

CHAPTER 14



Improving *Service* Quality and Productivity



Overview of Chapter 14



- **Integrating Service Quality and Productivity Strategies**
- **What is Service Quality?**
- **The GAP Model – A Conceptual Tool to Identify and Correct Service Quality Problems**
- **Measuring and Improving Service Quality**
- **Learning From Customer Feedback**

Overview of Chapter 14



- **Hard Measures of Service Quality**
- **Tools to Analyze and Address Service Quality Problems**
- **Return on Quality**
- **Defining and Measuring Productivity**
- **Improving Service Productivity**



Integrating Service Quality and Productivity Strategies

Integrating Service Quality and Productivity Strategies



- **Quality and productivity are twin paths to creating value for both customers and companies**
- **Quality focuses on the benefits created for customers; productivity addresses financial costs incurred by firm**
 - **If service processes are more efficient and increase productivity, this may not result in better quality experience for customers**
 - **Getting service employees to work faster to increase productivity may sometimes be welcomed by customers, but at other times feel rushed and unwanted**
- **Marketing, operations and human resource managers need to work together for quality and productivity improvement**



What is Service Quality?

Different Perspectives of Service Quality



Transcendent: Quality = Excellence. Recognized only through experience

Manufacturing-based: Quality is in conformance to the firm's developed specifications

User-based: Quality lies in the eyes of the beholder

Value-based: Quality is a trade-off between price and value

Dimensions of Service Quality



Tangibles: Appearance of physical elements

Reliability: Dependable and accurate performance

Responsiveness: Promptness; helpfulness

Assurance: Competence, courtesy, credibility, security

Empathy: Easy access, good communication, understanding of customer



***The Gap Model – A
Conceptual Tool to
Identify and Correct
Service Quality Problems***



Six Service Quality Gaps

(Fig. 14.5)

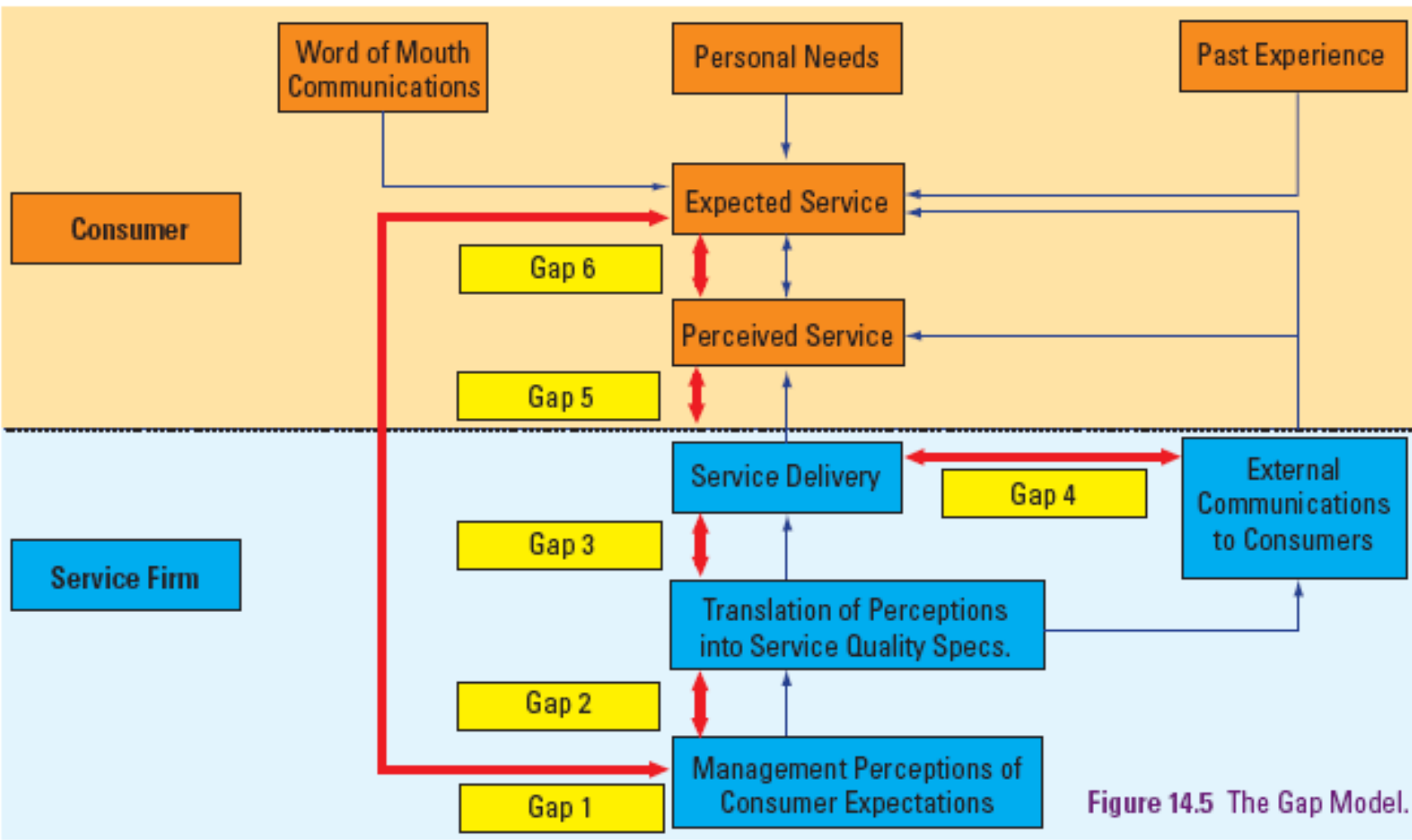


Figure 14.5 The Gap Model.

