

**MSM**

MAASTRICHT  
SCHOOL OF  
MANAGEMENT



# Caucasus University Marketing for Tourism Studies

# Who am I?



**Bank of America**



**NationsBank**



**LUND**  
UNIVERSITY



**SALAMANDER**

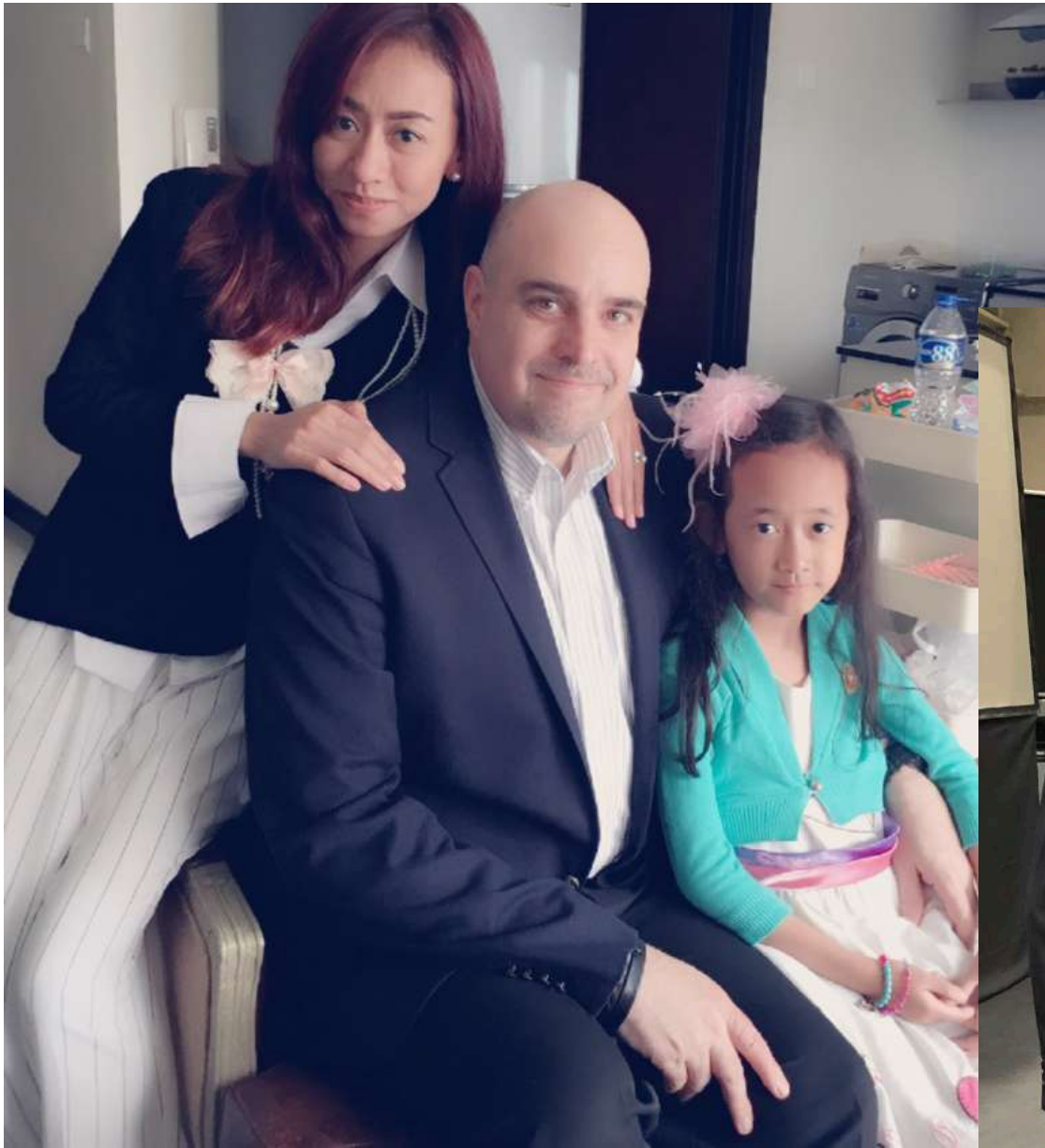
## Work:

- 13 years in Banking (USA)
- 3 years in Brand Management (Germany)
- Past 15 years in Management Education (Hungary, Romania, Netherlands)
- 25+ years in Marketing & Strategy

## Countries:

- USA
- Sweden (University)
- Germany
- Romania
- Hungary
- Netherlands





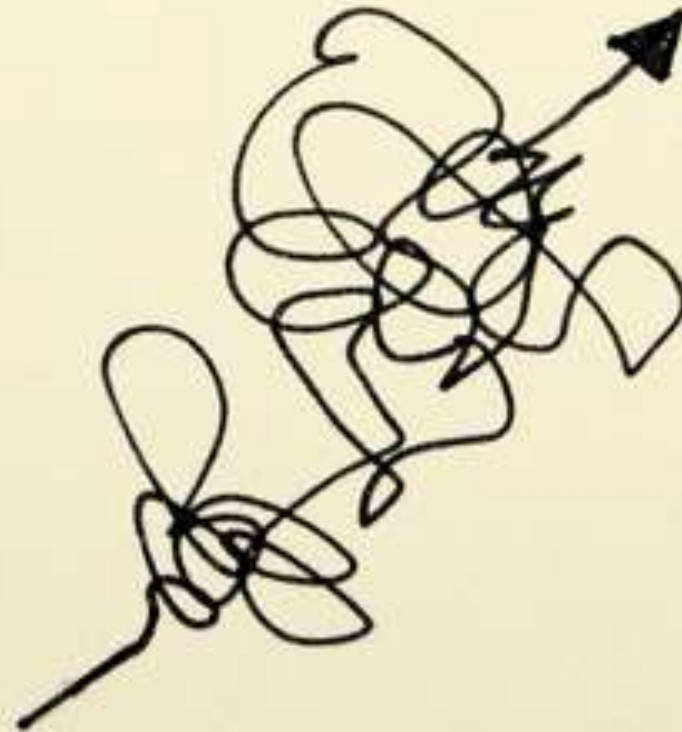
Who am I?



Expectations



Reality



# You and Caucasus University

- Introduce yourself:
  - Name
  - Title / Role
  - Your personal goals for this week's course
- Round Table Discussion:
  - What is your department's current strategy?
  - Why is your department doing this project with MSM?
  - What have you learned so far?
  - What do you want to get from my courses this week?



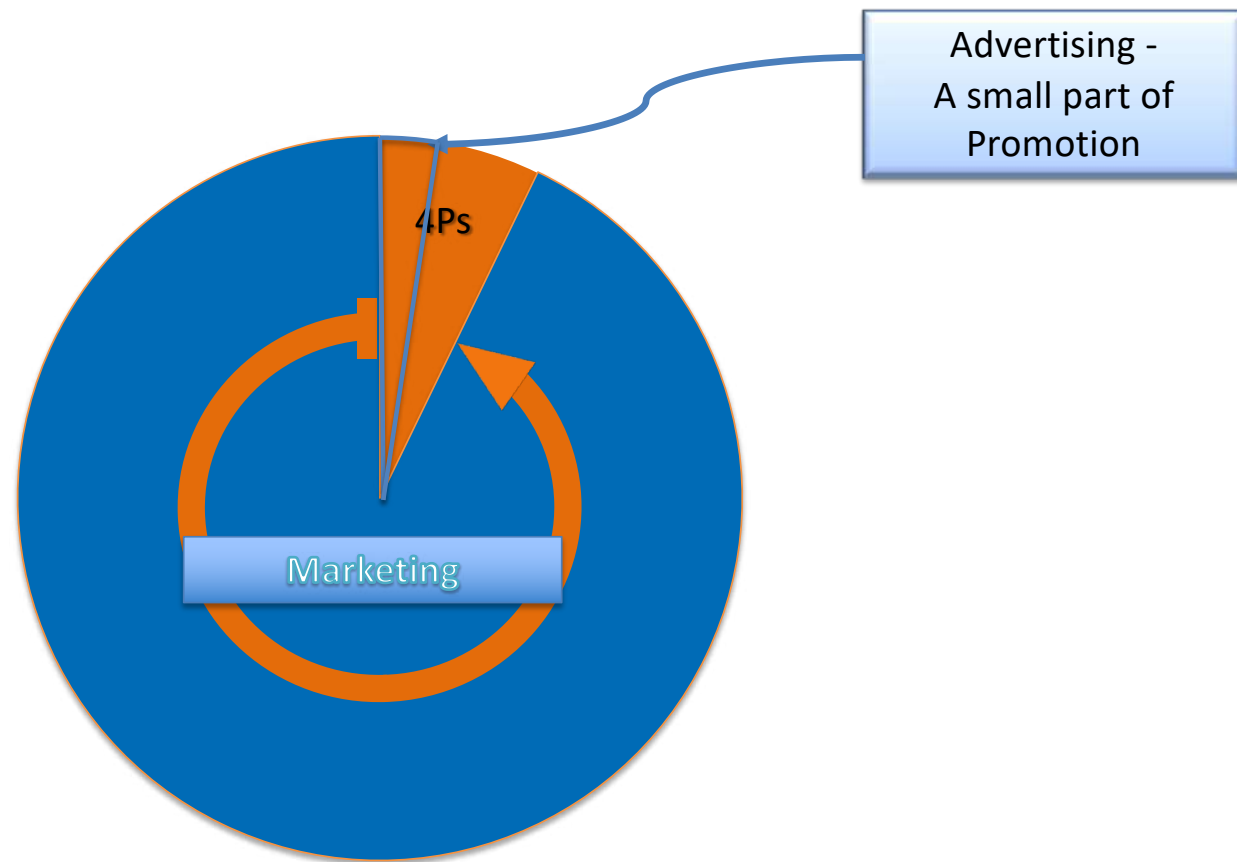


# Strategic Marketing

# Marketing vs. Advertising



# Marketing vs. Advertising





# What is Marketing?

“The management process which identifies, anticipates and supplies customer requirements efficiently and profitably”

*(UK Chartered Institute of Marketing)*

“An organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.”

*(American Marketing Association)*

Emphasis: meeting customers’ value expectations in order to deliver profit.

# What is Marketing?

1. Identifying and meeting human and social needs
2. Meeting needs profitably

# “Going to Market”

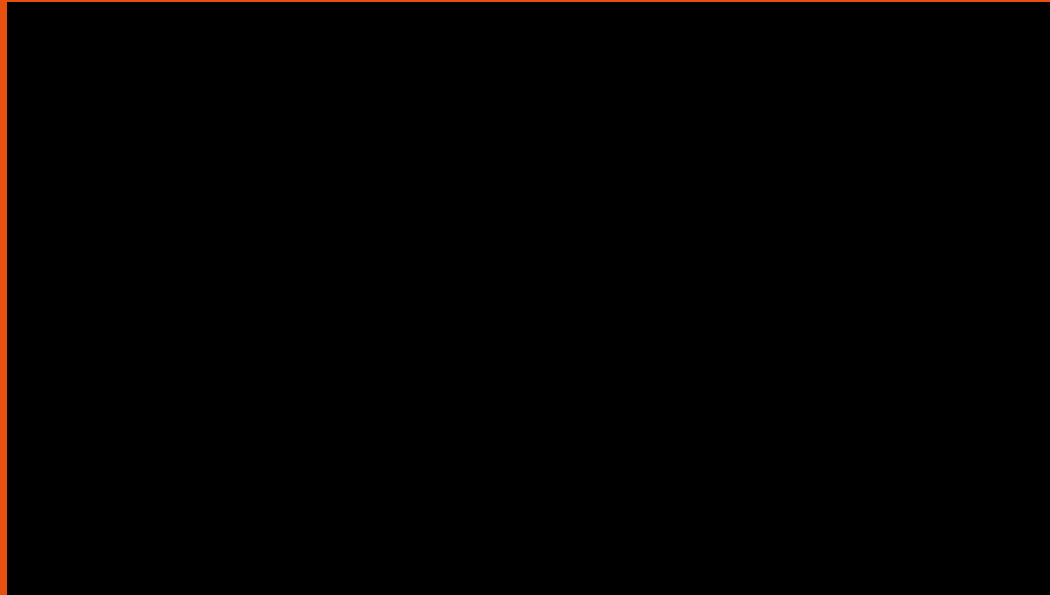
# THE MOST IMPORTANT SLIDES...



