Service Quality Management

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PA181 SERVICES - SYSTEMS, MODELLING AND EXECUTION

Learning objectives

- Understand Service Quality Management
- Cost of Service Quality Optimization
- Model the Service Value Chain + Example


Reliability
Assurance
Service Quality
Responsive-ness
Tangibles
Empathy

SERVQUAL

Why Service Quality Management?

Reasons for service quality becoming a first priority for most organizations:

Competition – Today's market demand high quality services at low cost. Having `high quality' reputation is not enough! Internal cost of maintaining the reputation should be low.

Changing customer – The new customer is not only establishing priority based on volume but is more demanding about the "quality service."

Changing product mix – The shift:

low volume/high price ⟶ high volume/low price

has resulted in a need to reduce the internal cost of poor quality.

Why Service Quality Management?

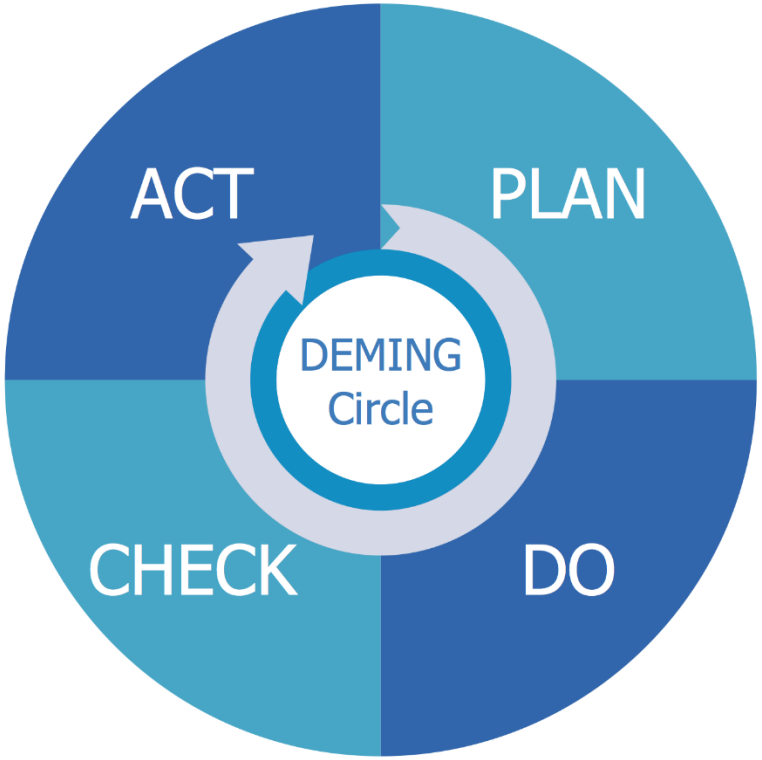
Product complexity – As services have become more complex, the reliability requirements for suppliers of components have become more demanding.

Higher levels of customer satisfaction – Higher customers expectations are getting increased by competition.

