Quality of Service in Marketing

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PV240 INTRODUCTION TO SERVICE MARKETING

Learning Objectives

❑ Evaluation for marketing purpose

❑ Understand the importance of QoS

❑ Position service quality in information systems

❑ Describe the five dimensions of service quality

❑ Understand the gap model in QoS

❑ Perform SERVQUAL deployment

❑ Able to plan for service recovery

❑ Perform a walk-through in SERVQUAL and RATER

Evaluation

Position

Measurement Model

Summary

Marketing focus shifting

2000+ — Creating better value for customers and the organisation

1990's

1980's — Quality

1970's — Productivity

Motivation in Marketing

❑ Superior product/service quality relative to competitors is the most important factor affecting profitability (Profit Impact of Market Strategy - PIMS study)

❑ Premium prices

❑ Customer preference

❑ Customer retention

❑ Market expansion/market share

❑ Other benefits: productivity, advertising, distribution/access

Concept to clarify: **Quality**

❑ "although we cannot define quality, we know what quality is" (Pirsig, 1987)

❑ "quality is fitness for use, the extent to which the product successfully serves the purpose of the user during usage" (Juran, 1974)

❑ "quality is zero defects - doing it right the first time", Parasuraman, Zeithaml and Berry, 1985)

❑ "quality is exceeding what customers expect from the service", Zeithaml, Parasuraman and Berry, 1990)

Quality in practice

❑ **Conformance quality**

producing the product/service according to specification every time, with no correction required

❑ **Quality-in-use**

customer judgements about quality received and resultant level of customer satisfaction

❑ **Technological quality**

superior performance features of product/service derived from advanced new technologies

Service Quality – early definitions

❑ "service quality results from a comparison of what customers feel a service provider should offer (i.e. their expectations) with the provider's actual performance" (Parasuraman, 1996: 145)

❑ "Service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis" Lewis and Booms (1983)

Service Quality - shifting focus

❑ **In the past**, industry focused particularly on defining and meeting internal quality or technical standards

❑ **Today** the focus has shifted to quantifying customers' assessments of services and products (external measurement) and then translating these into specific internal standards

❑ Delivering quality service is **fundamental** to corporate success because research shows it is closely linked to profits

