

Services Marketing: Integrated People, Technology, Strategy

Part I

Professor. Zillur Rahman

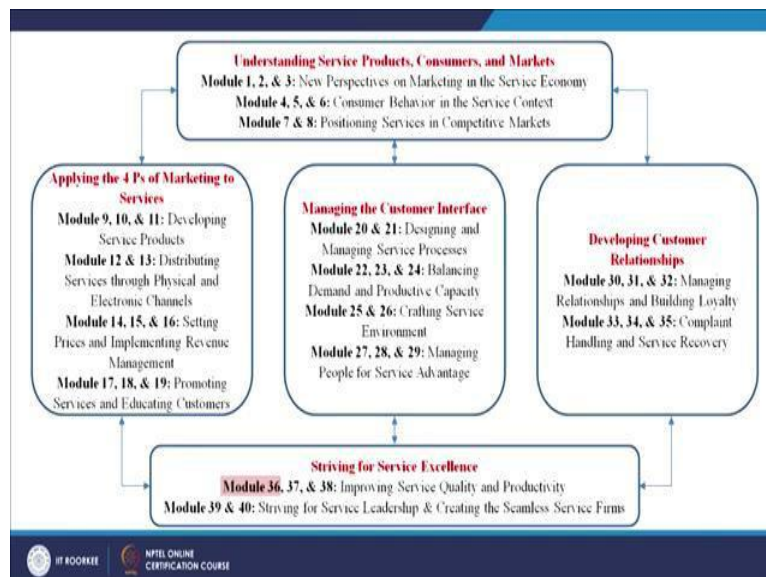
Department of Management Studies
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Lecture: 36

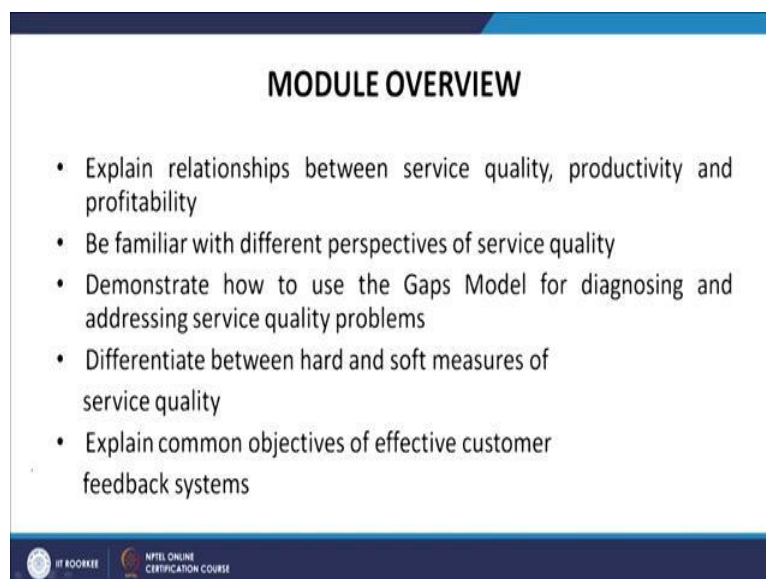
Improving Service Quality and Productivity

Welcome to services marketing. Now, we will talk about module 36 and as you can see that we are in the last section of this course that is striving for service excellence and it has two titles to be covered; module 36, 37 and 38. We will talk about improving service quality and productivity.

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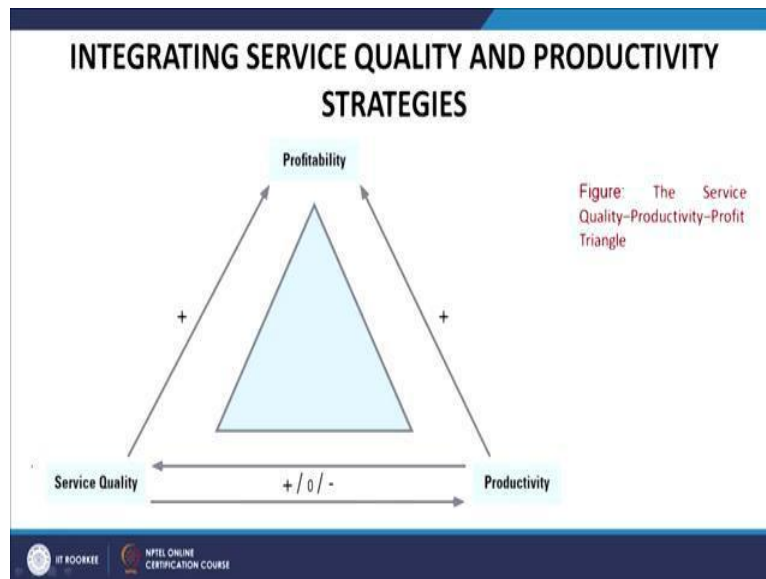


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So in this module, we will talk about the following 5 things; the first is that we will explain the relationships between service quality, productivity and profitability. We will familiarize ourselves with different perspective of service quality. Then, we will demonstrate how to use the Gaps model of service quality for diagnosing and addressing service quality problems, differentiate between hard and soft measures of service quality and explain some common objectives of effective customer feedback systems.

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Now let us look at this triangle. This integrates service quality and productivity strategies. So, now you see that on the three vertices of this triangle, there are 3 things, one is profitability, the second is service quality and the third is productivity.

Now we will talk about each of them in detail but just to give you a brief overview, increased service quality increases the profitability and also increased productivity increases the profitability of the firm and the relationship between productivity and service quality can be good, bad or it can be neutral, so I will explain these 3 relationships in the upcoming slides.

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INTEGRATING SERVICE QUALITY AND PRODUCTIVITY STRATEGIES

- When examining the individual links, it is evident that everything being equal-
 - Higher customer satisfaction should improve the bottom line (profitability) through:
 - higher repeat purchases,
 - share-of-wallet, and
 - referrals
 - Higher productivity should lead to higher profitability as costs are reduced.