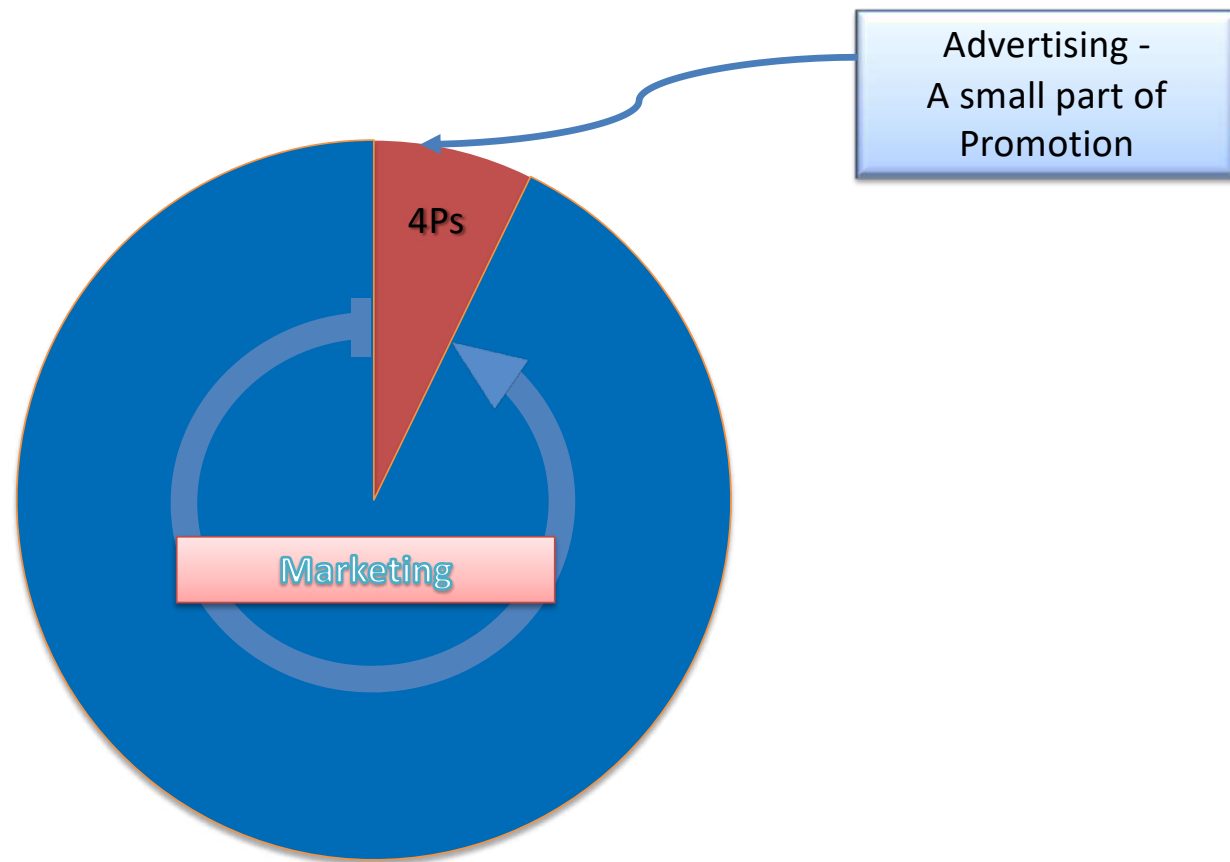
# The Value Equation (01:17)



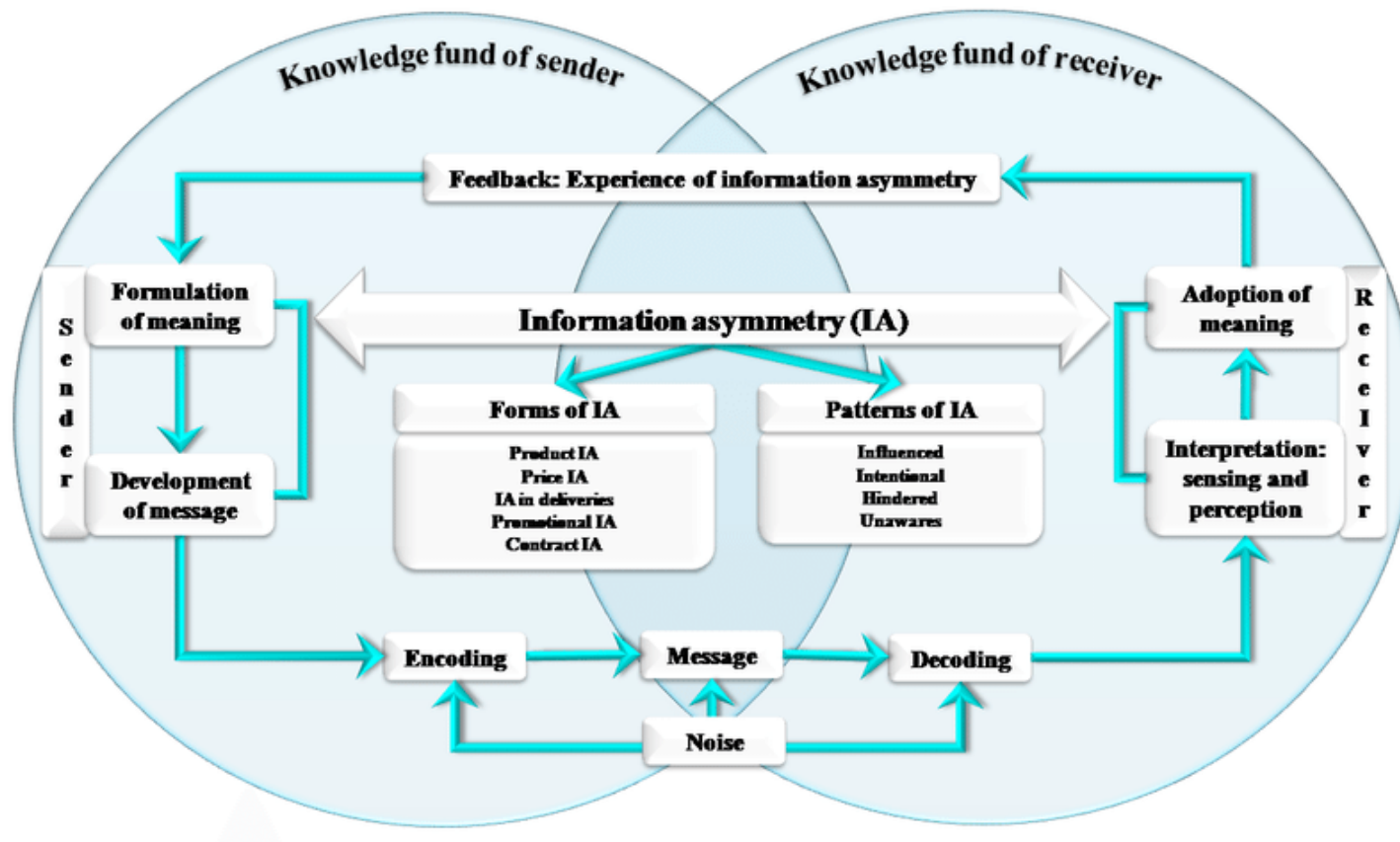
# The Value Equation (01:37)



# Marketing vs. Advertising



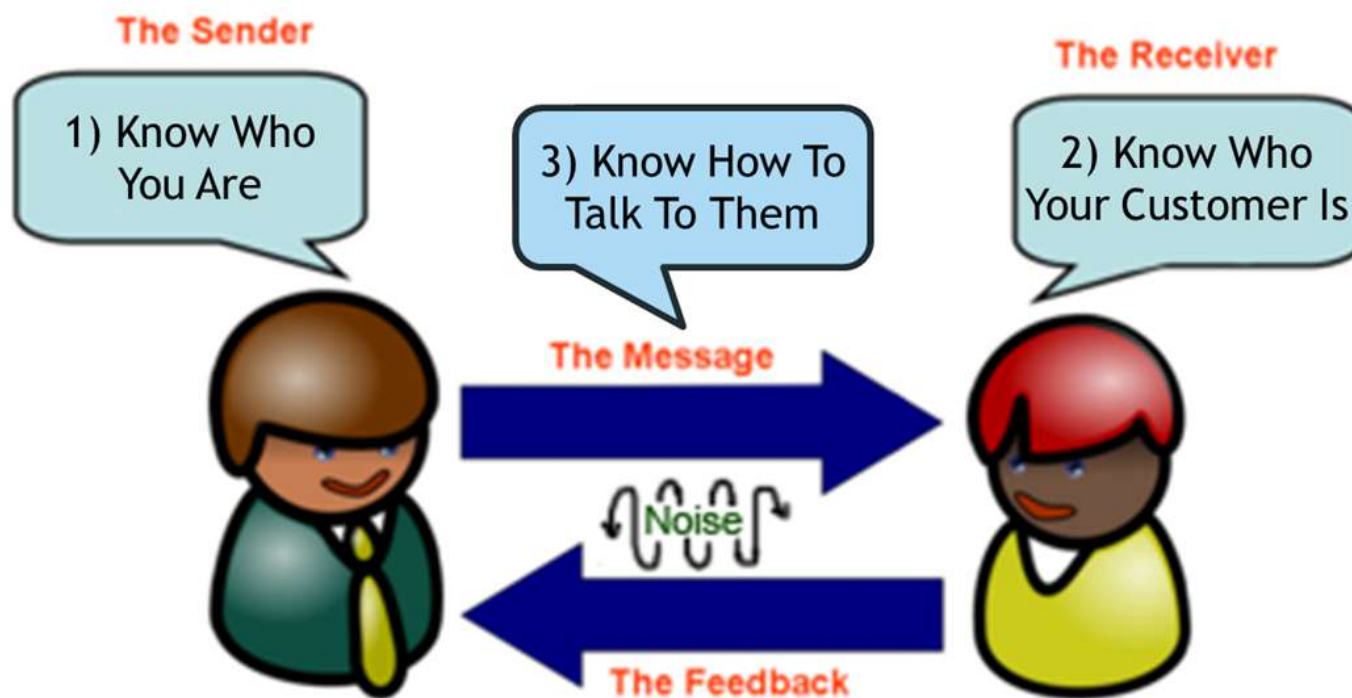
# The Communication Process





## Important Slide #1

### Oliver's Modified Communication/Marketing Process



## The Value Equation

$$V = \sum_{i=1}^n (a_i * b_i) / P$$

V = Value of Product

i = Product attribute

b = Magnitude of benefit from attribute i  
(proximity to ideal point)

