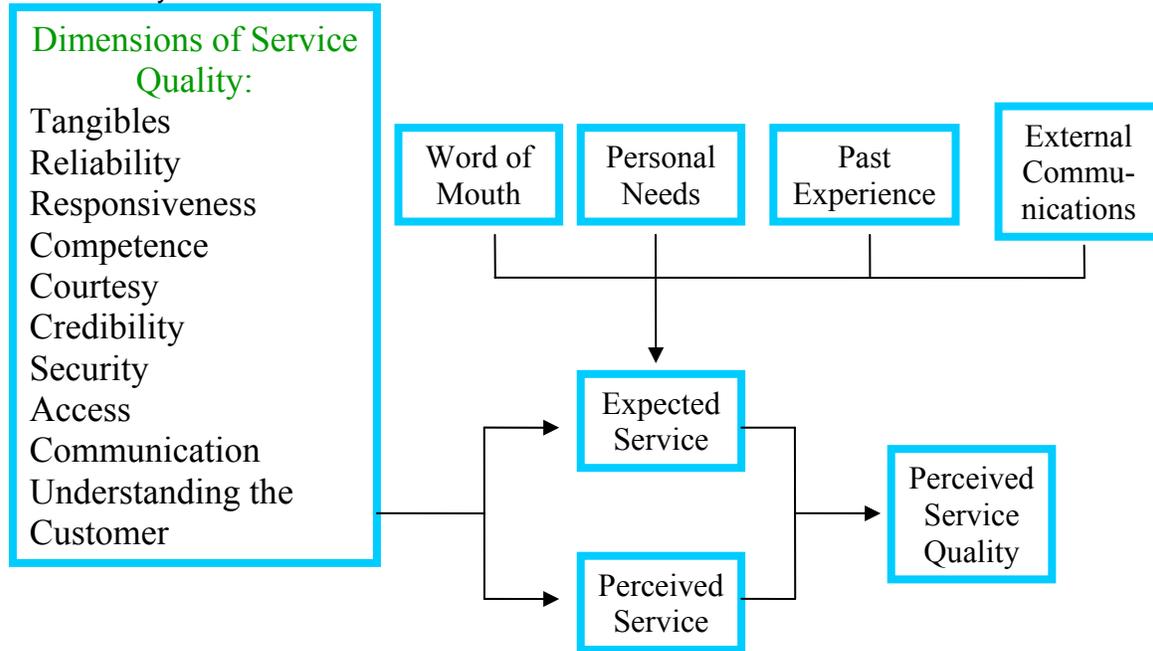


Lecture 7: Service Quality, Ritz Carlton and British Airways Cases

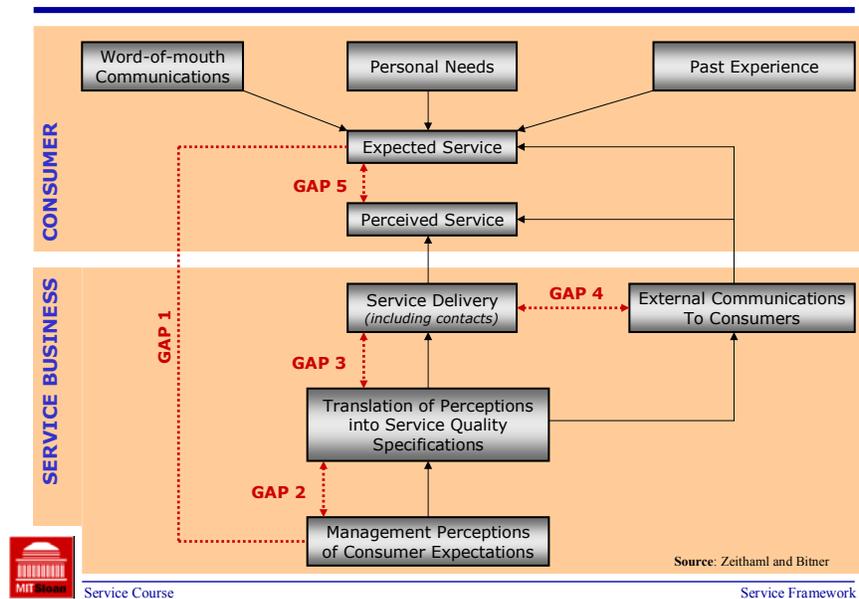
Class Outline:

Finish Service Quality
Ritz Carlton Case
British Airways Case



Customer Assessment of Service Quality

On the left side are attributes that customers use to measure their satisfaction – they measure expectations vs. perception.



Conceptual Model

Above is a conceptual model; conceptual because it is a definition of service quality and the gaps therein; it is also operational in that you can apply this framework to analyze a problem.

Gap 5 is the result of the other four gaps. If you do have a satisfaction gap, for example, you should look at other four gaps that contribute to it. Explanation of the gaps:

- **Gap 1** – If management perceptions of customer are correct
- **Gap 2** – System design gap: if you understood what customers want, have you designed a system capable of delivering that quality of service?
- **Gap 3** – Operation/execution gap: are you failing in *execution* of service?
- **Gap 4** – Communications gap: how well do you communicate to internal and external worlds

Explanation of the Conceptual Model In-Depth

Why does Gap 1 (understanding customer) exist?

