

## **Teaching the quality service consulting project to business school students**

*Gene Milbourn Jr*

### INTRODUCTION

The cover of Time magazine asked the question "Pul-eeze! Will someone Help Me?" The accompanying article reported the deterioration of customer service to be due to the general economic upheavals such as high inflation, labor shortage, and low-cost business strategies.

Prices increased 87% during the 1970's and to keep prices from further skyrocketing, customer-service training was slashed and computers and self-service schemes were introduced in wholesale fashion [Time, 1987]. Businesses were seen to have developed the same habits and inattention to quality service that had plagued American manufacturers on the quality issue in years past. Today, ecommerce retailers are forcing the bricks-and-mortar businesses to upgrade their customer focus to be competitive. Data now exists that suggest that the economic well being of companies fluctuate with the quality of service. The Strategic Planning Institute found in studying the confidential data provided by thousands of business units - the PIMS database-that quality service leads to very positive financial and strategic outcomes. Grouping business into those providing low and those providing high quality service, it was found that, in addition to maintaining a price differential of 11%, return on sales was 11% higher and annual sales growth was 9% higher in the group providing high quality service. In addition, the high service quality group experienced a 4% positive change in market share while the low service quality group registered a -2% change [Gale, 1994]. An earlier report concluded that many companies "overinvest in cost reduction and capacity-expansion projects because they believe they can "run the numbers" to "justify" a project. They underinvest in quality service improvement because they have not learned how to calibrate its strategic or financial payoff." The research on the behavior of dissatisfied customers is consistent and expected. A dissatisfied customer typically does not complain and simply purchases from another store. Research across eight industries found that 25% of dissatisfied customers do not return to the offending store; 41% of customers experience a problem in shopping; 94% of customers do not complain about a problem; 63% of customers are not pleased with a business' responses to their complaints; and, customers are five times more likely to switch stores because of service problems than for price or product quality issues .

However, when customers do complain and when their problems are resolved quickly, an impressive 82% would buy again from the business [TARP, 1995]. High quality service is found to be a dominant cause of repeat customers across industries. More noteworthy, however, is that a customer generates an increasing amount of profit each year the "customer is a customer." A business becomes skilled in dealing with the customer while the customer is found buying more as well as referring others to the business [Reichheld et. al., 1990].

### THE QUALITY SERVICE CONSULTING PROJECT OVERVIEW

The quality service consulting project starts by dividing a class into teams of three to four students. Each team selects a business that will allow it to survey its customers and to conduct a focus group exercise. The project will take about two and half to four weeks depending on students' ability and on the demands of the instructor. Team papers about fifteen pages and a slide show using presentation software can be requested from each team. The cognitive and process outcomes include learning the role of quality service and customer value analysis, and the development of team and consulting skills from conducting a project with others in an on-going enterprise. The project is divided into the following five sections: (1) Personal Customer Service Inventory, (2) Quality Service Inventory, (3) Internal Service Quality Climate Survey, (4) Customer Value Analysis, and (5) Recommendations. These sections represent the steps I have followed in teaching this topic in my business management courses. The Personal Customer Service Inventory is a short personality test that measures a person's service orientation. Many stores use this type of instrument to select sales clerks. They generally measure personal

characteristics as friendliness, tactfulness and open-mindedness. Of the five sections, this is the one that is that can be deleted if time is not sufficient for the entire program. The main survey tool is the Quality Service Instrument. This is a 22-item questionnaire that is completed by customers of a business. It measures five factors of quality service which include the tangibles, empathy, reliability, assurance, and responsiveness. These terms will be defined elsewhere in the paper. Here, it should be understood that these five factors account for much of the variation of customer's perception of quality service across industries. Figure 1 shows the Quality Service Model.

