Five Imperatives for Improving Service Quality

Leonard L. Berry — *Texas A&M University*
Valarie A. Zeithaml — *Duke University*
A. Parasuraman — *Texas A&M University*

IT IS TIME FOR U.S. COMPANIES to raise their service aspirations significantly and for U.S. executives to declare war on mediocre service and set their sights on consistently excellent service, say the authors. This goal is within reach if managers will provide the necessary leadership, remember that the sole judge of service quality is the customer, and implement what the authors call the "five service imperatives."

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THE DOWNTOWN Chicago Marriott hotel had been open for fifteen years before its management determined that two-thirds of all guest calls to housekeeping were to request ironing boards. This discovery prompted the idea of simply placing irons and ironing boards in all of the hotel's guest rooms, an idea that would cost $20,000. The hotel manager reviewed the capital budget and saw that $22,000 was earmarked to replace black-and-white television sets in the bathrooms of concierge-level guest rooms with color sets. The manager then inquired how many VIP guests had requested color television sets for their bathrooms and learned that no guest had ever made such a request. So the manager eliminated the color television sets and added the irons and ironing boards with no net addition to the capital budget, a big productivity boost for housekeeping, and a new, important guest room feature.

We begin with this story to make two critical points. The first is that customers are the sole judge of service quality. Customers assess service by comparing the service they receive (perceptions) with the service they desire (expectations). A company can achieve a strong reputation for quality service only when it consistently meets customer service expectations.

The second point is how easy it is for managers to forget the first point. Managers nod their heads in agreement when convention speakers stress the importance of customer focus and then go back to work and buy the equivalent of color TVs for the bathroom instead of ironing boards. We know it because we have spent most of the 1980s studying service quality in the United States. We have done extensive research with customers, front-line service providers, and managers in our studies of six service sectors: appliance repair, credit cards, insurance, long-distance telephone, retail banking, and securities brokerage. We describe our research program in more detail in the Appendix.

Through our studies, we have been able to identify the principal dimensions customers use to judge a company's service:

- **Tangibles.** The appearance of physical facilities, equipment, personnel, and communication materials.
- **Reliability.** The ability to perform the promised service dependably and accurately.
- **Responsiveness.** The willingness to help customers and to provide prompt service.
- **Assurance.** The knowledge and courtesy of employees and their ability to convey trust and confidence.
- **Empathy.** The provision of caring, individualized attention to customers.

Knowing what customers expect is, of course, only part of the challenge. Another part—a big part—is actually meeting these expectations. In this article we attempt to answer a fundamental question: What must every company interested in improving service do to actually improve it? We answer in terms of five service imperatives: define the service role, compete for talent (and use it), emphasize service teams, go for reliability, and be great at problem resolution.

Define the Service Role

There are no standards for quality. We tell them to provide a high level of service to the customer.
—A bank marketing officer, referring to branch office employees

It's hard to say what our manager expects because he is no longer in our building.
—A customer service representative at one of the branches

In our unit, it's sell, sell, sell. And—oh yeah—give good service, too. But that's an afterthought.
—A lender from one of the branches

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Leonard L. Berry is Foley's/Federated Professor of Retailing and Marketing Studies and Director of the Center for Retailing Studies at Texas A&M University. Dr. Berry holds the B.A. and M.B.A. degrees from the University of Denver and the Ph.D. degree from Arizona State University. His research interests include services marketing, service quality, and retailing strategy. He is the editor of the Arthur Andersen Retailing Issues Letter *and has authored, with Drs. Zeithaml and Parasuraman,* Delivering Quality Service: Balancing Customer Perceptions and Expectations *(1990). He is a former national president of the American Marketing Association (1986–1987).*

The above quotations from our research illustrate a common failing in service organizations: management's failure to properly define and reinforce the service role for employees. The result is *service role ambiguity;* the concept of service is vague and noncredible.

The potential causes of service role ambiguity are many. They include the following:

- **No service standards,** which drains the credibility from management rhetoric about the importance of service.
- **Too many service standards,** which diminish employees' awareness of the most urgent service priorities.
- **General service standards,** which offer employees little direction and provide a limited basis for measuring their performance.
- **Poorly communicated service standards,** which make the standards a guessing game for employees, or, more likely, a nonentity.
- **Service standards unconnected to the performance measurement, appraisal, and reward systems,** which render the standards "toothless" while conveying management's low priority for service.

