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**Measuring Service Encounter Quality:
An analysis of Vodacom Lesotho**

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***Dedicated to my late grandmother and best friend
Nkhono 'Mankhala Lesitha***

ABSTRACT

In today's globalised market, quality and productivity are essential for the survival and growth of any organisation. For service companies, the encounters between customers and company employees are a critical component of this service quality. These factors depend on the successful attraction and retention of customers. The customer has therefore become the focus for any successful business. Business success depends on organisations understanding and meeting customers' expectations and demands.

This study measures the dimensions of service encounters as perceived by customers of Vodacom Lesotho. The current level of service encounter quality and satisfaction is measured for Vodacom Lesotho customers who use the company's contact centres (popularly known as Vodashops). The study reveals that customers are very keen to be involved in service improvement programs. Empirical testing identified that although the quality of network coverage is not part of the service encounter, it is very important in the customer satisfaction with the service encounter.

This study has developed the following recommendations that will ensure the improvement of service encounters at Vodacom Lesotho:

- Vodacom Lesotho needs to involve customers in their service design processes.
- Front-line employees should be hired on their abilities to perform customer service encounters and they should continuously receive relevant training.
- Customers need to be educated about the services offered by Vodacom Lesotho.

The results of this study have supported the objectives of this study and it can be concluded that Vodacom Lesotho needs to improve service quality to ensure customer satisfaction.

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Chapter 1: Introduction

1.1 Introduction

Vodacom Lesotho Pty (Ltd) is a cellular network operator in Lesotho that provides comprehensive communications solutions to its customers. These services include voice, data and fax. Vodacom Lesotho has got two main types of customers:

- Prepaid customers are those customers that have to pay in advance for their services by loading airtime into their accounts. Vodacom Lesotho does not keep any personal information on these customers, except their cell phone number (MSISDN) and the Subscriber Identity Module (SIM) number associated with it.
- Contract or post-paid customers are the most valuable customers of Vodacom and include business people, government ministers and university lecturers. These customers get billed for their cell phone usage on a monthly basis and a full record of these customers including their banking details is kept by Vodacom Lesotho.

In order to best serve its customers Vodacom Lesotho has established contact centres, which are known as "Vodashops" throughout the country. These vodashops have become the face of Vodacom Lesotho to its customers and the public at large. Customers' perceptions of the service quality delivered by the Vodashops are therefore very important for customer satisfaction at Vodacom Lesotho.

Vodacom Lesotho has identified its vodashops as one of the key areas that can help the company to improve customer satisfaction by offering superior services at these vodashops. Customers visit the vodashops for a wide range of reasons, including service inquiry, account settlement for contract customers and purchasing of cell phones.

1.2 Motivation for the study

The cellular industry in Lesotho is one of the fastest growing sectors. This apparently means plenty of opportunities for Vodacom Lesotho. But, the competition has become tougher with the second cellular network operator (Econet Ezi-Cel Lesotho) trying to capture part of the market share. Capturing and keeping a customer has therefore become a great challenge for both operators.

Besides being a network operator Vodacom Lesotho also acts as a service provider, with the responsibility of marketing its different services, billing customers, setting credit limits, collecting debts and offering after-sales service and technical support. These interactions with customers have led to some customers complaining about the service they get from Vodacom Lesotho. Accordingly, Vodacom Lesotho is faced with the challenge of creating service encounters, which keep customers satisfied and assure their loyalty. Vodacom Lesotho needs to go beyond simple satisfaction to total satisfaction or delight. This can only be done when Vodacom Lesotho is armed with the knowledge of what satisfies and delights its customers.

This study will help Vodacom to determine the training needs, level of authority and management support that are needed by front-line employees to ensure that the important but often brief encounters with customers result in satisfactory outcomes. It will also help Vodacom to design its service delivery process in the manner that satisfies its customers and keeps them loyal.

1.3 Problem statement

Preliminary indications have shown that Vodacom Lesotho's customers are not entirely satisfied with the service offered at the vodashops. However, this could be caused by poor service as a whole or there could be other underlying factors.

As a result information is needed on the perceptions of customers in the effectiveness of the vodashops in meeting their expectations and also the customers' perception on the overall service offered by Vodacom Lesotho.

1.4 Objectives of the study

The main objectives of this study are:

1. To find out if the service centres (Vodashops) meet the expectations of Vodacom Lesotho's customers.
2. To find out if customers are satisfied with the services provided by Vodacom Lesotho.
3. To provide recommendations in how Vodacom Lesotho can improve customer satisfaction.

1.5 Hypotheses

A hypothesis is a tool that is used in scientific research. It presents a statement of the researcher's expectation relative to the relationship between variables within a problem (Cooper & Schindler 2001).

A hypothesis thus serves as a suggested solution to a research problem, which may either be accepted or rejected. The research problem can be regarded as the heart of the research, which guides the investigation (Cooper & Schindler 2001).

In hypothesis testing, the world is set up as consisting of two mutually exclusive hypotheses: the alternative hypothesis (H_A) and the null hypothesis (H_0). The alternative hypothesis (H_A) is a statement about the relationship that one expects to find as a result of the research. It reveals the expected relationship or expected difference between variables in the research. But, since the alternative hypothesis cannot be tested directly, it must be translated into another type of hypothesis known as the null hypothesis (H_0). The null hypothesis states that there is no effect or no difference from what is expected to be found out from the research (Wegner 1999).

Both the alternative and the null hypotheses need to be stated out to achieve the objectives of the research. As stated by the objectives, the two main hypotheses in this study were formulated as follows:

- a) H_{A1} : Vodashops meet the expectations of Vodacom Lesotho customers.
 H_{01} : Vodashops do not meet the expectations of Vodacom Lesotho customers.

On average, the respondents scored vodashops above average in all the service quality dimensions. Customers were particularly happy with the operating hours of the vodashops, the locations of the vodashops and the neatness of the vodashops. Areas that are not being performed so well include speed of service delivery, professionalism of staff, quality of network coverage and courtesy of employees.

The null hypothesis was therefore rejected and it was concluded that vodashops meet the expectations of Vodacom Lesotho customers.

- b) H_{A2} : Customers are satisfied with the service offered by Vodacom Lesotho.
 H_{02} : Customers are not satisfied with the service offered by Vodacom Lesotho.

Overall, respondents were satisfied with the service they got from the vodashops, 69% said they were very likely to recommend Vodacom Lesotho to their friends, 52% thought that Vodacom Lesotho was better than its competitor. While 59% also said that Vodacom Lesotho was better than other service companies in Lesotho.

The null hypothesis was therefore rejected and it was concluded that customers are satisfied with the service offered by Vodacom Lesotho.

1.6 Limitations

The study does not deal with all the aspects that lead to customer satisfaction in the mobile telephony industry particularly at Vodacom Lesotho. Overall customer satisfaction is only being looked at with particular reference to the service encounters at the contact centres.

Other important customer requirement dimensions in the mobile telephone industry like call retention rate, call success rate as perceived by customers are not included. Also Vodacom Lesotho operates a 24-hour call centre where customers can call in at anytime of the day and be assisted with their queries. This is clearly an important aspect of the service encounters that customers have with Vodacom Lesotho, but it is not included in this current study.

The study of all the customer satisfaction dimensions is beyond the scope of this study and the cost implications are prohibitive as this study is not being sponsored. It is recommended that Vodacom Lesotho identifies the aspects of customer satisfaction that are important to its customers with the aim of continuously measuring them and taking appropriate actions.

1.7 Structure of the dissertation

The chapters in this study are as follows:

Chapter 1: Introduction

Chapter 1 is the introductory chapter that presents the problem being investigated. It also gives an outline of the objectives and the hypotheses that guide this study.

Chapter 2: Services marketing

This chapter takes a broad view of services marketing and its importance. The differences to marketing physical products as opposed to services are highlighted.

Chapter 3: The service encounter

This chapter focuses on service encounters, customer satisfaction and their importance to the current study.

Chapter 4: Research methodology

Chapter 4 deals with the research methods used in this study. The research design, sampling design, instrumentation as well as the research procedure are also discussed in this chapter.

Chapter 5: Results and discussions

This chapter presents the results as well as their analysis. These results are presented in the form of graphs and tables.

Chapter 6: Recommendations and Conclusion

In this final chapter, recommendations are presented and study conclusions are made.

CHAPTER 2: Services marketing

2.1 Introduction

Consumers use services everyday. Businesses and other organisations including the government also use a wide array of services, usually buying on a much larger scale than do individuals or households. Some examples of service consumption at individual level according to Lovelock (2001) include, turning on a light, listening to a radio, talking on a telephone, riding a bus, or sending clothes to cleaners. While a university or other large institutions represent a complex service organisation. In addition to educational facilities, the University of Natal has libraries and computer laboratories, counselling services and job placement offices, a bookshop, cafeterias and banks. For residential students, additional services include, soccer stadiums, athletic facilities, campus clinic and indoor sports hall.

Unfortunately, customers are not always happy with the quality and value of the service they receive. People complain about inconvenient operating hours, late deliveries, poor service performance, rude or incompetent personnel, needlessly complicated procedures especially for public services, and a lot of other problems. They also complain about the difficulty of locating assistants to help them in shops, they express their frustration about mistakes in their telephone bills, and grumble as they are forced to wait for a service or stand in line everywhere they go (Lovelock 2001).

However, service companies also seem to have another set of concerns of their own. They would normally complain of stretched profit margins, how hard it is to find skilled and motivated employees, or how difficult it has become to please customers. In this era where the customer is the king and competitors are always lurking to grab away business from one another, the success of a company can depend on service marketers who understand and have the ability to please their customers (Lovelock 2001).

The delicate characteristics of services have serious implications for service marketers who want to position their product in a market. Service quality and customer satisfaction in the fast growing industries like the telecommunications industry is of great significance for marketers who want to take their business into another level.

2.2 Service – A definition

A service has been described in the dictionary (www.dictionary.com) as:

- *Work done for others as an occupation or business:* has done service for us as a consultant.
- *An act or a variety of work done for others, especially for pay:* offers a superior service to that of his competitors; provides full catering services.

It has been described as a 'deed, act or performance'. Two fundamental issues are at whom (or what) is the act directed, and is this act tangible or intangible in nature? (Lovelock 1983). According to Lovelock (2001) services have traditionally been difficult to define because of their diversity. Complicating matters further is the fact that the way services are created and delivered to customers is often difficult to grasp because many inputs and outputs are intangible. This has resulted in many definitions of the word service. One such definition is by Judd in the 1960s that "Marketed services is a market transaction by an enterprise or an entrepreneur where the object of the market transaction is other than the transfer of ownership (or title, if any) of a tangible commodity".

According to Lovelock (1983), the above two questions of at whom (or what) result in a four-way classification scheme is shown in Table 2.1.

What is the nature of the service act?	Who or what is the direct recipient of the service?	
	People	Things
Tangible Actions	<u>Services directed at people's bodies:</u> Health care Passenger transportation Beauty salons Exercise clinics Restaurants Haircutting	<u>Services directed at goods and other physical possessions:</u> Freight transportation Industrial equipment repair Janitorial services Laundry and dry cleaning Veterinary care
Intangible Actions	<u>Services directed at people's minds:</u> Education Broadcasting Information services Theatres	<u>Services directed at intangible assets:</u> Banking Legal services Accounting Securities

Table 2.1 Understanding the nature of the service act.

Adapted from Lovelock, C.H. 1983. 'Classifying services to gain strategic marketing insights' *Journal of Marketing* Vol.47 pp. 9-20.

This classification scheme involves:

- a) Tangible actions to people's bodies, such as airline transportation, massage and nail cutting.
- b) Tangible actions to goods and other physical possessions, such as lawn mowing, dry cleaning and car wash.
- c) Intangible actions to directed at people's minds, such as television broadcasting and HIV/AIDS awareness campaigns.
- d) Intangible actions directed at people's intangible assets, such as insurance, banking and management consultations.

Lovelock (1983) further notes that sometimes a service may seem to fall into two or more categories. For example the delivery of education, religious or entertainment services (directed primarily at the mind) often entail tangibles actions such as being in a classroom, church or theatre: the delivery of telephone services may require a visit to the service provider for a customer to acquire a SIM card. But in all instances the core service act is confined to one of the four categories, although there may be secondary acts in other categories.

This dynamic environment of services places a premium on effective marketing. The skills in service marketing strategy and execution are now very important to competing effectively in this new and challenging environment. Experienced marketers who have moved from the marketing of physical goods to the marketing of services have noted some important points which makes the marketing of services different from the marketing of physical goods (Knisely 1979).

2.3 Marketing services versus physical goods

Physical goods can be described as tangible objects or devices, whereas services are actions or performances (Barry 1980). Early research into the services sought to differentiate services from goods by focusing on four generic differences of tangibility, inseparability, heterogeneity and perishability of services as shown in Table 2.2.

Unique service features	Resulting marketing problems
Intangibility	<ul style="list-style-type: none"> • Services cannot be stored. • Cannot protect services from patents • Cannot readily display or communicate services. • Prices are difficult to set.
Inseparability	<ul style="list-style-type: none"> • Customers are involved in production • Other customers are also involved in production • Centralised mass production of services is difficult.
Heterogeneity	<ul style="list-style-type: none"> • Standardisation and quality control are difficult to achieve.
Perishability	<ul style="list-style-type: none"> • Services cannot be inventoried.

Table 2.2. Unique service features.

Adapted from Zeithaml, V.A. Parasuraman, A. Berry, L. 1985. 'Problems and strategies in service marketing'. *Journal of Marketing* Vol. 49, pp. 33-46

Intangibility is the fundamental difference between goods and services cited by many authors (e.g. Bateson 1992, Lovelock 2001). Services are performances rather than objects; therefore they cannot be seen, felt, tasted or touched in the same manner as goods. Intangibility is the critical distinction between goods and services in which all other distinctions emerge (Bateson 1992).

Inseparability of production and consumption involves the simultaneous production and consumption, which characterise most services. Whereas goods are first produced, then sold and then consumed, services are first sold, then produced and consumed simultaneously. Since the customer must be present during the production of many services, inseparability forces the buyer into intimate contact with the production process (Zeithaml, Parasuraman & Berry 1985a).

The heterogeneity of services is a function of human involvement in the delivery and consumption process. It refers to the fact that services are delivered by individuals and therefore each service encounter will be different by the virtue of the participants or the time of performance (Gabbot & Hogg 1997). The quality and essence of a service (e.g. a medical examination, car rental or a hair cut) can vary from producer to producer, from customer to customer, and from day to day (Zeithaml et al. 1985). Heterogeneity of services is a particular problem for labour intensive services. When service employees come into contact with different customers in a day, there can be a problem of maintaining a consistent behaviour.

The perishability of services describes the real time nature of the product. Services unlike goods cannot be stored and the absence of the ability to build and maintain stocks of the product means that fluctuations in demand cannot be accommodated in the same way as goods (Gabbot & Hogg 1997). Hotel rooms that are not occupied, airline seats not purchased, and telephone line capacity not used cannot be reclaimed.

Although the above characteristics are still widely cited, they over-simplify the real-world environment (Lovelock 2001). To make matters worse, they do not apply to all services. A more practical approach as suggested by Lovelock (2001) is provided in Table 2.3, which lists the nine basic differences that can help to distinguish the tasks associated with service marketing and management from those commonly involved in physical goods marketing.

How services differ from goods	Some key implications
Customers do not obtain ownership of services	<ul style="list-style-type: none"> • Need to think of temporary rentals rather than permanent sales. • How best to price such rentals.
Service products are intangible performances	<ul style="list-style-type: none"> • Consider how to create and communicate tangible evidence. • Understand how to stage the performance and manage each step.
Greater involvement of customers in the production process	<ul style="list-style-type: none"> • Customer behaviour and competence can help or hinder productivity. • Customers may need to be managed as partial employees. • Consider opportunities for self-service. • Location and opening hours of service “factories” must be convenient to customers.
Other people may form part of the product	<ul style="list-style-type: none"> • Behaviour and demeanour of employees and other customers must be merged, because it affects customer satisfaction. • Recruit customer personnel who possess (or can be trained) to have both technical skills and human skills and keep them motivated. • May be unwise to mix different market segments at the same time and location.
More variability in operational inputs and outputs	<ul style="list-style-type: none"> • Quality control is more difficult to achieve. • Productivity may be improved by standardisation.
Many services are difficult for customers to evaluate	<ul style="list-style-type: none"> • Need to develop trust between a company and a customer • Educating customers will help them make smarter choices.
Absence of inventories after production	<ul style="list-style-type: none"> • Once produced, services cannot usually be stored, so companies have to develop strategies to manage demand levels. • Manage capacity levels to match predicted fluctuations in demand.
Time factor is relatively more important	<ul style="list-style-type: none"> • Must understand customer time constraints and priorities. • Recognise that customers often see spending time as a burden. • Expand service hours.
Delivery systems may involve both electronic and physical channels	<ul style="list-style-type: none"> • Consider opportunities for electronic delivery of any information-based service elements. • Recognise opportunities for instantaneous delivery of service worldwide.

Table 2.3 Management Implications of some basic differences between goods and services.

Adapted from Lovelock, C. 2001. *Services marketing: People, Technology, Strategy*, 4th ed., Prentice-Hall, Inc., New Jersey pp.10

2.3.1 No customer ownership of services

It could be said that the key distinction between goods and services lie in the fact that customers usually get value from services without obtaining ownership of any tangible elements (exclusions to this include food services and telephony service where a customer can actually own a handset). In many instances customers rent the use of the physical object like rental car or public phone booth. Customers also hire the work or expertise of people like lawyers and home cleaning service operators (Lovelock 2001).

According to Lovelock (2001), a key implication for marketers concerns pricing. When a company rents out usage of its physical, human or intangible assets, time becomes an important denominator. The other issue being which criteria drive customer choice behaviour for a rental, which tends to be short in nature. Marketing a cell phone rental service to a customer, for instance, is very different from attempting to sell a cell phone to that same person, who might intend to keep it for a year. People would normally rent a phone for a week or for the duration of their stay in a foreign country. Instead of worrying about such physical characteristics as colour, size and the look, customers focus on such elements, as the capabilities of the cell phone like, general packet radio service (GPRS), multimedia messaging (MMS) and short message service (SMS) services.