Place Figure 1

Figure 1 shows that there are five general factors of quality service that influence customer behavior. For example, a below average fast food restaurant may serve unevenly prepared food (poor reliability), on oily trays (poor tangibles), slowly (poor responsiveness), to customers in 'cold' manner (low empathy). Customers would likely not return to this business or provide positive word-of-mouth advertising. On the other hand, if a business is rated highly by customers on the five dimensions of service quality, the desired customer behaviors will be realized. The third section requests that students administer a survey to employees within a company to index the internal service quality climate. There are seven parts of the climate, some being the company's vision, its attitude toward eliminating customers' problems, and the likelihood of using customer information. Explanations for the levels of quality service are often explained by factors tapped by the climate survey. The fourth section is called Customer Value Analysis. Here the student teams employ focus groups of about 5-8 customers to identify the reasons why customers frequent their business and the reason customers patronize rival companies. The focus groups discuss product or service attributes that are important in buying within the industry. In the last section, students are asked to provide about six recommendations. Each recommendation should have a timetable, costs fully sketched out, and be clearly linked to data collected in earlier sections. All student instructions are shown in Appendix 4.

#### PERSONAL CUSTOMER SERVICE INVENTORY

Students are asked in this section to complete an inventory assessing their "service orientation."

These inventories-and there are many-- measure several personality dimensions such as likeability, adaptability, and prudence. In the literature as well as in this paper, quality service and customer service do not refer to the same behavior. Quality service is what the company provides while customer service is what individuals provide in their interplay with the ultimate customer.

Customer service refers to an individual's disposition to "be helpful, thoughtful and cooperative. It is an aspect of nontechnical performance that is important in a variety of jobs. For example, in hospital work, such actions as treating patients; and co-workers with courtesy, consideration, and tact, being perceptive and patients' needs, and being able to communicate accurately but pleasantly, contribute significantly to the overall quality of patient care. Personnel who are irritable, cranky, imperceptive, and abrasive not only upset patients but will also tend to erode the morale of the staff with whom they work. Figure 2 shows the Customer Service Model that illustrates the relationship between personal characteristics of employees and such financial outcomes as "increase sales."

Place Figure 2

Figure 2 shows that an effective selection device will identify applicants that are friendly, practical, courteous, open-minded, and responsible. These people have a high customer service orientation. Following the model, this type of person will ultimately cause the company to have improved sales. My preferred service orientation inventory is the PDI Customer Service Inventory published by Personnel Decisions, Inc. This inventory is a 64-item questionnaire that measures personality

dimensions such as stable mood, desire for affiliation, practicality, willingness to cooperate and goal-directed empathy. The inventory places a student into one of three groups: recommend rejection, caution, and recommend hire. Only about 25% of my senior business students score in the "recommend hire" category. Students are asked to develop some training practices that will improve the work behaviors of people who score low on this inventory. The students should be taught that while you cannot change the heart of a person, i.e., the personality, you can change how the person behaves in a given situation. In a way, training people in customer service skills is analogous to training them leadership skills.

## THE QUALITY SERVICE INVENTORY

Student teams are asked select an on-going organization to be the subject company for their projects. Normally this is not an issue since most students are employed. If not, various university divisions, such as the cafeteria can fill this need. Student teams are asked to use the latest version of the ServQual, a scale for measuring customer perceptions of quality service [Parasuraman, 1986]. A copy of the most recent version and the scoring key is in Appendix 1. When introducing this segment of the project, the instructor should read each item on survey aloud in class asking for student experiences with the issue. The dimensions of quality service with brief definitions are found in Figure 3.

Place Figure 3 about here

According to a research company that specializes in this topic, the reliability dimension is the most important followed by responsiveness, assurance, empathy, and the tangible dimensions.

However, some research shows that companies do best in dealing with the dimensions in almost the reverse order. In other words, they do very well in taking care of what customers view as relatively unimportant [The Forum Corporation, 1988]. The organizational themes that differentiate the best customer-focused companies from the others include the following: (1) Setting customer-focused performance goals and standards, (2) Taking personal action to help solve customers' problems, (3) Seeking innovative ways to serve customers better, and (4) Helping employees learn how to serve customers better. Some of the improvement strategies underlying this customer-focus that the Forum Corporation has found helpful include:

- \* Companies must attend to all the dimensions of service quality,
- \* Companies must be accurate and specific about what employees must do to improve service quality.
- \* Companies seeking a simple way to look at how their customers judge service, should evaluate the general viewpoint of employees, since employees are good estimators of service.
- \* Companies must seek ways to reduce, avoid, and solve problems with customers.
- \* Companies should work to keep customers who report that they are satisfied, but rate the company as having only fair or poor service.
- \* In order to maximize customer focus, companies must examine and correct anything that gets in the way of employee performance [The Forum Corporation, 1988].