Service standards are customer expectations stated in a way that is meaningful to employees. If well conceived, the standards *guide and energize* employees; they clarify the service task, convey a sense of priority, and provide benchmarks against which employees can judge their own performance and managers can judge the employees' and the organization's performance. Service standards bring a customer focus into the employee's day-to-day reality of service delivery.

A common assumption is that contact personnel understand their customers' service priorities by virtue of regular customer contact. Our research shows otherwise. Our data reveals that managers in five major service companies had a more accurate grasp of customer expectations than did front-line contact employees.

What it boils down to is this: If employees are unsure of how to deliver excellent service, if they think they know how but are wrong, or if they believe management does not really care about service, they are unlikely to deliver excellent service.

Start with Research

Defining the service role effectively starts with formal research to identify customers' principal service expectations. Guessing at what customers value most in service introduces a "Russian roulette" dynamic into the entire chain of service-improving actions, from setting service standards to the staffing, training, measuring, appraising, and rewarding decisions required to support the standards.

Although the five service dimensions presented earlier provide a framework of customer expectations, each company must still do its own research to measure the relative importance of the service dimensions among customers, prospects, and different market segments. The firm must also assess company and competitor performance against customer expectations. Company-specific research lends insight to the process of setting service standards that generic studies cannot provide. For example, a firm will want to set standards for service dimensions that are important to target markets and on which the company's performance is weak compared to competitors.

Research also helps managers make choices among service standards and pare down the list of standards to the pivotal ones that will make a difference for customers. Customers judge a company's service on the basis of a very few important service factors, and managers should establish a limited set of service standards for individual employees that contributes to the limited set of service goals for the organization.

The most successful service companies focus employee attention on the preeminent service factors. At Deluxe Corporation (formerly Deluxe Check Printers), the focus is on error-free printing and next-day order shipment. At Southwest Airlines, it is on fifteen-minute turnaround of an aircraft once it arrives at the gate and on creating a "fun" atmosphere for passengers. At Sewell Village Cadillac in Dallas, Texas, it is on convenient, reliable after-sale service. Indeed, Sewell Village is one of the few automobile dealerships where the service manager's income is as handsome as the sales manager's!

Communicate and Reinforce Service Standards

Still another key to defining the service role is to use every opportunity to communicate and reinforce service standards—in meetings and training sessions; in internal media such as wallet cards, desk signs, and wall posters; and in performance measurement, appraisal, and reward systems. Palais Royal, a successful Houston-based chain of apparel stores, posts service standards on a large sign in the employee area of each store and furnishes employees with personal copies of the standards. The explicit standards (for example, greeting or acknowledging every customer within 30 seconds) form a basis for training, performance measurement, appraisal, and compensation.

Defining employees' service roles clearly, consistently, and credibly is important to any organization's efforts to improve service. The behavior-guiding and motivational benefits of service standards are well worth the investment necessary to develop and reinforce them. Service employees need to know what excellent service means—and why they should care about delivering it.

Compete for Talent—and Use It

We should be more aggressive and active in seeking qualified tellers, rather than just waiting for them to walk in off the street.

—*A bank branch manager*

Nothing has changed about the raw material. It's as bad today as it has always been. We draw from the bottom of the barrel because that's the way we compensate.

—*Another branch manager*

We have so many rules and regulations that we can't think anymore. We can't bend the rules. We can't be entrepreneurial. Our customers suffer.

—*A branch lender*

Defining the service role is an important step, but it won't get a company very far unless the company has personnel with the attitude, ability, and flexibility to fulfill the role. Our studies indicate that two of the principal causes of poor service quality are placing the wrong people in the service role and giving employees too little control over the service. Contact employees who believe their units are *not* meeting service standards *disagree* with the following statements:

- My company hires people who are qualified to do their jobs.
- I have the freedom in my job to truly satisfy my customers' needs.