2.3.2 Service products as intangible performances

The service performance itself is basically intangible, although services themselves often include tangible elements; such as sleeping in a hotel bed and getting damaged equipment to be repaired. In services, the benefits come from the nature of the performance, which requires a different strategy from marketing tangible goods (Lovelock 2001).

Kotler (2000) proposed a five-category market offering as follows:

Category	Example
<i>Pure tangible goods</i>	Soap, sugar and salt
<i>Tangible goods with accompanying services</i>	Computers and cars
<i>Hybrid which combine roughly equal parts of goods and services</i>	Restaurants
<i>Major service with accompanying minor goods</i>	Air travel
<i>Pure service</i>	Baby sitting and psychotherapy

Table 2.4 Categories of market offering.

2.3.3 Customer involvement in the production process

Services can be thought of as the customer giving up cash and control in exchange for benefits, with each party seeking to gain as much advantage as possible. However, many services require customers to participate in creating the service product (Bateson 1992). This customer involvement in creating the service product can take the form of self-service such as withdrawing cash from an ATM, or when customers co-operate with service personnel in such setting as universities and hotels. It is in these cases that customers can be thought of as partial employees as they also help in the service delivery. But Canziani (1997) warns that service companies have much to gain from trying to train their customers so as to make them more competent and productive.

The heart of the service product is the experience of the customer, which takes place in real time. This interaction can take place in a building or in an environment created by the service company. It is the interactive process itself that creates the benefits desired by the customer. Designing that process therefore becomes key to the product design for a service company.

2.3.4 People as part of the product

In many high-contact services customers come into direct contact with service front-line employees. These encounters between customers and the front-line employees are a critical component of service quality (Chandon, Leo & Philippe 1996). The

difference between one high-contact service and another is often the quality of the front-line employees (Lovelock 2001). It can therefore be a challenge to manage service encounters between customers and front-line employees in ways that create a satisfactory experience for both parties.

It is very important for service companies to devote special care in selecting, training and motivating those employees that will be serving customers directly. Good encounters may give these companies a competitive edge and will most likely result in repeat purchases and positive word of mouth (Chandon *et al.* 1996). In addition to the technical skills required by the job, front-line employees need to possess good interpersonal skills. Also, at the same time companies have to manage and shape customer behaviour so that the misbehaviour of a few does not spoil the experience of everybody else.

2.3.5 Greater variability in operational inputs and outputs

Due to the fact that employees and other customers are normally present during service delivery, it is difficult to standardise or modify both the service inputs and outputs. This differs directly with manufactured goods, which can be produced under controlled conditions that have been designed to optimise productivity and quality, they can then be checked for conformance with quality standards long before they reach the customer (e.g. the production of new cars). This is also true for services performed in the absence of the customer, such as car repairs, dry cleaning and processing student marks (Lovelock 2001). For those services that are consumed as they are produced, production has to take place in real-time conditions which may vary from customer to customer and even from one time in a day to another (e.g. a visit to a massage parlour).

However, for fields like health care, it is essential to customise at least some aspects of the service offering to the needs and expectations of individual customers (McLaughlin 1996). Other researchers like Lovelock (2001), however, argue that the replacement of service employees by machine automation may hold the key to cheaper and more consistent performances in service delivery.

2.3.6 Difficulty of customer evaluation

Most physical goods tend to be relatively high in search properties. Customers can evaluate products prior to purchasing them using their characteristics such as colour, shape and price. For some other goods and of course services, by contrast, may emphasise experience properties that a customer can only evaluate them only after the purchase or during consumption, such as food at a restaurant and hair treatment (Lovelock 2001). However, there are also characteristics that customers find it difficult to evaluate even after consumption. Examples of these services include surgery, professional services such as accountancy and many technical repairs (Zeithaml 1982).

It is important for service companies to help customers to overcome some of the unease that they feel before purchasing a service by helping them to match their needs to specific service features.

2.3.7 No inventories for services after production

Services, unlike goods cannot be stored and the absence of the ability to build and maintain stocks of the service product means that fluctuations in the demand cannot be accommodated in the same way as goods, i.e. in periods of excess demand more product cannot be utilised (Gabbot & Hogg, 1997). For instance, if someone cannot get a seat on an airline, another carrier get the business or the customer has to cancel the trip or postpone it. On the other hand, the potential income from an empty seat in an airline is lost forever once that flight takes off.

According to Lovelock (1983), it is still possible to manage the capacity in service companies, like hiring part time employees or renting extra space at peak periods.

2.3.8 Importance of the time factor

Many services are delivered in real time. Customers have to be physically present to receive services from companies such as hospitals and restaurants.

2.3.9 Different distribution channels

Unlike manufacturers, who produce their goods in one location and require physical distribution channels to move goods from factory to customers, many services use electronic channels (such as broadcasting or electronic funds transfer). Some service companies like banks offer customers a choice of distribution channels, visiting the bank in person to conducting home banking on the Internet or visiting an ATM.

Advances in computers and telecommunications have also led to the rapid expansion of the electronic delivery of services.

2.4 Marketing characteristics of services

Although most goods are a complex mix of goods and services and most services are a complex mix of services and facilitating goods, we can be able to know if we are marketing a service as opposed to a physical good by considering the following marketing characteristics of services as suggested by Rathmell (1969).

Unlike a good, where monetary values are stated in terms of a price, services are more likely to be expressed as rates, fees, admissions, charges, tuition, contributions, interest, and the like (Lovelock 2001).

In many types of service transactions, the buyer is a client rather than a customer of the seller; the client, when buying a service, figuratively or literally places himself 'in the hands' of the seller of the service. Consider, for example, the relationship between the student and the University of Natal, the patient and King Edward Hospital. The buyer is not free to use the service as he wishes, as would be the case in the purchase of a good (a customer can drive his car as he wishes, even to his death); in the case of services she must abide by certain rules laid down by the seller in order for the service to make any contribution.

The various marketing systems in the service category have taken on highly differentiated characteristics. Although contrasts do exist in those marketing systems that have evolved for different types of physical goods, they are primarily differences of degree. In the case of services, the marketing of recreation bears little resemblance to the marketing of medical services. Also there is no apparent relationship between the marketing system for telephone service and for shoe-repair service.

Since services are acts or processes and are produced as they are consumed, they cannot be stored, and there can be no merchant middleman since only 'direct' sales are possible. In a number of incidents, agent intermediaries are utilised in the marketing of services: insurance and travel agents, for example.

The question may be raised as to the economic nature of certain products in the service category, for example, payments to charitable and religious bodies and non-profit educational institutions. Are the church, the university, and the United Nations Fund Agency economic entities on the supply side? Certainly they compete for the consumer's money.

There appears to be a more formal or professional approach to the marketing of many services (not all, by any means); for example, financial, medical, legal and the educational services.

Because services cannot be mass-produced, standards cannot be precise. Although service producers may be standardised, their actual implementation will vary from buyer to buyer. Perhaps there will be a standardisation of services through the increasing use of service technology at the expense of personalised service, especially in education and telephony; and this would mean that services would follow goods from custom to mass production and standardisation.

'Price-making' practices vary greatly within the category. Utility and transportation rates are rigidly controlled by public agencies; interest rates display characteristics of price leadership; and some service charges are established on the basis of what the traffic will bear.

Economic concepts of supply and demand are difficult to apply to a service because of its intangible nature. Moreover, values of some services are difficult to fix. What is the value of the service of a lawyer or a physician in a losing cause as compared with a successful one?

Most fringe benefits take the form of services: pensions, insurance, unemployment benefits, eye and dental care; seldom are benefits in the form of goods (such as socks at Fathers' day). If the employer creates benefits, in a marketing sense she is selling a product (in lieu of higher wages) to a market segment, her own employees. If an outside specialist, such as a life insurance Company, creates the service the employer is an agent (in a marketing sense) between the seller (creator) of the service and the buyer (consumer).

There appears to be a limited concentration in the services sector of the economy. There are few service chains; telephone companies and utilities like water and electricity suppliers are regulated.

Until recently, service firms failed to differentiate between the production and the marketing of services. Performance was equivalent to marketing the service. In the case of services, symbolism derives from performance rather than from possession (Woodruffe 1995).

2.5 Service marketing mix

The strategies to market physical goods, usually involves four basic strategic elements, which are product, price, place (or distribution) and promotion (or communications). Collectively these categories are often referred to as the 4Ps of marketing or the marketing mix (Kotler 2000). However, the distinctive nature of the service performance, especially such aspects as customer involvement in the production and the importance of the time factor, require that other strategic elements be included to these list (Lovelock 2001).

Internal marketing is the name of the concept, which embraces commitment to employees, and this has a very important role in services marketing (Woodruffe 1995). Internal marketing means treating the internal customers (employees) with the same care and attention to detail as the external customers.

With the concept of internal marketing in mind, Booms and Britner (1981), proposed the addition of three more elements to the service marketing mix, and those are: people (or participants), physical evidence and process. In order to further understand the service marketing concept, Lovelock (2001) has added the productivity and quality element as to the mix. Table 2.5 shows these elements of service marketing mix (known as the 8Ps of service marketing mix) and suggestions on how marketers can adjust them to differentiate their service offering.

Marketing mix element	How to achieve differentiation
Product (Service offering)	<ul style="list-style-type: none"> • Superior quality • Well known/trusted brand image • Unusual or additional features • Extended guarantees • Unique sales proposition
Price	<ul style="list-style-type: none"> • 'Value added' • Offer special discounts • Preferential credit terms
Promotion	<ul style="list-style-type: none"> • Innovative advertising campaigns • Loyalty promotions • Special offers • Direct mail • PR, sponsorship
Place	<ul style="list-style-type: none"> • Extensive availability • More outlets than competitors • Innovative methods, e.g. Internet banking • Careful selection of quality channels
People	<ul style="list-style-type: none"> • Highly trained staff • Better customer care • Greater efficiency • Personal attention • Specialist skills
Process	<ul style="list-style-type: none"> • Advances in technology, e.g. automated queue • Systems, cash dispensers • Fast response times
Physical evidence	<ul style="list-style-type: none"> • Comfortable surroundings • Superior décor • Qualifications • Evidence of professional standing: membership of professional bodies • Strong, recognisable corporate image • Supporting literature, documentation
Production and quality	<ul style="list-style-type: none"> • Exceed customer expectations • Offer superior customer service quality

Table 2.5 Service marketing mix variables.

Adapted from Woodruffe, H. 1995. *Services Marketing*, 1st ed., Financial Times Pitman Publishing, Great Britain pp.127.

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2.5.1 Product (Service offering)

This refers to how the offering is put together. Typically this will include aspects relating to quality, styling, colour, design, brand name, packaging, sizes, guarantees and other features (Woodruffe 1995). Product is also a term widely used to refer to a marketing offering of any kind. In service marketing, the service offering can include tangible features such as food in a restaurant, or it can be a pure service, which is intangible in nature like legal assistance in a divorce case.

Like the physical goods, the service offering can be looked at in terms of the benefits offered as well as features and specific attributes associated with those attributes. The three levels of are identified below.

2.5.1.1 The core benefit/service

The core benefit satisfies the need (or solves) the problem. It relates specifically to the customer's need. The customer may be feeling sick, or may feel that they do not look presentable. The core benefit is the direct solution that the customers require for their needs to be met (Woodruffe 1995).

2.5.1.2 The expected service

The expected service reflects standards required or expected by customers to satisfy their needs. It relates to the customers' expectation of what kind of services is available to satisfy their need. A sick customer (patient) may decide to visit a hospital or a clinic to satisfy their need to get well. She will expect a certain level of service to be offered, for example a medical check up by the doctor, some medication, a clean pleasant surrounding and prompt attention from the nurses. Similarly business customers expect professional advice, expertise and practical help from legal firms and auditing companies (Woodruffe 1995).

2.5.1.3 The augmented service

The augmented service is the way in which service providers fine-tune the marketing mix to differentiate their service and make it stand out from the competition

(Woodruffe 1995). Augmenting a service or making it better in some way is the means by which service providers differentiate their offering in an attempt to influence the customers' choice. Extra features, over and above the expected service, can be added to make the service more attractive to prospective customers. Innovation is often the key for this. Sports bars may work at creating a special ambience; perhaps through décor and wide view screens, a fast food outlet may offer customised toys along with children's meals.

Table 2.6 below illustrates the service concept through examples.

Core service	Expected service	Augmented service
Food provision	Clean facilities Choice available Prompt service Take away	Upmarket décor Exotic menu Free delivery Live music
Education	Qualified lectures World-class teaching facilities World-class sporting facilities	Flexible teaching methods Personal tutors Specialist degrees
Banking	Expert advice Convenient branch location Loan facilities	Internet banking Personalised banking

Table 2.6 Illustration of the service concept

2.5.2 Price

Customers pay more to use a service than just the purchase price due to the service provider. For them, the costs of service also include related expenditures (such as travel to the service site) plus time, physical effort, psychological costs and sensory costs. Thus, the value of the service reflects the benefits that it delivers to the customer minus all the associated costs (Lovelock 2001). Pricing is therefore an important element in the marketing mix. It reflects the value attached to it by the service provider and it must correspond with the customer's perceptions of the value.

2.5.2.1 Pricing concepts

Some of the pricing concepts and techniques that companies may use in developing their pricing policy include (Woodruffe 1995):

Price skimming: The supplier offers a product or service at a high price on a low volume basis. It is most appropriate for new products in new markets situations where a proportion of consumers are always prepared to pay more for new innovative goods. In most cases, the price is reduced after a period as the products become more popular. Nokia uses price skimming to introduce a new range of mobile telephones to the market.

Penetration pricing: The aim of this is to gain substantial market share by setting the price at a low level in order to attract high volume sales. This strategy is especially suitable for use to enter highly competitive markets, such as the fast food market.

Mixed pricing: It is based on the above two pricing strategies; it begins with the price skimming strategy and then reduce the price as competitors enter the market to defend the company's position and attract new customers.

Cost-plus pricing: Pricing is based on the costs of producing the goods or providing the services. The major weakness of this strategy is that it does not consider either the competitive situation or the market potential.

Variable pricing: It is particularly relevant in industrial and business-to-business markets where individual contracts are priced according to specification. Service providers such as quantity surveyors and consultants quote a price according to the needs of the project.

Marginal pricing: It is based on the concept of marginal cost and it is particularly relevant for service industries. In an airline, when there is spare capacity on the plane, empty seats, which can be filled by passengers paying vastly reduced ticket prices, are preferable to empty seats.

Promotional pricing: Sales promotion techniques often use tactical pricing reductions as a means of increasing sales over a short period. Discounts, rebates, special offers and vouchers are all examples of promotional pricing. It should be used as a seasonal tool, not as a long-term measure.

Differential pricing: Different prices are charged for the same service at different times or to different customers. It is used to attract more customers in slack periods or to attract particular groups of customers to make up demand at particular times. Example of this is the peak and off-peak call charges for mobile telephone companies.

2.5.2.2 Pricing issues for services

The overall pricing strategy will be influenced by the company's objectives but certain factors will impact on the actual pricing decisions and the selection of appropriate pricing policies (Woodruffe 1995). Basic financial considerations need to underpin the pricing decisions if a service provider is to operate profitably. Some of the factors affecting the pricing policy include (Woodruffe 1995):

Costs of producing the service and breakeven analysis: The three main components that make up the costs of providing a service are the variable costs, fixed costs and overheads. When a company offers a range of services, the costs of each individual service must be assessed because it is necessary for service companies to analyse all costs accurately. The breakeven analysis is the basic tool, which can be used to calculate the minimum quantity of services, which must be sold in order to cover the costs of producing and delivering that service.

Competitor pricing: Companies need information about competitors' prices in order to make pricing decisions. This does not however, necessarily mean that the company is going to set the prices at the same level.

Demand level elasticity: Demand levels for a service may vary for a number of reasons like; economic reasons and trends in consumer spending. This level of demand for a particular service will be a key influence on pricing decision.

In services marketing, pricing decisions can be highly complex. Companies' objectives are the major factors in deciding upon a pricing strategy and when objectives are set, the potential impact on pricing should be considered.

2.5.3 Promotion and communications in service marketing

Communication is the most visible or audible (or intrusive) of all marketing activities, but its value is limited unless it is used intelligently in conjunction with other marketing efforts (Lovelock 2001). Target audiences need to receive information about goods and services before they can consider making a purchase. In addition to external communications, internal audiences need good communications if the company is going to function in a proper market-oriented manner.

2.5.3.1 The promotional message

The promotional message is normally designed with one or more of the following aims in mind: to inform, to entertain, to educate, to persuade, and to remind (Woodruffe 1995).

The promotional objectives dictate to a large extent, the nature and the form that the promotional message takes and these objectives are also determined by various factors, which include (Woodruffe 1995):

- The competitive situation: In competitive industries like the mobile telecommunications, operators try to persuade their target customers to use their services as opposed to competitors.
- The positioning of the brand or service: If the brand is positioned as high quality, the promotional message educates customers about the superior benefits of the service.
- The life cycle stage of the service offering: When a product is introduced, potential customers are informed about its existence and shown its benefits. Later in the service offering life, when competition intensifies, more promotional emphasis is placed on persuasive advertising.

- The company's and marketing objectives: If the objective is to create awareness of the services, then the promotional message is normally educational. But, if the objective is to quickly capture the market share, the promotional message is usually persuasive.

2.5.3.2 The promotional mix

These are the basic elements, which serve to achieve organisational communications objectives. The elements that make up the promotional mix are (Woodruffe 1995):

Advertising: It is the paid-for publicity that can be transmitted through a different media like television, radio and newspaper. It is non-personal and involves mass media communication of messages to large numbers of people at the same time. Although the cost of advertising can be very high, especially for services, the cost for reaching a vast majority of potential customers is often cheaper than other promotional means.

