

# Chapter 8

## Designing Quality Services

# Chapter Objectives

1. Discuss how services are categorized and what implications those categorizations have for quality.
2. Discuss the dimensions of service quality to better define customer needs.
3. Perform SERVQUAL analysis, including two-dimensional differencing.
4. Perform services blueprinting.
5. Brainstorm ways to failsafe service processes.
6. Define a services benefits package for a firm.
7. Perform service transaction analysis.

# Differences between Services and Manufacturing

- Many service attributes are intangible.
- The outputs of services are heterogeneous.
- Production and consumption of services often occurs simultaneously.
- Customers are more involved in the production of services.
- Customers are often coproducers in services.
- Service times vary widely due to varying demands.
- Service customers can exert control over the service provider and achieve customization.

# Differences between Services and Manufacturing

- External services
- Internal services
- Voluntary services
- Involuntary services

# Differences between Services and Manufacturing

- **How are service quality issues different from manufacturing?**
  - It can be difficult to obtain hard data.
  - You have to do it right the first time because you cannot inspect and rework defects.
  - There is significantly more variability due to customization.
  - Service design differs.
  - Warranty and repair processes are not as important.
  - Liability centers around safety concerns (malpractice).
- **How are service quality issues similar to manufacturing?**
  - The customer is the core of the business.
  - Customer needs provide the major input to change.

# **What Do Service Customers Want?**

**Key aspects of a leader in services:**

- Service vision
- High standards
- In-the-field leadership style

# SERVQUAL

## Advantages of SERVQUAL instrument:

- It is accepted as a **standard** for assessing different dimensions of services quality.
- It has been shown to be valid for a number of service situations.
- It has been demonstrated to be reliable, meaning that different readers interpret the questions similarly.
- Each instrument is parsimonious in that it has only 22 items. This means it can be completed quickly by customers and employees.
- Finally, it has a standardized analysis procedure to aid both interpretation and results.

# SERVQUAL

## SERVQUAL survey:

- Customer expectations
  - 22 items
- Customer perceptions
  - 22 items

Dimension	Items
Tangibles	1–4
Reliability	5–9
Responsiveness	10–13
Assurance	14–17
Empathy	18–22

Table 8-2

# SERVQUAL

## Gap analysis:

- Because services are often intangible, gaps in communication and understanding between employees and customers have a serious negative effect on the perceptions of service quality.
- The key to closing gap 5 is to first close gaps 1 through 4 through system design, communication, and workforce training.