a = Importance weighting of benefit

P = Price of product

## Important Slide #2

$$\text{Value} = \text{Perceived Benefits} / \text{Cost}$$
$$(V = PB / C)$$

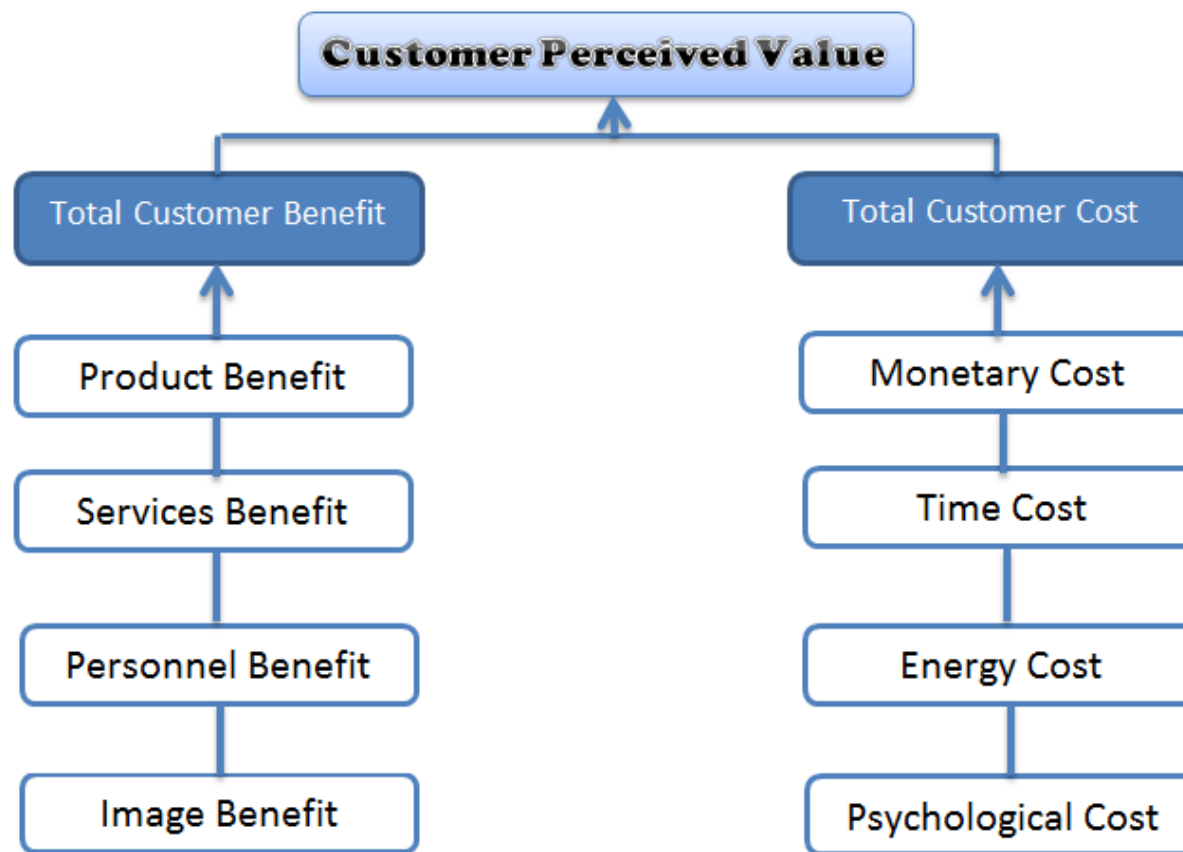
If Value is greater than or equal to 1,  
then a customer will tend to purchase the product,  
given:

1. The customer is aware of the product
2. There are no substitutes for which Value is even greater than your product.
3. The customer can afford the Cost of the product

» *Benefits = Perceived Benefits*

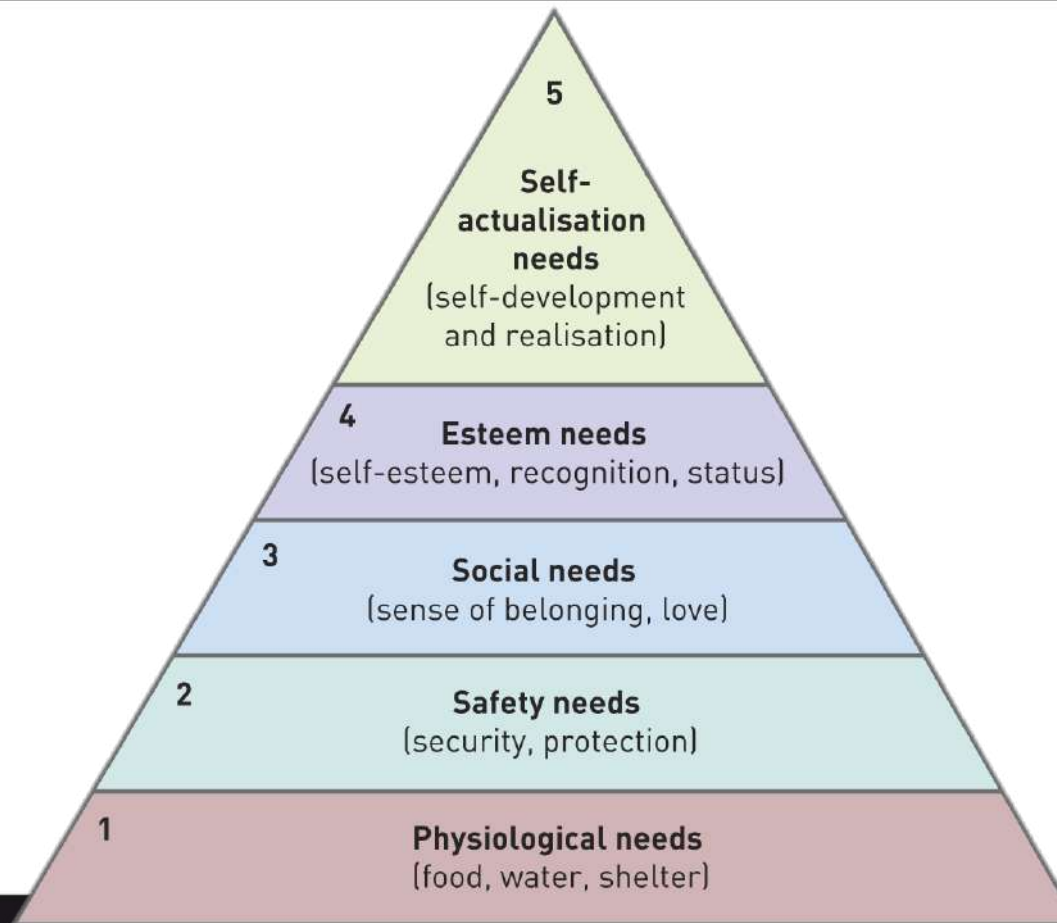
- *Function(s)*
- *Status*
- *Brand*
- *Other?*

# Elements of the Value Equation





# Maslow's Hierarchy of Needs



SOCIAL IMPACT



Self-transcendence

LIFE CHANGING



Provides hope



Self-actualization



Motivation



Heirloom



Affiliation/belonging

EMOTIONAL



Reduces anxiety



Rewards me



Nostalgia



Design/aesthetics



Badge value



Wellness



Therapeutic value



Fun/entertainment



Attractiveness



Provides access

FUNCTIONAL



Saves time



Simplifies



Makes money



Reduces risk



Organizes



Integrates



Connects



Reduces effort



Avoids hassles



Reduces cost



Quality



Variety



Sensory appeal



Informs

# Article: The Elements of Value

## The Elements of Value Pyramid

Products and services deliver fundamental elements of value that address four kinds of needs: functional, emotional, life changing, and social impact. In general, the more elements provided, the greater customers' loyalty and the higher the company's sustained revenue growth.

# **DESIGNING THE MARKETING PROGRAM (AKA – FINALLY... THE 4 P'S!)**

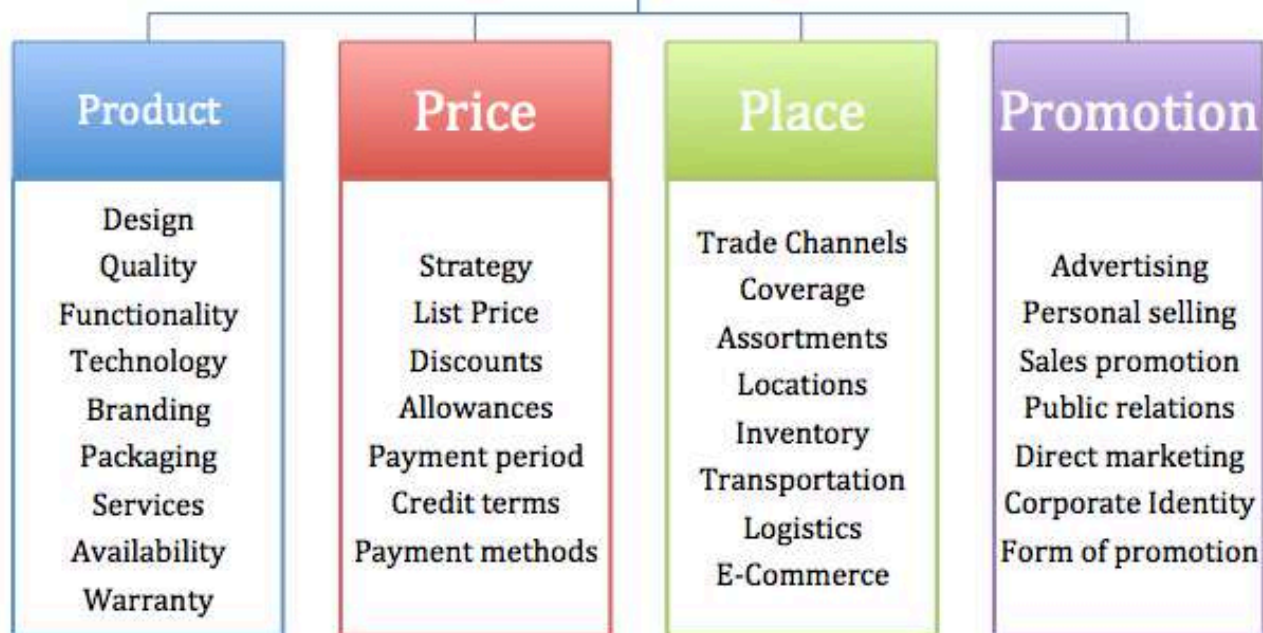
# The Famous 4 P's





# The 4 P's

## The Marketing Mix



# The 7 Ps of Marketing



# The additional 3 P's

## People

- Individuals on marketing activities
- Individuals on customer contact
- Recruitment
- Culture/image
- Training and skills
- Remuneration

**Product /  
Promotion**

## Process

- Customer focus
- Business-led
- IT-supported
- Design features
- Research and development

**Product /  
Place**

## Physical Evidence

- Sales/staff contact experience of brand
- Product packaging
- **Online experience**
- **Physical environment (buildings)**

**Product /  
Place**

**LET'S TALK ABOUT BRANDING...**

## Here is my vision of a Brand



# In summary, what is a brand?

The promise you make as one organization that shapes your relationship with all your stakeholders.

...and how that promise is delivered.





