

# Performance Measurement in Services

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# Performance Measures



- What you measure is what you get
- Performance measures strongly affect the behavior of managers and employees
- Tailor your performance measures to fit company's mission and strategy
- Over-reliance of a single measure might be detrimental to company's long-term survivability

# Challenges to Performance Measurements



- Measure only the right things
- Avoid meaningless efforts
- Use the results proactively and productively

# Challenges to Performance Measurements



Quality

Flexibility

*The ability of a system to respond to potential internal or external changes affecting its value delivery*

Speed

Efficiency /Cost

Dependability

*It measures a system's availability and reliability*

## Theoretical background



*There is a gap between the increased relevance of services and the lack of an integrated and systemic framework for services performance measurement proposed by literature*



# Integrating Service Quality and Productivity Strategies

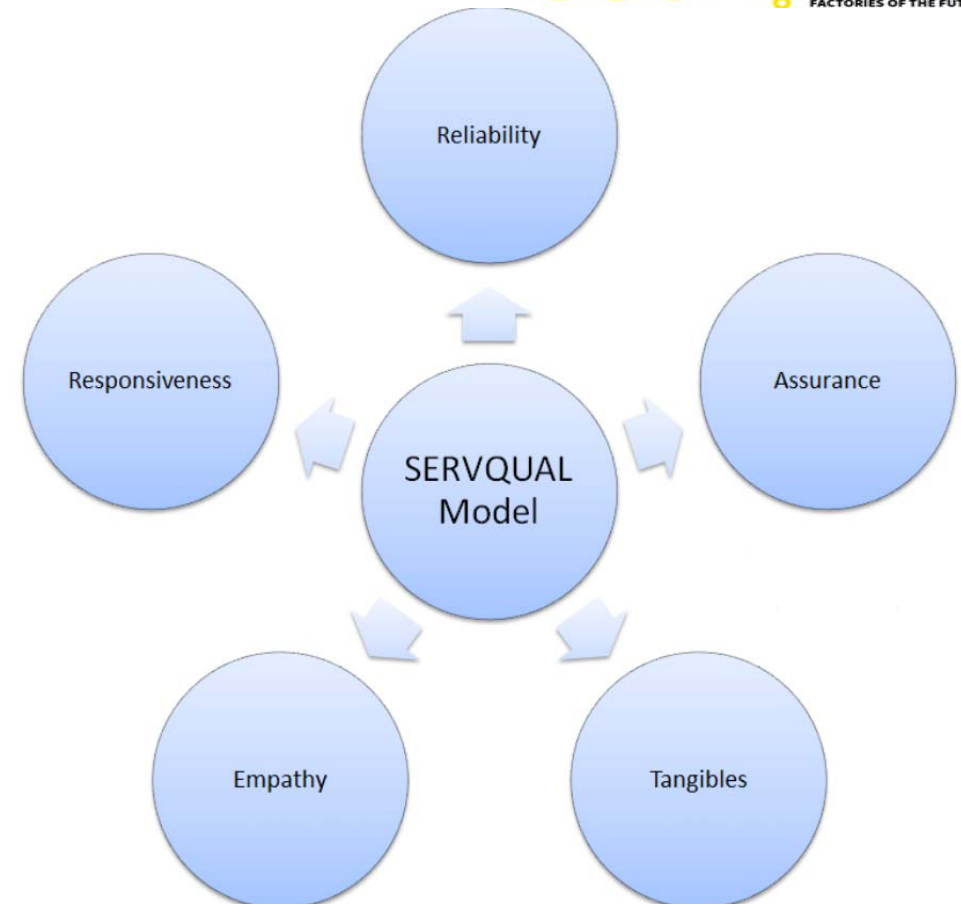


- Customer satisfaction and productivity are twin paths to create value for both customers and companies
- Customer satisfaction focuses on the benefits created for customers, in the service context it is based on the service quality concept;
- Productivity addresses financial costs incurred by firm, Importance of productivity:
  - Keeps costs down to improve profits and/or reduce prices
  - Enables firms to spend more on improving customer service and supplementary services
  - Secures firm's future through increased spending on R&D
  - May impact service experience—marketers must work to minimize negative effects, promote positive effects

