



SERVICE MARKETING

CHAPTER 10: MANAGING PEOPLE FOR SERVICE ADVANTAGE

OVERVIEW

10.1 The Important of Human Resources in Service Business

10.2 Front liner

10.3 Cycles of Failure, Mediocrity, and Success

THE IMPORTANT OF HUMAN RESOURCES IN SERVICE BUSINESS

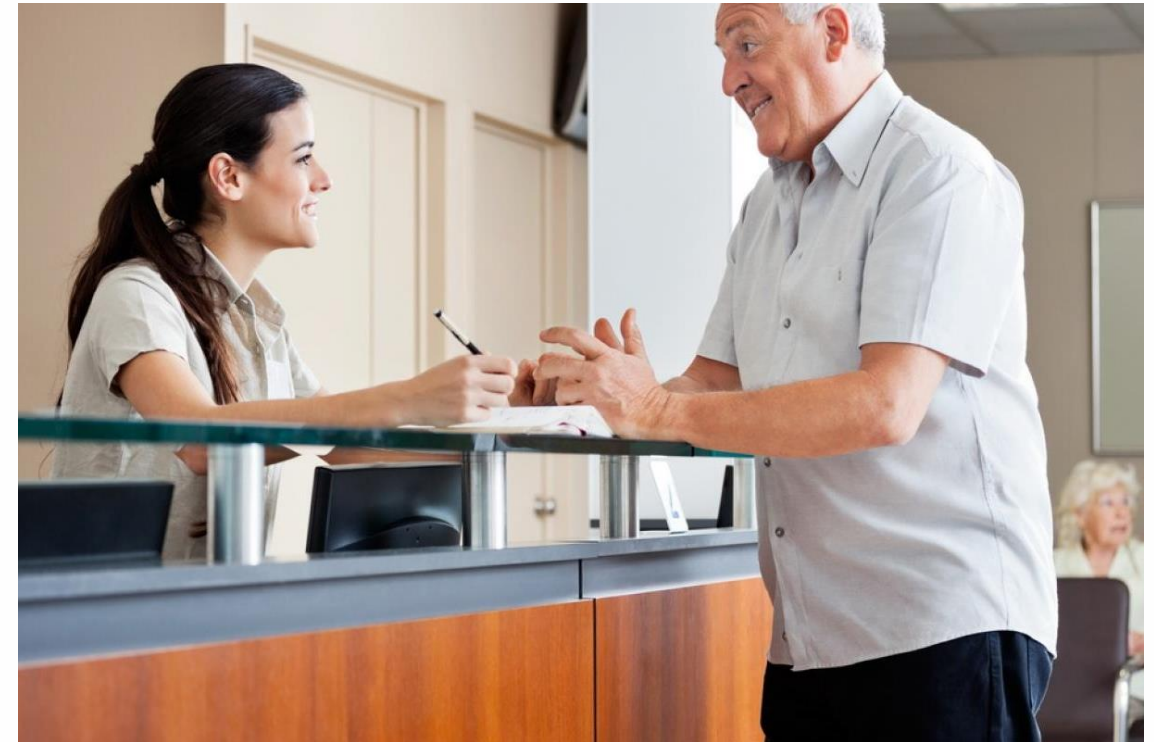
SERVICE PERSONNEL AS A SOURCE OF CUSTOMER LOYALTY AND COMPETITIVE ADVANTAGE

Customer's perspective

The **encounter with service staff** is probably the most **important** aspect of a service