SOURCE

Adapted from the original 5-gaps model developed by Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing* 49, (Fall), pp. 41-50; Zeithaml, V. A., Bitner, M. J., & Gremler, D. (2006). *Services Marketing: Integrating Customer Focus Across the Firm* (p. 46.). NY: McGraw Hill/Irwin. A further gap (Gap 5) was added by Christopher Lovelock (1994), *Product Plus* (p. 112). NY: McGraw Hill.

Suggestions for Closing the 6 Service Quality Gaps (1) (Table 14.2)



Types of Quality Gap	Proposed Solutions
Gap 1—The Knowledge Gap	<p><i>Educate Management About What Customers Expect</i></p> <ul style="list-style-type: none"> • Sharpen market research procedures, including questionnaire and interview design, sampling, and field implementation, and repeat research studies once in a while • Implement an effective customer feedback system that includes satisfaction research, complaint content analysis and customer panels • Increase interactions between customers and management • Facilitate and encourage communication between front-line employees and management
Gap 2—The Policy Gap	<p><i>Establish the Right Service Processes and Specify Standards</i></p> <ul style="list-style-type: none"> • Get the customer service processes right: <ul style="list-style-type: none"> ○ Use a rigorous, systematic, and customer-centric process for designing and redesigning customer service processes. ○ Standardize repetitive work tasks to ensure consistency and reliability by substituting hard technology for human contact and improving work methods (soft technology). • Develop tiered service products that meet customer expectations: <ul style="list-style-type: none"> ○ Consider premium, standard and economy-level products to allow customers to self-segment according to their needs, or ○ Offer customers different levels of service at different prices • Set, communicate and reinforce measurable customer-oriented service standards for all work units: <ul style="list-style-type: none"> ○ Establish for each step in service delivery a set of clear service quality goals that are challenging, realistic and explicitly designed to meet customer expectations. ○ Ensure that employees understand and accept goals, standards, and priorities

Suggestions for Closing the 6 Service Quality Gaps (2) (Table 14.2)



Types of Quality Gap	Proposed Solutions
Gap 3—The Delivery Gap	<p data-bbox="674 336 1995 411"><i>Ensure that Performance Meets Standards and that Customers Understand the Quality Level Delivered</i></p> <ul data-bbox="674 432 1995 1461" style="list-style-type: none"><li data-bbox="674 432 1995 560">• Ensure that customer service teams are motivated and able to meet service standards:<ul data-bbox="719 475 1995 687" style="list-style-type: none"><li data-bbox="719 475 1995 560">○ Improve recruitment with a focus on employee-job fit; select employees for the abilities and skills needed to perform their job well.<li data-bbox="719 571 1995 687">○ Train employees on the technical and soft skills needed to perform their assigned tasks effectively, including interpersonal skills, especially for dealing with customers under stressful conditions.<li data-bbox="674 715 1995 790">○ Clarify employee roles and ensure that employees understand how their jobs contribute to customer satisfaction; teach them about customer expectations, perceptions and problems.<li data-bbox="674 810 1995 885">○ Build cross-functional service teams that can offer customer-centric service delivery and problem resolution.<li data-bbox="674 906 1995 981">○ Empower managers and employees in the field by pushing decision-making power down the organization.<li data-bbox="674 1002 1995 1077">○ Measure performance; provide regular feedback and reward customer service team performance as well as individual employees and managers on attaining quality goals. <ul data-bbox="674 1098 1995 1326" style="list-style-type: none"><li data-bbox="674 1098 1995 1173">• Install the right technology, equipment, support processes and capacity:<ul data-bbox="719 1136 1995 1326" style="list-style-type: none"><li data-bbox="719 1136 1995 1173">○ Select the most appropriate technologies and equipment for enhanced performance.<li data-bbox="719 1193 1995 1268">○ Ensure that employees working on internal support jobs provide good service to their own internal customer, the front-line personnel.<li data-bbox="719 1289 1995 1326">○ Balance demand against productive capacity. <ul data-bbox="674 1347 1995 1461" style="list-style-type: none"><li data-bbox="674 1347 1995 1422">• Manage customers for service quality:<ul data-bbox="719 1385 1995 1461" style="list-style-type: none"><li data-bbox="719 1385 1995 1461">○ Educate customers so that they can perform their roles and responsibilities in service delivery effectively.

