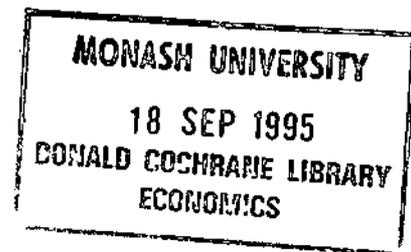


**IMPROVING QUALITY IN  
SERVICES MARKETING**

**DAVID BALLANTYNE  
MARTIN CHRISTOPHER  
ADRIAN PAYNE**

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## IMPROVING QUALITY IN SERVICES MARKETING

By

**David Ballantyne**  
Linfox Fellow in Logistics  
Syme Department of Marketing  
Monash University  
Melbourne Australia

**Martin Christopher**  
Professor of Marketing & Logistics  
Cranfield School of Management  
Bedfordshire UK  
and

**Adrian Payne**  
Professor of Services Marketing  
Cranfield School of Management  
Bedfordshire UK

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# IMPROVING QUALITY IN SERVICES MARKETING

## ABSTRACT

In recent years we have seen a radical shift in management thinking. Interest in service quality improvement, which had some early and superficial expression as *customer care*, is now being refuelled by a number of problem solving techniques (with origins in Total Quality Management) and broad based staff involvement with those techniques (with origins in Participative Management). These practices are not new but they are now often fused together in one integrated service quality programme. Furthermore, the marketing environment is changing radically. Every industry is now potentially a 'service' industry. Every company has the opportunity to design and market its own unique set of quality solutions to meet customer problems. This also requires service quality support of various kinds, including information and advice giving on an on-going relationship marketing basis (Berry 1983, Christopher et al 1991). This article, in essence, brings to the fore and examines the linkages between services marketing and quality management - linkages which are often ignored within service organisations.

## BIOGRAPHIES

David Ballantyne is Linfox Fellow of Logistics Management at the Syme Department of Marketing, Monash University, Melbourne, Australia. He was a director of the Total Quality Management Institute in Australia and more recently was a Senior Associate at the Centre for Services Management at Cranfield School of Management, UK. He has worked in many senior quality and marketing roles in a large bank.

Martin Christopher is Professor of Marketing and Logistics Systems at Cranfield School of Management, UK where he is also deputy Director of the School and Chairman of the Centre for Logistics and Transportation.

Adrian Payne is Professor of Services Marketing and Director of the Centre for Services Management at Cranfield School of Management, UK. He has worked extensively as a consultant in the financial services sector.

## KEY WORDS

Service quality, service design, internal marketing, quality management, services marketing

## IMPROVING QUALITY IN SERVICES MARKETING

### INTRODUCTION

The services quality movement is gaining momentum from its slow start in the early 1980s. Many scholars are now working in this area, reflecting the place of services in a firm's total 'offer' as well as the strategic importance of quality in service performance. It is this second aspect that specifically concerns us here. Since the start of the 1990s service quality has moved to be the central agenda point for services marketing as evidenced by a specialised professional journal, (*Managing Service Quality*, launched in 1990); dedicated issues of academic journals on service quality (eg *The International Journal of Service Industry Management* special issue in 1993 on Advances in Research on Service Quality); workshops on the theme of quality management in services such as those run annually, since 1991, by the European Institute for Advanced Studies in Management (EIASM); the biennial International Quality in Services Symposium (QUIS) co-launched in 1988 by the University of Karlstad in Sweden and Arizona State University and most recently held at St John's University, New York in 1994 and the formation of combined academic and professional groups, such as the International Service Quality Association in New York in 1991. Also a multi-disciplinary range of books on service quality has emerged (Boomsma & van Borrendam 1987; Berry, Bennett & Brown 1989; Rosander 1989; Zeithaml, Parasuraman & Berry 1990; Townsend 1990; Brown et al 1991, Kunst & Lemmink 1991; Berry & Parasuraman 1991 and Gummesson 1993).

The issue of service quality is one of vital interest to marketers. Research supports the view that customer-focused quality is a critical strategic dimension. The PIMS (Profit Impact of Market Strategies) research undertaken by the Strategic Planning Institute shows relative customer-perceived quality as a critical variable in profitability. Their study (Buzzell and Gale 1987) concluded: "In the long run, the single most important factor affecting a business unit's performance is the quality of its products and services, relative to those of competitors." More recent PIMS-based services research, which focused on fifty high performers in service

industries, confirms this relationship. The research showed that high-quality service providers earned an average return on investment of eight percentage points above low-quality service providers (Allio and Patten 1991).

The aim of this paper is to examine the linkages between services marketing and quality management and to propose a practical approach to improving and monitoring service quality. It commences with the idea of the 'quality gap' (Parasuraman, et al, 1985) derived from services marketing concepts of quality (especially Grönroos 1984). The concept of quality and process management is then examined and the role of internal customers and suppliers outlined. The paper argues that the variability of service processes and outcomes demands fundamentally new approaches to diagnostic problem-solving in order to 'design in' quality improvements continuously. The paper identifies four specific diagnostic levels for service system (re)design which require the commitment and collaboration of the services marketer. A practical six point approach to monitoring service quality is then described and illustrated with reference to service activity in retail branch banking. Finally, we outline some of the challenges facing marketing and quality management in service organisations, the customer of such organisations and academic researchers.

