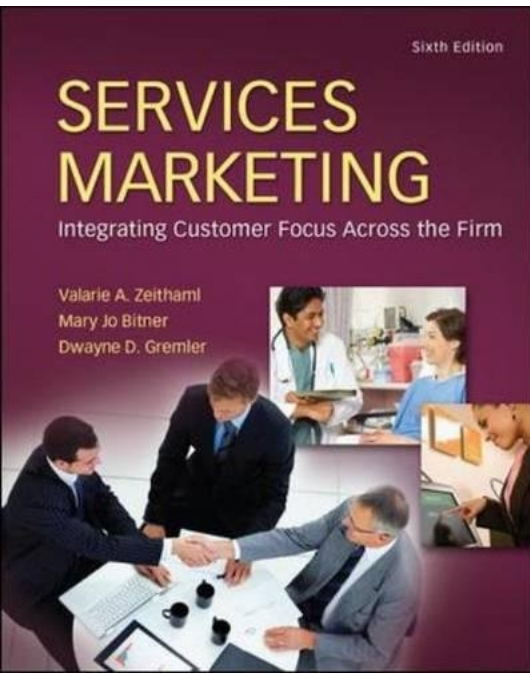


Services Marketing

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Conceptual Framework of the Book: The Gaps Model of Service Quality (Chapter 2)



Outline

- Services Marketing Strategy
- The Gaps Model of Service Quality
- Dimensions of service quality
- SERVQUAL
- Strategies for closing the gaps
- Service and Profits