QoS in Information Systems
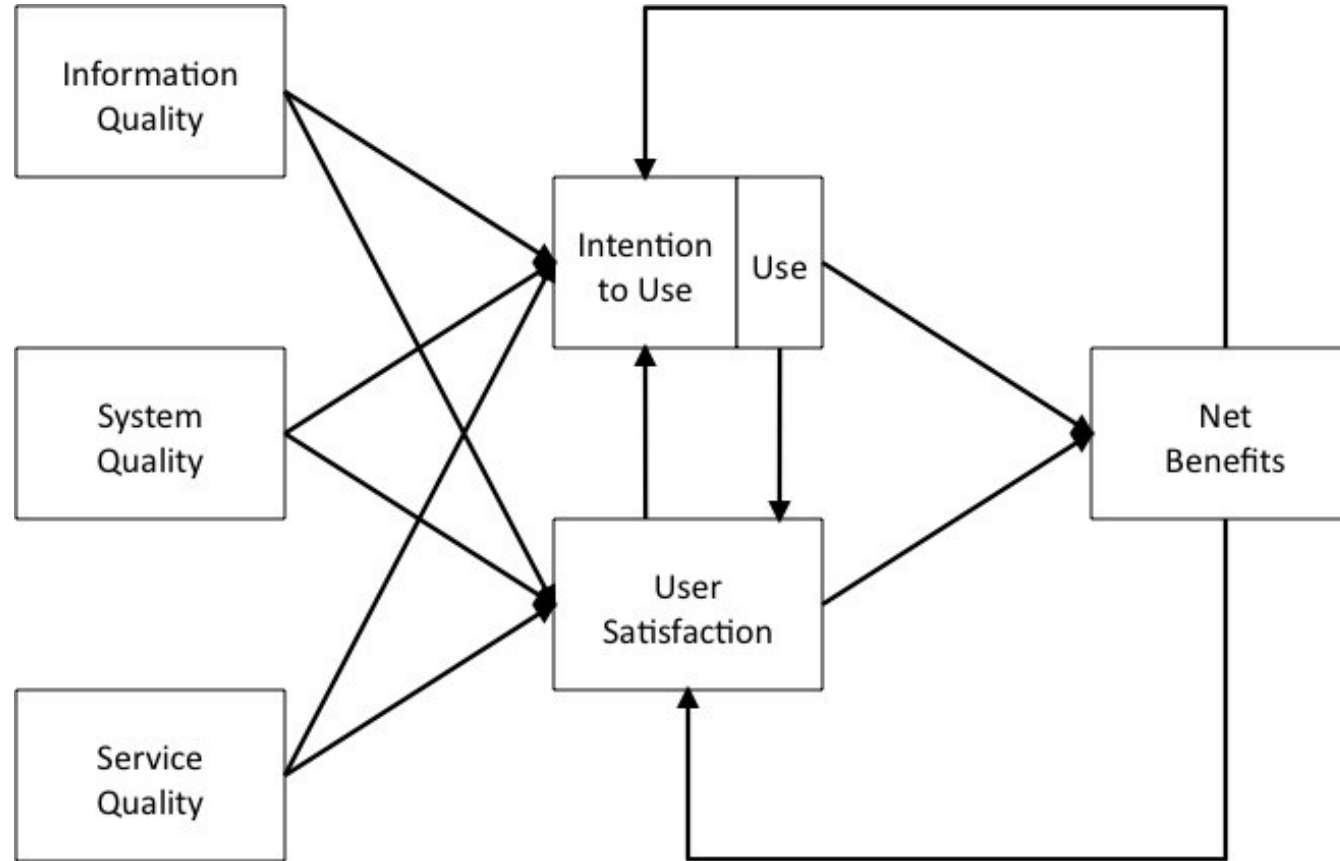
Delone and Mclean, Information Systems Success Theory

Service Quality – profits

❑ **Increase profits, particularly to:**
  ❑ fewer customer defections
  ❑ stronger customer loyalty
  ❑ more cross-selling of products and services

❑ **Improving service quality cuts costs**
  ❑ fewer customers to replace
  ❑ less corrective work to do
  ❑ fewer inquiries and complaints to handle
  ❑ lower staff turnover and dissatisfaction

Enhancing service value

Concept to clarify: **Evaluation**

- ❑ There are two types of evaluations

- ❑ (1) Get a concrete score, like your exam

- ❑ (2) Comparision

- ❑ We mainly focus on (2) Comparision today

Comparision in real life

Motorola 8900X-2 • Nokia 2146 • Nokia 3210 • Nokia 6210 • Ericsson T39 • Alcatel OT511 • Samsung E250 • Apple iPhone • BlackBerry Curve 8900 • Samsung Galaxy S2 • Samsung Galaxy S4 • Sony Xperia Z Ultra

Service Quality or Quality of Service

HIGH QUALITY PRODUCT AND SERVICES

- STATUTORY AND REGULATORY REQUIREMENTS
- HEALTH & SAFETY OF CONSUMER
- PRODUCT QUALITY
- TRAINING
- RISK ANALYSIS AND MITIGATION PLAN
- QUALITY BENCHMARKING
- VENDOR MANAGEMENT
- QUALITY IN SUPPLY CHAIN PROCESS

How good your service is?

When there is certain service, how good this service is?

Scope of Service Quality

❑ View quality from five perspectives

- Content – are standard procedures being followed?

- Process – is the sequence of events in the service process appropriate?

- Structure – are the physical facilities and organizational design adequate for the service?

- Outcome – what change in the status has the service effected? Is the consumer satisfied?

- Impact – what is the long-range effect of the service on the consumer?

