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Performance*engaging service success*

The Service Ecosystem

Service may seem simple, but in reality it's not, it's complex. It has many moving parts, in many locations, and at different times. Service is an ecosystem.

Taking a big picture look at service helps understanding. With greater understanding comes more choices for improving performance and value.

When those are accomplished it's easier to justify a higher budget, departmental headcount, or your reason for being.

That said, it can be difficult to comprehend a service ecosystem.

Models are management tools that try to provide an all encompassing view of how things fit and interact. If you understand it, you can work towards achieving desired outcomes.

In this month's article I'll provide a synopsis of several service models, give my take on their key insights and uses, and list where I think they fall short.

Obviously these are my interpretations, complete with errors. If you have the inclination and time, I strongly recommend you dive into the originals.



Chris Arlen, President, Service Performance

Service Quality Model

SYNOPSIS:

One of the most important models of service quality was presented in 1990 by Zeithaml, Parasuraman and Berry in their book [Delivering Quality Service](#)

Based on extensive research, the authors introduced a conceptual model of service quality that became the basis from which most models followed.

What today seems obvious about service (i.e. service is about customer perceptions), began in large part with the



research presented by Zeithaml, Parasuraman and Berry in 1990.



Additionally, the authors presented SERVQUAL, a methodology for measuring customer perceptions of service quality.

KEY INSIGHTS:

Here are a few important takeaways.

#1 The customer is the sole determiner of service quality

#2 Service quality is the gap between expectations & perceptions

It's the size of the gap between customers' expectations and their perceptions that counts. The smaller the gap, the higher the quality. Conversely, big gap = poor quality service

#3 Customers assess service quality over five dimensions

There are five dimensions across which customers assess service quality, listed below in order of importance

- Reliability
- Responsiveness
- Assurance
- Empathy
- Tangibles

USING THE MODEL:

Here are several simplified ideas for putting the model to work.

#1 Make service tangible

Service quality is based on customers' perceptions, what they see or recognize, not how hard you and your employees work behind the scenes.

Of course behind the scenes work is necessary, but if customers haven't seen it, it hasn't added to their perception of your service quality.

It's your job to design ways of making the invisible visible. You are marketing to the end-users of your service. Make them aware you are delivering.

Consider:

- Leave behind cards stating a service has been performed (after washing coffee cups, cleaning blinds or other infrequent service)
- Brightly colored umbrellas carried by security when, as a courtesy, they escort employees to their cars after hours
- Publishing performance metrics in company meetings or lunchroom bulletin boards (charts and numbers make service real)

#2 Get your customers' point of view

If you haven't already done these, consider them to change your point of view from that of provider to what your customer sees:

- Shadow a customer through their interaction with your service (with their permission first, please)
- Have an independent 3rd party interview customers (did someone say consultant?)
- Hold a customer focus group (note: findings can be skewed by group think and/or dominant personalities)
- Visit another company or location and take a look at service that's similar to yours - view the experience as a customer, not a provider/manager

#3 Re-engineer service

Use the findings from #2 above and re-engineer service as appropriate - focus rigorously on the five dimensions of service quality, in order of importance.

That means looking to improve reliability first, responsiveness second, assurance third, etc.

WHERE THE MODEL FALLS SHORT:

The Zeithaml, Parasuraman and Berry service quality model doesn't address service price and cost.

Whether your service is in-house or outsourced, there's a value placed on that service. That budget and spend is what the service is worth to your company.

This model doesn't go there.

Also, their SERVQUAL survey is a great tool that produces massive amounts of data. However, now in our Twitter-Chat- Texting work life, SERVQUAL may be too time consuming and demanding for customers to complete.

The Customer Value Equation for Service

For facility and support services, "customer value" here equates to end-users, employees and/or your organization's value placed on the service you're providing.

SYNOPSIS:

The Customer Value Equation is the central model of the Service Profit Chain, presented by Heskett, Sasser and Schlesinger in their 1997 book [The Service Profit Chain](#) .

The Customer Value Equation, simply put, defines value as



what customers get relative to what they pay.

What Customers Get = Desired Results of the Service + Process Quality (read as Service Quality defined by Zeithaml, Parasuraman and Berry)

What Customers Pay = Price (at purchase) + Customer Access Costs (for facility services, this is departmental management costs, lowered productivity and downtime costs from service deficiencies). Taken together, these are totaled over the life of the contract.



Therefore the Customer Value Equation looks like this:

Results + Process Quality / Price + Customer Access Costs

KEY INSIGHTS:

Here are a few important takeaways.

#1 Service has a price at the start and costs till the end

Customer value is tied into service price plus access costs. This is hyper critical for facility services. Finance or Procurement may only focus on the spend once a year.

As the business owner, you're having to manage the service and deal with the year's variable costs. You see associated costs that are typically invisible to Finance and Procurement.

#2 Value includes desired results + how you're served

Achieving the desired result in the end, while making a hash of service delivery, is failure. Ends never justify the means. How you get there, in service particularly, can often be more important than where you end up.

USING THE MODEL:

Here are several ideas you might consider from this model.

#1 Calculate Total Cost of Service

More than the total budgeted spend, the total cost includes expenses when things don't go right, or are included in other spend areas.

Rarely are these costs included in a budget, in-house or outsourced. Total cost of service can include:

- Lost productivity when a facility or space is unavailable due to service delays or deficiencies
- Headcount costs (partial or full FTEs) to handle scheduling, corrections, or complaints from service
- Inter-related delays when someone else's department/function delays your service (whoever is closest to the lost productivity will get the heat for it)

- Fines from regulatory non-compliance

This exercise is well worth the effort to complete. Think about budget negotiations when you can present a more realistic total spend.

#2 Get explicit on desired results

This means being very clear on what customers truly desire as an outcome. Often customers are vague, or are unable to articulate what they want. You can't live with that, too much time and effort can be spent fixing something with little, if any payoff.

Consider interviewing your customers to find out:

- What their pains are (this will uncover service issues)
- Why it's important to fix those pains (this will uncover the results they're seeking)
- How will they know when they're receiving the results they want (this will uncover what they look for, by whom, when and where, even the format/media to report back success)

#3 Comprehensive measuring of service results

Customer satisfaction and quality inspections are typical metrics for measuring desired service results.

However, there are other important areas to include, such as:

- Customers' willingness to refer you to others if you're outsourced, or speak well of your service if you're in-house
- Customers use of your available services (do they use everything you can do for them?) can show how well they trust you

WHERE THE MODEL FALLS SHORT:

First, as a book, the Service Profit Chain is not as well written as one would hope. This makes reading it a challenge of focus and retention.

Also, there is a lack of actionable takeaways. There is an audit of Service Profit Chain Management included, but this is a self-assessment. While helpful, it lacks the important customer perspective.

With that said, the Customer Value Equation adds a missing link in the understanding of the service ecosystem.

It provides the concept of balance between what's offered and what it costs, to the customer and provider. This has always been a difficult area to justify a facility support service's budget and headcount. However, this model helps us move towards that eventuality.

Summary

These and other models help further our understanding of the service ecosystem. In turn, that helps our ability to improve service performance and the value received.

As always, the trick is to take a concept and apply it to your everyday world. Often this means bucking the status quo, finding available budget, and winning over the hearts and minds of those who must make the changes.

In the end, change happens anyway. Either the service adapts and grows, or it withers and dies within the ecosystem.

About Service Performance

We help business owners and Procurement get more value from their service contract relationships.

- For more info on service engagements call Chris Arlen @ 206-780-2963, or email carlen@serviceperformance.com
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