The survey items in Appendix 1 should be rewritten so that it reads well and makes sense to customers. The instructor should mention that not all of the 22 items in the survey need be used. Items can be deleted if they are not appropriate. It is recommended that 30-40 or more customers, at a minimum, be surveyed. More is suggested since the higher the number of responses the more representative the resultant average scores. Norms are shown in Appendix 4.

## THE INTERNAL SERVICE CLIMATE INVENTORY

Teams are asked to survey a cross sample of employees in the subject company using the inventory in Appendix 2 titled "internal service climate inventory." It measures seven factors that set customer-focused companies apart from others. Figure 4 lists and briefly defines each part.

Place Figure 4

These dimensions represent management and organizational factors that influence the scores obtained from customers' perceptions of service. Employees are asked their level of agreement on statements such as: "Rather than having to undo mistakes, we aim to do things right the first time," "In our advertising and promotional materials, we avoid promising more than we deliver," "We monitor customer complaints," "We know how our customers define quality," "We make it easy for our customer to do business with us," and "We work to continuously improve our products and services." Many ideas on recommendations will genesis here. The instructor should ask students to complete this survey individually in class on the company in which they are current working. List some of the scores on the board. It is enlightening for students to see how companies vary on customer-focus. On any given factor, scores will range from 25% to 100%. It is recommended that 75% be used as a norm score on each of the seven dimensions. There is no need to customize this inventory.

## CUSTOMER VALUE ANALYSIS

Teams are asked to use a focus group of four to six people to identify what quality really is to customers in their marketplace. This procedure will identify why customers patronize their subject business as well as rival business. Figure 5 explains the steps in this section.

Place Figure 5

Basically, focus group members are asked what non-price attributes are important in their buying decisions. The people may mention such factors as warranty coverage, repair and maintenance records, sales service, customization, technical support, location, complaint handling, ordering and billing simplicity, delivery practices, customer service, and, other aspects of quality service.

Do not include costs at this stage. In a university setting, non-price quality attributes that affect buying (enrollment) decisions may include placement reputation, brand image, alumni network, specializations, teaching, available technology, and the availability of night classes. Once the focus group agrees on a list of attributes, the participants distribute 100 points among the attributes indicating their relative importance. Asked customers to rate on a 1 to 10 scale the performance of their business and each rival on each factor. Rivals should include the most important direct competitors-the fastest growing or the most innovative. Then multiply each business's score on each factor by the weight of that factor; add the results to get a "Market Perceived Quality Ratio."

This ratio summarizes, in percentage terms, how much better or worse, a business product or service is in the minds of the customer. It details the quality attributes or business processes where one business is superior or inferior to important rivals, thereby, providing a good starting point for change strategies. Figure 6 present the customer value analysis and market perceived quality ratio calculations for Perdue Chicken [Gale, 1994].

Place Figure 6

Perdue produced a market-perceived quality rating 26% higher than its rivals. To pinpoint why Perdue is ahead, compare column 6 with column 2. Of Perdue's 26.1% lead, 1.3 comes from "yellow bird," 4.6 from "meatier," 8.4 from "no pinfeathers," and 11.8 from superior brand image." The analysis shows what is important to customers and how customers evaluate

important attributes across different businesses. In this instance, and following the "lead from strength" maxim in strategic thinking, Perdue would be advised to compete on their superior brand image and secondarily to improve its "yellow bird" attribute. Consequences of the high market-- perceived ratio from past are shown in Figure 7.

Place Figure 7

Figure 7 shows that the higher the market-perceive quality ratio, the higher the return on sales.

For example, at a ratio of over 1.23, the return on sales is about 13% which compares favorably with the return of only about 4% at ratios under .77. The ratio has a similar affect on prices business can charge customers. At a ratio of 1.23 and over, business can charge a price premium of about 7%, whereas, at the ratio under .77, no premiums are feasible since they cannot be justified with the quality provided. Appendix 3 provides an instructor a template for the customer value analysis and market perceived ratio calculation. The instructor can request student teams to evaluate one, two, or three rival companies. For example, if the subject business is Wal-Mart, rivals could include Kmart, Ames, and Target. Likewise, if the subject business is McDonald's, the rivals would probably be Taco Bell, Burger King, and Roy Rogers.

