

EE 366 Economics of Services Sector



Outline

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Dimension of Service Quality

2

GAPS Model of Service Quality

3

Measuring Service Quality

- Customer Satisfaction Survey
- Walk-through Audit

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Quality Service by Design

- Quality in the Service Package
- Taguchi Method (Robust Design)
- Poka-Yoke
- Quality Function Deployment

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Achieving Service Quality

- Cost of Quality
- Statistical Process Control
- Unconditional Service Guarantee

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Service Recovery Framework

1 Dimension of Service Quality

DIMENSION

DEFINITION

EXAMPLES (Airline)

1 Reliability
Perform promised service dependably and accurately

✓ Is my flight on time?

2 Assurances
Ability to convey trust and confidence.

✓ Are the ticket counter attendants, flight attendants and pilot knowledgeable about their jobs?

3 Tangibles
Physical facilities and facilitating goods.

✓ Are the gate, the plane and the baggage area clean?

4 Empathy
Ability to be approachable, caring, understanding and relating with customer needs.

✓ Do the employees determine if I have special seating, meal and baggage?

5 Responsiveness
Willingness to help customers

✓ Are the flight attendances willing to answer my questions?

1 Dimension of Service Quality (Cont.)

Word of mouth

Personal needs

Past experience

Service Quality Dimensions

1. Reliability
2. Responsiveness
3. Assurance
4. Empathy
5. 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**)

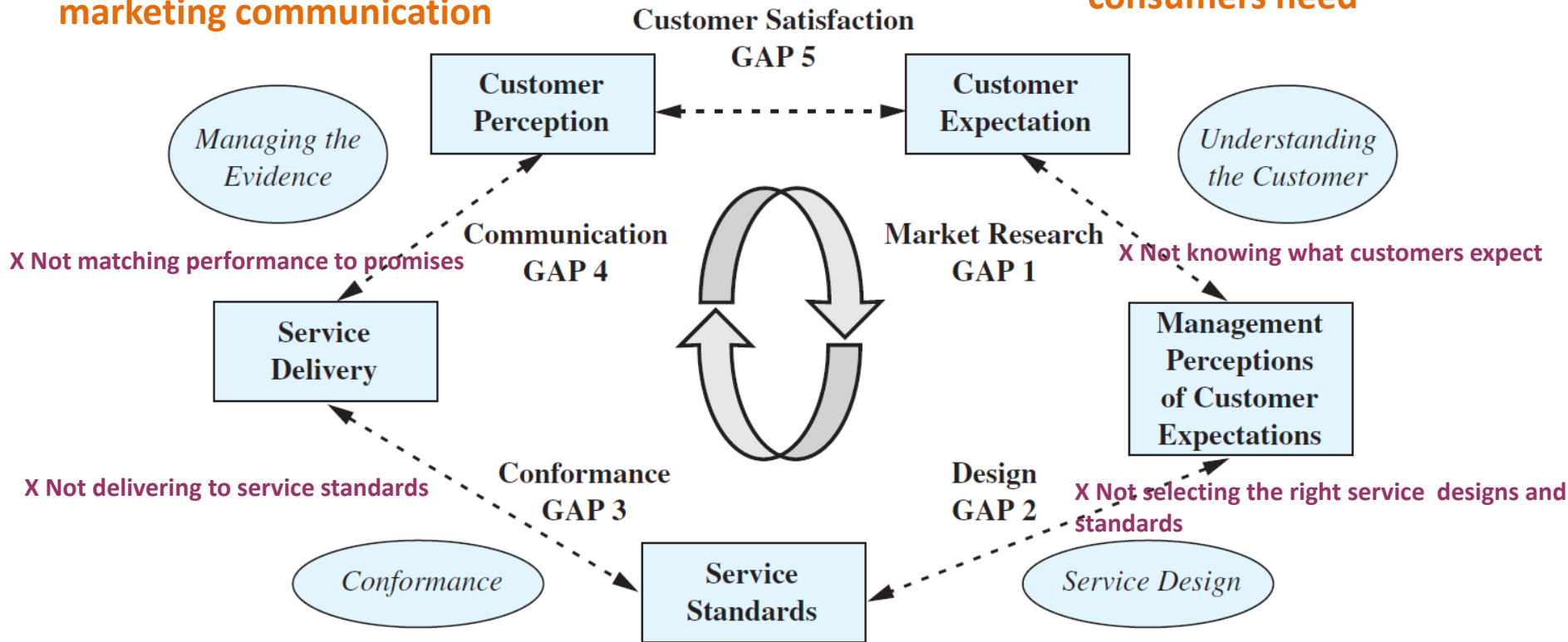
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Service Quality GAP model