Services are performances, and most of the time it is people who render these performances. From the customer's perspective, the people performing the service *are* the company. An incompetent insurance agent is an incompetent insurance company, and a rude waiter is a rude restaurant.

So why do managers allow the wrong people to carry the company flag in front of customers? One reason is that most managers do not think like marketers when it comes to human resource issues. They view marketing as something you do to win over customers but not something you do to win over employees.

Read the employment ads in your local newspaper. Is this any way to compete for talent? The same companies that advertise imaginatively to compete for customers advertise with no imagination at all to recruit employees. The employment ads are look-alike ads in fine print selling "jobs" rather than careers.

Moreover, managers often do not have a well-defined profile of people to hire. They do not base hiring standards on service standards, which contributes to a mismatch between the type of people the company actually hires and the type of people the company *needs* to hire to deliver excellent service.

Compounding the mismatch problem is anachronistic thinking about "affordable" wage rates, with the goal of "saving money" dominating the goal of "serving customers." The tendency we observe among service firm managers to spend more liberally on things than people runs counter to our research findings that customers value the human dimensions of service more than the "tangibles" of service. If you believe we are overstating our case, we invite you to visit your local department stores. Notice the expensive floor space, displays, and inventory, and then try to find salespeople who are knowledgeable about the merchandise and who tune into your needs with commitment and grace.

The Problem Is Getting Worse

The problem of hiring the wrong people is getting worse due to labor-force shortfalls. Service sector employment is expanding rapidly, and the skills needed are being elevated just at the time that changing demographics are shrinking the labor pool of young people, who in many instances are not receiving the education they need to be marketable.[1]

The implications for service quality are sobering. Rather than leave positions unfilled or pay what they consider to be exorbitant wages, many managers are hiring people who are woefully ill equipped to deliver excellent service. The pressure to hire "just about anyone" is very real in many industries.

Valarie A. Zeithaml is Associate Professor at the Fuqua School of Business, Duke University, and was previously on the faculty of Texas A&M University. Dr. Zeithaml holds the B.A. degree from Gettysburg College, and the M.B.A. and D.B.A. degrees from the University of Maryland. Her research interests include services marketing (particularly consumer evaluation of services), consumer perceptions of price, and information processing. She serves on the editorial review board of the Journal of Marketing *and the* Journal of Consumer Research, *and has published in these and other journals.*

Squelching Talent through Rule Book Management

Service managers frequently add to their problems by not fully using the capabilities of those they do employ. By using thick policy and procedures manuals to control service delivery, managers stifle creativity, diminish the opportunity for employees to grow in their work, and chase the most able employees out the door in search of more interesting work.

Thick rule books serve customers no better than employees. They produce regimented, "by-the-book" service when a flexible, "by-the-customer" one is needed. While managers are demanding that employees be "robot servers," customers are demanding that they be "thinking servers."

One reason rule book management is so prevalent is that many managers believe it is essential to standardize service among different employees and service units. To some degree they are probably right. However, another factor is that many managers simply do not trust employees' judgment and make rules to replace it with their own. "Thinking" employees also threaten the control and power of insecure managers. The labor shortfall issue is also a factor. If you can't get good people, the theory goes, you at least need to make sure you control their work tightly. This theory is nonsense. People who are unqualified for a position should not be in that position. People who are qualified will perform better and stay with the company longer if given room to maneuver, achieve, and grow.

The Search for Fresh Ideas

Excellent service is too integral to a firm's future to accept yesterday's ideas about whom to hire, how to hire them, and what to do with them once hired. Managers need to compete as hard and creatively for *talent* market share as they compete for *sales* market share.

Here is what we recommend: Market careers rather than jobs, market them in multiple ways, link hiring standards to service standards, and leverage the freedom factor. Companies that do these things will do just fine in the talent market.

The idea of "career" may seem at odds with the demographically fragmented labor pool available and the high cost of employee benefit programs (which make part-time workers desirable), but in fact it is smart to look for the countertrend when prevailing routines are not working. Selling "just a job" does not typically inspire commitment and loyalty from employees or a willingness to invest in employee development from companies.

