end-value in intermediating services</i>	85
	<i>Conclusion</i>	87
PART II		
	Buyers in aggregate	89
5	The economics of pricing in services	91
	<i>The demand function</i>	91
	<i>Understanding price elasticity</i>	93
	<i>The role of supply and capacity</i>	96
	<i>Price discrimination</i>	101
	<i>Advanced selling, demand and price discrimination</i>	104
	<i>Dynamic pricing</i>	105
6	The revenue management of services	108
	<i>Introduction to revenue management</i>	108
	<i>The evolution and scope of revenue management</i>	113
	<i>Revenue management and advanced demand behaviour</i>	116
	<i>Revenue management practices and tools</i>	120
	<i>Competition and revenue management</i>	124
	<i>Fairness and revenue management</i>	125
7	Strategic pricing and revenue management: four more strategies for higher revenue	129
	<i>The ability to practise revenue management</i>	129

<i>The new revenue management system</i>	130
<i>The role of capacity</i>	133
<i>Strategy 8: re-segment, re-design and re-price</i>	137
<i>Strategy 9: segmenting and pricing through self-selection</i>	142
<i>Strategy 10: managing demand and supply through re-sale and refunds</i>	145
<i>Strategy 11: selling availability of the service</i>	147
8 Conclusion	149
<i>Strategise with care: the need to understand how buyers and stakeholders view service pricing strategies</i>	149
<i>Service pricing vs goods pricing</i>	149
<i>More channels, more segments, more brands</i>	151
<i>Cross-functional approach towards pricing policies</i>	151
 <i>Notes</i>	 153
<i>Index</i>	169

Figures

1.1	Music is now available to subscribers	2
1.2	No tangible product	15
2.1	Changing expectations after consumption	25
2.2	Evaluation of net value	26
2.3	Expected benefits	27
2.4	Another way of classifying attributes	30
2.5	Expected outlays	32
2.6	Reducing non-monetary costs by paying	33
2.7	The Singapore Airlines Business Class seats	34
2.8	Self checkout at Walmart	35
2.9	The buyer decision process for services	35
2.10	What price would you pay to avoid going?	40
3.1	Buyer-seller exchange for a typical good and a service	42
3.2	An outdoor concert at the Soundshell in Botanic Gardens, Wellington, New Zealand	45
3.3	Discounted theatre tickets at New York's Times Square – but what type of seats?	49
3.4	Sensitising the buyer	50
3.5	Information and its influence on value	50
3.6	A drive-through automated teller machine (ATM) offered by Citibank in Singapore provides convenience	51
3.7	A new channel for postal services	52
3.8	Motivation to buy is subject to influence from alternatives and random factors	54
3.9	Having the benefit of a fax machine without the machine	56
3.10	The full ENV framework	61
3.11	Gaps model of service quality	62
3.12	Increase in ENV	63
3.13	Repeat purchase when a service is below expectations	65
3.14	The difference between the traditional understanding and revised understanding of value	67
3.15	The augmentation trend and its implication on pricing	68
4.1	Options for higher revenue	73

4.2	Shuttle service at Hong Kong airport	75
4.3	An example of a service purchased in advance that may not be consumed	77
4.4	Sushi on a conveyor belt	82
4.5	Communicating the value of a university degree	84
4.6	How would you value an intermediating service?	87
5.1	Demand function	92
5.2	Consumer surplus	93
5.3	Revenue functions	98
5.4	Demand function of a firm with capacity constraints	98
5.5	Price discrimination when buyers' preferences are not known	103
5.6	Third degree price discrimination	104
5.7	The three characteristics of advanced demand	105
6.1	The advanced demand exchange system	110
6.2	What a complete revenue management system should look like	111
7.1	Interdependence of the four decision sets in revenue management	134
7.2	Building a typical service blueprint	138
7.3	The service encounter and impact of external stimuli	139
7.4	Uncertain waiting is longer than known, finite waiting	141
7.5	Occupied time feels shorter	141
7.6	Converting from pricing on delivery to pricing on availability	148

Tables

1.1	When is a buyer charged different prices?	1
1.2	The many different terms for price in services	8
1.3	A selection of published articles on services pricing in different industries	12
2.1	Key definitions of value, satisfaction and quality	25
2.2	Top ten pure service brands	31
3.1	Consequences of acquisition risk and valuation risk	47
5.1	Demand and marginal revenue for theatre tickets	97
5.2	Dutch auction: the bidding process	102
6.1	Revenue management practices in different industries	112–113
7.1	The ability to practise revenue management	131–132

Boxes

1.1	Examples of pricing techniques on the internet	2–3
1.2	Some of the objectives of pricing in services	6
1.3	Some ways of thinking about services	9
2.1	Definition of attributes and benefits	27–28
2.2	Attributes of a service experience	28–29
2.3	Common risks associated with the consumption of services	36
2.4	The complexity of determining what a service is worth	38–39
3.1	Challenges in distributing services	52–53
3.2	Hygiene factors in services	69
4.1	From fair-trade to carbon neutral?	76
4.2	Gaining through differentiation	78–79
4.3	Involving the customer	83
4.4	University – a co-created service	84–85
5.1	Social influence on price	95–96
5.2	Definition of three revenue functions	97
5.3	The strategic use of unused service capacity	99–101
5.4	Illustration of a Dutch auction	102
6.1	Mathematical formulations in revenue management	124
6.2	An email from an airline ticket buyer	126
7.1	Determining capacity – an operations perspective	135–137
7.2	The psychology of waiting lines	140
7.3	Six steps towards separating markets and differentiated pricing	144
7.4	Self-selection in the credit card industry	144–145
8.1	Pricing airport services	150–151