✓ Integrated service marketing communication

✓ Customer satisfaction depends on minimizing the four gaps

✓ Improving market research to fully understand what consumers need



✓ Adequate training for employees

✓ Setting goals and Standardizing service delivery tasks

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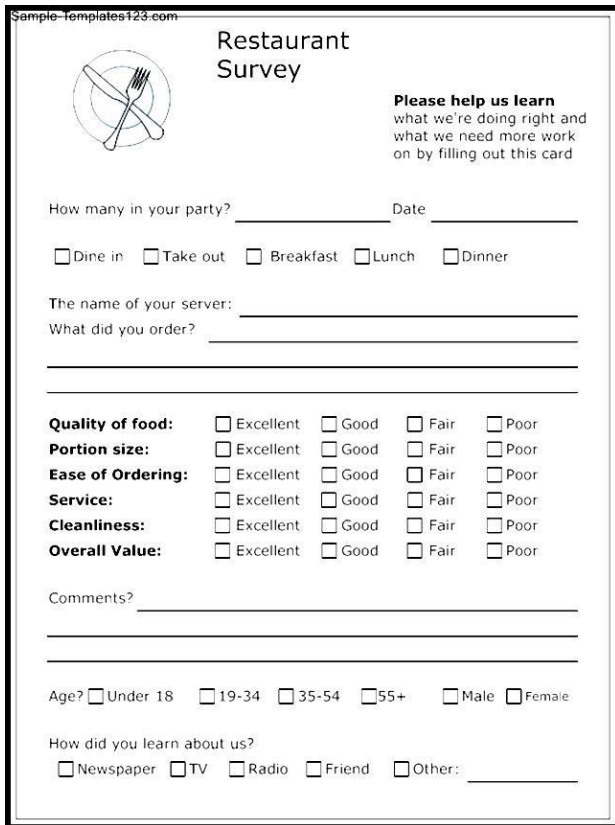
Measuring Service Quality

❖ Companies try to measure the gap between expected service and perceived service through the use of surveys. (We call SERVQUAL)

Customer Satisfaction Survey

➤ Determine overall satisfaction associate with the current level of service quality

Sample-templates123.com



Restaurant Survey

Please help us learn what we're doing right and what we need more work on by filling out this card

How many in your party? _____ Date _____

Dine in Take out Breakfast Lunch Dinner

The name of your server: _____

What did you order? _____

Quality of food: Excellent Good Fair Poor

Portion size: Excellent Good Fair Poor

Ease of Ordering: Excellent Good Fair Poor

Service: Excellent Good Fair Poor

Cleanliness: Excellent Good Fair Poor

Overall Value: Excellent Good Fair Poor

Comments? _____

Age? Under 18 19-34 35-54 55+ Male Female

How did you learn about us?

Newspaper TV Radio Friend Other: _____



Walk-through Audit

➤ Conduct a systematic assessment of the entire customer service experience from beginning to end

1. When was the last time you dined with us?

Date Time

*2. How often do you dine with us?

- Daily
- Weekly
- Monthly
- Once a quarter
- Once or twice a year
- This was my first time

*3. When you dine with us, is it generally for:

- Business
- Pleasure

*4. Did you have a reservation?

- Yes
- No

*5. Approximately how many minutes did you wait before you were seated?

- 0 - 5
- 6 - 10
- 11 - 20
- 21 - 30
- 31 - 45
- 46 - 1 hour
- Over 1 hour

*6. The waiting time was:

- About what I expected
- A little longer than I expected
- Much longer than I expected

*7. Who was your server?

4

Quality Service by Design

1. Incorporation of Quality in the Service Package

Budget hotel case



Supporting facility

- Design of the building
- The air-conditioning
- The heating system



Facilitating goods

- Room furnishings are durable and easy to clean
- Disposal plastic cups are used instead of glass



Information

- An online computer tracks guest billing, reservation and registration process.