This is why Nordstrom and Wal-Mart Stores, two of America's most successful retail chains, take a different tack. Unlike most department store companies, Nordstrom resists the lure of part-time salespeople, preferring to staff the stores with full-time personnel. Earning wages plus commissions, Nordstrom salespeople earn well above retailing standards. Indeed, the most successful Nordstrom salespeople earn more than some of the managers of competing stores in the same malls.

Wal-Mart provides scholarship assistance to employees so that they can attend college while continuing to work part-time. Once these employees graduate from college, they are promoted into management. Approximately 40 percent of Wal-Mart's managers started as hourly trainees.

Using good old-fashioned marketing fundamentals also makes sense. McDonald's "McMaster" program to attract older workers, Century 21's "Career Opportunity Week" advertised in national media, and Disney World's training of existing employees to recruit new employees illustrate the use of such familiar marketing concepts as market segmentation, market development, and personal selling.

It is also important to use service standards as a basis for hiring decisions. This requires having written service standards for the various positions, written "ideal candidate" profiles that reflect the service standards, and extensive line involvement in actual hiring decisions. Getting good people requires tenacity. There are no shortcuts. Jim Daniel, president of the high-performing Friendly Bank in

Oklahoma City, makes the point well:[2]

> A continual challenge is finding people . . . who have the qualities necessary to provide the top-notch customer service that we require. Creative interviewing techniques must be utilized to obtain a clear picture of how the applicant truly feels about the public. Most applicants have had some degree of customer contact in previous employment. However, very few really *thrive* on customer contact. We look until we find *that* person.

Of course, it does little good to recruit capable, service-minded people only to frustrate them into leaving. Competing for talent means having good careers to market, not just marketing them well. And having good careers to market is a principal reason why service freedom is so important. Human beings were not meant to be robots.

To leverage the freedom factor, managers have to select their people well, provide them with a strong foundational culture in which to work, offer them strategic direction, and give them the company-specific training and education they need to perform their roles. And then managers need to get out of their way!

We agree with Robert Waterman, who writes in *The Renewal Factor*: "When managers guide instead of control, the sky's the limit on what people can accomplish."[3] We do recognize that some policies are necessary in most companies. What we are arguing for is *thinning the rule book down to the bare essentials*. Most companies would benefit from task forces that systematically review existing policies and procedures expressly to revise or eliminate those that unnecessarily restrict service freedom. Companies should also tackle head-on the issue of empowerment in the education and training of managers. Managers must learn the dangers of overmanagement; they must learn to widen the solution boundaries for their people.

Emphasize Service Teams

> *We're not working as a family and as a group. We may all come together again but it hasn't happened yet.*
> *—A bank branch customer service representative*

> *Our cashier sits there and smokes cigarettes and drinks coffee. She doesn't help with any of our work. She says it isn't in her job description.*
> *—A customer service representative*

> *Our customers are used to walking in, talking to us, and getting the money tomorrow. Now that doesn't happen. Your priority becomes someone else's C drawer.*
> *—A lending officer*

Service work is frequently frustrating and demoralizing. Customers can be rude and insensitive. The sheer number of customers to be served can be psychologically and physically overwhelming. Control over service can be dispersed among multiple organizational units that function without cohesion or a unified spirit, limiting contact employees' ability to come through for their customers.

It is very common for service workers to get "beat up" by the service role and become less effective even as they gain technical experience that should theoretically produce the opposite result. In numerous cases, however, what customers perceive as inhospitable behavior is actually the "coping" behavior of weary servers who have taken too many punches. Many service workers, of course, do not succumb to the stresses of the service role. They may be indomitable personalities, have an unusually strong work ethic, or work for supportive managers who help them get through difficult periods. Any number of factors can account for the fact that service work pummels and changes some employees more than others.

One dynamic that is particularly important in kindling and sustaining service-mindedness is the presence of service "teammates." An interactive community of coworkers who collaborate, overcome, and achieve together is a powerful antidote to service burnout. Membership on a team can be rejuvenating and inspirational. It can also raise the ante for individual performance. To let down the boss is bad, but to let down the team is often worse. Team participation can unleash one of the most potent of motivators—the respect of peers.

Service teamwork is also important because people in service organizations typically depend on one another. The end service the customer receives is commonly the result of many behind-the-scenes, internal services.