Firm's perspective

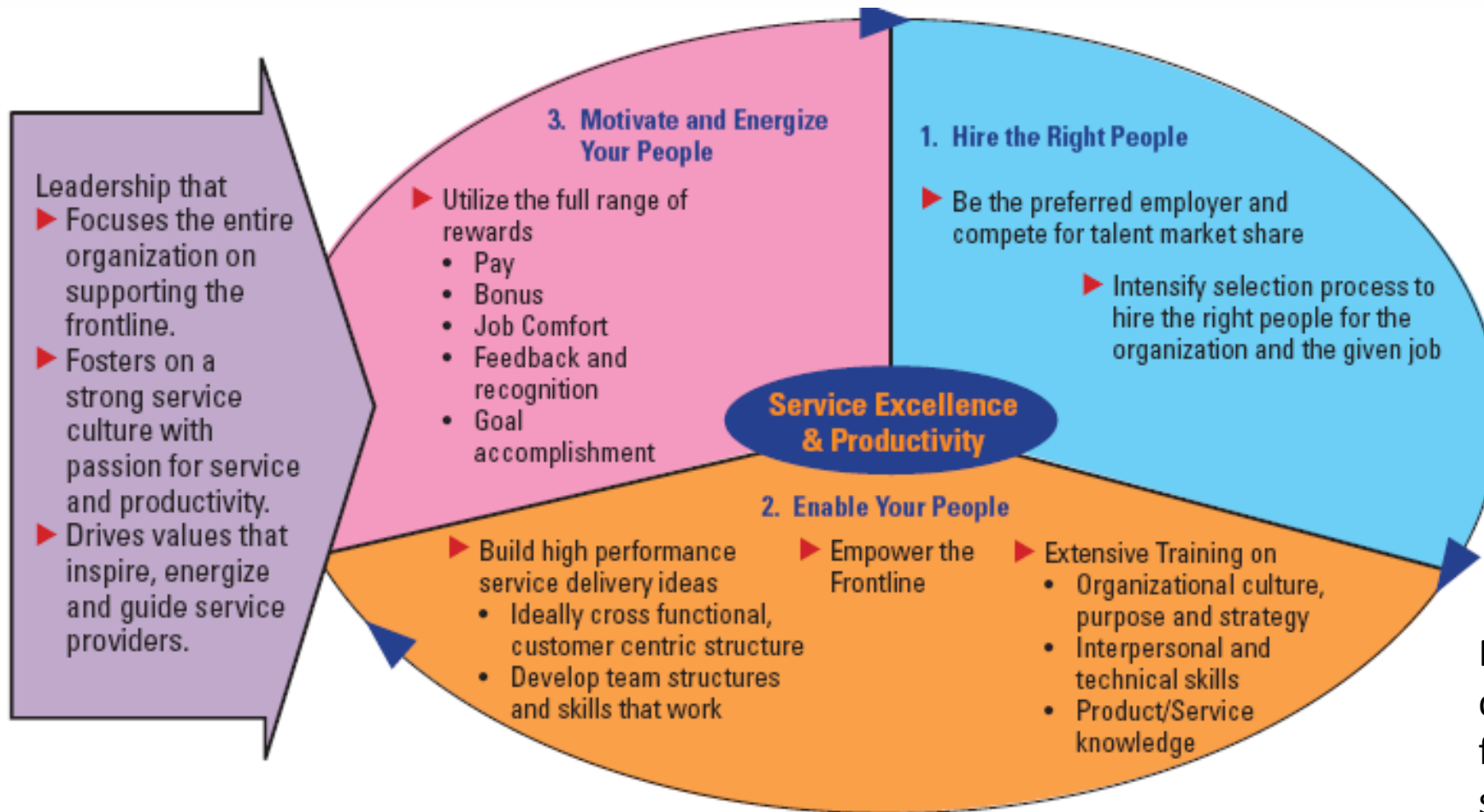
Frontline personnel is an important **source of differentiation** and competitive advantage



(1)

Picture (1) shows interaction between customer and front liner which is important for both party, the customer and the firm.

THE SERVICE TALENT CYCLE



Service Excellence and Productivity contains 3 things which is hire the right people, enable your people, and motivate and energize your people

Figure (1) shows the service talent cycle that is our guiding framework for successful HR practices in service firms.

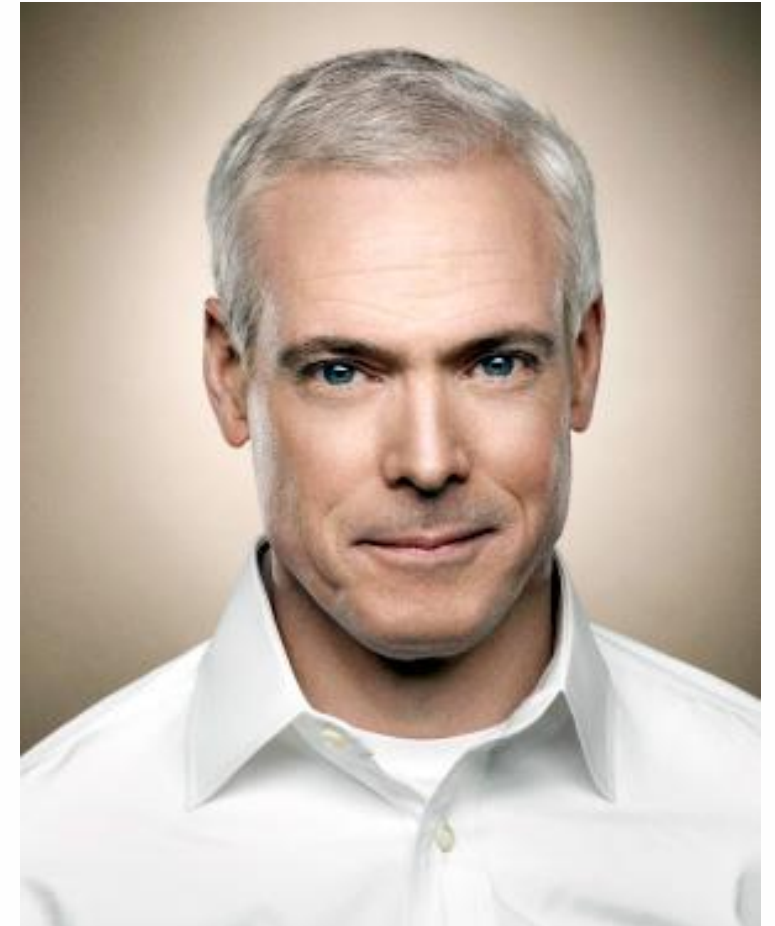
HIRE THE RIGHT PEOPLE

“People are the most important asset’ is wrong. **The right people are your most important asset** and the wrong people are a liability that is often difficult to get rid of.”

