Volume : 2 | Issue : 12 | Dec 2013 ISSN - 2250-1991

Research Paper Management

Conceptual Framework of Service Quality Trade Offs

* Dr. Suneeta Borkar ** Prof. Sameer Koranne

* Associate Professor, Dept. of Family Resource Management, Faculty of Home Science, L.A.D. College for Women of Arts, Commerce and Science & Smt. R.P. College of Home Science & Home Science Technology, Seminary Hills, Nagpur.

** Asst.Professor, STES' Sinhgad Institute of Hotel Management & Catering Technology, Gat no. 309/310, Kusgaon (Bk), Lonavala – Pune.

ABSTRACT

Hospitality firms are concerned about the service quality tradeoffs between the sensitivity towards customer needs and the competence of the organization. The balance of service quality and the costs involved attracts more interest in service industry. Theoretical framework of service quality tradeoff is discussed to present the nature and existence of this conundrum. The study finds out the variability of factors which influence the quality & efficiency of the organization and equilibrium of service quality and price associated with delivery of service.

Keywords : Tradeoffs, Service Quality, Variability, Equilibrium

INTRODUCTION

"*Service businesses struggle with a reality that is foreign to manufacturers: Customers "interfere" with their operations. To deliver consistent quality at sustainable cost, companies must learn to manage that involvement."* - Frei Frances X.

Most of the Operations Managers in hospitality businesses always come across a difficult choice: whether to accommodate customers' various requirements and behaviors at relatively increased cost or to deny holding inconsistency and risk of losing customer forever. The association between the efficiency and service quality is studied and researchers have suggested a weak link between efficiency and service quality where as in some studies proved strong trade-off between these two. As observed in general value and quality of service increases with the time customer spends with service provider with maximum interaction between two. But on other hand customer intensive services requires speed or quick service. Longer service interaction requires longer service queue and diminishes the service quality. However the selected service speed has direct effect on quality of the service and cost.

OBJECTIVES

This is study is undertaken to understand the theory of service quality and its tradeoffs between responsiveness towards customers and efficiency of the organization. The specific objectives are

1. To understand the dimensions of quality and efficiency.
2. To analyze the role of customer variability in service quality.
3. To establish strategies to counter the service quality trade off.

METHODOLOGY

The research on service quality management in hospitality industry required multiple methods of data sourcing. Descriptive research design is used to know the attributes of service quality tradeoffs in hospitality industry. Data sources such as hospitality journals, Books on service quality management, organization behavior, URL on internet of various hospitality majors were referred.

DISCUSSION

Role of customer in coproduction of service is very important due inseparability of services, Gummesson (1991) found that service quality is often dependent upon the nature of customer involvement and its influence on staff behaviors. Marks & Mirvis (1981) have suggested that since consumers influence the environment for service staff, their behavior and actions have contributory effects on the staff reactions. This establishes the customer variability as important factor in delivery of quality of service. It compels the managers to devise certain strategies to counter or reduce the effects of this variability on service quality.

However there is very limited literature available on this aspect of service quality. The study undertaken is a unique effort to understand the customer variability in Indian hotel industry and tries to establish the relationship. It is also an attempt to find out effective and strategic procedures to reduce variability if any followed by hotel industry at large and summarizes the findings through theoretical study.

Quality Measurement: Quality patronage can be individual as the satisfaction of needs and aims of the hotel guests in terms of genuine and perceived within limited the minimal possible expenditure on various resources. To achieve this, quality professional activities are planned to be most accurate, latest and most scientific or logical with correct amount of personal attention. Service quality dimensions by Parsuraman et al (1988) become most acceptable indicators of it. Hotel managers tend to be conscious about efficiency and output whereas customers focus on quality of service offered and its value as similar observations are made by Ovretveit (1992) in his study. Navarro-Espigares, Jose´ Luis (2011) have found that there is significant and positive relationship between customer satisfaction and recommendations.

Efficiency measurement: Donabedian, (1980) has suggested that Logical efficiency deals with the use of information in decisions making, the Economic efficiency is about the association of output to input costs and largely concerned with higher output from lower inputs. Though it is somewhat difficult to define efficiency, it is a relative term and constitutes aspects of quality and appropriate cost. It is defined in various words by stakeholders as ‘the maximum possible output for a given input’ which has variety such as productive, technical and social efficiency.