Suggestions for Closing the 6 Service Quality Gaps (3) (Table 14.2)



Types of Quality Gap	Suggest Solutions
<p>Gap 4—The Communications Gap</p>	<p><i>Close the Internal Communications Gap by ensuring that Communications Promises are Realistic and Correctly understood by Customers</i></p> <ul style="list-style-type: none"> • Educate managers responsible for sales and marketing communications about operational capabilities: <ul style="list-style-type: none"> ○ Seek inputs from front-line employees and operations personnel when new communications programs are being developed. ○ Let service providers preview advertisements and other communications before customers are exposed to them. ○ Get sales staff to involve operations staff in face-to-face meetings with customers. ○ Develop internal educational and motivational advertising campaigns to strengthen understanding and integration among the marketing, operations, and human resource functions, and to standardize service delivery across different locations. • Ensure that communications content sets realistic customer expectations. • Be specific with promises and manage customers' understanding of communication content: <ul style="list-style-type: none"> ○ Pretest all advertising, brochures, telephone scripts and web site content prior to external release to see if target audience interpret them as the firm intends (if not, revise and retest). Make sure that the advertising content reflects those service characteristics that are most important to customers. Let them know what is not possible and why. ○ Identify and explain in real time the reasons for shortcomings in service performance, highlighting those that cannot be controlled by the firm. ○ Document beforehand the tasks and performance guarantees that are included in an agreement or contract. After the completion of the work, explain what work was performed in relation to a specific billing statement.

Suggestions for Closing the 6 Service Quality Gaps (4) (Table 14.2)



Types of Quality Gap	Suggest Solutions
Gap 5—The Perception Gap	<p><i>Tangibilize and Communicate the Service Quality Delivered</i></p> <ul style="list-style-type: none">• Make service quality tangible and communicate the service quality delivered:<ul style="list-style-type: none">○ Develop service environments and physical evidence cues that are consistent with the level of service provided.○ For complex and credence services, keep customers informed during service delivery on what is being done, and give briefings after the delivery so that customers can appreciate the quality of service they received.○ Provide physical evidence (e.g. for repairs, show customers the damaged components that were removed).
Gap 6—The Service Gap	<p>Close Gaps 1 to 5 to consistently meet Customer Expectations</p> <p>Gap 6 is the accumulated outcome of all the preceding gaps. It will be closed when Gaps 1 to 5 have been addressed.</p>



Measuring and Improving Service Quality

Soft and Hard Measures of Service Quality



- **Soft measures**—not easily observed, must be collected by talking to customers, employees or others
 - Provide direction, guidance and feedback to employees on ways to achieve customer satisfaction
 - Can be quantified by measuring customer perceptions and beliefs
 - e.g. SERVQUAL, surveys, and customer advisory panels
- **Hard measures**—can be counted, timed or measured through audits
 - Typically operational processes or outcomes
 - Standards often set with reference to percentage of occasions on which a particular measure is achieved



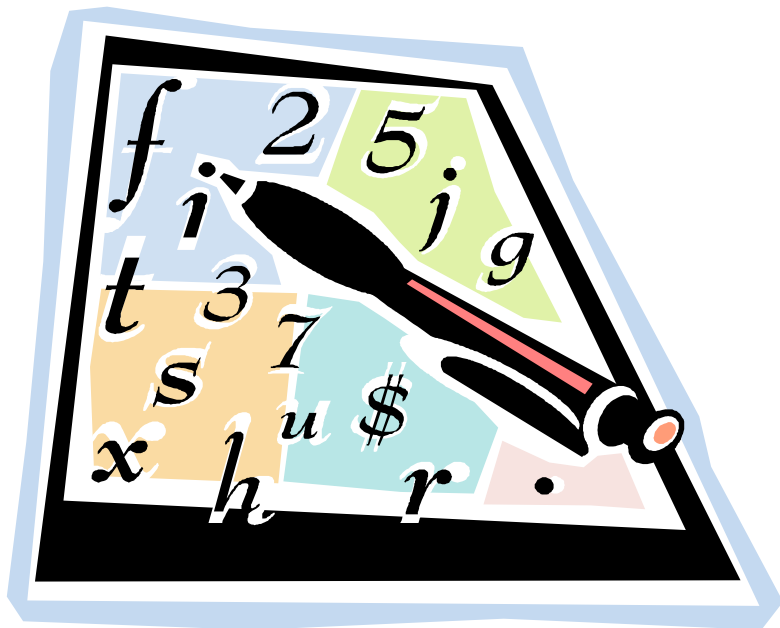
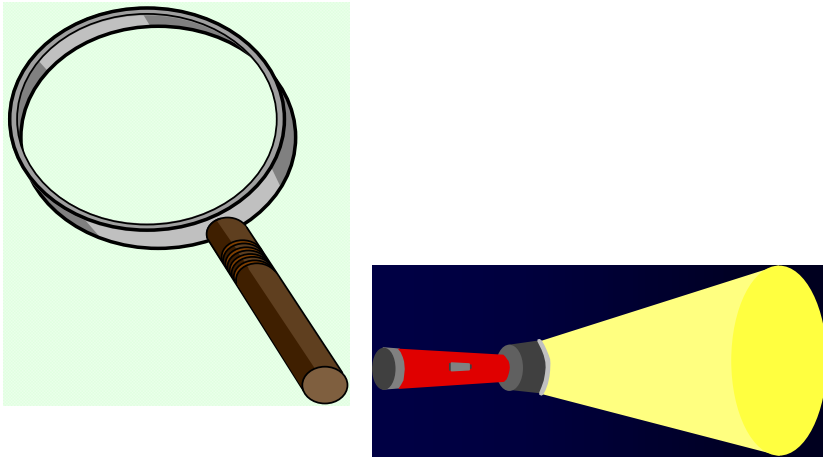
Learning from Customer Feedback