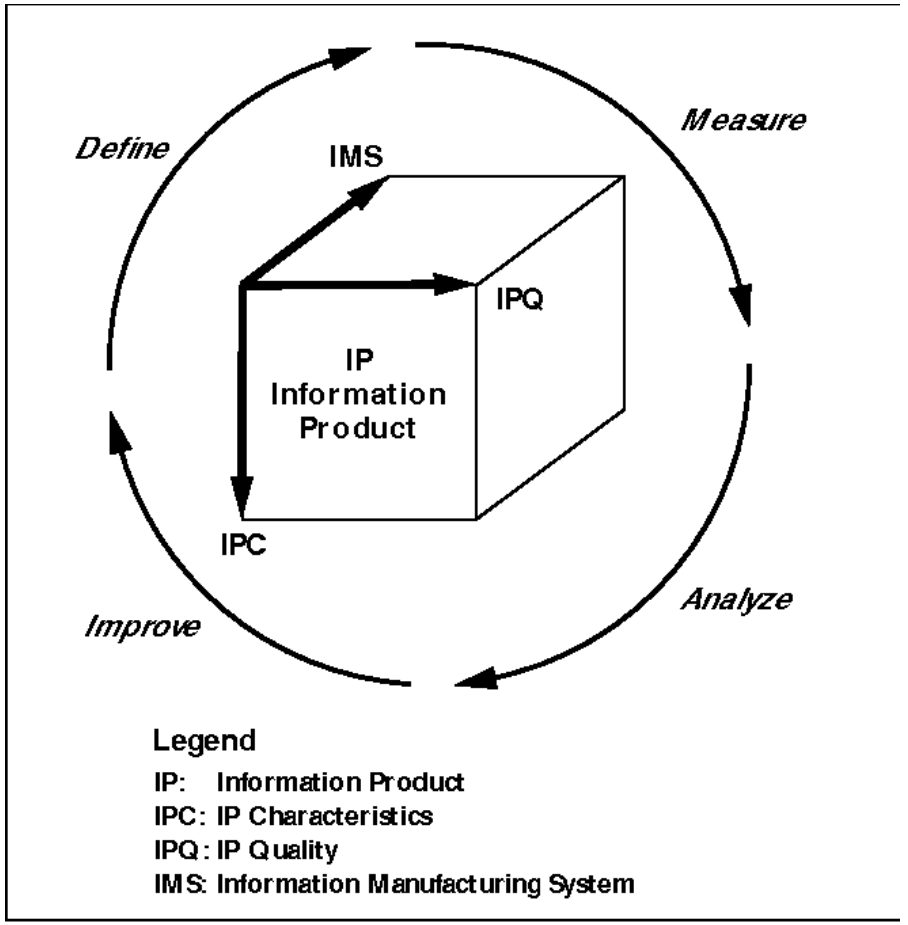
Three Quality Management Gurus

Source: Modified from John S. Oakland, Total Quality Management (London: Heinemann Professional Publishing Ltd., 1989), pp. 291–92.

