

SERVICE OPERATIONS MANAGEMENT

FIFTH EDITION



Service Operations Management

Company. When Paula set up her first store, she was keen to incorporate the Disney principles of customer satisfaction, or 'Guestology', into the store design.

Paula could see that there was huge potential in increasing satisfaction levels to the point where repeat use of her service was almost guaranteed:

Once a customer needs glasses, that need rarely goes away, but there are many other low-cost operators who can fulfil that need, more recently via online sales.

Worse, customers routinely get cheap or free eye tests in traditional stores and then take the prescription to the online seller. It is usually difficult to compete on price with the online stores or the larger chains, but by providing exemplary service, I can and do hold on to customers.

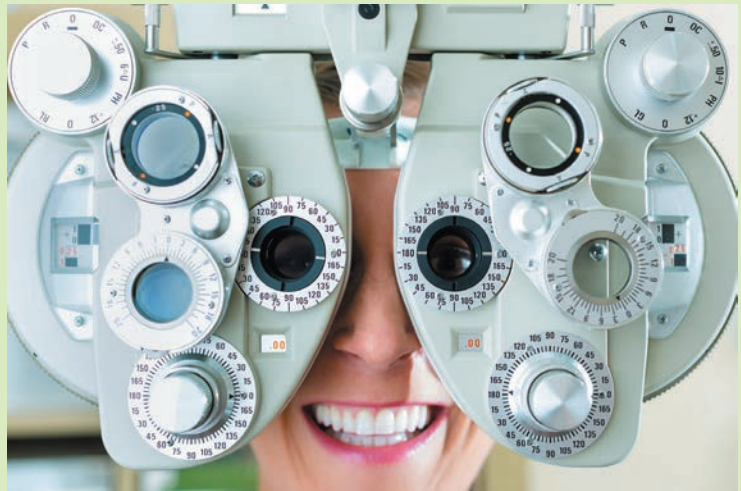
Walt Disney's philosophy of how he wanted to serve his guests was simple. Keep it clean, keep it friendly, make it a real fun place to be. The result is a guest experience that keeps park visitors – and their wallets – returning over and over again.

Paula explained some of the Guestology principles that she had incorporated into her customer service manual, and which she applied to make Optiker Söderberg such a success.

Know when you are on stage

Disney guests do not want to overhear Princess Jasmine complain about last night's argument with Aladdin. When Disney employees (aka cast members) are on stage, and in view – or within earshot – of guests, they are not allowed to have a bad day. Cast members are expected to leave their problems at the door, staying in character at all times. So it is at Optiker Söderberg:

We have on-stage and off-stage areas for our staff members. If they need to have a coffee, snack, rant about a difficult patient, or talk their teenager through the latest Instagram-induced calamity, they are required to make sure it takes place off-stage.



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Seek out interactions

Disney cast members take great pains to engage and interact with guests – they do not avoid them. For example, if a cast member notices a family struggling to fit everyone into a selfie, she offers to take the photograph. Guests who visit to celebrate a birthday or special event are given a badge to wear. The badge signals to cast members that they are to receive special treatment and splendour everywhere they go.

The pace of operations in our stores can make patients seem like a nuisance. But I always remind my staff: your patients are the reason you have a job, and they are the reason your practice exists. So I say, the next time you're tempted to rush past a customer to the checkouts, don't. Instead, slow down, smile, and have a talk. Complement them on their choice of spectacle frames for example. Always check the patient's test charts for their birthday. If it is close, then wish them well. Making patients feel like guests . . . feeling special and cared for makes all the difference, and will bring them back.

Rethink where the magic begins

One thing that Disney thought a lot about is where the customer experience starts and finishes. For the Disney parks, the start point is most likely the guest car park, but could also be the exit ramp from the highway. In the journey from home to the customer experience, the guest encounters challenges that might

be outside the service, but which will nonetheless colour perceptions of the service. The car park should be clean, security should be visible, signage will be obvious, and cast members are everywhere. Why does Disney dedicate so many resources to such a utilitarian space? They know that a bad first impression is notoriously difficult to overcome (see the section on the zone of tolerance later in this chapter). If a guest navigates the 300 m car park, is greeted by litter and oil stains on the ground, then treks 2 km to the park entrance, it is going to take a lot of 'magic' to return the guest to a happy state of mind.

So it is at Optiker Söderberg. Our patients' experience does not begin in the examination room, or even in the waiting room. It may begin with a phone call, and yes, in our parking lot. I say to

all at Optiker Söderberg, take the time to identify places where an important 'first impression' could occur. Then, make sure our practice is represented well. Is there enough lighting in our car park? Are any bulbs broken? How about all those kids toys and magazines in the waiting room? Are they clean and tidy, are the magazines out of date? It's easy to overlook these details, but everyone needs to make an effort to see things from the patient perspective.