Key Objectives of Effective Customer Feedback Systems



- **Assessment and benchmarking of service quality and performance**
- **Customer-driven learning and improvements**
- **Creating a customer-oriented service culture**

Customer Feedback Collection Tools



- Total market surveys
- Annual surveys
- Transactional surveys
- Service feedback cards
- Mystery shopping
- Unsolicited customer feedback
- Focus group discussions
- Service reviews



Key Customer Feedback Collection Tools: Strengths and Weakness (Table 14.3)

Collection Tools	Level of Measurement				Representative, Reliable	Potential for Service Recovery	First- Hand Learning	Cost- Effectiveness
	Firm	Process	Transaction specific	Actionable				
Total market survey (including competitors)	●	○	○	○	●	○	○	○
Annual survey on overall satisfaction	●	◐	○	○	●	○	○	○
Transactional survey	●	●	◐	◐	●	○	○	○
Service feedback cards	◐	●	●	◐	◐	●	◐	●
Mystery shopping	○	◐	●	●	○	○	◐	○
Unsolicited feedback (e.g., complaints)	○	◐	●	●	○	●	◐	●
Focus group discussions	○	◐	●	●	○	◐	●	◐
Service reviews	○	◐	●	●	○	●	●	◐

Legend: ● meets requirements fully; ◐ moderately; ○ hardly at all.

SOURCE

Adapted from Wirtz, J., & Tomlin, M. (2000). Institutionalizing customer-driven learning through fully integrated customer feedback systems. *Managing Service Quality*, 10(4), 210.

Analysis, Reporting and Dissemination of Customer Feedback



- **Choosing the relevant feedback tools and collecting customer feedback is meaningless if the information is not passed back to the relevant parties to take action**
- **Reporting system needs to deliver feedback to frontline staff, process owners, branch/department managers and top management**
- **Three types of performance reports:**
 - **Monthly Service Performance Update**
 - **Quarterly Service Performance Review**
 - **Annual Service Performance Report**



Hard Measures of Service Quality

Hard Measures of Service Quality



- **Service quality indexes**

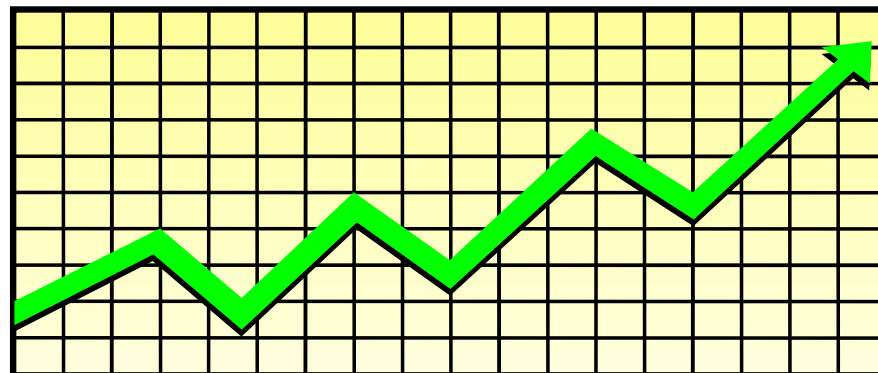
- Embrace key activities that have an impact on customers

- **Control charts to monitor a single variable**

- Offer a simple method of displaying performance over time against specific quality standards

