

Managing the 'Physical' Element



Lecture 2, Services Science Management
Dr. Eric Chu, Semester 1, 2011-12, PolyU

Southwest Airline

- American's budget airline
- Pioneer of successful low-fare airlines
- Affordable daily short-haul flights within the United States
- Convenient Internet and phone bookings
- Minimum and simplest services
- Mission
 - The mission of Southwest Airlines is dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.



Banyan Tree

- One of the world's most well-known luxury resort brands
- Presence in many parts of the world, e.g. Bintan, Bangkok, Phuket, Maldives
- Expanded the hotel's spas and art shops into a separate business line
- Created a competitive advantage that is hard to imitate by selling the tropical luxury experience
- Competitive advantages
 - Strong brand recognition commands a higher price in the market
 - Integrated capabilities that provide all round services to customers



Lecture 2, Services Science Management
Dr. Eric Chu, Semester 1, 2011-12, PolyU

Two Extremes of the 'Physical'

- Southwest Airline focus on the 'Costs' and provide minimal level of service
- Banyan Tree charges the maximum 'Price' for its services and focus on all other services elements (Process, People, Physical)
- Although service equals profit, it is not always necessary to create profit by offering the highest/best level of service. The key is to have an optimal level of service that can fully reflect the values for the particular group of customers.

Lecture 2, Services Science Management
Dr. Eric Chu, Semester 1, 2011-12, PolyU

The Mess after Fireworks



-Garbage normally accumulated after fireworks shows
-I was surprised that garbage was cleaned up in less than 15 minutes outside the Cultural Center by LCSD
-But disappointed when I saw Garbage still remained on the Avenue of Stars 30 minutes later
-How would you describe my change in expectations and perceptions before and after the fireworks, following by my experience on the Avenue of Stars?

Lecture 2, Services Science Management
Dr. Eric Chu, Semester 1, 2011-12, PolyU

Customer Expectation

Level of Expectation

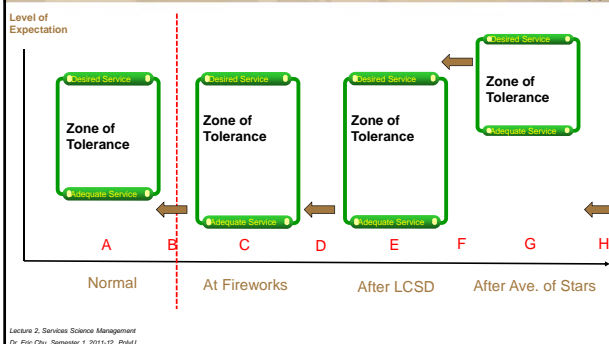


Expectation:

- Specifically representing **ONE** person, segment, company, or industry.
- Bounded by desire and adequate level of service.
- the area of (Narrow or wide) zone of tolerance reflects the difficulties to serve the expectation.
- A narrow zone of tolerance would mean difficult to satisfy and vice versa.

Lecture 2, Services Science Management
Dr. Eric Chu, Semester 1, 2011-12, PolyU

Customer Expectations along the Firework Show



Change of Expectations (1)

- At point A
 - In daily life, each customer will have a set of **expectation** towards what is a clean environment. The expectation is bounded by **desire service and adequate service** which is represented by the **zone of tolerance**
- At point B
 - By evaluating the environment with the **zone of tolerance**, the customer will form a judgment (**perception**) against the established **expectation**. If there were a lot of garbage on the street, the customer must feel very **dissatisfy** in daily life

Lecture 2, Services Science Management
Dr. Eric Chu, Semester 1, 2011-12, PolyU

Change of Expectations (2)

- At point C
 - At the fireworks show, knowing that it is usually very messy after those special event (a **situational factor**), the past experience will form the **predicted service** to such environment and thereby lower the level of **adequate service**. This will lead to a wider **zone of tolerance** for a customer (easier to satisfy)
- At point D
 - The **perception** is poor as usual because it is dirty. However, due to the wider **zone of tolerance**, customer would still **satisfy** at the fireworks show (not if it were at the normal daily life at A & B)

Lecture 2, Services Science Management
Dr. Eric Chu, Semester 1, 2011-12, PolyU

Change of Expectations (3)

- At point E
 - Being satisfied because of the wider expectation, customer would remain in the same expectation and **zone of tolerance** because the area is still dirty
- At point F
 - In about 15 minutes, customer is **delighted** after seeing a complete clean up of the environment by LCSD

Lecture 2, Services Science Management
Dr. Eric Chu, Semester 1, 2011-12, PolyU

Change of Expectations (4)

- At point G
 - The **delighted** experience by customer would affect the **lasting service intensifiers**. A customer might originally think that it would be impossible to clean up the messy site within a short period of time. However, the lightening speed of LCSD proves that the job is actually possible. Therefore, customer now assumes that the same experience could be happened in future encounter of the similar experience and the **desire service** is moving up. Usually, **desire service** is rather stable and only change in smaller paces as compare to the **adequate service**.
 - The immediate past experience also teaches the customer to assume a better service for similar experience, which forms a **predicted service** for the future. The result is an increase in adequate service.
 - As a result of the increase of **desire and adequate service**, the **zone of tolerance** move up and narrower, making customer more difficult to satisfy

Lecture 2, Services Science Management
Dr. Eric Chu, Semester 1, 2011-12, PolyU

Change of Expectations (5)

- At point H
 - With the higher **expectation** induced by the experience after LCSD, the **perception** for the garbage at the Avenue of Stars is **dissatisfying** (the same standard of feeling at point B and D).
 - After point H, the customer might adjust the **zone of tolerance** back to the normal period (A) or at the fireworks (C) because the reality is that under such special occasion, it could be difficult to clean up immediately.

Lecture 2, Services Science Management
Dr. Eric Chu, Semester 1, 2011-12, PolyU