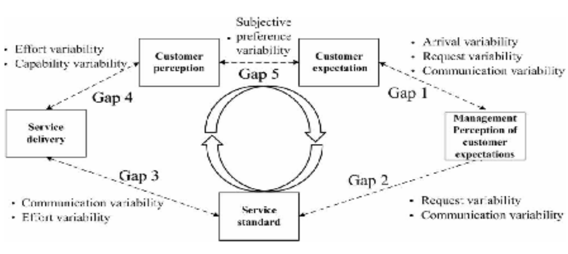
There is absence of a definite and uniform decisive factor that considers the number and individuality of fruitful units and also doesn’t have specific criterion exist about the variables to be considered as outputs or inputs as posited by Barber & Gonza´lez (1996). However the inputs and output at large for hospitality industry are defined by the definite and shortlisted variables that are being used in individual hotels for this study. As opined by Bertsimas et al (2012) it requires building structures for decision making in such situations and effective calibration of it. As defined by Juran (1974) the cost of quality is ‘the sum of all costs that would disappear if when there were no quality problems’ and as per Hagen (1968) which means that the cost of quality is the difference between actual cost of delivering service and what the cost could be if everyone performed optimum to satisfy the customer needs. This implies that if the cost of quality is reduced by half, profit may be increased by 100%.

Feigenbaum (1983), British Standard Institute (1990) state that the costs of quality may be divided into four broader categories – appraisal cost; prevention cost; internal failure cost; and external failure cost and classification is frequently used in industries. However, these four kinds of costs are not independent from each other and practice in business world confirms the trade-off between these costs.Earlier studies by Harrington (1987), Feigenbaum (1991), Gryna (1999), and Zhao (2000) have posited that increased prevention and appraisal costs reduces the internal and external failure costs whereas quality increases and productivity improves.

Improvement in quality increases the cost of quality at the beginning and later it goes down. However finding the exact level or optimal point or balanced point is not an easy task and ignoring the trade-off does not achieve the expected results. Though there are certain approximate proportions proposed by Juran and Gryna (1970) such as the most advantageous proportions. In general, 0.5–5% for prevention cost, 10–50% for appraisal cost and 25–40% for internal failure cost and 20–40% for external failure cost. Research undertaken by Feigenbaum (1983) has modified it to 5–10% for prevention cost, 20–25% for appraisal Cost, 65–70% for internal and external failure cost. Since these are not consistent so far and study of this trade-off relationship has become very essential for hotel industry in India.

Kalwani & Yim (1992) have mentioned that Price being the basic variable of marketing mix has been studied very frequently and individually and as per Zeithaml (1988) it is found that price and quality together determine value for consumer and have major role in customer satisfaction. Capons, Farley & Hoenig (1990) & Rust (1995) have identified a positive relationship between revenue and quality & influence of service quality and customer satisfaction on customer retention and profits.

Figure 1: Influence of customer variability on service quality: Fitzsimmons & Fitzsimmons (2008)

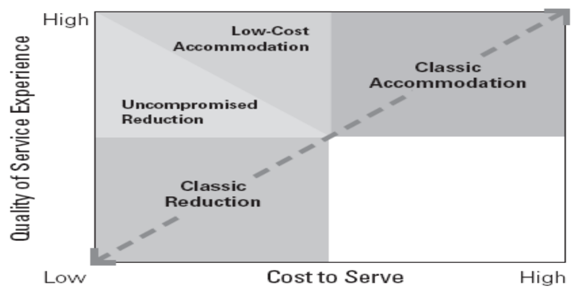


Service quality gap model devised by Parasuraman (1985) and Parasuraman et al (1985) describes the latent gaps in the production and consumption of services as; Understanding gap, Design gap, Service delivery gap, Communication gap, Expectation–perception gap. These gaps in service delivery would result in the negative evaluation of service quality and as per Yang (2006) elimination or reduction of these gaps may improve the perception of customer.

Customer variability plays very significant role in this gaps and are listed by Yang (2011) as-

Gap 1 – Arrival, communication and request variability.
Gap 2 - Communication and request variability.
Gap 3 – Efforts and communication variability.
Gap 4 – Effort and Capability variability.
Gap 5 – Subjective preference variability.

Figure 2: Overcoming the Trade-Off: Frei Frances (2006)



Measures to control customer variability.
The seasonal characteristic of hotel business and unpredictable supply-demand scenario makes it more challenging struggling with this conundrum.