# Components of Service Quality



- The five SERVQUAL dimensions are: R-A-T-E-R:
  1. **RESPONSIVENESS** - Willingness to help customers and provide prompt service
  2. **ASSURANCE** - Knowledge and courtesy of employees and their ability to convey trust and confidence
  3. **TANGIBLES** - Appearance of physical facilities, equipment, personnel, and communication materials
  4. **EMPATHY** - Caring, individualized attention the firm provides its customers
  5. **RELIABILITY** - Ability to perform the promised service dependably and accurately



## The SERVQUAL Model



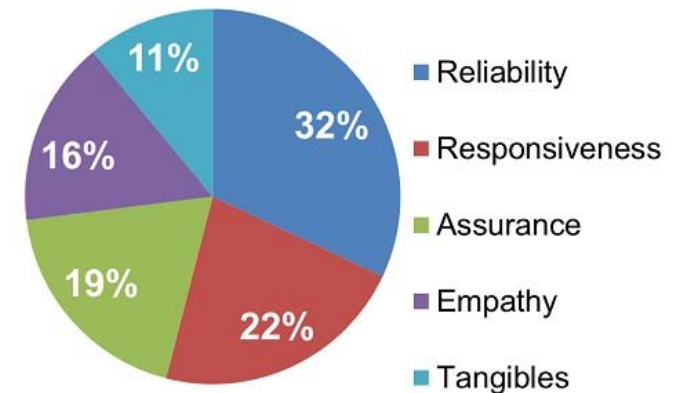
- 22 Questions on the 5 service quality components
- **PART I** - Respondents are asked about their expectations of the ideal service firm in that service category.
- **PART II** - Respondents are then asked about the service quality delivery of specific firms in that industry.



