Service Quality Research/7

Researching the Three Dimensions of Service Quality

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Dimensions of Service Quality and Research Methods

As we noted before, service quality has three basic dimensions:

- Aspects of the product/service (Basic quality)
- Dependability (Continued availability of quality)
- Exceeding Expectations (extending the first two dimensions and adding depth to service quality)

We need different research techniques to adequately research these three dimensions.

The Cost of Quality: Should You Spend on Research?

A frequent argument against the soft dimensions of service quality is the cost associated with providing a level of service that exceeds customer expectations. Researching service quality requires special expertise and that also adds to the cost. Costs are associated not only with delivering quality but with maintaining and monitoring it.

What is the cost of quality? Many world class quality performers appear to believe that it is around 3% of their sales revenue (see for example, Creating Value for Customers by William Band, published by John Wiley 1991). Now that can be a lot of money. If your sales volume is $100 million, maintaining service quality will have an average price tag of $3 million.

Companies that do not deliver quality as an integral part of the product can easily make service quality the first casualty of hard times such as when the company starts losing money or when recession hits the economy. If you run a $100 million company and your company shows a net loss of $2 million, you can turn your company around just by eliminating expenditures associated with delivering service quality. It is a temptation that many companies give into when times are tough.

How effective are such cost-cutting (quality-cutting) measures? I am tempted to paraphrase a widely used bumper sticker: “If you think education is expensive, try ignorance”. *If you think quality is expensive try shoddiness.*

Investing in Quality

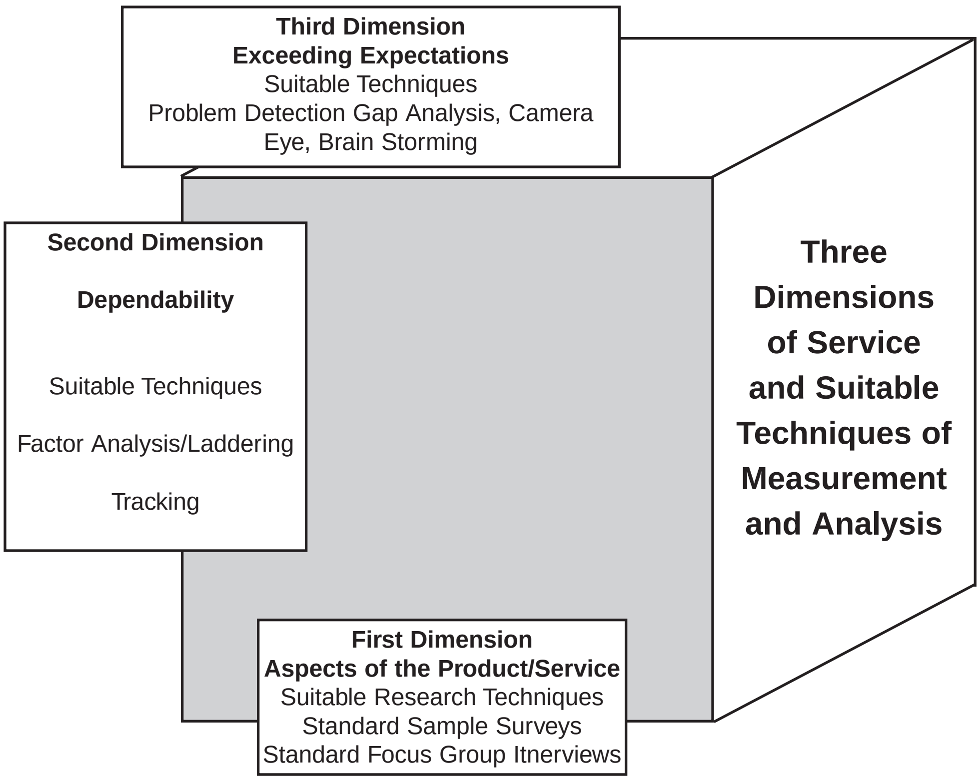
The money spent on service quality is not an expense, but an investment. If you spend 3% of your sales revenue on service quality it goes towards:

- *retaining current customers*. The cost of acquiring new customers is several times the cost of retaining current customers.
- attracting new customers. Customers are attracted by word-of-mouth advertising. Superior service quality has the effect of converting many customers into a highly credible source of sales people for your organization.