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When we are examining the individual links, it is evident that everything being equal what happens then? The higher customer satisfaction should improve the bottom line that is the profitability. How? Because of higher repeat purchases, the increased share of wallet and referrals. Higher productivity should lead to higher profitability as costs are reduced.

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INTEGRATING SERVICE QUALITY AND PRODUCTIVITY STRATEGIES

- The relationship between productivity and customer satisfaction is more complex.
- There is the general notion of a service productivity–customer satisfaction tradeoff.

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The relationship between productivity and customer satisfaction is more complex. There is a general notion of a service productivity and customer satisfaction trade-off. So, the problem here is that, what people think that if was the service productivity goes up, then the customer satisfaction will come down. So, for increased customer satisfaction, the service productivity should be low, but if service productivity is low, then profitability also decreases.

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**PRODUCTIVITY GAINS AND CUSTOMER SATISFACTION:
ALIGNED (+ve)**

- However, although the relationships between productivity, service quality, and profitability can conflict, there are examples where productivity gains and customer satisfaction are aligned.
- For example;
 - If a service firm redesigns customer service processes to be leaner, faster, and more convenient by eliminating non-value-adding work steps, then both productivity and customer satisfaction should improve, and both should have a direct and indirect **positive effect on profitability**.

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However, although the relationships between productivity, service quality and profitability can conflict, there are examples where productivity gains and customer satisfaction are aligned. For example, if a service firm redesigns customer service processes to be leaner, faster and more convenient by eliminating non-value adding work steps, then both productivity and customer satisfaction should improve and both should have a direct and indirect positive effect on profitability.

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**PRODUCTIVITY GAINS AND CUSTOMER SATISFACTION:
ALIGNED (+ve)**

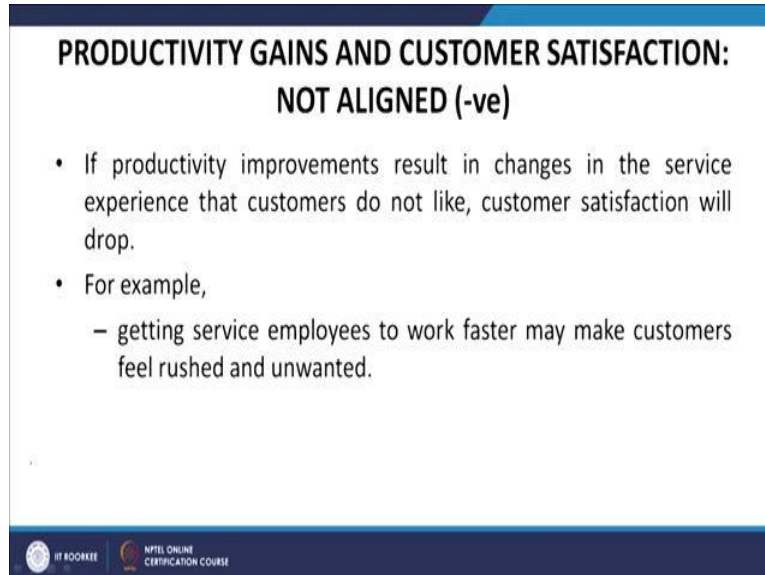
- An example would be serve-it-yourself yogurt stores, which substitute relatively inexpensive and easy-to-use self-serve machines for multiple human contact people.
- In this case, there is a positive impact on profitability through increased productivity and increased customer satisfaction, resulting in higher customer loyalty.

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An example would be to serve-it-yourself yogurt stores, which substitute relatively inexpensive and easy to use self-service machines for multiple human contact people. In this

case, there is a positive impact on profitability through increased productivity and increased customer satisfaction resulting in higher customer loyalty.

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**PRODUCTIVITY GAINS AND CUSTOMER SATISFACTION:
NOT ALIGNED (-ve)**

- If productivity improvements result in changes in the service experience that customers do not like, customer satisfaction will drop.
- For example,
 - getting service employees to work faster may make customers feel rushed and unwanted.

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If productivity improvement results in changes in the service experience that customer do not like, customer satisfaction will drop. So keep in mind that this productivity improvement should be what customer like, otherwise that will lead to reduce customer satisfaction. For example, getting service employees to work faster may make customer feel rushed and unwanted. So, the whole idea is that service employees should not be asked to work faster because that will lead to reduce customer satisfaction.

Replacing a human agent in a customer contact centre with an interactive voice response system to reduce head count. So, a customer care executive is replaced by the interactive response system, so the head count also come down and that will lead to increased productivity. Doubling class sizes to increase the productivity of university professors and reducing the frequency of trains to increase load factor can also have negative implications for the customer experience.

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PRODUCTIVITY GAINS AND CUSTOMER SATISFACTION: NOT ALIGNED (-ve)

- In these cases, there is a tradeoff to be expected, whereby:
 - In the short term, productivity enhancements have an immediate and direct positive effect on profitability.
 - In the medium to long term, these productivity enhancements lead to lower customer satisfaction which are likely to lead to lower customer loyalty and referrals.
- This means that these productivity improvements have a positive direct effect on profitability, but also a negative indirect effect (via customer satisfaction).


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In these cases, there is a trade-off to be expected, whereby: in the short term, productivity enhancements have an immediate and direct positive effect on profitability and in the medium to long term, these productivity enhancements lead to lower customer satisfaction which are likely to lead to lower customer loyalty and referrals. This means that these productivity improvements have a positive direct effect on profitability but also a negative indirect effect via customer satisfaction.

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PRODUCTIVITY GAINS AND CUSTOMER SATISFACTION: NOT ALIGNED (NEUTRAL)

- Some quality improvements may not have any implications on productivity (e.g., improving a process in the front office that does not change the cost of providing it) and vice versa (e.g., improving efficiency of back office operations that do not have implications for customer touch points).
- In these cases, there is only a single positive effect of productivity improvements on profitability, or of customer satisfaction improvements on profitability.