# The SERVQUAL model

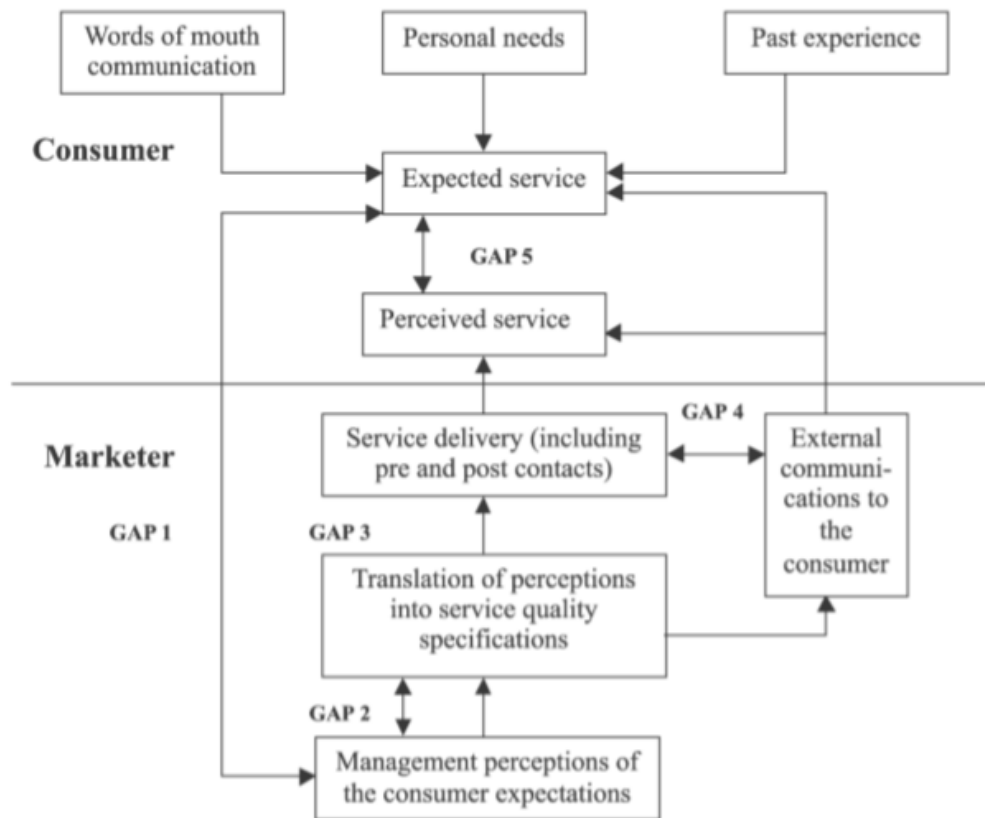


For each dimension of service quality, SERVQUAL measures both the expectation and perception of the service on a scale of 1 to 7, 22 questions in total. Then, each of the five dimensions are weighted according to customer importance, and the score for each dimension multiplied by the weighting. Following this, the **Gap Score** for each dimension is calculated by subtracting the Expectation score from the Perception score. **A negative Gap** score indicates that the actual service (the Perceived score) was less than what was expected (the Expectation score).



| Dimension      | Expectations | Perceptions | Gap scores | Weightings | Weighted average |
|----------------|--------------|-------------|------------|------------|------------------|
| Tangibles      | 5.66         | 4.26        | -1.40      | 19.8       | -0.28            |
| Reliability    | 6.06         | 4.36        | -1.70      | 29.6       | -0.5             |
| Responsiveness | 5.74         | 4.05        | -1.69      | 19.9       | -0.34            |
| Assurance      | 6.13         | 4.58        | -1.55      | 15.2       | -0.24            |
| Empathy        | 5.97         | 4.45        | -1.52      | 15.7       | -0.24            |

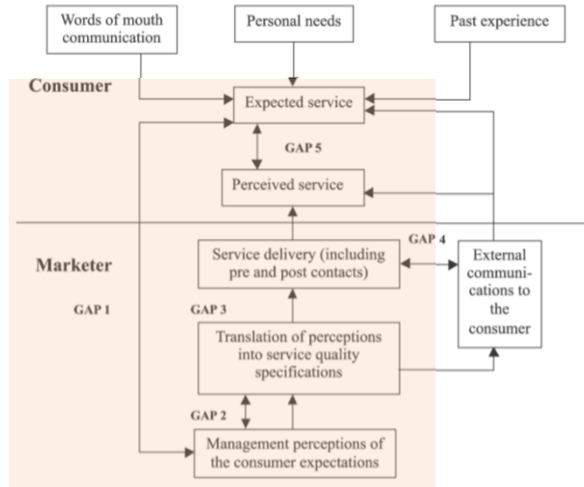
# The gap analysis



- GAP 1:** Not knowing what customers expect
- GAP 2:** Wrong service quality standards
- GAP 3:** The service performance gap
- GAP 4:** promises do not match actual delivery
- GAP 5:** The difference between customer perception and expectation

[Parasuraman et al., 1998]

# The gap analysis



## Example

If Netflix were to suffer from this gap then it could be because they don't offer the right amount of newer titles to their customer. If Pizzahut were to suffer from this gap then it could be because they don't offer pecan pie.

