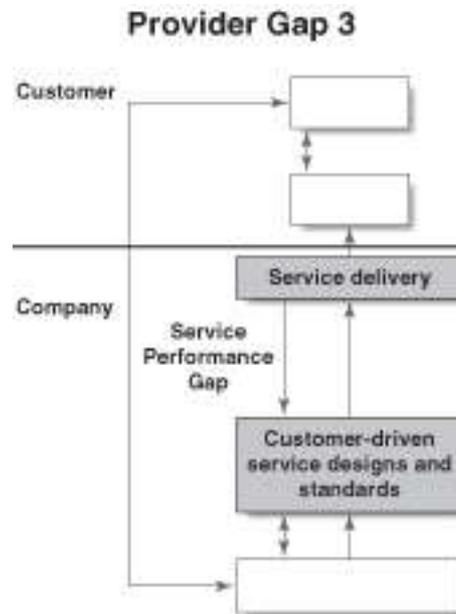


Part 5

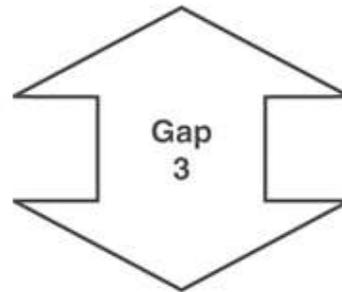
DELIVERING AND PERFORMING SERVICE

Provider Gap 3



Key Factors Leading to Provider Gap 3

FIGURE 2.4
Key Factors Leading
to Provider Gap
3: The Service
Performance Gap



- **Deficiencies in human resource policies**
 - Ineffective recruitment
 - Role ambiguity and role conflict
 - Poor employee–technology job fit
 - Inappropriate evaluation and compensation systems
 - Lack of empowerment, perceived control, and teamwork
- **Failure to match supply and demand**
 - Failure to smooth peaks and valleys of demand
 - Inappropriate customer mix
 - Over-reliance on price to smooth demand
- **Customers not fulfilling roles**
 - Customers lack knowledge of their roles and responsibilities
 - Customers negatively impact each other
- **Problems with service intermediaries**
 - Channel conflict over objectives and performance
 - Channel conflict over costs and rewards
 - Difficulty controlling quality and consistency
 - Tension between empowerment and control

Customer-driven service
designs and standards



Service delivery



Employees' Roles in Service Delivery

- Service Culture
- The Critical Importance of Service Employees
- Boundary-Spanning Roles
- Strategies for Delivering Service Quality Through People
- Customer-Oriented Service Delivery

Service Culture

“A culture where an appreciation for good service exists, and where giving good service to internal as well as ultimate, external customers, is considered a natural way of life and one of the most important norms by everyone in the organization.”

- Christian Grönroos (1990)

The Critical Importance of Service Employees

- They are the service.
- They are the organization in the customer's eyes.
- They are the brand.
- They are marketers.
- Their importance is evident in:
 - the services marketing mix (people)
 - the service-profit chain
 - the services triangle

The “Power of One”