- Enable easy identification of trends

- Are only good if data on which based are accurate

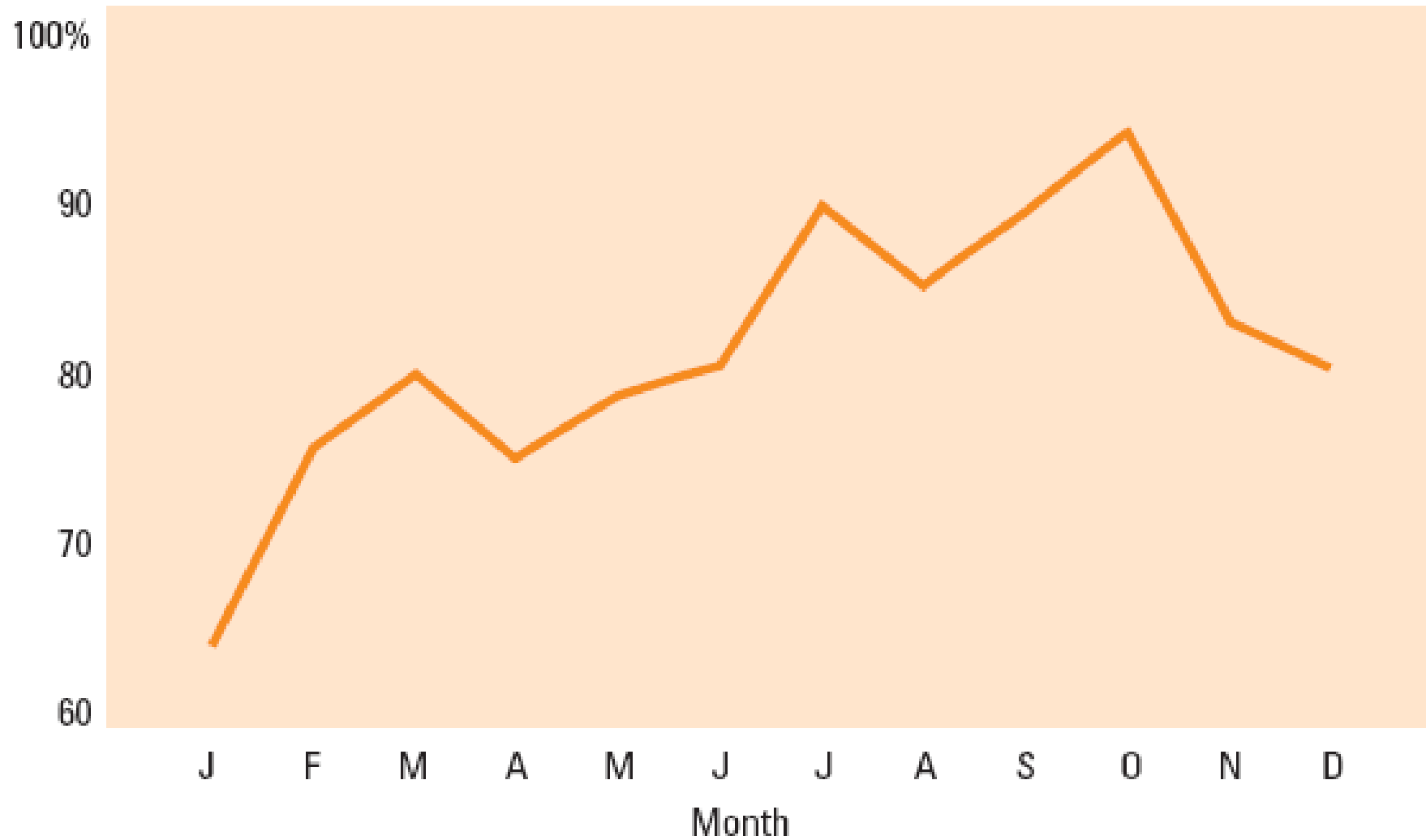


Control Chart for Departure Delays

(Fig. 14.9)



