

## **DESIGN QUALITY IN THE SERVICE SECTOR**

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The emergence of the services sector has been suggested by economists to be part of the natural progression in which economic dominance changes first from agriculture to manufacturing and then to services. It is argued that if income elasticity of demand is higher for services than it is for goods, then as incomes rise, resources will shift toward services. The continuing growth of services verifies this, and is further explained by changes in culture, fitness, safety, demography and life styles.

In considering the design of services it is important to consider the differences between goods and services. Some authors argue that the marketing and design of goods and services should

conform to the same fundamental rules, whereas others claim that there is a need for a different approach to service because of the recognizable differences between the goods and services themselves.

In terms of design, it is possible to recognize three distinct elements in the service package – the physical elements or facilitating goods, the explicit service or sensual benefits, and implicit service or psychological benefits. In addition, the particular characteristics of service delivery systems may be itemised:

- Intangibility
- Perishability
- Simultaneity
- Heterogeneity.

It is difficult, if not impossible, to design the intangible aspects of a service, since consumers often must use experience or the reputation of a service organization and its representatives to judge quality.

Perishability is often an important issue in services, since it is frequently undesirable or impossible to hold stocks of the explicit service element of the service package. This aspect often requires that service operation and service delivery must exist simultaneously, such as in a restaurant business.

Simultaneity occurs because the consumer must be present before many services can take place. Hence, services are often formed in small and dispersed units, and it can be difficult to take advantage of economies of scale. The rapid developments in computing and communications technologies have changed this in sectors such as banking and insurance, but contact continues to be necessary for many service sectors. Design considerations here include the environment and the systems used. Service facilities, procedures and systems should be designed with the customer in mind, as well as the 'product' and the human resources. Managers need a picture of the total span of the operation, so factors which are crucial to success are not neglected. This clearly means that the functions of marketing, design and operations cannot be separated in services, and this must be taken into account in the design of the operational controls, such as the diagnosing of individual customer expectations. A QFD approach here can be very effective.

Heterogeneity of services occurs in consequence of explicit and implicit service elements relying on individual preferences and perceptions. Differences exist in the outputs of organizations generating the same service, within the same organization, and even the same employee on different occasions. Clearly, unnecessary variation needs to be controlled, but the variation attributed to estimating, and then matching, the consumers' requirements is essential to customer satisfaction and loyalty and must be designed into the systems. This inherent variability does, however, make it difficult to set precise quantifiable standards for all the elements of the service.

In the design of services it is useful to classify them in some way. Several sources from the literature on the subject help us to place services in one of five categories:

- Service factory
- Service shop
- Mass service
- Professional service
- Personal service.

Several service attributes have particular significance for the design of service operations:

- 1.

*Labour intensity* – the ratio of labour costs incurred to the value of assets and equipment used (people versus equipment-based services).

2. *Contact* – the proportion of the total time required to provide the service for which the consumer is present in the system.
3. *Interaction* – the extent to which the consumer actively intervenes in the service process to change the content of the service; this includes customer participation to provide information from which needs can be assessed, and customer feedback from which satisfaction levels can be inferred.
4. *Customization* – which includes *choice* (providing one or more selections from a range of options, which can be single or *fixed* and *adaptation* (the interactions process in which the requirement is decided, designed and delivered to match the need).
5. *Nature of service act* – either tangible, i.e. perceptible to touch and can be owned, or intangible, i.e. insubstantial.
6. *Recipient of service* – either people or things.

Table 6.1 gives a list of some services with their assigned attribute types and Table 6.2 shows how these may be used to group the services under the various classifications.

Parasuraman *et al.* (see Zeithaml, Parasuraman and Berry, 1990) used the relationship between service quality and customer perceptions of product quality; his five dimensions are:

- *Reliability* – ability to perform the service dependably and accurately.
- *Responsiveness* – willingness to help customers and provide prompt service.
- *Assurance* – knowledge and courtesy of employees and their ability to inspire trust and confidence.
- *Empathy* – caring, individualized attention the firm provides to its customers.
- *Tangibles* – physical facilities, equipment and appearance.

