

Why is Service Quality So Difficult to Manage ?

BTA Southeast Orlando Event


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Agenda

- The Service Product
- Customer Loyalty Measures
- Standards for World Class Service



Definition of a Service Product

A service is a product that
cannot be inventoried
and
is created and consumed
at the time of delivery.



Service Product

- What are some examples of Services or Service Products ?
-
-
-
-
-
-




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Service Product

A field service solution is a service product since . . .

A field service solution cannot be stored in inventory and is created and consumed at the time of delivery.



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Differences . . .

	Manufactured Product	Service Product
Creation	Closed environment Customer is not present.	Open environment Customer is often a participant.
Configuration	Homogenous Products are primarily created to a fixed standard defined before acquisition.	Heterogeneous Service Products are variable and serve customer needs defined at time of creation.
Resource Utilization	Stable utilization Excess capacity used to create inventory	Perishable utilization Resource capacity is lost if demand fluctuates.
Customer Participation in Creation	No participation	Some participation Service Product defined at time of need. Some self support through documentation or telephone.



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Differences . . .		
	Manufactured Product	Service Product (CS)
Consumption	After creation	At creation
Demand	Scheduled Environment Fluctuations buffered by inventory.	Demand Environment Service Product cannot be inventoried.
Customer Expectations	Tangible Utility observed and tested before purchase.	Intangible Utility perceived dependent on the attitude of the customer, company reputation or past experience.
Quality Control	Uncomplicated Can be observed after creation by measuring product compliance with design specifications.	Complicated Quality of service product often based on the total service provided. Can include attitude of server, timing of solution creation . . . as well as the explicit service solution provided.








The product of the field service organization is . . .
the creation and application of product knowledge.



A few thoughts on
Knowledge. . . and its
creation, transfer and
value.



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An Example . . .


20
Data . . . a measure or representation of the world around us

20°C
Information . . . relationships and patterns that assign meaning to data

20°C is a comfortable office temperature for most people
Knowledge . . . add-in how to use that information to do something and we've got knowledge

Or . . . more simply . . . knowledge is information organized to provide a valid basis for action.


- Every service solution is a Knowledge Asset to the company and a Service Product to the customer.



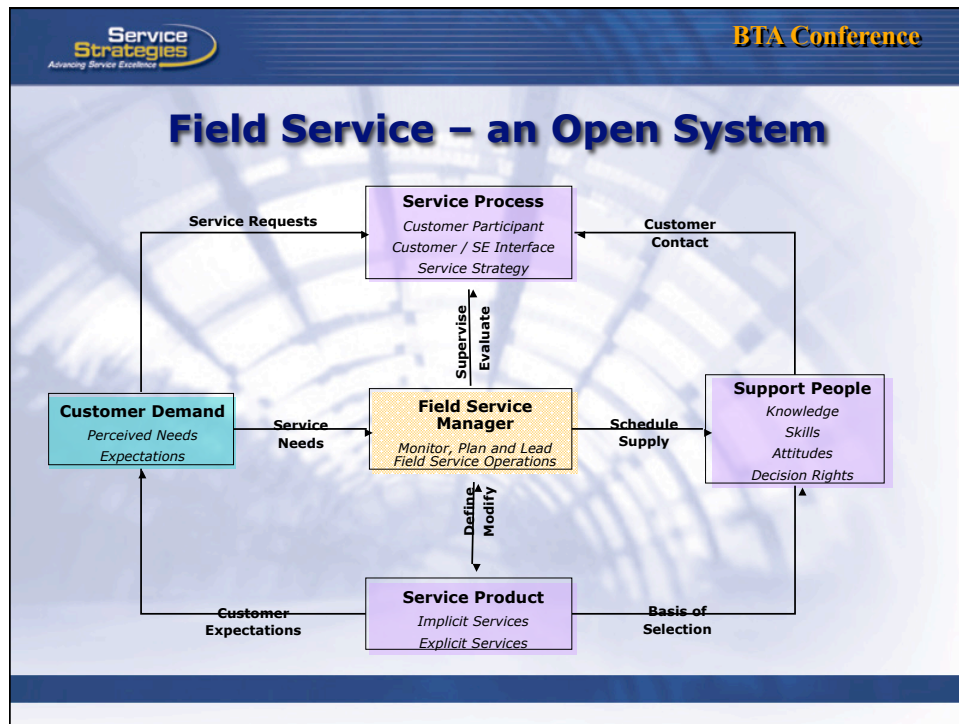
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Peter Drucker on the value of knowledge

"The most valuable assets of a 20th-century company were its *production equipment*. The most valuable asset of a 21st-century institution, whether business or non-business, will be its *knowledge workers* and their *productivity*."



Peter F. Drucker;
Management Challenges for the 21st Century



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Loyalty Measures:

Create new or update your Customer Satisfaction survey to include . . .