Service Quality Example

Hotel example

❑ Supporting facility

Design of the building

❑ Facilitating goods

Room furnishings like: bedside tables, carpet cleaning

❑ Explicit services

Maids are trained to clean and make up rooms

❑ Implicit services

Pleasant appearances of individuals at front office

Evaluation of Service Quality

Metircs/Criteria/Dimensions

SERVQUAL

SERVQUAL: The Five Key Service Dimensions

Dimension	No. of Items in Questionnaire	Definition
Reliability	5	The ability to perform the promised service dependably and accurately
Assurance	5	The knowledge and courtesy of employees and their ability to convey trust and confidence
Tangibles	4	The appearance of physical facilities, equipment, personnel and communication materials
Empathy	5	The provision of caring, individualized attention to customer
Responsiveness	4	The willingness to help customers and to provide prompt service

Dimensions of Service Quality (1)

❑ *Reliability*:

- Perform promised service dependably and accurately.

- <u>Example</u>: receive mail at same time each day.

❑ *Responsiveness*:

- Willingness to help customers promptly.

- <u>Example</u>: avoid keeping customers waiting for no apparent reason.

- Quick recovery, if service failure occurs

Dimensions of Service Quality (2)

❑ *Assurance*:

- Ability to convey trust and confidence.

- Give a feeling that customers' best interest is in your heart

- <u>Example</u>: being polite and showing respect for customer.

❑ *Empathy*:

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

- <u>Example</u>: being a good listener.

❑ *Tangibles*:

- Physical facilities and facilitating goods.

- <u>Example</u>: cleanliness.

SERVQUAL Attributes

RELIABILITY

- Providing service as promised
- Dependability in handling customers' service problems
- Performing services right the first time
- Providing services at the promised time
- Maintaining error-free records

RESPONSIVENESS

- Keeping customers informed as to when services will be performed
- Prompt service to customers
- Willingness to help customers
- Readiness to respond to customers' requests

ASSURANCE

- Employees who instill confidence in customers
- Making customers feel safe in their transactions
- Employees who are consistently courteous
- Employees who have the knowledge to answer customer questions

EMPATHY

- Giving customers individual attention
- Employees who deal with customers in a caring fashion
- Having the customer's best interest at heart
- Employees who understand the needs of their customers
- Convenient business hours

TANGIBLES

- Modern equipment
- Visually appealing facilities
- Employees who have a neat, professional appearance
- Visually appealing materials associated with the service

SERVQUAL dimensions	Service attributes
Realibility	The university makes a commitment to provide a service at the scheduled time
	The university keeps students' records accurately (e.g., test scores, student names)
	Relevant and up to date literature and lecture material
	Literatures and lecture materials can be easily understood
	Good and understandable teaching performance
Responsiveness	Important announcement is quickly informed to students (e.g., lectures schedule, exam schedule)
	The university is always ready to help students
	Clear notice about assignments and exams
	Lecturers recommend appropriate text book
	The university provides consultation time for students
Assurance	Lecturers have the required knowledge and education
	Students are equipped with good quality to work
	Availability of career service for graduates
	Safe environment
	Lecturers have the ability to answer questions from students
	Friendly environment and respect each other
Emphaty	Lecturers give relevant and appropriate tasks
	The availability of scholarship for students with good achievement
	Ease of obtaining lecture material
	Ease of administration related with the curriculum (e.g., payments procedure, courses selection)
	The university gives individual attention to each student
	Effective communication between university and students
Tangibles	The university provides the facilities that can be used to develop students' interest and talent (e.g., sport facilities, student activities club, etc.)
	Employees should be well dressed, appear neat, and professional
	The university provides the up to date equipments to support learning process (e.g., lab equipment, learning equipment in class, etc.)
	Clean environment (classroom, toilet, canteen, etc.)
	Library provides up to date learning source (e.g., books, journal, etc.)
	Campus cafeteria sells clean food with affordable price
	The availability of computer and internet access