Deming PDCA Circle

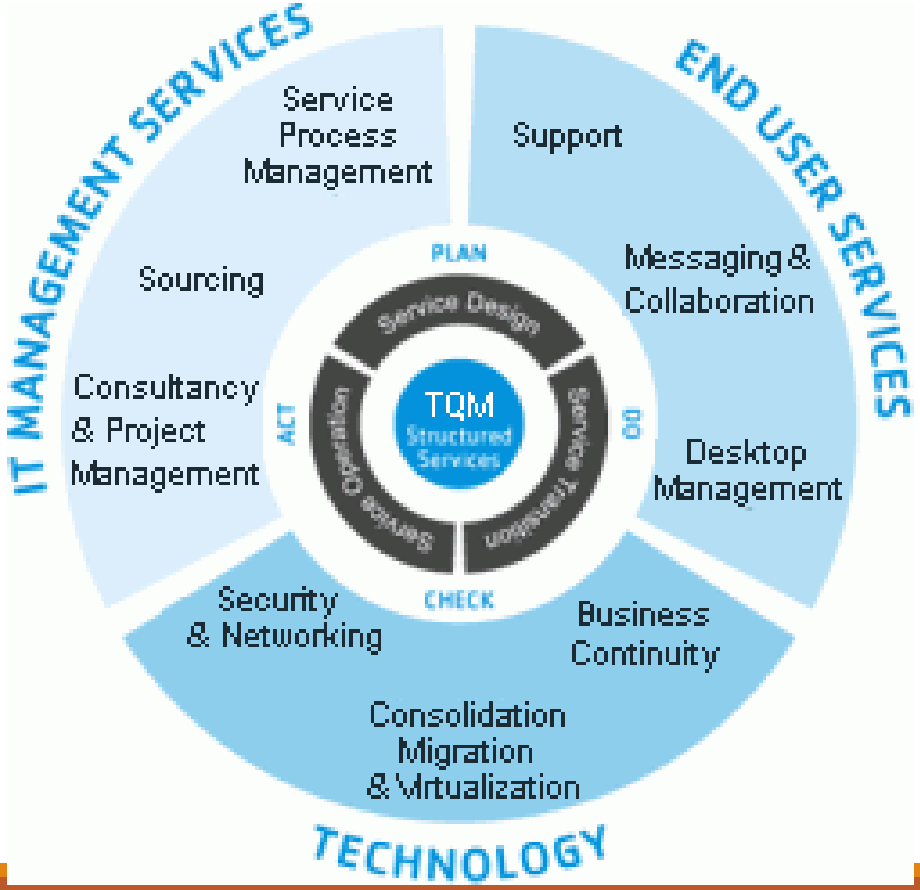


Total data quality management



Total Service Quality Management

We can easily adapt the quality management to service quality management



Cost of Service Quality

The Cost of Quality

Cost of Quality

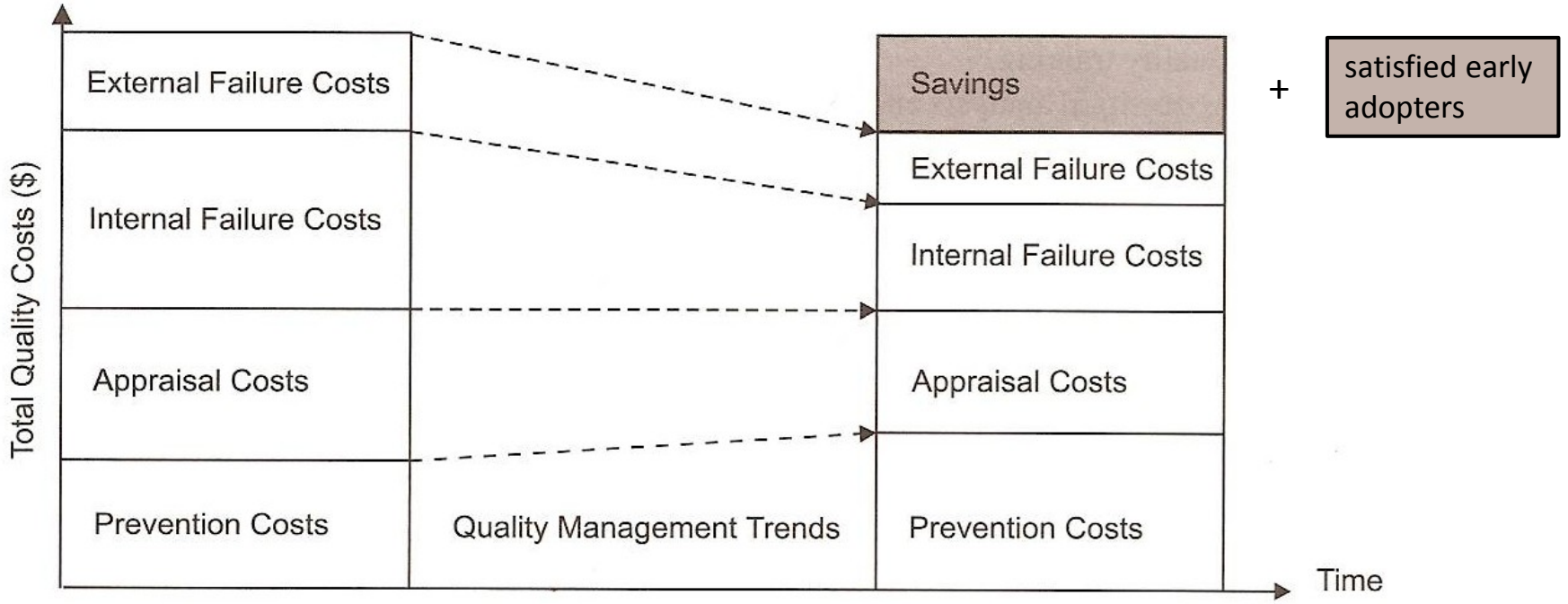
- Framework for identifying quality components that are related to producing both high quality services and low quality components, with the goal of minimizing the total cost of quality.
- Costs of poor quality:
  - Detection/appraisal costs
  - Internal failure costs
  - External failure costs