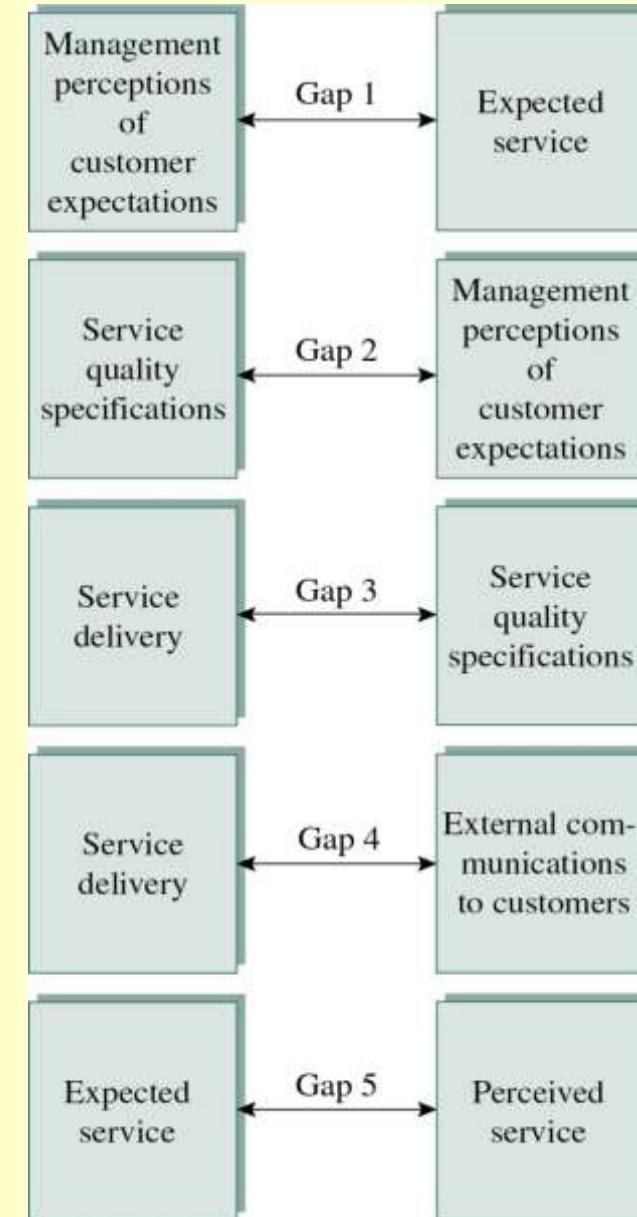


Figure 8-3

# SERVQUAL

## Gap 1:

- It shows that there can be a difference between actual customer expectations and management's ideas or perceptions of customer expectations.

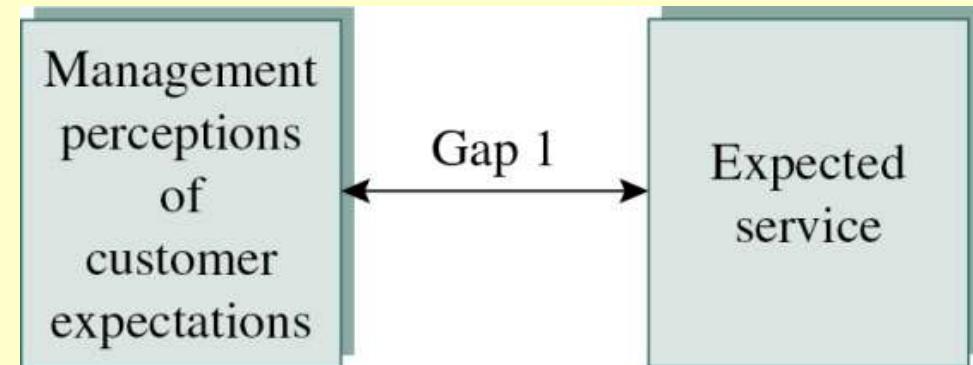


Figure 8-3

# SERVQUAL

## Gap 2:

- Managers' expectations of service quality may not match service quality specifications.

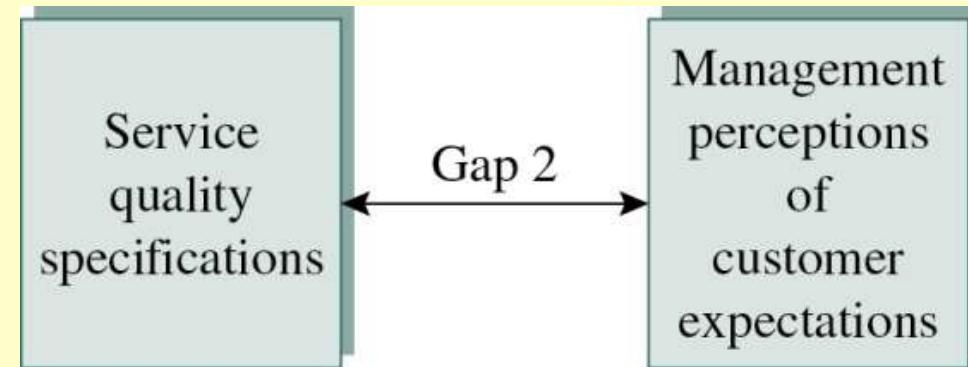


Figure 8-3

# SERVQUAL

## Gap 3:

- After services specifications have been established, the delivery of perfect services quality is still not guaranteed.

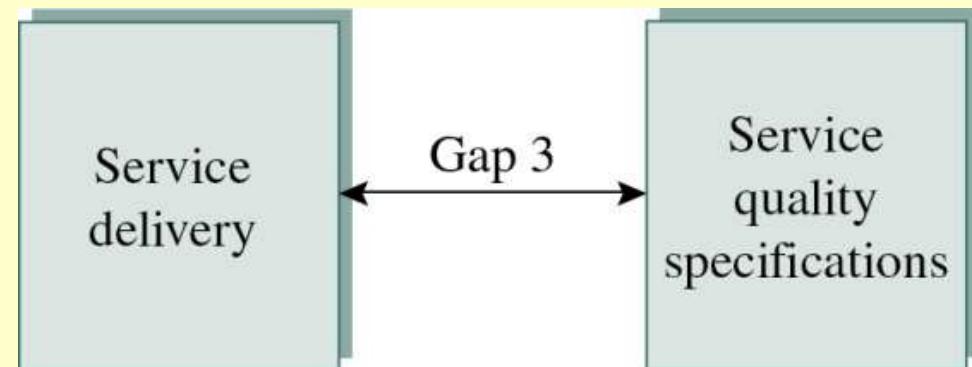


Figure 8-3

# SERVQUAL

## Gap 4:

- There may be differences between services delivery and external communications with the customer.