SERVQUAL Example in University
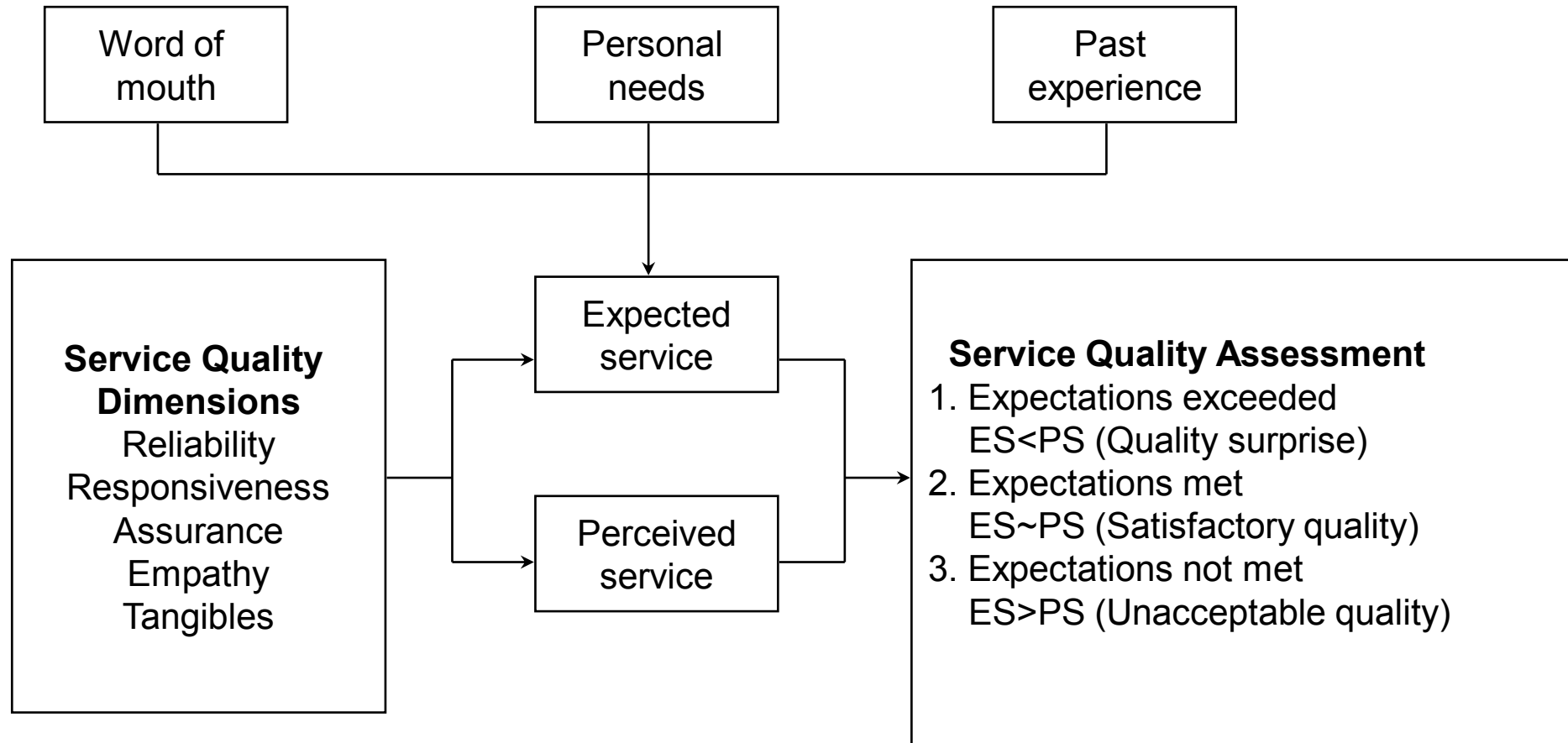
Gap Model in Service Quality

Concept to clarify: **Expectation**

❑ Expectations can be formulated in terms of "*what should be done*" and "*what will be done*"

Concept to clarify: **Perception**

❑ "perception is defined as the process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world" (Schiffman and Kanuk, 1987)

❑ subjective and selective

❑ resulting attitudes about a particular service provider may change over time (long-term attitudes may be more stable than immediate attitudes)