Service

- **Implicit service:** Maids are trained to clean and make up rooms.
- **Explicit service:** Pleasant appearances of individuals at front office.

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Quality Service by Design (Cont.)

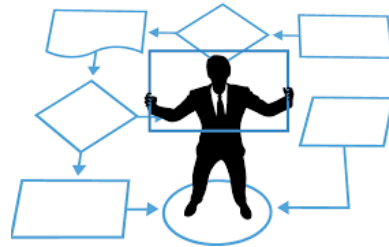
2.Taguchi Method (Robust Design)

Who



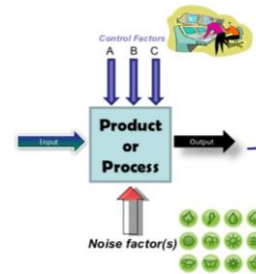
- ❑ Genichi Taguchi
- ❑ Japanese
- ❑ Engineering and Statistician

What



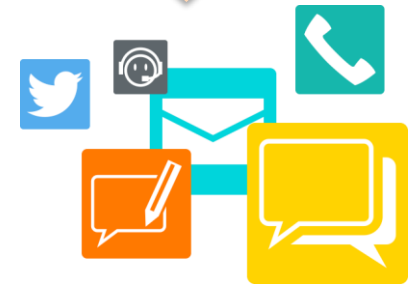
- ❑ Approaches to quality design
- ❑ Ensure an ability to function under adverse conditions (Noise factors).

Method



- ❑ Focusing on setting a specific goal within an acceptable range
- ❑ Loss function is deviation of a characteristic from its target.

Application

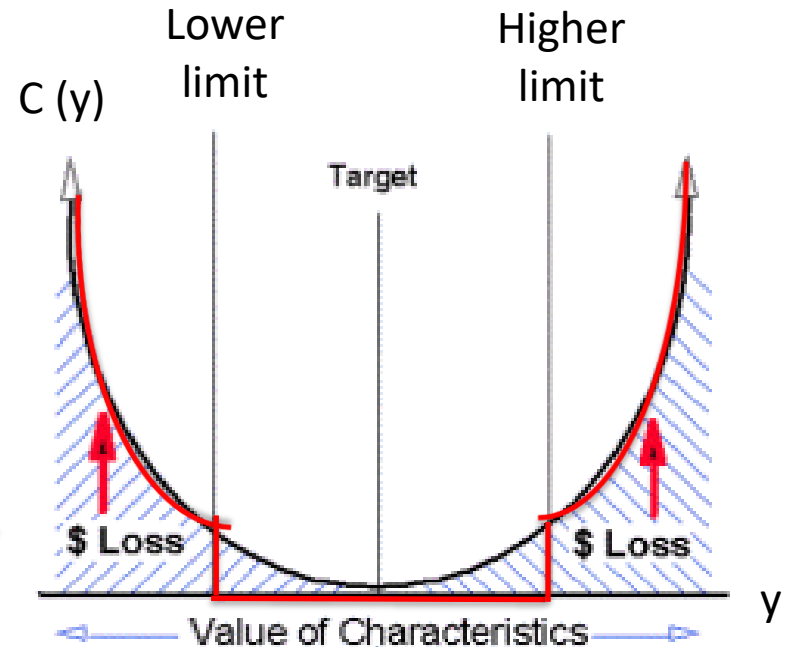
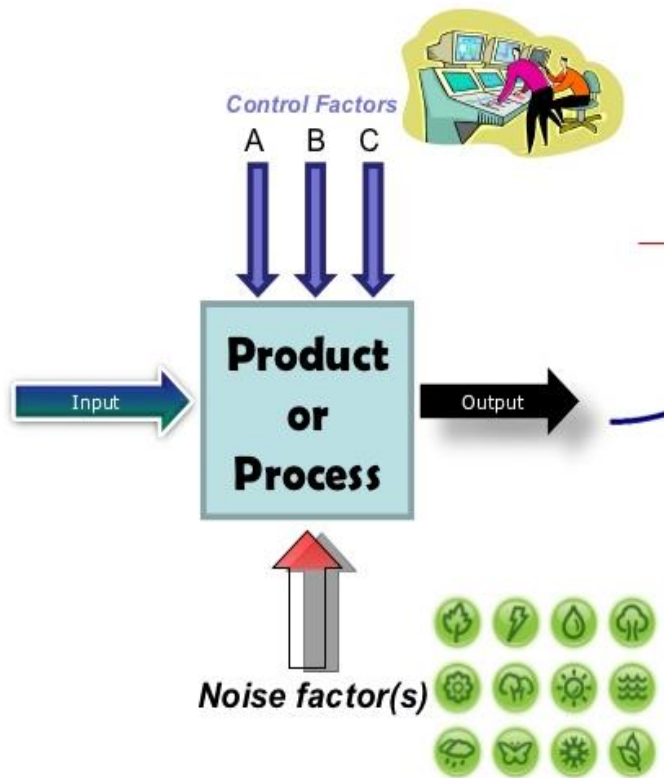


