Services Marketing 7e, Global Edition

Chapter 11: Managing People for Service Advantage
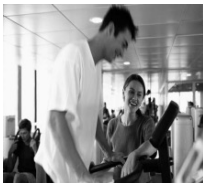
Recap

- **Which are the purpose of the service environments?**

- **Which are the three environmental dimensions of the servicescape?**

- **Tell me about a service that you appreciated less or more according to the employee executing it**

- **Do you have work experience as a front-line employee (e.g., waiter, sales assistant, etc.)? Share its pros and cons**

Service Personnel: Source of Customer Loyalty & Competitive Advantage

- **Frontline is an important driver of customer loyalty**

  ➔ **They are a core part of the service**

  ➔ **They are the service firm**

  https://www.youtube.com/watch?v=xG6tv3OFnAk

  ➔ **They are the brand**

  ➔ **They affect sales**

  ➔ **They influence customers' loyalty**

  ➔ **They determine productivity**

- **Customer's perspective: the encounter with service staff is the most important aspect of a service**

- **Firm's perspective: frontline is an important source of differentiation and competitive advantage**

# What are the factors Contributing to the Difficulty of Frontline Work?

Frontline work is difficult and stressful

- Boundary spanners **link** the organization to outside world

- **Multiplicity of roles** often results in service staff having to pursue both *operational and marketing* goals. This leads to **role conflict and role stress**, also due to:

1. Organization/client conflict (delight customers, be fast and efficient in executing operational tasks, do selling, cross selling, and up-selling);

2. Person/role conflict (e.g., not fitting personality traits)

3. Inter-client conflict (e.g., re- establish the order) https://www.youtube.com/watch?v=zt_edgewZSU

4. "The act of expressing socially desired emotions during service transactions" (Hochschild, The Managed Heart) https://www.youtube.com/watch?v=7e_S1LH0s9k