- Lack of market survey or incorrect interpretation of survey
- Inadequate knowledge of customer needs – the company is too introverted, wrongly assuming “we know what customers want”
- Management is so far away from where service is being delivered. We can measure that distance as the number of layers in an organization. Too many layers make the sharing of information very difficult.
 - The companies we have now are still based on some precepts evolved since the industrial revolution – they focus on productivity and division of labor. It has worked very well, in that firms in general have prospered, demand increased, and successful firms have added more people and supervisors. Eventually, they needed to have supervisors of supervisors, in effect building a pyramid structure. It was part of the old social contract: people at the top think, those on bottom do, and those in the middle watch. This structure worked well, but only in a world that moved slowly and where competition was not truly global and trade was not completely free of boundaries and constraints.
 - That pyramid structure has started crumbling as change has happened at a faster rate. Also, the old social contract no longer holds in developed countries.

As a response structures are more flexible – we all think and all do – and we have fewer layers. Customer service representatives need to be very well prepared so they can think, do, and take initiative. That is the new contract.

What is the reason for Gap 2? Assume we know what customer wants: why do we design an organization that's not capable of delivering?

- It's hard to go from intangible ideas to an actual, physical organization
- The industry is not agile enough to keep up with customers
- We don't build a system that has flexible technology
- We lack the ability to develop a system with the needs of the environment in mind.
- Apparently, this process is harder than it appears
- I give this lecture around the world – managers say this sounds great, but their employees are not capable of doing it. Those managers are biggest enemies of their companies. It is true employees cannot do this overnight, but if you know where you're going and where you are, you can design a process to change over time.

Why don't people execute adequately (Gap 3)?

- Companies talk about activities but not results
- People's motivations may not be aligned
- They may not have the necessary tools or staff
- People don't like change; but change has to be viewed as a renewal; as an opportunity, rather than a hurdle.
- People have ambiguous jobs or conflicting objectives
- People are not selected carefully or trained properly

Why is there miscommunication; both within their organization or externally (Gap 4)?

- There's a lack of coordination between different functions of the firm. You cannot fully separate customer service from operations and from development, etc.

Ritz Carlton and British Airways Cases

Questions from syllabus:

- What objectives was each organization pursuing in developing the customer information systems described in the cases? How effective have these systems been in meeting these objectives?
- What might each business do to further exploit the information gathered by these systems?
- Has each organization successfully integrated its information-based approach to managing customer service with its human resource strategy?

We'll discuss both cases simultaneously, and contrast them as we go along:

In both cases, the company wants to be the best. Some senior executives say they want to be the best – but only if we make money and other conditions. Other companies want to be best and establish a new standard, like FedEx.

What impressed you about either case?

- Ritz Carlton:
 - Commitment to quality in customer interface; had best in class focus about how to ensure personalized service; utilize system support that would follow customer from hotel to hotel; every employee can edit preferences of customer.
 - All staff empowered to think and do. Selected, trained, and empowered.

- Customer service is the responsibility of *every* employee. Power of being able to reach customers through all parts of the organization.
- The focus on prevention of problems, not just dealing with it after the fact.
- How does Ritz Carlton learn? They learn from their own mistakes: identify mistakes that we do (they have a method of capturing mistakes); listen a lot to customers; note down all preferences and try to anticipate unanticipated needs; learn from each other – share knowledge of a mistake since customer service is the responsibility of all, not just one department; executives are involved; it starts with hiring process and they invest a lot in training; training is conducted in-house (some companies outsource it elsewhere); rewards system – the most important part is feeling we work in a company that's best; Ritz Carlton is a network of hotels, not just a collection of individual hotels. No blame is placed on a person who made a mistake (non-attribution); Ritz Carlton is a “PSP” (“People Service Profit”) company.
- British Airways:
 - Put a system in place to keep learning. As for problems from vendors, they kept same spirit (no immediate retribution, teamwork) to help vendors with service. Kept changing services to fit customer needs.
 - Had multiple venues for customer input, because you want people to complain to learn from their grievances.

Example of materialization of services from either case?

- Ritz Carlton:
 - Guest can have casual conversation with associate – and that affects what services they get the next day
 - Employees know guest's name and information when they come in
 - Associate can give back money to customer – this empowerment is materialization of importance of customer
 - If a room is not ready one place, when to other hotel and made sure it was ready – by telling customer, they know that hotel is thinking of them
 - But some say Ritz Carlton has money to do it, but smaller hotels can't. This isn't necessarily true – according to a recent ranking of hotels, one small economic hotel had excellent service on par with the Four Seasons and the Ritz Carlton. It is similar to automobile innovations, which start at top and trickle down
- British Airways:
 - Front-line desk workers can send customers a gift.

What did you learn from the British Airways case?

- We recognized the major differentiator between them and their competitors: their competitors thought they were just flying planes, but British Airways realized that they're in the service business to give a total customer solution. This is not as revolutionary as you might think – Singapore Airlines offers similar service.
- We learned that response time is critical. They response to customer problems or questions within a few days.

- British Airlines actually wanted the complaints from customers, so they could learn.
- The company saved money because they were able to retain more customers
- Customers can actually become more loyal to a company if they experience a problem and had it fixed than if there was never a problem at all.