Our research shows convincingly that teamwork is a principal factor in delivering excellent service. Employees who indicate that their organizational units are *not* meeting service standards *disagree* with the following statements:

- I feel that I am part of a team in my unit.
- Everyone in my unit contributes to a team effort in serving customers.

• I feel a sense of responsibility to help my fellow employees do their jobs well.
• My fellow employees and I cooperate more than we compete.
• I feel that I am an important member of this company.

Organizational teamwork is clearly not a new idea, but it is an idea whose time has come. Robert Reich views "collective entrepreneurship" within organizations as the primary route to a better economic future for the United States.[4] Marketing researcher Mimi Lieber admonishes top managers to "reward cooperative farming rather than the number of pelts."[5] Retail executive Allen Questrom states that the biggest challenge in U.S. industry is to develop "team energy."[6]

A. Parasuraman is Foley's/Federated Professor of Retailing and Marketing Studies at the College of Business Administration, Texas A&M University. Dr. Parasuraman holds the B. Tech. degree from the Indian Institute of Technology in Madras, the M.B.A. degree from the Indian Institute of Management in Ahmedabad, and the D.B.A. degree from Indiana University. His research interests include services marketing, sales management and industrial marketing, and marketing research methodology and model building. Dr. Parasuraman is the author of Marketing Research *(Addison-Wesley, 1986) and is an active consultant to several major corporations.*

Working at Teamwork

Service team building cannot be left to chance. Some degree of structuring, assigning, and facilitating is needed to overcome organizational inertia. Managers should strive to nurture teamwork within organizational units (intraunit teams) and between organizational units (interunit teams).

Some firms have already formed teams to accomplish specific tasks or solve problems. But we believe managers must go beyond this focus to fully reap the benefits of service teamwork. Creating the richest form of service teamwork requires long-lasting team membership; frequent team contact and communication; team leadership, direction, and goals; and team measurements and rewards (in addition to individual employee measurements and rewards).

In the 1990s a growing number of service firms will boldly pursue the full benefits of service teamwork by replacing functional organizational structures with market-focused team structures. PHH FleetAmerica, the nation's largest automobile fleet management company, is experimenting with this approach by assigning teams to serve the range of needs of selected large clients. This is in contrast to the firm's predominantly functional structure, in which various departments specialize in specific tasks (such as automobile procurement, titles, and disposal) and clients deal with different units for different needs.

Aid Association for Lutherans (AAL) totally reorganized its $50 billion insurance business from a functional structure to a market-team structure in 1987. Before reorganizing, AAL field agents contacted multiple internal departments for support services, which was a cumbersome and impersonal process. Now, field agents contact an assigned home office team to receive whatever internal service they require. These all-purpose teams perform more than 150 functions previously spread throughout the organization. Management gives the restructuring credit for reducing case-processing time by as much as 75 percent.[7]

In effect, FleetAmerica and AAL are moving from interunit to intraunit service delivery with their new structures. Management is placing people with different specialties together in the same unit and saying, "Work together as a team, take ownership of the customer, and improve the way we do things." This approach is promising because it combines into one package close-to-the-customer decision making, unified control over the service, and—most of all—the team energy about which Mr. Questrom speaks.

Go for Reliability

I was told I would be the first call tomorrow. At 12:30 the next afternoon I called to ask them when their day started.

—An appliance repair customer

I don't trust their computers or statements. I don't want to be at the mercy of their mismanagement.

—A securities brokerage customer

If I'm going to charge something, I don't want any problems.

—A credit card customer

Breaking the service promise is the single most important way service companies fail their customers. When a firm is careless in performing the service, when it makes mistakes, when it doesn't do what it said it would do, customers lose confidence in the firm's reliability; they lose confidence in the firm's wherewithal to do what it promises to do dependably and accurately.

We have learned in our research that service reliability is the service "core" to most customers. Little else matters to customers when a company is not dependable. We have now measured the relative importance of the five service dimensions in nine independent customer samples covering a variety of services. In all nine samples, respondents rate reliability as the single most important feature in judging service quality. Unfortunately, the evidence that U.S. companies are delivering service reliability is not reassuring. Our data shows our sample companies, large, well-known U.S. firms, are more deficient on the reliability dimension than on any other.