Paula planned further growth of Optiker Söderberg by acquisition. Many independent opticians in Sweden were struggling to compete against the large chains and online retailers. These smaller outlets were ripe for acquisition and nurturing, using Guestology principles.

Figure 6.3 extends the idea that customers' summary judgement of service quality will be a 'level of satisfaction' on a continuum. If customers' perceptions (P) of the service match their expectations (E), we have $P=E$ and so customers should be satisfied (or at least satisfied).⁴ If customers' perception of the service exceeds their expectations ($P>E$) then they will be more than satisfied, even delighted. If customers' perceptions of the service do not meet their expectations ($P<E$) then they may be dissatisfied, even disgusted or outraged. The main point of the illustration, however, is that satisfaction is a variable on a continuum, from extreme delight to extreme dissatisfaction. As such, satisfaction is amenable to measurement or quantification. In the figure, we use a +5 to -5 scale to represent scale points in this continuum.

So far, the discussion, as for most of this chapter, is concerned with customers' overall assessment of service. However, services can be complex, and involve several stages. The customer can react positively to one stage, and negatively to the next. While service managers need to appreciate satisfaction levels overall, there will inevitably come a point, usually when they are trying to improve service, where they need to deconstruct the assessment and understand how the customer reacts to individual steps (transactions or 'touchpoints'). This kind of deconstruction

Figure 6.3 The satisfaction continuum

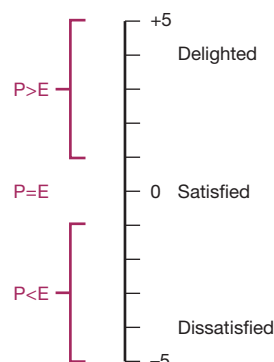
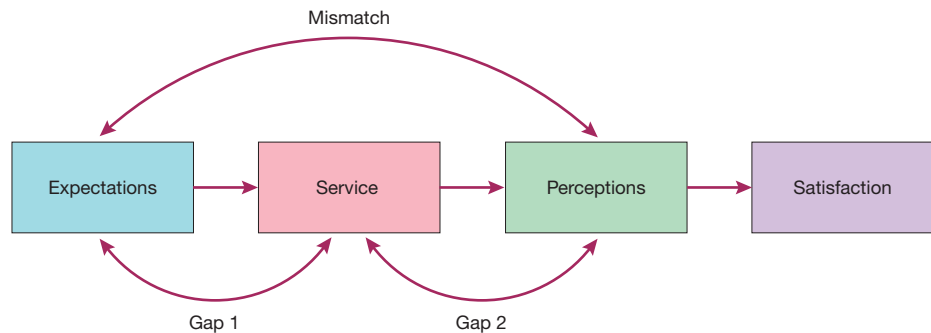


Figure 6.4 The simplified gap model

Source: This is a very simplified version of the gap model developed by Parasuraman, A., Zeithaml V.A. and Berry L.L. (1985) 'A conceptual model of service quality and implications for future research', *Journal of Marketing*, 49 (4), 41–50.



leads to an understanding of what is often referred to as ‘transaction satisfaction’, and we will explore the idea in more detail in the section on managing perceptions later in this chapter, and in Chapter 7.

The perceptions–expectations gap

If there is a mismatch between perceptions and expectations, this, in simple terms, is usually caused by either a mismatch between expectations and the service (Gap 1) and/or a mismatch between the service and customers’ perceptions of it (Gap 2). Figure 6.4 illustrates the two gaps.⁵

There are several reasons why Gap 1 might exist: the service may have been inappropriately specified, designed or enacted, or there may be insufficient resources to meet expectations. It is also possible that the customer may have inappropriate expectations. An inappropriate specification or design for the service may be the result of managers’ imperfect understanding of customer expectations. Managers may have not put enough time and effort into either specifying the service or obtaining feedback from customers about what they feel to be an appropriate type or level of service. Insufficient resources may be the result of, for example, an incomplete understanding of market requirements or demand profiles.

These ‘internal’ cause factors for Gap 1 can stem from a lack of determination to design for and deliver consistent standards. A common complaint by service operations managers is that their organisation does not commit the investment required to understand what customers need, and when they need it. The result is that the service design process is flawed from the outset. The design flaws result in poor delivery and resource utilisation.

