Announcements

- Makeup Class: April 30, 2009 6-9.30pm
- Assignment 1 is due today
- Term Project Proposal is due today
- Makeup Class: April 30, 2009 6-9.30pm
- THREE Case Studies Due on June 9, 2009
- Assignment 2 is Due May 12, 2009
- Read Chapters 7, 8 and 9 for April 30 Class
- Read Chapters 10 and 11 for May 5 Class
- Read Sustainability Through Servicing by Sandra Rothenberg for May 5 Class
Service Quality
Key question

- How to we ensure that our customers are having a good experience?
Customer Feedback and Word-of-Mouth

- The average business only hears from 4% of their customers who are dissatisfied with their products or services. Of the 96% who do not bother to complain, 25% of them have serious problems.

- The 4% complainers are more likely to stay with the supplier than are the 96% non-complainers.

- About 60% of the complainers would stay as customers if their problem was resolved and 95% would stay if the problem was resolved quickly.

- A dissatisfied customer will tell between 10 and 20 other people about their problem.

- A customer who has had a problem resolved by a company will tell about 5 people about their situation.
Perceived Service Quality

Word of mouth → Personal needs → Past experience

Service Quality Dimensions
- Reliability
- Responsiveness
- Assurance
- Empathy
- Tangibles

Expected service → Perceived service

Service Quality Assessment
1. Expectations exceeded
   ES<PS (Quality surprise)
2. Expectations met
   ES~PS (Satisfactory quality)
3. Expectations not met
   ES>PS (Unacceptable quality)
Service Quality Gap Model

- **Customer Perceptions**
- **Customer Expectations**
  - **Understanding the Customer**
- **Service Delivery**
  - **Managing the Evidence**
  - **Conformance GAP 3**
  - **Communication GAP 4**
- **Service Standards**
  - **Design GAP 2**
  - **Conformance GAP 3**
- **Customer Satisfaction GAP 5**
  - **Customer / Marketing Research GAP 1**
Dimensions of Service Quality

- **Reliability**: Perform promised service dependably and accurately. **Example**: receive mail at same time each day.

- **Responsiveness**: Willingness to help customers promptly. **Example**: avoid keeping customers waiting for no apparent reason.

- **Assurance**: Ability to convey trust and confidence. **Example**: being polite and showing respect for customer.

- **Empathy**: Ability to be approachable. **Example**: being a good listener.

- **Tangibles**: Physical facilities and facilitating goods. **Example**: cleanliness.
Role of Surveys

- More pervasive now than ever
- Focus on expectations vs. impressions
Quality Service by Design

- Quality in the Service Package
  Budget Hotel example
- Taguchi Methods (Robustness)
  Notifying maids of rooms for cleaning
- Poka-yoke (fail-safing)
  Height bar at amusement park
- Quality Function Deployment
  House of Quality
Classification of Service Failures

**Server Errors**

*Task:*
- Doing work incorrectly

*Treatment:*
- Failure to listen to customer

*Tangible:*
- Failure to wear clean uniform

**Customer Errors**

*Preparation:*
- Failure to bring necessary materials

*Encounter:*
- Failure to follow system flow

*Resolution:*
- Failure to signal service failure
House of Quality

- **Service Elements**
  - Reliability
  - Responsiveness
  - Assurance
  - Empathy
  - Tangibles

- **Customer Expectations**
  - Reliability: 9, 8, 5, 5
  - Responsiveness: 7, 3, 9, 3
  - Assurance: 6, 5, 9, 6
  - Empathy: 4, 7
  - Tangibles: 2, 2, 3

- **Comparison with Volvo Dealer**
  - +

- **Weighted Score**
  - 127, 82, 63, 102, 65

- **Improvement Difficulty Rank**
  - 4, 5, 1, 3, 2

- **Relationships**
  - * Strong
  - ● Medium
  - Ø Weak

- **Customer Perceptions**
  - o Village Volvo
  - + Volvo Dealer
Achieving Service Quality

- Cost of Quality (Juran)
  - Accounting system to value avoided failures

- Statistical Process Control
  - Control Chart used to monitor performance over time
  - Use confidence interval and check for outliers
  - UCL and LCL

- Unconditional Service Guarantee
  - How can this be done in services?
Service Process Control

- Identify reason for nonconformance
- Establish measure of performance
- Take corrective action
- Monitor conformance to requirements
- Resources
- Service process
- Customer input
- Customer output
- Service concept

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Control Chart of Departure Delays

\[ UCL = \bar{p} + 3\sqrt{\frac{\bar{p}(1-\bar{p})}{n}} \]

\[ LCL = \bar{p} - 3\sqrt{\frac{\bar{p}(1-\bar{p})}{n}} \]
Unconditional Service Guarantee: Customer View

- Unconditional (No Questions Asked)
- Easy to understand and communicate (What do I do? What compensation will I get?)
- Meaningful (Is it worthwhile?)
- Easy to invoke (Is it accessible?)
- Easy to collect (On the spot?)
Unconditional Service Guarantee: Management View

- Focuses on customers (British Airways)
- Sets clear standards (FedEx)
- Guarantees feedback (Manpower)
- Promotes an understanding of the service delivery system (Bug Killer)
- Builds customer loyalty by making expectations explicit
Customer Satisfaction

- All customers want to be satisfied.
- Customer loyalty is only due to the lack of a better alternative.
- Giving customers some extra value will *delight* them by exceeding their expectations and insuring their return.
Walk-Through-Audit

- Service delivery system should conform to customer expectations.
- Customer impression of service influenced by use of all senses.
- Service managers lose sensitivity due to familiarity.
- Need detailed service audit from a customer’s perspective.
Service Recovery Framework
Approaches to Service Recovery

- **Case-by-case** addresses each customer’s complaint individually but could lead to perception of unfairness.