The service-profit chain
Cycles of Failure, Mediocrity, and Success

Cycle of Failure
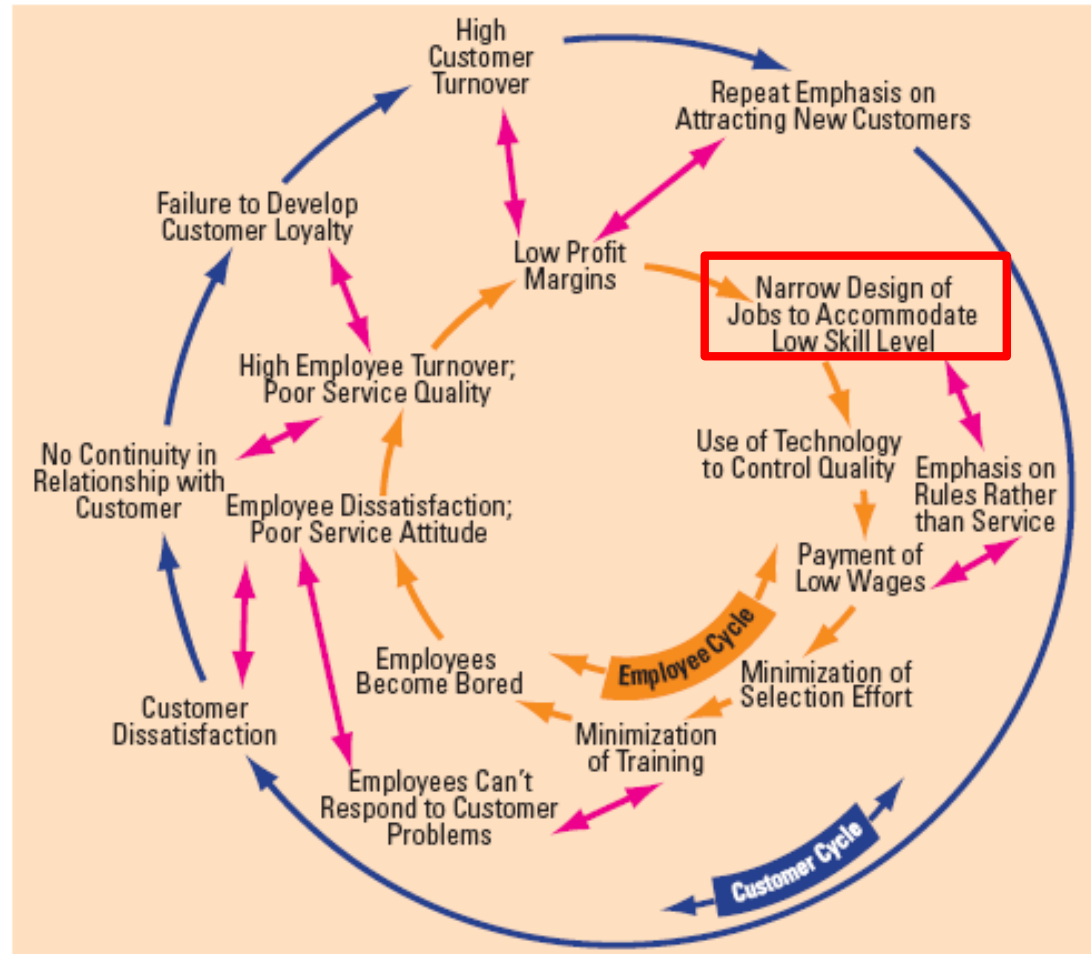
E.g., Assembly line

SOURCE

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Cycle of Failure

- **Costs of short-sighted policies are ignored:**
  - ➔ **Constant expense of recruiting, hiring, and training**
  - ➔ **Lower productivity of inexperienced new workers**
  - ➔ **Higher costs of winning new customers to replace those lost— more need for advertising and promotional discounts**
  - ➔ **Loss of revenue stream from dissatisfied customers who turn to alternatives**
  - ➔ **Loss of potential customers who are turned off by negative word-of-mouth**

Cycle of Mediocrity

Other Suppliers (if any) Seen as Equally Poor

Customers Trade Horror Stories

Employees Spend Working Lives in Environment of Mediocrity

Employee Dissatisfaction (but can't easily quit)

Emphasis on Rules Rather than Pleasing Customers

Narrow Design of Jobs

No Incentive for Cooperative Relationship to Obtain Better Service

Complaints Met by Indifference or Hostility

Training Emphasizes Learning Rules

Success Defined As Not Making Mistakes

Service Not Focused on Customer Needs

Jobs are Boring and Repetitive; Employees Unresponsive

Employee Cycle

Wages and Benefits, Are Good; Job Security Is High

Resentment at Inflexibility and Lack of Employee Initiative; Complaints to Employees

Promotion and Pay Increases Based on Longevity, Lack of Mistakes

Initiative Is Discouraged

Customer Cycle

Customer Dissatisfaction

SOURCE

Christopher Lovelock (1995). Managing services: The human factor. In W.J. Glynn and J.G. Barnes. *Understanding Service Management* (p. 228). Chichester, O K John Wiley.

Cycle Of Mediocrity

- **Most commonly found in large, bureaucratic organizations that are frustrating to deal with**

- **Service delivery is oriented towards**
  - ➔ **Standardized service**
  - ➔ **Operational efficiencies**
  - ➔ **Promotions with long service**
  - ➔ **Rule-based training**
  - ➔ **Narrow and repetitive jobs**
  - ➔ **Successful performance measured by absence of mistakes**

- **Little incentive for customers to cooperate with organizations to achieve better service**

