

## **Service Leadership**

Maintaining a sustainable competitive advantage is becoming increasingly difficult. It is simply not enough to produce a product or service and sell it to your customers; establishing lasting relationships with customers is the key differentiator. One must become a leader in the realm of customer service in order to compete effectively in the markets of today. One of the key measurements of service excellence, SERVQUAL, was developed Dr. A. Parasuraman along with his colleagues, Dr. Leonard Berry and Dr. Valarie Zeithaml. Dr. Parasuraman is a Professor of Marketing at the University of Miami School of Business Administration and is associated with the Johnson A. Edsomwan Leadership Institute.

The conceptual foundation for SERVQUAL is the so-called GAPS model. This model explains the potential internal and external service deficiencies of firms. Specifically, it suggests that most firms suffer from five primary service-related deficiencies or “gaps.” The service quality gap (Gap 5) is an external deficiency reflecting the difference between customers’ expectations and perceptions of a firm’s service quality. According to the GAPS model, Gap 5 results from four internal, organizational gaps (Gaps 1 – 4).

Gap 1 is the *Market Information Gap* and denotes the difference between customers’ expectations of service and the organization’s understating of those expectations. Gap 1 can be caused by inadequate market research to understand customers’ expectations or insufficient use of that information by management in formulating their service strategies. It can also be caused by insufficient upward communication from customer-facing employees to managers, and by a lack of direct interaction between managers and customers. Unless Gap 1 is closed – i.e., unless managers have an accurate understanding of what customers’ service expectations are – whatever initiatives a firm undertakes to improve customer service are unlikely to be effective in closing the external Gap 5 – i.e., truly improving service quality as experienced by customers.

After the firm gathers the proper information, it must be disseminated properly. Gap 2, the *Service Standards Gap*, describes the issues resulting from a difference between the organization’s understanding of expectations and the organization’s service standards. Market research must be implemented into proper standards by the organization. Many firms simply

gather the information and do nothing with it while others suffer from a perception that implementing standards from them will be infeasible.

Walmart is an example of a company that does a good job minimizing gaps 1 and 2. Every week Walmart executives fly to stores across the country to meet with employees and gather information from their key points of contact. This information is brought back to their headquarters where it is disseminated for use in improving the company's overall performance.

Developing standards is meaningless unless they are implemented properly and Gap 3 explains the issues that arise from that implementation. Gap 3 is the *Service Performance Gap* and describes the gap between the standards the organization has developed and the organization's service level while implementing those policies. Issues that contribute to this gap are a lack of teamwork, poor job/employee fit, inadequate technology for the job required, role conflict among line employees, or role ambiguity for line employees.

The final gap, Gap 4 or the *Internal Communication Gap*, describes the difference between the organization's service performance and the organization's communications to customers. Gap 4 is typified by a lack of horizontal communication, for example, inadequate communication between salespeople and operations or differences in policies and procedures across organizational branches. Let's say a retail establishment is advertising a promotion, but when customers arrive at the store and ask about the promotion, the sales staff has no idea of its existence. Puffery in advertising and personal selling could also contribute to this gap. So, companies should not overpromise on what they can deliver.

If firms can identify and reduce their internal gaps, then they will reduce Gap 5 and consequently improve the company's service quality.

The Gaps model serves as the foundation of the SERVQUAL instrument. Customer's perceptions and expectations are measured under a variety of characteristics which can be grouped into five dimensions of service quality.

- Tangibles – The appearance of the physical facilities, equipment, personnel, and communications materials.

- Reliability – the ability to perform the promised service dependably and accurately.
- Responsiveness – Willingness to help customers and provide prompt service.
- Assurance – Knowledge and courtesy of employees and their ability to inspire trusts and confidence.
- Empathy – Caring, individualized attention the firm provides its customers.

These five dimensions make up customers' expectations and perceptions within gap 5. The SERVQUAL is a two part survey where customers are surveyed with questions that relate directly to these five dimensions. For example, customers rate services a firm provides using a 1 to 9 scale. These scores are then grouped by dimension and averaged. The SERVQUAL also takes into account weights customers assign to the five dimensions. The second part of the survey asks customers to assign relative weights to each dimension in terms of importance. A weighted average of these score is then applied to the score generated in the first part of the test to gain a more accurate measurement of the level of service in relation to what customers' truly value.

However, this only tells part of the story as it only measures customers' perceptions. Measurements for customers' expectations still need to be accounted for. So, SERVQUAL is further expanded into the refined SERVQUAL which measures expectation which is broken down into the minimum service level and the desired service level, as well as the perceived service level. The perceived service level is determined by the method described above in respect to the organization being studied. The minimum service and the desired service levels are acquired similarly with the only difference being the questions relate to customers' perceptions of the industry in general. Once these measurements are acquired they can be used to establish the customer's zone of tolerance for each of the five dimensions. The zone of tolerance is the difference between the customer's minimum service level and the desired service level. The perceived service level can now be measured in relation to the zone of tolerance. Measuring the perceived service level without the zone of tolerance can be problematic as it only provides a score without a point of reference. By taking the perceived score and seeing if it lies within the zone of tolerance, then the firm is meeting expectations. If it lies above or below then the firm is exceeding customers' expectations or is deficient in its service quality.