## **SERVICES MARKETING CONCEPTS OF QUALITY**

One of the most remarkable features of Total Quality Management (TQM) is the way in which it has drawn practising managers from many parts of an organisation to work together across traditional functional boundaries to improve quality and productivity (Crosby 1979; Deming 1982; Imai 1986; Juran 1989; Oakland 1989; Dale & Cooper 1992). This highlights a rather simple yet dramatic link that has not yet been widely brought to attention. It is this: *quality has become an integrating concept between production-orientation and marketing-orientation* (Gummesson 1988). This is especially the case in the service sector where production, delivery and consumption can occur simultaneously.

The concept of quality referred to here is the match between what customers expect and what they experience. This is perceived quality. (Grönroos 1982). Any mismatch between these two

is a 'quality gap'. As perceived quality is always a judgement by the customer, whatever the customer thinks is reality, is reality. Thus, quality is whatever the customer says it is. The service quality management goal is to narrow the quality gap. This not only facilitates getting customers, but *keeping* them. As quality goes up, non-value added activities and time related costs come down (Leonard and Sasser 1982). Furthermore, when staff participate in the quality improvement process the beneficiaries are the staff, shareholders and customers because stakeholder expectations are less often in tension with each other.

The quality gap between customer's service expectations and service experience is seductive territory for research. However, relatively few researchers, with the notable exception of a body of work initiated by Parasuraman, Zeithaml and Berry, have attempted to model the generic determinants of service quality and the kinds of quality gaps that lead to quality shortfalls (see Parasuraman et al 1985, 1988, 1991, Carman 1990, Cronin and Taylor 1992, Oliver 1993, and Zeithaml et al 1993).

The difficulty is that customers are continually experiencing and evaluating service performances in particular settings. They are continually 'adjusting' their perceptions of customer service. Once something is 'fixed' or 'improved' other important service issues will naturally emerge. And when one among many critical service issues is resolved the priority levels naturally change places.

One starting point is that service quality is perceived in a personal way by every single customer, (Grönroos 1984, Parasuraman et al 1985). The experience of service (following Grönroos) is influenced in turn by:

- what the customer gets as a result of the interaction between buyer and seller - 'technical quality'
- how the buyer and seller interact in each and every service encounter - 'functional quality'.

In effect 'technical quality' is about outcomes of service encounters and 'functional quality' is about the interactive process of achieving those outcomes. The dichotomy between 'technical' and 'functional' qualities in services is useful in exploring and coming to terms with the

intangibility of service quality. In particular, it gives emphasis to the key role of front line staff in the service marketing process and shows how emphasis on the service relationship might in itself become a competitive strategy.

However, the 'functional' and 'technical' qualities are clearly interdependent. At this point, some conceptual difficulties arise. The technical dimension is not just a prerequisite for total service quality. In the eyes of the customer, technical quality is often experienced as though it were functional quality. For example, staff may be blamed for 'service' problems if the internal data processing 'back up' is not supportive. Quality must be built into the total service system or variation will be experienced as poor or inconsistent service.

#### **QUALITY AND PROCESS MANAGEMENT IN SERVICES**

In Total Quality Management (TQM) we find structures for planning and introducing the kinds of integrating and coordinating changes that need to be made to meet quality goals but these are often only tenuously linked to *customer expectations* and strategies for building a loyal customer base. Clarifying customer expectations from a market based point of view is helped by the concept of *customer value chain*.

The customer value chain is a series (or linkage) of things a customer does with a product or service that produce value for that customer. A firm's offering is the input into the customer value chain (Porter 1985). The activity patterns of a customer are represented by the links in the chain. These control or modify the way in which a firm's output is actually used. For example, a banking account may be input into a customer value chain as a bill paying device, an investment for a 'rainy day' or a day to day savings account, according to how the customer goes about managing money and the priorities which are given value. The appropriate marketing aim is to identify what a customer is *trying to do* with the firm's service offering before reaching to any conclusions about how this can be facilitated.

The value a firm creates for a customer is a function of the alignment it can achieve between the *firm's* value chain and the *customer's* value chain. Marketing management must share some

of the responsibility for this. The continuing task is about adjusting the way a firm manages its service intangibles. How can we come to grips with this?

Consider first a sole trader or self-employed professional. The activities he or she performs on behalf of a customer are sequenced and integrated along the value chain without the need for any command structure or functional differentiation within the 'organisation'. The whole design, production, delivery, and personal service is integrated within one head. However, if the business grows in staff numbers, new coordinating work activities arise which require functional specialisation and some kind of hierarchical command and control.

However, the vertical controls are usually strengthened to the detriment of the integration of working relationships *between* people and *across* departments. Coordination and collaboration usually receive scant attention until quality falters.