Three Questions:

- ✓ Overall Satisfaction?
- ✓ How likely to recommend to friend or colleague?
- ✓ How likely to continue to purchase?

OR . . .

One number you need to grow. (Net Promoter Score)

- ❖ How likely to recommend to a friend or colleague?
- ❖ Or in some cases, how strongly do you agree that the company sets the standard for excellence in products and services.

OR . . .

Customer Effort Score (CES)

- How much effort did you personally have to put forth to handle your support.



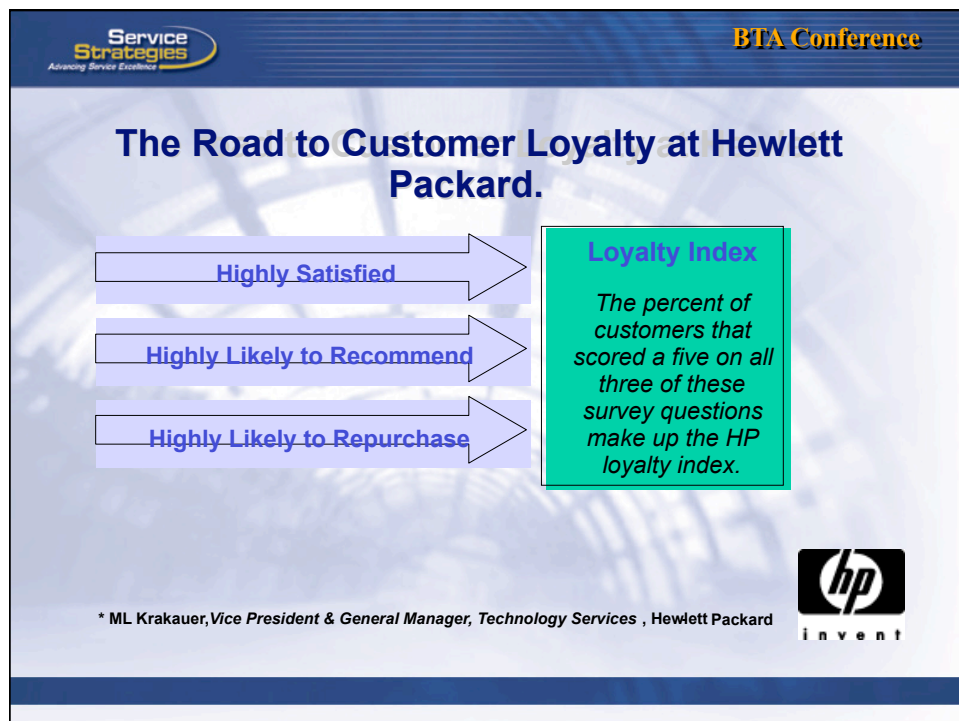
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Measuring Customer Loyalty

	Very Dissatisfied	Dissatisfied	Neither Satisfied or Dissatisfied	Satisfied	Very satisfied
Overall Satisfaction Please rate your overall satisfaction with the field service response to your recent service request.	1	2	3	4	5
Likelihood of Recommending How likely are you to recommend PD Quick to a friend?	1	2	3	4	5
Likelihood of additional purchases How likely are you to buy additional products and services from PD Quick in the future?	1	2	3	4	5

A useful Customer Loyalty Index is the percent of surveys with top box selected on all three of these questions.



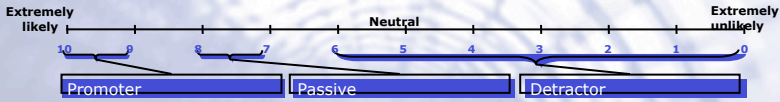


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Calculating Your Net Promoter Score

Group your customers into "promoters" (extremely likely to recommend), "passively satisfied", and "detractors" (extremely unlikely to recommend). Then subtract the percentage of detractors from the percentage of promoters.



The diagram shows a scale from 0 to 10. The left end is labeled 'Extremely likely' and the right end is labeled 'Extremely unlikely'. The scale is divided into three segments: 'Promoter' (scores 9-10), 'Passive' (scores 7-8), and 'Detractor' (scores 0-6). A 'Neutral' label is positioned above the center of the scale (around score 5).


Frederick F. Reichheld, *The One Number You Need to Grow*, Harvard Business Review, December, 2003



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Customer Effort Score (CES)



Customer Effort Score is measured by asking a single question.

How much effort did you personally have to put forth to handle your support request?	Very low effort	Low effort	Neither high nor low effort	High effort	Very high effort
	1	2	3	4	5

Of the customers who reported low effort, 94% expressed an intention to re-purchase and 88% said they would increase their spending.

Only 1% said they would speak negatively about the company. Conversely, 81% of the customers who had a hard time solving their problems reported an intention to spread negative word of mouth.