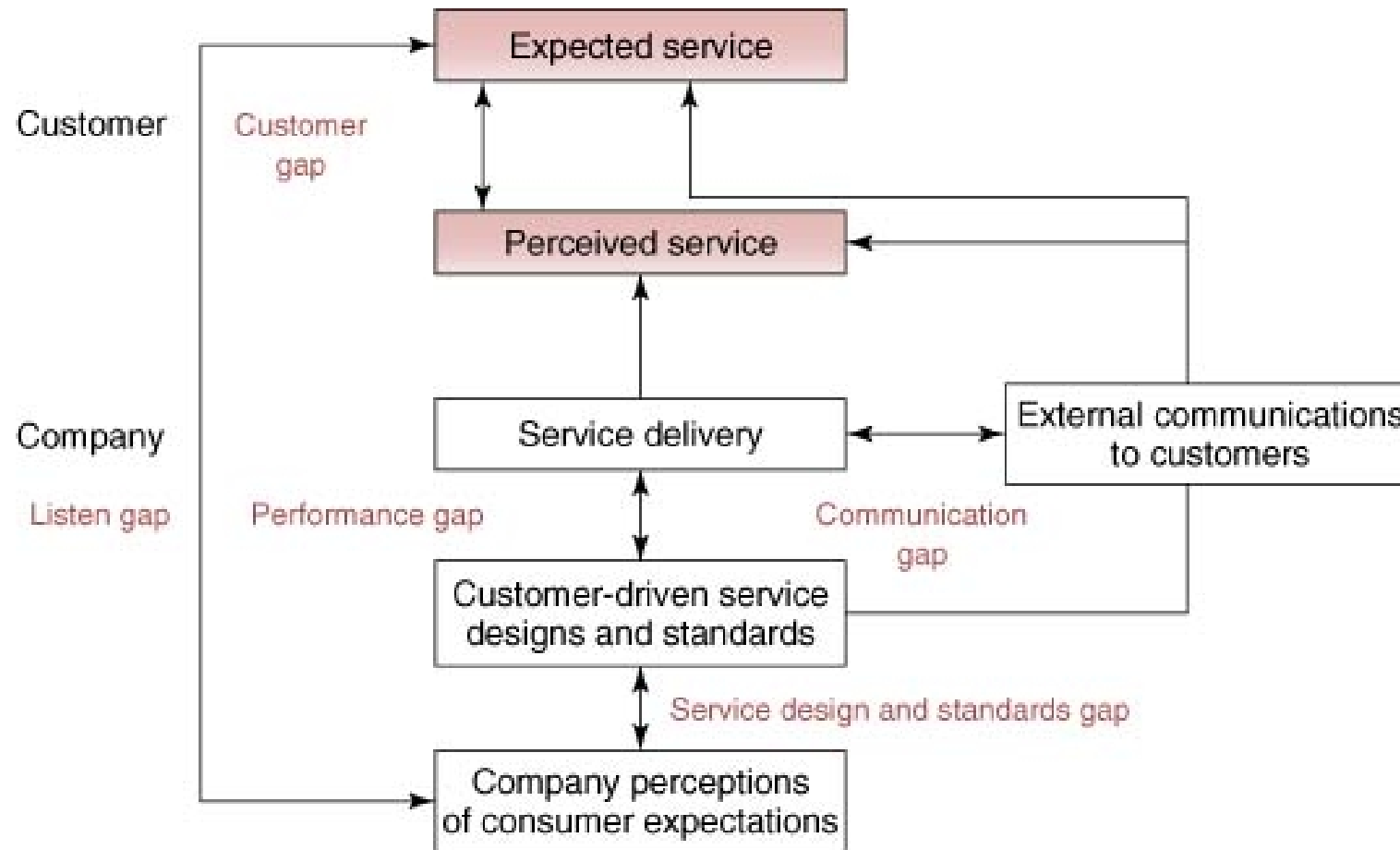
Services Marketing Strategy

- Services marketing strategy focuses on delivering processes, experiences, and intangibles to customers rather than physical goods and transactions. It involves integrating a focus on the customer throughout the firm and across all functions.
- All company functions – marketing, selling, human resources, operations, and R&D – must work together to create effective services marketing strategy.
- Rather than the traditional goods marketing focus on transactions and exchange, services marketing strategy is centered on the customer, usage, and relationships (Vargo and Lusch, 2004a).

The Gaps Model of Service Quality

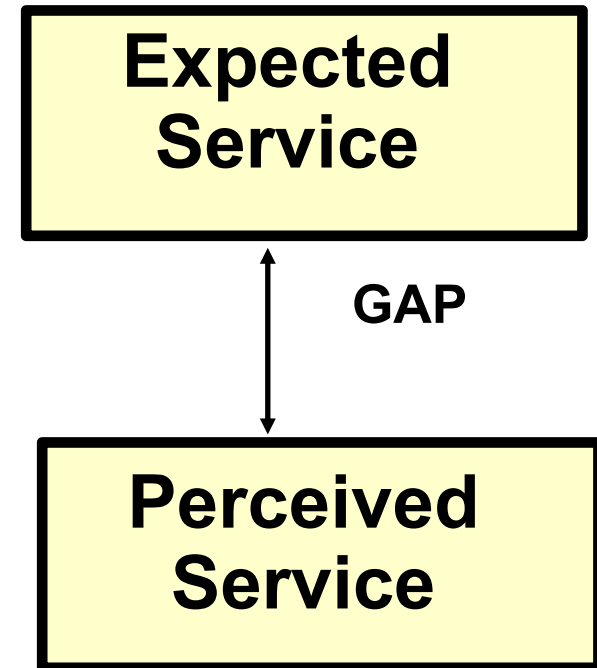
- Executives of services organizations have long struggled with how to approach service design and delivery in an organized manner. The dominant approach to viewing the delivery of service quality in a structured and integrated way is called the gaps model of service quality (Parasuraman, Zeithaml, and Berry, 1985).
- The gaps model positions the key concepts, strategies, and decisions in delivering quality service in a manner that begins with the customer and builds the organization's tasks around what is needed to close the gap between customer expectations and perceptions.
- The gaps model provides a comprehensive and integrating framework for delivering service excellence and customer-driven service innovation.

The Gaps Model of Service Quality



The Customer Gap

- As depicted in the model, a firm's primary goal should be to meet or exceed customer expectations, and strategies used to achieve that objective (whether operations, human resource, or technology-based) are all focused on the customer.
- Every gap and every strategy used to close the gaps in the model retains a focus on the customer at its core.