**Table 6.1** A classification of selected services

<i>Service</i>	<i>Labour intensity</i>	<i>Contact</i>	<i>Interaction</i>	<i>Customization</i>	<i>Nature of act</i>	<i>Recipient of service</i>
Accountant	High	Low	High	Adapt	Intangible	Things
Architect	High	Low	High	Adapt	Intangible	Things
Bank	Low	Low	Low	Fixed	Intangible	Things
Beautician	High	High	High	Adapt	Tangible	People
Bus/coach service	Low	High	High	Choice	Tangible	People
Cafeteria	Low	High	High	Choice	Tangible	People
Cleaning firm	High	Low	Low	Fixed	Tangible	People
Clinic	Low	High	High	Adapt	Tangible	People
Coaching	High	High	High	Adapt	Intangible	People
College	High	High	Low	Fixed	Intangible	People
Courier firm	High	Low	Low	Adapt	Tangible	Things
Dental practice	High	High	High	Adapt	Tangible	Things
Driving school	High	High	High	Adapt	Intangible	People
Equipment hire	Low	Low	Low	Choice	Tangible	Things
Finance consultant	High	Low	High	Adapt	Intangible	People
Hairdresser	High	High	High	Adapt	Tangible	People
Hotel	High	High	Low	Choice	Tangible	People
Leisure center	Low	High	High	Choice	Tangible	People
Maintenance	Low	Low	Low	Choice	Tangible	Things
Management consultant	High	High	High	Adapt	Intangible	People
Nursery	High	Low	Low	Fixed	Tangible	People
Optician	High	Low	High	Adapt	Tangible	People
Postal service	Low	Low	Low	Adapt	Tangible	Things
Rail service	Low	High	Low	Choice	Tangible	People
Repair firm	Low	Low	Low	Adapt	Tangible	Things
Restaurant	High	High	Low	Choice	Tangible	People
Service station	Low	High	High	Choice	Tangible	People
Solicitors	High	Low	High	Adapt	Intangible	Things
Takeaway	High	Low	Low	Choice	Tangible	People
Veterinary	High	Low	High	Adapt	Tangible	Things

It is apparent that services are part of almost all organizations and not confined to the service sector. What is clear is that the service classifications and different attributes must be considered in any service design process. The author is grateful to the contribution made by John Dotchin to this section of Chapter 6.

As a part of their work Parasuraman and his co-researchers developed a generic survey instrument and this is widely recognized as an excellent tool for measuring *service quality*. SERVQUAL scores *service quality* using 22 standardized statements to canvass customer views on the dimensions of *service quality*. Statements from the instrument are shown in [Table 6.3](#).

**Table 6.2** Grouping of similar services

PERSONAL SERVICES	
Driving school	Sports coaching Beautician Dental practice Hairdresser Optician
SERVICE SHOP	
Clinic	Cafeteria
Leisure center	Service station

PROFESSIONAL SERVICES	
Accountant	Architect
Finance consultant	Management consultant
Solicitor	Veterinary
MASS SERVICES	
Hotel	Restaurant
College	Bus service
Coach service	Rail service
Takeaway	Nursery Courier firm
SERVICE FACTORY	
Cleaning firm	Postal service
Repair firm	Equipment hire
Maintenance	Bank

Responses to these questions using a nine-point Likert scale are used to enable customer satisfaction to be assessed and benchmarked.

It is interesting to reflect on the quality design challenges faced by lawyers in recent times. They are part of a generally honourable profession that is in fundamental transformation. Conventional legal advisers will be much less prominent in the future than in the recent past and there are two major forces that are shaping and characterizing legal services:

- Market pull towards commoditization
- Pervasive development & uptake of information technology.

Just as other industries and sectors are having to adapt to broader change, so too have legal companies which are needing to think more creatively about the way they do business and in particular where they can innovate. To compete, a solid foundation of high-quality, efficient processes will be required:

THERE IS A NEED ...

- To identify the tasks that the market is increasingly unlikely to tolerate expensive lawyers for that can be delegated to less expert and less expensive people, working with sophisticated processes and systems.
- To identify the new and different client needs emerging.

WHICH MEANS THAT ...