Cost of Service Quality

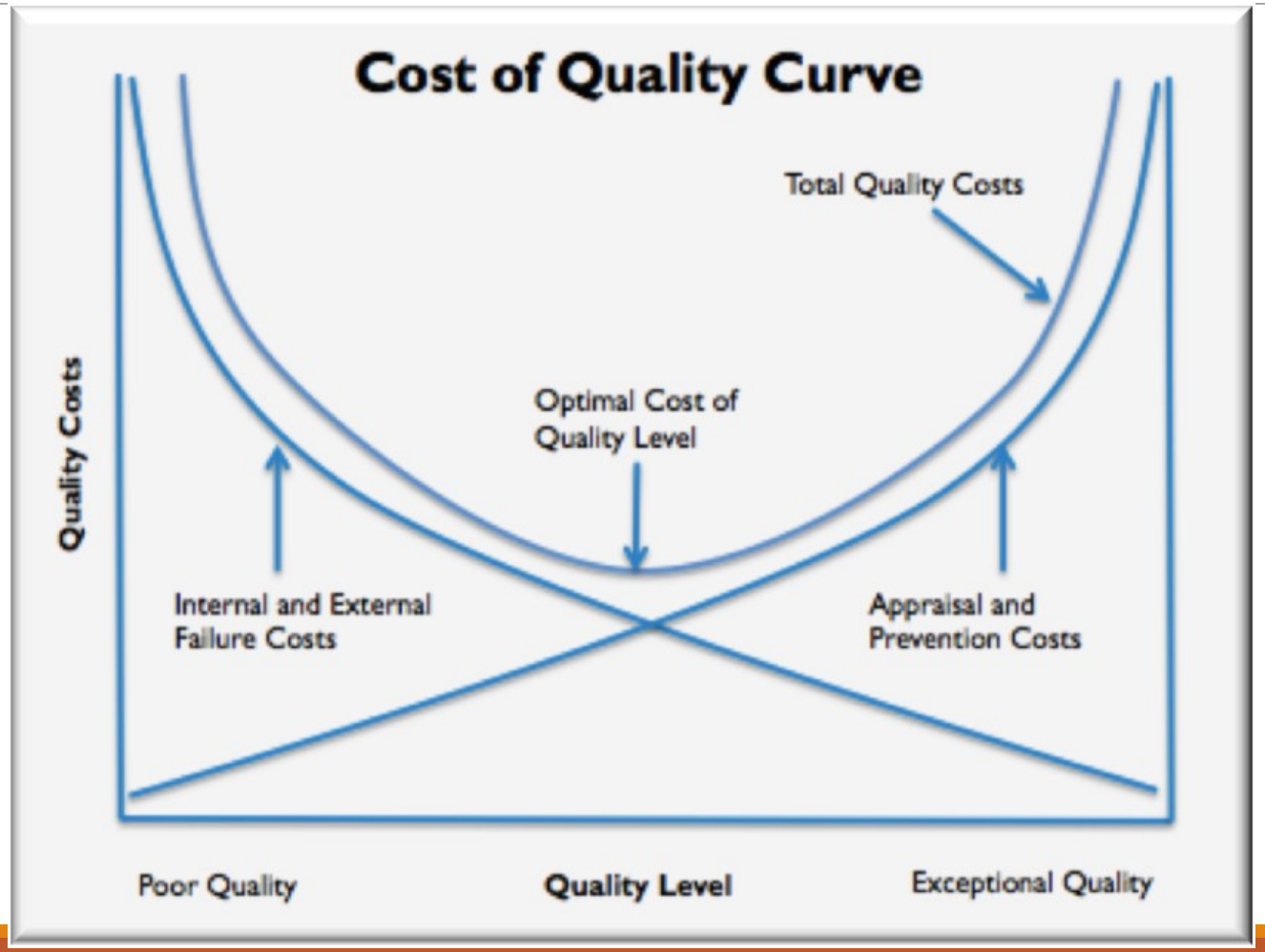
Category	Definition	Example
Prevention	Costs associated with preventing defects.	Training, early reviews, quality planning, tools, process improvement initiatives.
Detection/ appraisal	Costs associated with analyzing and testing the product to ensure it conforms to specifications.	Inspections, testing, audits, quality control.
Internal Failure	Costs associated with fixing defects found prior to release.	Repair, retesting, updating documentation.
External Failure	Costs associated with fixing defects found after release.	Technical support, defect reporting and tracking, field updates, loss of future sales.

Cost Management of Service Quality

Quality Cost Management shows how increased Prevention Costs reduce the Total Quality Costs.