We sometimes hear executives say that 98 percent reliability is acceptable and that it is cost-prohibitive to do better. We disagree. The flip side of 98 percent reliability is 2 percent unreliability, and more than likely, the actual "cost" of 2 percent unreliability is higher than the cost of improving 98 percent reliability.

If executives were to calculate the true costs of service unreliability—lost customers, unfavorable word-of-mouth, and redoing services not done properly the first time—they would realize just how much sloppiness steals from the bottom line and that a "zero defects" attitude is as important in services as in manufacturing.

And if more executives were to investigate the primary causes of service unreliability in their companies, they would find most of them rooted in poor service design, inattention to service details, and basic carelessness—problems that cannot be solved by throwing money at them.

Reliability is the heart of excellent service. No one reading this article wants to travel on an airline whose pilots are usually dependable, to be operated on by a surgeon who usually remembers where on the body the surgery is to be done, or to bank with a financial institution that usually keeps its records straight. When we have our consumer hats on, "usually" isn't good enough. And it is not just the "high-stake" services involving our health or financial security for which we demand reliability. The dry cleaner that loses our shirts, the automobile repair firm that says a car is fixed when it isn't, the taxi service that forgets to pick us up to go to the airport—these folks also lose our confidence. And our business. Robert Ferchat, president of Northern Telecom Canada Ltd., captures the spirit of a zero-defects approach to service:[8]

> Think for a moment about what it would mean in our daily lives if people got things right only 99 percent of the time: at least 200,000 wrong prescriptions would be processed every year; there would be nine misspelled words on every page of a magazine; we'd have unsafe drinking water four times each year; there would be no telephone service for fifteen minutes every day.

Building a "Do-It-Right-First" Attitude

Managers should use every opportunity to build a "do-it-right-first" attitude. This means specifically addressing the reliability issue in company communications, including mission statements; setting reliability standards; teaching the why and how of reliability in training programs; appointing reliability teams to study specific services and recommend ways to improve reliability; measuring error rates; and rewarding error-free service.

Service reliability is so important that we suggest companies ask each employee to make a formal commitment to it. Maryland's Preston Trucking Company, selected in 1987 as one of the ten best U.S. companies to work for, has made service reliability the centerpiece of its Commitment to Excellence statement that each employee signs. The statement, posted in each Preston facility, reads in part:

> . . . Once I make a commitment to a customer or another associate, I promise to fulfill it on time. I will do what I say when I say I will do it. . . . I understand that one claim or one mistake is one error too many. I promise to do my job right the first time and to continually seek performance improvement.

Books and Co., a Dayton, Ohio, bookstore whose sales have grown 30 percent a year since 1984, insists that each new employee sign a performance contract that spells out the employee's service responsibilities. Several of the clauses pertain directly to service reliability.

One of the most important opportunities for improving reliability involves analyzing services for "fail points"—the service processes most vulnerable to mishap. Firms can identify fail points by monitoring service delivery through "mystery shoppers" and periodic surveys; by soliciting the input of employees actually performing the service; by studying and categorizing customer service complaints; and by mapping the architecture of the service process—generally referred to as "blueprinting."

Identifying fail points focuses attention on the need for special training, additional inspection, building in corrective subprocesses, or even redesigning the original process. Consider the case of Florida Power & Light and its quest to reduce the duration and frequency of service interruptions, a major cause of customer complaints. Serving a part of the country that averages 80 days a year of thunderstorms and lightning, the company has developed a sophisticated, computer-based lightning tracking system to anticipate where weather-related problems might occur and to strategically position crews to quicken recovery response time. This and other initiatives have enabled the utility to reduce service unavailability (customer minutes interrupted divided by customers served) from 70 minutes at the end of 1987 to 48.37 minutes at the end of 1988. The company's target for 1991 is 36.41 minutes.

Outstanding service reliability is the foundation on which to build a reputation for outstanding service quality. Companies that consider the service promise inviolate are most likely to earn the confidence of their customers. And the confidence of customers is the greatest asset a company can have.