Personal selling: Personal selling commonly consists of the seller engaging in some kind of personal contact with the customer or potential customer in order to persuade them to make a purchase. Here there is personal contact, either face-to-face, telephonically, or via email. Its main disadvantage is the high cost per contact when compared with other methods of promotional mix.

Publicity/PR: It refers to the communications about organisations, products or services that is not paid for by the organisation in question. The main advantage afforded by publicity as opposed to paid-for advertising is enhanced credibility with the audience. The major disadvantage however, is the lack of control over what is said, how it is presented or at what time.

Sales promotion: It consists of all those activities, which can help to stimulate purchase of goods and services. It can be aimed directly at consumers or at intermediaries and some of the tools used for sales promotion include: free samples, point-of-sale displays and competitions. It plays a useful role in helping to stimulate the trial of new products or services.

Evaluation methods should however be used to ensure that well-defined communications objectives are met and that the target audience receives the promotional message correctly.

STOP

2.5.3 Place (service distribution)

Delivering the service offering to customers involves decisions on the place and time of delivery. Decisions have to be made on the methods and channels to be deployed. In the marketing mix, distribution is mainly concerned with the accessibility and availability of the service. Because customers form part of the service delivery process, this inseparable nature of services means that services must be accessible to customers and potential customers in order for exchanges to take place (Woodruffe 1995).

Services are also perishable and cannot be sold to a wholesaler to be later resold to the customer. It is for these reasons that the distribution alternatives for services are different to those of physical goods.

2.5.4.1 Service location

The idea of place should be considered in terms of the location and time of service delivery. According to Woodruffe (1995), the following six factors should be considered in decisions about service location:

Service inseparability: Services vary in terms of inseparability. A doctor has to perform a service on a person-to-person basis with patients whereas credit card customers are able to use their credit cards at vast numbers of locations to make payments without direct contact with the credit card company. The degree of direct access to the service provider will influence the channel decision. The advances in telecommunications and computers are also shaping the way business used to be contacted.

Perishability: A key function traditionally performed by channel members is to hold inventories; stocks of physical goods held in warehouses for transportation into the market. Service cannot be stored in this way, so intermediaries play a different role in facilitating the service exchange and often form part of the service production and delivery process.

The role of the consumer as the co-producer of the service: Many services require intensive in the part of the consumer in order for the service to have any value; the customer must study the menu and place an order to eat at a restaurant, the patient must explain what is bothering her to the doctor and answer any questions presented for the visit to be effective.

Customer needs and wants: Customer needs is a key factor influencing decisions about services distribution. These are likely to differ between various customers using the same services and between different types of service offering. Buyer behaviour and the factors influencing service choice between different target segments are essential considerations in location decisions.

The importance of geographical location as part of the service: Service providers frequently have very different criteria to consider here from those affecting manufacturers of physical goods. As Bateson (1992) noted:

There is little point in McDonald's deciding to follow the lead of Ford or Procter & Gamble and build a huge, capital-intensive factory. The ability to produce one billion hamburgers a year in Michigan does not help consumers elsewhere in the world who are waiting for their food. Instead, place of consumption is important. The one huge factory has to be broken up into many "factories in the field" close to where the consumers want to eat.

Target markets: The key criterion is to make the service accessible and available to all target market segments. Service providers must choose to locate their service outlets in areas that maximise their market opportunities, except for those services where the location is specific like the Kruger National Park. Factors that influence these decisions are:

- Market size and structure by geographical region.

- Location of potentially attractive consumer segments.
- Organisational objectives.
- Level of market coverage desired.
- Number and type of competitors in a region.
- Local infrastructure like roads.
- Distribution methods.

The role and functions of channel intermediaries in services marketing differ significantly from those in the marketing of physical goods.

2.5.3 People

Lovelock (2001) notes that, successful service companies are committed to effective management of human resources, including recruitments, selection, training, and retention of employees. These companies are aware that the quality of personal service encounters plays an important role in creating customer satisfaction and competitive advantage. These employees need to understand their role in the service exchange process as well as have the technical and knowledge capability required.

The human resources manage along with other managers in a company need to work together to look after the people in the company. They play a central role in the organisation in terms of enabling organisational objectives to be successfully met through the efforts and understanding of all the people in the organisation.

2.5.6 Process

The performance process, i.e. the way in which a service is created and delivered is an integral part of the service offering and the ultimate consumer benefit. This is due to the intangible nature of services, which means that they cannot be bought and owned by consumers in the same way that physical goods are.

Woodruffe (1995) argues that the principles by which service delivery can be designed, implemented and monitored are really not different from those relating to physical goods. However there are specific characteristics of service process design and implementation that should be considered.

2.5.6.1 customer participation in the process

The level of involvement or participation of the customer in the service process can vary or be altered. For instance, customer participation in a self-service restaurant is different to that in a waitress service.

2.5.6.2 Location of service delivery

The service can be carried out at the premises of the service provider or at the customer's home. For services like lawn mowing or house cleaning it is clear that they have to be carried out at the customer's home, while dry cleaning and movies are at the service provider's premises. Other services like banking and travelling can now be done at either party's premises.

2.5.6.3 The service itself

The service act itself is a process that is dependent on highly intangible services like financial consultations or equipment based like dry cleaning and carpet cleaning.

2.5.6.4 Degree of standardisation

The degree to which a service is delivered in a very standard format (for example, the KFC fast food outlets) or whether some customisation is catered for (as in professional services like counselling where each client's requirements are different). The extent to which a service can be altered to meet the demand of different customers affect the service process design.

2.5.6.5 Complexity of the service

The number of steps or activities, which contribute toward the service delivery, measures it. Arranging for a tourist's trip and enjoyment is a far more complex task than a routine job of a bank teller accepting deposit for a customer's account.

2.5.7 Physical evidence

Physical evidence refers to the appearance of buildings, landscaping, vehicles, interior furnishing, equipment, staff members, signs, printed materials and other visible cues that provide tangible evidence of a company's service quality. Service companies have to manage physical evidence with care because it can have a significant impact on customer's impression of service quality (Lovelock 2001).

2.5.8 Productivity and quality

According to Lovelock (2001), these two elements, which are often treated separately, should be treated strategically as interrelated. Productivity relates to how inputs are transformed into outputs that are valued by the customers, while quality refers to the degree to which the service satisfies customers by meeting their needs, wants, and expectations. Improving productivity is essential in keeping costs under control, but inappropriate cost cuts are often resented by customers and sometimes even the employees.

The services marketing mix should be designed in a manner that satisfies the needs and wants of the customers and they should also be suitable to the organisation's objectives. The role of service marketing is therefore crucial in developing service quality. These needs and expectations of customers are critical factors in assessing service quality.

2.6 Service quality

Service quality is a global attribute of the firm (Chandon *et al.* 1996). Kasper, van Helsdingen and de Vries (1999) say that quality is an ambiguous term, yet on the other hand everybody knows (or think they know) what quality is. Service quality on its own is an arena of managerial relevance that has to date, received minimal attention (Farrel, Souchon & Durden 2001). In recent years the business world has become more and more competitive. Customers have a wider choice and hence the levels of services which might have been acceptable a generation ago are no longer tolerated, "the improvement of service quality is paramount to service marketers", (Farrell, Souchon & Durden 2001, pp. 578).

According to Khatibi, Ismail and Thygarajan (2002) service quality has become a principal competitive weapon in the service industry. "Services by definition are intangible and are also not easily duplicated and stems from customers' expectations. Quality on the other hand, is differentiable and stems from the customers expectations. It is, therefore, necessary to identify and prioritise customers' expectations of service quality and incorporate these expectations into a service process for improving quality" (Khatibi *et al.* 2002, pp. 37).

Service quality therefore means meeting the needs and expectations of the customer as defined by the customer (Smith 1999). Service quality depends on customer's satisfaction with their encounters with the company's employees, but it also depends on the quality of the service obtained and on the physical surroundings of the service (Chandon *et al.* 1996). A simple glance at the wallpaper in the surgery can contribute to the assessment of the quality of a dentist's work by the patient (Baron & Harris 1995).

2.7 Concluding summary

It has been demonstrated in this chapter that services organisations differ from manufacturing organisations in many important aspects and therefore require a distinctive approach to marketing and other management functions. As a result, service managers who want the organisations to succeed cannot continue to rely solely on tools and concepts developed in the manufacturing sector.

The nature of the service act has also shown that services also differ in types of the service processes. Some services require direct physical contact with customers (hairdressing, massage service), while other services center on contact with people's minds (education and entertainment). Some involve processing of physical objects (cleaning and car service), while others process information (accounting and insurance).

The processes that underlie the creation and delivery of any service have a major impact on marketing and human resources. That is why *process* is the key element of the services marketing mix. Managers and employees must understand the underlying business processes in order to run a service business efficiently and effectively.

In service companies, encounters between and employees (also the company itself) are critical components of service quality. The next chapter will discuss service encounters in detail and also ways in which companies can enhance service encounters to create a competitive advantage.

Chapter 3: The service encounter

3.1 Introduction

The service delivery processes in most service industries still require the active interaction between the service provider and the customer. This is so, despite the rapid advances in technology which have introduced new ways of doing business whereby the customer is in charge of the service process like Automatic Teller Machines (ATMs) in banking and the electronic commerce. These interactions include phone calls to the service provider's call centre and face-to-face meetings between customers and front-line employees. They are called service encounters and they have the ability to shape the customer's perceptions of the quality of service delivered by the company.

3.2 Two ways of offering a service

Some researchers have noted that a lot of companies fail to get the difference between offering a service in a relationship and offering it in an encounter. Structuring a service delivery system for both the front-line employee and the customer is completely different under each type of offering. This difference affects the strategies, structures and almost every aspect of how a service business is managed (Gutek, Groth & Cherry 2002).

3.2.1 Service relationship

A service provider interacting with a customer (client) that she knows personally and expect to see again is having a service relationship with that customer. According to Gutek *et al.* (2002), in a service relationship, the service provider and the customer have repeated interactions with each other and can even be friends with time.

They also note the following as the advantages of service relationships over service encounters:

- Customers like having a service relationship.
- Service relationships are normally a more effective way of service delivery for services with great personal and emotional involvement, and also services that cannot be easily assessed by customers like legal services.
- For customers, relationships reduce the stress and uncertainty of dealing with unfamiliar people.

However, the disadvantages of service relationships are:

- They are often more costly to provide.
- They cannot be offered with the same ease and convenience as encounters.
- They make companies to be more dependent on personal skills and abilities of employees.
- 24-hour service is almost impossible. Being human, service providers also require personal time away from work

3.2.2 Service encounters

A service encounter is when a service provider (front-line employee) interacts with a customer she does not know personally and does not expect to see him again in the future (Guttek *et al.* 2002). Shostack (1985), defined the service encounter as encompassing all aspects of the service company with which the customer may interact, including the front-line employees, the physical facilities and other physical elements. Service encounters can even occur without any human interaction.

Service encounters can be based on a series of contacts and interactions (Irons 1994). Therefore employees will have an important role to play in influencing customers' perceptions of the service encounter (Farrel *et al.* 2001). Each time customers come into contact with any aspect of a service delivery system they are presented with an opportunity to evaluate the service provider and form an opinion of

service quality (Baron & Harris 1995). Hence a customer may form an impression about the quality of an optometry's work, for example, from a brief conversation with the receptionist. These opinions could affect repeat purchase and brand loyalty. For example the customer is unlikely to honour his next eye test appointment if he/she was not impressed by the optometrist's work.

Gutek *et al.* (2002), noted the advantages of having service encounters over service relationships as:

- They are more appropriate if the efficiency of service is more important than the friendship between the front-line employee and the customer.
- If the company's objectives are to offer a speedy, low cost, 24-hour availability and convenience of location, then service encounters support this well.
- In service encounters customers can receive equal treatment. This equality is often beneficial because it satisfies people's sense of fairness.

The disadvantages of offering services in encounters include the following:

- Poor motivation amongst front-line employees and their high turnover are common.
- Because people like to receive services in a relationship, encounter-based services have to overcome this shortcoming.

The disadvantages of service encounter can usually be fixed if an organisation wants to fix them. For example, if a company wants to make it easy for its customers to contact it, it can design a system to achieve this goal. In order to achieve critical mass, companies offer services in encounters and in the past decade there has been a trend by many organisations to eliminate front-line employees entirely and replacing them with machines like Automatic Teller Machines (ATMs) (Gutek *et al.* 2002). The rest of the discussion will be based on service encounters and how they affect the customers' perception of service quality.

3.3 Types of service encounters

Although most research has concentrated on service encounter as the exchange that takes place between contact personnel and customers (Baron & Harris 1995), other researchers like Shostack (1985) provide a broader definition of the service encounter referring to it as the period of time during which a customer directly interacts with the organisation. She describes the three types of service encounters as:

- 1) The remote encounter, where the customer interacts with a service by mail or perhaps via a machine, e.g. a vending machine.
- 2) The direct personal encounter, where customers are physically present and exposed to elements of the service system, e.g. come into face to face contact with service employees.
- 3) The indirect encounter, where customers interact with the service by telephone.

It is at these points of contact that customers experience their moment of value and form perceptions about the encounter. In some instances, the entire service experience can be reduced to a single encounter, involving ordering, payment and execution of service delivery on the spot. In other cases, the customer's experience comprises a series of encounters, an extended process that may be spread out over a period time, involving a variety of employees, and even takes place in different location. For example, flying on a passenger airline (Lovelock 2001).

3.3.1 Characteristics of direct personal service encounters

The direct personal encounters are particularly important because customers are actively involved with the service organisation and its employees throughout the service delivery (Lovelock 2001). There are a number of distinguishing characteristics of direct personal service encounters that Czepiel, Solomon and Suprinant (1985) have identified. They are:

- 1) *Service encounters are purposeful:* Contact generally takes place for a particular reason so that at least one party can achieve a specific goal. This is clearly the case when a patient comes into contact with a doctor in the surgery. The specific purpose of many encounters may not be immediately obvious as it often relates to deeper psychological goals such as relieving boredom, or simply seeking reassurance about a purchase decision.
- 2) *Service providers for their part are not generally altruistic:* They are providing a service because they are being paid to do so. This clearly has implications for the way employees and customers approach the service encounter. Research has shown that many employees consider it their part to give customers a false opinion about products being sold in order to increase sales. It has also been found out that customers preferred to ask other customers for personal opinions about products rather than ask sales assistants (Baron & Harris 1995).
- 3) *In the service encounter, prior acquaintance between participants is not required:* Czepiel *et. al* (1985) describe the relationship as a 'special kind of strange relationship', which operates within a certain set of limitations and boundaries. Because of the clear understanding of the boundaries, they note that customers often engage in a higher level of self-disclosure than they would in other social relationship. In order to get the most out of the encounter, couples must reveal a great deal about their personal life to a marriage counsellor.
- 4) *In most encounters task related information exchange dominates:* Although service employees may be encouraged to engage initially in pleasantries with customers, the important conversations always relate to the service being provided. In a funeral business, customers can be very distraught and vulnerable a week after the death of a relative or close friend and need bereavement counselling, but an important part of the job is to draw attention to the practical issues relating to the funeral proceedings.

- 5) *Service encounters are 'limited in scope':* the scope of interchange is restricted by the type and nature of the service being offered. An E-marketing lecturer at the university is there to teach this particular course and would not expect to become involved in students' administrative and financial matters.
- 6) *The roles that the service provider and the customer play in the encounter are generally well defined and understood by both parties:* Students attending an E-marketing class, for example, will expect to be given an assignment and understand that they need to write an examination at the end of the course. Dissatisfaction often rises when either party fails to abide by the rules and adopt appropriate role like students' failure to submit assignments.
- 7) *Temporary suspension of the 'normal ' social status of participants often occurs in service encounters:* Accountants, lawyers and medical doctors, normally considered to occupy high status positions in society, carry out a large amount of their work for clients with lower status occupations.

These characteristics relate specifically to interactions between service employees and/or providers and customers and do not explicitly acknowledge encounters that take place between customers within the service delivery system.

According to Baron and Harris (1995), the service encounter has received considerable attention from academics and managers alike because it is believed that:

- 1) A single service encounter can affect a customer's total perception of a service organisation.
- 2) The service encounter has distinct elements, which can be controlled and managed.

The knowledge of these distinct elements of service encounters help in assessing the level of customer participation in the service encounter. The perceptions that are formulated by customers during the service encounter form the basis of service quality, which represents the customer's assessment of the overall service level offered by an organisation (Farrell *et al.* 2001).

3.3.2 The service system

The major factor in defining the total service system is the level of contact that a company intends to have with its customers. This total service system includes three overlapping subsystems which are: service operations (where inputs are processed and the elements of the service product are created), service delivery (where final assembly of these elements take place and the service is delivered to the customer), and the service marketing (which includes all points of contact with customers, including advertising, billing and market research (Lovelock 2001).

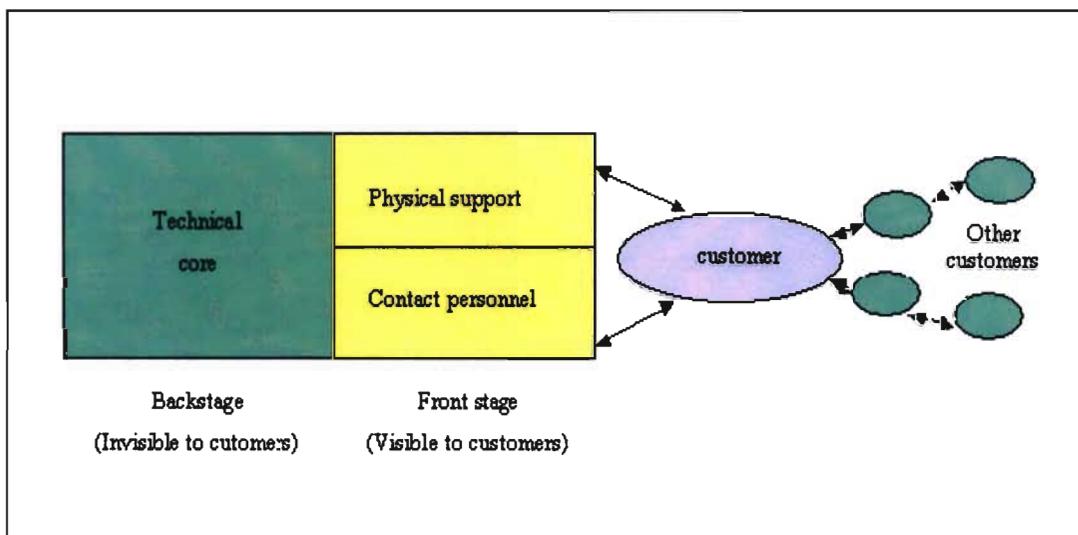


Figure 3.1 The service business as a system.
Adapted from Lovelock, C. 2001. *Services marketing*, 4th ed., Prentice-Hall, Inc., New Jersey pp.59.