# Why Worry About Branding?

- **Strong brands can**
  - Create sustainable competitive advantage
  - Increase demand and market share
  - Attract premium pricing
  - Drive revenue growth
  - Improve profitability
  - Help avoid commoditization
    - Salt
  - Help diversification efforts
  - Reduce business risk
  
- **Brands account for almost one-third of the value of Fortune 500 companies**

# Why Worry About Branding?

➤ *“If this business were split up, I would give you the land and bricks and mortar, and I would take the brands and trade marks, and I would fare better than you.”*

*(John Stuart, Chairman of Quaker, 1900)*



## Public relations

### Possible PR methods

- Event sponsorship
- Prizes at events
- Press releases
- Announcements
- Lobbying
- CSR

### Possible PR targets

- Employees
- Shareholders
- Suppliers
- Customers
- General public
- Governments
- Financial markets

# MsM Romania – MBA Master Class




## MBA Master Class

### "Organizations in the Uncertainty Era"

**Thursday,  
November 17, 2011  
18:30 – 21:30**

**Adrian STANCIU**  
Managing Partner, Human Synergistics Romania  
Adjunct Professor of Management, MSM Romania



#### Schedule:

18.30 – 19.00 – Registration  
19.00 – 21.00 – Adrian Stanciu  
21.00 – 21.30 – Networking

**"I'M SCREWED!"** – a friend said to me a while ago – **"I am on the 4th budget this year and it's only February."** By the end of the year he had made 22. Of course, you would say, the man is very close to Einstein's definition of insanity. But is he the only one? Are we not just as guilty? Don't we live in a new era but continue to behave, to educate our children and run our businesses by the same rules that have brought us success in the past?

One of the maxims that helped me most in my management career was that "what brought you this far will not lead you there." For every step that you make in your career the paradigm in which you work, the role you fulfill, the criteria for success, all are changing radically. But while this is happening again and again, people continue to do in the new world exactly what brought them success in the old... and that in spite of evidence that it does not work anymore. We DO have reason for this, a strong reason in fact, since we are genetically programmed to react like this.

But how does this new world look? The most important and fundamentally different feature of it is the uncertainty. I asked a customer 3 years ago what is it that he knows for sure? On what can he base his strategy? What he said was that everything he knew for sure is that he knew nothing for sure. That's the new world. It's so different that it scares us, but it actually has a sense to its approach and its rules. It is just that they are different. And our way of thinking and approach to reality has not only left us unprepared for it, but on the contrary, we have been conditioned to react inappropriately.

In this conference we will discuss how we think, make decisions and react, how reflexes that have provided individual and collective survival for millions of years are now working against us, about what this means for our organizations and how we can rethink our patterns of action for a world where the only certainty is uncertainty.

One of Romania's most sought after experts in organizational behavior and change management, Adrian was also a founding member of Ascendis Consulting, the largest Romania organizational development consulting firm in Romania. In addition, he is a partner of the Erudio association, an organization dedicated to bringing creativity in the field of leadership. Adrian Stanciu's career has included senior positions as Managing Director of Xerox Romania, and general manager of Arexim, a Romanian IT integrator company. In the management development field, he has developed and delivered numerous Executive Training Programs to customers of various sizes and of various industries, such as IBM, Orange, Raiffeisen Bank, and Allianz.

#### This event will take place at:

**Putul lui Zamfir 36, 4th Floor, Bucharest, Romania**

This event is free of charge and open to the public, but space is limited.  
We ask you to reserve a space by sending an email to [event@msmro.org](mailto:event@msmro.org)

[www.mbamasterclass.org](http://www.mbamasterclass.org)

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**Big people  
share big  
experiences!**

Challenge yourself with  
an **Executive MBA!**  
Apply now for **May 2011.**

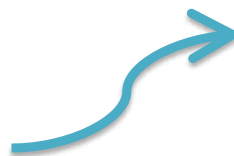
Foreign and Romanian teachers with  
192 years of cumulated work experience  
in the field that they are teaching are here to  
give you a 360 degrees view on the business  
environment.

Networking is included.

→ Paul Garrison  
Experience: 31 years  
Companies: Procter & Gamble, Coca-Cola  
Course: Strategic Marketing and The Evolving Consumer

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Course: Leading Change in Multinationals

## Social media - relevance

- It's where the content is/gets shared and content is everything online
- It's where most people will be in the very near future if not already today (and that includes your clients and their families)
- Is where conversations happen and conversations have become essential for marketing and brand promotion
- Is kind to early adopters and complicated to late bloomers
- **It is huge**



Oliver
Home

Question or request?

We expect to reply within:

KLM

Travel/Leisure

Book Now

Liked

Share

Timeline

About

Photos

Book A Trip

More

PEOPLE

9,107,848 likes

Cristina Renert, Oana Molodoi and 28 others like this.

+25

Invite your friends to like this Page

ABOUT

Welcome to the official facebook page of KLM Royal Dutch Airlines! While we keep you updated, we are at your service 24/7 in 14 languages. @klmairlines

Post

Photo / Video

Write something on this Page...

KLM

Yesterday at 3:00pm · Edited ·

A vibrant urban centre in the heart of the wilderness. Sounds tempting, right?

Recent

2015

2014

2013

2012

2011

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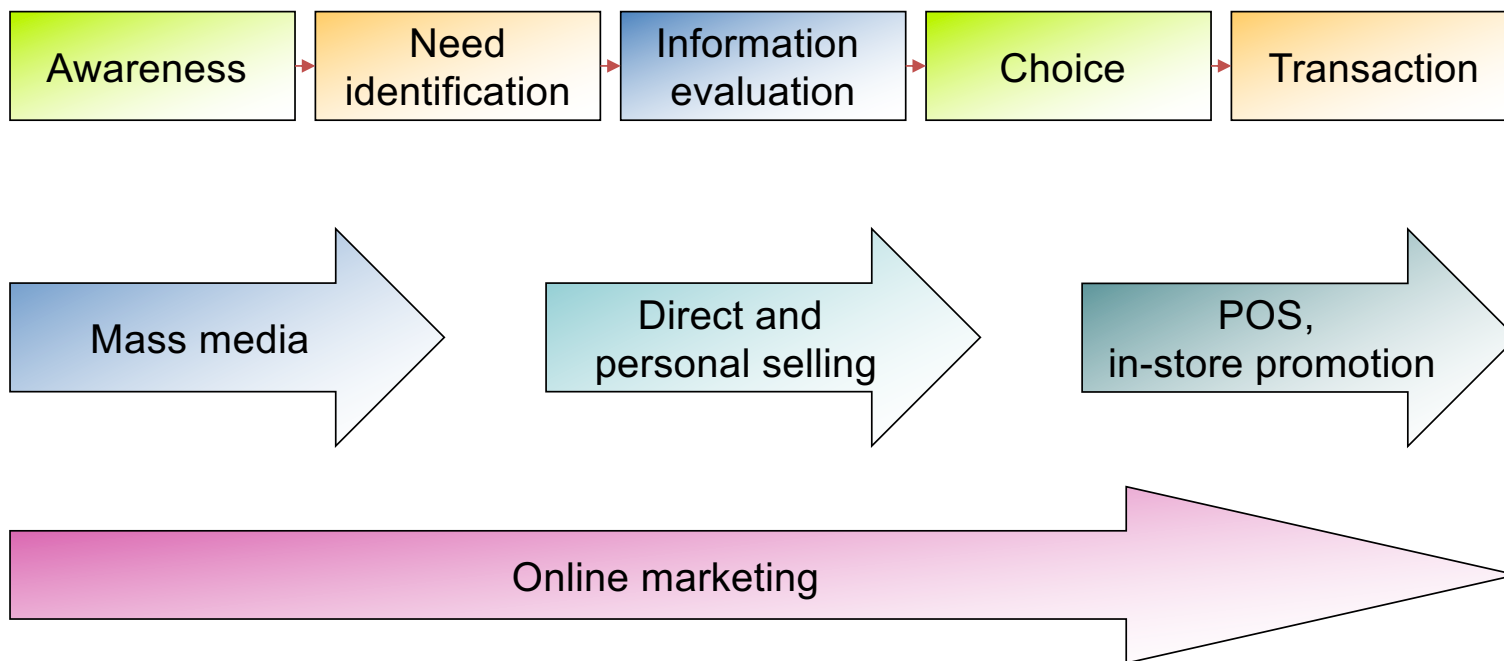
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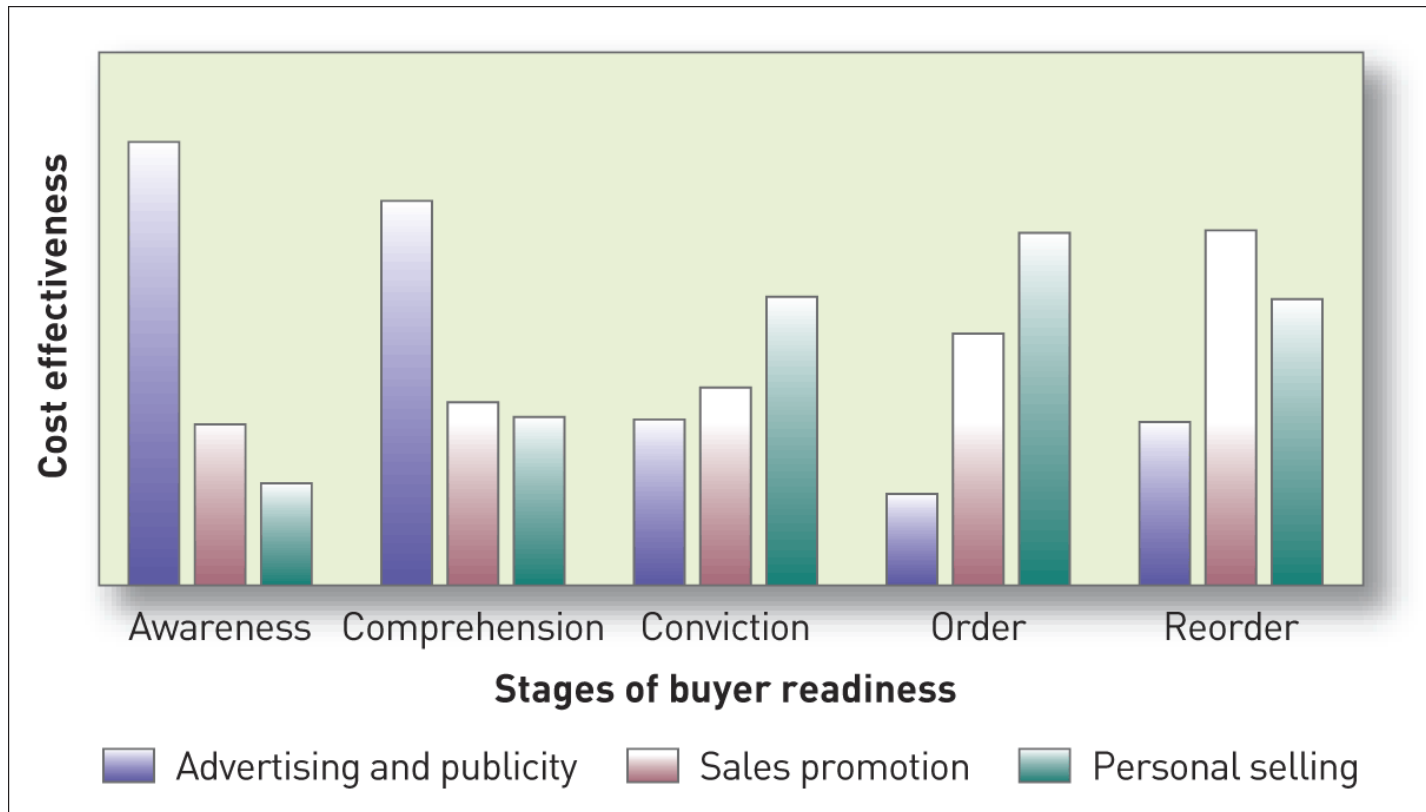
1934

38

## BUYING PROCESS OF CUSTOMERS TRADITIONAL VS. ONLINE



# Cost effectiveness by buyer readiness stage



MSM

# obsessed WITH facebook

AS OF 2011, THERE ARE 500,000,000 ACTIVE FACEBOOK USERS.  
**APPROX. 1 IN EVERY 13 PEOPLE ON EARTH ARE ACTIVE.**  
HALF OF THEM ARE LOGGED IN ON ANY GIVEN DAY.