Be Great at Problem Resolution

If you have a problem, they treat you like you have a disease.
—A banking customer

You can't get in touch with these people.
—A credit card customer

When you call in irate, who do you talk to? The office clerk who can't do anything.
—An appliance repair customer

When a customer experiences a problem with a service—when something goes awry—the customer's confidence is jarred but probably not destroyed, unless the problem reflects a pattern of negative experience with the company. Thus, what happens *after* the service problem occurs—the firm's response—becomes crucial. The firm can make things better with the customer—at least to some extent—or much, much worse.

All too often, service companies make things worse. They do not encourage their customers to resolve their problems and set up roadblocks for those who try to do so. They do not put sufficiently trained personnel, or enough of them, in problem-resolution positions. They do not give employees the authority to solve most problems immediately. And they do not invest in the communication and information systems that would support the problem-resolution service.

Three possibilities arise when a customer experiences a service problem:

- The customer complains and is satisfied with the company's response.
- The customer complains and is *not* satisfied with the company's response.
- The customer does *not* complain to the company and remains dissatisfied.

Of these possible outcomes, the first one is good and the last two are very bad. Our sample companies received the most favorable service quality scores from customers who had experienced no recent service problems with them, the next most favorable scores from customers whose problems were resolved satisfactorily, and the worst scores (by far) from customers whose problems were not resolved satisfactorily. Table 1 presents these numbers.

In effect, companies that do not respond effectively to customer complaints *compound* the failure; they fail to come through for the customer *again*. At this point, the customer's shaky confidence in the firm probably collapses.

Many dissatisfied customers do not complain, often making unflattering comments about the firm and taking their business elsewhere instead. The studies of Technical Assistance Research Programs, Inc. (TARP), a Washington, D.C., organization noted for its research on customer complaining behavior, document that large numbers of customers do not complain because they fear a hassle, perceive no easy or efficient way to air their grievances, or believe complaining will not do them any good.[9]

Managers need to come to grips with the seriousness of the lost business and negative word-of-mouth that occurs when customers cannot resolve problems with the firm, or do not even try. How a company handles service problems tells customers (and employees) a great deal about the firm's service values and priorities.

Three Prescriptions

Being excellent in recovery is easier said than done. We offer these specific prescriptions.

- **Encourage customers to complain and make it easy for them to do so.** Managers who want to improve problem-resolution service must overcome the common customer perception that companies don't really care when things go wrong. The solution calls for some creative marketing of the customer feedback idea. Comment cards available in service delivery facilities and toll-free telephone numbers merely scratch the surface of what is possible. British Airways' Video Point booths, in which disembarking passengers can videotape their concerns, make an unusually strong statement that the company wants to know when its customers are unhappy.

• **Make timely, personal communications with customers a key part of the strategy.** Companies frequently make two fatal mistakes in problem resolution: They take too long to respond to customers, and they respond impersonally. Timely, personal communication with unhappy customers offers a firm the best chance to regain the customer's favor. By responding quickly, a firm conveys a sense of urgency. By responding personally, with a telephone call or a visit, it creates an opportunity for dialogue with customers—an opportunity to listen, ask questions, explain, apologize, achieve closure.

North Carolina's Wachovia Bank & Trust has a "sundown rule"—employees must establish contact with a complaining customer before sunset on the day a complaint is received. When Minneapolis's First Bank System messed up a direct payroll deposit for a client company in 1988, it immediately sent every employee of that company a $15 check and an apology. In addition, the employees were given the name and telephone number of a person at the bank who could answer questions and resolve problems. Silence is not golden when a problem exists and the customer is waiting to hear.

• **Encourage employees to respond effectively to customer problems and give them the means to do so.** Companies must market the idea of problem resolution to employees, not just to customers. This involves many of the ideas we have already covered in the article, for example, setting and reinforcing problem-resolution standards, and giving employees the freedom to truly solve customer problems. It is no fun trying to solve customer problems if doing so produces a small mountain of red tape or a sneer from a supervisor.

Service employees need specific training about how to deal with angry customers and how to help customers solve service problems. In some cases, they need access to information systems that will tell them more about the customer, the situation causing the problem, and possible solutions.