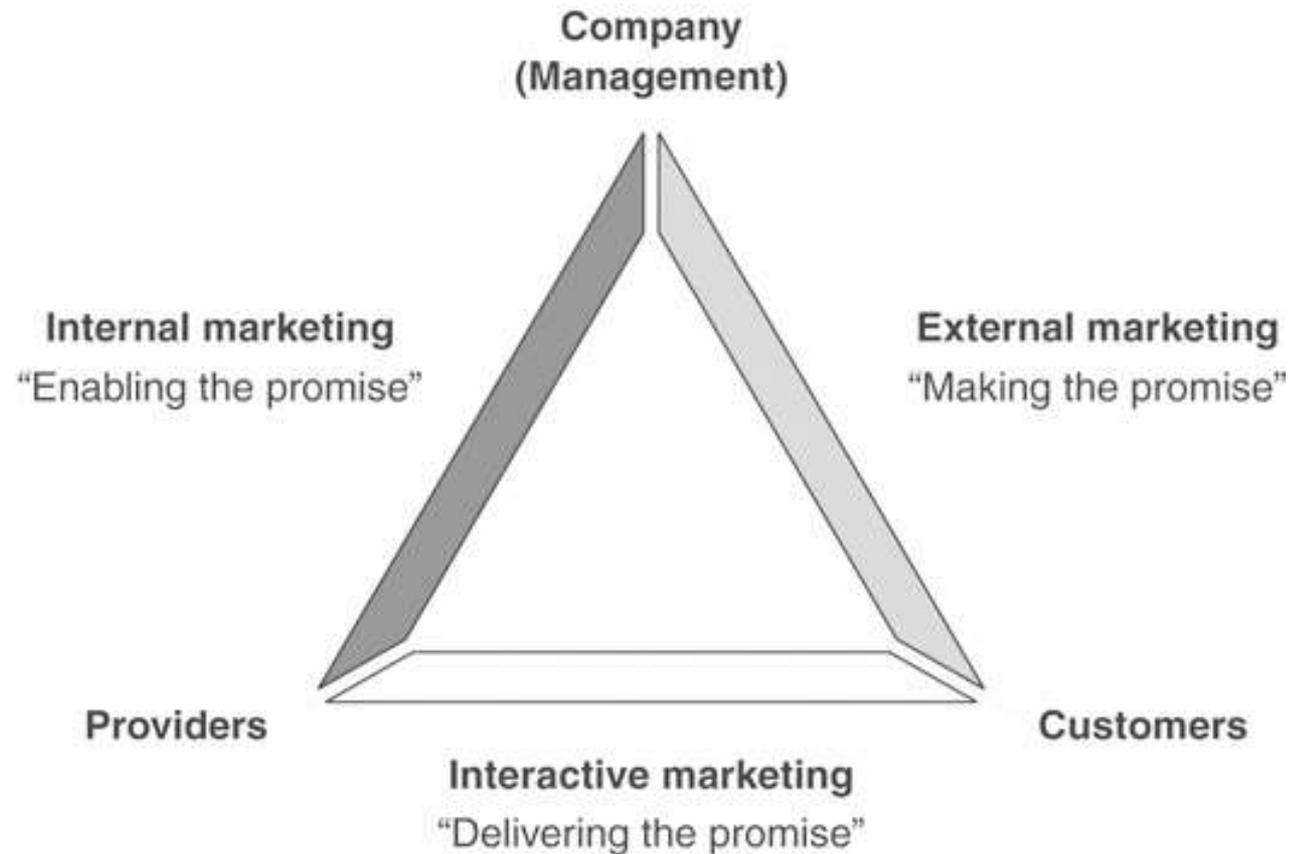
- Every encounter counts
- Employees are the service
- Every employee can make a difference
- Through their actions, all employees shape the brand



The Services Marketing Triangle

FIGURE 12.1 The Services Marketing Triangle

Sources: Adapted from M. J. Bitner, "Building Service Relationships: It's All about Promises," *Journal of the Academy of Marketing Science* 23 (Fall 1995), pp. 246–251; C. Gronroos, *Service Management and Marketing: A Customer Relationship Management Approach*, 2nd ed. (West Sussex, England: John Wiley and Sons, Ltd., 2000), p. 55; and P. Kotler and K. L. Keller, *Marketing Management*, 12th ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2006), p. 412.



Aligning the Triangle

- Organizations that seek to provide consistently high levels of service excellence will continuously work to align the three sides of the triangle.
- Aligning the sides of the triangle is an ongoing process.

Services Marketing Triangle Applications Exercise

- Focus on a service organization. In the context you are focusing on, who occupies each of the three points of the triangle?
- How is each type of marketing being carried out currently?
- Are the three sides of the triangle well aligned?
- Are there specific challenges or barriers in any of the three areas?