- Jim Collins, Business Consultant

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Hiring the right people includes competing for applications from the best employees in the labor market, then selecting the best candidates for the specific jobs to be filled.



(1)

CASE: MOST ADMIRRED COMPANY

(1)

RANK	COMPANY	INDUSTRY
1	Apple	Computers
2	Amazon.com	Internet Services and Retailing
3	Starbucks	Food Services
4	Berkshire Hathaway	Insurance: Property and Casualty
5	Disney	Entertainment
6	Alphabet	Internet Services and Retailing
7	General Electric	Industrial Machinery
8	Southwest Airlines	Airlines
9	Facebook	Internet Services and Retailing
9	Microsoft	Computer Software
11	FedEx	Delivery
12	Nike	Apparel
13	Johnson & Johnson	Pharmaceuticals
14	Netflix	Entertainment
15	Costco	Specialty Retailers

Fortune.com has conducted worlds most admired companies survey which voted by 3.800 executives, analyst, directors, and experts. The interesting part is *in the top 5 list, there are four service company.*

Look at Amazon internship for students:
<https://www.youtube.com/watch?v=GXC2WDxA7A>

TOOLS TO IDENTIFY THE BEST CANDIDATES



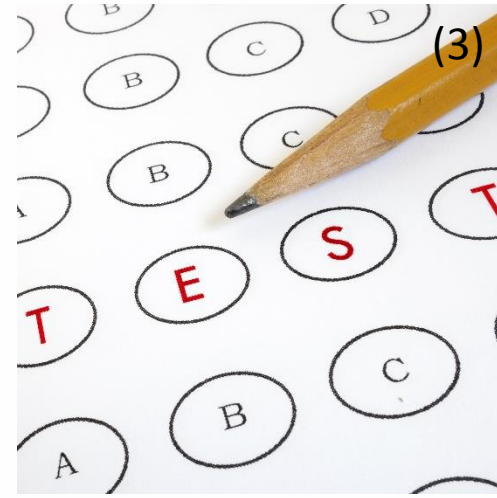
(1)

**Use Multiple,
Structured Interviews**



(2)

Observe Behavior



(3)

**Conduct
Personality Tests**



(4)

**Give Applicants A
Realistic Preview of
the Job**

Source:

- (1) http://media1.s-nbcnews.com/i/newscms/2016_13/1028606/job-interview-panel-tease-today-160328_85ede3fe3cd79d1b3081227a1dc682db.jpg
- (2) <https://thesalesmaster.files.wordpress.com/2009/07/observe-look-magnifying-glass1.jpg>
- (3) <https://www.pathcare.co.za/theme/internet/img/test-info.jpg>
- (4) <http://maxit.com/insights/wp-content/uploads/2016/08/on-the-job-training.png>

TRAIN SERVICE EMPLOYEES

Service employees need to learn:

1. Organizational culture, purpose, and strategy

- Promote core values, get emotional commitment to strategy
- Get managers to teach “why,” “what,” and “how” of job

2. Interpersonal and technical skills

3. Product/service knowledge

- Staff’s **product knowledge** is a key aspect of service quality
- Staff must explain product features and position products correctly

THE IMPORTANT OF PRODUCT KNOWLEDGE BY FRONTLINE EMPLOYEE



(1)

When you go to a restaurant,
There is a **difference** when
the *waiter understands the
menu and does not*



(2)

Source:

(1) <http://restaurantnews.com/wp-content/uploads/2013/03/Top-100-Best-Restaurants-for-Service.jpg>

(2) http://www.restaurant-hospitality.com/sites/restaurant-hospitality.com/files/styles/article_featured_standard/public/uploads/2016/09/server-w-boomers.jpg?itok=_E3w-bA8

IS EMPOWERMENT ALWAYS APPROPRIATE?

Empowerment is most appropriate when:

- Firm's business strategy is based on *personalized, customized service, and competitive differentiation*
- Emphasis on *extended relationships* rather than short-term transactions
- Use of *complex and non-routine technologies*
- Service *failures* are *non-routine*
- Business *environment is unpredictable*
- Managers are comfortable *letting employees work independently* for benefit of firm and customers
- Employees seek *to deepen skills* and have good interpersonal and group *process skills*

BUILD HIGH-PERFORMANCE SERVICE DELIVERY TEAMS

The Power of Teamwork in Services

- Facilitate communication and knowledge sharing among team members
- Higher performance targets
- Pressure to perform is high

Creating Successful Service Delivery Teams

- Emphasis on cooperation, listening, coaching, and encouraging one another
- Understand how to air differences, tell hard truths, ask tough questions

REWARDS

Many companies assume that reward employees fairly in the form of money or bonus

But this form of reward is only temporary and short-term



(1)

MOTIVATE AND ENERGIZE THE FRONTLINE

Use full range of available rewards effectively, including:

1. **Job content** – People are *motivated* knowing they are *doing a good job*
2. **Feedback and recognition** – People *derive a sense of identity and belonging to an organization* from feedback and recognition
3. **Goal accomplishment** – Specific, difficult but attainable, and accepted goals are *strong motivators*

FRONT LINER

WHY FRONTLINE IS SO IMPORTANT?