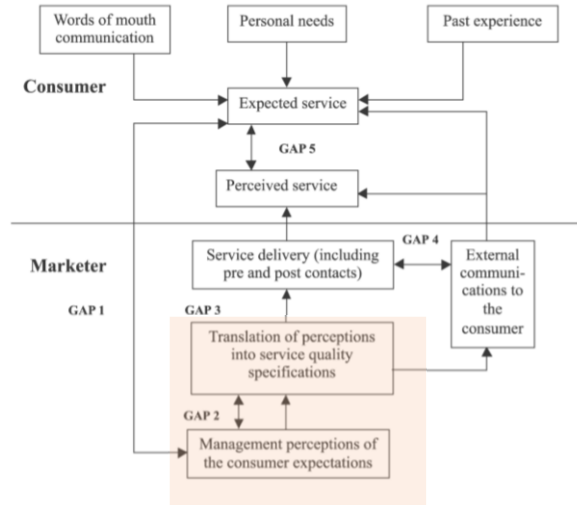
## GAP 1 - Knowledge gap

Gap between consumer expectation and management perception: arises when the management or service provider does not correctly perceive what the customers wants or needs

## Causes:

- Lack of management and customer interaction.
- Lack of communication between service employees and management.
- Insufficient market research.
- Insufficient relationship focus.
- Failure to listen to customer complaints.

# The gap analysis



## Example

If Netflix were to suffer from this gap then it could be that they offer all the right shows but the streaming quality level isn't high enough. If Pizzahut were to suffer from this gap then it could be they offer pecan pie but the quality isn't as good as people expect.

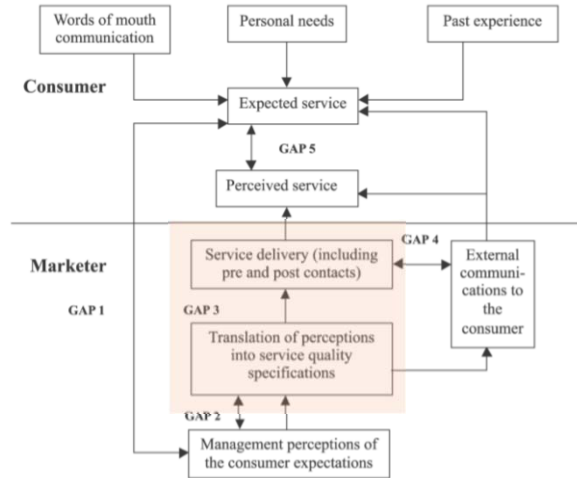
## GAP 2 - Standards gap

Gap between management perception and service quality specification: this is when the management or service provider might correctly perceive what the customer wants, but may not set a performance standard.

### Causes:

- Lack of customer service standards.
- Poorly defined service levels.
- Failure to regularly update service level standards.

# The gap analysis



## Example

If Netflix were to suffer from this gap then it could be because when the customer selects the show they want to watch it takes five minutes before it starts to play. In this case, the product isn't performing as it should.

If Pizzahut were to suffer from this gap then it could be that when the customer orders the pecan pie they are informed that the kitchen has run out. In this case, supply hasn't been adequately matched to demand.

## GAP 3 - Delivery Gap

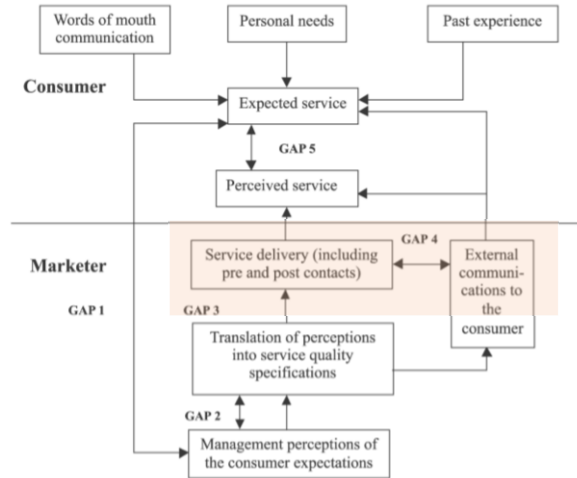
### The service performance gap

This gap exposes the weakness in employee performance. Organisations with a Delivery Gap may specify the service required to support consumers but have subsequently failed to train their employees, put good processes and guidelines in action

## Causes:

- Deficiencies in human resources policies.
- Failure to match supply to demand.
- Employee lack of knowledge of the product.
- Lack of cohesive teamwork to deliver the product or service.