Gap Model of Service Quality
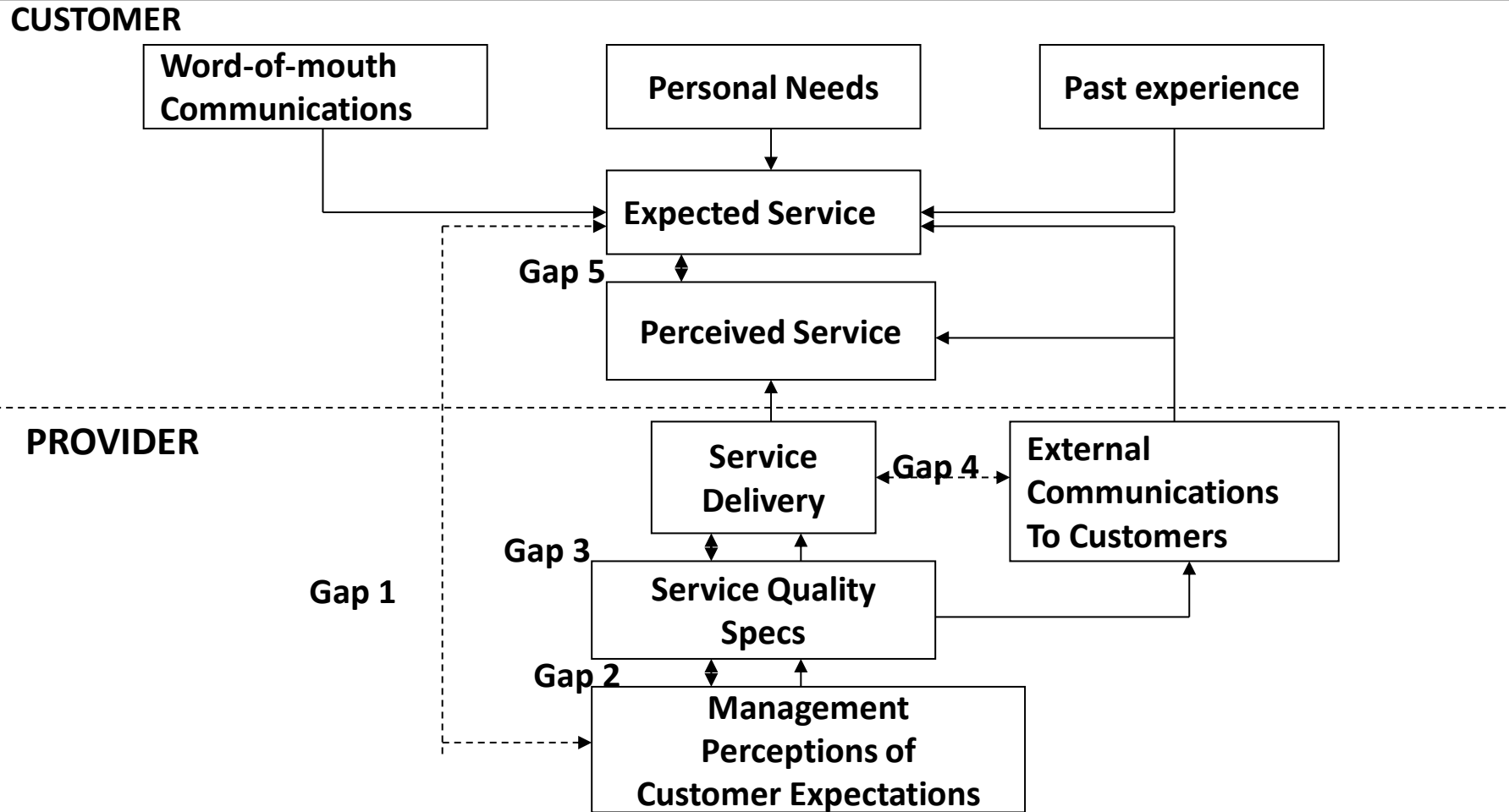
What are the SERVQUAL Gaps?

Gap 1: The difference between management perceptions of what customers expect and what customers really do expect

Gap 2: The difference between management perceptions and service quality specifications - the standards gap

What are the SERVQUAL Gaps?

Gap 3: The difference between service quality specifications and actual service delivery - are standards consistently met?

Gap 4: The difference between service delivery and what is communicated externally - are promises made consistently fulfilled?