Organisational quality problems are found *between* divisions rather more than *within* divisions. To the extent that one department's output is mismatched with another department's required input needs, there is a quality gap. Failure to manage work flow and processes, laterally across the firm's value chain, has a way of multiplying costs and quality failures all along one value chain to the next, through to the end customer. The cost of quality is swollen by the sum total of all these mismatched activities, which invoke delays and higher level 'fire fighting' decisions. One key task of service quality management is to identify and examine the most critical cross-functional organisational linkages and remove any blockages, thereby reducing the cost of achieving quality, as shown in Figure 1.

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INSERT FIGURE 1 ABOUT HERE

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Internal customers and internal suppliers each supply the other, and are invisibly connected in terms of the input-output links in the value chain. Diagnosing these cross-functional links *within* the organisation from their starting point with the external customer and *back upstream* to the external supplier represents quality and process improvement opportunities with dividends for both customer and service supplier.

Quality is also at the mercy of variability built into work processes. This has to be managed as it will not correct itself. Every work process generates outputs which in some way fall short of perfection and uniformity. All processes contain sources of variability and these differences may be large, or small beyond measurement. This is because in service quality management the customer is also part of the process and, indeed, a *common cause* of variability. Waste in all kinds of business activity can be brought under control by minimising process variability. Process variation is generated and passed along the whole chain of customers and suppliers to the end customer. Indeed, the eminent Japanese statistician, Taguchi, says that there is an incremental economic 'loss' for each deviation from customer 'target requirements', which has a flow-on effect to society as a whole (Taguchi 1990).

Coming to grips with service intangibles challenges the traditional approaches to quality assurance developed in manufacturing industries. At first glance marketers may tend to attribute the quality of front line service to the strengths or weaknesses of service staff. This is a natural enough perception but it is nonetheless a partial observation. What constitutes service 'performance' is the *sum* of the performance processes for which staff are the agents and customers the participants. Certainly front line service staff must perform well and need training in customer service skills. This is an important marketing function. However, efforts to improve front line service performance by improving staff customer service training typically add cost, not value, unless the design and redesign of work activities, the environment in which service is delivered, and the work processes involved are also targeted for quality improvement, and are part of a continuous service system review.

The challenge for managers is to allocate time and resources for diagnostic problem solving and service re-design placing the efforts where it counts most. How should this task be approached?

## DIAGNOSTIC LEVELS FOR SERVICE SYSTEM (RE)DESIGN

We have conceptualised four diagnostic levels in the service production and delivery process which help focus the options to be considered in service system design and re-design.

All service elements need to be seen as part of a total system where any action or development in one area is likely to influence action or development in another. This *systemic structure* is what we see as the multi-sided face of service quality management. It permits us to consider customer service problems from different points of view so that the most cost-effective solutions are adopted. It allows us to consider these 'problems' as symptoms of problems for which root causes and solutions may be found elsewhere in the total system.

The diagnostic model shown in Figure 2 is built on this systemic structure and it reveals how some organisations are approaching service (re)design. Customer service research drives each of the four diagnostic levels in this figure - the environmental setting, processes, job design and people.

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INSERT FIGURE 2 ABOUT HERE

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These levels of analysis, discussed below, potentially contain a range of solutions to any given service quality problem. Again, level is part of a total system where all parts are inter-related. They should not be seen as mutually exclusive but as revealing many threads which may be woven in different ways into the total design fabric.

### **LEVEL 1: Environmental Setting**

The environments in which the customer 'faces' the service provider are critical to the perceived quality of service. The 'situational' variables are often overlooked. The physical aspect is obviously a major component of environmental design but there are emotional and psychological features as well, (Bitner 1990, Schneider and Bowen 1985).

In other words, the environment affects behaviour by influencing the meaning a customer draws from a particular setting (Fox and Bender 1986). This includes issues of orientation, learning where we are, where we are going, how things work and what behaviour is expected from us as a customer or as a service provider (Wener 1985).

Every visit by a customer to a bank, a shop or a service centre, every telephone call, and every order exists in a specific context defined by people, time and place. Each and every service encounter may therefore be said to prescribe and to be prescribed in a 'service interaction zone' (Ballantyne 1987). Consider, for example, the transaction (tellers) and the lending (managerial) zones in a bank. People visiting the bank and depositing money see the bank in a different context and have a different set of service expectations to those waiting to see the manager for a loan. In any service organisation there will be multiple service interaction zones, or service 'channels' through which service is seen differently by the customers. Defining these key access zones can provide a 'grounded' framework for any market research analysis of customer's service quality expectations and experiences which can, in turn, lead to 'breakthrough' re-design of these zones.

Few service companies (with notable exceptions) have paid much attention to the good fit of place, time and service function. As a result, by default, the customer experiences disorientation effects. The ideal environment setting will prepare the customer by giving visual, procedural and psychological clues, which both support and define service quality expectations.

### **LEVEL 2: Processes**

Processes are the backbone of a service firms' marketing performance and service quality (Booms and Bitner 1981, Shostack 1987 and Payne 1993). Service support processes directly

influence the quality of customer service experienced at the front counter and information desks, ie: they help to destroy, or support, the face to face service experience.