- **Complaints are often made to already unhappy employees**

- **Customers often stay because of lack of choice**

Cycle of Success
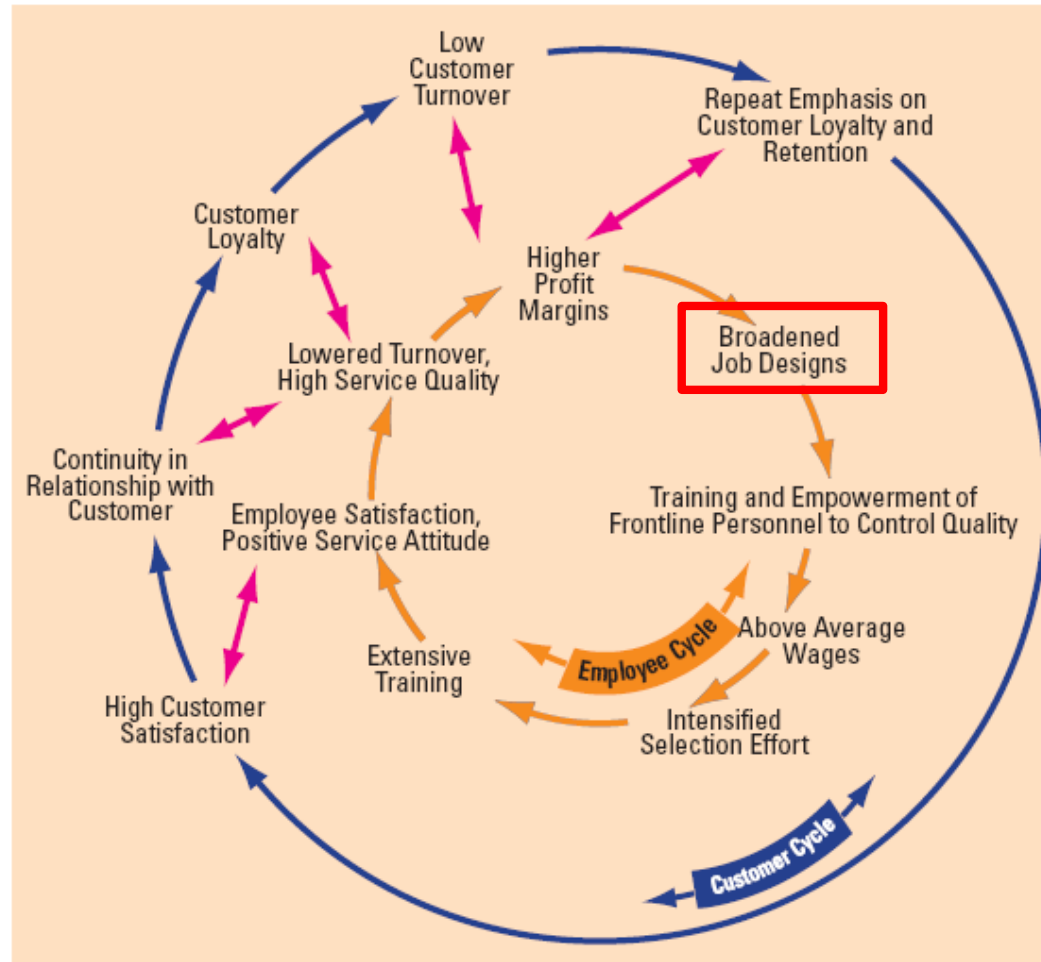
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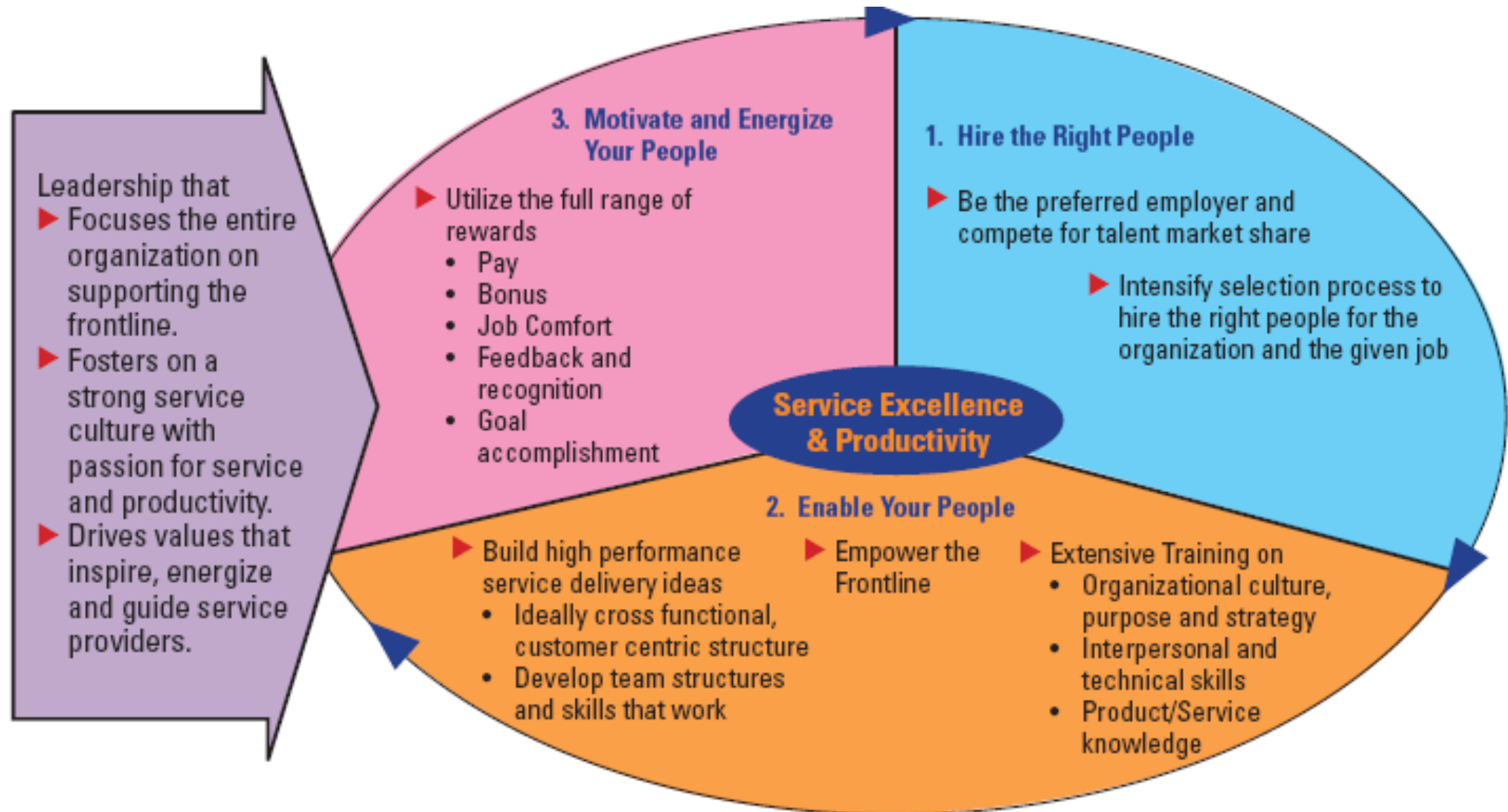
Cycle of Success