Inappropriate expectations may be the result of unsuitable marketing, over-promising by the organisation and ill-advised word-of-mouth referrals. The customer may also have pessimistic negative expectations as a result of an adverse organisational image, which in turn derives from past service experience. It is also worth noting that service operations will have to deal with a proportion of customers who have quite unrealistic expectations, and who can be a great nuisance as a result. The expectations of such customers need to be reshaped before or during service delivery, or alternatively, and if feasible, a decision can be made to remove these customers.

Gap 2 could be the result of either incorrect provision of a service, or customers perceiving the service in ways not intended by the service organisation. Incorrect provision is not unusual in service organisations. Service operations are often complex, human-based activities where things do go wrong. A mismatch as a result of poor service provision would ideally be ‘designed out’ at some point, but can also be removed or at least reduced through service recovery (see Chapter 16). The problem of customers perceiving the service ‘incorrectly’ is also fairly commonplace. For

example, healthcare services or car maintenance services are such that customers can make judgements about outcomes, but may have little or no idea about whether the delivery process conforms to specification. In other words, customers in such contexts find it difficult to judge service provided or operational service quality. They would need a medical degree or mechanics training to make informed judgements. Instead, the customer makes judgements on the basis of partial aspects of the experience and delivery process: hospital food, or the coffee in the garage waiting room, respectively.

Additionally, customers' perceptions of operational service quality may not be the same as the quality of the service received, because customer-perceived quality is by definition a matter of personal perception (see the section on perceptions that follows).

Table 6.1 summarises the cause factors underlying the gaps that result in dissatisfied customers.

Disadvantages of the expectation–perception conceptualisation of customer-perceived service quality

While the expectation–perception approach to understanding perceived service quality is extremely useful in focusing on the outcome of customer satisfaction and helps identify mismatches between operational and customer views of quality, it does have several disadvantages:

- *Service could be perceived to be 'good' when it is 'bad'*. For example, if customer expectations are particularly low (and indeed may have been deliberately created that way), poor operational service quality may be perceived as highly satisfying because expectations have been exceeded. For example, many online shopping services will promise delivery lead times that are longer than are achievable by the service provider. When the customer receives a notification that their item has shipped early, they are rarely disappointed and satisfaction, or even delight, is the result.
- *Service could be perceived to be 'bad' when it is 'good'*. For example, if expectations are very high due to over-promising, then what is actually a good operational service may nonetheless be seen as inadequate.
- *Service that was 'good' last time may only be 'OK' this time*. If a service was perceived to have been 'good', then the customers' expectations may be raised for next time; thus, they may well be less satisfied on subsequent occasions, despite the fact that the operational quality of the service has remained unchanged. This problem of rising expectations is often encountered by the Disney organisation. Visitors' first encounter with the Magic Kingdom is often so good, so much better than expected, that subsequent visits are sometimes reported to be poorer in quality, i.e. less satisfactory.
- *Satisfied customers may switch*. Even though a particular service may meet customers' expectations so that customers are satisfied, if there is a choice, customers may nevertheless switch suppliers. Alternative service providers may offer a superior level of service, additional service features, or customers may be naturally disloyal or inquisitive. Customers can also be actively encouraged to switch by consumer advocacy groups, dedicated switching websites and national governments.

Table 6.1 Reasons for gaps

	Gap 1	Gap 2
Internal causes	Lack of understanding of customer expectations Inappropriate specification and/or provision Poor service design Insufficient resources	Incorrect or inappropriate service provision
External causes	Inappropriate expectations of the service experience and/or outcomes	Inappropriate perceptions of the service experience and/or outcomes

Case example

uSwitch⁶

Judging service quality on the gap between perceptions and expectations is generally a robust approach, but it can lead to some anomalies. Take the example of uSwitch, a price comparison service based in the UK. The service is available via phone, or through its website uSwitch.com. Consumers can compare prices for utilities such as energy, broadband and phone services, as well as personal finance and insurance. The company also has a business arm: uSwitchforBusiness.com. There are no direct costs to switchers, with uSwitch earning its money from supplier commission should a user decide to change supplier. Additionally, uSwitch earns money from supplier payments, which increases its exposure on the uSwitch websites. uSwitch has a remarkable record of honesty and transparency. Of the 3,742 uSwitch reviews on Trustpilot, 90 per cent are 'Excellent', and the company's overall score is 4.7/5. The uSwitch reviews on Trustpilot are overwhelmingly positive, and a common feature of the reviewer comments relates to clarity and accuracy of

communication. Not every experience is perfect, but often problems with the service derive from problems with the referred energy supplier. uSwitch has also, not surprisingly, received many industry awards for the clarity of its communication. The company was the first comparison website to achieve the Plain English Campaign's Internet Crystal Mark and it is accredited under the UK Office of Gas and Electricity Markets Confidence Code.