When American Express card holders telephone the 800 number on their monthly statement, they talk to a highly trained customer service representative with the authority to solve *on the spot* 85 percent of the problems that prompt telephone calls.

Table 1 Service Quality Scores for Different Sample Groups

No Service Problem	Service Problem	Service Problem Resolved Satisfactorily	Service Problem NOT Resolved Satisfactorily
−0.49	−1.50	−1.03	−2.10

Note: We determine a company's service quality by measuring customer expectations for the service and customer perceptions of the company against these expectations. If perceptions fall short of expectations, the company receives a minus score. The bigger the minus score, the worse the company's service quality.

The representatives key billing or other changes directly into an on-line data system, and these adjustments are reflected in the card holder's next statement. Over the years, American Express has made a huge investment in problem-resolution staffing, training, and technology, and as a result few, if any, U.S. companies have a stronger reputation for fast, reliable problem-resolution service. Given the strong pricing competition American Express faces from bank credit cards, this is not a bad reputation to have.

Specifics aside, problem-resolution excellence requires that managers view services marketing as a way of cementing customer loyalty through service and trust, rather than only as a way to acquire new customers. Effective services marketing—and its cornerstone, service quality—requires that managers take the long view.

Agenda for the 1990s

Excellent service is within reach if managers are willing to stretch for it. In every single industry in the United States, there are examples of companies delivering superb service and profiting from it. But these are the exceptional stories; in most companies, quality service is still a soft idea, an elusive goal, or a low priority.

Our objective in this article has been to frame an agenda for improving service that will strip away softness and elusiveness, and help galvanize management commitment. The five service-improvement imperatives described here apply whether a company is small or large, new or old, a pure service organization or a manufacturer that supplies product-support service. It is time for U.S. companies to raise their service aspirations significantly. It is time for U.S. executives to declare war on mediocre service and set their sights on excellent service, every day, every week, every month. At stake is market leadership—within industries and among countries. It is hard to imagine any service company faring well in the ultracompetitive decade ahead if its service is suspect. And it is hard to imagine U.S. service industries holding their own against foreign competition if their service isn't strong.

But more is at stake than economics and competitiveness. The service issue is inextricably linked to the issues of craftsmanship, integrity, generosity, and civility in our culture. What many U.S. consumers are *really* anguishing about when they complain of poor service is their perception of a declining culture.

We have an agenda for improving service quality in the United States. We have a new decade ahead of us. What we need now is the will to set our sights higher, provide genuine leadership, and do what it takes to transform potential into achievement. ■

Appendix: Research Program

Our service quality research program, initiated in 1983 under the auspices of the Marketing Science Institute, is still underway. We have completed three major phases of our research, the findings of which form the basis for this article.

Phase I was an extensive qualitative study of service customers and executives in four service sectors: appliance repair, credit cards, retail banking, and securities brokerage. In each sector, we conducted customer focus-group interviews and in-depth executive interviews on issues pertaining to service quality. Phase I resulted in our developing a conceptual model that defines service quality from the customer's standpoint, identifies the criteria customers use to judge quality, and outlines potential organizational shortfalls that can cause poor service.

Phase II involved an empirical study that focused on the "customer side" of our service quality model. In this phase, we surveyed nearly one thousand customers in the credit card, long-distance telephone, product repair, and retail banking sectors. On the basis of these empirical findings, we consolidated the criteria customers use to evaluate service quality into five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. We also developed and refined SERVQUAL, a methodology for measuring customers' perceptions of service quality. Phase II included a comprehensive case study of one of the largest U.S. banks. We selected three of the bank's regions (each of which had at least twelve branches) and interviewed managers and employees from these regions individually and in focus groups. We also did a survey of bank customers.

In Phase III, we focused on the "service provider" half of our model, building on what we learned about internal shortfalls from Phase I and the case study from Phase II. In Phase III, we conducted a large-scale study to verify our hypotheses about potential causes of service quality problems. This study involved mail surveys of customers, contact personnel, and managers in eighty-nine separate field offices of five national service companies—two banks, two insurance firms, and a telephone company. In all, 1,936 customers, 728 contact personnel, and 231 managers responded to our Phase III questionnaires.

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