

Services Science Management


COMP5138



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Objectives

- To examine some of the tactics in closing the service quality gaps



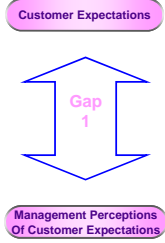
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Tactics to the Service Gaps



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The Knowledge Gap



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Marketing Research




- Needs for research:
 - Discover customer expectations
 - Track service performance
 - Assess gaps between customer expectations and perceptions
 - Identifies new opportunities, expectations of customers
 - Monitor changing customer expectations
- Marketing research is not needed when:
 - required information is already available
 - decisions need to be made now
 - organization can't afford the research
 - costs outweigh the value of the research

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Types of Services Research



Type	Description
Customer Complaint Solicitation	Identify dissatisfied customers and common categories of service failure for remedial action
Relationship Survey	Assess company's service performance compared to competitors, service-improvement priorities, and service improvement over time
Post-Transaction Surveys	Obtain customer feedback while service experience is fresh; act on feedback quickly if negative patterns develop
Customer Focus Groups	Use as input for quantitative surveys; provide a forum for customers to suggest service-improvement ideas
Mystery Shopping	Measure individual employee service behaviors and identify systemic strengths and weaknesses in service
Employee Surveys	Measure internal service quality, perceived obstacles to improve service, and employee morale and attitudes
Lost Customer Research	Determine the reasons why customers defect
Expectations Research	Forecast future expectations of customers; develop and test new service ideas



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Upward Communication



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Relationship Programs

- a strategy that focuses on keeping current customers and improving relationships with them
- does not necessarily emphasize acquiring new customers
- is usually cheaper for the firm because keeping a current customer costs less than attracting a new one
- thus, the focus is less on attraction, and more on retention and enhancement of customer relationships

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Measuring Customer Life Time Value

- Value at Acquisition
 - Revenues
 - Less costs
- Annual Value
 - Revenues
 - Less costs
- Net Present Value
 - Determine anticipated customer relationship lifetime
 - Select appropriate discount figure
 - Sum anticipated annual values (future profits) at chosen discount rate
- Referral Value
 - Estimate the percentage of the credit for all new customers assigned to referral



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Service Recovery

- Customer complains for the reason of:
 - Obtain restitution or compensation
 - Express their anger
 - Help to improve the service
 - For altruistic reasons
- To relieve customers from complaint, service recovery procedure should:
 - Be proactive
 - Plan recovery procedures
 - Teach recovery skills to relevant personnel
 - Empower personnel to use judgment and skills to develop recovery solutions



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Effective Problem Resolution

- Act fast
- Admit mistakes but don't be defensive
- Understand problem from customer's viewpoint
- Don't argue
- Acknowledge customer's feelings
- Give benefit of doubt
- Clarify steps to solve problem
- Keep customers informed of progress
- Consider compensation
- Persevere to regain goodwill



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The Designs and Standards Gap



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Problems on Describing Services

- Oversimplification
- Incompleteness
- Subjectivity
- Biased Interpretation



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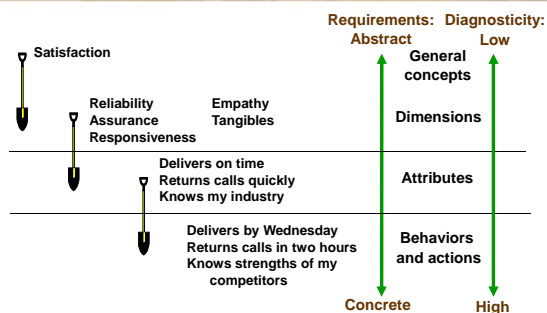
Customer Driven Standards

- Hard Customer-Defined Standards
 - Standards and measures that can be counted, timed, or observed through audits
- Soft Customer-Defined Standards
 - Opinion-based measures that cannot be directly observed, usually documented as perceptual data.



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Details of Actionable Steps



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Setting Service Standards

- Service providers should design standards for each step sufficiently high to satisfy and even delight customers
- First impression is important as it affects customer's evaluations of quality during later stages of service delivery
- Perceptions of their service experiences tend to be cumulative
- For low-contact service, a failure committed by frontstage is more serious as compared to high-contact service

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Improving Reliability by Failure Proofing

- Analysis of reasons for failure often reveals opportunities for failure proofing to reduce/eliminate risk of errors
- Need fail-safe methods for both employees and customers
- Errors include:
 - Treatment errors – human failures during contact with customers
 - Tangible errors – failures in physical elements of service
- The goal of fail-safe procedures is to prevent errors such as:
 - Performing tasks incorrectly
 - Performing task in the wrong order
 - Performing too slowly
 - Doing work that wasn't requested in the first place



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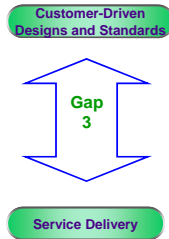
Process Redesign

- Eliminating non-value-adding steps
- Delivering direct service
- Shifting to self-service
- Bundling services
- Redesigning physical aspects of service



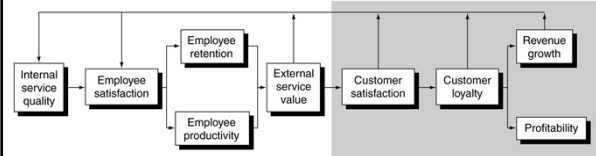
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The Performance Gap



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The Service Profit Chain



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Delivering Service Quality through People