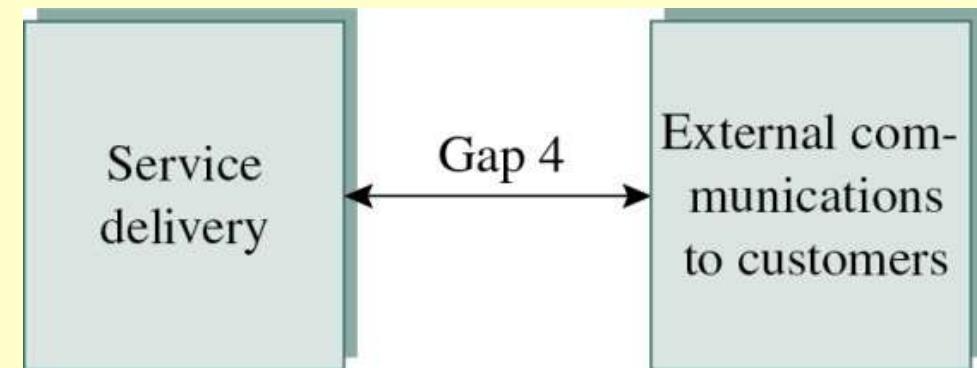


Figure 8-3

# SERVQUAL

## Gap 5:

- There may be differences between perceived and expected services.

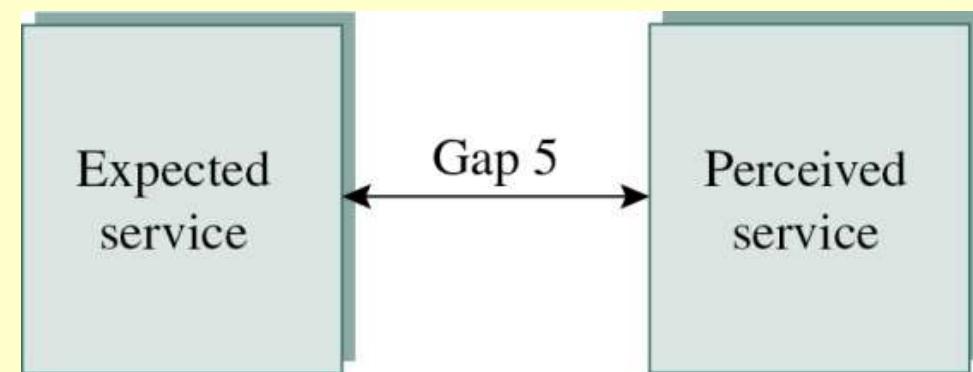


Figure 8-3

# Assessing Differences in Expectations by Using the Differencing Technique

## Steps:

1. Administer the expectations and perceptions SERVQUAL instruments to your customers.
  - Typically need a sample size of between 50-100
2. Compute a difference score for SERVQUAL by separating the dimensions as follows (see table).
3. For each respondent, sum the SERVQUAL scores for each set of items relating to a given dimension.
4. Sum across the  $n$  respondents and divide by the total  $n$ .

Dimension	Items
Tangibles	1–4
Reliability	5–9
Responsiveness	10–13
Assurance	14–17
Empathy	18–22

# Two-Dimensional Differencing

- The two-dimensional differencing technique is very useful for evaluating SERVQUAL responses if there is enough variation in the responses given to different dimensions.
- The two-dimensional differencing technique allows the firm to determine which services it should emphasize to improve customer perceptions and those that make little difference.

# Example 6-2

## Using data from Example 8.1:

- The vertical axis reflects the expectations score.
- The horizontal axis relates to the perceptions score.
- The value 4 (the neutral response) is used as the origin.