# The gap analysis



## Example

If Netflix were to experience this gap then it could be because that although the service is good it isn't as good or as easy to use as depicted in the advert. If Pizzahut were to suffer from this gap then it could be because the pecan pie was good but it wasn't as large or delicious as it looked in the advert.

## GAP 4 - Communication Gap

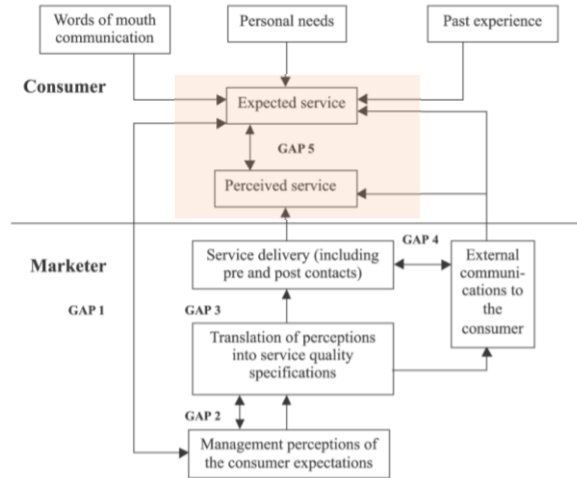
**Promises do not match actual delivery**

In some cases, promises made by companies through advertising media and communication raise customer expectations.

### Causes:

- Overpromising.
- Viewing external communications as separate to what's going on internally.
- Insufficient communications between the operations and advertising teams.

# The gap analysis



## GAP 5 - Satisfaction Gap

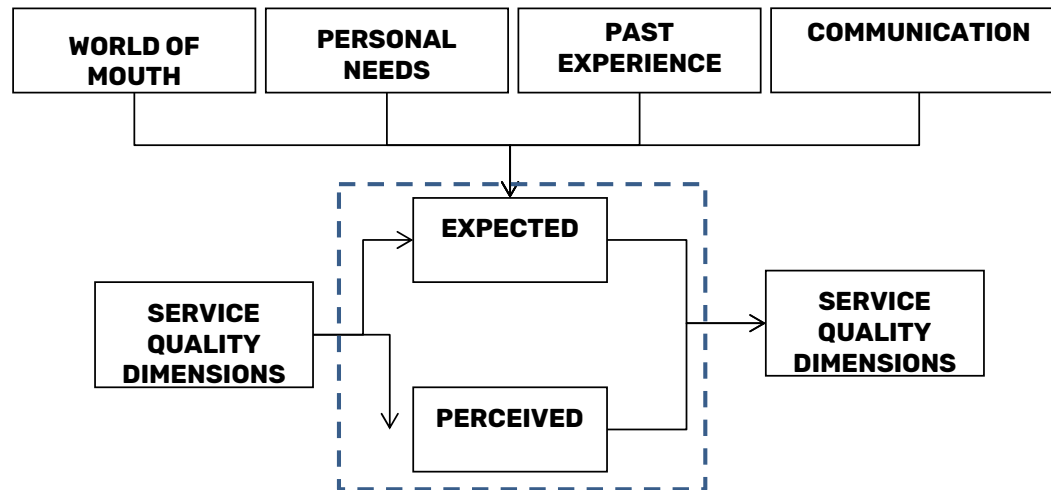
**The difference between customer perception of service and the expectation they had**

Usually the cause is the occurrence of the 4 other Gaps, which results in a difference between customer perception and the expectation they had.

### Other causes can be:

- cultural background, family lifestyle, personality,
- demographics, advertising, experience with similar service
- information available online

# The SERVQUAL model



## Main issue

The service judgment is created comparing the expected and the perceived quality

*[Parasuraman et al., 1998]*



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