The Gaps Model of Service Quality

- The model is particularly relevant in service strategy because it captures the cross-functionality inherent in service management.
- Although the authors are marketing academics and their original publications appeared in marketing journals, their work has been widely cited and used across academic disciplines and implemented in different functions within organizations.
- The model draws heavily from logic, theories, and strategies in operations, human resources, marketing, and increasingly from information systems.

The Gaps Model of Service Quality

- At its most basic level, the logic of the model suggests that the customer gap is a function of any one or all of the four provider gaps. Early publications of the gaps model enumerated the complex reasons that cause each of these provider gaps.
- Later publications and a leading services marketing textbook (Zeithaml, Bitner, and Gremler, 2009) have further elaborated on the gaps by delineating specific strategies for closing each of them. .

Gaps Identified

The following four provider gaps are the underlying causes behind the customer gap:

Gap 1 - The listening gap

Gap 2 - The service design and standards gap

Gap 3 - The performance gap

Gap 4 - The communication gap.

Gaps Explained

- Customer Gap:
 - difference between expectations and perceptions
- Provider Gap 1:
 - not knowing what customers expect
- Provider Gap 2:
 - not having the right service designs and standards
- Provider Gap 3:
 - not delivering to service standards
- Provider Gap 4:
 - not matching performance to promises

Dimensions of service quality

Assurance - Knowledge and courtesy of employees and their ability to inspire trust and confidence.

Empathy - Caring, individualized attention the firm provides its customers.

Reliability - Ability to perform the promised service dependably and accurately.

Responsiveness - Willingness to help customers and provide prompt service.

Tangibles - Appearance of physical facilities, equipment, personnel, and communication materials.

SERVQUAL

- The five dimensions of service quality have been captured in a questionnaire called SERVQUAL, consisting of a total of 21 items measuring these dimensions.
- The SERVQUAL measure has been applied in and adapted to many industry settings. Related streams of research have developed in parallel to study service encounters, customer satisfaction, customer loyalty, and their relationships with service quality. None of these now-prominent streams of research existed prior to the 1980s, and all continue to spawn research today.

SERVQUAL

RELIABILITY

- Providing service as promised
- Dependability in handling customers' service problems
- Performing services right the first time
- Providing services at the promised time
- Maintaining error-free records

RESPONSIVENESS

- Keeping customers informed as to when services will be performed
- Prompt service to customers
- Willingness to help customers
- Readiness to respond to customers' requests

TANGIBLES

- Modern equipment
- Visually appealing facilities
- Employees who have a neat, professional appearance
- Visually appealing materials associated with the service

ASSURANCE

- Employees who instill confidence in customers
- Making customers feel safe in their transactions
- Employees who are consistently courteous
- Employees who have the knowledge to answer customer questions

EMPATHY

- Giving customers individual attention
- Employees who deal with customers in a caring fashion
- Having the customer's best interest at heart
- Employees who understand the needs of their customers
- Convenient business hours