- ❑ Manufacturing
- ❑ Service

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Quality Service by Design (Cont.)

2.Taguchi Method (Robust Design)



Within the acceptable range, the cost is zero

❖ The uncontrollable (noise) factors lead to cost of quality.

❖ **For example**, consumer can wait for its room between 5 and 10 minutes

❖ Loss function is measured by the square of the deviation from the target

❖ After 10 minutes, she will leave. A wait time would translate to \$100.

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Quality Service by Design

3. Poka-Yoke

- Error occurs, not because employees were incompetent, but due to interruptions in routine or lapses in attention- foolproof devices to prevent employee and customers mistakes.

Service Errors

1 Task

- Doing work incorrectly
- Doing work not required
- Doing work in the wrong order
- Doing work too slowly

2 Treatment

- Failure to acknowledge the customer
- Failure to listen to the customer
- Failure to react properly

3 Tangible

- Failure to clean facilities
- Failure to provide clean uniforms
- Failure to control environmental factors

Customer Errors

1 Preparation

- Failure to bring necessary materials
- Failure to understand role in transaction
- Failure to engage in correct service

2 Encounter

- Failure to remember steps in process
- Failure to follow system flow
- Failure to follow instructions

3 Resolution

- Failure to signal service failure
- Failure to learn from experience
- Failure to adjust expectations
- Failure to execute post-encounter action