Parts of this system are visible to the customer, while other parts, normally referred to as the technical core is hidden. According to Lovelock (2001) some writers refer to these as front office and back office while others refer to them as front stage and back stage.

The visible parts of the service operation system can be divided into the contact personnel (or the frontline employees) and the physical support (which includes the physical facilities, computers and other tangibles). What goes on backstage is of little interest to customers because they evaluate the quality of the service on those elements that they actually experience during service delivery and on their perceived service outcome. But, back office activities are very important because if the back

office personnel and systems (e.g. billing, ordering, engineering) fail to perform their support tasks properly in ways that affect the quality of front office activities, customers will notice. For instance, customers will be disappointed if they are unable to make calls on their cell phones because system failures are not allowing them to recharge their airtime.

Service delivery is also concerned with where, when and how the service product is delivered to the customer (Lovelock 2001). As depicted by Figure 3.1, in addition to the visible elements of the service operating system like buildings, equipment and front office employees, this subsystem may also include other customers.

Traditionally, service providers had face-to-face interactions with their customers. But to achieve business goals ranging from cost reductions and productivity improvements to greater customer convenience, many services that do not necessarily need the customer to be physically present in their service “factory” are seeking ways to reduce this direct contact. This self-service delivery often offers customers greater convenience as opposed to the face-to-face interactions. ATMs and coin operated drink dispensers can be located in the vicinity of customers and can be accessed 24 hours a day throughout the year.

3.4 Providing better service encounters

Organisations that understand the limits and the benefits of service encounters, and hence match their service delivery with their customers' expectations are able to provide excellent service (Gutek *et al.* 2002). In order to enhance or improve service encounters, companies need to be able to identify which components of service quality their customers' value the most. These aspects of service quality can then be measured. The measurements give the business an accurate indication of the "state" of the business processes and determine the quality of services resulting from these processes. Measures also allow a business to:

- Know how well the business processes are working
- Know where to make changes to create improvements, if changes are needed.
- Determine if the changes led to improvements.

Service companies also need to consistently meet customers' expectations. Balancing customers' expectations and perceptions, and closing any gaps between the two can achieve this (Lovelock 2001).

3.4.1 Components of service quality

Researchers have argued that the distinctive nature of services requires an equally distinctive approach in defining and measuring service quality (Lovelock 2001). It may be difficult to evaluate the quality of services as opposed to goods, because of their intangible multifaceted nature of many of the services (Hayes 1992). Grönross (1984) notes that due to the fact that customers are involved in service production, a distinction has to be made between the process of service delivery and the actual output of the service. He further suggests that the perceived quality of a service will be the result of an evaluation process in which customers compare their perceptions of service delivery and its outcome against what they expected.

Zeithaml, Berry and Parasuraman (1985b) identified a ten criteria used by customers to evaluate service quality. This criterion is shown in Table 3.1 below.

Dimension	Definition	Examples of questions that customers might raise
Credibility	Trustworthiness, believability of the service provider	-Does the cellular company have a good reputation?
Security	Freedom from danger, risk or doubt	-Is it safe to recharge my airtime at night?
Access	Approachability and ease of contact	-How easy is it for me to talk to the manager when I have a problem?
Communication	Listening to customers and keeping them informed in the language they can understand	-When I have a complaint is the manger willing to listen to me?
Understanding the customer	Making the effort to know customers and their needs	-Does someone in the company recognise me as a valuable customer?
Tangibles	Appearance of physical facilities, equipment, personnel, and communications materials	- Are the company's contact centres attractive?
Reliability	Ability to perform the promised service dependably and accurately	-Is the telephone bill free of errors?
Responsiveness	Willingness to help customers and provide prompt service	-When the network is down, does the cellular company resolve it quickly?
Competence	Possession of the skills and knowledge required to perform the service	-Can the bank teller process my transaction without fumbling?
Courtesy	Politeness, respect, consideration, and friendliness of contact personnel	-Are the telephone operators consistently polite when answering my calls?

Table 3.1 Generic dimensions used by customers to evaluate service quality. Adapted from Lovelock, C. 2001. *Services marketing*, 4th ed., Prentice-Hall, Inc., New Jersey pp.365.

However, in their follow-up research Zeithaml, Berry and Parasuraman (1991), it was noted that there is a high correlation between several of these variables, so they were consolidated in to the five broad dimensions of service quality as follows:

- Tangibles: appearance of physical elements.
- Reliability: dependable and accurate performance.
- Responsiveness: promptness and helpfulness.
- Assurance: competence, courtesy, credibility and security.
- Empathy: easy access, good communications and customer understanding.

3.4.2 Measuring customer satisfaction

Zeithaml *et al.* (1991) developed a survey research instrument called the SERVQUAL to measure customer satisfaction with different aspects of service quality. This instrument is based on the premise that customers can evaluate the company's service quality by comparing their perceptions of its service with their expectations. This is a generic measurement tool that can be applied to a broad spectrum of service industries. The basic form of this scale has 21 perception items and a series of expectations items, reflecting the five dimensions of service quality that were described above.

Service quality dimension	Perception items
Tangible	<ul style="list-style-type: none"> • XYZ has modern looking equipment. • The physical facilities of XYZ are visually appealing. • XYZ's employees are neat in appearance. • Materials (brochures, statements) associated with the service offered by XYZ are visually appealing.
Reliability	<ul style="list-style-type: none"> • When XYZ promises to do something by a certain time, it does so. • When customers have problems, XYZ is sympathetic and reassuring. • XYZ is dependable. • XYZ provides its services at the time it promises to do so. • XYZ keeps its records accurately.
Responsiveness	<ul style="list-style-type: none"> • XYZ tells customers exactly when the service will be performed. • Customers receive prompt service from XYZ's employees. • Employees of XYZ are always willing to help customers. • Employees of XYZ are never too busy to respond to customer requests promptly.
Assurance	<ul style="list-style-type: none"> • Customers can trust employees of XYZ. • Customers can feel safe in their transactions with XYZ's employees. • Employees of XYZ are polite. • Employees get adequate support for XYZ to do their jobs well.
Empathy	<ul style="list-style-type: none"> • XYZ gives customers individual attention. • Employees of XYZ give customers personal attention. • Employees of XYZ know the needs of their customers. • XYZ has customers' best interests at heart.

Table 3.2 Service quality dimensions and their perception items.

Adapted from Zeithaml, V.A., Parasuraman, A. Berry, L. 1991, "Refinement and reassessment of the SERVQUAL scale", *Journal of Retailing*, Vol.67, No.4, pp. 430.

3.4.3 Identifying gaps in service design and delivery

“If one accepts the view that quality entails consistently meeting customers’ expectations, then the manager’s task is to balance customer expectations and perceptions and to close any gaps between the two” Lovelock (2001).

As shown by The Expectancy-Disconfirmation model previously, before customers purchase a service, they have expectations about service quality that are based on individual needs, past experiences, word-of-mouth recommendations, and a service provider’s marketing communications. After buying and consuming the service, customers compare the expected quality of the service with what they actually received. Service performances that surprise and delight customers by being above their desired levels are seen as superior in quality. While service delivery that falls short of the customer’s expectations, is seen as being inferior in quality.

Based on a framework of five potential gaps within service companies proposed by Zeithml *et al.* (1991), Lovelock (2001) extended this model to seven types of gaps that can occur at different points during design and delivery of service performance. Improving service quality requires identifying the specific causes of each gap and then developing strategies to close them.

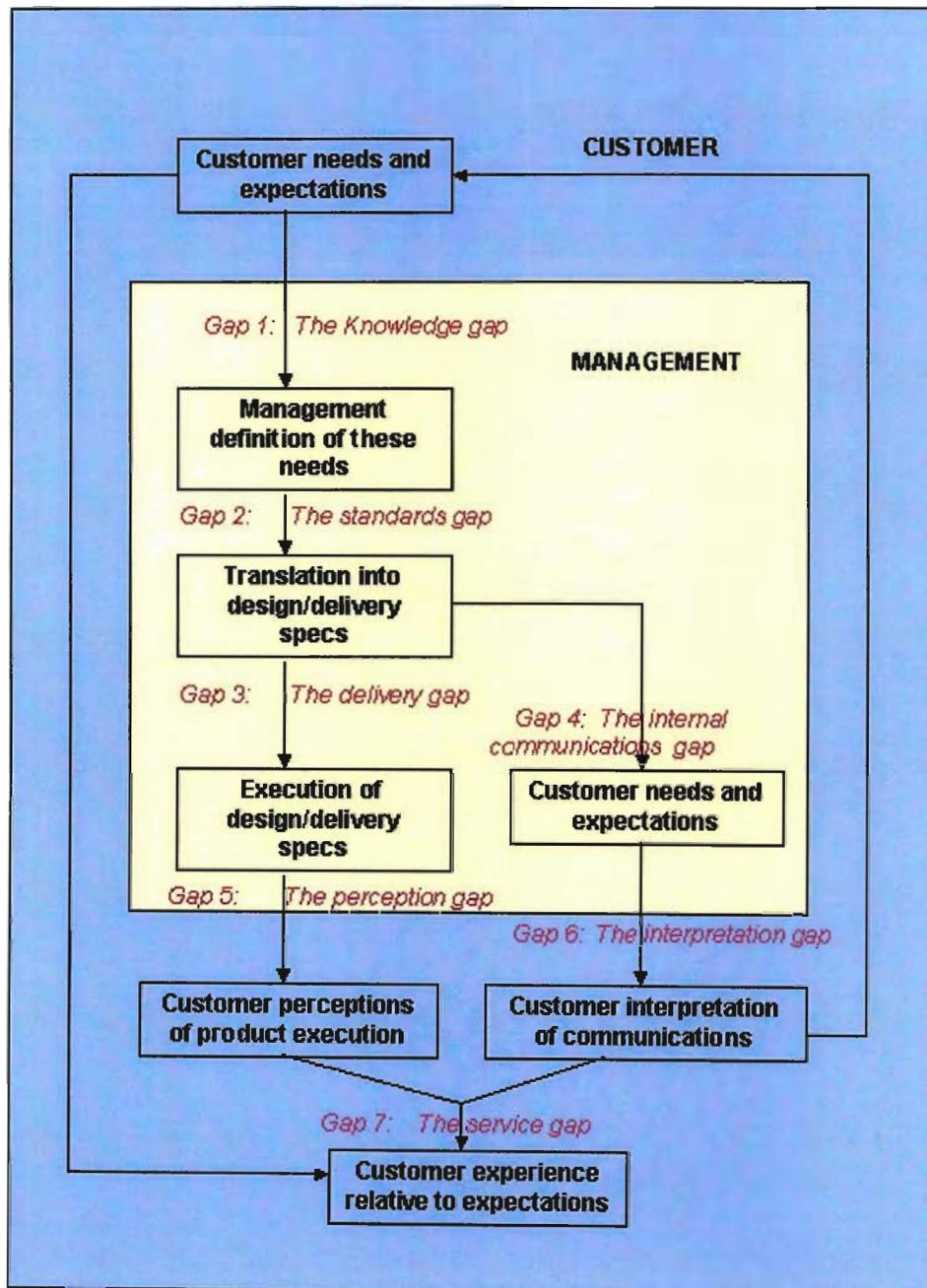


Figure 3.2 The seven service quality gaps.

Adapted from Lovelock, C. 2001. *Services marketing*, 4th ed., Prentice-Hall, Inc., New Jersey pp.370.

The gaps are defined as follows:

- The knowledge gap is the difference between what service providers believe customers expect and customers' actual needs and expectations.

- The standards gap is the difference between specified delivery standards and the service provider's actual performance on these standards.
- The delivery gap is the difference between specified delivery standards and the service provider's actual performance on these standards.
- The internal communications gap is the difference between what the company's advertising and sales personnel think are the product's features, performance, and service quality level and what the company is actually able to deliver.
- The perceptions gap is the difference between what is actually delivered and what customers perceive they have received (because they are unable to accurately evaluate service quality).
- The interpretation gap is the difference between what a service provider's communication efforts (in advance of service delivery) actually promise and what a customer thinks was promised by these communications.
- The service gap is the difference between what customers expect to receive and their perceptions of the service that is actually delivered.

As depicted by Figure 3.2, gaps 1, 6 and 7 are external gaps between the customer and the service provider. Gaps 2 through 5 are internal gaps occurring between different functions and departments within the organisation.

According to Lovelock (2001), any of the seven service quality gaps can damage relationships with customers. However, the most critical one is the service gap (number 7), because it represents the difference between the customer's overall assessment of what was expected as compared to her perceptions of what was delivered. The ultimate goal in improving service quality is to narrow this gap as much as possible. To achieve this, service providers have to reduce or close the other six gaps. Zeithml *et al.* (1990), proposed a series of generic steps for closing gaps 1 through to 4. An example of these steps is shown in Table 3.3 below.

Gap	Prescription
Gap 1	Learn what customers expect <ul style="list-style-type: none"> • Understand customer expectations through research, complaint analysis, customer panels, etc. • Increase direct interactions between managers and customers to improve understanding. • Improve upward communication from contact personnel to management. • Turn information and insights into action.
Gap 2	Establish the right service quality standards <ul style="list-style-type: none"> • Ensure that top management displays ongoing commitment to quality as defined by customers. • Set, communicate and reinforce customer-oriented service standards for all work units. • Train managers in the skills needed to lead employees to deliver quality service. • Become receptive to new ways of doing business that overcome barriers to delivering quality service. • Measure performance and provide regular feedback. • Reward managers and employees for attaining quality goals.
Gap 3	Ensure that service performance meets standards <ul style="list-style-type: none"> • Clarify employee roles. • Ensure that all employees understand how their jobs contribute to customer satisfaction. • Match employees to jobs by selecting for the abilities and skills needed to perform each job well. • Provide employees with the technical training needed to perform their assigned tasks effectively. • Ensure that employees working at internal support jobs provide good service to customer-contact personnel
Gap 4	Ensure that communication promises are realistic <ul style="list-style-type: none"> • Seek inputs from operations personnel when new advertising programs are being created. • Develop advertising that features real employees doing their jobs. • Allow service providers to preview advertisements before customers are exposed to them. • Manage customers' expectations by letting them know what is and is not possible, and the reasons why. • Offer customers different levels of service at different prices, explaining the distinction.

Table 3.3 Prescriptions for closing service gaps.

Adapted from Lovelock, C. 2001. *Services marketing*, 4th ed., Prentice-Hall, Inc., New Jersey pp.372.

3.5 Customer satisfaction

There has always been some confusion as far as customers' satisfaction and their perceived service quality are concerned. Satisfaction as Kothler (1999) notes is a person's feeling of pleasure or disappointment resulting from comparing a product's (or service) perceived performance (or outcome) in relation to his or her expectation. Therefore satisfaction is a function of perceived performance with the product or service and it takes place after the product or service has been consumed. These expectations are the predictions of the nature and level of performance the customer will receive. After using the brand the customer compares the perceived actual performance with the expected performance. Confirmation results when the two performances match. A mismatch will cause a positive or negative disconfirmation. In turn confirmation/disconfirmation leads to an emotional reaction called customer satisfaction/dissatisfaction (Khatibi *et al.* 2002)

Perceived service quality has only achieved prominence recently, while a lot of research has been carried out on customer satisfaction (Zifko-Baliga 1999). Hence a number of models have been developed to explain the customer satisfaction process. According to Woodruff and Gardial (1996), The Expectancy-Disconfirmation model is the most dominant theory explaining customer satisfaction.

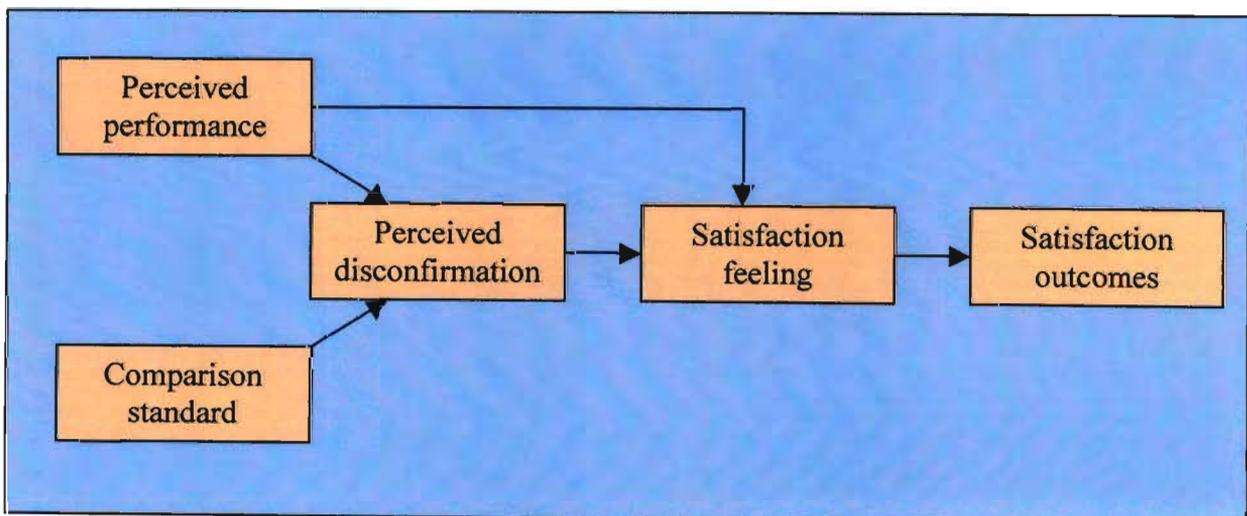


Figure 3.3 The customer satisfaction theory.

