

The service is dead, long live the efficiency?

They are all suffering from the same disease: telecom services, banks, airline companies, store chains, energy suppliers, breweries, ... Their satisfaction inquiry often aims at determining how to skimp more on service and quality without definitively losing their customers. Surely you too have experienced some tales of terror in which you as a loyal and profitable customer were psychologically abused.

But how did it come to such a pass? Is the customer to blame; did he report to his suppliers that he henceforth wants to pay less and is willing to sacrifice service for that purpose? Or should we focus on certain hedge funds or company raiders who are only interested in a short-term improvement of the percentage given by the EBITDA? Or is it comparable to global warming: we watch it happen and we all contribute to it, without being able to point out the one who is responsible and without taking independent actions which could make the difference?

Yet, things could be different. Maximally once a week I go to my Keurslager; there are always 10 people queuing before me, and yet, as soon as I walk in, the butcher's wife calls out to me "Hi Bart", and when I need to pay, she knows my card number by heart; by the way, a number that I cannot remember myself. All together, the card numbers cover the entire spectrum between 10 and 1,000. That is what I call service, not to mention the profitability of their business.

The solution seems obvious: From now on I advise my principals to admit the butcher's wife as a member of their board of directors... Unfortunately, she probably earns more from behind her counter than in a boardroom and, supposedly, there are more multinationals than wives of butcher. So, in the end, you will have to solve it yourself. Following, a few tips.

Start from a clear Service Concept

We are part of an economy in which mainly the services regarding the products can make the difference. The products are often commodities, or the consumer is no longer able to notice the differences between products. If you want to compete successfully, you will have to define precisely the service around your products.

Your Service Concept (Goldstein et al.; 2002) indicates how you will interact with your customer and determine both his and your role. Does the customer come to you or do you approach the customer? Who does what? Your Service Concept manifests itself in many fields:

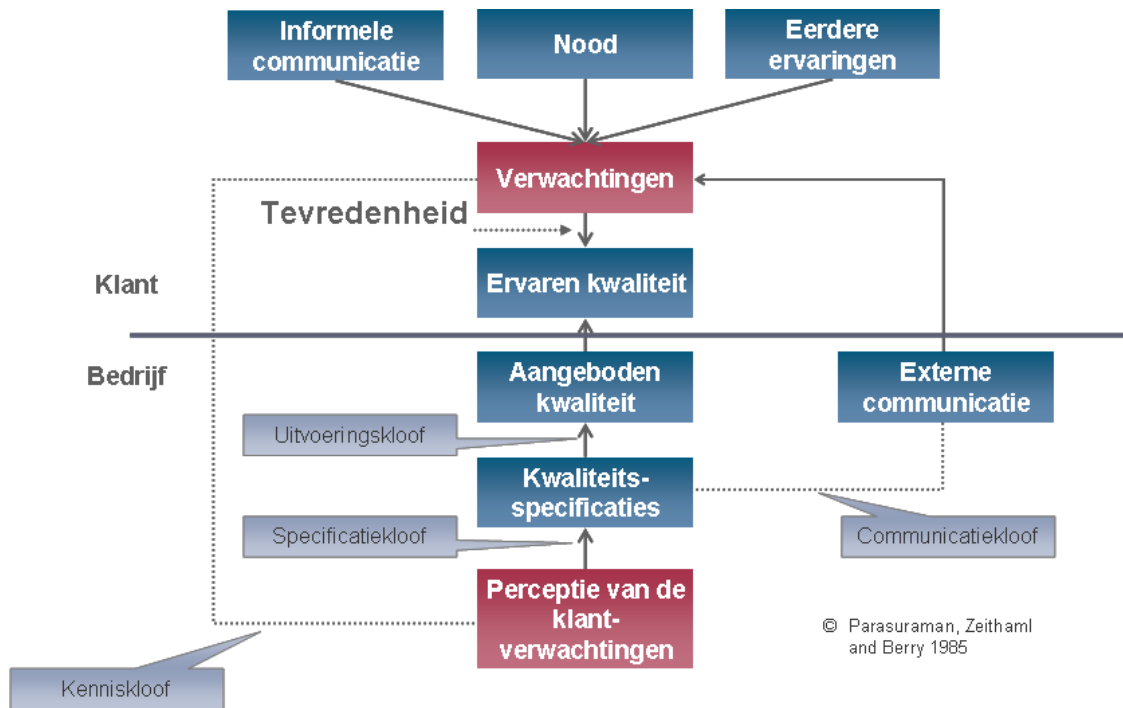
- ✓ In your pre-sales organization (for example on-line car configurators)
- ✓ In your product (for example a DIY-kit)
- ✓ In your communication (do not promise heavenly flying experience when you believe that an airplane is like a slow train with wings)
- ✓ Self service tools (for example downloads containing building instructions for a DIY-kit)
- ✓ In your instructions addressed to your staff members about how they should treat their customers (for sure, the wife of the Keurslager will fire the salesgirl on the spot if she treats a customer impolitely)
- ✓ In your after-sales organization (for instance, consider a help desk that organizes the collection of your faulty GPS and where you can trace the status of your repairs)

Therefore, you must make sure that a Service Concept is included in your initial business plan and that it forms a connecting thread through the entire value chain of your company.