- **Broadened job descriptions with empowerment practices enable frontline staff to control quality, facilitate service recovery**

- **Regular customers more likely to remain loyal because they:**

    ➔ **Appreciate continuity in service relationships**

    ➔ **Have higher satisfaction due to higher quality**

Cycle of Success

- **Longer-term view of financial performance; firm seeks to prosper by investing in people**

- **Attractive pay and benefits attract better job applicants**

- **More focused recruitment, intensive training, and higher wages make it more likely that employees are:**

  - ➔ **Happier in their work**

  - ➔ **Provide higher quality, customer-pleasing service**

Human Resources Management –
How to Get it Right?

The Service Talent Cycle

Leadership that
- ▶ Focuses the entire organization on supporting the frontline.
- ▶ Fosters on a strong service culture with passion for service and productivity.
- ▶ Drives values that inspire, energize and guide service providers.

3. Motivate and Energize Your People
- ▶ Utilize the full range of rewards
  - Pay
  - Bonus
  - Job Comfort
  - Feedback and recognition
  - Goal accomplishment

1. Hire the Right People
- ▶ Be the preferred employer and compete for talent market share
  - ▶ Intensify selection process to hire the right people for the organization and the given job

Service Excellence & Productivity

2. Enable Your People
- ▶ Build high performance service delivery ideas
  - Ideally cross functional, customer centric structure
  - Develop team structures and skills that work
- ▶ Empower the Frontline
- ▶ Extensive Training on
  - Organizational culture, purpose and strategy
  - Interpersonal and technical skills
  - Product/Service knowledge

Be the Preferred Employer

● **Create a large pool: "Compete for Talent Market Share" (e.g., Glassdoor)**

● **Select the right people:**

➔ **Different jobs are best filled by people with different skills, styles, or personalities**

➔ **Hire candidates that fit the firm's core values and culture**

➔ **Focus on recruiting naturally warm personalities for customer-contact jobs**

https://www.youtube.com/watch?v=327UTwWhej4

Tools to Identify Best Candidates

- **Employ multiple, structured interviews**

  → **Use structured interviews built around job requirements**

  → **Use more than one interviewer to reduce "similar to me" biases**

    https://www2.deloitte.com/za/en/pages/careers/articles/deloitterecruitprocess.html

- **Observe behavior**

  → **Hire based on observed behavior, not words you hear**

  → **Best predictor of future behavior is past behavior**

  → **Consider group hiring sessions where candidates are given group tasks**

Tools to Identify Best Candidates

- **Conduct personality tests**

  - **Willingness to treat co-workers and customers with courtesy, consideration, and tact**

  - **Perceptiveness regarding customer needs**

  - **Ability to communicate accurately and pleasantly**

- **Give applicants a realistic preview of the job**

  - **Chance for candidates to "try on the job"**

  - **Assess how candidates respond to job realities**

  - **Allow candidates to self select themselves out of the job**

  - **Manage new employees' expectation of job**

Train Service Employees

Service employees need to learn:

- **Organizational culture, purpose, and strategy**
  - ➔ Promote core values, get emotional commitment to strategy
  - ➔ Get managers to teach "why," "what," and "how" of job

- **Interpersonal and technical skills**

- **Product/service knowledge**
  - ➔ Staff's product knowledge is a key aspect of service quality
  - ➔ Staff must explain product features and position products correctly

How to Enable Effective Service Recovery

Be proactive—on the spot, before customers complain

Plan recovery procedures

Teach recovery skills to relevant personnel

Empower personnel to use judgment and skills to develop recovery solutions

proactive → planned → trained → empowered