Mathew Dixon, Karen Freeman and Nicholas Toman, *Stop Trying to Delight Your Customers*, Harvard Business Review, July – August 2010

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WALKER
GLOBAL NETWORK

Walker Loyalty Reports categorize Loyalty in four quadrants

Truly Loyal . . . customers like your company and choose to associate themselves with it.	Accessible . . . customers are willing to give you opportunities to earn their loyalty.
Trapped . . . customers feel forced to do business with you now but will leave if they can.	High Risk . . . customers are dissatisfied and are actively looking for alternatives.

* Walker Information @ www.walkerinfo.com

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How focusing on Customer Loyalty improved results at Cisco Systems* over the past few years.

Truly Loyal 2003 – 58% 2004 – 67% 2005 – 70%	Accessible 2003 – 10% 2004 – 12% 2005 – 10%
Trapped 2003 – 15% 2004 – 7% 2005 – 7%	High Risk 2003 – 17% 2004 – 14% 2005 – 13%

* Wim Elfrink, Senior Vice President of Customer Advocacy, Cisco Systems
Keynote Speaker at AFSMI Conference – October 2005

CISCO SYSTEMS

The image shows a presentation slide with the same header as the cover above. The title "Service Standards Should..." is in a bold blue font. Below the title is a bulleted list of seven points. The background of the slide is a light blue and white geometric pattern.

- Define hard measures where possible
- Define expected performance levels
- Be focused on process AND results
- Allow innovation in implementing proven practices and achieving target performance levels
- Promote best practice sharing across Industries
- Apply to multiple functional areas

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Defining an Industry Standard

- Service Strategies and a consortium of leading technology companies started the standards initiative in 1998
- Approximately 50 leading service organizations from around the world helped create the standards
- Developed through direct feedback from organizations in the Americas, European and Asia Pacific regions
- Provides a global representation of service excellence



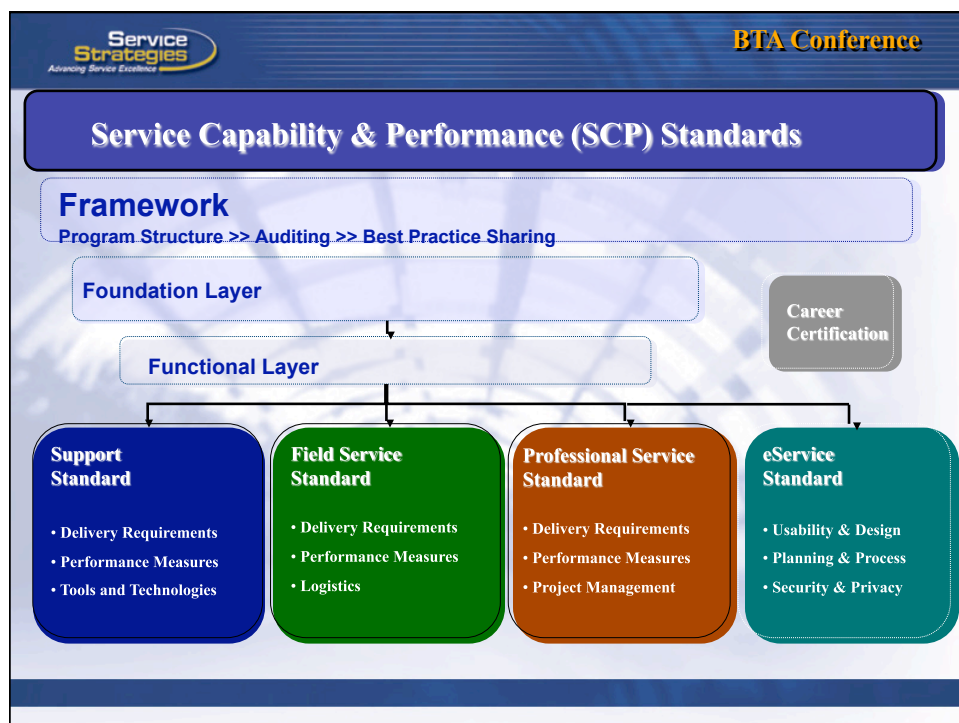
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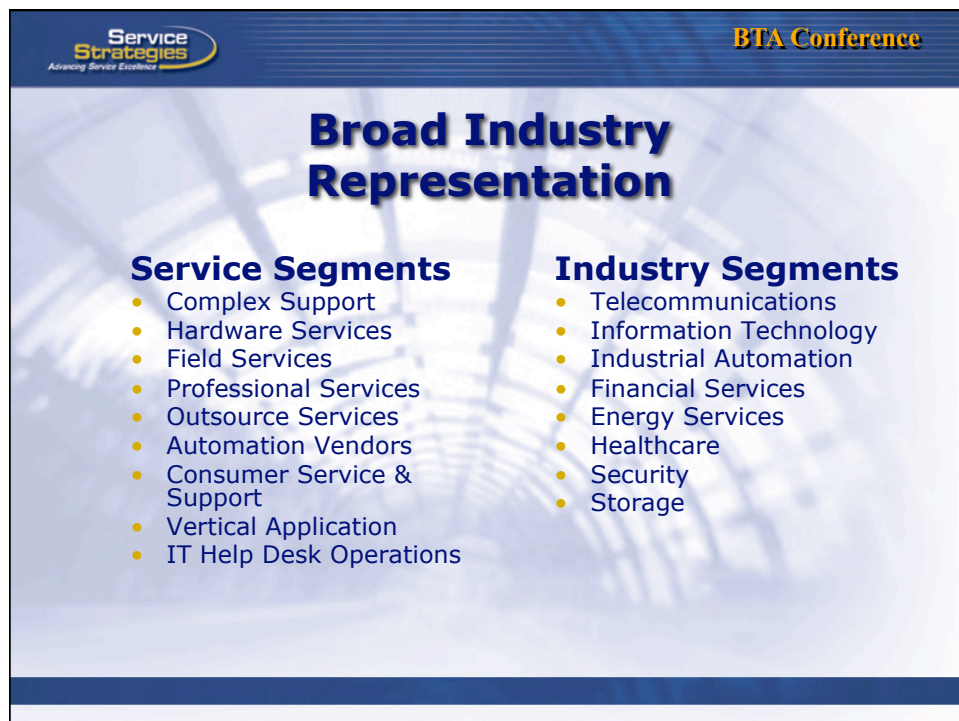
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Comparative Matrix