However, although the service from uSwitch is regarded as excellent, consumers switching via uSwitch do not necessarily receive better service quality with their new supplier. They may have been perfectly satisfied with what could have been an undifferentiated utility service. The switching decision may have been taken largely on the basis of price. Other customers may not switch, even if the uSwitch service has been outstanding. So, notwithstanding high levels of satisfaction, provided it reaches a qualifying threshold, service quality may have little impact on switching behaviour.

When it comes to measuring satisfaction, we need also to measure the customers' post-purchase intentions; in particular, will they return? (See the section on the Net Promoter Score in Chapter 12.) Consider, also, that some dissatisfied customers will not, or perhaps cannot, switch (please see the counterpoint example on airlines towards the end of this section).

These issues reinforce the need to link closely the creation of expectations in the minds of customers with the capabilities of the service process – that is, to communicate messages, set appropriate expectations, design and deliver service to meet these expectations and manage them during the service process. However, as the Le Berceau des Sens case example illustrates, on occasion, managing and measuring expectations is not always straightforward. In that restaurant, customers agree to participate and to co-create not just a meal, but a learning experience. This makes the setting of clear expectations a challenging exercise. More generally, the greater the degree of co-creation, the more one pushes against the limitations of the perceptions–expectations conceptualisation of service quality. (We explore this issue in more detail later under 'Fuzzy expectations'.)

Case example

Le Berceau des Sens⁷

Le Berceau des Sens (the cradle of the senses) is a fine-dining restaurant in École Hôtelière de Lausanne (EHL), a famous school that is consistently rated as the best hospitality school in the world, and where

the teachers cook with the help of their students. The restaurant offers a contemporary culinary style, based on use of seasonal and fresh local products of the local area (Canton Vaud), with the cuisine scoring

exceptionally high marks and every dish showing great finesse, accompanied by impressive service. The décor of the restaurant, like EHL the school, is contemporary, and it is set in the hills above Lausanne, overlooking Lac Léman. In 2019, Le Berceau des Sens earned a Michelin star, and is unique in being the only school-run restaurant to earn this accolade. What is interesting about the Michelin entry for Le Berceau des Sens, is that Michelin make no 'allowance' for the fact that Le Berceau des Sens is a training restaurant. The service succeeds on its own merits, regardless of its unique operations.

Customers both value and make allowances for the special nature of the restaurant staff. A typical comment is:

... it is only fair to remember that this is a training establishment, and diners must make allowances for nerves, shyness, or slightly slower service than in a restaurant offering comparable cuisine at more than twice the price. I love dining here because it is stimulating to meet students from all around the world who share a commitment to becoming the high-flyers in a very demanding industry.

Guests are served by students on EHL's *l'année préparatoire*, a practical application year in which students learn about real hospitality operations before they begin their academic studies for the Bachelors in Hospitality Management. At the table, students are introduced to all aspects of service in a fine-dining restaurant. When they start, some students can be shy and hesitant, but all are keen to learn and work hard. Their teachers supervise in a firm, but benevolent and supportive style so that students are enthusiastic and motivated.

Customers are clearly managing their own expectations, and service elements that might elsewhere result in negative perceptions are, at Le Berceau des Sens, a source of delight. And, while guides such as *The Michelin Guide* are clear about the derivation of their rankings, customers' expectations are influenced by a range of inputs and information concerning the teaching nature of the restaurant. Customers also talk about the charming or 'cute'



SEBASTIEN BOZON/AFP/Getty Images

nature of minor student failings. Another typical comment is:

... excellent restaurant from the staff, professors and students of the top hospitality school in the world. Obviously the chef is not a student but very experienced and has worked in some of the best French restaurants. However, most waiters and waitresses are going through the very demanding curriculum of the best hospitality school in the world. Very occasionally they do make mistakes, minor ones that do not affect the overall quality, but they are cute and eager to learn. The food is excellent, creative and certainly deserves a detour.

Clearly there is more going on here than a dining experience. As another commentator put it:

... It's great cuisine paired with an interesting experience, or perhaps the other way round ... [The students] try very hard with great charm and sometimes make eminently forgivable mistakes. Their tutors take such occurrences very seriously and act on them immediately: while feeling a bit sorry for the 'offender', you also really feel a part of the learning process ...

Another insightful commentator maybe puts their finger on an aspect of Le Berceau des Sens that is less obvious than the issues discussed above, but is perhaps critically important to the charm of the