Chapter 8: Designing and Managing Service Processes
Overview of Chapter 8

- Flowcharting Customer Service Processes
- Blueprinting Services to Create Valued Experiences and Productive Operations
- Service Process Redesign
- The Customer as Co-Producer
- Self-Service Technologies
Flowcharting Customer Service Processes
Flowcharting Service Delivery Helps to Clarify Product Elements

- Technique for displaying the nature and sequence of the different steps in delivery service to customers

- Offers way to understand total customer service experience

- Shows how nature of customer involvement with service organizations varies by type of service:
  - People processing
  - Possession processing
  - Mental Stimulus processing
  - Information processing
Flowcharts for People and Possession Processing Services

**People Processing - Stay at Motel**

1. Park Car
2. Check In
3. Spend night in room
4. Breakfast
5. Check-out
6. Maid makes up room
7. Breakfast prepared

**Possession Processing - Repair a DVD Player**

1. Travel to store
2. Technician examines player, diagnoses problem
3. Leave store
4. Return, pick up player and pay
5. (Later) Play DVDs at home
6. Technician repairs player
Flowcharts for Mental Stimulus and Information Processing Services

**Mental Stimulus Processing - Weather Forecast**

1. Turn on TV, select channel
2. View presentation of weather forecast
3. Confirm plans for picnic

- Collect weather data
- Meteorologists input data to models and create forecast from output
- View presentation of weather forecast

**Information Processing - Health Insurance**

1. Learn about options
2. Select plan, complete forms
3. Pay
4. Printed policy documents arrive

- University and insurance company agree on terms of coverage
- Customer information entered in database
- Insurance coverage begins
Blueprinting Services to Create Valued Experiences and Productive Operations
Developing a Blueprint

- Identify key activities in creating and delivering service
- Define “big picture” before “drilling down” to obtain a higher level of detail

Advantages of Blueprinting

- Distinguish between “frontstage” and “backstage”
- Clarify interactions and support by backstage activities and systems
- Identify potential fail points; take preventive measures; prepare contingency
- Pinpoint stages where customers commonly have to wait
Key Components of a Service Blueprint

Objectives:
- Identify fail points & risks of excessive waits
- Set service standards
- Fail-proof process

Define standards for frontstage activities ➔ Specify physical evidence ➔ Identify principal customer actions

Line of visibility

Line of interaction

Backstage actions by customer contact personnel ➔ Frontstage actions by frontline personnel ➔ Support processes involving other personnel ➔ Support processes involving IT
Blueprinting the Restaurant Experience: Act 1
Blueprinting the Restaurant Experience: A Three-Act Performance

- **Act 1: Prologue and Introductory Scenes**

- **Act 2: Delivery of Core Product**
  - Cocktails, seating, order food and wine, wine service
  - Potential fail points: Menu information complete? Menu intelligible? Everything on the menu actually available?
  - Mistakes in transmitting information a common cause of quality failure
  - Customers may not only evaluate quality of food and drink, but how promptly it is served or serving staff attitudes

- **Act 3: The Drama Concludes**
  - Remaining actions should move quickly and smoothly, with no surprises at the end
  - Customer expectations: accurate, intelligible and prompt bill, payment handled politely, guest are thanked for their patronage
Improving Reliability of Processes Through Fail-Proofing

- Identify fail points
- Analysis of reasons for failure reveals opportunities for failure-proofing to reduce/eliminate future errors
- Need fail-safe methods for both employees and customers
Setting Service Standards and Targets

- Service providers set standards for each step sufficiently high to satisfy and even delight customers
  - Include time parameters, script and prescriptions for appropriate style and demeanor
  - Must be expressed in ways that permit objective measurement

- Performance targets – specific process and team performance targets for which staff are responsible for

- Evaluated based on distinction between standards and targets
Setting Service Standards and Targets

- First impression is important
  - Affects customer’s evaluations of quality during later stages of service delivery as customer perceptions of service experiences tend to be cumulative

- For low-contact service, a single failure committed front stage is relatively more serious than in a high-contact service
Setting Standards and Targets for Customer Service Processes

- **Service Attributes**
  - Responsiveness
  - Reliability
  - Competence
  - Accessibility
  - Courtesy
  - Communication
  - Credibility
  - Confidentiality
  - Listening to the customer

- **Service Process Indicators**
  - Processing time to approve applications

- **Service Process Standards**
  - 24 hours

- **Performance Targets**
  - 80% of all applications in 24 hours

- **Creates a Base to Measure Customer Satisfaction**
- **Define Service Quality Goals for Staff**
- **Define/Process Departmental Service Goals**
Redesigning Service Processes
Why Redesign?

- Revitalizes process that has become outdated

- Changes in external environment make existing practices obsolete and require redesign of underlying processes

- Rusting occurs internally
  - Natural deterioration of internal processes; creeping bureaucracy; evolution of spurious, unofficial standards
  - Symptoms:
    - Extensive information exchange
    - Data that is not useful
    - High ratio of checking control activities to value-adding activities
“Institutions are like steel beams—they tend to rust. What was once smooth and shiny and nice tends to become rusty.”