**48% OF 18 TO 34 YEAR OLDS  
CHECK FACEBOOK  
RIGHT WHEN THEY WAKE UP...**

ABOUT 28% CHECK THEIR FACEBOOK  
**ON THEIR SMART PHONES  
BEFORE GETTING OUT OF BED.**



UPDATED  
2.45 billion  
(Oct. 2019)\*

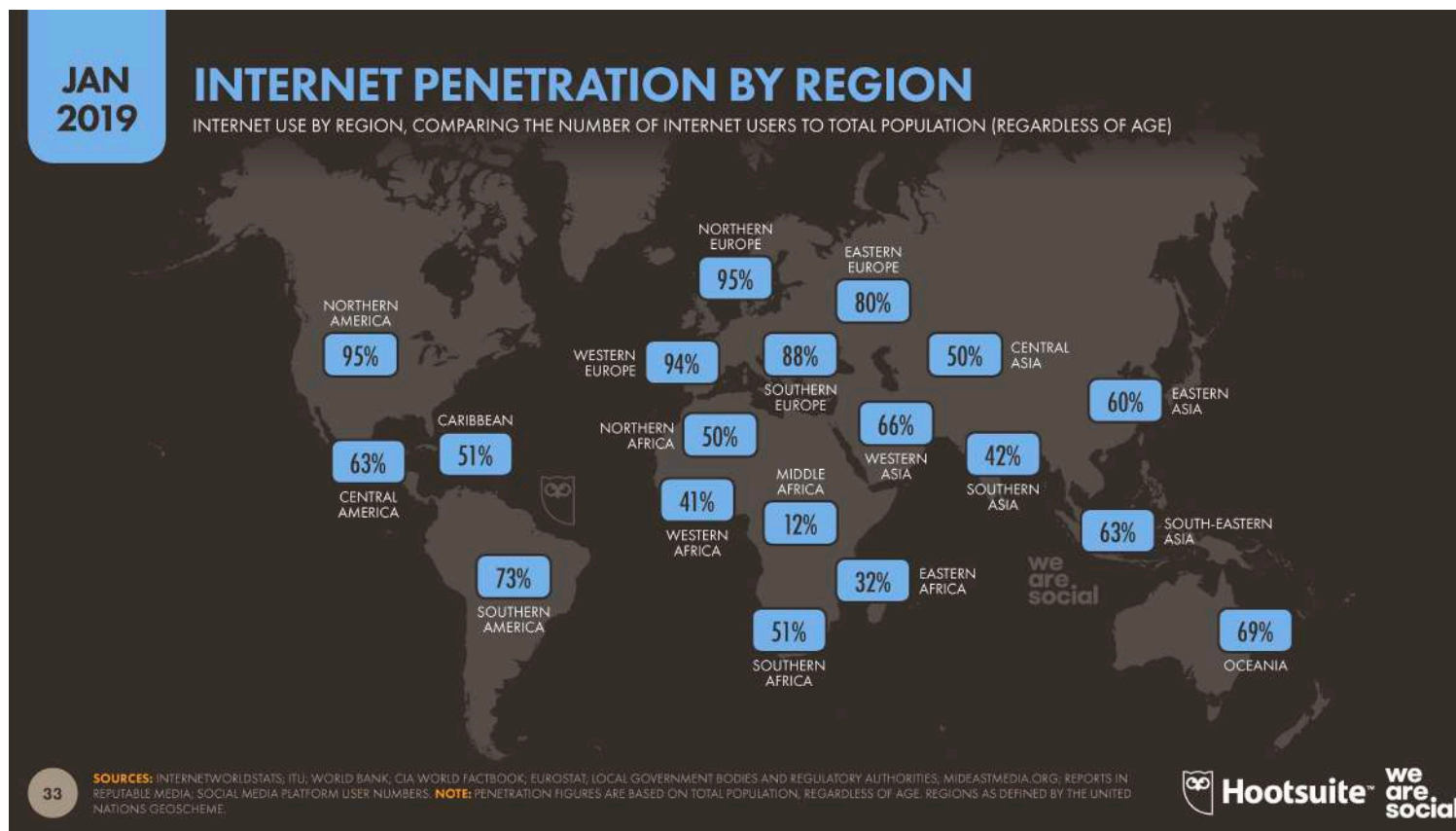
Working together

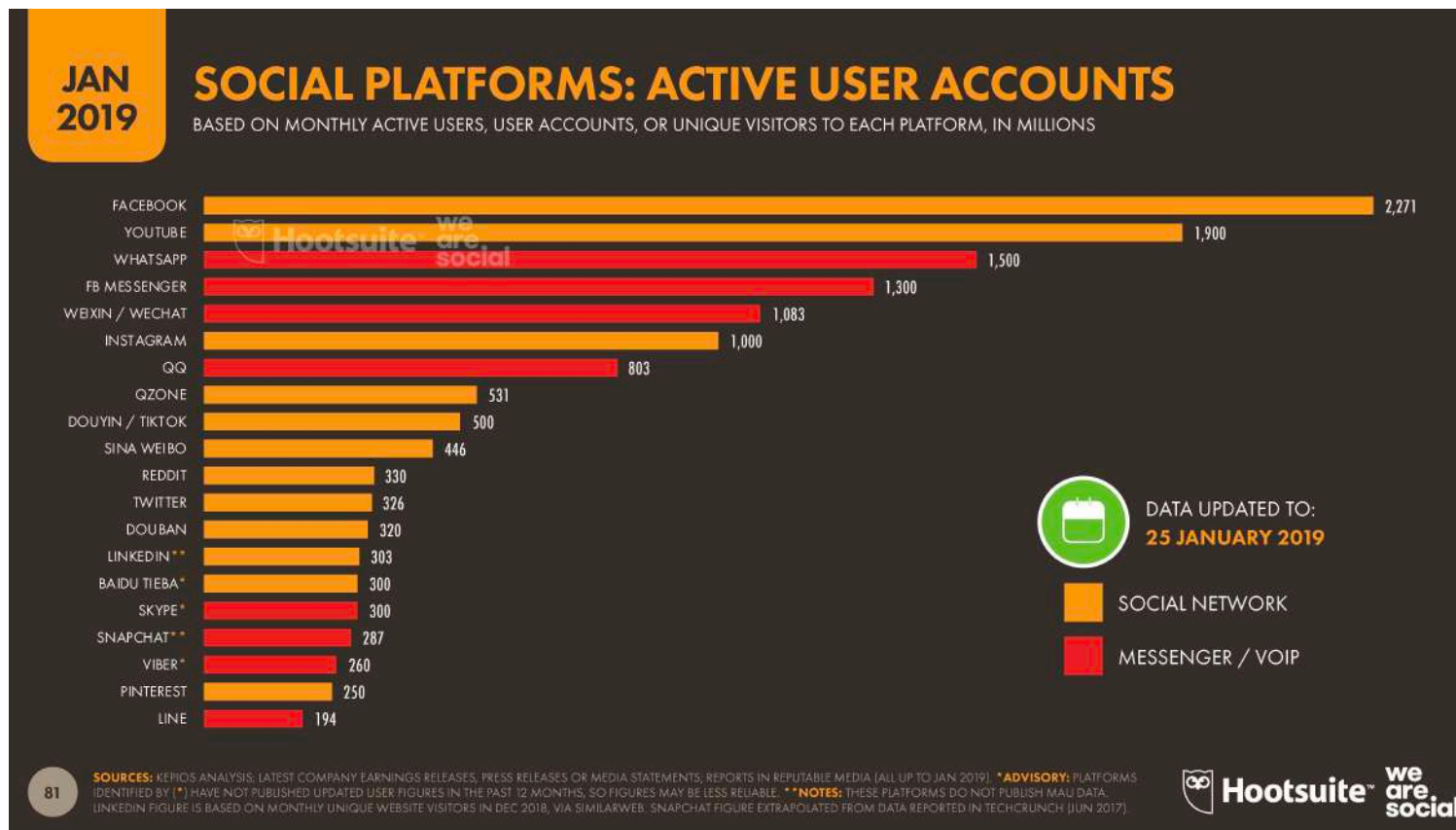
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<https://www.statista.com/statistics/264810/number-of-monthly-active-facebook-users-worldwide/>







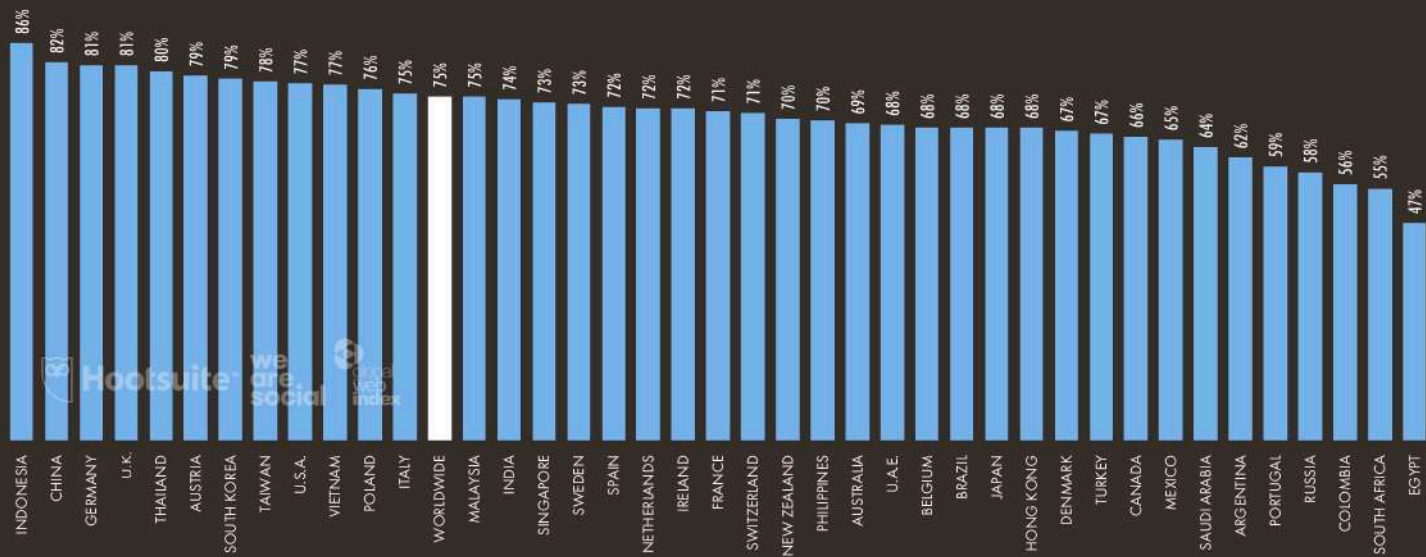




JAN  
2019

## E-COMMERCE USE AMONGST INTERNET USERS

PERCENTAGE OF INTERNET USERS WHO BOUGHT SOMETHING ONLINE VIA ANY DEVICE IN THE PAST MONTH [SURVEY-BASED]