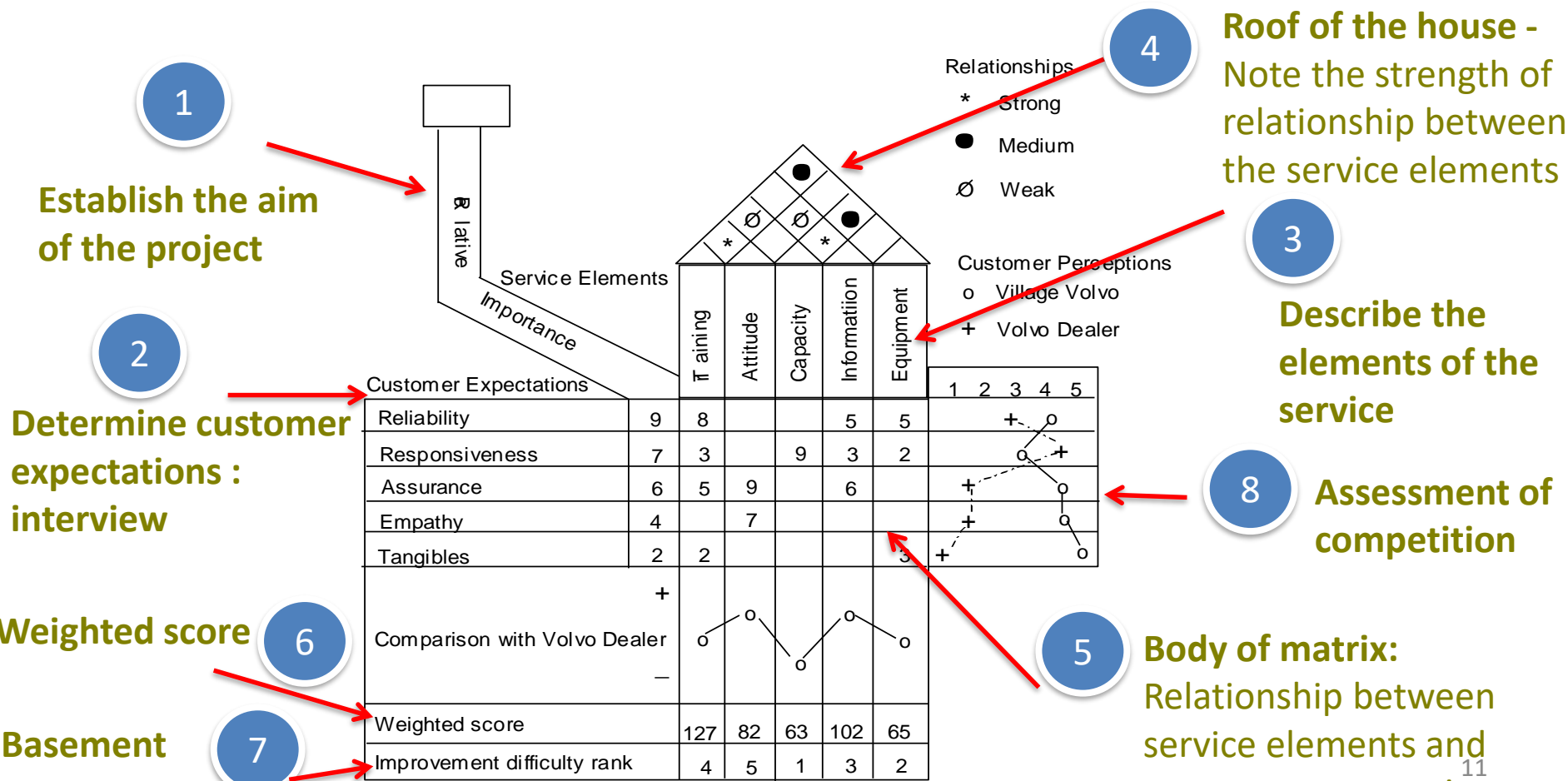
Source: Fitzsimmons and Fitzsimmons: Service Management

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Quality Service by Design (Cont.)

4. Quality Function Deployment

➤ Quality Function Deployment is a planning process for products and services that starts with the voice of the customer by using the house of quality tool