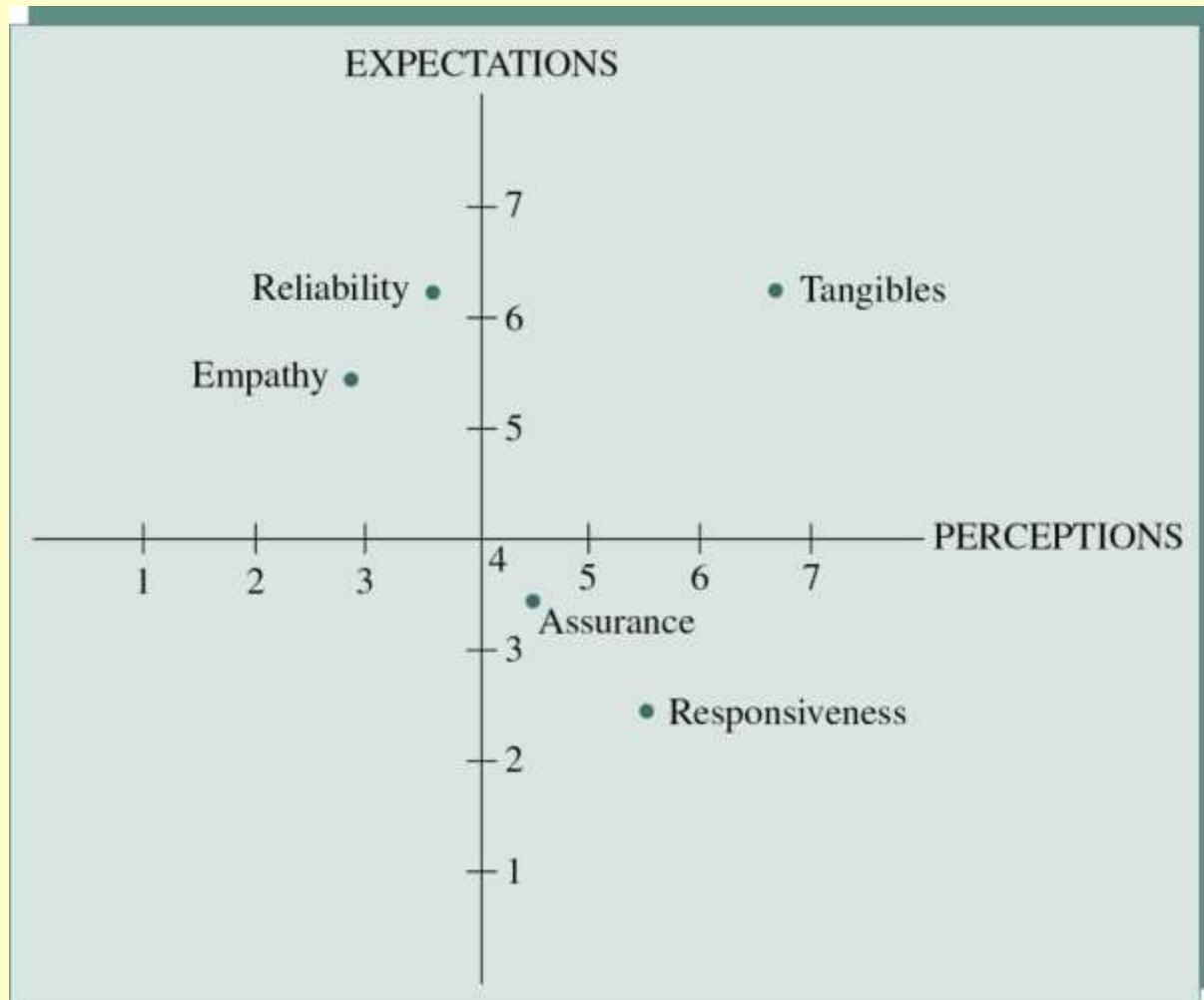


Figure 8-4

# Designing and Improving the Services Transaction

- Services blueprinting
- Moments-of-truth concept
- Poka-yoke

# **Services Blueprinting**

**Four steps to developing a services blueprint:**

1. Identify processes.
2. Isolate fail points.
3. Establish a time frame.
4. Analyze profits.

# Services Blueprinting in a Hair Salon

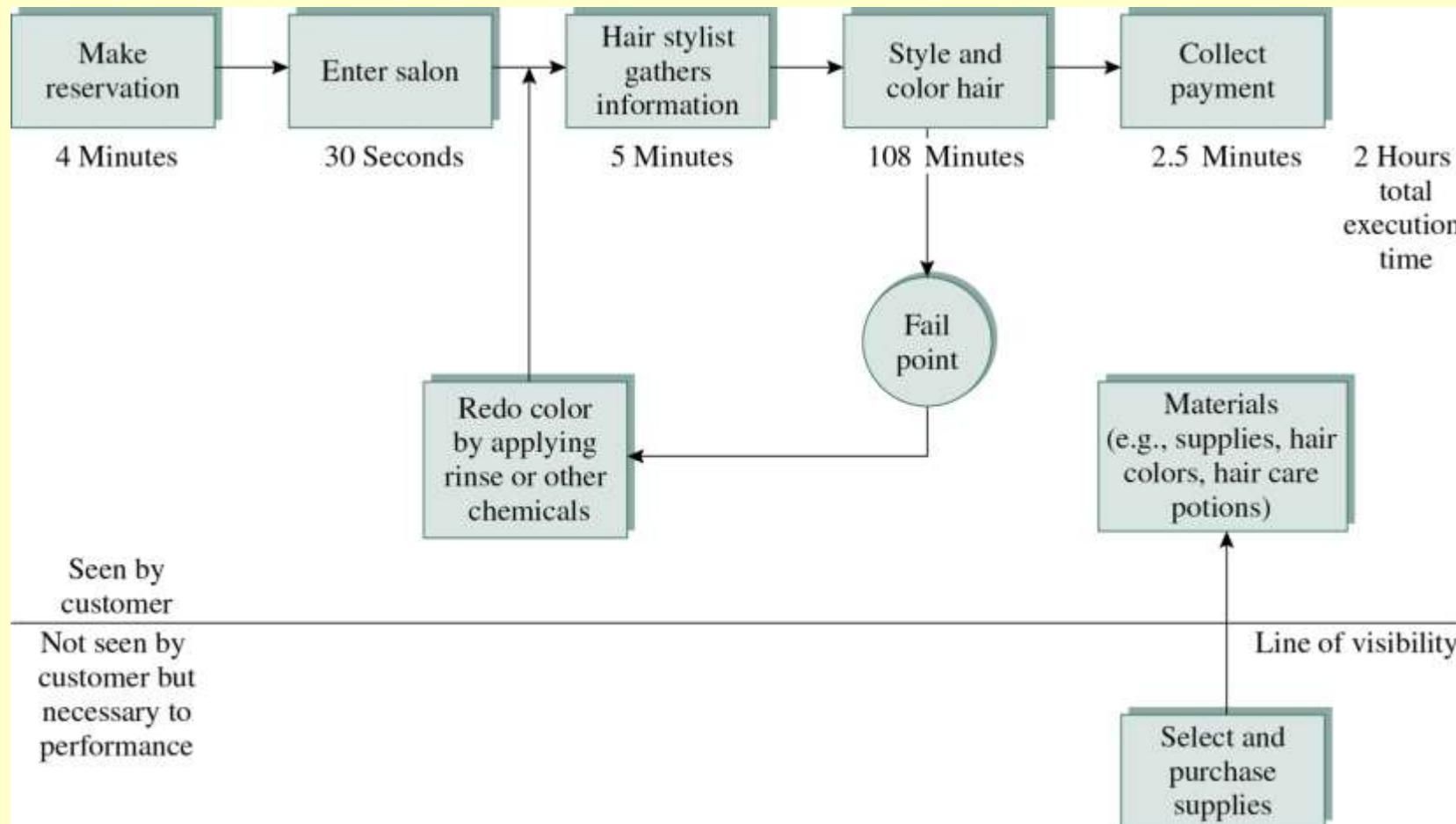


Figure 8-5

# Moments of Truth

- Fail points in the services blueprints or the times at which the customer expects something to happen

# Poka-yoke

- A fail-safing device
- **Classifications for fail-safing devices in services:**
  - Warning methods
  - Physical contact methods
  - Visual contact methods
  - Fail-safe methods can also be defined by the “three Ts”

# The Three “Ts” of Poka-yokes

- Tasks to be performed
- Treatment provided to customer
- Tangibles provided to customer