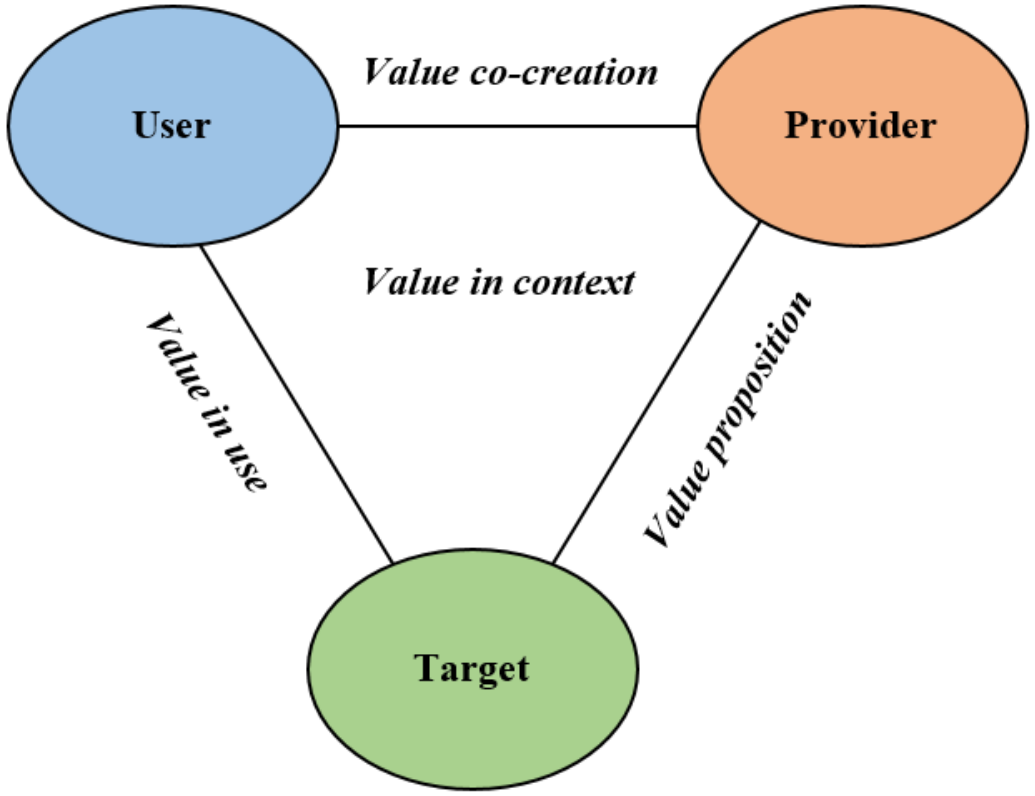


Optimization for Cost of Service Quality

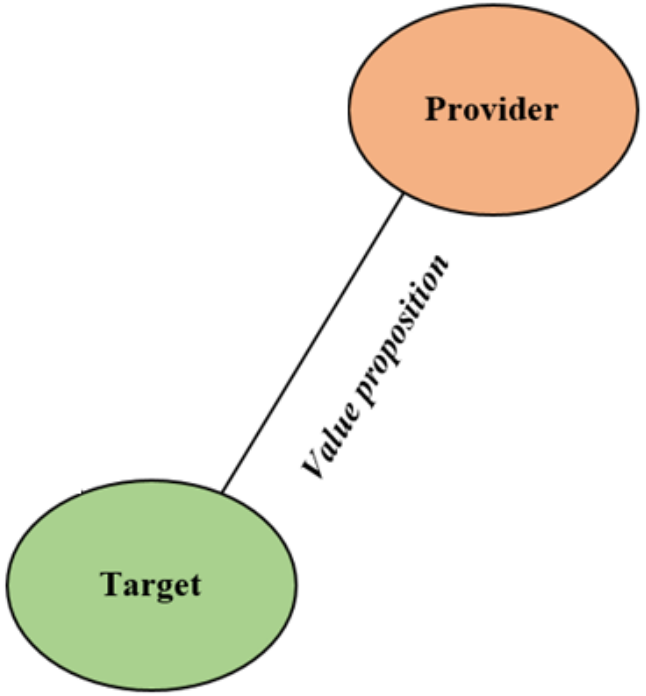


Service value chain

Service Unit Model

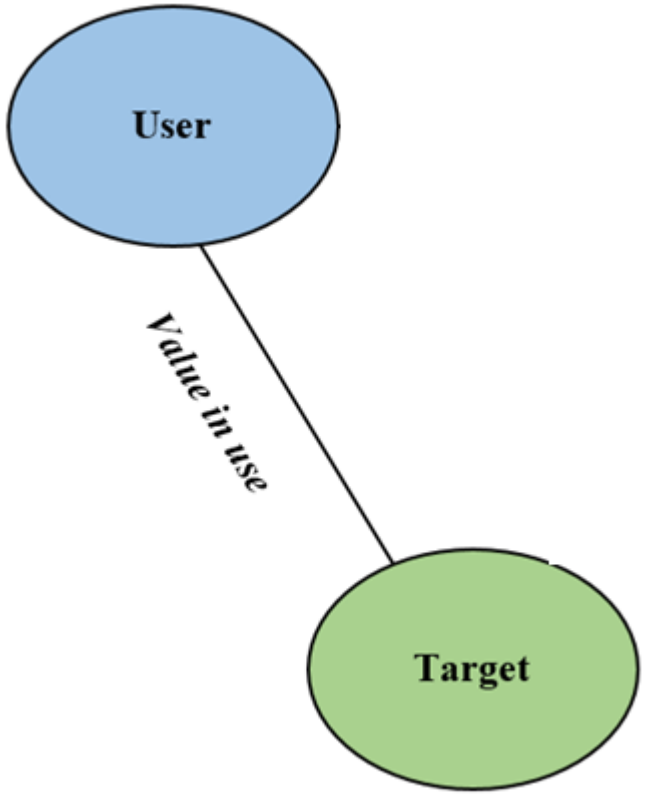


Provider's perspective



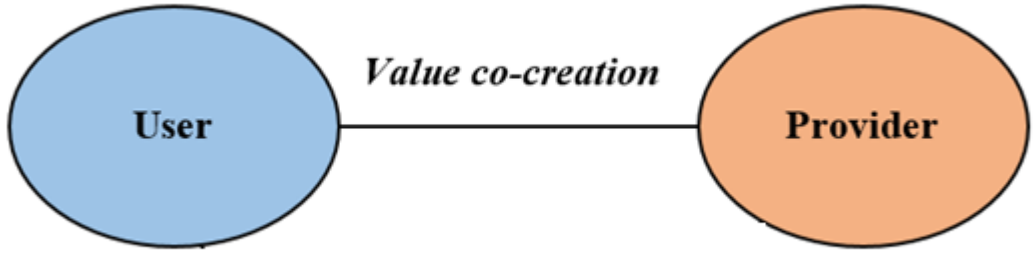
- The provider offers the solutions to the users' needs by combining its knowledge, resources, competences, and capabilities.