- Frei (2006) has proposed important measures to control the customer oriented variability and addressed by
- Classic accommodation – eg. Extra staff at peak hours.
- Classic reduction – eg. Offering discounted services at off seasons.
- Low cost accommodation – eg. Outsourcing supplementary services.

Uncompromised reduction – eg. Creating complimentary demand to ease arrivals.
The first two strategies are very traditional and more or less been used by hoteliers whereas the other two are innovative and are suggested to improve service quality at the same time reducing the cost. The Communication variability is managed by certain strategies which range from staff training for improved communication to easily understood manuals.

CONCLUSION
The ever demanding customer finds it difficult to compromise on quality when he is willing to afford the price. The high unpredictability of hospitality business requires certain strategies to counter this equation. There exists the variability which is largely introduced by customers and very often beyond the control of service providers. It becomes imperative for hotelier to understand the very essence of customer variability in its various forms. It is also vital to know the significant elements which are very specific to individual property or services and counter it with effective strategies. The general strategies as suggested by Frei (2006) would definitely help in balancing this face- off. This paper has made a theoretical contribution to the issues related to service quality tradeoff and provides a base for further studies for Indian hospitality industry.

 ISSN - 2250-1991

REFERENCES

Barber, P., & Gonza´lez, B. (1996). La eficiencia te´cnica de los hospitales pu´blicos espan˜oles. In R. Meneu & V. Ortu´n (Eds.), Polı´tica y gestio´n sanitaria. La agenda explı´cita (pp. 17–62). | Bertsimas, Farias, and Trichakis (2012) On the Efficiency-Fairness Trade-off Management Science 58(12), pp. 2234–2250 | British Standards Institute. (1990). BS 6143: Guide to the economics of quality, part 2. Prevention, appraisal, failure model. London: BSI. | Capon W., Farley, J.U. and Hoenig, S., (1990) Determinants of Financial Performance: A Meta-Analysis. Management Science 36, pp. 1143¯1149. | Feigenbaum, A.V. (1957). The challenge of total quality control. Industrial Quality Control, 17, | 22–23. | Feigenbaum, A.V. (1983). Total quality control (3rd ed.). NY: McGraw-Hill. | Fitzsimmons, J.A., & Fitzsimmons, M.J. (2008). Service management: Operations, strategy, and | information technology (6th ed.). NY: McGraw-Hill. | Frei Frances X (2006) Breaking the Trade-Off between Efficiency and Service, HBR. | Gryna, F.M. (1999). Quality and cost. In J.M. Juran & A.B. Godfrey (Eds.), Juran's quality handbook (5th ed.), pp. 8.1–8.26. NY: McGraw-Hill. | Gummesson, E. (1991). Truths and myths in service quality. International Journal of Service Industry Management, 2(3), 7–15. | Hagan, J.T. (1968). A management role for quality control. New York, NY: AMA. | Harrington, H.J. (1987). Poor-quality cost. New York, NY: Marcel Dekker/ASQC Quality Press. | Harrington, H.J. (1999). Performance improvement: A total poor-quality cost system. TQM Magazine, 11, 221–230. | Juran, J.M. (1974). Quality control handbook (3rd ed.)NY: McGraw-Hill. | Kalwani, M. U., &Yim, C. K. (1992). Consumer price and promotion expectations: An experimental study, Journal of Marketing Research, 29, 90-100. | Marks, M.L., & Mirvis, P.H. (1981). Environmental influences on the performance of a professional baseball team. Human Organization, 40, 355–360. | Ovretveit, J. (1992). Health service quality: An introduction to quality methods for health services. Oxford, UK: Blackwell Scientific Publications. | Rust R.T., Zahorik, A.J. and Keiningham, T.L., 1995. Return on Quality (ROQ): Making Service Quality Financially Accountable. Journal of Marketing 59, pp. 58¯70. | Su Qiang, Shi Jing-Hua and Lai Sheng-Jie (2009) Research on the trade-off relationship within quality costs: A case study Total Quality Management Vol. 20, No. 12, December 2009, 1395–1405 | Yang, C.C. (2006). Establishment of a quality management system for service industries. Total | Quality Management, 17(9), 1129–1154. | Zhao, J. (2000). An optimal quality cost model. Applied Economics Letter, 7(3), 185–188. | |