Picture (1) shows an employee lifting her feet on the table which is not a good example of an employee. This kind of employee could make the customers feel unpleasant and then affect the brand & sales.

Service employees are so important to customers and the firm's competitive positioning because the frontline:

- 1) Is a core part of the product**
- 2) Is the service firm**
- 3) Is the brand**
- 4) Affects sales**
- 5) Determine productivity**

KEY ROLE OF FRONTLINE EMPLOYEES



Anticipating customers' needs



Building personalized relationships with customers



Customizing the service delivery

Effective performance of these activities should ultimately lead to customer loyalty.

FRONTLINE RULES OF SUCCESS

Treat Customers Like Family

Listen First

Success is Where You Find It

Work Smart

Take Pride in Your Work

Keep Learning

Simple Things Make the
Difference

All for One, One for All

Anticipate Customer's
Wants

WHAT DO YOU THINK?

Nowadays, there is a growing trend of services toward **low-contact delivery** channels such as call centers and self-service options. In light of these trends, **are frontline employees really all that important?**

THE FRONTLINE IN LOW-CONTACT SERVICES

Many routine transactions are now conducted without involving frontline staff, e.g.,

- Call centers
- Email or Website
- Social media

it is likely that these interactions are not about routine transactions, but about service problems and special requests

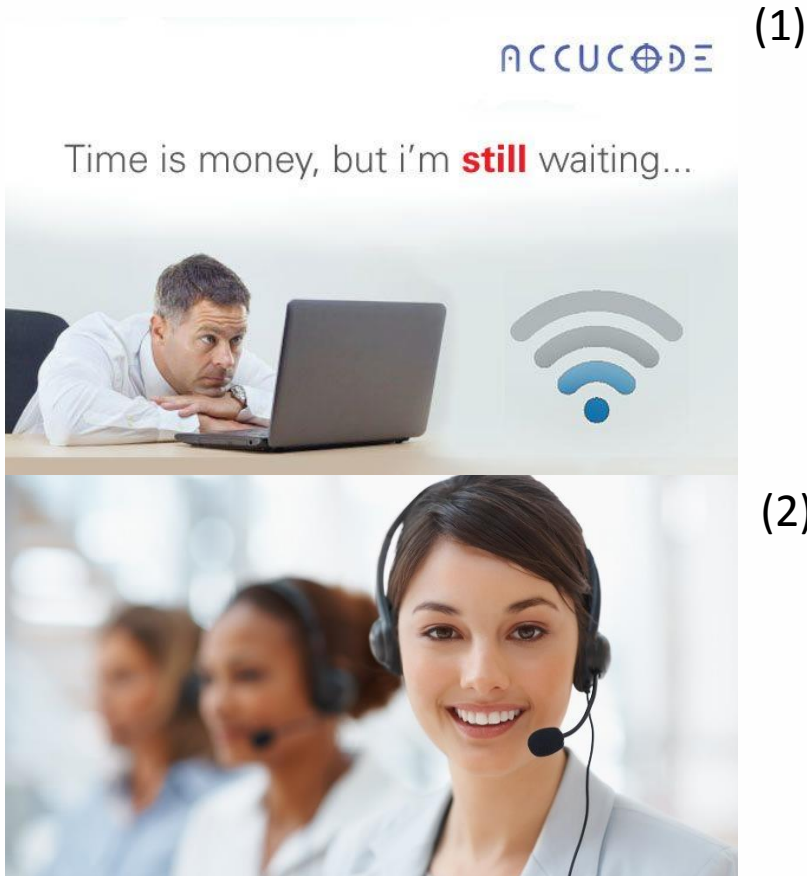
However, **frontline employees** remain **crucially important**

“Moments of truths”
drive customer’s
perception of the service firm

THE FRONTLINE IN LOW-CONTACT SERVICES EXAMPLE

Picture (1) shows a man who has a problem about slow Wi-Fi connection.

He would call the customer service of his Wi-Fi provider (picture 2) to solve the problem. The CS attitude of solving the problem would drive a customer's perceptions of the service firm



Very few contacts determine whether a customer would think

1. "Customer service is excellent! When I need help, I can call you, and this is one important reason why I go with you"
2. or "Your service stinks. I don't like interacting with you, and I am going to spread the word about how bad your service is!"