Flights Departing Within 15 Minutes of Schedule





Tools to Analyze and Address Service Quality Problems

Tools to Analyze and Address Service Quality Problems



- **Fishbone diagram**

- Cause-and-effect diagram to identify potential causes of problems

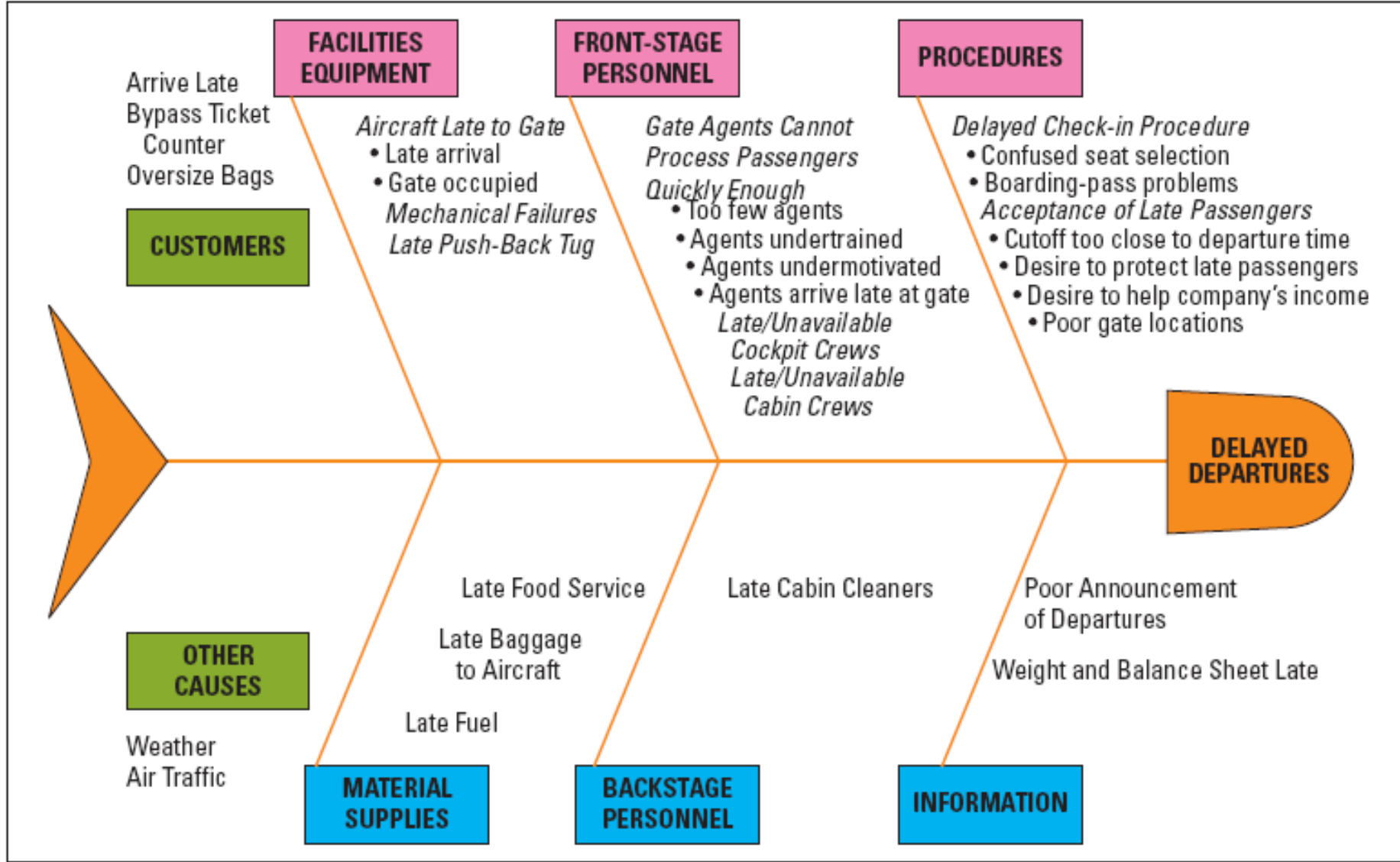
- **Pareto Chart**

- Separating the trivial from the important. Often, a majority of problems is caused by a minority of causes (i.e. the 80/20 rule)

- **Blueprinting**

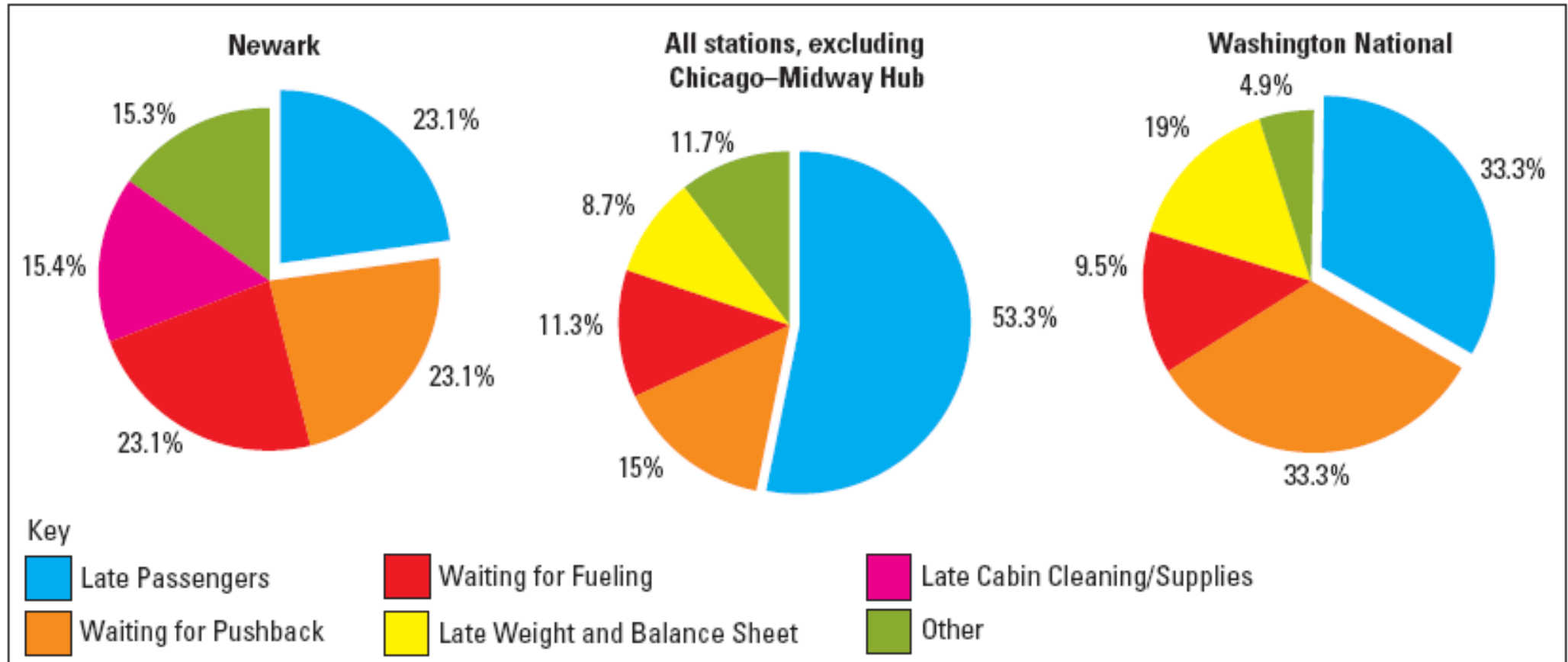
- Visualization of service delivery, identifying points where failures are most likely to occur

Cause-and-Effect Chart for Flight Departure Delays (Fig. 14.10)