The Real Cost

If you lose just 5% of your customers and if you fail to attract just that many customers (either because your customers did not say positive things or they said negative things about your organization), the amount of resources you need to spend will be several times higher than the amount you would have spent on service quality.

There are several estimates of how expensive it is *not* to provide service quality. These figures vary depending on what exactly is included in 'service quality'. But all estimates agree on one thing: providing service quality is a lot less expensive than not providing it.



The choice, then, is not between spending money on providing, maintaining and monitoring service quality *versus* saving that money. The real choice is between spending money on quality and achieve financial rewards *versus* not providing quality and losing revenue-producing prospects. The lost profits will far exceed the cost of providing quality.

Researching the First Dimension

Research which seeks to determine whether the service/product delivers all it is supposed to deliver is dealing with the first dimension. Researching the first dimension is relatively straightforward. The research here is very similar to researching a tangible product. While each service will pose its own methodological problems, in most cases, general research methodology used for products can be modified to suit service research.

The Importance of the First Dimension

Can a product survive or even be successful if its concept of quality is confined to the first dimension? The answer is a qualified yes. A service/product can survive or even be successful if it adequately fulfills the requirements of the first dimension, provided it is in a monopolistic market or in a market where supply exceeds demand. In fact, many successful products of the past were developed in an environment of limited competition. Even when they delivered only those attributes associated with the first dimension, these products were enormously successful.

However, service which is satisfactory on the first dimension but not on the second and third dimensions is very vulnerable to break-up of monopolies or to emergence of new competitors. It is also vulnerable to substitute products.

Even more importantly, the first dimension is a necessary but not a sufficient condition of any service/quality programme. Soft dimensions of quality have very little meaning if the product does not deliver on hard dimensions.

Standard Research Techniques Are Adequate

Run-of-the-mill sample surveys and standard focus groups are usually adequate to measure the first dimension of service quality. As mentioned earlier, some aspects of service quality can be improved on the first dimension, even without specific reference to customers.

Researching the Second Dimension

The second dimension - dependability - refers to factors like after-sales service. It goes over and above the objective qualities of product/service and deals with the way the customer is treated once a product or service is sold to the customer. A query from a person who has already bought an automobile is less likely to generate profits to the organization than a query from someone who is about to buy an automobile. Being considerate to a current customer does not immediately generate new business in the same way being considerate to a potential customer does.

Does a current customer who has a problem deserve as much attention as someone who is about to generate new business? When serving an existing customer there is no immediate reward apparent to the organization. A customer who goes to a bank for a duplicate statement does not generate revenue to the bank, but creates additional work to the organization and uses up employee time.

Many organizations which do not have quality as their priority will treat such customers as a nuisance. They do not perceive after-sales service as a part of the product/service itself.

A customer does not have to generate revenue at each step. How should a company make sure that service is provided at this stage - not in an indifferent manner, not as a special favour to the client - but as a part of the product/service that is owing to the customer as a part of the price paid to obtain the product/service?

Rewarding Quality Using Performance Measures

IBM has an innovative method to ensure customer satisfaction. According to a recent Globe and Mail report (April 1, 1991) 15% of 350 IBM managers' salaries will be tied to how satisfied their customers are. If customers report that they find IBM as good as the competition, the managers get the money that is at risk. If its service is better, the managers may get a bonus.

Bell Canada gives team awards based partly on customer satisfaction which is tracked monthly by Bell.

It is not clear whether rewarding employees based on surveys is such a good idea. One of the biggest stars in this field - Dr. Edward Deming - does not seem to think so (Business Week, April 8, 1991).

Tracking and the Unitary Nature of Quality

While there may be disagreement as to whether employees should be able to compete among themselves for such rewards, the value of tracking customer satisfaction itself is seldom questioned.

Tracking essentially means having a mechanism that would identify weakness in providing continued service as and when needed, after the sale is completed.