BOUNDARY SPANNING

Boundary Spanners: The **organizational behavior literature** refers to service employees which *link the inside of an organization to the outside world*, operating at the boundary of the company

Consider management expectations of service staff:

- Delight customers
- Be fast and efficient in executing operational tasks
- Do selling, cross selling, and up-selling
- Enforce pricing schedules and rate integrity

SOURCES OF CONFLICT

1. Organization vs Client

Dilemma whether to follow company rules or to satisfy customer demands

This conflict is especially *acute in* organizations that *are not customer-oriented*

EXAMPLE

Customer demands ice as saying “Can I get an ice cold water, please?.” but company boss says “We’re not serving an ice cold water”

SOURCES OF CONFLICT (2)

2. Person vs Role

Conflicts between what jobs require and employee's own personality and beliefs

Organizations must instill professionalism in frontline staff

EXAMPLE

Some job may require staff to smile and be friendly even to rude customers when frontline staff tend to describe customers with a pronounced negative flavor – over demanding, refuse to listen, arrogant, etc.

SOURCES OF CONFLICT (3)

3. Inter-Client

Conflicts between customers
that demand service staff
intervention

it is ***difficult*** and often impossible
to satisfy both sides

EXAMPLE

Smoking in nonsmoking sections,
Jumping queues, Talking on a cell
phone in a movie theater, or Being
excessively noisy in a restaurant

EMOTIONAL LABOR

Emotional labor arises when a **discrepancy** exists between the way frontline staff feel inside and the emotions that management requires them to show in front of customers



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Performing emotional labor in response to society's or management's display rules can be stressful. Firms need to be aware of ongoing emotional stress among their employees.

CASE: GARUDA INDONESIA



Garuda Indonesia has received Award for the world's "**Best Airline Cabin Staff**" from Skytrax World Airline Award for 4 consecutive years

The award recognizes the ***highest all-round performance of an airline's cabin staff***, and covers:

1. **'Hard' service** such as techniques, efficiency, attention etc.
2. **'Soft' service** characteristics such as staff enthusiasm, attitude, friendliness and overall hospitality

Source:

(1) <https://www.garuda-indonesia.com/images/corporate/corporate-about.jpg>

(2) <http://assets.kompas.com/crop/0x54:1000x554/780x390/data/photo/2017/06/20/2014652927.jpg>

(3) <http://assets.kompas.com/crop/0x145:1000x645/780x390/data/photo/2017/04/22/003542320170422-122858-873-kartini.flight-.jpg>

CASE: GARUDA INDONESIA



To get that achievement requires staffs that could overcome themselves in a lot of pressure environment

Garuda Indonesia indeed has flight attendant training such as service training, character building class, and flight safety training

CYCLES OF FAILURE, MEDIOCRITY, AND SUCCESS

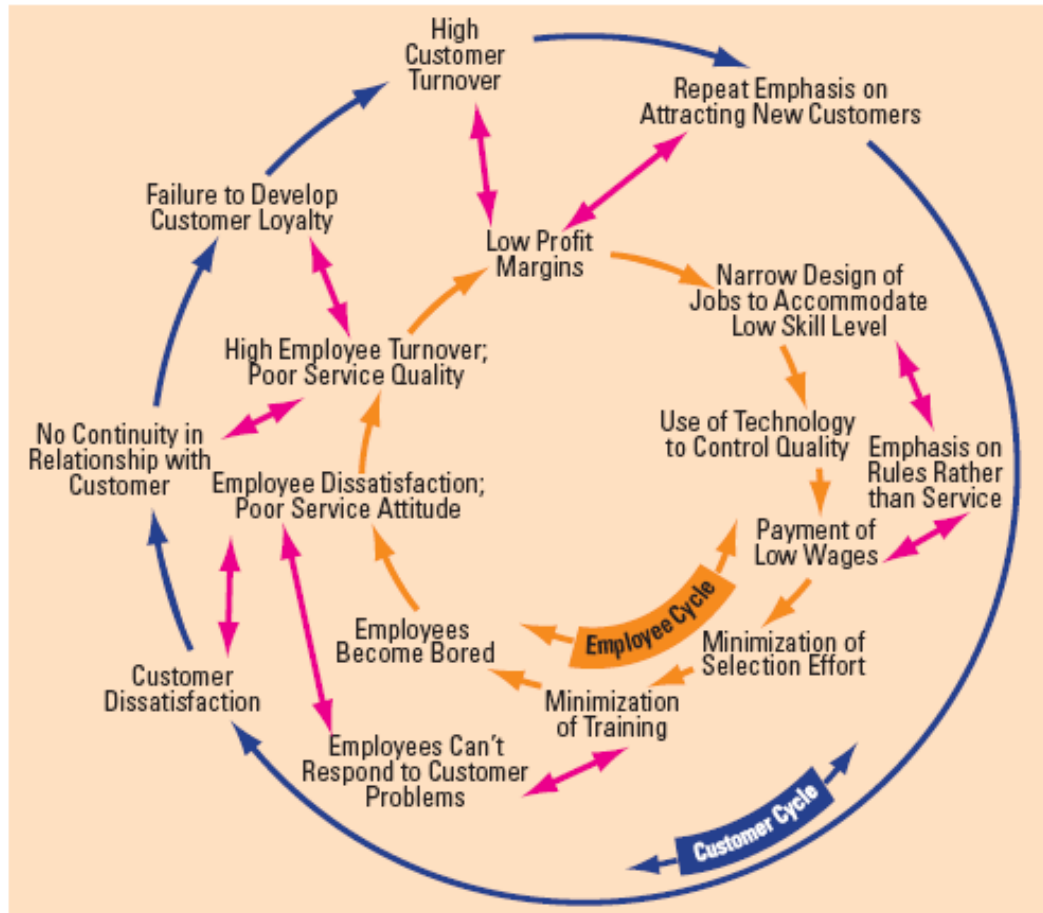
CYCLES OF FAILURE, MEDIOCRITY, AND SUCCESS

Cycle of failure: *High employee turnover* frequently are stuck in what has been termed