Adapted from Woodruff, R.B., Gardial, S.F. 1996. *Know your customer: New approaches in understanding customer value and satisfaction*. Blackwell Publishers Inc., Oxford UK. pp. 88.

The model suggests that determining whether a product or service is satisfying or dissatisfying is essentially an evaluation process that has got three antecedents: perceived performance, pre-purchase expectation (comparison standard) and the perceived disconfirmation (Walczuch & Hofmaier 1999). The customer is required to make a performance judgement. It does not matter how the product actually performs, or even less so how the product provider believed the product performed. Satisfaction is strictly tied to the customer's perception of product performance. For example, the number of visits to the service department that are 'acceptable' before a customer gets fed up with a car cannot be stipulated. Only the customer can and will make that judgement. Management often find it difficult to accept this fact, because it means that their own perceptions of satisfactory performance are largely irrelevant to customers' satisfaction judgements.

Next, perceived product performance is compared with a standard representing the product performance that the customer expected. For instance, a customer can formulate an expected repair frequency for a lawnmower she intends to buy based on the readings of consumer reports. These comparison standards can vary across as well as within customers, and can come from different sources.

The comparison of perceived performance with the comparison standard results in disconfirmation, or the difference between what was expected and what was received. Positive disconfirmation occurs whenever a consumer's perceived performance exceeds her expectations, resulting in some degree of satisfaction. Negative disconfirmation occurs when the expectations exceed product performance, resulting in dissatisfaction (Walczuch & Hofmaier 1999).

Satisfaction is the evaluation or feeling that results from the disconfirmation process. It is not the comparison itself (i.e., the disconfirmation process), but it is the customer's response to the comparison. Satisfaction outcomes from positive disconfirmation are expected to result in happy customers while those from negative disconfirmation could lead to consumer dissatisfaction in the form of anger, frustration, or disappointment (Woodruff & Gardial 1996). Various attitude and behavioural outcomes can be associated with the feeling of satisfaction that is

evoked in the customer, including repeat purchase intentions, word of mouth and brand loyalty to mention but a few.

Customer satisfaction provides us with the feelings of the partners of the encounter but these feelings are one-sided and focus only on the customer. Service encounter quality gives us a comprehensive way of understanding the feelings of both partners in service delivery.

3.6 Service encounter quality

Compared to satisfaction, quality encounters will arise when partners share the same satisfactory experience and the two individuals mutually gain something out of the interaction (Chandon *et al.* 1996). Situations arise in which quality is low and the problem is recognised by both the organisation (i.e. employees) and the customer, but there may be disagreement on the causes of the problem and the appropriate solutions. In service encounters such disagreements, sure to diminish customer satisfaction, underscore the importance of understanding the types of events and behaviours that cause customers to be satisfied or dissatisfied. Because the service encounter involves at least two people, it is important to understand the encounter from multiple perspectives. With such understanding, firms are better able to design processes and educate both employees and customers to achieve quality in service encounters (Bitner, Booms & Mohr 1994).

According to Bitner *et al.* (1994) effective management of the service encounter involves understanding the often complex behaviours of employees that can distinguish a highly satisfactory service encounter from a dissatisfactory one, and then training, motivating and rewarding employees to exhibit those behaviours (Baron & Harris 1995). In this context, one of first tasks facing service management is to identify which encounters, with front-line employees, customers find most satisfying and/or dissatisfying. The Critical Incident Technique can be used to help to identify these sources of satisfaction and dissatisfaction.

3.7 Determining customer requirements

The purpose of determining customer requirements is to establish a comprehensive list of all the important quality dimensions that describe a product or service. Customer requirements can be regarded as those characteristics of the product or service, which represent important quality dimensions (Hayes 1992). For example, after receiving a service, customers might describe the service provider as fast, always available when needed and pleasant. These descriptions represent three different aspects of service: responsiveness, availability and professionalism respectively.

Although, there might be some standard quality dimensions that generalise across many products and services, some dimensions will apply only to specific types of products or services. Quality dimensions applicable to many service companies include availability, responsiveness, convenience and timeliness (Kennedy & Young 1989). However, different industries may possess quality dimensions that uniquely define their services and products. It is therefore important that each company identify all quality dimensions to ensure understanding of the definition of quality of its products and services and viewed by the customers.

Two common methods that are designed to identify important quality dimensions of products and services are: the critical incident approach and the quality dimension approach. These methods can be used independently but in some cases they can also be both used and thus can provide a much better understanding of the quality dimensions.

3.7.1 Critical Incidents in service encounters

Critical incidents are specific encounters between customers and front-line employees that are especially satisfying or dissatisfying for one or both parties. The critical incident technique (CIT) is a methodology for collecting and categorising such incidents in service encounters. Conducting such an analysis offers an opportunity to

determine which types of incidents during service delivery are likely to be particularly significant in determining whether or not customers are satisfied (Lovelock 2001).

To analyse a situation using CIT, a researcher first asks people familiar with the situation for a recent example of effective or ineffective behaviour (i.e., a critical incident). A critical incident is determined from answers to the following questions:

- 1) Describe what led to the situation.
- 2) Exactly what did the person do or not do that was especially effective or ineffective?
- 3) What was the outcome or result of this action?
- 4) Why was this action effective, or what more effective action might have been expected?

The researcher uses the answers to these questions to identify themes represented by the incidents, and asks other involved parties to sort the incidents into proposed content dimensions. These retranslation exercises help identify the incidents that represent different dimensions of the behaviour under consideration (www.air-dc.org/overview/cit-set.htm).

For the customer, findings from a CIT study can be very helpful in pinpointing opportunities for future improvements in service delivery processes. Determining the most likely failure points in service encounters, where there is risk of significantly upsetting customers, is the first step in taking corrective action to avoid such incidents. Similarly, CIT findings concerning the nature of incidents that customers seem to find very satisfying may enable managers to train their employees to replicate such positive experiences in the future (Lovelock 2001).

Customer-employee contact is a two-way street. Hence, for the employee, understanding her view of the situation is very important, because a thoughtless or poorly behaved customer can often cause needless problems for front-line employees who are trying hard to serve them well. Continuing dissatisfaction with a succession of negative incidents can even drive good employees to quit their jobs.

3.7.2 Quality dimension development

Quality dimension development is the process of identifying customer requirements through various resources. One source is published literature covering specific industries that contain information concerning some quality dimensions. Another potential source involves asking people within the company to examine the business process and determine the key quality dimensions of the service or product that they provide. In addition to determining these dimensions, specific examples that illustrate exactly what is meant by these dimensions should be generated. This process leads to the development of customer requirements, with each defined by several specific statements (Hayes 1992).

Hayes (1992) gives the steps that must be followed in quality dimension development as follows in Table 3.4 below:

Steps	Important points
1. Create a list of quality dimensions	<ul style="list-style-type: none"> • Read professional journals to obtain the list of quality dimensions. • Generate the list from personal experience.
2. Write definitions of each dimension.	<ul style="list-style-type: none"> • Definition can be in general terms.
3. Develop specific examples for each quality dimension.	<ul style="list-style-type: none"> • Examples should use specific adjectives reflecting the service or product. • Examples should include specific behaviours of the provider. • Examples should use declarative statements.

Table 3.4 Quality dimension development.

Adapted from Hayes, B.E. 1992. *Measuring customer satisfaction: Development and use of questionnaires*. ASQC Quality Press, Wisconsin pp. 26.

The first step involves identifying the dimensions that define the quality of the service or product. As indicated above this list of dimensions can be generated in various ways. For example, researchers Parasuram *et al.* (1990) have concluded that the five dimensions of service quality are tangibles, reliability, responsiveness, assurance

and empathy. While other trade journals will contain articles that are specific to a certain industry.

Another way to establish a list of quality dimensions is to study the product or service. This should include the people involved in the business process. These people are in a good position to understand the purpose or function of their job in relation to meeting customers' expectations.

The process of clarifying the quality dimensions involves generating specific examples of the quality dimensions. Each dimension should include multiple examples and each example defines a particular quality dimension. The two steps of generating dimensions and developing specific examples, although presented as independent of each other, are sometimes done simultaneously. Sometimes specific examples can be generated first, which in turn will lead to the generation of quality dimensions. In either case, it is important that quality dimensions be defined by specific examples. Finally, the quality dimension development process will result in a list of quality dimensions, each defined by specific statements.

3.8 Concluding summary

Service encounters are a critical component of service quality for most service companies. In this chapter differences between service relationships and service encounters were highlighted, and the strategies needed to enhance service quality in each case were also noted.

It is important that companies are able to identify the components of service quality that their customers value the most and are able to meet their expectations on them. It is also equally important that businesses define customer satisfaction from the customers' point of view. In determining customer requirements, businesses can either use the Critical Incident Technique approach or the quality dimension development approach.

The SERVQUAL has been developed as the generic measurement scale for measuring customer satisfaction. However, by determining their customers' requirements, businesses can be able to refine the SERVQUAL scale to fit the industry in which they operate and also the aspects of service quality that they are interested in measuring.

Previous studies have led to the development of a customer satisfaction scale in service encounters. Khatibi *et al.* (2002) have also refined the SERVQUAL to measure customer satisfaction in the telecommunications industry. Based on this information, a scale was developed to measure service encounter quality at Vodacom Lesotho. The research methodology that has been followed in this study is examined in the next chapter.

Chapter 4: Research methodology

4.1 Introduction

The study utilised a cross-sectional survey to assess perceptions of Vodacom Lesotho's customers with regard to the services that are offered at the vodashops. The survey was aimed at determining the overall satisfaction of Vodacom Lesotho customers. The study was not continuous in nature and the data collected here represents the perceptions of customers at the point in time when the study was conducted.

The research design was based on three criteria. The first criterion of the research design was to draw up a plan for selecting the sources and type of information that will be used to answer the research question. Secondly, the research design provided the framework for specifying the relationship between the variables in the study. Lastly, the design is the blueprint that outlined each procedure to be followed, from the hypotheses to the analysis of data.

4.2 Research design

The research design provides us with answers to questions such as:

- What techniques to use in gathering data.
- What sampling to use.
- How to deal with time and cost constraints.

The three main research designs that can be used in a scientific study are: exploratory studies, descriptive studies and causal studies.

4.2.1 Exploratory studies

Exploration is particularly useful when researchers lack a clear idea of the problems they will encounter in the study. In most studies, exploration is the first stage of the project and it is used to orient the researcher to the study. The aim of exploration is to develop hypotheses, and not to test them (Cooper & Schindler 2001). This is particularly useful when the area of investigation is so new or so vague that the researcher needs to do an exploration to learn something about it (for example, a study on online consumer behaviour, when Internet shopping was first introduced).

4.2.2 Formalised studies

Formalised studies include descriptive and causal studies. These are studies with substantial structure, specific hypotheses to be tested, or research questions to be answered (Cooper & Schindler 2001).

According to Cooper and Schindler (2001), formal studies also serve a number of research objectives:

- a) Descriptions of phenomena or characteristics associated with a subject population (the what, who, where, when and how of a topic).
- b) Estimates of the proportions of a population that have these characteristics.
- c) Discovery of associations among different variables.
- d) Discovery and measurement of causality among variables.

The first three above-mentioned objectives of a formal study are normally associated with descriptive studies. Descriptive studies are those used to describe phenomena associated with a subject population or to estimate proportions of the population that have certain characteristics (Cooper & Schindler 2001).

While causal studies seek to discover the effect that a variable (or variables) has on another variable (or variables), or why certain outcomes are obtained. This concept of cause and effect is grounded on the logic of hypothesis testing, which in turn produces inductive conclusions. Such conclusions are probabilistic and thus can never be demonstrated with certainty (Cooper & Schindler 2001).

4.3 Sampling design

In this study, questionnaires were administered to a subset of Vodacom Lesotho customers who visited the following vodashops: Maseru vodashop, TY vodashop, Leribe vodashop, Setsoto vodashop and Mafeteng vodashop. The analysis of the techniques on descriptive statistics was then performed on this sample. Using the techniques of inferential statistics on the sample finding, the overall satisfaction level of Vodacom Lesotho customers was then deduced.

4.3.1 Population

The population in this study comprised of all the customers of Vodacom Lesotho who visited or made use of the facilities available at the Vodashops. As of July 2003, Vodacom Lesotho had approximately 2,500 contract customers and close to 80,000 customers on the prepaid billing system.

4.3.2 Sample

123 completed questionnaires were received from contract customers while 192 were from the prepaid customers. According to Wegner (1999), sampling is preferable to conducting a census for the following reasons:

- a) Cost: The economic advantage of taking a sample rather than a census are massive.

- b) Timeliness: Sampling speed of execution reduces the time between the need for information and the availability of information.
- c) Destructive testing: In some random variables using or destroying the sampling unit can only collect data. For example, testing the durability of tyres or the shelf life of a beer etc. In cases like this census is clearly not appropriate.
- d) Accuracy: It is easier to exercise better control over the data collection process in a sample rather than in a census especially when the population is too large and diverse as was the case in this study.

4.4 Sampling method

Eighty questionnaires were placed at each of the five mentioned vodashops. At each vodashop a customer agent was instructed to randomly ask customers before they left the premises to take part in this survey. The agents were asked to try to balance the number of respondents who were prepaid customers to those who were contract customers. This was achieved by asking customers whether they were prepaid or contract customers before giving them a questionnaire. The sampling method used was therefore a stratified random sampling.

According to Cooper and Schindler (2001), there are two sampling methods of probability sampling design and non-probability sampling design and they may be classified by their representation basis and selection techniques.

The probability sampling designs can take any of the following forms (Wegner 1999):

- a) Simple random probability: Here each population element has an equal chance of being selected into the sample. The sample is drawn using random number table or generator. It is easy to implement with automatic dialling (random digit dialling) and with computerised voice response systems. Its main disadvantages are that it requires a listing of population elements, takes

more time to implement, uses larger sample sizes and can produce larger errors comparatively (Cooper & Schindler 2001).

- b) Systematic sampling: In this type of sampling, some randomness is sacrificed. Sampling begins by randomly selecting the first observation. Thereafter, the following observations are selected at a uniform interval relative to the first observation (Wegner 1999). It is simple to design, easier to use than simple random, easy to determine sampling distribution of mean proportion and less expensive than simple random. Its disadvantages include that periodicity within the population may skew the results and the sample, also if the population list has a monotonic trend, a biased estimate will result based on the start point (Cooper & Schindler 2001). For example, assuming a list of 200 companies is created. The list is arrayed from the largest to the smallest company, and from which a sample of 20 must be drawn for analysis. A sampling ratio of 1 to 10 (begun with a random start at 9) drawing every 10th company would exclude the eight largest companies and give the small-size bias to the results of the study.
- c) Stratified sampling: The population is divided into segments (or strata) where the sampling units in each stratum are relatively homogeneous. Here the population is regarded as being heterogeneous with respect to the random variable under study (Wegner 1999). The advantages are that the researcher controls sample size in the strata, there is increased statistical efficiency, it also provides data to represent and analyse subgroups. The disadvantages are that increased error will result if subgroups are selected at different rates and it is expensive (Cooper & Schindler 2001).
- d) Cluster sampling: The population is divided into internally heterogeneous clusters. These clusters are then randomly selected for sampling (Wegner 1999). This provides an unbiased estimate of the population parameters if done properly. It is also economically more efficient than simple random, has a lower cost per sample and it is easy to do without a population list. The disadvantage is that there is often a lower statistical efficiency (more error)

due to subgroups being homogeneous rather than being heterogeneous (Cooper & Schindler 2001).

Vodacom Lesotho customers were stratified by the criterion "customer type". All prepaid customers formed one stratum and all contract customers formed another stratum. A simple random sample of customers within each stratum was then selected and asked to take part in this study as they walked out of the vodashops. This ensured a more representative sample of observations.

4.5 Data collection

The initial stages of data collection involved the exploratory research phase and the objective of this phase was:

- a) To expand the understanding of this topic.
- b) To find out how other researchers had addressed/or solved problems similar to the one being studied.
- c) To identify sources for and actual questions that were used as measurement questions.

The data in this stage were collected from reading related texts, searching the Internet, extracting information from Vodacom Lesotho reports, and also by conducting interviews with Vodacom Lesotho employees.

The main study can be referred to as primary research because data was collected specifically for this study.

4.5.1 Data collection in primary research

According to Cooper and Schindler (2001), the approach used to gather primary data can be used to classify research design into two alternatives. Researchers can observe conditions, behaviours, events, people or process. Or they can communicate with people about various topics.

In this study a communication approach was used whereby respondents were requested to fill-in a self-administered questionnaire.

This communication approach involves questioning or surveying people and recording their responses for analysis. The greatest strength of this approach is its versatility. Also, abstract information of all types can be gathered by questioning others. However, its big drawback is that the quality and quantity of securing information depends to a large extent in the ability and willingness of respondents to cooperate (Cooper & Schindler 2001).

4.5.2 Data collection instrument

The questionnaire used was printed on one side, so that the respondents would believe that they could answer it quickly and with minimal effort. Respondents had to answer a total of sixteen questions (including the demographic questions). The purpose of the study was disguised, as it was believed that respondents would respond with more honesty if they felt that the feedback that they provided would actually be used to improve the level of service that they received from Vodacom Lesotho.

Instructions on how to select a choice was also given in a clear bold type and a note reminding customers that their identity would be kept confidential was placed in the questionnaire. Besides that, respondents were not asked to provide any personal information about themselves, except their age group.