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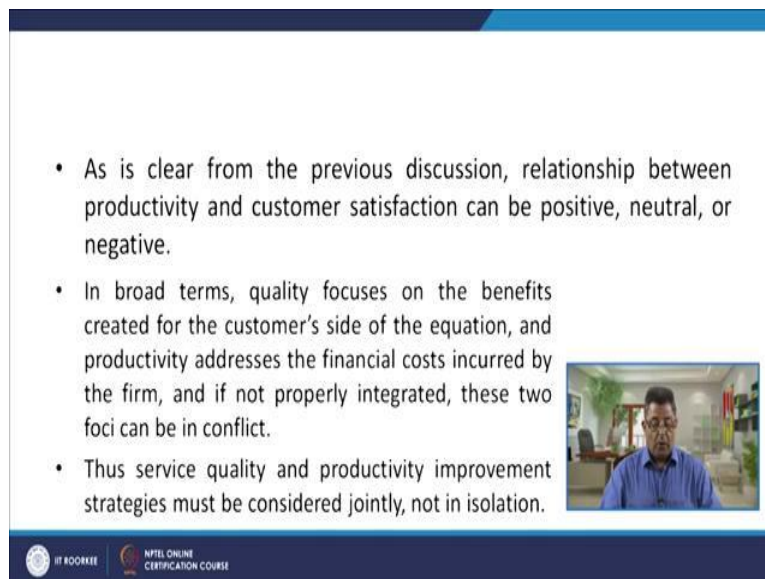
So, now as you know productivity gains and customer satisfaction, they are not aligned; that is neutral. So, the basic idea of all this thing is that if productivity increases, then the service quality comes down and that leads to customer dissatisfaction. If productivity goes down then

customer satisfaction and service quality increases. so now how to go about aligning these two things because at one end we have the company's goal, on the other hand we have the customer's goal.

So, some quality improvement may not have any implications on productivity. For example, improving a process in the front office that does not change the cost of providing it and vice versa, for example, improving efficiency of back office operations that do not have implications for customer touch points. In these cases, there is only a single positive effect of productivity improvements on profitability or of customer satisfaction improvement on profitability.

So, either we are reducing this cost by way of productivity improvement or we are increasing customer satisfaction, so that will lead to profitability. So, at the one hand we are reducing cost and at another hand we are increasing customer satisfaction and loyalty and so on so that also increases the profitability.

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- As is clear from the previous discussion, relationship between productivity and customer satisfaction can be positive, neutral, or negative.
- In broad terms, quality focuses on the benefits created for the customer's side of the equation, and productivity addresses the financial costs incurred by the firm, and if not properly integrated, these two foci can be in conflict.
- Thus service quality and productivity improvement strategies must be considered jointly, not in isolation.

As it's clear from the previous discussion that we have had, relationship between productivity and customer satisfaction can be positive, neutral or negative. So, positive is that as the productivity increases, customer satisfaction increases and negative is when productivity decreases, customer satisfaction also decreases. In broad term, quality focuses on the benefit created for the customer side of equation and productivity addresses the financial cost incurred by the firm and if not, properly integrated, these two foci can be in conflict.

So, we have to keep in mind that productivity and satisfaction both are important at the same time; one from the point of view of the company and another is from the point of view of the customer. Thus service quality and productivity improvement strategies must be considered jointly and not in isolation.

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WHAT IS SERVICE QUALITY?

- **Quality** can mean different things to people according to the context.
- **Common perspectives** on quality include the **manufacturing**-based approach.
- It is primarily concerned with engineering and manufacturing practices and typically means delivery against measurable standards within certain tolerance levels (e.g., tolerance levels for weld seams in car manufacturing).



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What is service quality? Quality means different things to different people according to the context. So, there is no single correct definition of quality. Common perspective on quality include the manufacturing-based approach. So that is from where it is started. It is primarily concerned with engineering and manufacturing practices and typically means delivering against measurable standards within sudden tolerance levels. For example, tolerance levels for weld seams in car manufacturing.

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WHAT IS SERVICE QUALITY?

- In **services**, we would say that quality is operations-driven.
- It focuses on the conformance to internally developed specifications, and they tend to be tightly aligned with productivity and cost-containment goals.



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Now, we come to services and then we will see what is service quality. In services we should say that quality is operations-driven. It focuses on the conformance to internally develop specifications and they tend to be tightly aligned with productivity and cost containment goals. So in services, it focuses on conformance to internally developed specifications and these tend to be tightly aligned with productivity and cost containment goals.

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WHAT IS SERVICE QUALITY?

- The nature of services require a distinctive approach in defining and measuring service quality.
- The intangible, multifaceted nature of many services makes it harder to evaluate quality of a service compared to a good. →



Figure: Service quality can be difficult to manage for the fussy diner

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The nature of service requires a distinctive approach in defining and measuring service quality. So, the approach that we have used in manufacturing to define quality is not good enough for services; for services we need a distinctive approach to defining and measuring

the quality of services. The intangible multifaceted nature of many services makes it harder to evaluate quality of a service as compared to a good.

So, now you see that in this figure, this person has written with ketchup 'waited 30 minute, got no service'. So, service quality can be difficult to manage for the fussy diner, because these services they are intangible and they have multifaceted, so that is why it is difficult to evaluate a quality of a service, it is much easier to evaluate the quality of a good but not of a service.

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WHAT IS SERVICE QUALITY?

- When customers are involved in service production, a distinction needs to be drawn between the process of service delivery (functional quality) and the actual output (outcome) of the service (technical quality).
- Christian Grönroos calls the process of service delivery as functional quality and the actual **output** (or outcome) of the service as technical quality.
- Service quality from user's perspective can be defined as a **high standard of performance that consistently meets or exceeds customer expectations.**

Handwritten notes:
1. Process → In Q
2. outcome → In Q
Performance ≥ exp^{ct}

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When customers are involved in service production, a distinction needs to be drawn between the process of service delivery, that is the functional quality and the actual output that is outcome of the service that is technical quality. So, now you see that here we are talking about two types of quality: one is this functional quality, another is this technical quality. So, when customers are involved in service production, we have to distinguish between the process of service delivery and the outcome.