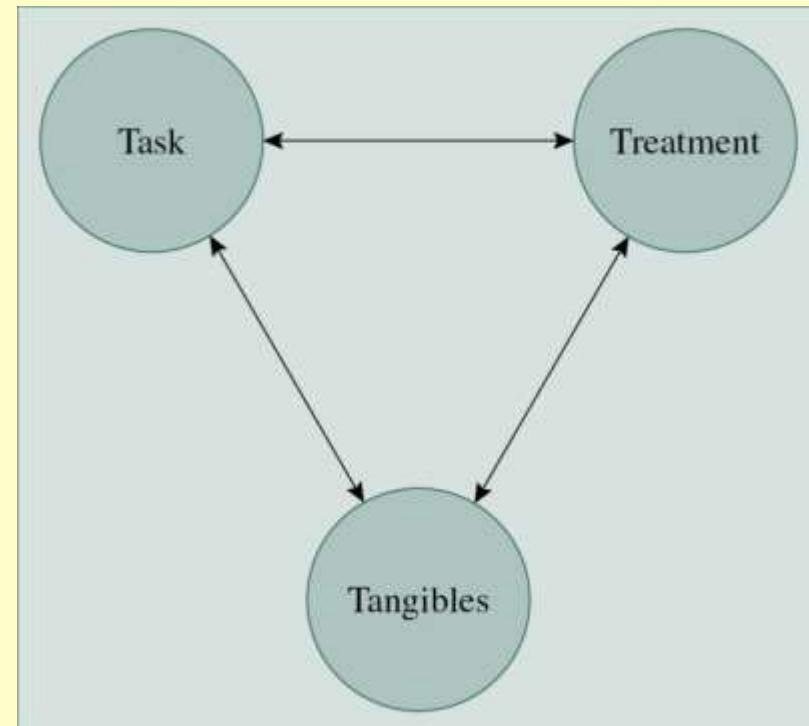


Figure 8-6

# The Customer Benefits Package

**Consists of both tangibles that define the service and intangibles that make up the service:**

- Tangibles = goods-content
- Intangibles = service-content

# The Customer Benefits Package

## Four stages of the service benefit package design process:

- Idea/concept generation
- The definition of a services package
- Process definition and selection
- Facilities requirement definition

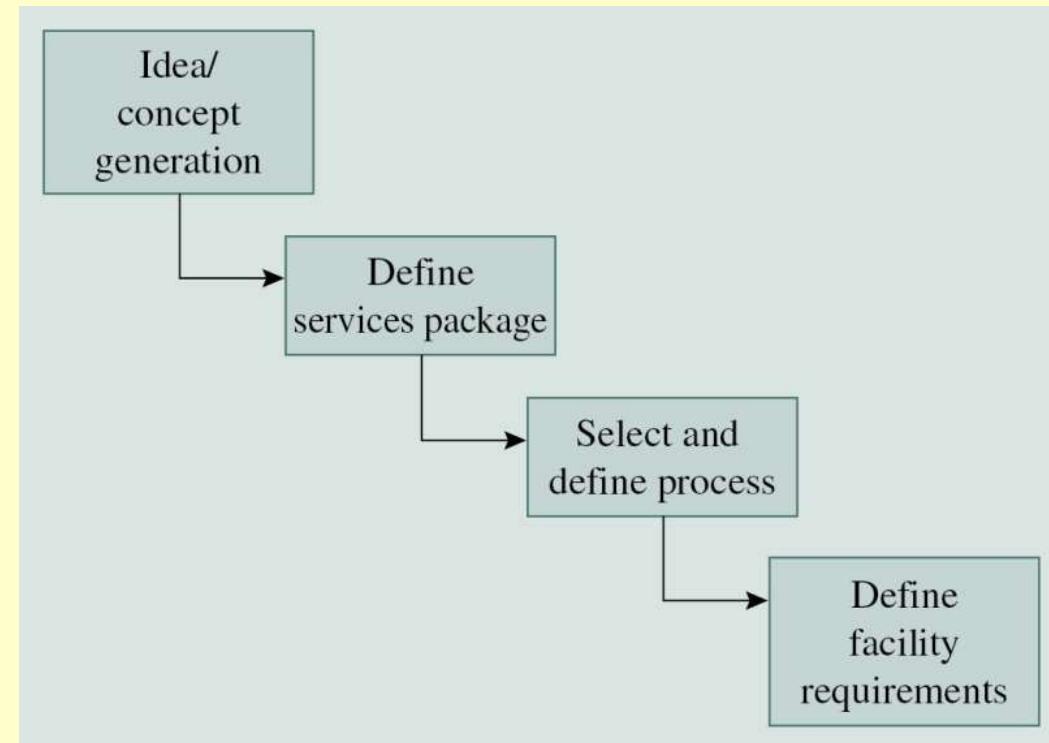


Figure 8-7

# Objectives of the Customer Benefits Package

- Make sure the final CBP attributes you are using are the correct ones.
- Evaluate the relative importance of each attribute in the customer's mind.
- Evaluate each attribute in terms of process and service encounter capability.
- Figure out how best to segment the market and position CBPs in each market.