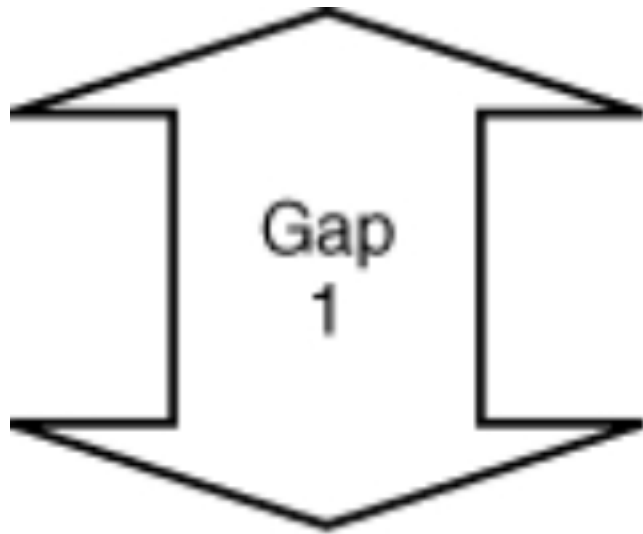
The Listening Gap

- Provider gap 1, the listening gap, is the difference between customer expectations of service and company understanding of those expectations.
- A primary cause in many firms for not meeting customers' expectations – that is, the customer gap – is that the firm lacks accurate understanding of exactly what those expectations are.
- Many reasons exist for managers not being aware of what customers expect: They may not interact directly with customers, they may be unwilling to ask about expectations, or they may be unprepared to address them.
- Closing the listening gap requires that management or empowered employees acquire accurate information about customers' expectations. Customer expectations must be assessed accurately before new services are developed, and they must be tracked after the services are introduced.

The Listening Gap - An Example



Strategies for closing the listening gap

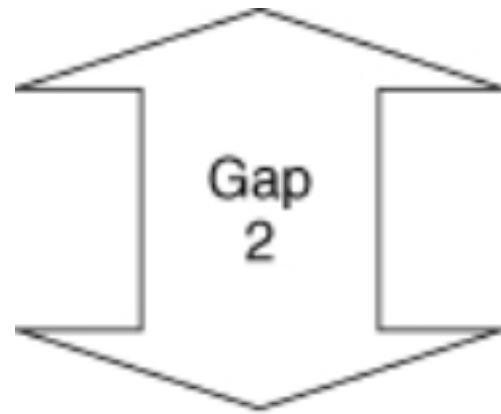


- Listen to customers in multiple ways through customer research and employee communication.
- Build relationships by understanding and meeting customer needs over time.
- Know and act on what customers expect when they experience a service failure.

The Design and Standards Gap

- Closing gap 1 through research and effective management of customer relationships is necessary, but not sufficient, for achieving service excellence.
- Even when a company has a thorough and ongoing understanding of its customers' expectations, it is still very possible, in fact, quite easy, to fail to deliver quality service.
- Focusing on gap 2, the design and standards gap, is the next step toward ensuring against such failure. This gap is concerned with translating customer expectations into actual service designs and developing standards to measure service operations against customer expectations.

Strategies for closing the design and standards gap

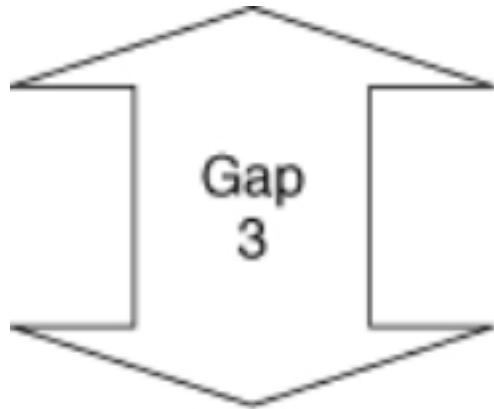


- Employ well-defined new service development and innovation practices- "services R&D."
- Understand the total customer experience through service blueprinting.
- Measure service operations via *customer*-defined rather than company-defined standards.
- Incorporate physical evidence in service design.

The Performance Gap

- Although a company may have closed both the listening gap and the service design and standards gap, it may still fall short of providing service that meets customers' expectations if it is unable to deliver service in the way the service was designed.
- Gap 3, the service performance gap, must also be closed to make sure there is no discrepancy between customer-driven service design and standards and actual service delivery.
- Even when guidelines exist for performing service well and treating customers correctly, high-quality service performance is not a certainty. Standards must be backed by appropriate resources (people, systems, and technology) and also must be enforced to be effective – that is, employees must be measured and compensated on the basis of performance along those standards.

Strategies for closing the service performance gap



- Align human resource practices (hiring, training, support systems, and rewards) around delivering service excellence.
- Define *customers'* roles and help them to understand and perform effectively.
- Integrate technology effectively and appropriately to aid service performance.
- Motivate and incentivize intermediaries to perform service according to firm standards.
- Manage fluctuations in supply and demand.