So, there are 2 types of things that we are worried about: one is the process and another is the outcome. So, this process is functional quality and this is technical quality. So, Christian Gronroos calls the process of service delivery as functional quality and the actual output or outcome of the service as technical quality. Service quality from user's perspective can be defined as a high standard of performance that consistently meets or exceeds customer expectation. So this is performance that meets or exceeds customer expectations, so this is what we are talking of, performance that is always greater than equal to the expectations.

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**THE GAPS MODEL
IN SERVICE DESIGN AND DELIVERY**

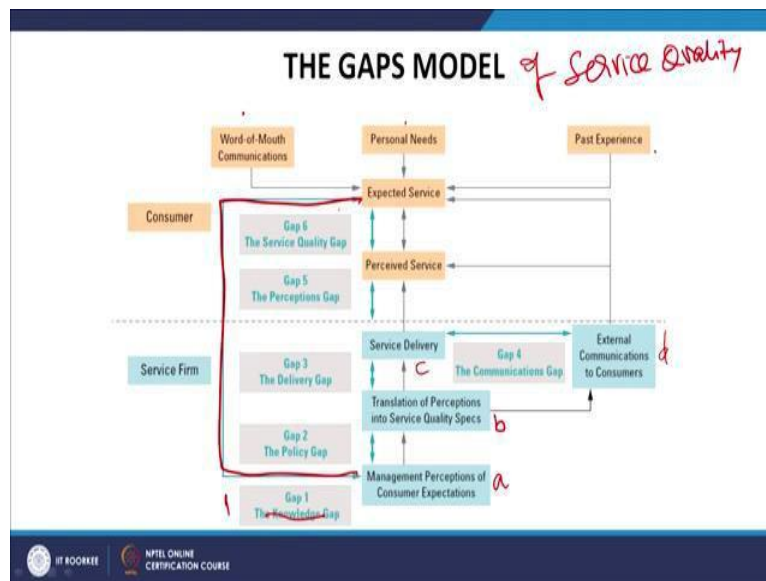
- Gaps at any point in service design and delivery can damage relationships with customers.
- Improving service quality requires identifying specific causes of each gap and developing strategies to close them.
- Valarie Zeithaml, A. Parasuraman, and Leonard Berry identified **four potential gaps** that may lead to the fifth and most serious final gap — **the difference between what customers expected and what they perceived was delivered.**
- The Gaps Model offers generic insights and solutions applicable across industries.

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Then there is this model that is called as the Gaps model in service design and delivery. Gaps at any point in service design and delivery can damage a relationship with the customer. So, as the name suggest, we are looking at Gap in design and delivery. It is not only about design or only about delivery but both of them. Improving service quality requires identifying specific causes of each Gap and developing strategies to close them. So, there are several gaps, the causes for each gap are to be identified and then there are strategies to close down each gap.

Valarie Zeithaml, and Parasuraman and Leonard Berry identified 4 potential gaps that may lead to the fifth and most serious final gap; the difference between what customer expected and what they perceived was delivered. So, that is the final gap, the most important gap. This one, the difference between what customer expected and what they perceived was delivered to them and there are four gaps that will lead to this gap. This is the most important gap. So, the Gaps model offers generic insights and solutions applicable across the industries.

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And this is this Gaps model of service quality. So, now let us start from here, so above this line are the customer and below this line are the service. So, this Gap 1 is the knowledge gap, Gap 2 is called as the policy gap, Gap 3 is called as the delivery gap, Gap 4 is the communication gap, Gap 5 is the perception gap and the Gap 6 is the service quality gap. Now let us see that this starts with management perception of customer expectations.

So, it start with how do manages perceive the customer expectations and then these management perception of customer expectations are then translated into perceptions into service quality specifications. So, the management perception of customer expectations are then translated into service quality specifications, that is 'b'.

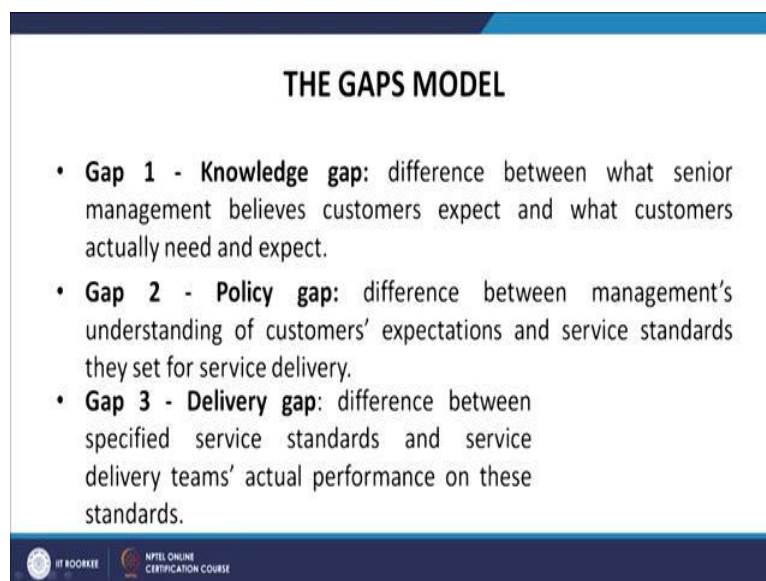
Then based on this 'b', this 'c' happens that is service delivery and then it moves on here, this is external communication to the consumers. So, it moves here and this arrow from translation of perceptions into service quality specifications, the input also goes to external communication to the customer. Now service delivery then moves on towards upwards and we have this perceived service, expected service and then this expected service is effected by the past experience, the personal needs, the word of mouth and then this expected service is also effected by the management perception of consumer expectations.

This past experience effects the expected service, external communication to the consumers also effect the expected service. So, you see that this expected service is effected by the word of mouth communication, the personal needs, the past experience and external communication to the customer. So, all these things they effect expected service and expected services also effected by the management perception of consumer expectations.

So, these are the 4 things that effect the expected service and then below it is the perceived service and when the perceived service and the expected service do not match, that is called as gap 6 that is the service quality gap. When the service delivery and perceived service, there is the gap between them, it is the Gap 5 that is the perception gap. When there is a difference between service delivery and translation of perceptions into service quality specifications that is called as the delivery gap that is Gap 3.