This provides another benefit of the refined SERVQUAL. It provides a means to see if resources are being implemented efficiently by the firm. As illustrated above by seeing where the perceived score lies in relation to the zone of tolerance, a firm can see how it is performing across dimension, but not all dimensions are equal for customers, and customer weights by dimension should be taken into account. For example, a firm is exceeding expectations in tangibles and its reliability score is within expectations, but the perceived score lies in the lower half of the zone of tolerance. At a glance it would appear that the firm is providing good service to its customers. However, the weights customers have assigned to the dimensions shows that tangibles ranks far less than reliability. So the firm should reallocate resources from tangibles to improve its reliability.

The zone of tolerance is not static and does change over time depending on customer's expectations. Several factors that can influence the size of the zone of tolerance are:

- ***Personal Needs:*** Customer-specific physical, mental or resource characteristics.
- ***Past Experience:*** Previous exposure to service that is relevant to the present service.
- ***Word-of-Mouth Communications:*** Statements from parties other than the company.
- ***Explicit Service Promises:*** Company statements about the service made to customers.
- ***Implicit Service Promises:*** Cues other than explicit promises that lead to inferences about what the service should be like.
- ***Self-Perceived Service Role:*** Customers' understanding of what they are supposed to do in obtaining the service.
- ***Perceived Service Alternatives:*** Customers' perceptions of the number of options they have for obtaining the service.
- ***Situational Factors:*** Factors beyond the service provider's control that could affect the service.

Reliability in service also has a strong influence over the zone of tolerance. If a company provides consistent service quality, customers are more willing to be forgiving of the rare slip up by the company.

Using the refined SERVQUAL one can measure a firm's degree of competitive status based on the firm's Measure of Service Adequacy (MSA) and Measure of Service Superiority (MSS). The MSA is determined by the difference between the perceived service score and adequate service score as determined by the SERVQUAL. MSS is the perceived score subtracted by the desired score. If both of the scores are negative, then the firm has a competitive disadvantage. This does not mean that the firm has no customers, only that the customers it does have are unsatisfied and looking to switch at any possible moment.

A positive MSA score and a negative MSS score means that the firm may have a competitive advantage. Most firms generally do not provide good service, therefore those that do will that they will have an advantage over their competition.

Finally, a positive score in both measurements means that the firm has achieved a state of customer franchise. The firm has achieved a state where it has acquired customers' mind space in relation to their competition. Customers will choose this firm over all other because of the firm's exceptional service. It is in this manner that companies can achieve service excellence and how this excellence will translate into service leadership.

Dr. A. Parasuraman is a Professor and holds the James W. McLamore Chair in Marketing and is Vice Dean of Faculty at the School of Business Administration. His teaching and research focuses on services marketing, service-quality measurement and improvement and the role of technology in marketing. Parasuraman was selected as one of the "Ten Most Influential Figures in Quality" by the editorial board of The Quality Review. He has received numerous distinguished teaching and research awards, including the American Marketing Association's "Career Contributions to the Services Discipline Award" and the Academy of Marketing Science's "Outstanding Marketing Educator Award." He has published more than 100 articles in leading journals such as the Journal of Marketing, the Journal of Marketing Research, the Journal of Retailing, and Sloan Management Review.

Further information on SERVQUAL can be found at:

Parasuraman, A., V.A. Zeithaml, and L.L. Berry, "A Conceptual Model of Service Quality and Its Implications for Future Research," *Journal of Marketing*, Fall 1985, pp. 41-50;

**reprinted in** John E.G. Bateson, *Managing Services Marketing*, Chicago: The Dryden Press, 1989.

Parasuraman, A., V.A. Zeithaml, and L.L. Berry, "SERVQUAL: A Multiple Item Scale for Measuring Customer Perceptions of Service Quality," *Journal of Retailing*, Spring 1988, pp. 12-40. ***Honorable Mention Award for best paper in the Journal of Retailing in 1988.***

Parasuraman, A., L.L. Berry, and V.A. Zeithaml, "Refinement and Reassessment of the SERVQUAL Scale," *Journal of Retailing*, Winter 1991, pp. 420-450.

Parasuraman, A., V.A. Zeithaml, and L.L. Berry, "Alternative Scales for Measuring Service Quality: A Comparative Assessment Based on Psychometric and Diagnostic Criteria," *Journal of Retailing*, Fall 1994, pp. 201-230. **Voted by the editorial board as co-runner-up for "Best Article in 1994" award.**

Zeithaml, V.A., L.L. Berry, and A. Parasuraman, "The Behavioral Consequences of Service Quality," *Journal of Marketing*, April 1996, pp. 31-46. **Selected as the "Best Services Article Published in 1996" (across all journals) by the Services Marketing Special Interest Group of the American Marketing Association.**