Cycle of mediocrity: *offer job security but little scope for personal initiative*, may suffer from an equally undesirable

Cycle of success: if the *working environment is managed well*, there is potential for a virtuous cycle in service employment

CYCLE OF FAILURE



SOURCE

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The cycle of failure often happens in a business that simplifies work routines and hires workers in a very low income to perform repetitive work tasks that require little or no training.

Figure (1). **The cycle of failure** which captures the implications of such a strategy, with its two concentric but interactive cycles: one involving failures with employees; the second, with customers

EMPLOYEE CYCLE OF FAILURE

Narrow job design for low skill levels

Emphasis on rules rather than service

Bored employees who lack ability to respond to customer problems

Use of technology to control quality

Customers are dissatisfied with poor service attitude

Low service quality

High employee turnover

CUSTOMER CYCLE OF FAILURE

Repeated emphasis on attracting new customers



Customers dissatisfied with employee performance



Customers always served by new faces



Fast customer turnover



Ongoing search for new customers to maintain sales volume

MANAGER'S EXCUSES FOR PERPETUATING THE CYCLE OF FAILURE

Too many managers ignore the long-term financial effects of low-pay/high turnover human resource strategies.



You just can't get good people nowadays

People today just don't want to work

To get good people would cost too much and you can't pass on these cost increases to customers

It's not worth training our frontline people when they leave you so quickly

High turnover is simply an inevitable part of our business. You've got to learn to live with it

THINGS THAT COSTS OF SHORT-SIGHTED POLICIES ARE IGNORED

3 Key cost variables often are omitted:

- (1) The cost of constant recruiting, hiring, and training
- (2) The lower productivity of inexperienced new workers
- (3) The costs of constantly attracting new customers



Advertisement and Promotional Discount might increase costs of constantly attracting new client

THINGS THAT COSTS OF SHORT-SIGHTED POLICIES ARE IGNORED

2 Revenue variables:

- (1) Loss of revenue stream from dissatisfied customers who turn to alternatives
- (2) Loss of potential customers who are turned off by negative word-of-mouth

(1)



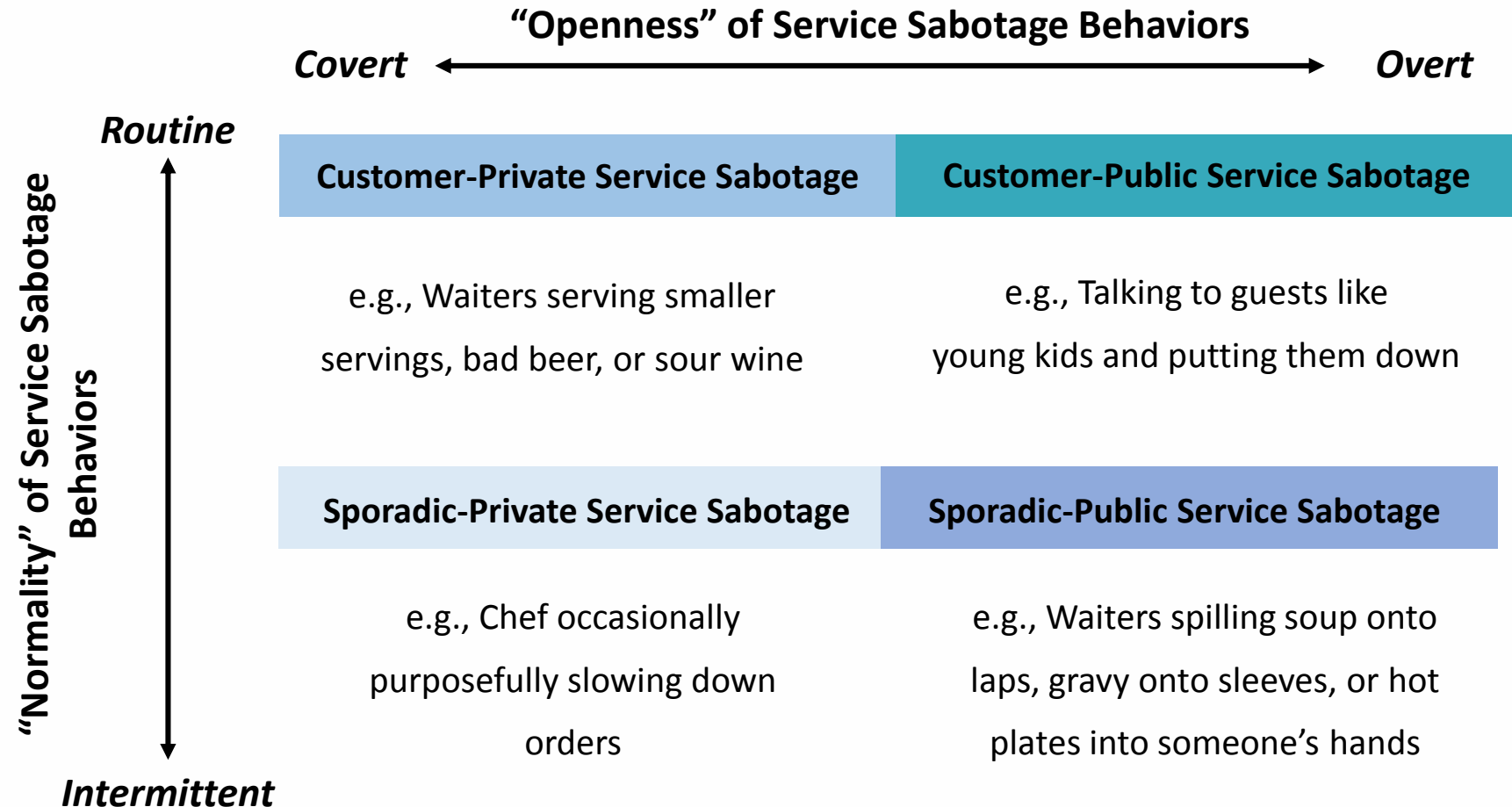
Some unhappy customers would prefer to be quite and never comeback. For the company, those actions could lead to income lost

