Achieving Marketing Excellence through Superior Service and Technology

Professor A. “Parsu” Parasuraman
University of Miami
Coral Gables, Florida, USA

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Jeff Bezos, CEO, Amazon.com:

“In the offline world ... 30% of a company’s resources are spent providing a good customer experience and 70% goes to marketing. But online ... 70% should be devoted to creating a great customer experience and 30% should be spent on ‘shouting’ about it.”

- Quoted in BusinessWeek
What is Service Quality?
From Customers’ Perspective…

- Service quality results from a comparison customers’ service expectations with their actual service experience.

- Their service experience frequently falls short of their expectations.
From a Company’s Perspective…

- Delivering superior service quality on a sustained basis is a major challenge.
- This challenge arises because of four key internal deficiencies or “gaps” within the organization.
Conceptual Model of Service Quality: GAPS Model

<table>
<thead>
<tr>
<th>CUSTOMER</th>
<th>SERVICE ORGANIZATION</th>
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<tbody>
<tr>
<td><strong>Customers’ Service Expectations</strong></td>
<td><strong>Organization’s Understanding of Expectations</strong></td>
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<tr>
<td><strong>Customers’ Service Perceptions</strong></td>
<td><strong>GAP 1</strong></td>
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<td><strong>Service Quality Gap</strong></td>
<td><strong>GAP 2</strong></td>
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<td><strong>GAP 3</strong></td>
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<td><strong>GAP 5</strong></td>
<td><strong>Organization’s Service Standards</strong></td>
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<td><strong>Organization’s Communications to Customers</strong></td>
<td><strong>Service Standards Gap</strong></td>
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<td><strong>Market Information Gap</strong></td>
<td><strong>Service Performance Gap</strong></td>
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<td><strong>Internal Communication Gap</strong></td>
<td><strong>Organization’s Service Performance</strong></td>
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GAP 1: Market Information Gap

Do you have an **accurate** understanding of customers’ expectations?

No or not sure
GAP 2: Service Standards Gap

Do you have service standards and are they aligned with customers’ expectations?

No or not sure
GAP 3: Service Performance Gap

Does your service delivery meet your own internal standards?

No or not sure

“McDonald’s Finds Angry Customers on Its Menu”
- The Wall Street Journal
GAP 4: Internal Communication Gap

Are all your interfaces and interactions with your customers synchronized?

No or not sure
Prerequisite for Superior Customer Experience

Close Gaps 1-4 & hence Gap 5!
Measuring Service Quality

The SERVQUAL Instrument to Quantify GAP 5
Key Service Quality ("SERVQUAL") Dimensions

- **Tangibles**: Appearance of physical facilities, equipment, personnel, and communication materials
- **Reliability**: Ability to perform the promised service dependably and accurately
- **Responsiveness**: Willingness to help customers and provide prompt service
- **Assurance**: Knowledge and courtesy of employees and their ability to inspire trust and confidence
- **Empathy**: Caring, individualized attention the firm provides its customers
Relative Importance of Service Dimensions When Customers Allocate 100 Points

- **Reliability**: 32%
- **Tangibles**: 11%
- **Empathy**: 16%
- **Assurance**: 19%
- **Responsiveness**: 22%
Mean SERVQUAL Scores by Service Dimension
Nature of Customer Expectations

Desired Service

Zone of Tolerance

Adequate Service

Level Customers Believe Can and Should Be Delivered

Minimum Level Customers Are Willing to Accept
Service Quality Perceptions Relative to Zones of Tolerance by Dimension

Retail Chain

Zone of Tolerance • S.Q. Perception
Relationship Between Service Quality and Firm Performance

- Service Quality
- Product Quality
- Price
- Perceived Value
- Customer Loyalty
- Firm Performance

Relatively easy for competitors to imitate
Relationship Between Superior Service Quality And Firm Performance

Superior Service Quality

- Reliability
- Tangibles
- Assurance
- Empathy

High Perceived Value

Strong Customer Loyalty

Superior Firm Performance

PQ

P
Triangle Model of Services Marketing

Company

Internal Marketing

External Marketing

Employees

Interactive Marketing

Customers
Role of Technology in Service Delivery

The “Technology Readiness” Construct and Its Managerial Implications
Pyramid Model of Services Marketing

Company

Internal Marketing

Employees

Technology

External Marketing

Interactive Marketing

Customers
An Important Implication of the Pyramid Model

An organization’s ability to use technology effectively in marketing to and serving customers critically depends on the technology readiness of its customers and employees.
What is “Technology Readiness?”