Attributes	ISO 9000 Certification	IT Infrastructure Library (ITIL)	Six Sigma	Service Capability & Performance (SCP)
Document and Process Control System	✓			✓
Improvement Methodology		✓	✓	✓
Measurement & Success Criteria			✓	✓
Defined Business Practices		✓		✓
Audited Validation of Performance	✓			✓





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SCP is a Globally Accepted Standard

EMC²

NetApp

CompuCom

ADV ENT

MCKESSON
Empowering Healthcare

TERADATA
Raising Intelligence

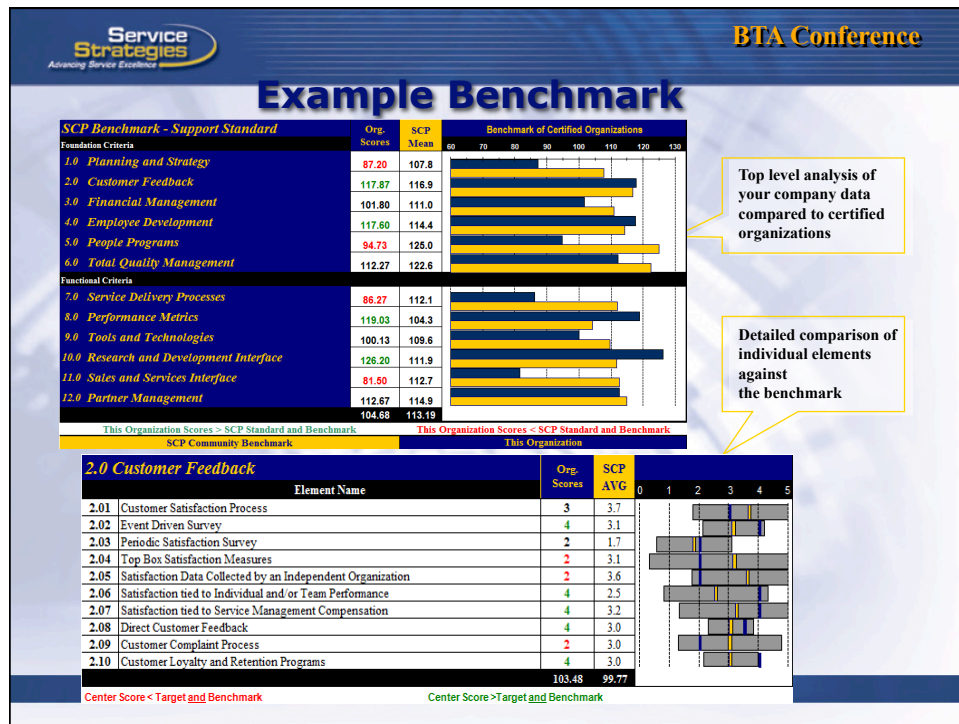
SOPHOS

Landmark

WIND RIVER

THE DOCUMENT COMPANY
FUJI XEROX

Industry Standards & Best Practices Eliminate Trial and Error



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Keys to Success

- 1 Executive Commitment is Critical
- 2 Focus on Business Improvement
- 3 The Value is in the Journey!

Thank You

Any Questions ?

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