And the gap between the management perception of customer expectations and then translation of these perceptions into service quality specification, they are Gap 1, that is the policy gap and this gap between the expected service and management perception of customer expectation is the first gap that is the knowledge gap. So, when we move on this line, this is Gap 1. Between expected service and the management perception of customer expectations, so this is Gap 1 and we are talking of this important gap that is the gap between the expected service and the perceived service.

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THE GAPS MODEL

- **Gap 1 - Knowledge gap:** difference between what senior management believes customers expect and what customers actually need and expect.
- **Gap 2 - Policy gap:** difference between management's understanding of customers' expectations and service standards they set for service delivery.
- **Gap 3 - Delivery gap:** difference between specified service standards and service delivery teams' actual performance on these standards.


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So, Gap 1 is the knowledge gap, difference between what senior management believes customer expects and what customer actually need and expect. Gap 2 is the policy gap, difference between management understanding of customer expectation and service standards they set for service delivery. Gap 3 is the delivery gap; difference between specified service standard and service delivery team's actual performance on these standards.

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THE GAPS MODEL

- **Gap 4 - Communications gap:** difference between what company communicates, and what customer understands and subsequently experiences. *promise* *experiences*
- **Gap 5 - Perceptions gap:** difference between what is actually delivered and what customers feel they received.
- **Gap 6 - Service quality gap:** difference between what customers expect to receive and their perception of service that is actually delivered.



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Gap 4 is the communication gap that is the difference between what company communicates to the customer and what customer understands and subsequently experiences. So, this is what they promise and this is what customer experiences. Gap 5 is the perceptions gap; difference between what is actually delivered and what customer feels they received. Gap 6 is service quality gap, difference between what customer expects to receive and their perception of services that is actually delivered.


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SUGGESTIONS FOR CLOSING SERVICE QUALITY GAPS

Gap 1: The Knowledge Gap

Suggestion: Educate management about what customers expect

- Implement an effective customer feedback system that includes satisfaction research, complaint and compliment content analysis, customer panels, and online monitoring.
- Sharpen market research procedures including questionnaire and interview design, sampling, and field implementation, and periodically repeat research studies.



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Now, let us look at the suggestions for closing this service quality gaps. So, let us start with Gap 1 that is the knowledge gap and this knowledge gap is the difference between what senior management believes, customer expects and what customers actually need and expect.

Now suggestions to close down this Gap 1 is to educate management about what customer expects. Implement an effective customer feedback system, that includes satisfaction research, complaint and compliment content analysis, customer panels and online monitoring.

Sharpen your marketing research procedures including questionnaires and interview designs, sampling and field implementation and periodically repeat the research studies because these expectations and perceptions, they keep on changing quickly. That is why there is a need to periodically repeat these research studies.

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SUGGESTIONS FOR CLOSING SERVICE QUALITY GAPS

- Increase interactions between customers and senior management (e.g., programs such as “a day in the field” and senior management taking calls in customer contact centers).
- Improve upward communications, and facilitate and encourage communication between frontline employees and management.

empowering the frontline employees

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Increase the interactions between customers and senior management that is programs such as a day in the field and senior management taking calls in customer contact centre. So, the senior management get to know what the customer expects and therefore the gap between customer expectations and the management perception of customer expectations will come down. Improve upward communication and facilitate and encourage communication between frontline employees and the management.

So again, that is a strategy for empowering the all-important frontline employee. Now these people, because they are in touch with the customer, they are in contact with the customer, they know what are the various problems and if they are able to communicate all these problems to the top management, then it becomes easier for the companies to sort out the issues and to remove the fault points.

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SUGGESTIONS FOR CLOSING SERVICE QUALITY GAPS

Gap 2: The Policy Gap

Suggestion: Establish the right service products, processes, and standards that are based on customer needs and expectations.

- Get the products and customer service processes right.
- Set, communicate, and reinforce measurable customer-oriented service standards for all work units.
- Develop tiered service products that meet customer expectations.



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Gap 2 is the policy gap, so establish the right service product, processes and standards that are based on customer needs and expectations. So, keep in mind that first we have to understand customer needs and expectations and then establish the right kind of service product, processes and standards. Get the product and customer service processes right. , communicate and reinforce measurable customer-oriented service standard for all the work units.

Develop tiered service product that meet customer expectations. So, customer may have different expectations at different points in time. The same customer may have different expectations at different points in time, therefore they need to develop a tiered service product so that their expectations, different expectations at different points in time, can be met.

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SUGGESTIONS FOR CLOSING SERVICE QUALITY GAPS

Gap 3: The Delivery Gap

Suggestion: Ensure that performance meets standards.

- Ensure that customer service teams are motivated and are able to meet service standards.
- Install the right technology, equipment, support processes, and capacity.
- Manage customers for service quality. → Satisfaction → loyalty → repeat buying
- Effectively align intermediaries and third parties involved in service delivery.

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Gap 3 is the delivery gap. Now suggestion is ensure that performance meet the standards. Ensure that customer service teams are motivated and are able to meet service standard. So, these customer service teams need to be motivated in order to deliver on the standards. Install the right technology equipment support processes and the capacity, so that these customer service people, they are able to deliver on the standards.

Manage customers for service quality. So customers, again, have to be managed for service quality that is satisfaction. Then effectively align intermediaries and third party involved in service delivery. So, if in your service delivery, there are intermediaries and third party involved, then they also have to be effectively aligned with the standards.


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SUGGESTIONS FOR CLOSING SERVICE QUALITY GAPS

Gap 4: The Communications Gap

Suggestion: Close internal and external communications gaps by ensuring communication promises are realistic and correctly understood by customers.

- Ensure that communications content sets realistic customer expectations, and educate managers responsible for sales and marketing communications about operational capabilities.