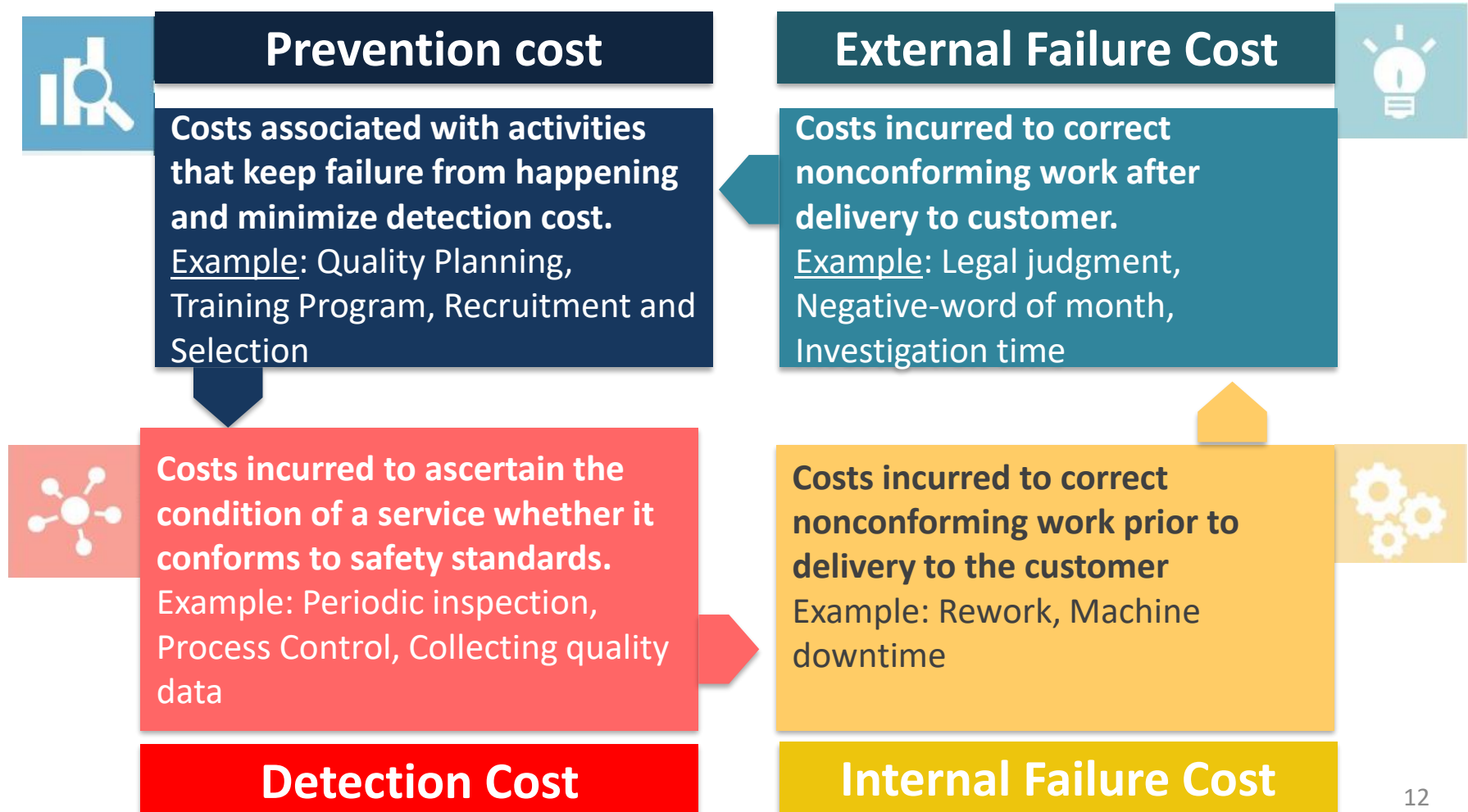


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Achieving Service Quality

1. Cost of Quality

- ❑ Products can be returned or exchanged if faulty; **but what recourse does customer have to faulty services?**



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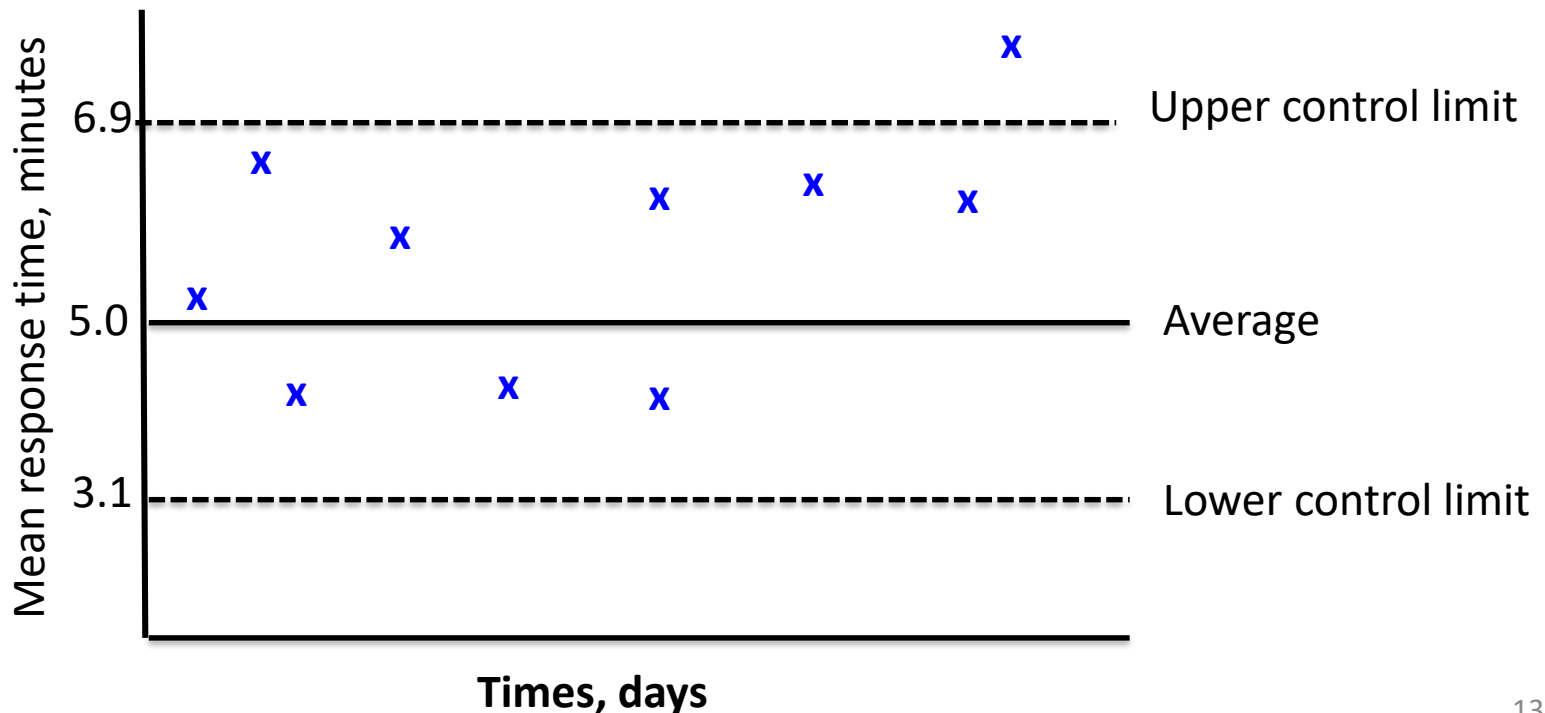
Achieving Service Quality (Cont.)