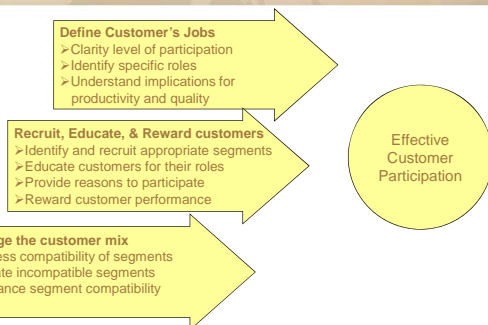
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Empowerment

- **Benefits:**
 - quicker responses to customer needs during service delivery
 - quicker responses to dissatisfied customers during service recovery
 - employees feel better about their jobs and themselves
 - employees tend to interact with warmth/enthusiasm
 - empowered employees are a great source of ideas
 - great word-of-mouth advertising from customers
- **Drawbacks:**
 - potentially greater dollar investment in selection and training
 - higher labor costs
 - potentially slower or inconsistent service delivery
 - may violate customers' perceptions of fair play
 - employees may "give away the store" or make bad decisions

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Strategies for Enhancing Customer Participation



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Services Intermediaries

- **Franchisees**
 - service outlets licensed by a principal to deliver a unique service concept it has created
- **Agents and Brokers**
 - representatives who distribute and sell the services of one or more service suppliers
- **Electronic Channels**
 - all forms of service provision through electronic means

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Common Issues with Intermediaries

- conflict over objectives and performance
- difficulty controlling quality and consistency across outlets
- tension between empowerment and control
- channel ambiguity

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Strategies for Managing Intermediaries

- Control Strategies:
 - Measurement
 - Review
- Empowerment Strategies:
 - Help the intermediary develop customer-oriented service processes
 - Provide needed support systems
 - Develop intermediaries to deliver service quality
 - Change to a cooperative management structure
- Partnering Strategies:
 - Alignment of goals
 - Consultation and cooperation

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Shifting Demand to Match Capacity

- Demand Too High
 - Use signage to communicate busy days and times
 - Offer incentives to customers for usage during nonpeak times
 - Take care of loyal or "regular" customers first
 - Advertise peak usage times and benefits of nonpeak use
 - Charge full price for the service—no discounts
- Demand Too Low
 - Use sales and advertising to increase business from current market segments
 - Modify the service offering to appeal to new market segments
 - Offer discounts or price reductions
 - Modify hours of operation
 - Bring the service to the customer



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Adjusting Capacity to Match Demand

- Demand Too High
 - Stretch time, labor, facilities and equipment
 - Cross-train employees
 - Hire part-time employees
 - Request overtime work from employees
 - Rent or share facilities
 - Rent or share equipment
 - Subcontract or outsource activities
- Demand Too Low
 - Perform maintenance, renovations
 - Schedule vacations
 - Schedule employee training
 - Lay off employees



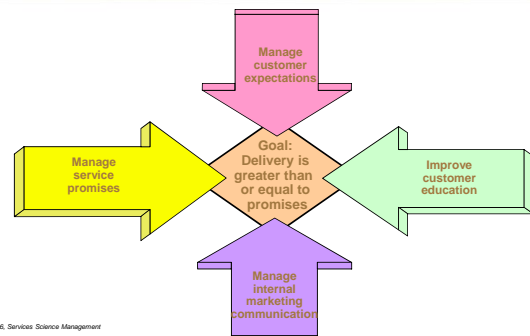
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The Communication Gap



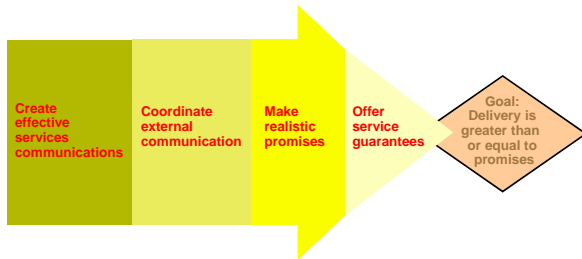
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Integrating Services Marketing Communication



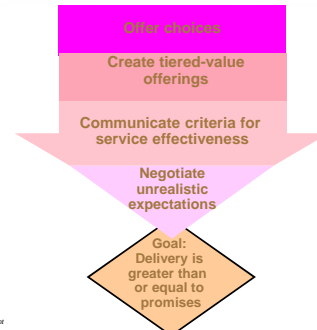
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Managing Service Promises



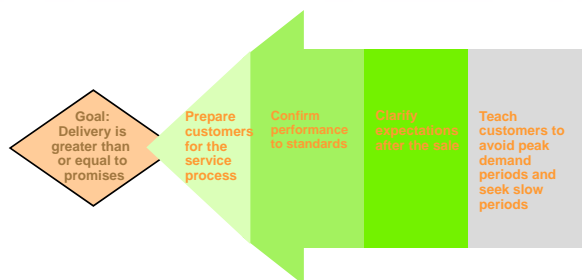
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Managing Customer Expectations



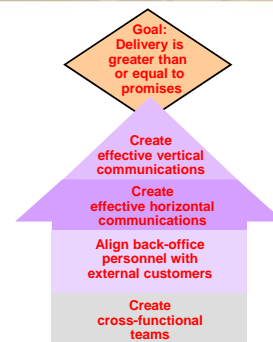
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Improving Customer Education



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Internal Marketing Communications



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