Rely on ServQual

A good model to guarantee that a customer is satisfied with a service is ServQual (Parasuraman, Zeithaml, Berry; 1988)

Customer's satisfaction is defined as the difference between the expectations of the customer and the quality that he experiences.



Obviously, the customer's expectations are mainly based upon his needs, but also upon experiences with similar services and mouth-to-mouth advertising. You may take a really broad view of "similar services": the expectations of a radiotelephone operator are influenced by the achievements of the bank of the radiotelephone subscriber.

The quality *experienced* by the customer does not necessarily match the quality *delivered* by the companies. Among other things, this is caused by miscommunication. If the customer does not know that the restaurant (MacDonald's) he enters, applies a self-service formula, he will surely be unsatisfied. What a mess! Not one waiter wanted to clear my table! Therefore, communication plays an important part. Communicate your Service Concept to the customer, so that he knows what to expect. In case a problem is caused by miscommunication, a *Communication gap* will arise.

Problems also occur when you form a wrong idea of the customer's expectations (the *Acquaintance gap*). You assume that the customer is a true cinephile looking for the experience of watching a movie in the highest resolution with in addition an astounding surround sound. However, above all the customer considers a film evening as a social gathering with friends and enjoying a large supply of snacks and candy.

Okay, your Service concept has now been defined, it corresponds to the customer's expectations and was clearly communicated to the customer. Can anything still go wrong?

Of course. The *Specification gap* is often caused by incorrect parameters on your dashboard. When booking a trip, you promise the customer that he will get to speak to a travel expert. You know that he does not want to run about on his vacation destination and therefore wants to arrange all excursions in advance. So plenty of opportunities for upselling, and yet, you call your agents to account for their average length of conversation. Consequence: short conversations, no upselling and unsatisfied customers.

Finally, the *Execution gap* arises when the processes are incorrectly realized or the quality is not or insufficiently verified.

From service to efficiency

All right, we apply this model, so we are sure the customers are satisfied: we have gained a clear insight into the customer's expectations, we have adequately communicated; consequently the customer understands and opts for our Service Concept, which we have properly rendered into processes, which we accurately execute. We have also gained an advantage over our competitors, because our product is surrounded by innovative pre-sales services and user-friendly after-sales services.

But how do we make all this efficient? Do not forget that the financial director is always right around the corner, holding his scythe in readiness, even when your customers are satisfied. Profitability, you know. Basically, efficiency amounts to performing only those activities that are necessary for the appointed objective (of which a good customer service is an integral part).

Replace “quality” by “efficiency” in ServQual

So, efficiency means avoiding unnecessary costs. Here too ServQual offers something to rely on: By closing the Acquaintance, Specification and Execution gap, you no longer perform activities of which you unjustly thought they added value for the benefit of the customer. Or as Antoine de Saint-Exupéry puts it: "La perfection est atteinte non quand il ne reste rien à ajouter, mais quand il ne reste rien à enlever." (« You know you've achieved perfection in design, not when you have nothing more to add, but when you have nothing more to take away »).

Back to basics: processes, but modeling ≠ improving

The mother of all improvement techniques is process modeling. In case you have not mapped out your processes, you cannot act upon KPIs; in case the parts in your organization are not univocally defined, you do not know how many resources you require, ... You are just running against a brick wall.

Process modeling is an essential measure to efficiently run your company. However, process modeling alone does not guarantee efficient processes. It is thus essential to critically scrutinize your processes when modeling.

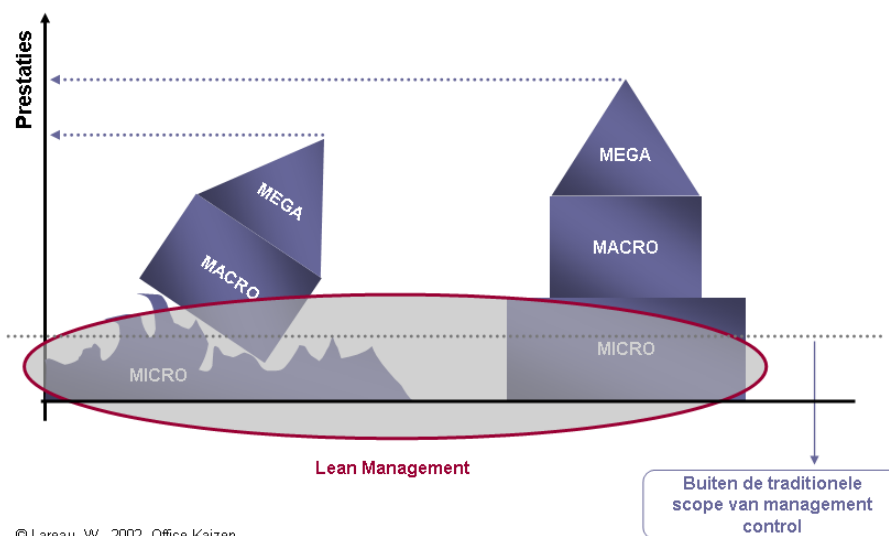
An exercise in view of improving our process would already take us a long way, but is insufficient in case it is extraneous to an improvement cycle. Hopefully your company continuously develops along with the market. In that case, your processes are no static data and one single process improvement measure will soon lose its effect. That is exactly why the final destination of this exercise should be a system of continuous process improvement.