The main problem in this type of tracking is, as we discussed earlier, the unitary nature of service quality. Suppose we identify (through the first phase of the study) that there are say 20 attributes that constitute quality service. Now we can have a customer questionnaire that tracks how the firm measures up on these 20 attributes. However, if some 4 underlying factors account for these 20 attributes then it is important that customers be happy on those four factors. If we find that the organization has been rated poorly on some attributes *within* each factor, then it is likely that the organization does not measure up to customer expectations.

I have to emphasize here that this comment does not apply to the first dimension which deals with the tangible attributes of a product or service. A bank that has convenient hours will be perceived so, no matter what other attributes it may or may not have. But even competent after sales service may be perceived as inadequate if other attributes that comprise that factor - such as promptness or courtesy - does not accompany what is technically competent service.

Measuring the Second Dimension Involves Two Aspects

Consequently, measuring the second dimension involves two aspects:

- Having a mechanism to track those attributes identified as important through research; and
- Having a system of measurement that treats related aspects of service as inter-connected. The system of measurement essentially should recognize that the whole is not a sum of its parts.

Researching this dimension includes the use of several techniques:

- Sample surveys and focus group interviews to identify the relevant attributes.
- Factor analysis of attributes to identify the underlying factors.
- Use of techniques such as laddering to identify basic motivations to supplement factor analysis.
- Use of techniques like multiple regression analysis to identify the strength of different attributes in contributing to overall customer satisfaction.

Researching the Third Dimension

Researching the third dimension - exceeding expectations - is probably the most difficult. But it is this dimension that contributes most to the perception of quality.

Problems associated with ‘exceeding expectations’ are:

- How to know what customer expectations are.
- How to know how one would exceed such expectations.
- How to track the extent to which we have exceeded expectations.

Obviously the main problem here is to offer and measure the result of something that did not exist in the first place.

We talked about techniques like Problem Detection System which give us an indication - albeit in negative terms - of what customers find frustrating. By eliminating as many of the ‘problems’ as possible and by constantly offering more than what is normally expected, an organization can exceed expectations.

The above paragraph may sound a bit circular in that we are saying that one can exceed customer expectations by exceeding them. The circularity comes about because there is no easy way of expressing this idea.

Even Small Positive Measures Reinforce Quality Image

In fact, every small positive action that is not expected by the customer increases his or her positive opinion of the institution. This can be a teller remembering a customer's name, a manager taking the time to understand a customer's concerns rather than expecting the customer to understand the organization's concerns, employees who are helpful, pens that work, supplies that don't run out.

In a sense, it is really hard to know what is expected of an organization. However, quantitative surveys and focus group interviews should tell us how different institutions are perceived by customers and what frustrations they face in dealing with organizations. Research results should serve as benchmarks for current expectations.

Exceeding Expectations is Not a Negative Idea

The discussion so far might make 'exceeding expectations' look like a negative process. When we use the problem detective system we essentially try to remedy the 'problem' a customer may have. When we use the camera eye technique, we search for those aspects that frustrate the customer. When we carry out sample surveys and focus groups again we are trying to close the gap between customer expectations and what is being offered. In a way, it is the limitation of research techniques that may make the process seem negative. They are much more efficient in identifying the deficiencies of what is available than in identifying how something that is not currently available will impact the customer in the future. It is for this reason that, with all the advances in research methodologies, eight out of ten new products still fail.

'Exceeding Expectations' Should Not Be Based on Research Exclusively

Consequently, the standards for exceeding expectations should not exclusively come from research.Research findings should be used as the basis for brainstorming sessions (among company personnel) to generate new ideas - ways in which customer expectations could be exceeded.

An Integrated Research Programme

The main objective of any research and evaluation program for service quality should be to determine how the organization is doing and not how to reward and punish its personnel for not delivering. Such a programme should measure all three dimensions of service quality on a continuous basis.

At any given time, the organization should have feedback from customers to let it know:

- Does the product/service delivered match the needs of customers (Dimension1)?
- Is the product/service supported long after the customer had paid for it (Dimension2)?
- Is the customer pleasantly surprised more often than not by the service he or she receives from the organization?

An organization that can answer yes to all three questions is delivering quality.