Service (re)design, therefore, includes changing the way a firm sequences its external (interactive) processes and manages its internal processes. Deming has frequently stated that workers are never to blame for flaws in the design of a process. Ineffective process design is management's responsibility. Poor process design prevents workers from giving their best and increases the time required to complete a service process cycle.

The development of 'user friendly' data processing systems over the last decade is a case in point. This development was not so much the outcome of a new focus on customers' needs as it was on technological breakthroughs. Given that there has been further technological breakthroughs in terms of capacity, enquiry languages, inter-connectivity and relational data bases, the next step is towards 'customer friendly' systems, ie: narrowing the gap between customer effective systems and operationally efficient systems.

What at first seems impossible to change is often found to be possible when the assumptions being made about the nature and purpose of the underlying process are made visible. An increase in routinisation, productivity and in customer service is not an impossible goal (Todd 1985). A major contributor to service design has been the use of flow charting techniques, sometimes called blueprinting (Shostack 1987), or service mapping (Kingman-Brundage 1992). There is still more developmental work required in this area and indeed a change of mindset among managers to exploit and develop these techniques (Gummesson 1994).

### **LEVEL 3: Job Design**

A service company earns its reputation for good service by consistently delivering what customers expect of it. Over time, jobs often develop haphazardly with little focus on customer concerns. In the more extreme cases jobs can become arbitrary groupings of activities that machines cannot do, with role conflict or ambiguity being the likely outcome. Also, badly designed jobs unwittingly tend to conceal the environment and process design defects.

There is a natural tendency to think that the design of a job is a 'given' dictated by the technology and that poor performance on the job must be the fault of the worker (see, for example, Campion and Thayer 1987).

Job design does not imply rigid and excessively prescribed job description. Considerable latitude is necessary for service performance in professional contexts. For example, one approach to improving job design is to draw on the classical Tavistock socio-technical job design approaches, which focus on motivational outcomes (Hackman and Oldham 1980) and then analyse and modify the structural design (see, for example, Shostack 1987). This means changing the actual structure of the jobs people perform, not just changing the processes of which people are part.

#### **LEVEL 4: People**

With services there is a difference in the sequence of events to that in product marketing - the 'sale' of a service must be made before production and consumption take place. Unlike manufacturing systems, the operations processes cannot be sealed off from customers and staff, ie. both customers and staff may contribute to the service performance. Through the interactions of customers and staff, the service production and delivery system is transformed from a static to a dynamic system. This provides some new problems for marketers but also some opportunities.

First, when we think of service as an 'on going sale', both customers and front line staff become part of the service (process) cycle. The well known service concept of the 'moment of truth' was popularised at SAS Airlines to show staff how this service cycle is a series of critical encounters with the customer (Carlzon and Hubendinck 1984 and Carlzon 1987).

Second, staff tend to find that service quality itself is motivating when the goal is seen to be about improvements that customers value, an opportunity to test one's personal limits and in so doing, contribute to the customer relationship and the organisation's success. This goal directed activity can contribute greatly to the success of an organisation's marketing activities.

Some organisations are tempted to place strong emphasis on training in their plan for improving service quality. Training is vital but *education* is better. Sometimes the first has to

be prevented from interfering with the second. An internal marketing approach is helpful because it gives training a strategic customer focus (see, for example, Grönroos 1984, 1985, George 1990, Piercy and Morgan 1991, Christopher, Payne and Ballantyne 1991, and Collins and Payne 1991). Some key elements are:

- staff selection processes and induction
- training design and the measurement of competency
- staff 'climate' monitors
- internal (staff) communications
- support for company-wide service quality improvement

Our definition of internal marketing is that it is *any* form of marketing within an organisation which focuses staff attention on the internal activities that need to be changed in order to enhance external marketplace performance.

Our own work in this area suggests that there is a recursive relationship between the environmental setting for service, the design of jobs, the people (who are involved in the operational processes) and the processes (which involve people). Each diagnostic level is the key to learning about the other. Each is the key to the effectiveness of the other.

Service system re(design) involves collaboration across departmental borders and a shift towards inviting the support and participation of people to work on improving the way services are designed and organised. A body of literature is now pointing to how to improve both systems *and* "empower" service workers, as aspects of the one strategy (Bowen and Lawler 1992a and 1992b).

## **PRACTICAL APPROACHES TO MONITORING SERVICE QUALITY**

The promise of Quality Management is an improvement in both quality and productivity.

However many of the attempts made in the service sector to implement TQM procedures have viewed service processes narrowly through "manufacturing" eyes, often without the active involvement of marketing managers or disciplined customer service research (Witcher 1990).

This is both surprising and disappointing as both disciplines share the identical goal of meeting customer requirements. The special challenge is that the production and delivery of service occurs invariably at the same time and place. This gives rise to the "moments of truth" referred to earlier, when the parties in the service relationship come together.

The external starting point for service quality improvement, therefore, is measuring and monitoring customer requirements and perceived service performance, on an ongoing basis.

This is clearly a marketing responsibility. The challenge for services marketing is that service quality measurement must stay close to the customer, and yet the customer's requirements are a moving target, with the customer entering the leaving the service interaction zone(s) at will.

