Illustration 7.1
First Chicago Shows Customer "How to Lose Wait"

As we will point out in section 7.9, managers use informative advertising to reduce the search costs consumers incur when they gather information about price and product quality. Since the full price paid by the consumer is equal to the money price plus the search costs (per unit purchased), one way informative ads can increase sales of the product is by reducing the search cost component of this total price. Another way that managers can reduce the time the consumers must spend completing a purchase—primarily time spent locating items in the store and waiting in check-out lines. The time consumers spend completing a transaction represents a cost to consumers, and this cost of waiting must be added to the money price of the good (just as search costs are added) when computing the full price of a product.

Leonard Berry and Linda Cooper, in an article in ***Business*** magazine,* report that consumers today feel a "poverty of time." Recent studies reveal that Americans feel as though time is becoming increasingly scarce. A 1987 Newspaper Advertising Bureau study found that 767 percent of working women and 58 percent of all Americans felt pressured for time. In a 1987 ***USA Today*** poll, 70 percent of two-income households surveyed claimed they did not have enough time to do all the things they wished to do. Given the increasing value consumers place on their time, it is not surprising to find many business managers searching for ways to reduce the time cost component of their product's full price. According to Berry and Cooper, managers today view "convenience" as a key component of their strategic plans for competing with rival firms. Managers are relying on convenience as a way to reduce the full price consumers pay for their product.

An example of a firm that uses reductions in waiting time to enhance its competitiveness is the First National Bank of Chicago (First Chicago). Deregulation of financial institutions in the early 1980s substantially increased the competitiveness of the banking services industry. During the early to middle 1980s, First Chicago lost customers to credit unions, savings and loan associations, and security brokerage houses that became direct competitors of the bank when deregulation allowed other types of financial institutions to begin offering financial services that previously only commercial banks could offer. In a move that further heated up competition in the Chicago banking market, Citicorp entered the Chicago market by acquiring a failed savings and loan association in 1984. First Chicago found itself facing a major new competitor, one with a history of aggressive pricing. In formulating a strategy to prosper in this more competitive market, managers at First Chicago decided to undertake a multifaceted program to increase convenience by reducing consumer-waiting time. First Chicago planned to decrease its full price by saving its customers time.

The actions taken by First Chicago to reduce waiting time, and hence full price, are explained in detail by Berry and Cooper. We summarize some of these actions here. The bank installed a new IBM terminal system, which consolidated all information on each account so that tellers could more quickly and completely handle customers' banking transactions. An electronic queuing system was implemented to measure and display, for both employees ***and customers*** to see, the number of customers in line, the number teller windows open, and the average time a customer is waiting. First Chicago also added cash dispatching machines that eliminated the need for tellers to count money, thereby saving almost 30 seconds on each transaction. The job descriptions of mangers were revised in a way that made managers responsible for the front side of the teller counter as well as the back side. Managers began “floor-walking” to expedite customer flow.

First Chicago managers also began paying higher wages to attract premium tellers to work peak-load time periods (around noon and before holidays). Management began recognizing and rewarding teller productivity. In order to ensure that consumers take advantage of these time-saving measures, First Chicago distributed brochures to customers titled “How to Lose Wait,” which informed customers abut when the bank was busiest and how to avoid delays.

First Chicago made a dramatic commitment to reducing waiting time of consumers. The purpose was to reduce the full price consumers pay for banking services at First Chicago Bank. In markets where time costs are a significant fraction of the full price of a product, managers can effectively use time-saving measures to increase sales.

*The information in this illustration is drawn from Leonard L. Berry and Linda R. Cooper, “Competing with Time-Saving Services,” ***Business*** (April/June, 1990).