Making Promises

- Understanding customer needs
- Managing expectations
- Traditional marketing communications
- Sales and promotion
- Advertising
- Internet and web site communication

Keeping Promises

- Service delivery
 - Reliability, responsiveness, empathy, assurance, tangibles, recovery, flexibility
- Face-to-face, telephone & online interactions
- The Customer Experience
- Customer interactions with sub-contractors or business partners
- The “moment of truth”

Enabling Promises

- Hiring the right people
- Training and developing people to deliver service
- Employee empowerment
- Support systems
- Appropriate technology and equipment
- Rewards and incentives

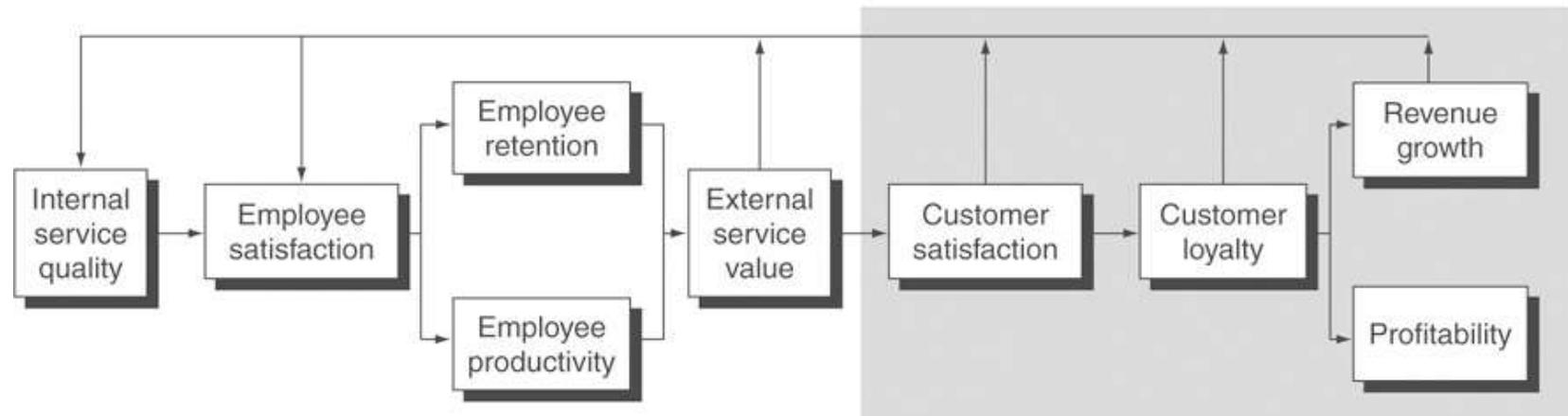
Ways to Use the Services Marketing Triangle

- Overall Strategic Assessment
 - How is the service organization doing on all three sides of the triangle?
 - Where are the weaknesses?
 - What are the strengths?
- Specific Service Implementation
 - What is being promoted and by whom?
 - How will it be delivered and by whom?
 - Are the supporting systems in place to deliver the promised service?

The Service Profit Chain

FIGURE 12.2 The Service Profit Chain

Source: Adapted and Reprinted by permission of *Harvard Business Review* an excerpt from J. L. Heskett, T. O. Jones, G. W. Loveman, W. E. Sasser Jr., and L. A. Schlesinger, "Putting the Service-Profit Chain to Work," *Harvard Business Review* 72 (March–April 1994), pp. 164–174. Copyright © 1994 by The Harvard Business School Publishing Corporation; all rights reserved.



Service Employees

- Who are they?
 - “boundary spanners”
- What are these jobs like?
 - emotional labor
 - many sources of potential conflict
 - person/role
 - organization/client
 - interclient
 - quality/productivity tradeoffs

Boundary Spanners Interact with Both Internal and External Constituents

FIGURE 12.3
The Critical Roles of
Boundary Spanners



Boundary-Spanning Workers Juggle Many Issues

- Person versus role
- Organization versus client
- Client versus client



Human Resource Strategies for Delivering Service Quality through People

FIGURE 12.4
Human Resource
Strategies for
Delivering Service
Quality through
People



Empowerment

■ Benefits:

- quicker responses to customer needs during service delivery
- quicker responses to dissatisfied customers during service recovery
- employees feel better about their jobs and themselves
- employees tend to interact with warmth/enthusiasm
- empowered employees are a great source of ideas
- great word-of-mouth advertising from customers

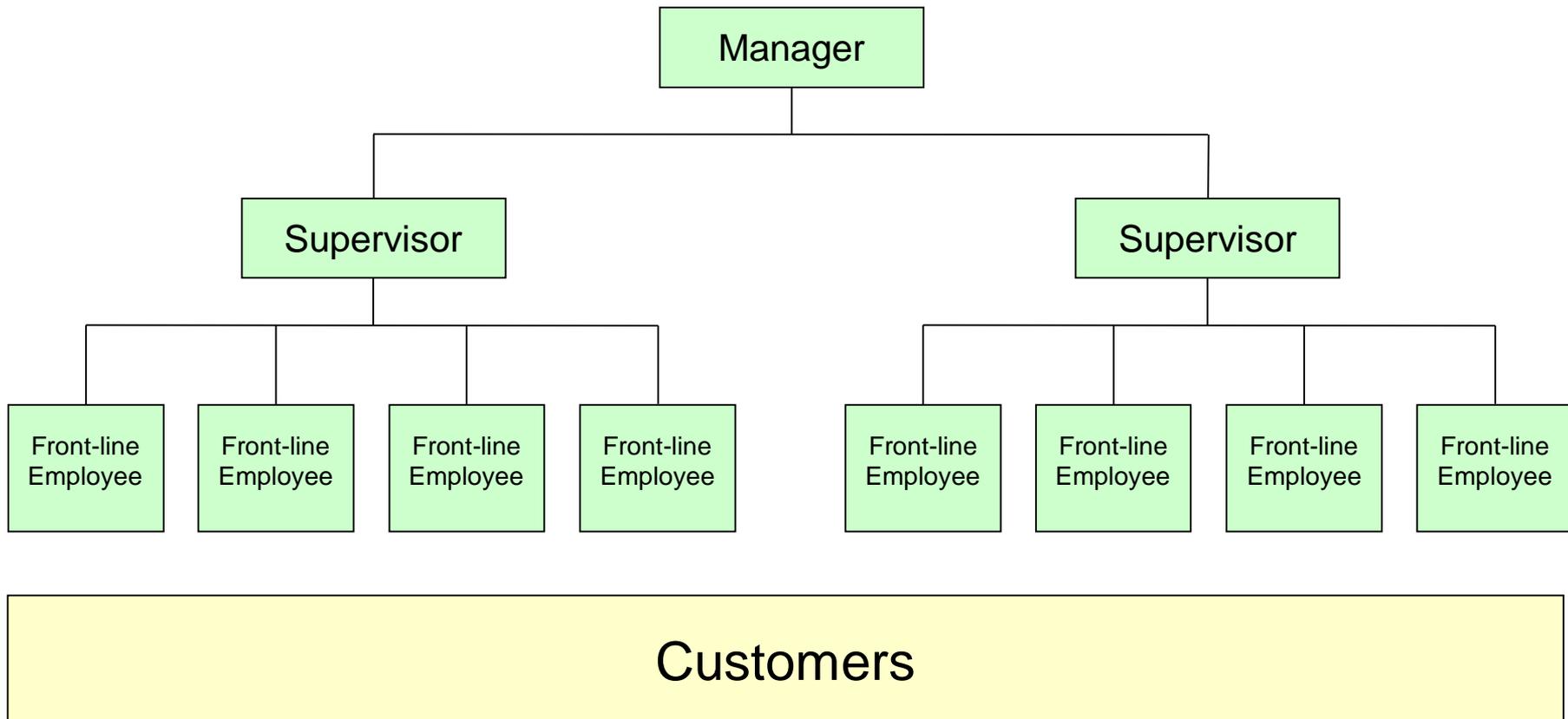
■ Drawbacks:

- potentially greater dollar investment in selection and training
- higher labor costs
- potentially slower or inconsistent service delivery
- may violate customers' perceptions of fair play
- employees may "give away the store" or make bad decisions

Seattle's CLICK!