The research approach taken in practice will depend on the specific service context being examined. To set some context for discussion in this paper, a retail bank branch with a regional structure is used to illustrate the potential for a triangulation of methods.

As shown in Figure 3, a multi-method and monitoring approach to service quality is proposed.

The sequence moves logically from customer service research and a staff attitude survey (or climate monitor) to setting up a range of 'risk point' feedback systems. Last of all comes the progressive introduction (and review) of internal TQM statistical performance standards.

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INSERT FIGURE 3 ABOUT HERE  
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The six market monitors of service quality are:

**1. Customer Service Quality 'Benchmark'**

First, a two step qualitative/quantitative research study, which benchmarks the strength of particular customer satisfactions and dissatisfactions in specified service contexts, is used for the supplier company and its main competitors.

Qualitative customer service research provides managers with information on the service quality issues that require attention. Quantitative research gives managers the customer priority order for action. Further quantitative testing as to which service issues are critical from the point of view of staff (as well as customers) permits more powerful diagnosis of overall results (described later in this section).

Paradoxically, no one person or department can uniquely implement the findings from these studies. The customer service solution is always a mix of changes that cross departmental boundaries. What is required is a diagnostic review of the critical service issues using inter-departmental teams for review of the major (chronic) quality problems, thus achieving significant interdepartmental commitment to 'breakthrough' improvement.

The diagnostic process can involve a review of both service centre and 'head office' related issues. Critical action in head office policy and/or systems areas is often overlooked unless a formal review process is established.

**2. Staff Climate Monitor**

This survey is an empirical measure of branch/district/head office staff opinion about quality of customer service, and also the quality of work life. These two elements impact on the quality of service experienced by the customer (see, for example, Greenway and Southgate 1985).

### **3. Silent Shopper**

The 'silent shopper' is a survey measurement system based on the real shopping experience of customers. The measurement is done by skilled market researchers who are also genuine customers. This ensures that the shopping experience is as genuine as possible. This is now being recognised as a legitimate and important area of research (Hurst 1993). The purpose of this measure is not evaluative but purely diagnostic. Staff should be encouraged to challenge the information received. That is, how might the work processes be improved?

### **4. Quality Maintenance Index**

This maintenance audit incorporates basic 'housekeeping criteria' (specimen items for a retail bank are illustrated in Figure 4) and can be administered by service centre staff or by district level audit, or both. It is intended as part of an overall service centre performance assessment.

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INSERT FIGURE 4 ABOUT HERE

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### **5. Risk Point Analysis**

There are a range of research options appropriate to risk point analysis. All of them are intended to locate negative customer experiences including those leading to loss of customers. Four examples: customer complaints analysis, customer complaints diary, account closure interviews and ex-customer telephone surveys are shown in Figure 3. The fact that the data is not fully representative of the customer base as a whole is not the point. Any negative customer experience is a variance within the system, and provides valid data for diagnosis and quality improvement.

## 6. Performance Standards

Only the customer can 'set' service standards. Therefore, how these *external* standards are signalled and interpreted within the company is the central issue. It is characteristic of an authoritarian approach to quality improvement to move quickly to *internal* standard setting (or statistical process controls) as a prerequisite for improving service.

However, there are better ways. The first step is to identify which work processes (or service interaction zones) are connected with the customer service issues that are of critical concern to the customer (Ballantyne 1990). What is needed is a clear picture of the key processes involved. This is usually achieved by flow charting. What is often revealed at this point is that the key processes have no clear ownership patterns. The question as to who does *own* the process is next issue to be resolved. This may involve negotiation with other departments, perhaps using a Departmental Purpose Analysis technique (Oakland 1989).

One design technique sometimes used in linking the 'vital few' critical service issues to key processes is Quality Function Deployment (Burn 1990). Through a process of linking and matching, a target performance value might be generated after careful consideration of customer's needs (what needs to be done) and the ideal process design (how it needs to be done). This is the *standard* at which to aim, but it is by no means the standard by which performance of the process in its current state can be measured in the short term. Of course, intermediate goals can be set as standards in service businesses and these relate to particular periods of time and operating conditions (see, for example, Kacker 1988). The internal quality goal is really the progressive elimination of variation against a target value.

In service industries, setting internal standards for front-line service staff and managing these standards absolutely can work only where there is very little technical process back-up needed for front-line service staff. It is more common to find that the *total process* is the service experienced by the customer, so it is the process capability that must be monitored.

## CONCLUSIONS

In this paper we have reviewed the links between services marketing and quality management. A number of concluding observations are now made.

First, the linkages between profitability and service quality (Thompson, et al 1985 and Allio and Patten 1991) and profitability and customer retention (Reichheld and Sasser 1990; Reichheld 1993 and Clark and Payne 1993) are increasingly being recognised. However, the linkages between services marketing and process management are not uniformly understood. Our work in a number of British, North American and Australian banks suggests much needs to be done to introduce structural approaches to service system (re)design. The environmental setting, work processes, job design and the role of the people who bring it all together are seldom treated in a coordinated way. The approach outlined in this paper has been tested with considerable success in one major financial service institution.