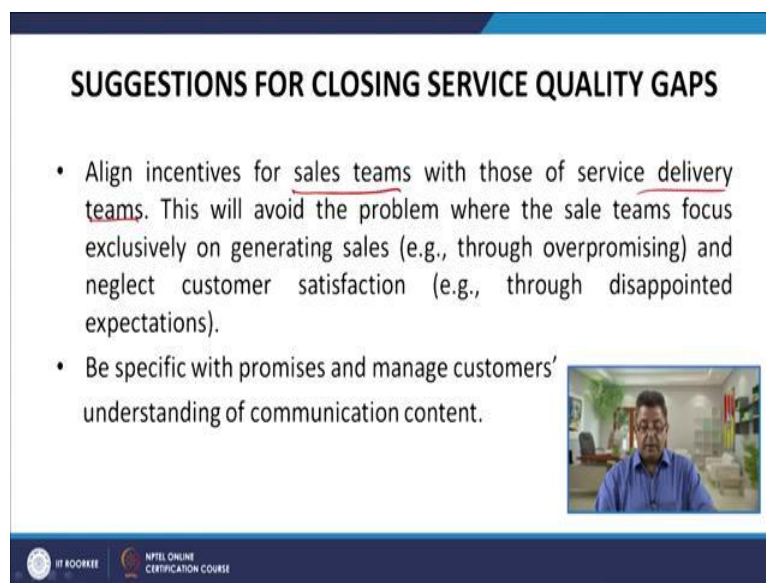


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The Gap 4 is the communication gap. Suggestion is close internal and external communication gap by ensuring communication promises are realistic and correctively understood by the customers. So, this is important that external and internal communication gaps should be eliminated by ensuring that communications promises; the promises made by the company are realistic and correctly understood by the customers.

Ensure that communication content sets realistic expectations. So, this content should be so that the customer expectations remain realistic and educate managers responsible for sales and marketing communication about operational capabilities.

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SUGGESTIONS FOR CLOSING SERVICE QUALITY GAPS

- Align incentives for sales teams with those of service delivery teams. This will avoid the problem where the sale teams focus exclusively on generating sales (e.g., through overpromising) and neglect customer satisfaction (e.g., through disappointed expectations).
- Be specific with promises and manage customers' understanding of communication content.

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Align incentives for sales team with those of service delivery teams. Sales teams and the service delivery teams. This will avoid the problem where the sales team focus exclusively on generating sales. So, because they want to generate more sales they may be over promising customers. But then how that promise will be delivered by the service delivery team, so that creates a problem and neglect customer satisfaction through disappointed expectation.

So, the sales delivery team in order to increase sales, they overpromise, but obviously the service delivery team is not able to deliver on that, so that creates disappointment in the customers. And be specific with promises and manage customer's understanding of communication content.

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SUGGESTIONS FOR CLOSING SERVICE QUALITY GAPS

Gap 5: The Perceptions Gap
Suggestion: Tangibilize and communicate service quality delivered.

- Make service quality tangible and communicate the service quality delivered:
 - Develop service environments and physical evidence cues that are consistent with the level of service provided.




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The 5th gap is the perceptions Gap and the suggestion to close this gap is to tangibilize and communicate service quality delivered. Make service quality tangible and communicate the service quality delivered. Make it tangible and then communicate it because communicating intangibles is all the more difficult. So, develop service environment and physical evidence cues that are consistent with the level of service provided.

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SUGGESTIONS FOR CLOSING SERVICE QUALITY GAPS

- For complex and credence services, keep customers informed during service delivery on what is being done, and give debriefings after the delivery so customers can appreciate the quality of service received.
- After completion of the work, explain what work was performed in relation to a specific billing statement. *workmen (communicated, explained)*
- Provide physical evidence (e.g., for repairs, show customers the damaged components that were removed).



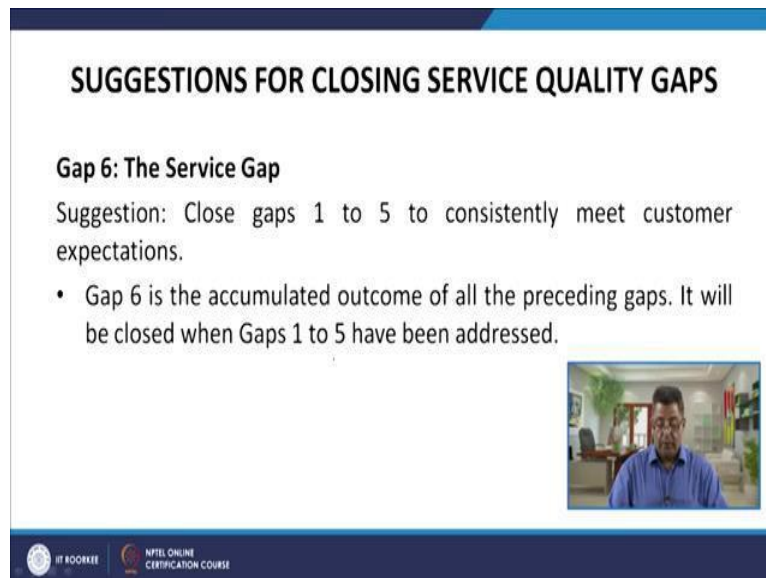
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For complex and those services which are high on credence attributes, keep customer informed during service delivery of what is being done and give the debriefings about the delivery, so customers can appreciate the quality of service received. After completion of the work, explain what work was performed in relation to specific billing statement. So, this bills

should match the work that was performed and that has to be communicated and explained to the customers. It has to be communicated and explained.

Provide physical evidence, for example, for repairs, show customers the damage components that were removed. So, the service station gives the customer back the damaged part and they replace it, so, that acts as the physical evidence of service.

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SUGGESTIONS FOR CLOSING SERVICE QUALITY GAPS

Gap 6: The Service Gap

Suggestion: Close gaps 1 to 5 to consistently meet customer expectations.

- Gap 6 is the accumulated outcome of all the preceding gaps. It will be closed when Gaps 1 to 5 have been addressed.