SERVICE SABOTAGE

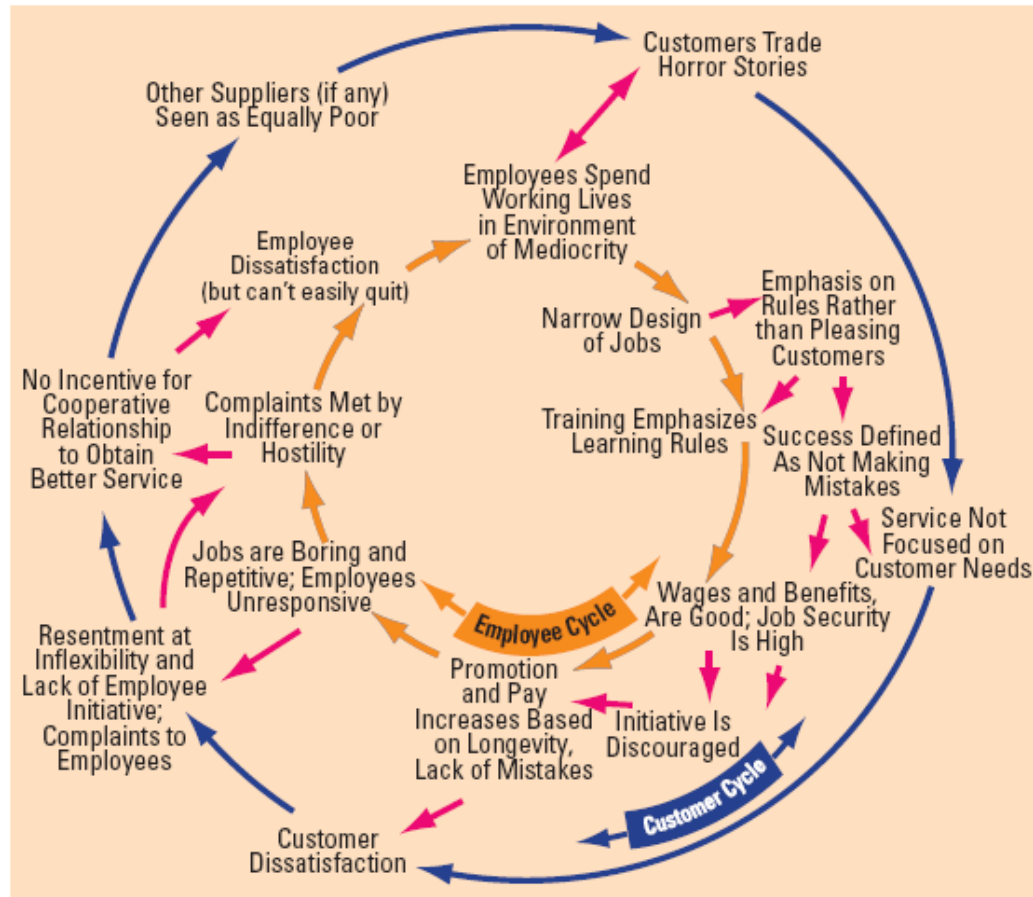
Service sabotage classified along two dimensions: **covert-overt** and **routinized-intermittent behaviors**.

Covert behaviors are concealed from customers, whereas overt actions are purposefully displayed often to coworkers as well as customers.