Second, it is often stated that "what gets measured gets done". This is a useful structural coordinate but it is the *quality* of the measurement systems and the internal *diagnostic* review process on which attention should be focused. What is needed is not feedback about performance but *feed forward* which effectively channels staff commitment and team work into problem-solving and opportunity seeking. We argue that this is an internal marketing function and, therefore, a marketing responsibility.

Third, improving the quality of services marketing means keeping customers as well as getting them in the first place. This has been expressed as a developmental approach to relationship marketing (Grönroos 1980; Berry 1983; Gummesson 1987; Christopher, Payne and Ballantyne 1991). That the service product is intangible means that service variability will be an ongoing management problem. This is a challenge for marketing management and quality management alike. Marketing needs quality management to reduce service process variability, just as surely as quality management needs marketing information inputs to make sense of customer needs and to review its process capability. If the dynamic links between these parts of the corporate whole are absent or broken, then neither can succeed.

This paper has focussed on how academic concepts and managerial advances in service quality can be brought together to improve marketing effectiveness. Whilst much progress has been made, a significant number of challenges remain. Such issues are of relevance to three audiences: managers in service organisations, customers of these service organisations and academic researchers.

**For managers in service organisations** the emergence of service quality as a key issue in their business is a vital concern. In particular, they are confronted with how to translate service quality into a tool for improved marketing results, increased customer retention and long-term profitability. They are also facing the challenge of conforming to prescribed service quality standards or award criteria laid down by third parties.

The need to conform to such service quality standards is certain to increase during the balance of this decade. This view is confirmed by the rapid adoption of standards and awards such as the BS5750/ISO9000 standard, the Malcolm Baldrige Award, the European Foundation for Quality Management Award and the British MQA qualification. In certain countries, such as Sweden, service quality management has become a topic of major national interest with the government taking a leading role through initiatives such as the Swedish Customer Satisfaction Barometer.

**For the customers of service organisations** the issue of the service quality has become one of urgency especially where institutional buyers of services are requiring service providers to conform to specific quality standards, frequently through some form of accreditation process. Many are moving from a position of having a fairly limited specification of their requirements to requiring their suppliers to adopt the standards of an independent quality audit such as those required by the BS5750 and ISO9000 standards. A more flexible development has been termed 'partnership contracting' whereby purchasers and providers use quality award criteria to agree on specific requirements that have to be met by the supplier organisation, including joint quality monitoring arrangements (Ovretveit 1993). Thus, many suppliers are shifting from a position of having to conform to their own internal service audit (or none at all) to a position of being externally audited. For example, in many companies in the UK, and elsewhere,

customers are requiring their service provider to be certified under a quality standard by a certain date or they will be discontinued as a supplier.

A key issue customers need to address is: what are the most appropriate forms of auditing their suppliers and which particular audit standards, or award criteria, are appropriate to specific suppliers of services? For services, this is becoming increasingly confused, despite specific guidelines for quality systems in service organisations being introduced (British Standards Institute 1992). Criticisms are still directed at BS5750/ISO9000 service quality guidelines for bearing too close a resemblance to the quality standards used for manufactured goods.

Additional criticism is that certain quality audits do not emphasize performance outcomes. Unlike the BS5750/ISO9000 standards, the Malcolm Baldrige National Quality Award and the European Foundation for Quality Management Award devote points to customer satisfaction as well as to conformance to standards. Overall, approximately half the points of the US Award are directed towards external issues and half internal issues.

For academic researchers services quality research is entering its third phase (Grönroos 1993). The first phase has been concerned with understanding what service quality is and the context in which quality perceptions are determined through what has been termed the 'confirmation/disconfirmation concept of perceived service quality'. The second phase has been concerned with the development of measurement approaches based on the static model of phase one. The third phase will be concerned with developing methodologies that capture the dynamics of service quality in various contexts. Our work is a contribution in this area but more needs to be done to obtain a profound understanding of the quality improvement process in services marketing and more specifically, the interventionist role of internal marketing in achieving service (re)design.