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The Gap 6 is suggestion is to close Gaps 1 to 5 to consistently meet customer expectations. Gap 6 is the accumulated outcome of all the preceding gaps, it will be closed when Gap 1 to 5 have been addressed, so when these Gap 1 to 5 are addressed or reduced or closed down, so this gap will automatically be taken care of. So, the challenge is starting from Gap 1, the bigger the Gap 1, that will then pass on to the Gap 2, Gap 3, Gap 4 and 5.

So, the biggest challenge is to narrow down the Gap 1 and to narrow down the Gap 2, 3, 4, 5 and then automatically this Gap 6 will be reduced or eliminated. That is when the customer perceptions meet the customer expectations.

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MEASURING SERVICE QUALITY

- Having discussed the gaps model and the generic prescriptions, next we discuss how to use measurement to guide our service quality improvement efforts.
- It is commonly said that “what is not measured is not managed.”
- Without measurement, managers cannot be sure whether service quality gaps exist, let alone what types of gaps, where they exist, and what potential corrective actions should be taken.
 - Measurement determines whether goals for improvement are met after changes have been implemented.



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How do we measure service quality? Having discussed the gaps model and the generic prescriptions, next we discuss how to use measurement to guide our service quality improvement efforts. It is commonly said that what is not measured is not managed. Without measurement, managers cannot be sure whether service quality gap exists.

So, that is important that they are able to measure and only then they will be able to tell what kind of gaps exist and how big the gaps are. Let alone what types of gap, where they exist and what potential corrective action should be taken. Measurement determines whether goals for improvement are met after changes have been implemented.

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SOFT AND HARD SERVICE QUALITY MEASURES

- Customer-defined standards and measures of service quality can be grouped into two broad categories: “soft” and “hard”.
- Organizations known for service excellence make use of both soft and hard measures.
- These organizations are good at listening to both their customers and their customer-contact employees.

frontline employees



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Then there are some hard and soft service quality measures. Customer defined standards and measures of service quality can be grouped into two broad categories: the hard standards and the soft standards. Organisation known for service excellence make use of both these kind of measures the hard measures and the soft measures or the hard standard or the soft standards. These organisations are good at listening to both their customers and their customers contact employee, so they also talk to the frontline employee and they also talk to the customers.

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SOFT STANDARDS

- Soft standards and their measures cannot be easily observed and are typically gathered by talking to customers.
- Soft standards provide direction, guidance, and feedback to employees on how to achieve customer satisfaction, and they can be quantified by measuring customer perceptions and beliefs.
- E.g. SERVQUAL is a sophisticated soft measurement system.

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Now, let us look at what are these soft standards. Soft standards and their measures cannot be easily observed and are typically gathered by talking to the customer. Soft standards provide direction, guidance and feedback. So, they provide one direction, second is guidance and the third is feedback to employees on how to achieve customer satisfaction and they can be quantified by measuring customer perceptions and beliefs.

So, measure customer perceptions and beliefs and then quantify. SERVQUAL is a sophisticated soft measurement equipment. This is what we are talking of, this is a short form of service quality, so this is an instrument that measures that is a soft measurement system.

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HARD STANDARDS

- Hard standards and measures are typically process activities and outcomes that can be counted, timed or measured.
- Such measures may include:
 - how many orders were filled correctly, - no. 5
 - the time required to complete a specific task, 15
 - how many minutes customers had to wait in line at a particular stage in the service delivery, 30
 - how many trains arrived late, 7
 - how many telephone calls were dropped while customers were on hold, or 3
 - how many patients made a complete recovery following a specific type of surgery. 11

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Then there are some hard standards. Hard standards and measures are typically process activities and outcomes that can be counted, timed and measured. So, hard standards means those standards that can be counted, times and measured. Such measures may include how many orders were filled correctly?

So there is a number, for example 5. The time required to complete a specific task. 15. How many minutes customer had to wait in line at a particular stage in the service delivery? So 30 minutes. How many trains arrived late? 7. How many telephone calls were dropped when customers were on hold? So that can be 3. How many patients made a complete recovery following a specific type of surgery? So that can be 11. So these are hard standards that can be counted, timed and measured.

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LEARNING FROM CUSTOMER FEEDBACK

Key Objectives of Effective Customer Feedback Systems

- “It is not the strongest species that survive, nor the most intelligent, but the ones most responsive to change”.
- Similarly, many strategists have concluded that in increasingly competitive markets, the best competitive advantage for a firm is to learn and change faster than its competition.

-- Charles Darwin

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Now, learning from customer’s feedback. The key objective of effective customer feedback system. “It is not the strongest species that survive, nor the most intelligent but the ones most responsive to change”, so this is what Charles Darwin said. Similarly, many strategists have concluded that in increasingly competitive market, the best competitive advantage for a firm is to learn and change faster than the competition and that will help them in survival and success.

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LEARNING FROM CUSTOMER FEEDBACK

Key Objectives of Effective Customer Feedback Systems

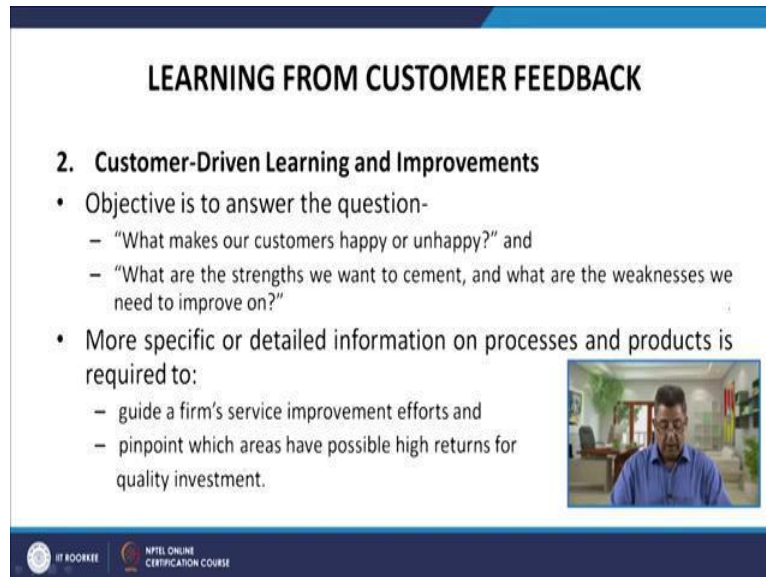
- 1. Assessment and Benchmarking of Service Quality and Performance**
 - Objective is to answer the question “How satisfied are our customers?”
 - Includes learning about-
 - how well a firm performed in comparison to its main competitor(s), in comparison to the previous year (or quarter or month)
 - whether investments in certain service aspects have paid off in terms of customer satisfaction, and
 - where the firm wants to be the following year.