A Likert-type response format was used whereby customers gauged their perceptions on the service quality dimensions of Vodacom Lesotho on a scale of (1 to 5) as follows:

Customer perception of the service quality dimension	Rating
Met few expectations	1
Met some expectation	2
Met most expectations	3
Met all expectations	4
Exceeded expectations	5

Table 4.1 Likert-type response format: customer perceptions of the service quality dimensions.

Adapted from Hayes, B.E. 1992. *Measuring customer satisfaction: Development and use of questionnaires*. ASQC Quality Press, Wisconsin pp. 57.

4.5.2.1 Advantages of Likert-type response format

According to Hayes (1992), the advantages of using the Likert-type response format as opposed to other response formats like the checklist format is reflected in the variability of scores that result from the scale. The scale does not restrict respondents to a “yes” or “no” answer, but allows them to express the degree of their opinion in the service or product. Also, from a statistical perspective a scale with five response options has more reliability than a scale with two response options.

4.5.2.2 Advantages of a questionnaire

As a measuring instrument a questionnaire has the following advantages (Cooper & Schindler 2001):

- It is time effective.
- Requires minimal staff.
- It is easily answerable and can be given to a large number of respondents.
- Respondents are allowed time to think about answers before responding.
- Confidentiality can be assured.

4.5.2.3 Disadvantages of a questionnaire

Cooper and Schindler (2001) have also noted the following disadvantages with questionnaires:

- Low response rates in some modes.

- No interviewer available for probing or intervention.
- It cannot be made to be long or complex.
- Respondents may interpret questions differently.
- Lengthy questionnaires can be time consuming.

4.5.2.4 Reasons for using a questionnaire

Despite some of these negative connotations mentioned above, the questionnaire was nevertheless chosen over other methods as the measuring instrument. It was chosen for the following reasons:

- There was no need for respondents to give confidential information, hence they could provide honest answers.
- It was the most cost-effective option.
- It had low time involvement.
- It provided for lack of interviewer bias.
- The questions were also standardised making it easy for respondents to answer.

4.5.3 Validity and reliability of the questionnaire

Measurement instruments can help researchers and other stakeholders to better understand and make predictions about our world. For example, this study measured customer satisfaction levels of Vodacom Lesotho customers. When developing questionnaires to measure these phenomena, it is important to ensure that the data obtained from them reflect reliable and valid information (Hayes 1992).

Validity refers to the extent to which the scale measures what it is intended to measure, or to the degree to which evidence supports inferences made from scores derived from measures (Cooper & Schidler 2001; Hayes 1992). While, reliability is concerned with estimates of the degree to which a measurement is free of random or unstable error (Cooper & Schidler 2002).

4.6 Concluding summary

315 responses from 400 questionnaires (79%) were collected in one week. This is a very high return rate given the problems of getting responses from self-administered surveys. This good response rate can be attributed to the fact that customers (or respondents) were being asked to participate in this survey by the Vodacom Lesotho employees serving them. Respondents were able to be more comfortable and they felt assured that their responses will be able to help the company improve their service encounters. They also felt that they could use this as a platform to raise their grievances.

Having collected the raw data using questionnaires, the analysis and interpretation of the data was done using the SPSS software program. The presentation of these results is the subject of the next chapter.

Chapter 5: Results and discussions

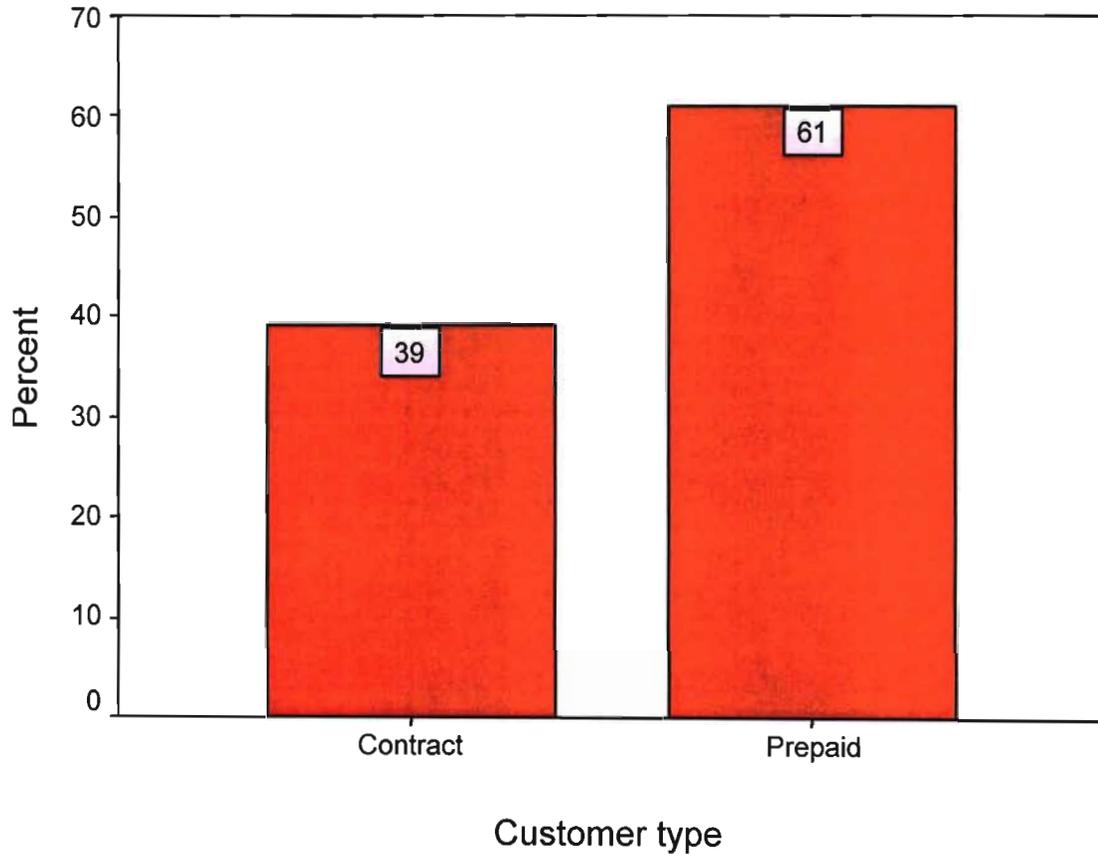
5.1 Introduction

Data collected using the customer satisfaction questionnaire described in the previous chapter was subjected to a number of qualitative analysis using the SPSS software. The data was summarised using descriptive analysis and the most important customer requirements were determined by correlation analysis.

Questionnaires that were not completed in full (i.e. only some questions were answered) were not excluded in the analysis, as the questions were independent of one another. The questionnaires were numbered as they were received in order to allow for later identification (if necessary) of each questionnaires entry in the SPSS master data list. All answers were coded (for example on the Likert-type scale the number 5 represented expectations that were exceeded, while the number 1 represented that only a few expectations were met).

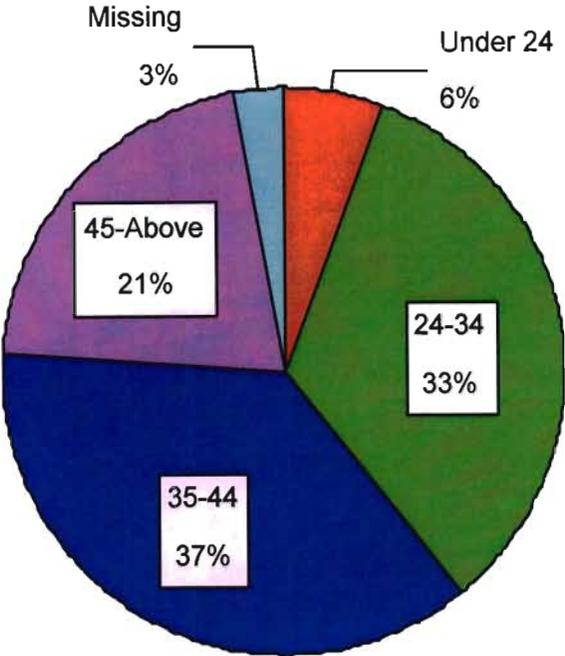
5.2 Responses

Figure 5.1 Profile of the respondents



According to Figure 5.1 above, of the total 315 respondents that took part in the survey, 123 (39.0%) were contract customers while 192 (61.0%) represented the prepaid customers. This was fairly representative of both sets of customers at Vodacom Lesotho.

Figure 5.2 Age group profile

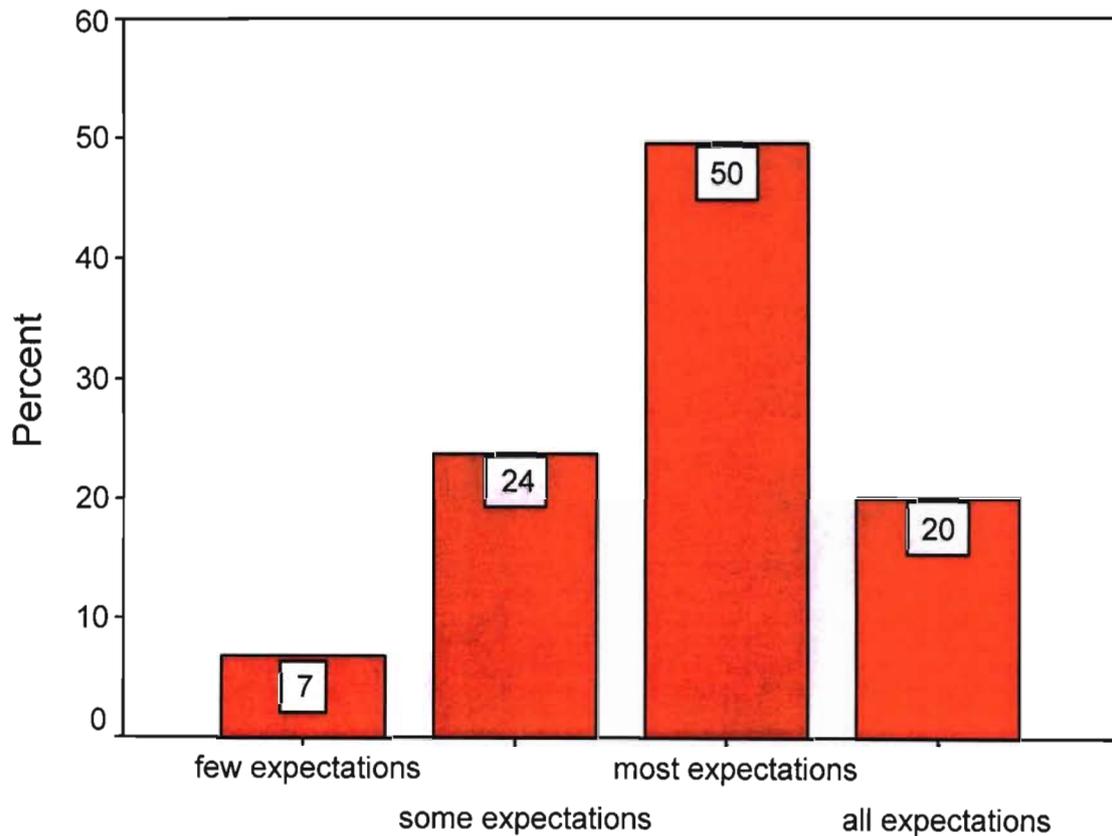


The age group profile of Vodacom Lesotho customers (Figure 5.2) shows that most customers are in the (25-34) and (35-44) age group, with each group having a representation of 34% and 38% respectively. The under-24 group represented only 6%, while the above-45 age group was at 22%.

5.3 Professionalism of service offered at Vodashops

5.3.1 Courtesy (politeness) of service personnel at Vodashops

Figure 5.3 Courtesy of employees

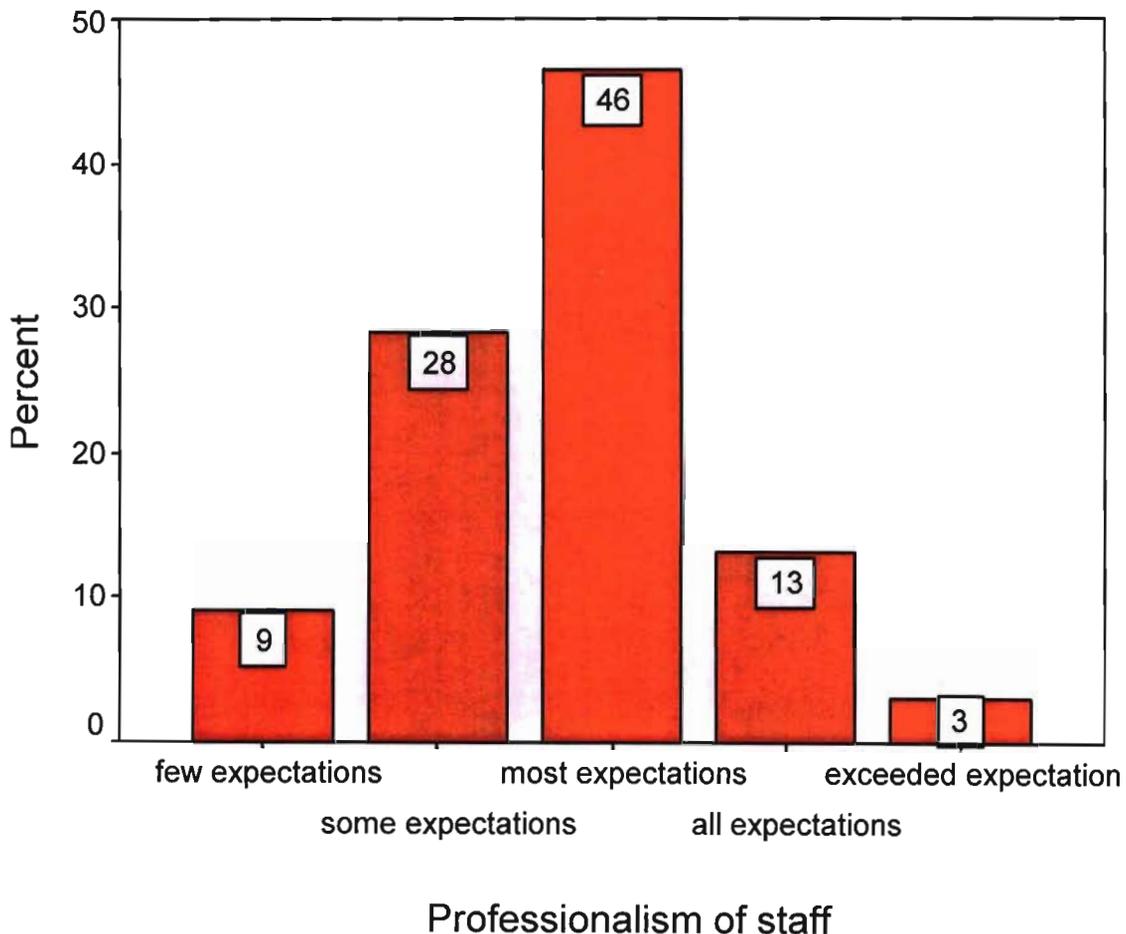


Courtesy of employees

Frequency counts show that majority of respondents (50%) felt neutral of the issue of Vodashops employees being courteous. While only 20% of respondents felt that all the expectations were being met on this requirement, it is interesting to note that none of the respondents felt that Vodashops employees exceeded their expectations in this regard.

5.3.2 Professionalism of Vodashops' employees

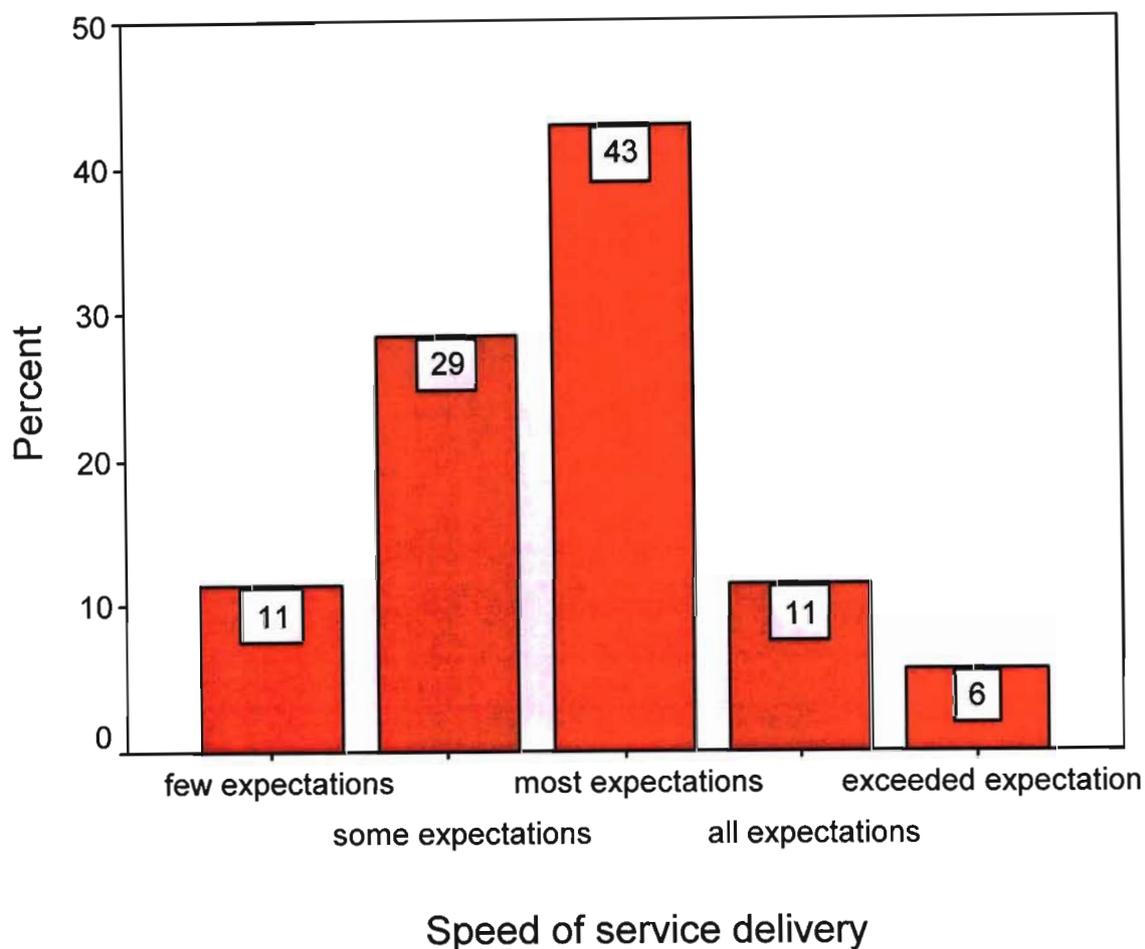
Figure 5.4 Professionalism of staff



Most respondents also felt neutral on this dimension. 46% of respondents felt most of their expectations were being met by the professional conduct of Vodashops staff. A combined 38% felt that vodacom faired poorly here, while only 16% felt strongly about the professionalism of Vodacom's employees.