Analysis of Causes of Flight Departure Delays

(Fig. 14.11)





Return on Quality

Return On Quality (ROQ)



- **Assess costs and benefits of quality initiatives**

- **ROQ approach is based on four assumptions:**

- **Quality is an investment**
 - **Quality efforts must be financially accountable**
 - **It's possible to spend too much on quality**
 - **Not all quality expenditures are equally valid**



- **Implication: Quality improvement efforts may benefit from being related to productivity improvement programs**

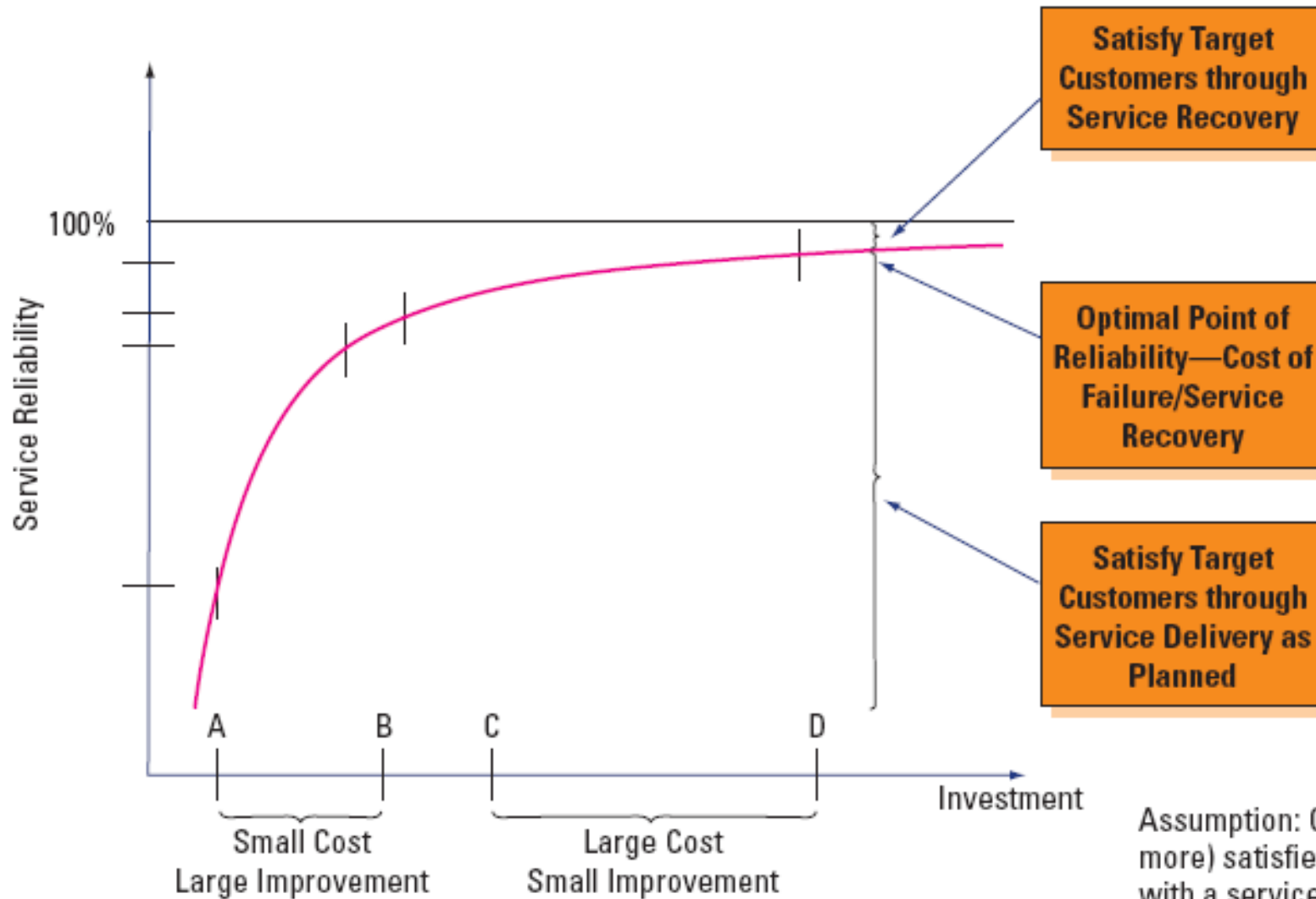
- **To see if new quality improvement efforts make sense, determine costs and then relate to anticipated customer response**

- **Determine optimal level of reliability**

- **Diminishing returns set in as improvements require higher investments**

- **Know when improving service reliability becomes uneconomical**

When Does Improving Service Reliability Become Uneconomical? (Fig. 14.12)



Assumption: Customers are equally (or even more) satisfied with the service recovery than with a service that is delivered as planned.