The services marketing triangle

- Services marketing is about promises made and promises kept to customers. A strategic framework known as the services triangle (Figure 5) visually reinforces the importance of people in the ability of firms to keep their promises and succeed in building customer relationships (Bitner, 1995; Kotler, 1994; Grönroos, 2007).



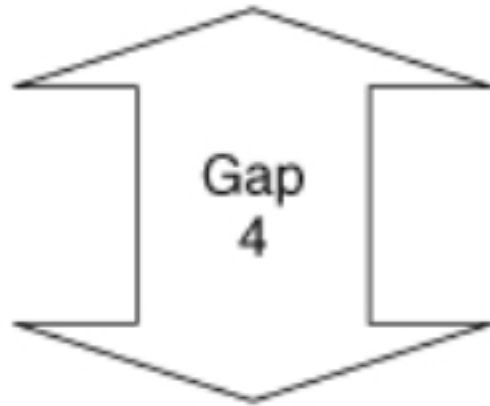
The services marketing triangle

- The triangle shows the three interlinked groups that work together to develop, promote, and deliver services.
- These key players are labeled on the points of the triangle: the company (or SBU (small business unit) or department or “management”), the customers, and the providers.
- Providers can be the firm's employees, subcontractors, or outsourced entities who actually deliver the company's services. Between these three points on the triangle, three types of marketing must be successfully carried out for a service to succeed: external marketing, interactive marketing, and internal marketing.

The Communication Gap

- Even when a firm has done everything suggested by the other three gaps to ensure service quality, there can still be a failure to meet customer expectations if communications about the service do not match with what is delivered.
- Thus, the final provider gap that must be closed is the communication gap, or gap 4.
- This gap focuses on the difference between service delivery and what is communicated externally to customers through advertising, pricing, and other forms of communications.

Strategies for closing the communication gap



- Employ integrated services marketing communication strategies around *everything and everyone* sending a message or signal to the customer.
- Manage customer expectations effectively throughout the experience.
- Develop mechanisms for internal communication to avoid overpromising and ensure successful delivery.
- Manage the service brand.
- Price services appropriately.

Service Equals Profits

- Since the mid-1990s firms have demanded hard evidence of the bottom-line effectiveness of service strategies. Fortunately, researchers are building a convincing case that service strategies, implemented appropriately, can be very profitable.
- Work sponsored by the Marketing Science Institute suggests that corporate strategies focused on customer satisfaction, revenue generation, and service quality may actually be more profitable than strategies focused on cost cutting or strategies that attempt to do both simultaneously (Rust, Moorman, and Dickson, 2002).
- Research from the Harvard Business School builds a case for the “service–profit chain,” linking internal service and employee satisfaction to customer value and ultimately to profits (Heskett et al., 1994).

Conclusion

- Services marketing strategy focuses on delivering processes, experiences, and intangibles to customers rather than physical goods and discrete transactions.
- Delivering experiences successfully and building customer relationships are complicated undertakings involving many different strategies and tactics. Although companies have often found it difficult to attack service problems in an organized manner, a well-established model called the gaps model focuses on the customer and describes the approaches necessary to close the gap between customer expectations and perceptions.
- The full gaps model, shows that closing the all-important customer gap is a function of closing four gaps on the service provider side: the listening gap, the service design and standards gap, the performance gap, and the communication gap.

References:

- **Textbook:** Zeithaml, Valarie, Mary Jo Bitner, and Dwayne Gremler (2013), **Services Marketing** 6th International Edition, Irwin/McGraw-Hill Publishing. (Other editions will also work, but you are responsible to compare your edition to the 6th - because the syllabus was written for the 6th edition.)
- Wiley Online Library
(<https://onlinelibrary.wiley.com/doi/10.1002/9781444316568.wiem01055>)
- Printed cases will be provided each week and also will be posted on the Module Intranet page prior to seminars.

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