5.4 Employee responsiveness to service at Vodashops

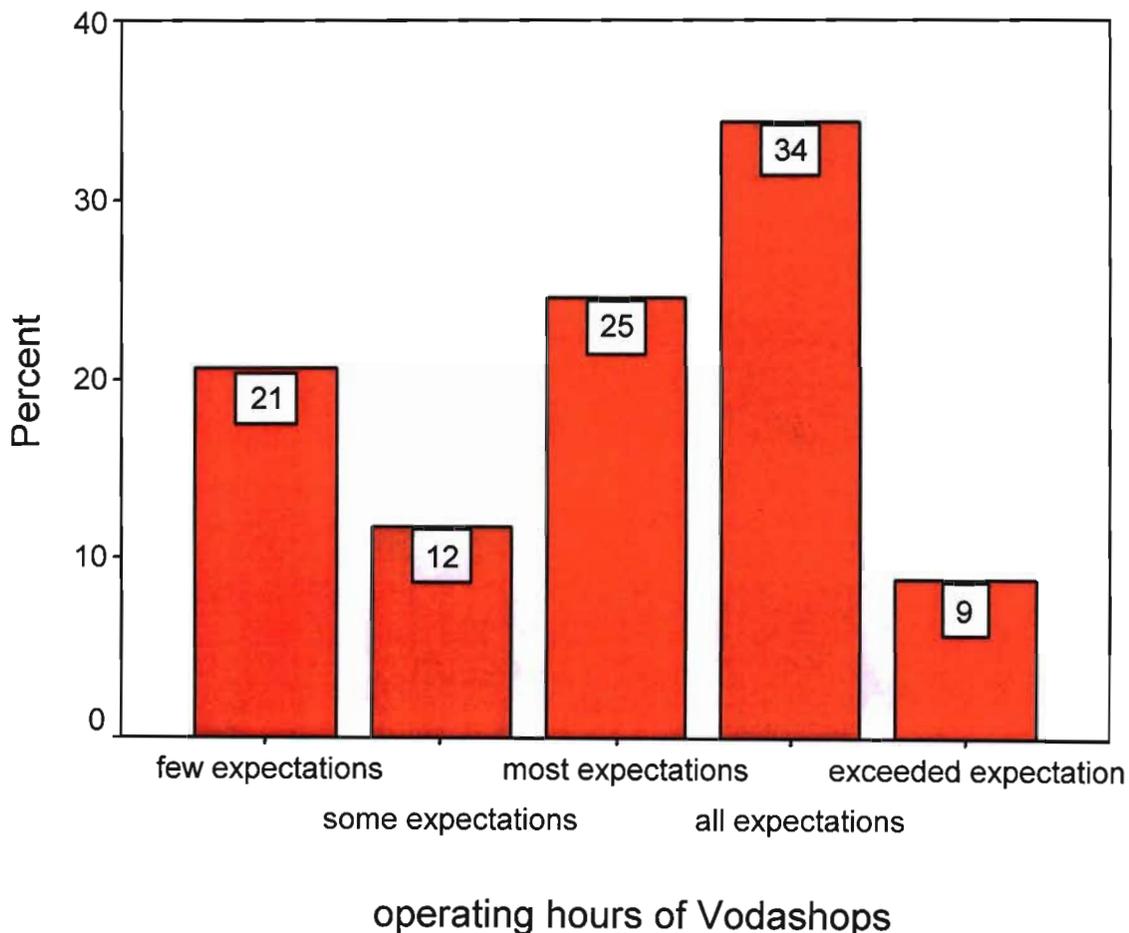
Figure 5.5 Speed of service delivery



The mean score here was 2.71. 29% of respondents felt that only some of their expectations were being met in terms of speed of service delivery and 11% rated Vodacom very low in this dimension. Only 6% of the respondents felt that Vodacom was doing great job in speed of service delivery.

5.5 Availability of service

Figure 5.6 Availability of service at vodashops

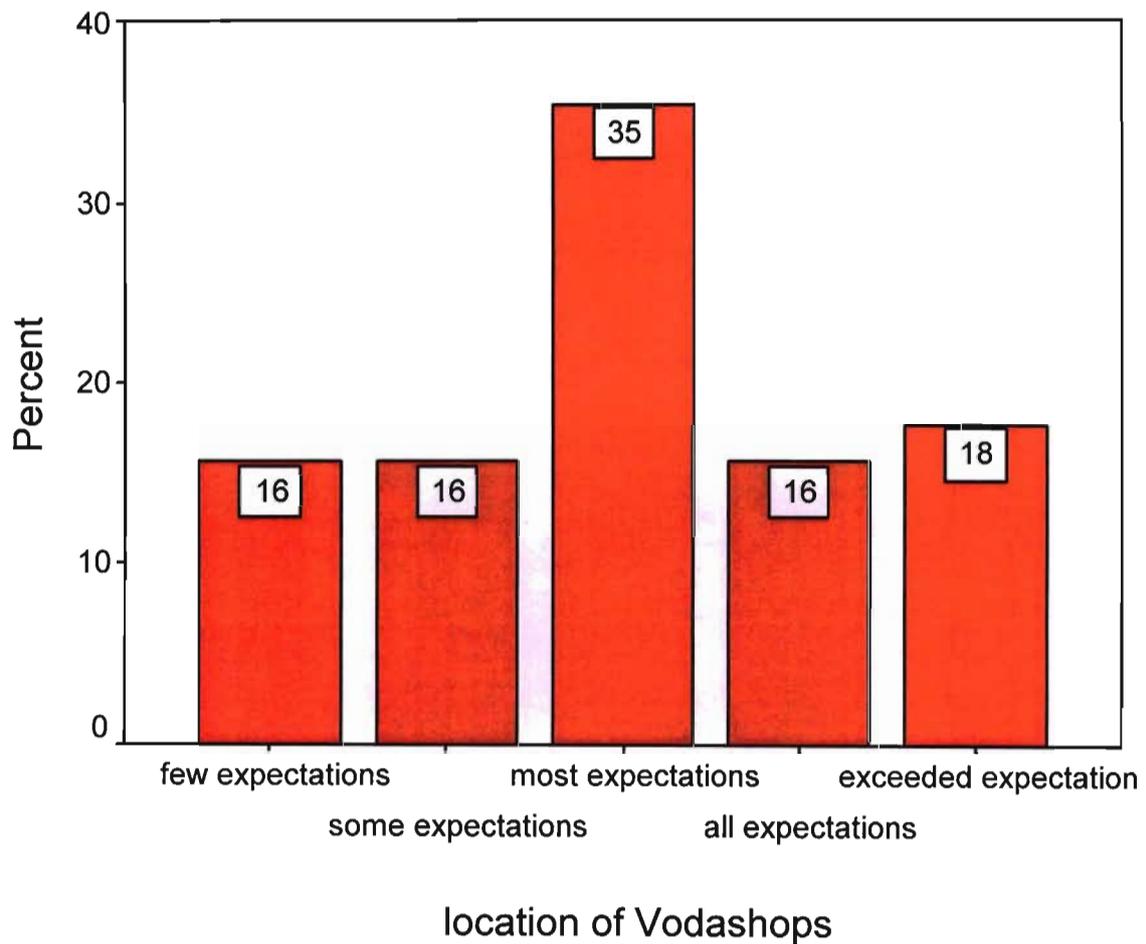


With a mean score of 2.99 Vodacom faired well in this dimension. Respondents who felt that the operating hours of Vodashops did not meet their expectations (33%) were less than those who felt that they met their expectations (43%).

5.6 Physical materials

5.6.1 Convenience of Vodashops locations

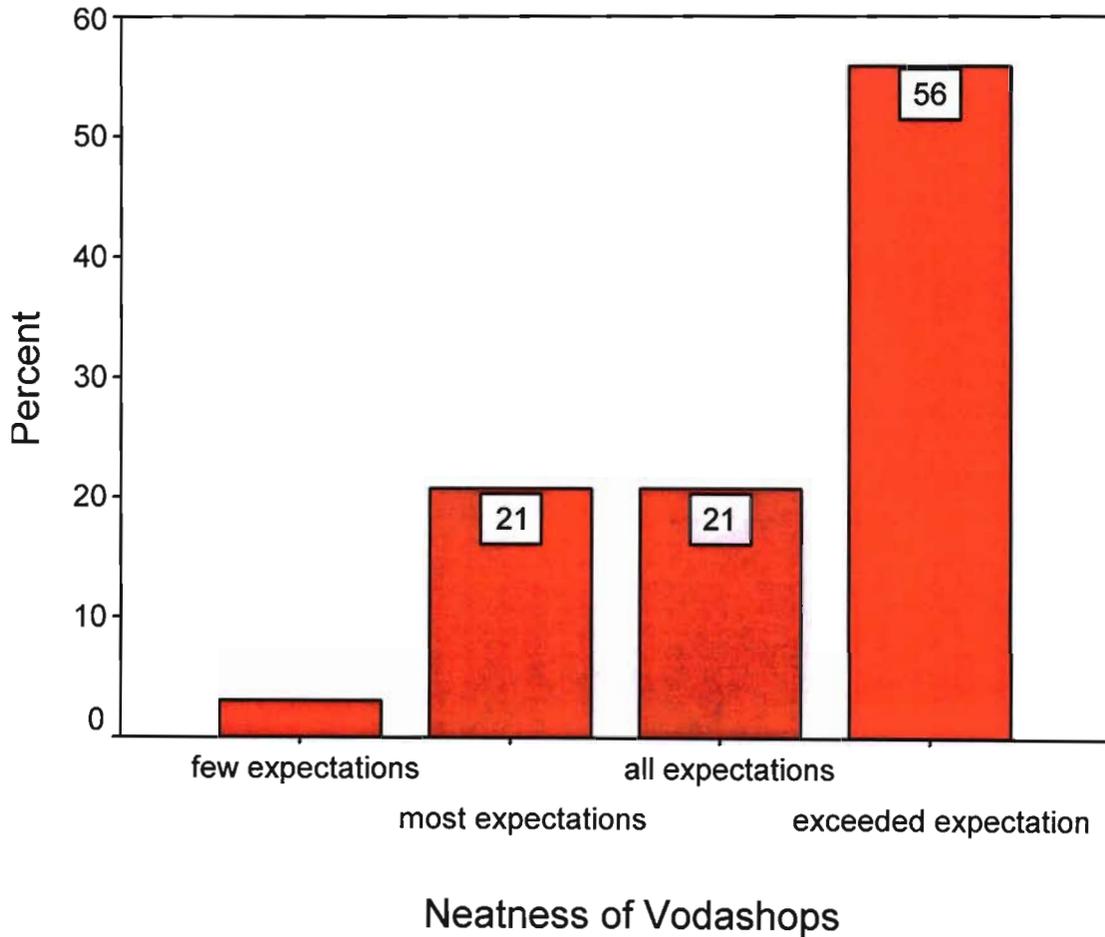
Figure 5.7 Location of Vodashops



Most respondents believed that the vodashops were located ideally (mean score: 3.04). 18% of respondents rated the convenience of the vodashops' locations very highly.

5.6.2 Neatness of the Vodashops

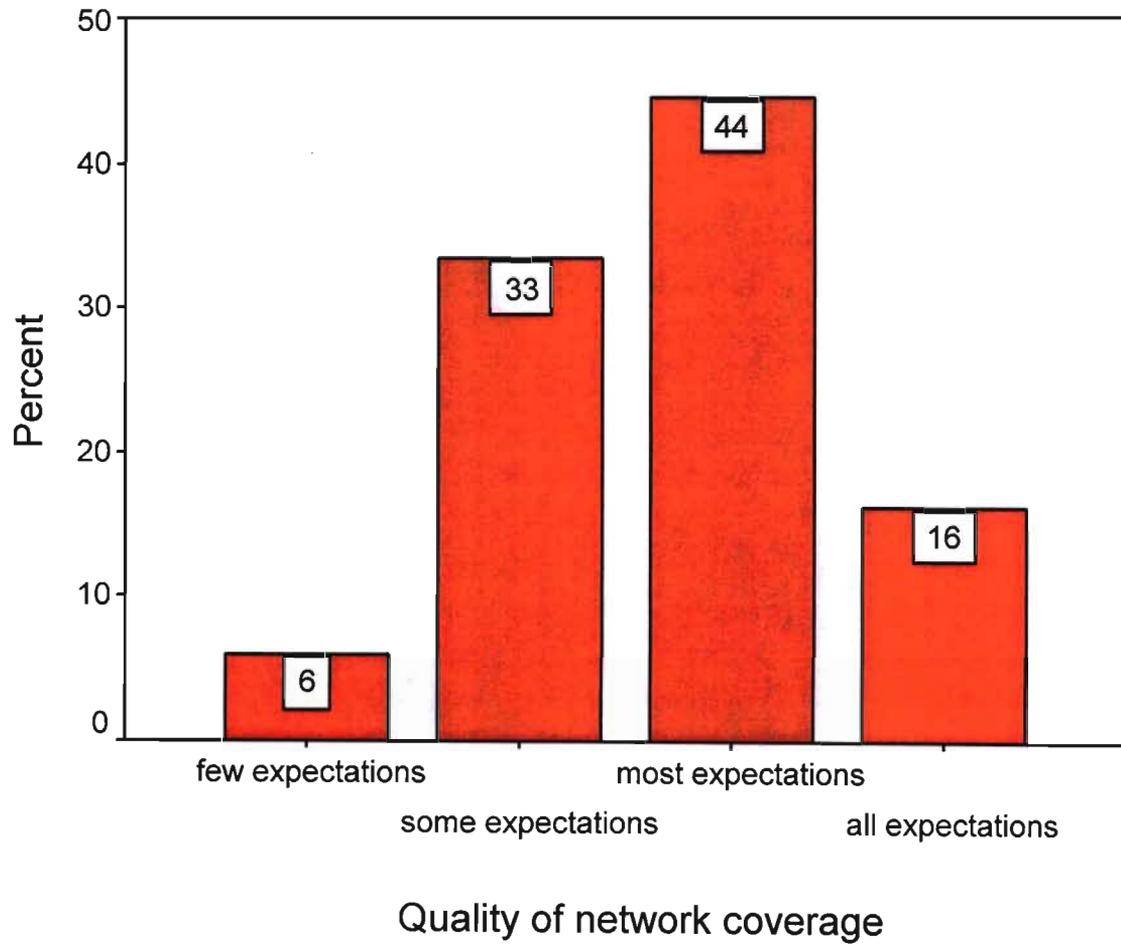
Figure 5.8 Neatness of Vodashops



Respondents felt that the neatness of the vodashops were excellent (mean score: 4.26). A significant number (56%) of respondents said the neatness of vodashops exceeded their expectations, while only 3% felt that vodashops were not clean and tidy.

5.7 Quality of network coverage

Figure 5.9 Quality of network coverage

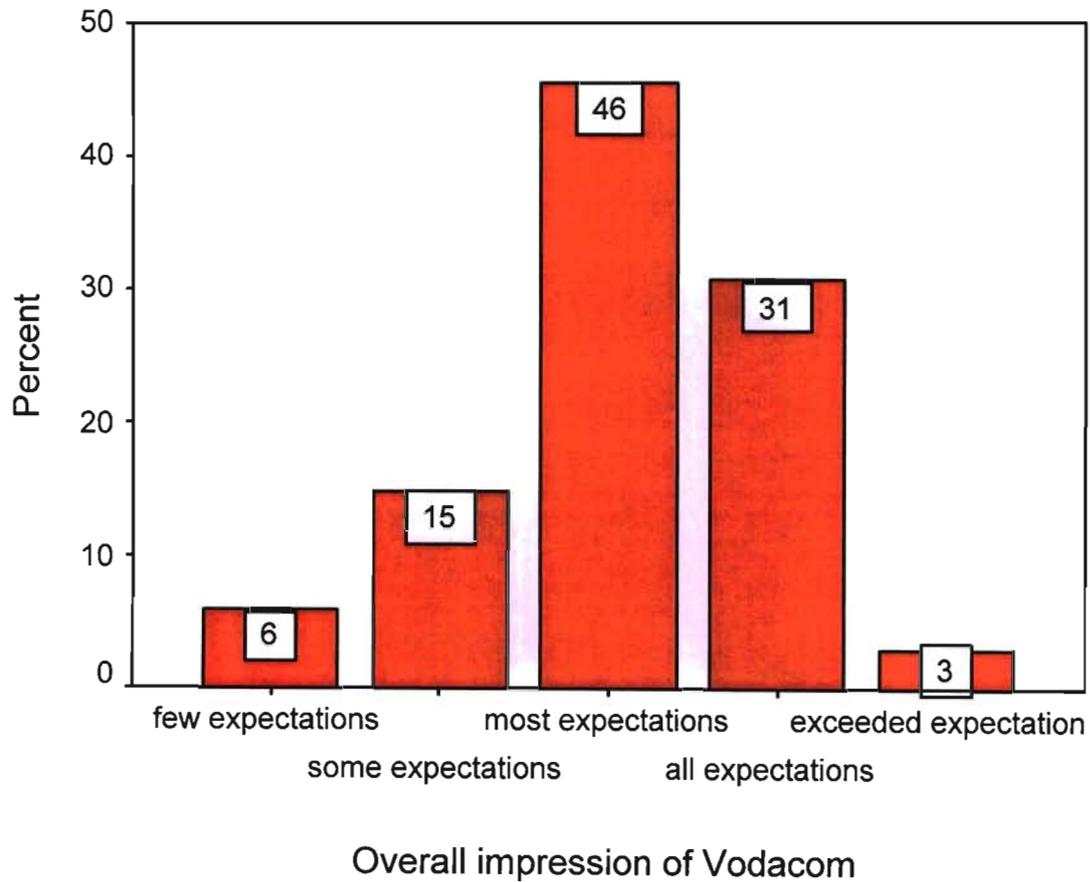


Most respondents did not think Vodacom was doing very well in terms of network coverage (mean score: 2.71). None of the respondents felt great about the quality of network coverage, while a combined 39% felt Vodacom was doing poorly in this category.

