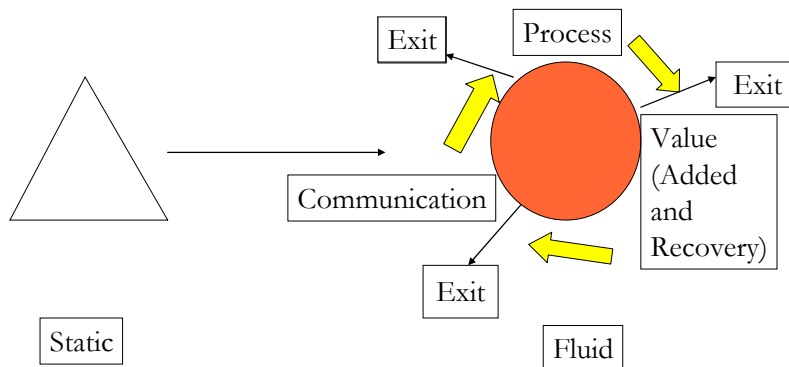


Creating Value



In an earlier issue of EHLITE magazine I introduced the concept of The Loyalty Circle© as a framework to understand the components that create customer and brand loyalty. Figure 1 shows this circle. The goal for those in the service industry is to keep the customer in the circle by executing equally well all three components of the circle. In the earlier article I focused on how firms could use technology to improve both the process component and the value component of The Loyalty Circle©. In this column I will address how employees can improve the value component by reinforcing the image of quality.

It is important to note that I define quality as “the product or service is doing what it was designed to do.” With this definition, the George V in Paris can be considered a quality property as can the Accor chain Formula One.

The emphasis on quality derives from its impact on perceived value. Perceived value is often defined as “what is received divided by what is paid.” The larger the numerator is in relation to the denominator, the greater the perceived value. Again, because quality is defined as “the service doing what it is designed to do,” it is possible to reinforce the perception of quality without actually raising the cost of delivery that quality. The way a firm does this is to remind the customer that the service is “being delivered in a way it was designed.”

The value-added feature shown in Figure 1 can be categorized into six types: financial (e.g., saving money on future transactions, complete reimbursement if service failure, 10% discount at gift shop); temporal (e.g., saving time by priority check-in); functional (e.g., the service delivers as designed); experiential (e.g., upgrades); emotional (e.g., more recognition); and social (e.g., interpersonal link with a service provider). As I have defined them, quality and functional are synonyms. Reinforcing the image of quality through employees’ words and actions is critical because in many service situations it is often hard for customers to determine if a quality experience has been delivered. This is due to the fact that much of the service experience is intangible. Certainly customers can determine quality from the tangible parts of the service (e.g., the point count of the sheets on the bed), but

determining quality from the service experience -- the interaction between the customer and the employee -- is much more difficult. Organizations that have high perceived value are able to charge more and are able to gain a competitive advantage. After all, it is well known that consumers are willing to pay for quality and few service firms can deliver a quality service experience on a regular basis.

The dimensions of quality have been identified in the academic literature as reliability, assurance, tangible, empathy, and responsiveness. These dimensions lead to the acronym RATER. While the definitions of each of these words are self-explanatory, the key is to incorporate each of the words in the service experience. For instance, consider the service situation in-room dining. The goal is to reinforce each guest encounter with one or more of the RATER components. The first step is to develop a list of each interaction the guest has with a hotel representative. The representative need not be an employee. In the case of in-room dining the first contact is most likely an object – the menu. The last interaction is mostly likely an employee -- the in-room dining staff collecting the used dishes. Two lists of encounters must be developed: one from the employee view and a second from the customer point of view.

The second step is to then merge the lists as if each list was one side of a zipper. Find out where both lists converge and then put them together. The end result should be a complete list or script of the total service encounter from both the guest's perspective and the hotel's representative. This list should be in chronological order.

The third step is then to examine each action and determine what, if any, RATER component can be applied. The fourth step is then to apply the RATER component and develop procedures to ensure that the addition of a RATER component is not a one-time activity, but something that occurs on a regular basis. Next I provide an example of the RATER components for in-room dining.

Reliability

To demonstrate reliability a firm must deliver on its promise. The promise must be made explicit to the guest, as the guest may not know the promise without being told. For in-room dining the promise is delivering the order in a stated amount of time. When the guest places the order, the employee receiving the order should state the current time of the order and then tell the guest the exact time the order will be delivered. It is important obviously to then deliver the items at the stated time. Delivering the items early is not always recommended unless the guest provides his or her permission to do so, as the guest may use the interlude time for personal matters.

Assurance

The goal of assurance is to remove the anxiety associated with the fact that both consumption and production occurs simultaneously. If the in-room dining waiter brings the wrong meal the only choice for the guest is to eat this wrong meal or wait for a new order to arrive. Employees can provide assurance to the customer by repeating the order at the time the order is taken and then again when the order is delivered. Reviewing the order at the time of delivery removes the guest's worry that something will be wrong, only to be discovered once the waiter has left the room.

Tangible

Because one of the characteristics of services is that they are intangible, it is necessary that firms attempt to make that what is intangible tangible. This is done by the use of tangible cues. For instance, consider the menu for in-room dining. This first exposure to in-room dining provides the first tangible cue of what the service may be like. Consider the impact on customers' expectations of their in-room dining experience of a marked up and poorly designed dirty menu versus that of a clean and well-designed menu. In seminars with industry executives, many admitted that it had been a long time since they had examined the in-room dining menus in their properties. When was the last time you examined your in-room dining menu?

Empathy

Empathy refers to the ability to understand the thoughts, feelings, and experiences of another person and to be able to communicate back these thoughts and feelings to that person in such a way that a feeling of trust and comfort is created. For one to be empathetic, one needs to listen. When ordering in-room dining customers very often mention foods to which they are allergic or foods they particularly like. The employee taking the order needs to remember these comments and warn customers of potentially problematic foods or inform customers of foods they may particular enjoy. An analogy for empathy is the order taker and the sales person. One who lacks empathy is an order taker. One who has empathy is a sales person.

Responsiveness

The final component of quality is responsiveness, which refers to how well the organization is able to take care of the customers' needs. The organization's policies and procedures should be designed to improve the customers' visit. Often, policies and procedures are designed for the organizations' benefit. I have stayed in hotels where an item that is sold in the dining room is not available on the in-room dining menu because of operational issues. Such hotels are not being very responsive to customers' needs.

It is hoped that the above example provides an illustration of how the RATER system can be used to reinforce an image of quality without raising costs. Again, an enhanced image of quality raises perceived value; and as discussed at the beginning of this article, value is one of the components of the Loyalty Circle ©. Organizations need to examine all service interactions and apply the RATER system wherever possible. Such actions will lead to increased loyalty.