## RECOMMENDATIONS

Students are asked to develop about six recommendations covering the short-term or 'no-brainers', the midterm, and the long-term time frames. The 'no-brainers' would include improvement activities where implementation and review take less than one year. An example could include improving the "tangibles" quality service factor by hiring a company known for effective cleaning. The mid-term refer to improvement activities taking between one year and two years. Lastly, the long-term refer to recommendations where planning, implementation, and review take longer than two years. Management development processes would be an example of a long-term recommendation. As mentioned earlier in the paper, this section can pose difficulty to students since most have never written a recommendation in a business setting. It has been my experience that students do not understand the importance of detailing the cost, time, and manpower specifications for recommendations. In teaching this segment, an instructor is urged to emphasize the need to "make it easy for a 'higher up' to approval recommendations by providing information for a speedy review." This information should include all costs, a time schedule, the manpower required, and, a method judging the level of success once the recommendation is implemented. While each instructor will have a system for developing a set of recommendations, I have been successful with the following four- step sequence:

- (1) List three quality service factors with the worst average scores.
- (2) Identify the specific topics or processes that are implicated in Step 1. See Figure I for a list of the specific topics. Write several statements identifying problem areas. For example, "We need to improve our reliability with regards to our repair and maintenance process' or "We need to improve our responsiveness with regard to delivery and complaint handling." The list of specifics in Figure 1 is not intended to be exhaustive.
- (3) Write complete recommendations for each statement in Step 2.
- (4) List four factors from the "internal service quality climate" with the worst average scores.

Write improvement recommendations for each of these four. This assumes that the student teams -in their deliberations--think are four are needed. The teams may want to revisit Step 2 to ascertain if internal factors are influencing external quality service factors in a direct manner.

(5) Ascertain if other non-price attributes are unfavorably influencing customer buying decisions through reviewing the customer-- value analysis data provided in Appendix 3. Write recommendations addressing the shortfalls in quality attributes.

(6) Once all recommendations are listed, the team members should vote on the most important six after each recommendation is clarified by a team member. One method is to ask each person to rate each recommendation on a 1-5 scale, 5 being very important. The recommendations with the highest scores are retain for the written report.

#### SUMMARY

This paper described a procedure for student teams to collect, study, and evaluate data on quality service on a business enterprise. All surveys, scoring keys, and templates were provided. Some research was presented summarizing the importance of the topic to the financial performance of a business. Since e-commerce is targeting the bricks-and-mortar stores for the sales dollar, quality service must be addressed with increased vigor. Undergraduate or graduate students function as consultants for a 3-4 week segment of a semester to detail a quality service improvement strategy. The author recommends that a written report be given not only to the instructor but also to the participating enterprise.

#### APPENDIX 4 STUDENT INSTRUCTIONS

Notes:

Length: (single space, block style)

Each section should be between 2 1/2 to 3 1/2 pages in length, including inserted bar graphs. The first section should have an introduction about the company as a courtesy to the reader.

For a higher grade, a group might want to do these things: customized the survey, have a large sample size, use the books on reserve and others found by the group heavily, and, submit a professional appearing team project (this requires several edits).

#### REFERENCES

Forum Corporation. Customer Focus Research: Executive Briefing, 1988, Boston, Mass. Gale, B. T. Mana-ging Customer Value. 1994, The Free Press, New York, Chapter 6.

Parasuraman, A., V. A. Zeithaml and L. L. Berry. "Servqual: A Multiple-item Scale for Measuring Customer Perceptions of Service Quality," Report No. 86-108 (August, 1986), Marketing Science Institute, Cambridge, Mass.

Reichheld, F .F. and W. Earl Sasser. "Zero Defections: Quality Comes to Service," Harvard Business Review, 68 (September-October, 1990), 105(7).

TARP: Technical Assistance Research Program. "Tarp's Approach To Customer Driven Quality: Moving From Measuring to Managing Customer Satisfaction," 1995, TARP Corporation, Arlington, Va.

Time. "Puleeze! Will Someone Help Me?" Economics and Business, Cover Story (February, 2, 1987)

**Journal of American Academy of Business - 19/2/2003**