

The Need For Service Standards

This paper looks at why service standards are needed by all organizations that deliver products or services to customers.

Issues covered include how standards should be set, the role of performance measurement, and how service standards can be monitored and improved through the use of performance measurement techniques such as mystery shopping.

The Need For Service Standards

This paper addresses the questions asked by retail business management: 'We have service standards; why are they not sufficient; why do we have to measure performance when everyone is supposed to observe all the standards all the time?'

The short answer is that service standards and performance measurement programs have separate, albeit complementary, roles to play in the drive for service excellence. The more comprehensive answer must begin with a look at the way customers interact with product and service providers.

There are three types of interaction between the consumer and the environment within which a product or service is delivered:

- The consumer interacts with the physical and technical resources of the supplier, e.g. interaction between the consumer and the manufacturer's car, the bank's ATM, the interior of the restaurant, the building society's mortgage application documents, etc.
- The consumer interacts with the supplier's front-line staff, i.e. the attitude and behavior, product and process knowledge, interpersonal skills, etc., of a member of staff at the customer interface (point of product or service delivery).
- The consumer interacts with other consumers, i.e. the influence consumers have on each other, through their individual and collective behavior, at the point of service delivery and during the delivery process.

The nature and importance of each of these types of interaction depends on the product or service being delivered, and on the target consumer - it is context-specific. The successful management of product or service delivery requires that these differing types of interaction be co-ordinated – by way of each being supported with appropriate procedures, systems, and other resources. A critical component of such procedures and systems is the setting of service standards.

Service quality standards are seen as having three objectives:

- communicating the expectations and requirements of management and customers to front-line staff - and thereby ...
- establishing a target on which front-line staff can focus personal effort - as well as ...

- providing a management tool to use in defining the roles and responsibilities of front-line staff, as well as in recruiting them.

The Need For Performance Measurement

The need for performance measurement information stems from the increasing influence of service factors on the choice of product or service supplier made by consumers. Variations in service delivery (performance) can have a dramatic effect on customer perceptions and, therefore, on customer satisfaction and loyalty. This is highlighted in the findings of research conducted by TARP in the USA and Europe over several years, much quoted and which may be summarized as follows:

- 96 percent of dissatisfied customers do not complain to the supplier (i.e. for every 10 complainants there are 250 other dissatisfied customers).
- A dissatisfied customer will tell 8 to 10 people of their experience, twice as many as a satisfied customer tells.
- At any one time, 25 percent of customers are sufficiently upset to switch to a competitor - if one is available.
- 90 percent of those customers whose problems are not resolved will never (assuming they have a choice!) do business with that supplier again.

These figures highlight the likely consequences of failing to deliver the level of service expected by customers.

The Role Of Performance Measurement

It is widely recognized that customer satisfaction research on its own cannot provide the kind of detailed information or 'feel' that enables management to identify and address any weaknesses in the manner in which service quality standards impact on the service delivery process - because customers (usually) are unable to remember the detail of a service experience, being able (again, usually) to give only an overall impression of what happened. Even during exit interviews respondents find it difficult to recall a recent service encounter in detail sufficient to aid management initiatives to improve the service delivery process.

As any marketing manager will know, customer satisfaction levels do not change dramatically over short periods, and thus, in themselves, cannot provide a useable benchmark against which service performance can be evaluated.

Further, if an organization is communicating the expectations and requirements of management and customers to front-line staff - through the setting of service

standards - logically it follows that there is a need for the measurement of performance against these standards.

Mystery shopping, also known widely (and perhaps more accurately) as performance measurement, is a form of participant observation - using trained customers or potential customers (prospects) to monitor the performance of the processes and procedures used in the delivery of a product or service.

Unlike the methodologies employed in mainstream, conventional market research, mystery shopping seeks to measure the service process rather than the service outcome (which is the target subject of customer satisfaction research and similar methodologies). The emphasis of performance measurement is on what did/did not occur as the service delivery process unfolded, rather than on attitudes and opinions about the impact of the service experience per se.

Summary

To summarize the need for, and the role of, mystery shopping:

- Context: The standard of service delivery can have an exaggerated effect on customer perceptions of the image of a product or service provider. Mystery shopping is conducted within a broad effort to satisfy, and thereby retain, customers – by way of developing and then sustaining high standards of service delivery.
- Need: Procedures and systems are used to ensure that service delivery may be achieved successfully, regardless of the environment within which it takes place, e.g. one-on-one or ‘in public’, with or without the use of technology, and so on. To be effective, such procedures and systems require service quality standards – to help staff understand what customers (and therefore management) require. Measuring performance against these standards generates information that can be used to effectively allocate resources and direct personal effort.
- Methodology: Mystery Shopping is a form of participation observation, one that is able to provide information – from the customer perspective - about the detail of the service delivery process. It is a methodology for the (largely) objective measurement of what did or did not take place during a service encounter. Mystery Shopping is not a substitute for research into attitudes or opinions.
- Unique Advantages: The findings of a mystery shopping program reflect the customer’s perceptions (such as from differing customer interaction situations) of the service delivery process as it takes place. By participating in the process, the observer can identify dimensions of the

encounter that cannot be uncovered (at least as effectively, if at all) through other methodologies.

Findings have shown that the customer experience is not always what management had intended.

Using Mystery Shopping Program Information

The information generated from mystery shopping programs is used, primarily, to help management direct resources effectively (e.g. refinements to and development of training materials) and to focus the personal effort of front-line staff.

For maximum benefit, findings should be integrated with the results from other research methodologies, in order to maximize potential benefit and correct weaknesses that may originate outside the service delivery process itself. There should be a continuous linking of facilities, systems, and procedures with service standards, staff performance, training, and reward mechanisms.

Customer retention is recognized as a pre-requisite for business success and prosperity. But retaining customers over the long term is not simply a function of creating a loyalty program - and giving free access to a special area at the airport that is even more overcrowded than the main lounge.

Both seeing things from the customer viewpoint, and listening to customers, have fundamental roles to play in generating repeat business. Who wishes to further a relationship in which one partner never hears, nor takes note, of the other?

Improving customer service over time is a function of both setting and achieving high service delivery standards and identifying weaknesses in service quality.