What are the SERVQUAL Gaps?

Gap 5: The difference between what customers expect of a service and what they actually receive

- ◦ expectations are made up of past experience, word-of-mouth and needs/wants of customers
- ◦ measurement is on the basis of two sets of statements in groups according to the five key service dimensions
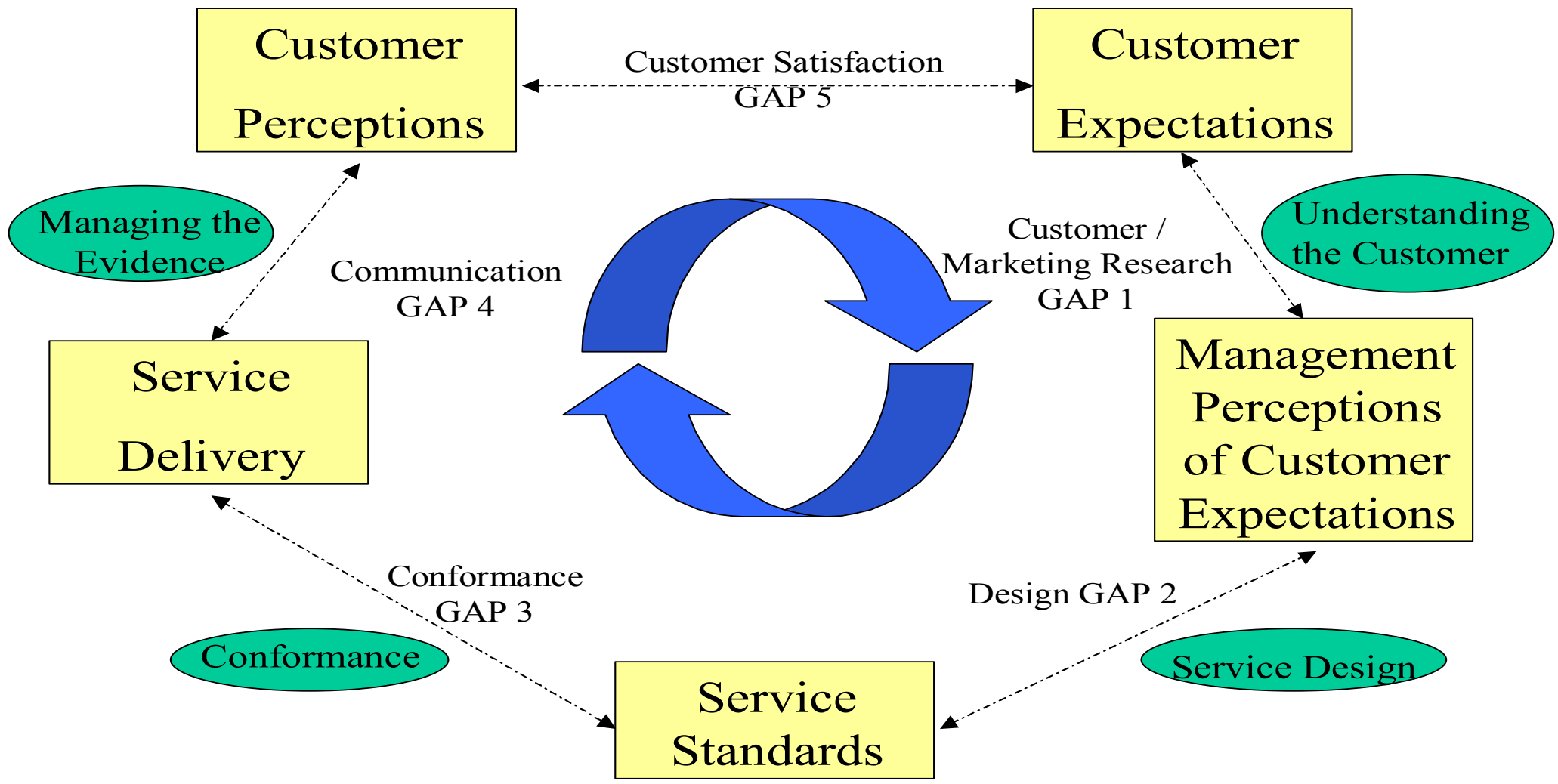
Problems with Gaps in Service Quality