Technology Readiness [TR] refers to “people’s propensity to embrace and use new technologies for accomplishing goals in home life and at work”
Drivers of Technology Readiness

Contributors

Optimism

Innovativeness

Technology Readiness

Inhibitors

Discomfort

Insecurity
TR Scores by Dimension and Overall TRI*

Mean TR Scores

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*Data are for U.S.A.
### Five Segments Based on TR Scores

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<tr>
<td>Pioneers</td>
<td>High</td>
<td>High</td>
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<tr>
<td>Skeptics</td>
<td>Low</td>
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<td>Paranoids</td>
<td>High</td>
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<td>Laggards</td>
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High-Tech versus High-Touch Customer Service

- **High**
  - Explorers

- **High**
  - Pioneers

- **Skeptics**

- **Paranoids**

- **Laggards**

- **Low**

**Appeal of High-Tech Service Channels**

**Appeal of High-Touch Service Channels**
Questions to Consider to Ensure Superior Customer Service

- If you are considering—or have implemented—technology-based service initiatives:
  - Do you know how “technology ready” your front-line staff and customers are?
  - Do you “migrate” customers to the new technology-based systems all at once or gradually?
  - Are you aware of—and do you proactively plan for dealing with—the increasing diversity over time in the mix of first-time customers of your technology-based systems?
An Integrative Framework for Achieving Marketing Excellence through Superior Service
Building Blocks of a SQ Foundation

- Doing the service right the first time – emphasizing RELIABILITY, the most critical SERVQUAL dimension
- Doing the service very right the second time – excelling in RECOVERY, especially the process of handling service problems
- Managing and exceeding customers’ expectations
An Integrative Framework for Achieving Marketing Excellence

Maximizing Marketing Potential

Building a Customer-Centric Organization

Delivering Quality Service

Marketing to New Customers (Acquisition)
Marketing to Existing Customers (Retention)
Marketing to Employees (Internal Marketing)

Turning Marketing into a Line Function

Doing the Service Right the First Time
Doing the Service Very Right the Second Time
Managing and Exceeding Customers’ Expectations

SQ Foundation

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Turning Marketing into a Line Function
The Marketing-Service Grid

Emphasis on External Marketing

<table>
<thead>
<tr>
<th></th>
<th>Moderate</th>
<th>Aggressive</th>
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<tbody>
<tr>
<td>Superior</td>
<td>Optimum Strategy</td>
<td>Possible “Overkill”</td>
</tr>
<tr>
<td>Mediocre</td>
<td>Need to Move Up Instead of to The Right</td>
<td>Counter-Productive Strategy</td>
</tr>
</tbody>
</table>
Internal Marketing: Marketing to Employees
Interactive Marketing: Marketing to Existing Customers
An Integrative Framework for Achieving Marketing Excellence: A Second Look

Maximizing Marketing Potential
Building a Customer-Centric Organization
Delivering Quality Service

Marketing to New Customers (External Mkt’ing)
Marketing to Existing Customers (Interactive Mkt’ing)
Marketing to Employees (Internal Mkt’ing)

Turning Marketing into a Line Function

Doing the Service Right the First Time
Doing the Service Very Right the Second Time
Managing and Exceeding Customers’ Expectations

SQ Foundation
In Summary...Key Takeaways

To achieve marketing excellence through superior service and technology:

- Understand, rather than simply assume, what customers’ service expectations are
- Implement market feedback mechanisms to assess external service-quality deficiencies experienced by customers
- Implement internal monitoring systems to detect the organizational barriers that contribute to poor customer service
- Work systematically to remove the organizational barriers
Key Takeaways...(continued)

- Be aware of customers’ and employees’ readiness to embrace technology-based services
- In deciding on the appropriate mix of hi-tech and hi-touch service, take into account the differing needs of different market segments
- Have systems in place for both service reliability and service recovery
- Manage customers’ expectations effectively and exceed them whenever possible
- Make sure marketing is a “line function”
- Do not ignore marketing to internal customers and existing customers
Sources of Additional Information

www.technoreadymarketing.com
Thank You!