Mitchell T. Rabkin, MD, former president of Boston’s Beth Israel Hospital
Why Redesign?

- Redesign aims to achieve these performance measures:
  - Reduced number of service failures
  - Reduced cycle time from customer initiation of a service process to its completion
  - Enhanced productivity
  - Increased customer satisfaction
Process Redesign: Approaches and Potential Benefits

Eliminating non-value-adding steps
- Streamline front-end and back-end processes of services
- Improve productivity and customer satisfaction

Shifting to self-service
- Increase in productivity and service quality
- Lower costs and perhaps prices
- Enhance technology reputation
- Differentiates company

Delivering direct service
- Improve convenience for customers
- Productivity can be improved by eliminating expensive retail locations
- Increase customer base
Process Redesign: Approaches and Potential Benefits

**Bundling services**
- Involves grouping multiple services into one offer, focusing on a well-defined customer group
- A better fit to the needs of target segment
- Increase productivity with customized service
- Increase per capita service use

**Redesigning physical aspects of service process**
- Focus on tangible elements of service process (facilities and equipment)
- Increase convenience
- Enhance satisfaction and productivity of frontline staff
- Cultivate interest in customers
The Customer as Co-Producer
Levels of Customer Participation

**High** – Customer works actively with provider to co-produce the service
- Service cannot be created without customer’s active participation
- Customer can jeopardize quality of service outcome

**Medium** – Customer inputs required to assist provider
- Provide needed information and instructions
- Make some personal effort; share physical possessions

**Low** – Employees and systems do all the work
- Involves standardized work
Customers as Partial Employees

- Customers can influence productivity and quality of service processes and outputs

- Customers not only bring expectations and needs but also need to have relevant service production competencies

- For the relationship to last, both parties need to cooperate with each other
Managing Customers

Recruitment and Selection
- Recruit customers that possess the competency to perform the necessary tasks

Job Analysis
- Are customers aware of their roles and equipped with the required skills?

Education and Training
- Information required for them to perform their roles via instructions or video demonstration

Motivate
- Ensure that they will be rewarded for good performance

Appraise
- For sub-par performances, improve customer training or change the role or process

Ending
- Last resort: if customer is non compliant consider termination of the relationship
Self-Service Technologies
Self-Service Technologies (SSTs)

- SSTs are the ultimate form of customer involvement where customers undertake specific activities using facilities or systems provided by service supplier
  - Customer’s time and effort replace those of employees

- Information-based services lend themselves particularly well to SSTs
  - Used in both supplementary services and delivery of core product
Self-Service Technologies (SSTs)

Many companies and government organizations seek to divert customers from employee contact to Internet-based self-service

**Advantages:**

- Time and Cost savings
- Flexibility
- Convenience of location
- Greater control over service delivery
- High perceived level of customization

**Disadvantages:**

- Anxiety and stress experienced by customers who are uncomfortable with using them
- Some see service encounters as social experiences and prefer to deal with people
What Aspects Of SSTs Please Or Annoy Customers?

<table>
<thead>
<tr>
<th>People love SSTs when…</th>
<th>People hate SSTs when…</th>
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<tbody>
<tr>
<td>• SST machines are conveniently located and accessible 24/7—often as close as the nearest computer!</td>
<td>• SSTs fail – system is down, PIN numbers not accepted, etc.</td>
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<tr>
<td>• Obtaining detailed information and completing transactions can be done faster than through face-to-face or telephone contact</td>
<td>• Customers themselves mess up – forgetting passwords; failing to provide information as requested; simply hitting wrong buttons</td>
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Key weakness: Few firms incorporate service recovery systems such that customers are still forced to make telephone calls or personal visits.
Putting SSTs to Test by Asking a Few Simple Questions

- Does the SST work reliably?
  - Firms must ensure that SSTs are dependable and user-friendly

- Is the SST better than interpersonal alternatives?
  - Customers will stick to conventional methods if SST doesn’t create benefits for them

- If it fails, what systems are in place to recover?
  - Always provide systems, structures, and technologies that will enable prompt service recovery when things fail
Managing Customer’s Reluctance to Change

- Increasing customer’s participation level in a service can be difficult

- Marketing communications to be used to:
  - Prepare customer for change
  - Explain the rationale and benefits
  - What customers need to do differently in the future
Summary

- Service blueprinting can be used to design a service and create a satisfying experience for customers. Key components of the blueprint include:

- Blueprinting a restaurant (or other service) can be a three-act performance
  - Prologue and introductory scenes
  - Delivery of the core product
  - Conclusion of the drama
Summary

- Service standards and targets are different and can be used to evaluate performance
- Service process redesign reduces service failure and enhances productivity
- When the customer is a co-producer, issues to consider are
  - Levels of customer participation
  - Self-service technologies (SST)
  - Psychological factors in customer co-production
  - Aspects of SST that please or annoy customers