Routinized behaviors are ingrained into the culture, whereas intermittent actions are sporadic and less common.



CYCLE OF MEDIOCRITY



SOURCE

Christopher Lovelock (1995). *Managing services: The human factor*. In W.J. Glynn and J.G. Barnes. *Understanding Service Management* (p. 228). Chichester, O K John Wiley.

The cycle of Mediocrity most likely found in large, bureaucratic organizations such as state monopolies, industrial cartels, or regulated oligopolies

Figure (1). **The cycle of Mediocrity** is another potentially vicious employment cycle

SERVICE DELIVERY STANDARDS

Service delivery standards is oriented toward:

Standardized service

Operational efficiencies

Prevention of employee fraud

Prevention of favoritism toward specific customers

Salary increase and promotions with long service

Rule-based training

Narrow and repetitive jobs

Successful performance measured by absence of mistakes

EMPLOYEE CYCLE OF MEDIOCRITY

Because there are **minimal allowances for flexibility** or employee initiative, **jobs tend to be boring and repetitive**

Most positions **provide adequate pay and often good benefits** combined with high security. Thus, **employees are reluctant to leave**



CUSTOMER CYCLE OF MEDIOCRITY

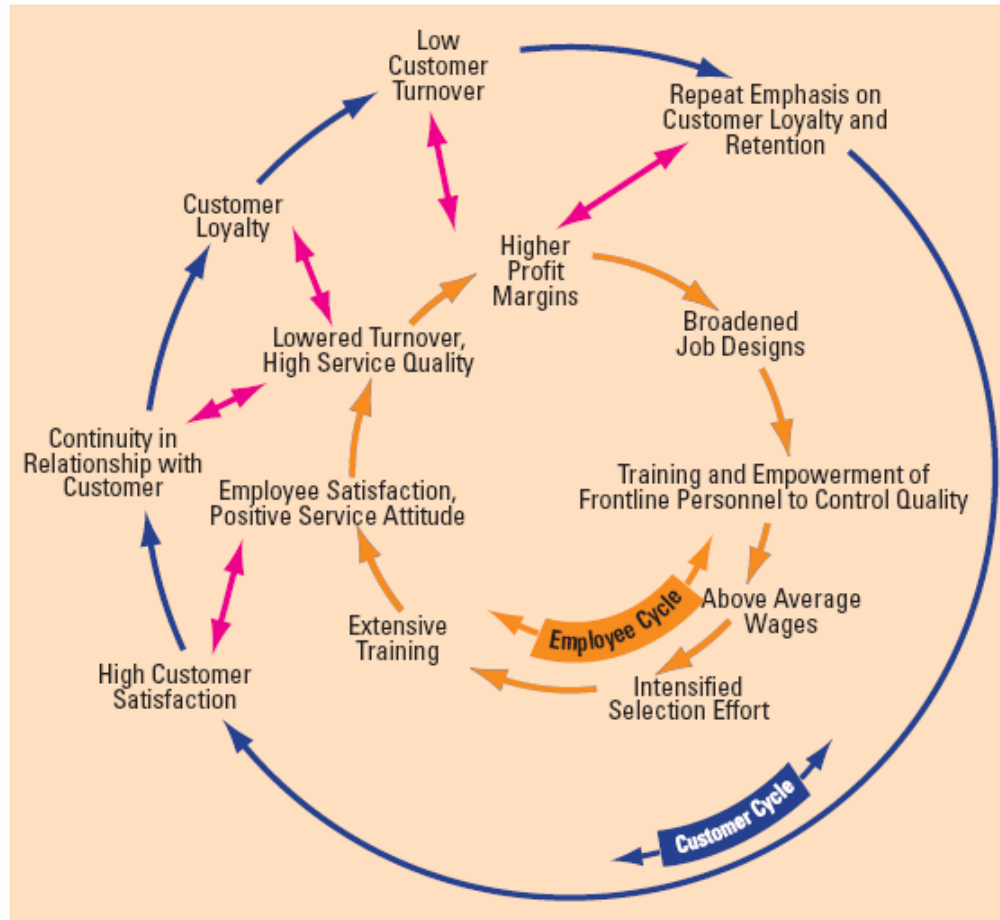
Little incentive for customers to cooperate with organizations to achieve better service

Customers often stay because of **lack of choice**, either the service provider holds a monopoly or the other available players has equally bad or worse



(1)

CYCLE OF SUCCESS



SOURCE

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Success applies to both employees and customers. Attractive compensation packages are used to attract good quality staff.

Figure (1). **The cycle of Success** is Longer-term view of financial performance; firm seeks to prosper by investing in people

CYCLE OF SUCCESS

Attractive pay and benefits attract *better job applicants*

More focused recruitment, intensive training, and higher wages make it more likely that employees are happier in their work and provide higher quality, customer-pleasing service

Broadened job descriptions with empowerment practices enable *frontline staff to control quality, facilitate service recovery*

Regular customers more likely to **remain loyal** because they:

- Appreciate continuity in service relationships
- Have higher satisfaction due to higher quality

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