- Legal companies will need to be really clear on their strengths, identify their distinctive skills, talents and capabilities that cannot be replaced by advanced systems, or less costly workers supported by IT (standard processes).
- They will also need to be very clear on how to position themselves in the market.
- AND ...
- They will need to address their weaknesses, drive out excesses, reduce waste, eliminate outdated practice and up-skill or remove outdated lawyers.

**Table 6.3** SERVQUAL survey statements (Parasuraman et al.)

<p><b>Reliability</b></p> <ol style="list-style-type: none"> <li>1. Providing service as promised</li> <li>2. Dependability in handling customers' service problems</li> </ol>
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3. Performing services right the first time
4. Providing services at the promised time
5. Maintaining error free records (e.g. financial)

#### **Responsiveness**

6. Keeping customers informed of when services will be performed
7. Prompt service to customers
8. Willingness to help customers
9. Readiness to respond to customers' requests

#### **Assurance**

10. Instilling confidence in customers
11. Make customers feel safe in their transactions
12. Being consistently courteous
13. Having the knowledge to answer questions

#### **Empathy**

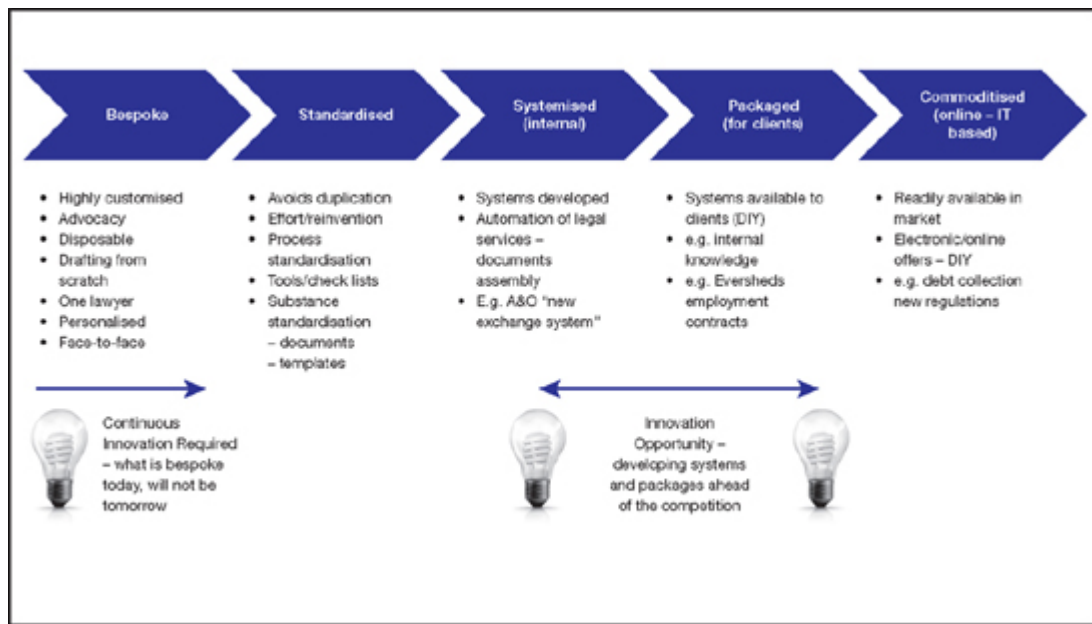
14. Giving customers individual attention
15. Dealing with customers in a caring fashion
16. Having the customers' best interests at heart
17. Understanding the needs of their customers
18. Convenient business hours

#### **Tangibles**

19. Modern equipment
20. Visually appealing facilities
21. Having a neat, professional appearance
22. Visually appealing materials associated with the service

In short they will need to ensure they have the best people, processes and technology to support their target operating models.

Figure 6.6 shows the evolution of legal services, as set out in Richard Susskind's excellent book, *The End of Lawyers?* (2008). It is not as simple as choosing where on the spectrum to play, the legal services portfolio is now like a conveyor belt that moves from left to right, though some organizations are polarizing toward the ends.



**Figure 6.6**

The evolution of legal services (Source: Susskind – *The End of Lawyers*)