➢Gap1: Market research gap
- ✓Management may not understand how customers formulate their expectations from past experience, advertising, communication with friends
  - ❖Improve market research
  - ❖Foster better communication between employees and its frontline employees
  - ❖Reduce the number of levels of management that distance the customer

➢Gap 2: Design gap
- ✓Management unable to formulate target level of service to meet customer expectations and translate them to specifications
  - ❖Setting goals and standardizing service delivery tasks can close the gap

Problems with Gaps in Service Quality

➤Gap 3: Conformance gap
- ✓Actual delivery of service cannot meet the specifications set by management
  - ❖Lack of teamwork
  - ❖Poor employee selection
  - ❖Inadequate training
  - ❖Inappropriate job design

➤Gap 4: Communication gap
- ✓Discrepancy between service delivery and external communication
  - ❖Exaggerated promises in advertising
  - ❖Lack of information provided to contact personnel to give customers

Problems with Gaps in Service Quality

➤Gap 5: Customer expectations and perceptions gap
  ✓Customer satisfaction depends on minimizing the four gaps that are associated with service delivery

Summary for Service Quality

Methodology of SERVQUAL

❑ **The method essentially involves conducting a sample survey of customers so that their perceived service needs are understood.**

❑ For measuring their perceptions of service quality for the organization in question, customers are asked to answer numerous questions within each dimension that determines:

- The relative importance of **each attribute**.
- A measurement of performance expectations that would relate to an "excellent" company.
- A measurement of performance for the company in question.

❑ **This provides an assessment of the gap between desired and actual performance.** This allows an organization to focus its resources where necessary and to maximize service quality whilst costs are controlled

Functions of SERVQUAL

To assess a company's service quality along each of the 5 SERVQAL dimensions. E.g. XYZ Events Ltd carries out the servqual survey to know where it stands in the perception of customers.

To track customer's expectations and perceptions over time. E.g. XYZ Events Ltd wants to compare its score of last year against that of the current year to know whether it has improved or has to improve

To compare a company's SERVQUAL scores against competitors. E.g.: XYZ Events Ltd wants to compare its score against that of 1570 Events Ltd to see who is the best.

To identify and examine customer segments that differ significantly in their assessment of a company's service performance.

To assess internal service quality (interdepartmental comparison)

Applications of SERVQUAL

❑ **Service quality has become an important research topic because of its apparent relationship to costs, profitability, customer satisfaction, and customer retention**

SERVQUAL has been a keyword in 41 publications which incorporate both theoretical discussions and applications of SERVQUAL in a variety of industrial, commercial and not-for-profit settings.

❑ **Some of the published studies include :**

Hotels ,travel and tourism

Car servicing, business schools

Accounting firms, architectural services

Airline catering

Mobile Telecommunications in Macedonia

Summary

❑ SERVQUAL is considered to be useful model for **qualitatively** exploring and assessing customers' service experiences

❑ It is an efficient model in helping an organization shape up their efforts in **bridging the gap** between perceived and expected service

❑ SERVQUAL is used to **track customer's expectations and perceptions** over time to compare the company's SERVQUAL scores against competitors.

❑ Although SERVQUAL's face and construct validity are in doubt, it is **widely used** in modified forms (RATER) to measure customer expectations and perceptions of service quality.

RATER

The RATER model allows customer service experiences to be explored and assessed quantitatively

RATER Model

	DESCRIPTION
Reliability	The ability to perform the promised service dependably and accurately
Assurance	The knowledge and courtesy of employees and their ability to convey trust and confidence
Tangibles	The appearance of physical facilities, equipment, personnel and communication materials
Empathy	The provision of caring, individualized attention to customers
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Remarks for SERVQUAL

❑ We can **assess service quality** from the customer's perspective

❑ We can **track customer expectations** and perceptions over time and the discrepancies between them

❑ We can compare a set of **SERVQUAL scores** against those of competitors or best practice examples