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So, how to go about doing that. The first is assessment and benchmarking of service quality and performance. Objective is to answer the questions, how satisfied are our customers? That includes learning about how well a firm performed in comparison to its main competitors, in

comparison to the previous years or quarter or month. Whether investments in certain service aspects have paid off in terms of customer satisfaction and where the firm wants to be the following year.


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LEARNING FROM CUSTOMER FEEDBACK

2. Customer-Driven Learning and Improvements

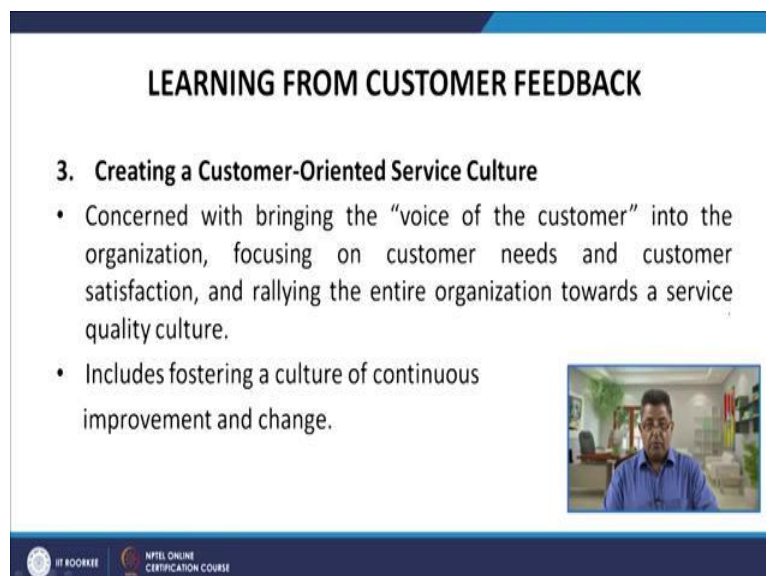
- Objective is to answer the question-
 - “What makes our customers happy or unhappy?” and
 - “What are the strengths we want to cement, and what are the weaknesses we need to improve on?”
- More specific or detailed information on processes and products is required to:
 - guide a firm’s service improvement efforts and
 - pinpoint which areas have possible high returns for quality investment.



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The second is customer driven learning and improvements. Objective is to answer the question what makes our customer happy or unhappy and what are the strengths we want to cement and what are the weaknesses we need to improve upon? More specific or detailed information on processes and product is required. In order to guide a firm’s service improvement efforts and pinpoint which areas have possible high returns for quality investments?


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LEARNING FROM CUSTOMER FEEDBACK

3. Creating a Customer-Oriented Service Culture

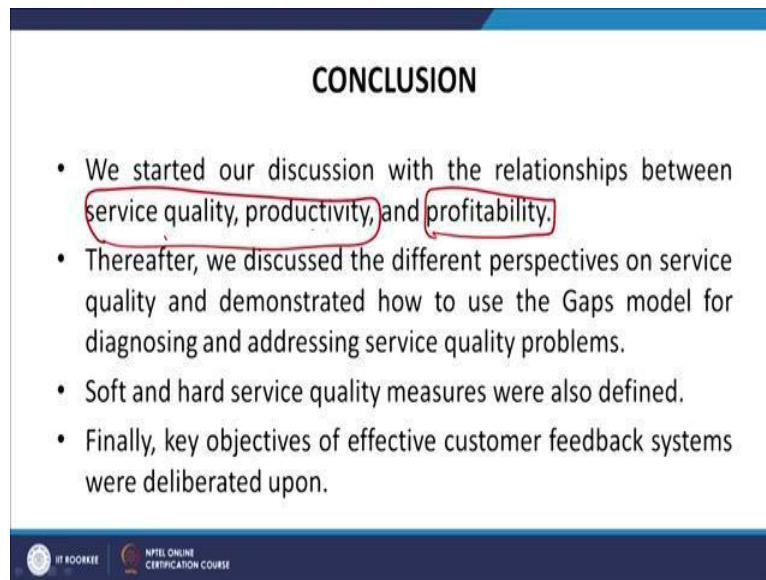
- Concerned with bringing the “voice of the customer” into the organization, focusing on customer needs and customer satisfaction, and rallying the entire organization towards a service quality culture.
- Includes fostering a culture of continuous improvement and change.



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Creating a customer-oriented service culture that is concerned with bringing the voice of the customer into the organization, focusing on customer needs and customer satisfaction and rallying the entire organization towards service quality culture and that includes fostering a culture of continuous improvement and change.

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CONCLUSION

- We started our discussion with the relationships between service quality, productivity, and profitability.
- Thereafter, we discussed the different perspectives on service quality and demonstrated how to use the Gaps model for diagnosing and addressing service quality problems.
- Soft and hard service quality measures were also defined.
- Finally, key objectives of effective customer feedback systems were deliberated upon.

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So, to conclude this module, we have started our discussion with the relationships between service quality, productivity and profitability. So, we have seen the impact of both these service quality and productivity on profitability. This increases the customer satisfaction and this reduces the cost. Service quality increases the customer satisfaction while productivity decreases the cost.

Thereafter, we have discussed the different perspective on service quality and demonstrated how to use the Gaps model for diagnosing and addressing service quality problems. Then we have talked about the hard and the soft standards or measures. Finally, the key objective of effective customer feedback systems were deliberated upon and these are the 3 books from which the material for this module was used. Thank you.

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