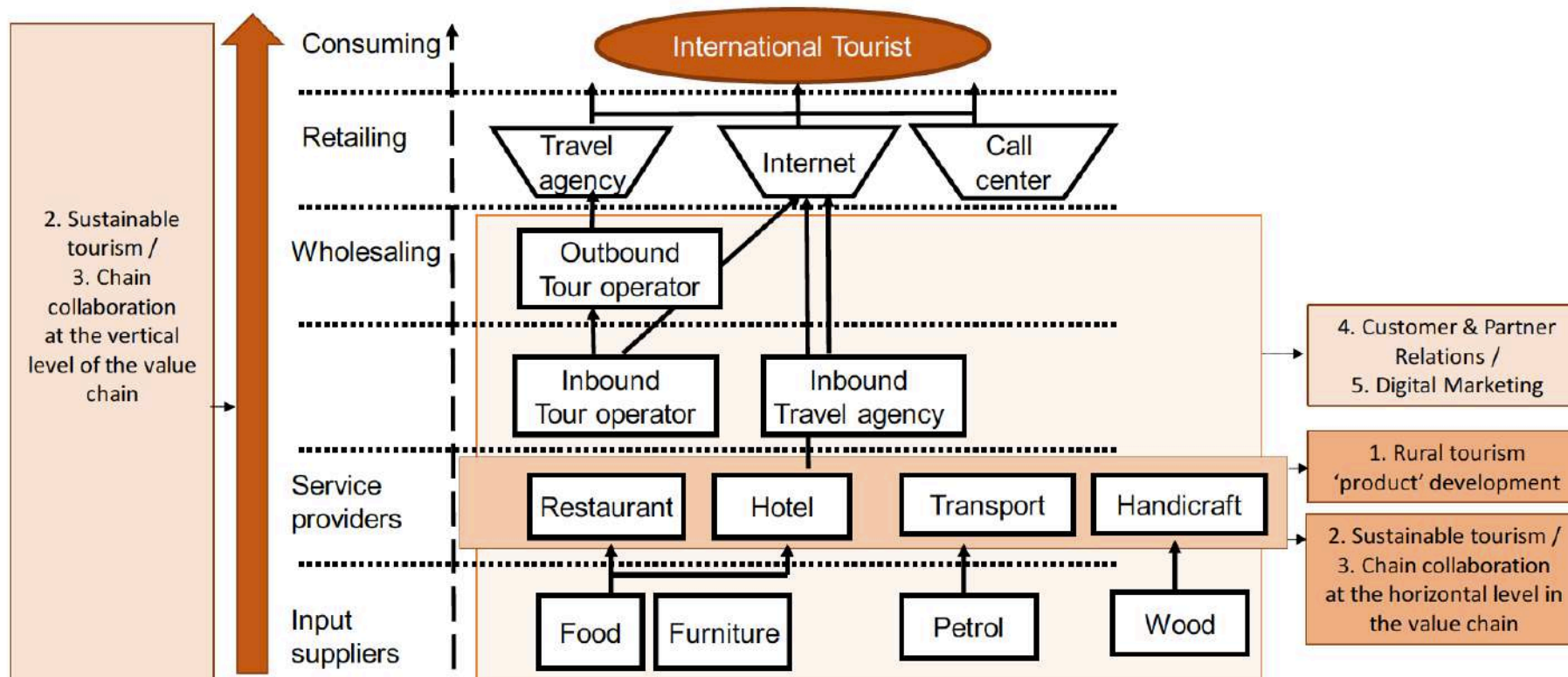
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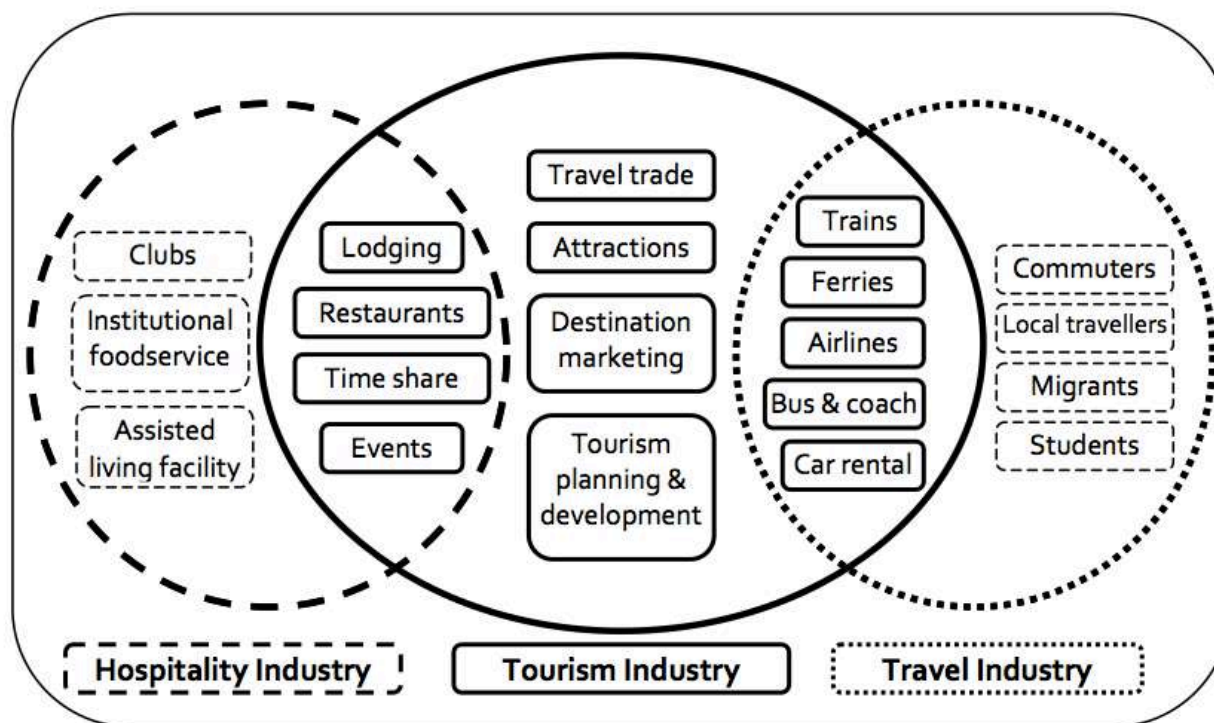
SOURCE: GLOBALWEBINDEX (Q2 &amp; Q3 2018); KEPIOS ANALYSIS. BASED ON A SURVEY OF INTERNET USERS AGED 16-64.



# Tourism Sector Supply Chain

# Global Tourism Value Chain





**Figure 2: The relationship between the tourism, hospitality and travel industries.**

Source: Adapted from Pizam (2009).



# Coopetition



- A tourism destination may be seen as a series of action areas where institutions provide governance arrangements that support collaboration and competition at the same time.
- ...[S]takeholders in a tourism destination cooperate in achieving mutual goals and, at the same time, compete with each other to obtain individual benefits (Bengtsson and Kock 2000; Zineldin 2004)

Damayanti, Maya & Scott, Noel & Ruhanen, Lisa. (2019). Coopetition for Tourism Destination Policy and Governance: The Century of Local Power?: Innovation and Sustainability. 10.1007/978-3-319-89941-1\_15.

# Travel Cards as Coopetition



<https://www.budapestinfo.hu/places-of-acceptance-2?year=2019>

## Another strategy: Collaborative marketing organizations



The Trail is a partnership of 9 whisky destinations (like distilleries) all of them based in the heart of malt whisky country in Speyside, Scotland.

<http://maltwhiskytrail.com/>

Martin, A. & McBoyle, G. (2006). Scotland's malt whisky trail: Management issues in a public-private tourism marketing partnership, *International Journal of Wine Marketing*, 18(2), 98-111.



## **What makes some wineries more successful in tourism than others?**

- The way they organize their tasting? Informal standing and tasting vs. sit-down tastings (and what is the effect on their direct sales)?
- Whether they offer guided tours of their vineyards?
- Whether tourists meet the winemakers who is passionate about product or general sales person?
- Whether they also pair wine with food?
- The price they ask for the tour?
- Whether they collaborate with inbound tour operator?

Having a restaurant or café	
Employing staff who are knowledgeable about wines	
Providing education and interpretation for visitors	
Providing winery tours for visitors	
Accommodating large tour groups	
Having the correct accreditation (i.e.cellar door standards)	
Producing and selling organic wines	
Retailing both wine and other products	
Providing wine appreciation opportunities	
Hosting special events and functions	
Having overnight accommodation on site	
Having an attractive, well-designed winery	
Good signposting	
Friendly, service-oriented staff	

## Performance of wineries

(See for other factors - Kirkman, Strydom & Van Zyl (2013), *Southern African Business Review*, p. 107)

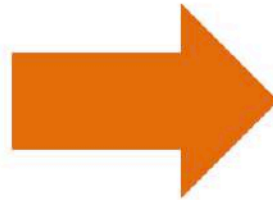
**In Georgia:**

- Wine tasting
- Cheese tasting
- BBQ
- Churchkhela making master class
- Chacha distillation
- Bread baking
- Khinkali preparation
- Restaurant/Dinner/Lunch
- Family hotels
- Tour
- Souvenirs

Sharing best practices could be relevant as some Georgian wineries do not offer additional services

## Tourist profile to Georgian/Armenian wineries

- Russia
- Poland
- Ukraine
- Germany
- USA
- France
- Italy



- Motivations?
- Average spending at winery?
- Tourist satisfaction after tour? → Destination loyalty?

Thus: more research on tourist profile is needed!



## Tourist Profile

**Table 4**

Importance of winery and general regional attributes to visiting a wine region.