Defining and Measuring Productivity

Productivity in a Service Context



- **Productivity measures amount of output produced relative to the amount of inputs.**
- **Improvement in productivity means an improvement in the ratio of outputs to inputs.**
- **Intangible nature of many service elements makes it hard to measure productivity of service firms, especially for information- based services**
 - **Difficult in most services because both input and output are hard to define**
 - **Relatively simpler in possession-processing services, as compared to information- and people-processing services**

Service Efficiency, Productivity and Effectiveness



- **Efficiency:** involves comparison to a standard, usually time-based (e.g., how long employee takes to perform specific task)
 - **Problem: focus on inputs rather than outcomes**
 - **May ignore variations in service quality/value**
- **Productivity:** involves financial value of outputs to inputs
 - **Consistent delivery of outcomes desired by customers should command higher prices**
- **Effectiveness:** degree to which firm meets goals
 - **Cannot divorce productivity from quality and customer satisfaction**



Improving Service Productivity

Generic Productivity Improvement Strategies



- **Typical strategies to improve service productivity:**
 - Careful control of costs at every step in process
 - Efforts to reduce wasteful use of materials or labor
 - Matching productive capacity to average rather than peak demand levels
 - Replacing workers by automated machines or self-service technologies
 - Teaching employees how to work more productively
 - Broadening variety of tasks that service worker can perform
 - Installing expert systems that allow paraprofessionals to take on work previously performed by professionals who earn higher salaries
- **Although improving productivity can be approached incrementally, major gains often require redesigning entire processes**

Customer-driven Ways to Improve Productivity



- **Change timing of customer demand**
 - By shifting demand away from peaks, managers can make better use of firm's productive assets and provide better service
- **Involve customers more in production**
 - Get customers to self-serve
 - Encourage customers to obtain information and buy from firm's corporate Websites
- **Ask customers to use third parties**
 - Delegate delivery of supplementary service elements to intermediary organizations

Backstage and Front-Stage Productivity Changes: Implications for Customers



- **Backstage changes may impact customers**
 - **Keep track of proposed backstage changes, and prepare customers for them**
 - e.g., new printing peripherals may affect appearance of bank statements
- **Front-stage productivity enhancements are especially visible in high contact services**
 - **Some improvements only require passive acceptance, while others require customers to change behavior**
 - **Must consider impacts on customers and address customer resistance to changes**
- **See Service Insights 14.3 : Managing Customers' Reluctance to Change**

A Caution on Cost Reduction Strategies



- Most attempts to improve service productivity seek to eliminate waste and reduce labor costs and does not involve new technology
- Reducing staff means workers try to do several things at once and may perform each task poorly
- Better to search for service process redesign opportunities that lead to
 - Improvements in productivity
 - Simultaneous improvement in service quality
 - See Service Insights 14.4: Biometrics



Summary of Chapter 14: Improving Service Quality and Productivity (1)



- **Quality and productivity need to be considered jointly in marketing services**
- **Research consolidated service quality dimensions into five**
 - **Tangibles**
 - **Reliability**
 - **Responsiveness**
 - **Competence**
 - **Courtesy**
- **GAP model is a tool to diagnose problems in service design and delivery. Service gap is the most critical and can only be closed if the other six gaps are closed**

Summary of Chapter 14: Improving Service Quality and Productivity (2)



- **Both soft and hard measures used to measure service quality**
- **We can learn from customer feedback--key objectives:**
 - **Assessment and benchmarking of service quality and performance**
 - **Customer-driven learning and improvements**
 - **Creating a customer-oriented service culture**

Summary of Chapter 14: Improving Service Quality and Productivity (3)



- **A mix of customer feedback collection tools can help to deliver needed information to firms**
 - **Total market surveys, annual survey, and transactional surveys**
 - **Service feedback cards**
 - **Mystery shopping**
 - **Unsolicited customer feedback**
 - **Focus group discussions and service reviews**
 - **Capture unsolicited feedback**
- **Feedback must be analyzed, reported, disseminated and used**

Summary of Chapter 14: Improving Service Quality and Productivity (4)



- **Hard measure of service quality include service index and control charts**
- **Tools used to analyze and address service quality problems**
 - **Fishbone diagram**
 - **Pareto chart**
 - **Blueprinting**
- **Measuring productivity in services is difficult – a -- and there is a need to determine when service reliability becomes uneconomical**
- **Efficiency, productivity and effectiveness need to be distinguished when measuring service quality**

Summary of Chapter 14: Improving Service Quality and Productivity (5)



- **To improve service productivity, there are generic improvement strategies and customer-driven approaches**
- **Customer-driven approaches to improving productivity include**
 - **Changing timing of customer demand**
 - **Involving customers more in production**
 - **Asking customers to use third parties**
- **Backstage and frontstage productivity changes both affect customers**
- **Cost-reduction strategies should be used with caution as this may impact service quality negatively. A better way may be to look for service process redesign opportunities**

Approaches to Productivity and Quality Improvement and Standardization (Appendix)



- **Total Quality Management (TQM)**
- **ISO 9000**
 - **Comprises requirements, definitions, guidelines, and related standards to provide an independent assessment and certification of a firm's quality management system**
- **Malcolm Baldrige Model Applied to Services**
 - **To promote best practices in quality management, and recognizing, and publicizing quality achievements among U.S. firms**
- **Six Sigma**
 - **Statistically, only 3.4 defects per million opportunities (1/294,000)**
 - **Has evolved from defect-reduction approach to an overall business-improvement approach**