2. Statistical Process Control

❑ The performance of a service is judged by key indicators.

- ✓ For example, the educational performance of a high school is measured by SAT. The effectiveness of a police department is judged by the crime rate.

❑ A control chart is used to plot average values of a measure performance over time if the process remains in control.



3. Unconditional Service Guarantee

□ There are five important feature to guarantee service

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Unconditional

- Customer satisfaction is unconditional without exceptions

- **L.L Bean, a Maine mail-order house accepts all returns by providing refunds and credits.**

Easy to Understand and communicate

- Customer should know precisely what to expect from a guarantee measure term.

- **Bennigan's promises that if a lunch is not served in 15 minutes, the diner receives a free meal**

Meaningful

- The guarantee should be important to the customer in financial as well as in service terms

- **Domino's Pizza guarantee that if an order is not delivered within 30 minutes, the customer gets \$3 off rather than a free pizza**

Easy to Invoke

- A dissatisfied customer should not hassled with writing letters to invoke a guarantee.

- **Cititruvel guarantees the lowest airfares and a refund of the difference.**

Easy to collect

- The best guarantees are resolved on the spot

- **Bennigan's and Domino's Pizza**

3. Unconditional Service Guarantee

❑ However, the service guarantee can be redefined as the management view

❑ Set clear standards

- A company should set clear standards to know when the service has failed.

❑ Promotes an understanding of the service delivery system

- Before a guarantee is made, managers must identify the possible failure in their system.

❑ Focus on customer

- A guarantee forces a company to identify its customer expectation.

❑ Guarantee feedback

- Customers invoking a guarantee provide valuable information for quality assessment.

❑ Build customer loyalty

- A guarantee builds market share by keeping the loyal customers.