- The concept of 'value proposition' in terms of provider's proposals to market based on their knowledge, competences, and capabilities.

User's perspective



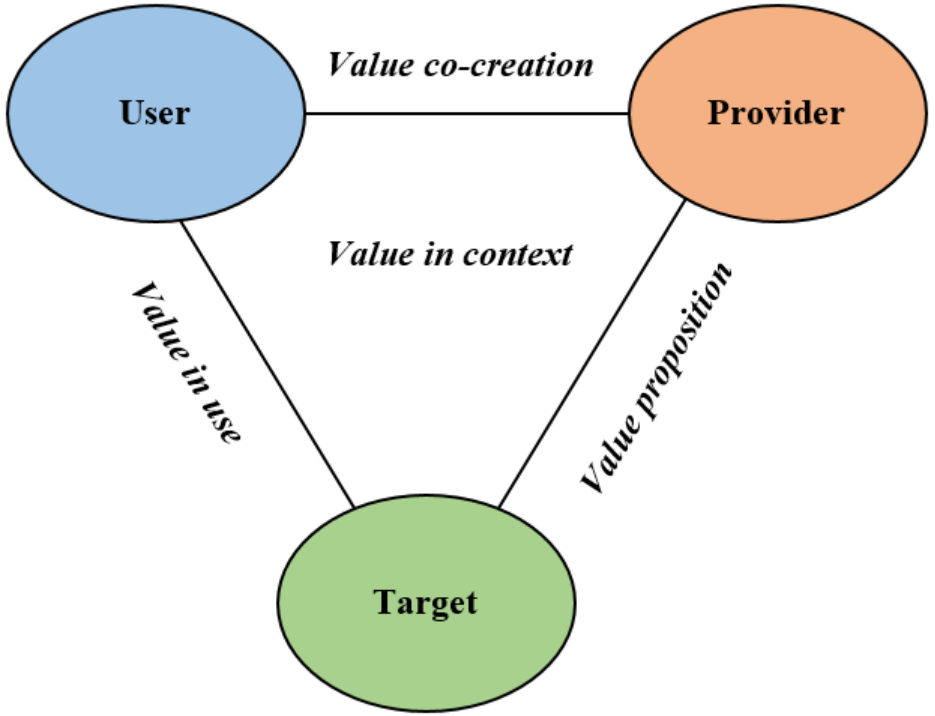
- From user's perspective, users evaluate the solutions to their requirements based on their perceived utility, emotional state, past experience, and memories.
- This perspective analyses the ways in which users define their needs.