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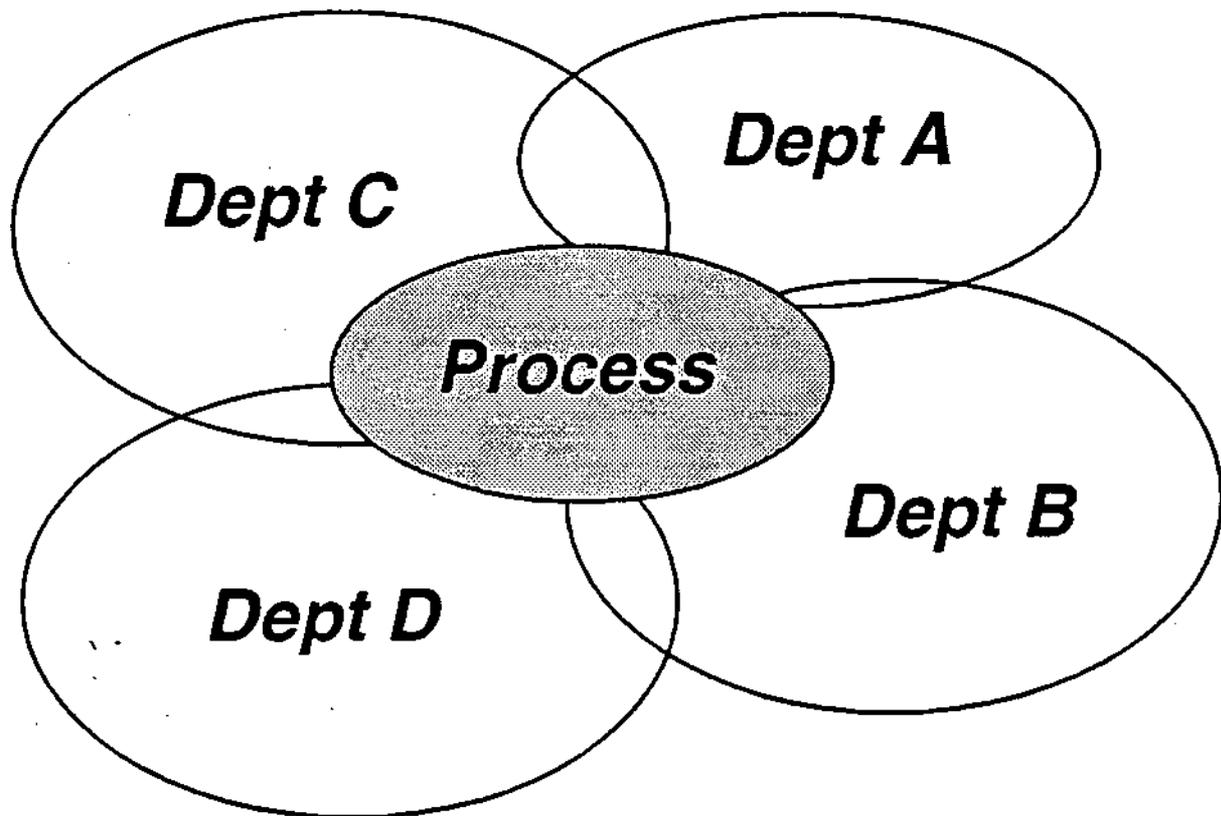
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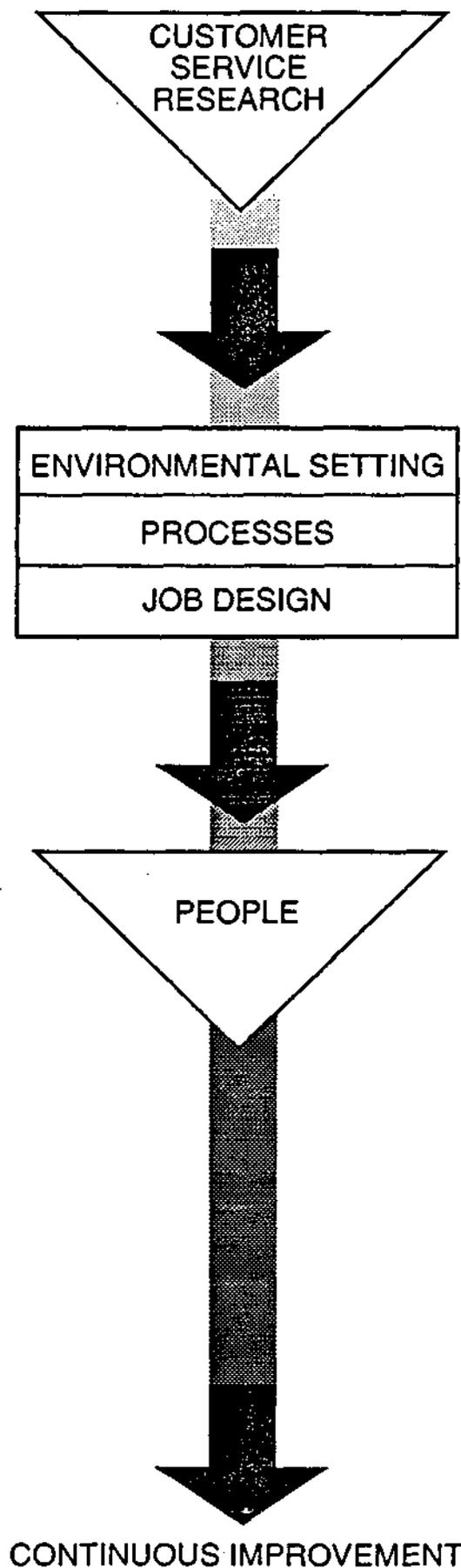
Figure 1