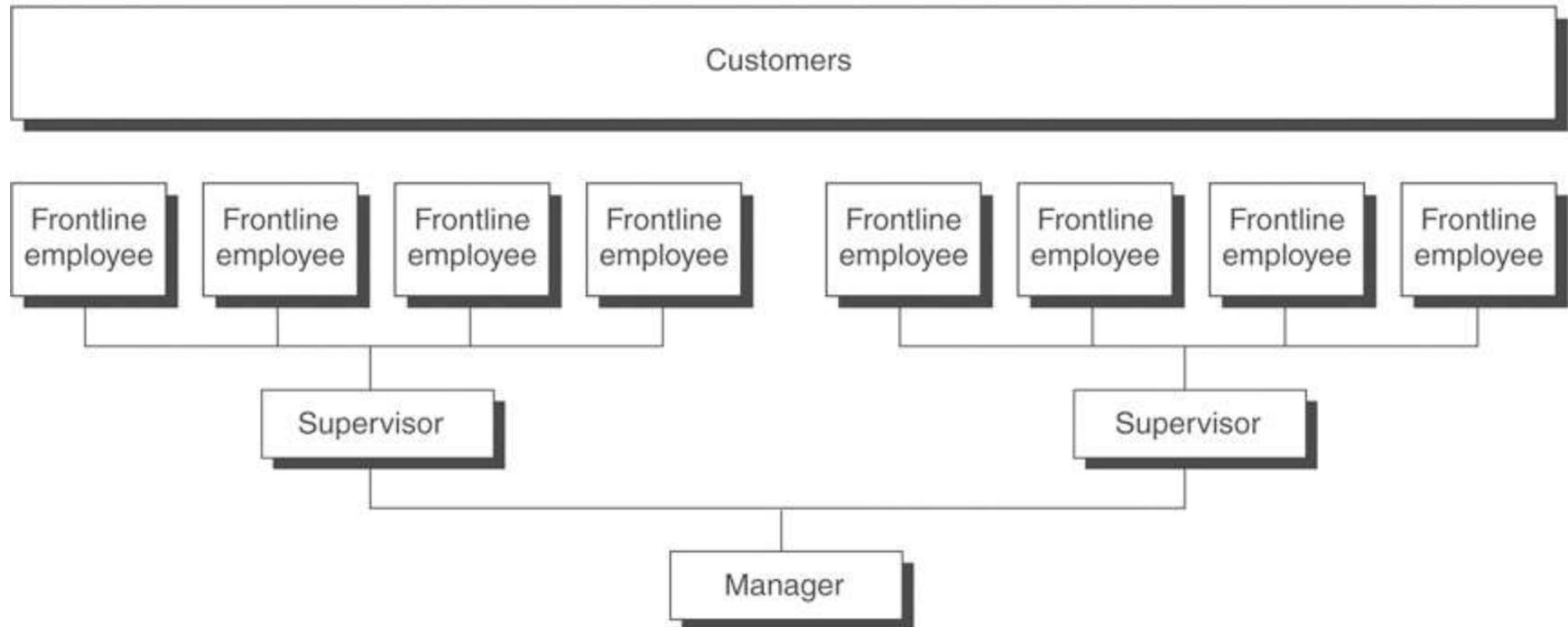


Traditional Organizational Chart



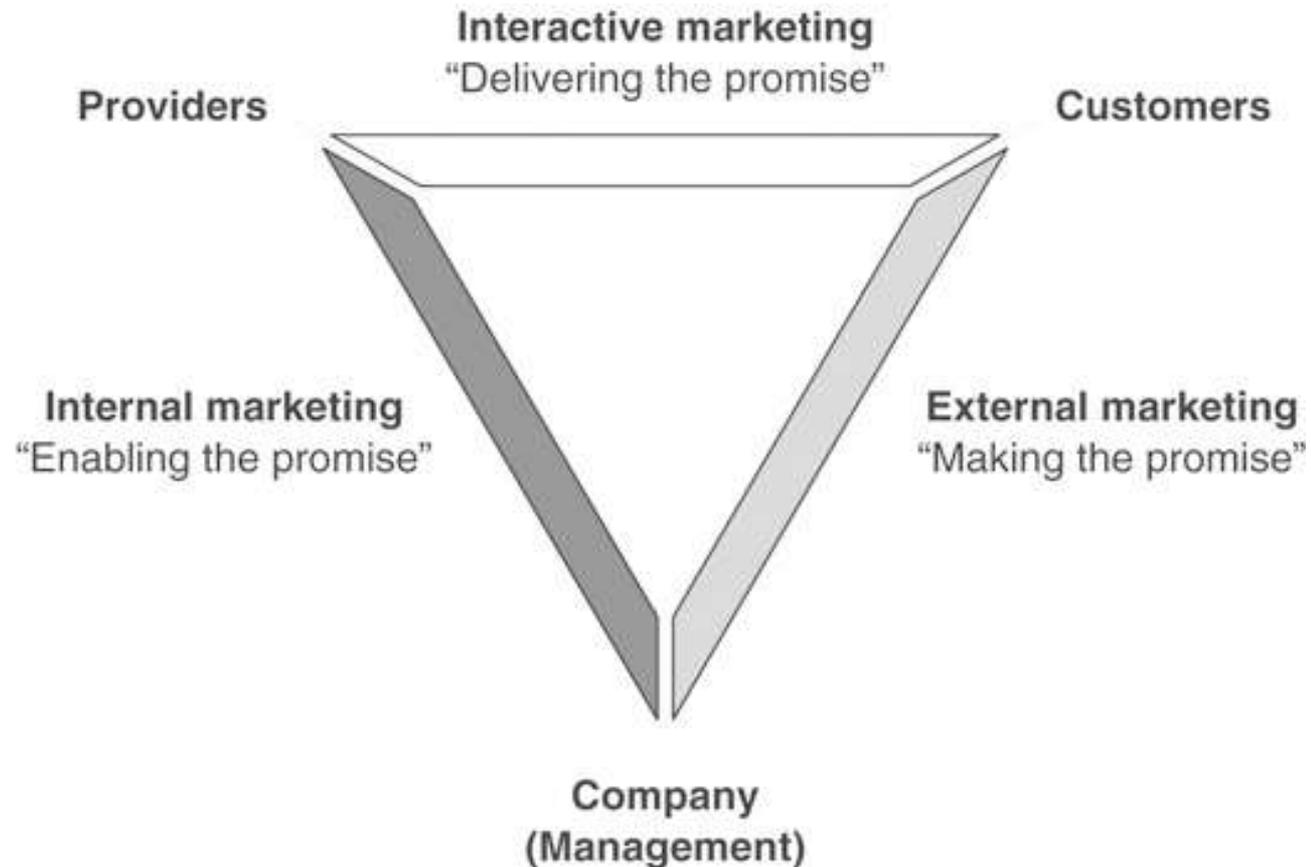
Customer-Focused Organizational Chart

FIGURE 12.5 Customer-Focused Organizational Chart



Inverted Services Marketing Triangle

FIGURE 12.6
Inverted Services
Marketing Triangle



How Employee Satisfaction Drives Productivity and Customer Satisfaction at Wegmans



The grocery chain paid over \$54 million for college scholarships for 17,500+ employees over the past 20 years.

Wegmans did not hesitate to send cheese manager Terri Zodarecky on a ten-day sojourn to cheesemakers in Europe.

The firm gives employees flexibility to deliver great customer satisfaction.

How can this be justified?

How does this affect performance?



- Wegmans' labor costs are 15-17% of sales, compared with 12% for industry.
- But annual turnover is just 6% (19% for similar grocery chains).
- 20% of employees have 10+ years of service.
- This in an industry where turnover costs can exceed annual profits by more than 40%.
- Wegmans' operating margins are 7.5%, double what the big grocers earn.
- Sales per square foot are 50% higher than industry average.