Provider-user relational perspective



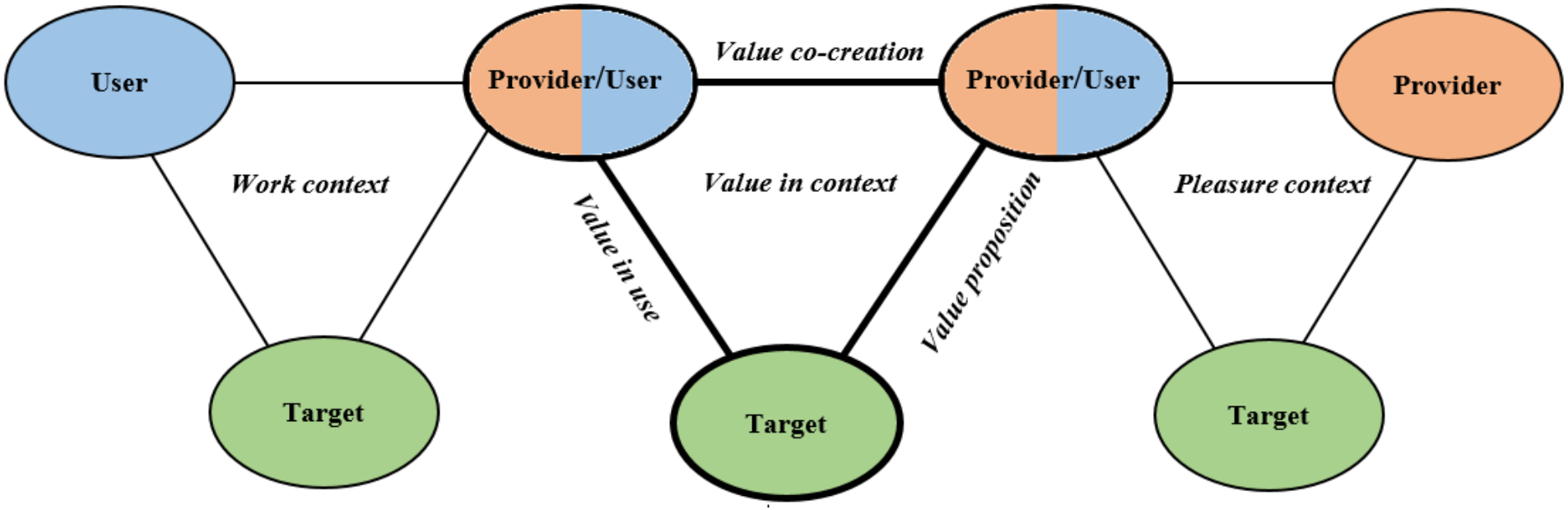
- The relationship between service providers and users
- The concept of ‘value co-creation’ underling that “value is ultimately derived with the participation of, and determined by, the beneficiary (often, the customer) through use (often called ‘consumption’) in the process of acquisition, usage, and disposal”

Contextual perspective



- Value is influenced by contextual and social dynamics.
- The concept of ‘value in context’ stated that the “value creation being understood in the context of a larger value-configuration space” (Vargo 2008).

Value Process Model



Service Value Chain - Example