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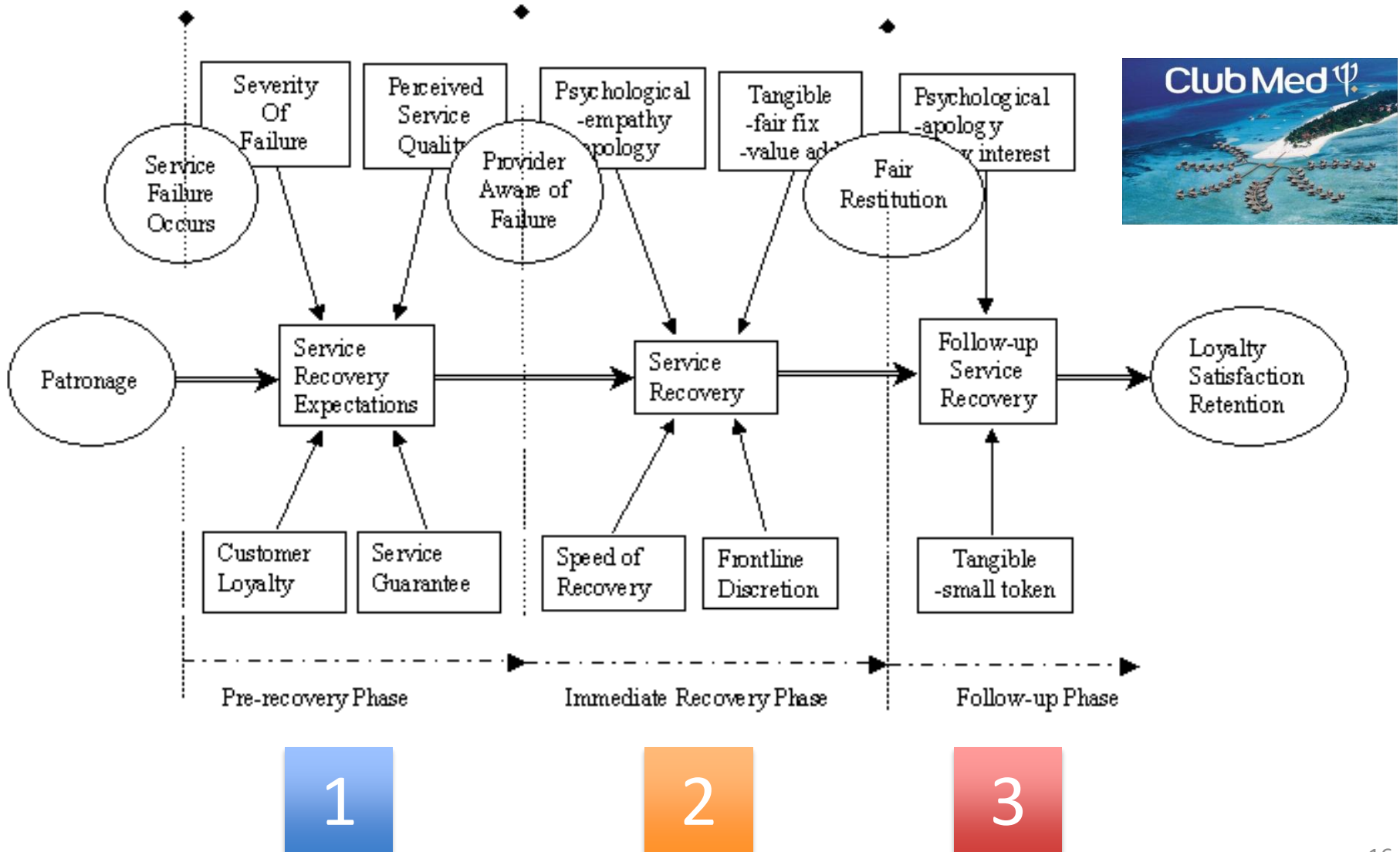
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Service Recovery Framework

➤ Even with the best quality intentions, service failures do occur. What to do then?



6

Service Recovery Framework (Cont.)

➤ There are four basic approaches address to service recovery.

1

The case-by-case approach

Addresses each customer's complaint individually but could lead to perception of unfairness.

2

Systematic response approach

Uses a protocol to handle complaints but needs prior identification of critical failure points and continuous updating

3

Early intervention

Attempts to fix problem before the customer is affected.

4

Substitute service

Allows rival firm to provide service but could lead to loss of customer.

Discussion

1. Base on the concept of five dimensions of service quality, give examples of at least two concerns in each dimension of your group service industry.
2. Base on the service quality gap model, give examples of possible service quality gap (for all 5 GAPs) in your group service industry.
3. Design questionnaires to measure quality of your group service industry in both in the form of customer satisfaction survey and walk-through audit.

Discussion

4. Give examples of cost of quality of your group service industry in terms of prevention cost, detection cost, internal failure cost and external failure cost.
5. Give one or more examples of your group industry unconditional service guarantee.
6. Give examples of your group industry service recovery when service failures occur.

Reference

- ❑ James A. Fitzsimmons, Mona J. Fitzsimmons, *Service Management: Operation. Strategy, Information*, Technology, 8th Edition. McGraw-Hill (Chapter 6)