This applies a fortiori to an organization which offers services. The essential difference between a product and a service is the fact that a tangible product is the *result* of a process. How that result was achieved, is actually of little importance to the customer (obviously, only in case the price and the lead time are okay and no child labor or other crimes were committed). A service, on the other hand, *is* a process. So the only way to monitor the efficiency of a service is to keep control over the process in which the service is effected.

Efficiency through continuous process improvement

There are more efficient techniques to embed continuous process improvement in your organization. The most important pitfall is not necessarily choosing the wrong technique, but rather ceasing to think end-to-end, ceasing to look from the customer's point of view, or consequently, ceasing to apply your Service Concept and not continuously monitoring your process improvement through ServQual.

A possible technique that fulfills the conditions for continuous process improvement, is, for example, Lean Office. Essential to Lean thinking is the realization that the improvement of operational microprocesses has a direct impact on the execution of the company's strategy. You can compare it with building a solid house on swampy soil. (source: *Lareau, W., 2002, Office Kaizen*).



It is important that everyone knows his part and what is expected of him, so that the operations lay the foundation of a customer-oriented and efficient service. In such cases, Lean office management offers added value. Among other things, it assures that the improvements or new concepts – devised by the higher management and converted into tactical plans by the middle management – actually prove their value in practice for the benefit of the external as well as the internal customer.

A critical factor for success – that assures the customer-friendly application of the Lean principles to a context of services – is the realization that the people who execute the processes are knowledgeable workers who maintain contact with customers and are best placed to eliminate waste from the processes without undermining the Service Concept. The Lean method is successful because it strongly focuses on reducing waste that is recognizable to all parties involved and because it offers concrete tools and checklists in order to effectively realize the Lean process. Think about this type of questions: Why is it that employees sometimes have to wait until someone else has finished his task? Which application requires the completion of unnecessary screens? Which tasks cause much variation in the rate of execution between employees? Where is information translated into another language, format or carrier? Which registered information is never used? In which parts of the process occur many mistakes?

Less than ten percent of the administrative supporting processes in an organization add value in benefit of the customer. In order to guarantee the efficient operation of the organization, another forty to fifty percent is important. You can conclude that potential improvement could be present in the remaining forty to fifty percent of the administrative processes.

Finally: The image of a company is a tankship

A tanker can execute only 1 maneuver quickly: sink. You cannot just change the image of a company, especially not when it has ignored its customers for years. When such a company suddenly comes up with an offer like “more service for a higher amount”, it will sound very hollow and implausible. Downgrading your service only takes a few minutes. However, bargain on a few years to restore it to the original level in a profitable way.

Conclusion

In this article we have considered the possibilities of a smart Service Concept in order to establish a competitive lead by reconciling service and efficiency through ServQual and Lean Office. In case you desire to start immediately, you can rely on the adjoining checklist. Or, of course, you can always try to convince your partner to open a joint butcher shop...

Recommended reading

Goldstein et al., 2002. The service concept: The missing link in service design research? Journal of Operations Management. v20 i2. 121-134.

Parasuraman, A. Valerie A. Zeithaml and Leonard L. Berry (1988) "SERVQUAL: A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality", Journal of Retailing, volume 64, number 1 (lente 1988), p12-40

Lareau, W., 2002, Office Kaizen, Transforming office operations into a strategic competitive advantage

Shigeo Shingo, 1989, A Study of the Toyota Production System (Lean manufacturing)

de Saint-Exupéry, A., 1931, Vol de Nuit.

Checklist Service and Efficiency

1. Service Concept

- a. What is your role and that of the customer?
- b. How do I differentiate with innovative pre- or postsales services and tools?

2. ServQual

- a. What are the customer's expectations?
- b. How do I convert them into processes?
- c. Do we execute the processes as prescribed?
- d. Have I communicated my Service Concept correctly to the customer?

3. Continuous process improvement

- a. Am I still thinking end-to-end and from the customer's point of view?
- b. Do I consider the impact of the proposed measures on the Service Concept?
- c. Do I analyze the effect of the identified improvement opportunities through ServQual?
- d. Are the executors of the processes closely involved in the improvement initiatives?

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