PROCESS MANAGEMENT

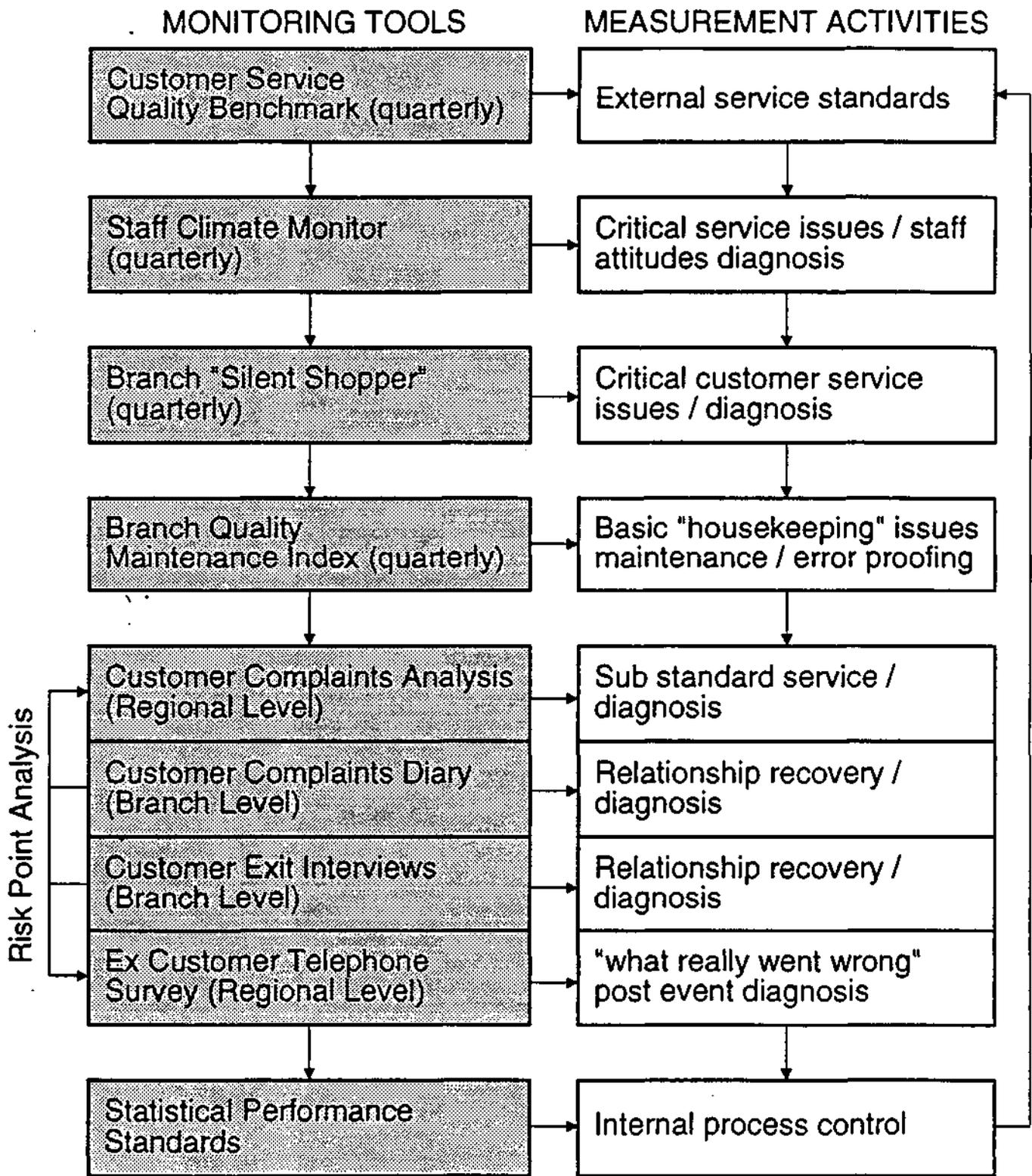


Who owns the process?  
Who recognizes the opportunity for quality  
improvement?

Figure 2  
THE DIAGNOSTIC LEVELS IN SERVICE  
SYSTEM DESIGN AND REDESIGN



**Figure 3**  
**MONITORING AND MEASURING**  
**SERVICE QUALITY**



## Figure 4 BRANCH MAINTENANCE (HOUSEKEEPING) CRITERIA

In your assessment are the following service issues up to satisfactory customer standard?

Please tick appropriate box in response to Question.

If not applicable leave blank.

	Yes	No, but action is being taken	No
<b>OUTSIDE THE BRANCH</b>			
● Pathways and/or gardens, branch front neat and tidy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Windows and Door glass clear and clean	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Door handles and closers working and easy to open	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Door step easy to use and accessible	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Exterior lighting working and adequate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Car parking available to customers (not occupied by staff)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Visibility of signs (various views)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>AUTOMATIC TELLING MACHINE CASH DISPENSER, NIGHT SAFE</b>			
● Lighting adequate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Cleanliness of facia and screens (and lobby)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● No damaged parts (keyboards, security panel)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Points of reference decal and advertising up to date	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Litter bin tidy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Deposit envelopes available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Keypad volume audible	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>"IN HOUSE" ATM / LOBBY</b>			
● Air conditioning working	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Automatic doors working	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
● Customer entry / exit easy and sign posted	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Progressive Totals 

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