---

### **Winery attributes**

Good customer service

Winery staff are knowledgeable about wine

Variety of wines

Winery with a history/story

Appealing website

Car parking (ample spaces/close to entrance/well paved or sealed)

Special pricing or events for wine club

Food pairings or cooking classes offered

### **Regional attributes**

The wine region is close to my home

There are a large number of wineries to visit in the immediate area

Fine dining and gourmet restaurants

Wineries in the region have good signage

Moderately priced accommodations

A wide range of regional attractions

Specialty shops or markets selling local farm products

Local arts and crafts for sale

Vacation packages are offered to the region

A wide range of activities for children

---

(Byrd, Canziani, Hsieh & Debbage, 2016, *Tourism Management*, p. 22)

# Comparing the service experience of satisfied and non-satisfied customers in the context of wine tasting rooms using the SERVQUAL model

Matti Haverila

International Journal of Wine  
Business Research

© Emerald Publishing Limited

1751-1062

DOI [10.1108/IJWBR-12-2018-0070](https://doi.org/10.1108/IJWBR-12-2018-0070)



Article

# Rural Tourism in Georgia in Transition: Challenges for Regional Sustainability

Lela Khartishvili <sup>1,2,\*</sup>, Andreas Muhar <sup>1</sup> , Thomas Dax <sup>3</sup>  and Ioseb Khelashvili <sup>2</sup>

<sup>1</sup> Institute of Landscape Development, Recreation and Cultural Resources and Life Sciences Vienna. Peter Jordan-Str. 82

<sup>2</sup> Tourism Hospitality Management Department, Faculty of Business Administration, Tbilisi State University. University Str., 0186 Tbilisi, Georgia

<sup>3</sup> Federal Institute for Less-Favoured and Mountainous Areas, Vienna, Austria; thomas.dax@berggebiete.at

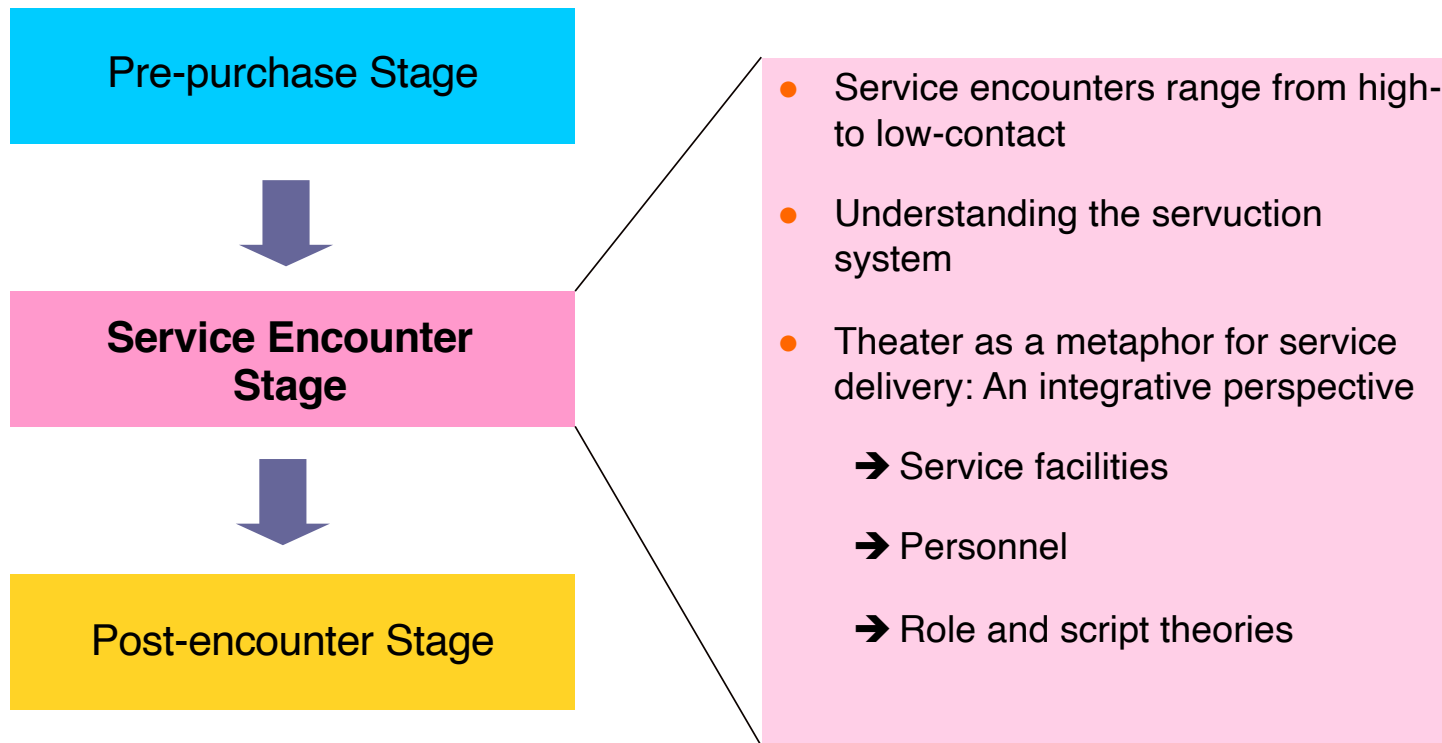
\* Correspondence: lela.khartishvili@boku.ac.at; Tel.: +43-676-512521

According to interviews with tourists in the Kazbegi region, despite their overall satisfaction, they emphasize **the importance of more quality-oriented services and diversity in the traditional dishes at cafes and small restaurants instead of Greek salad**. Travelers in pristine mountain areas are looking for specific products from the area and are even ready to pay high prices for them. (p. 16).



# Service Encounter Stage

# Service Encounter Stage - Overview



## Service Encounter Stage

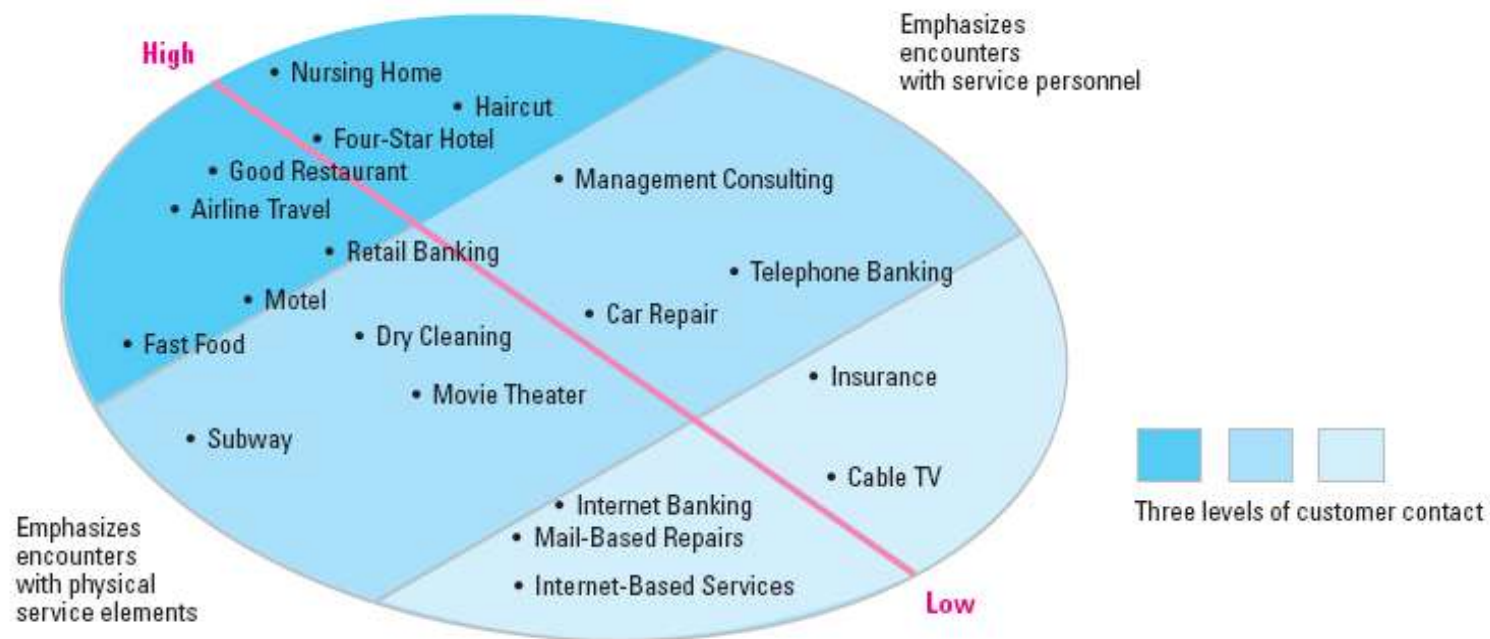
- Service encounter – a period of time during which a customer interacts directly with the service provider
  - Might be brief or extend over a period of time (e.g., a phone call or visit to the hospital)
- Models and frameworks:
  1. “Moments of Truth” – importance of managing touchpoints
  2. High/low contact model – extent and nature of contact points
  3. Servuction model – variations of interactions
  4. Theater metaphor – “staging” service performances

## Moments of Truth

“[W]e could say that the perceived quality is realized at the moment of truth, when the service provider and the service customer confront one another in the arena. At that moment they are very much on their own... It is the skill, the motivation, and the tools employed by the firm’s representative and the expectations and behavior of the client which together will create the service delivery process.”

**Richard Normann**

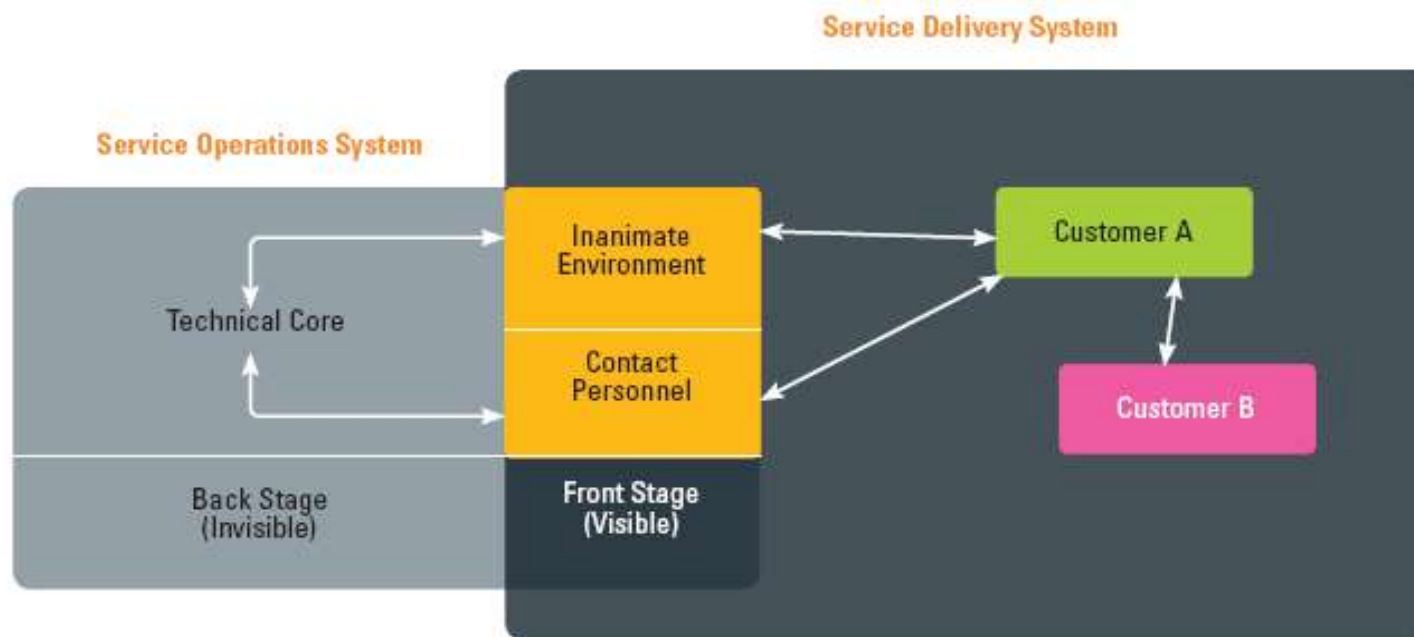
# Service Encounters Range from High-Contact to Low-Contact



## Distinctions between High-Contact and Low-Contact Services

- High-Contact Services
    - Customers visit service facility and remain throughout service delivery
    - Active contact
    - Includes most people-processing services
  - Low-Contact Services
    - Little or no physical contact
    - Contact usually at arm's length
- through electronic or physical distribution channels
- Facilitated by new technologies

# The Servuction System

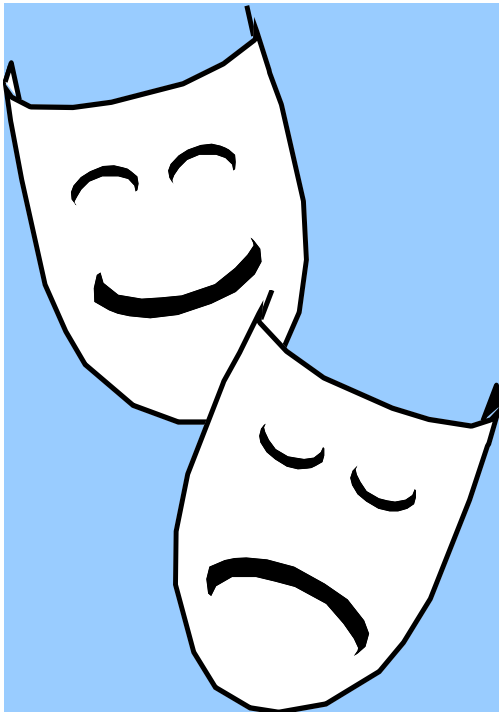




# The Servuction System: Service Production and Delivery

- ***Servuction*** System: visible front stage and invisible backstage
- Service Operations
  - Technical core where inputs are processed and service elements created
  - Contact people
  - Inanimate environment
- Service Delivery
  - Where “final assembly” of service elements takes place and service is delivered
  - Includes customer interactions with operations and other customers

# Theater as a Metaphor for Service Delivery



“All the world’s a stage and all the men and women merely players. They have their exits and their entrances and each man in his time plays many parts.”