- **Systematic response** uses a protocol to handle complaints but needs prior identification of critical failure points and continuous updating.

- **Early intervention** attempts to fix problem before the customer is affected.

- **Substitute service** allows rival firm to provide service but could lead to loss of customer.
Discussion

- What is the role of information systems in service quality?
The Service Encounter
The Service Encounter Triad

Service Organization

Efficiency versus autonomy

Efficiency versus satisfaction

Contact Personnel

Customer

Perceived control

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The Service Organization

- **Culture**
  - ServiceMaster (Service to the Master)
  - Disney (Choice of language)

- **Empowerment**
  - Invest in people
  - Use IT to enable personnel
  - Recruitment and training critical
  - Pay for performance
## Organizational Control

<table>
<thead>
<tr>
<th>Beliefs Systems</th>
<th>To contribute</th>
<th>Core values &amp; mission</th>
<th>Identify core values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boundary Systems</td>
<td>To do right</td>
<td>Specify and enforce rules</td>
<td>Risks to be avoided</td>
</tr>
<tr>
<td>Diagnostic Control Systems</td>
<td>To achieve</td>
<td>Build clear targets</td>
<td>Critical performance variables</td>
</tr>
<tr>
<td>Interactive Control Systems</td>
<td>To create</td>
<td>Encourage learning</td>
<td>Strategic Uncertainties</td>
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Common Difficult Interactions with Customers

<table>
<thead>
<tr>
<th>Unrealistic customer expectations</th>
<th>Unexpected service failure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Unreasonable demands</td>
<td>1. Unavailable service</td>
</tr>
<tr>
<td>2. Demands against policies</td>
<td>2. Slow performance</td>
</tr>
<tr>
<td>employees</td>
<td></td>
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<tr>
<td>4. Drunkenness</td>
<td></td>
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<tr>
<td>5. Breaking of societal norms</td>
<td></td>
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<tr>
<td>6. Special-needs customers</td>
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Use scripts to train for proper response
## Service Encounter Success Factors

<table>
<thead>
<tr>
<th>Customer</th>
<th>Service Provider</th>
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<tbody>
<tr>
<td><strong>Human</strong></td>
<td><strong>Machine</strong></td>
</tr>
<tr>
<td>Employee selection</td>
<td>User friendly</td>
</tr>
<tr>
<td>Interpersonal skills</td>
<td>Verification</td>
</tr>
<tr>
<td>Support technology</td>
<td>Security</td>
</tr>
<tr>
<td>Engender trust</td>
<td>Easy to access</td>
</tr>
<tr>
<td>Easy to access</td>
<td>Compatibility</td>
</tr>
<tr>
<td>Fast response</td>
<td>Tracking</td>
</tr>
<tr>
<td>Verification</td>
<td>Verification</td>
</tr>
<tr>
<td>Remote monitoring</td>
<td>Security</td>
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</tbody>
</table>
Employee Perceptions of Customer Service at a Branch Bank
Is attitude emphasized? Are job previews utilized? Are customers screened?

Careful Employee and Customer Selection (and Self-selection)

Are employees encouraged to refer friends? Are referrals from the “best” employees given priority?

Is satisfaction measured periodically? Are measurements linked to other functions on the cycle?

Is training for job and life? Is it an important element of quality of work life?

Do they reflect needs of the service encounter? Are they designed to foster relationships?

Do they limit the “right” risks? Are they logical to employees?

Do they reflect top management “talk”? Is it enough to allow delivery of results to customers?

Employee Referrals of Potential Job Candidates

Satisfied Employees

Appropriate Rewards and Frequent Recognition

Greater Latitude to Meet Customer’s Needs

Clear Limits on, and Expectations of, Employees

High-Quality Training

Well-Designed Support Systems
- Information
- Facilities

Greater Latitude to Meet Customer’s Needs

Appropriate Rewards and Frequent Recognition

Satisfied Employees

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Service Profit Chain: Nothing is independent from the rest!

**Internal**
- Operating strategy and service delivery system
- Satisfaction
- Capability
- Service quality
- Loyalty
- Productivity & Output quality

**Employees**

**External**
- Target market
- Revenue growth
- Profitability
- Satisfaction
- Loyalty

**Customers**
- Attractive Value
- Lifetime value
- Retention
- Repeat Business
- Referrals

Customer orientation/quality emphasis
- Allow decision-making latitude
- Selection and development
- Rewards and recognition
- Information and communication
- Provide support systems
- Foster teamwork

Quality & productivity improvements yield higher service quality and lower cost
- Service designed & delivered to meet targeted customers’ needs
- Solicit customer feedback

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