5.8 Overall customer satisfaction

5.8.1 Overall impression of the service offered by vodashops

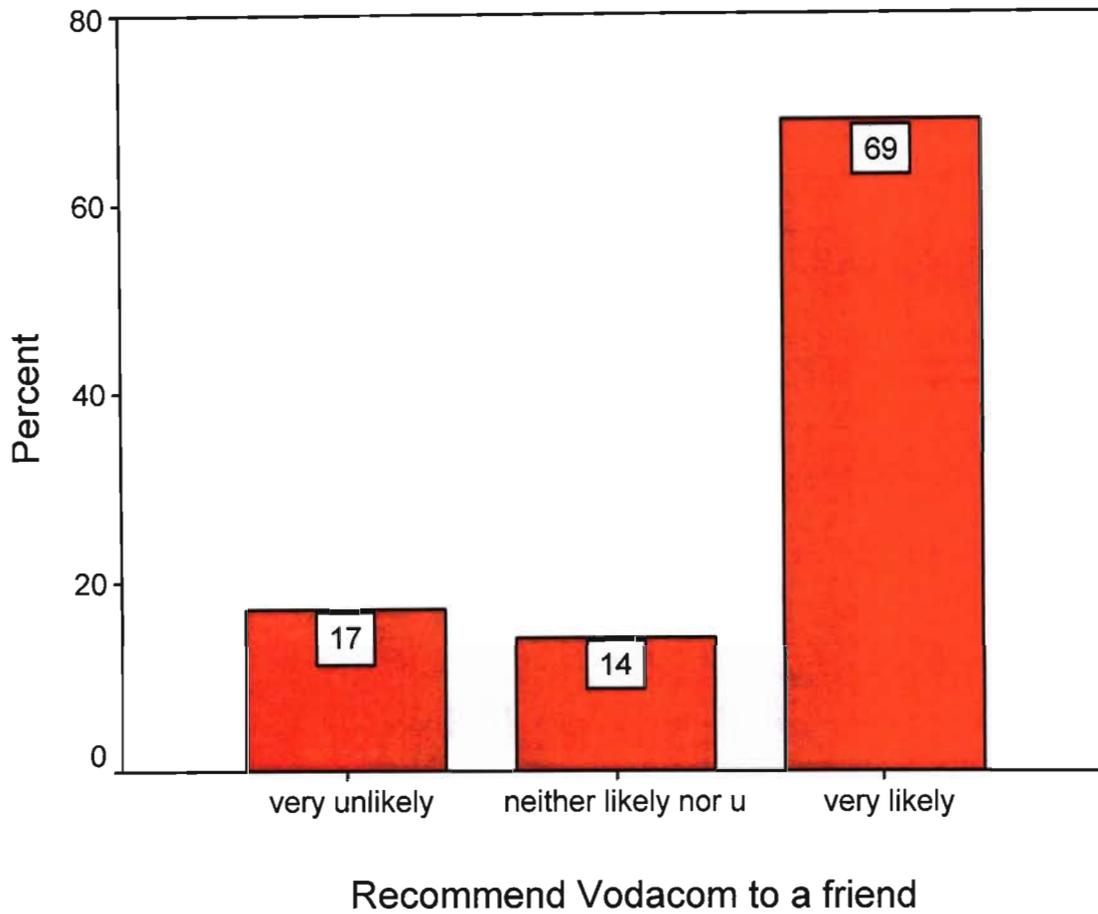
Figure 5.10 Overall impression of the service at vodashops



Respondents seemed to be impressed with the service they got from the vodashops (mean score: 3.10). Although 46% remained relatively neutral, 34% of respondents were highly impressed with the overall service they got from the vodashops.

5.8.2 Likelihood of recommending Vodacom Lesotho to a friend

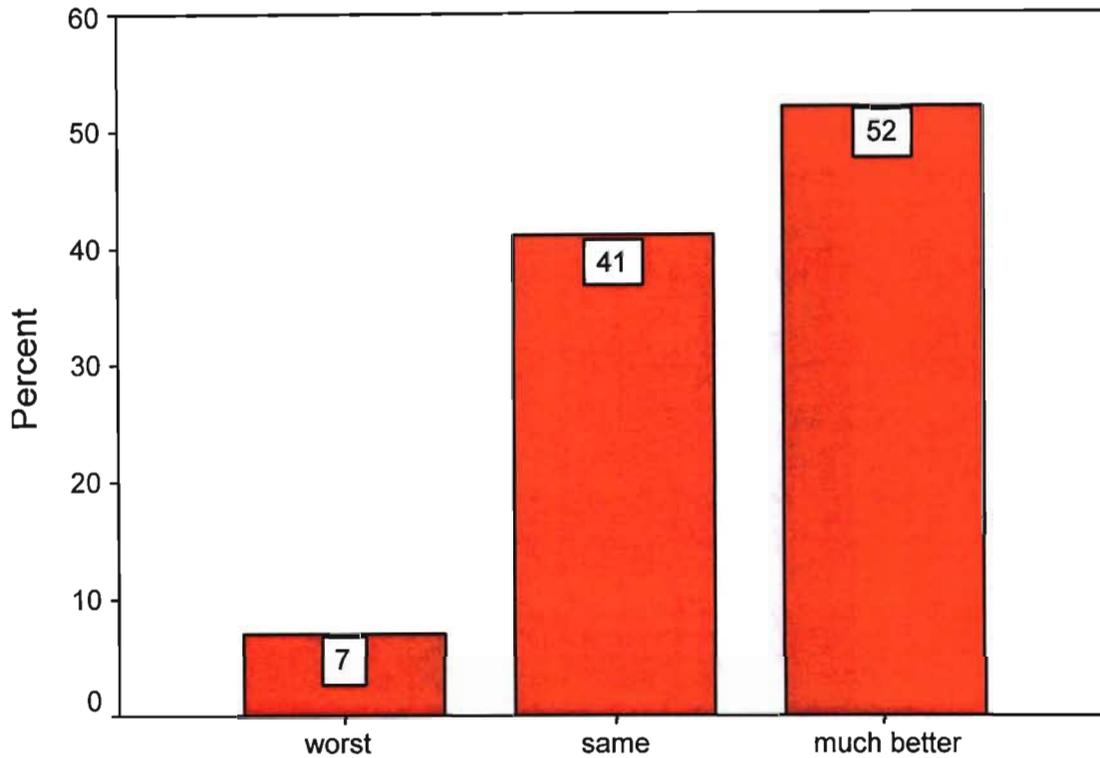
Figure 5.11 Recommend Vodacom to a friend



69% of the respondents indicated that they are very likely to recommend Vodacom Lesotho to their friends (mean score: 4.03). Only 17% of respondents seemed very unlikely to recommend their friends or family to Vodacom. This was a crude way of determining customer satisfaction, as normally only satisfied customers will recommend the company to their friends or family (Woodruff & Gardial 1996).

5.8.3 Comparison with the other cellular network operator in Lesotho

Figure 5.12 Comparing Vodacom with its competitor

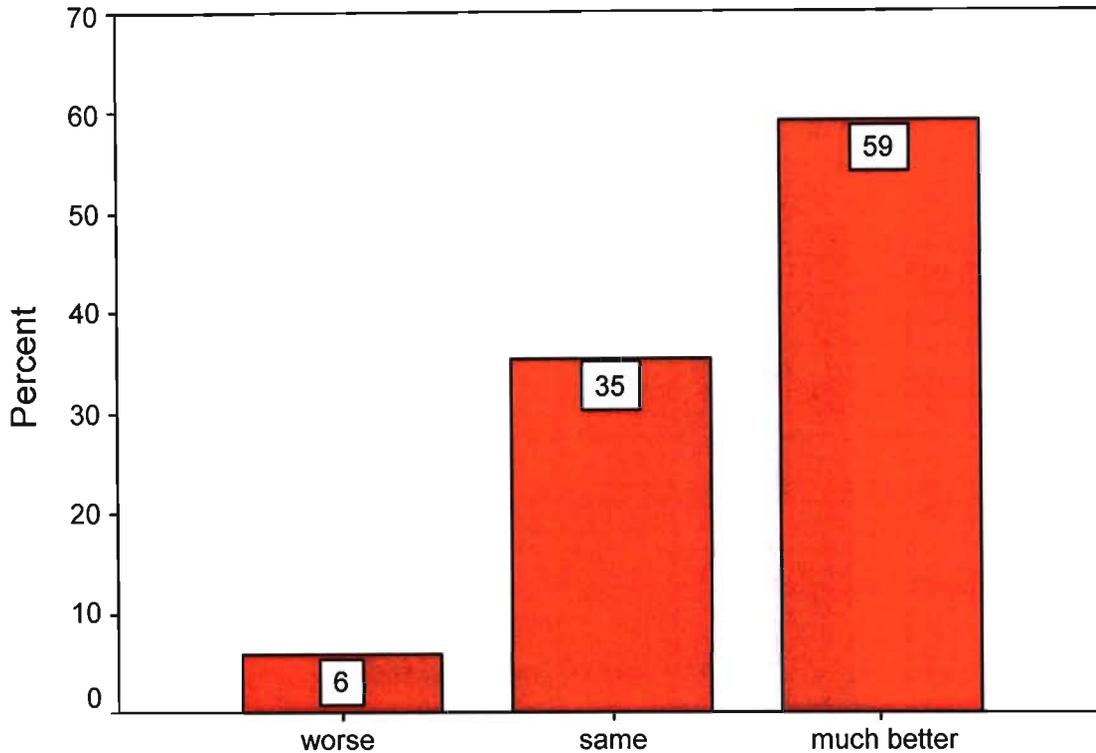


Comparing Vodacom with its competitor

Most respondents (52%) felt that Vodacom Lesotho offered a much better service than its competitor (mean score: 3.90). But care should be taken in generalising this results, as the respondents were Vodacom Lesotho customers and some of them might have never used the services of the competitor. However, the results serve to show that Vodacom Lesotho customers have confidence in their company.

5.8.4 Comparison with other service companies in Lesotho

Figure 5.13 Comparison with other service companies



Comparing Vodacom with other service companies

Comparatively respondents indicated that they got a better service at Vodacom as opposed to other services companies in Lesotho, like banks and insurance companies. 59% of respondents felt that Vodacom was much better compared to only 6% who felt that Vodacom was lacking behind in this respect.

5.9 Correlation Analysis

		Overall satisfaction with the service offered at the Vodashops
1. Courtesy of employees	Correlation	0.116
	Sig. (2-tailed)	0.248
	N	303
2. Speed of service delivery	Correlation	0.227*
	Sig. (2-tailed)	.022
	N	303
3. Professionalism of staff	Correlation	0.483**
	Sig. (2-tailed)	0.000
	N	285
4. Operating hours	Correlation	0.003
	Sig. (2-tailed)	0.975
	N	294
5. Location of Vodashops	Correlation	0.097
	Sig. (2-tailed)	0.357
	N	276
6. Neatness of Vodashops	Correlation	0.235*
	Sig. (2-tailed)	0.020
	N	294
7. Quality of network coverage	Correlation	0.515**
	Sig. (2-tailed)	0.000
	N	285

*. Correlation significant at the 0.05 level (2-tailed).

**.. Correlation significant at the 0.01 level (2-tailed).

Table 5.1 Correlation analysis.

5.11 Summary of findings

The results of the correlation analysis reveal that both the quality of the network coverage and the professionalism of staff are very important in determining the overall customer satisfaction with the services offered by the vodashops. Although the quality of the network coverage has no direct relationship with the operations of the vodashops, offering a world-class service at the vodashops without equally excellent network coverage does not amuse the customers.

On average, the respondents scored vodashops above average in the service quality dimensions. Areas that are not being performed so well include speed of service delivery, professionalism of staff, quality of network coverage and courtesy of employees.

Overall, respondents were satisfied with the services they got from the Vodashops, a significant number (69%) said they were very likely to recommend Vodacom Lesotho to their friends, 52% perceived Vodacom Lesotho as better than its competitor while 59% also thought that Vodacom was better than other service companies in Lesotho.

Recommendations and conclusions are provided in the next final chapter.

Chapter 6 Recommendations and Conclusion

6.1 Recommendations

Knowledge of customers' perceptions and attitudes about an organisation's business greatly enhances its opportunity to make better business decisions. This organisation will know its customers' requirements or expectations and will be able to determine if it is meeting these requirements. This is why it is very important for Vodacom Lesotho to continuously assess and measure its customers' perceptions and attitudes about its different types of services.

This study only focused on service encounters at Vodacom Lesotho's service centres and could be used as a benchmark to develop scales to measure customer satisfaction in other sectors like the call centre and new service development. The following recommendations are suggested for Vodacom Lesotho:

6.1.1 Customer focus

Customers, regardless of what internal reporting one uses, define Service quality. Vodacom Lesotho should nurture and maintain long-term relationships with its customers. Management need to:

- Continuously create ways to collect and assess customer attitudes, expectations, needs and opinions.
- Use customer relationship management (CRM) techniques to establish flexible and timely provision of service.
- Involve customers in the development of new services and changes to existing services.
- Establish ways to encourage customer complaints and react to the problems identified by customers in time.

6.1.2 Training and development

Front-line employees should be hired on their abilities to perform customer service encounter. In hiring new employees managers could use the service orientation index developed by Hogan, J., Hogan, R. & Busch, C.M. (1984), or other similar measures. Management must design training programs that include:

- Skills' training that is related to what customers expect from front-line employees.
- Cross-training amongst different departments, especially the technical departments (Network operations and Billing and Information Technology departments) to ensure that front-line employees understand service tasks and functions.

6.1.3 Customer education

Vodacom Lesotho should engage in an intensive campaign to educate customers about their service offering, functions of the contact centres (Vodashops and the Call Centre) and the how customers can access or use the various services offered by Vodacom Lesotho. A lot of customers commented that they did not know how much the call charges were for their respective tariff models. Other customers indicated that they travelled long distances to get to the vodashops. Clearly these customers should be using the call centre, which can handle most of these queries and is accessible free of charge to Vodacom Lesotho customers.

6.2 Conclusion

This study has implications for Vodacom Lesotho managers seeking to improve service encounter quality at their customer contact centres. The enthusiasm and interest demonstrated by the respondents in taking part in this study shows that customers are always eager to be part of the solution in improving service quality. Having information about the quality of service encounters in its contact centres, Vodacom Lesotho will be in a position to make better decisions to better serve its customers.

Several conclusions can be drawn from this study. It is worth noting that the customers' perceived courtesy and professionalism of the Vodacom Lesotho front-line employees need improvement. Vodacom Lesotho managers should hire front-line employees not only on the basis of their technical competence, but also on their abilities to perform human exchanges. Excellence in listening and dedication to customer care is not acquired from education and training only, but are highly related to the personality of an individual.

Perhaps the most striking result is that the perceived quality of the network contributes more to the overall customer satisfaction with the service encounter than the effectiveness of the service itself. It is therefore important that the basic service (network operation) is stable and reliable for any commercial operation to be successful.

Satisfied customers will ensure repeat use of services, which will ultimately impact on the profitability of the company.

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Online dictionary. Available at: www.dictionary.com.

Measurement Instrument

This survey deals with your opinions on whether the services offered by this Vodashop meet your expectations as a customer. Please show the extent to which you think Vodacom Lesotho met your expectations on the features described by each of the statements below by ticking on the numbers 1 to 5 as follows:

- 1- Met **few** expectations
- 2- Met **some** expectations
- 3- Met **most** expectations
- 4- Met **all** expectations
- 5- **Exceeded** expectations

1. Courtesy of Vodacom Employees	1	2	3	4	5
2. Speed of service delivery at Vodashops	1	2	3	4	5
3. Professionalism of Vodacom employees	1	2	3	4	5
4. Convenience of operation hours of the Vodashops	1	2	3	4	5
5. Convenience of the Vodashops locations	1	2	3	4	5
6. Neatness/cleanness of the Vodashops	1	2	3	4	5
7. Quality of network coverage	1	2	3	4	5
8. Your overall impression of the service offered by Vodacom Lesotho	1	2	3	4	5
9. Would you recommend Vodacom Lesotho to a friend? (1= very unlikely, 3= neither likely nor unlikely, 5= very likely)		1	3	5	
10. How would you compare Vodacom Lesotho with the other cellular network operator in Lesotho? (1= Vodacom is worse, 3= same 5= Vodacom is much better)		1	3	5	
11. How would you compare Vodacom Lesotho with other service companies in Lesotho? (1= Vodacom is worse, 3= same 5= Vodacom is much better)		1	3	5	

Comments/suggestions: _____

Please tell us about yourself:

a) Are you a Contract or Prepaid(Mocha-o-chele) customer?

Contract Prepaid

b) Your age group

Under 24 24-34 35-44 45-Above

Thank you for taking part in this survey.