# Objectives of the Customer Benefits Package (cont'd)

- Avoid CBP duplication and proliferation.
- Bring each CBP and associated process and service encounters to market as quickly as possible. Use the CBP framework and final attributes to design facilities, processes, equipment, jobs, and service encounters.
- Maximize customer satisfaction and profits.

Collier, D., The Service/Quality Solution (Milwaukee, WI: Irwin/ASQC, 1994).

# Services Process Structure

Services Process Structure	Services Package Structure			
	Unique services packages	Selective services packages	Restricted services packages	Generic services packages
Expert service	Doctor's office			
Service shop		Mass entertainment		
Service factory			Home repair	

Based on D. Kellogg and W. Nie, "A Framework for Strategic Service Management," Journal of Operations Management 13, 4 (1995): 323–327.

Figure 8-8

# Service Transaction Analysis (STA)

- A service improvement technique that allows managers to analyze their service processes at a very detailed level
- Involves identifying transactions and evaluating them from the customer's perspective to determine whether there is a gap between service design and what the customer perceives as the service

# Service Transaction Analysis Sheet

- A tool used in STA
- Mystery shoppers or independent consultant-customers walk through the process and then rate each transaction

SERVICE TRANSACTION ANALYSIS SHEET			
Legal Firm:	Lawyer		Service concept: General legal services for personal customers in a user-friendly, sympathetic, and nonintimidating way
Process:	Reception		
Customer type:	Personal client		
Transaction		Score:	Message
		+ 0 -	
Imposing oak entrance door, firmly shut.			"Trustworthy, professional but a little formidable."
Second door with advertisement for a lending company.			"They like constructing barriers." "They may not be impartial."
Carpeted corridor but no sign of receptionist.			"Homey but is this the right place?" "Unhelpful."
Receptionist behind desk ignores customer and continues typing.			"They don't seem to care about me." "They don't think I am important."
She says, "Yes?"			"Not very welcoming." "I feel like I am intruding on her work."
Phone rings, which receptionist answers.			"I am not important." "Other people have priority on her time."
Overall evaluation			
Poor service design. Little thought or concern for clients. Unfriendly and intimidating service.			

# **Improving Customer Service in Government**

- **There is some evidence of improvement in several aspects of government:**
  - Military adoption of statistical quality techniques
  - Government's development of a searchable list of 4,000 customer service standards for 570 federal departments and agencies
- **As of 2011, thirty-two states have established quality award programs and many state agencies have adopted quality techniques.**

# Why the Government is Adopting Quality Techniques

- People want and desire to do good quality work.
- Because quality management is associated with improved employee satisfaction, there is a major impetus to improve.
- Government leaders are mandating standards, strategic plans, and new levels of performance at all levels of government. These standards are being adopted in government agencies because of the mandates.
- Demand for government services is growing at a faster rate than funding for them. The natural reaction is to simplify processes that have become bloated.
- Finally, the threat of privatization in government has led to an improvement in service in many areas.

# Quality in Health Care

**Several factors have contributed to the attention given to quality within health care:**

- Health care is facing the same “cost squeeze” that government is facing.
- The Affordable Care Act has mandated improvements to the delivery of health care - coupled with more regulations.
- A move toward health maintenance organizations (HMOs) is causing hospitals to streamline operations.
- There is increasing diversity in health care.

# Supply Chain Quality in Services

## Bidirectional Services Supply Chain



S. E. Sampson, "A Customer-Supplier Paradigm for Service Science," in (refereed) *Proceedings of the DSI Services Science Miniconference*, Pittsburgh, PA, May 2007. Copyright © 2007 by Scott E. Sampson. Reprinted by permission.

Figure 8-10

# A Theory for Service Quality Management

**Proposition 1: The Unified Services Theory**

**Proposition 2: The Unreliable Supplier Dilemma**

**Proposition 3: Capricious Labor**

**Proposition 4: Everyone Presumes to be an Expert**