**William Shakespeare**  
**As You Like It**

# Theatrical Metaphor: an Integrative Perspective

Good metaphor as service delivery is a series of events that customers experience as a performance

## Service facilities

- Stage on which drama unfolds
- This may change from one act to another

## Personnel

- Front stage personnel are like members of a cast
- Backstage personnel are support production team

## Roles

- Like actors, employees have roles to play and behave in specific ways

## Scripts

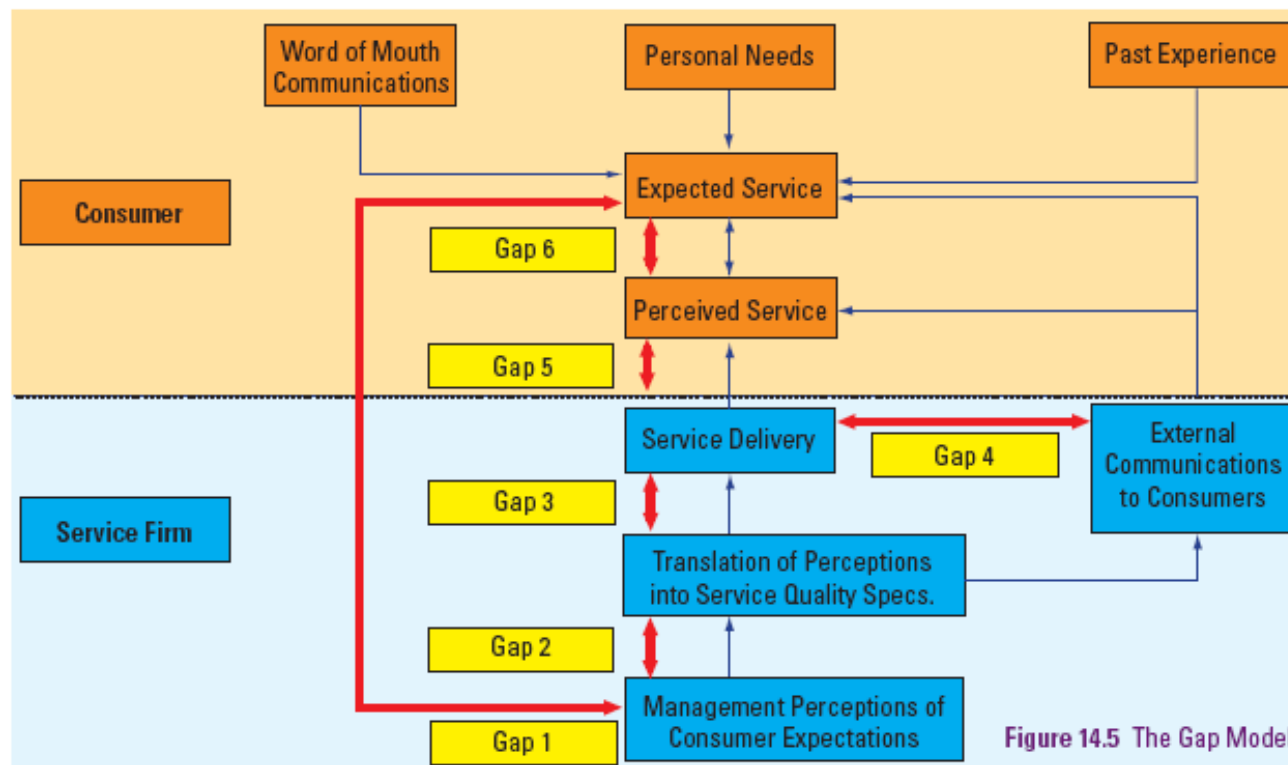
- Specifies the sequences of behavior for customers and employees

# Implications of Customer Participation in Service Delivery

- Greater need for information/training
  - Help customers to perform well, get desired results
- Customers should be given a **realistic service preview** in advance of service delivery
  - This allows them to have a clear idea of their expected role and their script in this whole experience
  - Manages expectations and emotions

# The Gaps Model

# Six Service Quality Gaps



**SOURCE**

Adapted from the original 5-gaps model developed by Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing* 49, (Fall), pp. 41–50; Zeithaml, V. A., Bitner, M. J., & Gremler, D. (2006). *Services Marketing: Integrating Customer Focus Across the Firm* (p. 46.). NY: McGraw Hill/Irwin. A further gap (Gap 5) was added by Christopher Lovelock (1994), *Product Plus* (p. 112). NY: McGraw Hill.



# Suggestions for Closing the Six Service Quality Gaps

Types of Quality Gap	Proposed Solutions
<b>Gap 1—The Knowledge Gap</b>	<p><i>Educate Management About What Customers Expect</i></p> <ul style="list-style-type: none"> <li>Sharpen market research procedures, including questionnaire and interview design, sampling, and field implementation, and repeat research studies once in a while</li> <li>Implement an effective customer feedback system that includes satisfaction research, complaint content analysis and customer panels</li> <li>Increase interactions between customers and management</li> <li>Facilitate and encourage communication between front-line employees and management</li> </ul>
<b>Gap 2—The Policy Gap</b>	<p><i>Establish the Right Service Processes and Specify Standards</i></p> <ul style="list-style-type: none"> <li>Get the customer service processes right: <ul style="list-style-type: none"> <li>Use a rigorous, systematic, and customer-centric process for designing and redesigning customer service processes.</li> <li>Standardize repetitive work tasks to ensure consistency and reliability by substituting hard technology for human contact and improving work methods (soft technology).</li> </ul> </li> <li>Develop tiered service products that meet customer expectations: <ul style="list-style-type: none"> <li>Consider premium, standard and economy-level products to allow customers to self-segment according to their needs, or</li> <li>Offer customers different levels of service at different prices</li> </ul> </li> <li>Set, communicate and reinforce measurable customer-oriented service standards for all work units: <ul style="list-style-type: none"> <li>Establish for each step in service delivery a set of clear service quality goals that are challenging, realistic and explicitly designed to meet customer expectations.</li> <li>Ensure that employees understand and accept goals, standards, and priorities</li> </ul> </li> </ul>

# Suggestions for Closing the Six Service Quality Gaps

Types of Quality Gap	Proposed Solutions
Gap 3—The Delivery Gap	<p><i>Ensure that Performance Meets Standards and that Customers Understand the Quality Level Delivered</i></p> <ul style="list-style-type: none"> <li>• Ensure that customer service teams are motivated and able to meet service standards: <ul style="list-style-type: none"> <li>○ Improve recruitment with a focus on employee-job fit; select employees for the abilities and skills needed to perform their job well.</li> <li>○ Train employees on the technical and soft skills needed to perform their assigned tasks effectively, including interpersonal skills, especially for dealing with customers under stressful conditions.</li> <li>○ Clarify employee roles and ensure that employees understand how their jobs contribute to customer satisfaction; teach them about customer expectations, perceptions and problems.</li> <li>○ Build cross-functional service teams that can offer customer-centric service delivery and problem resolution.</li> <li>○ Empower managers and employees in the field by pushing decision-making power down the organization.</li> <li>○ Measure performance; provide regular feedback and reward customer service team performance as well as individual employees and managers on attaining quality goals.</li> </ul> </li> <li>• Install the right technology, equipment, support processes and capacity: <ul style="list-style-type: none"> <li>○ Select the most appropriate technologies and equipment for enhanced performance.</li> <li>○ Ensure that employees working on internal support jobs provide good service to their own internal customer, the front-line personnel.</li> <li>○ Balance demand against productive capacity.</li> </ul> </li> <li>• Manage customers for service quality: <ul style="list-style-type: none"> <li>○ Educate customers so that they can perform their roles and responsibilities in service delivery effectively.</li> </ul> </li> </ul>

# Suggestions for Closing the Six Service Quality Gaps

Types of Quality Gap	Suggest Solutions
Gap 4—The Communications Gap	<p><i>Close the Internal Communications Gap by ensuring that Communications Promises are Realistic and Correctly understood by Customers</i></p> <ul style="list-style-type: none"> <li>Educate managers responsible for sales and marketing communications about operational capabilities: <ul style="list-style-type: none"> <li>Seek inputs from front-line employees and operations personnel when new communications programs are being developed.</li> <li>Let service providers preview advertisements and other communications before customers are exposed to them.</li> <li>Get sales staff to involve operations staff in face-to-face meetings with customers.</li> <li>Develop internal educational and motivational advertising campaigns to strengthen understanding and integration among the marketing, operations, and human resource functions, and to standardize service delivery across different locations.</li> </ul> </li> <li>Ensure that communications content sets realistic customer expectations.</li> <li>Be specific with promises and manage customers' understanding of communication content: <ul style="list-style-type: none"> <li>Pretest all advertising, brochures, telephone scripts and web site content prior to external release to see if target audience interpret them as the firm intends (if not, revise and retest). Make sure that the advertising content reflects those service characteristics that are most important to customers. Let them know what is not possible and why.</li> <li>Identify and explain in real time the reasons for shortcomings in service performance, highlighting those that cannot be controlled by the firm.</li> <li>Document beforehand the tasks and performance guarantees that are included in an agreement or contract. After the completion of the work, explain what work was performed in relation to a specific billing statement.</li> </ul> </li> </ul>

## Suggestions for Closing the Six Service Quality Gaps

Types of Quality Gap	Suggest Solutions
<b>Gap 5—The Perception Gap</b>	<p><i>Tangibilize and Communicate the Service Quality Delivered</i></p> <ul style="list-style-type: none"> <li>• Make service quality tangible and communicate the service quality delivered: <ul style="list-style-type: none"> <li>○ Develop service environments and physical evidence cues that are consistent with the level of service provided.</li> <li>○ For complex and credence services, keep customers informed during service delivery on what is being done, and give briefings after the delivery so that customers can appreciate the quality of service they received.</li> <li>○ Provide physical evidence (e.g. for repairs, show customers the damaged components that were removed).</li> </ul> </li> </ul>
<b>Gap 6—The Service Gap</b>	<p>Close Gaps 1 to 5 to consistently meet Customer Expectations</p> <p>Gap 6 is the accumulated outcome of all the preceding gaps. It will be closed when Gaps 1 to 5 have been addressed.</p>

# Six Service Quality Gaps

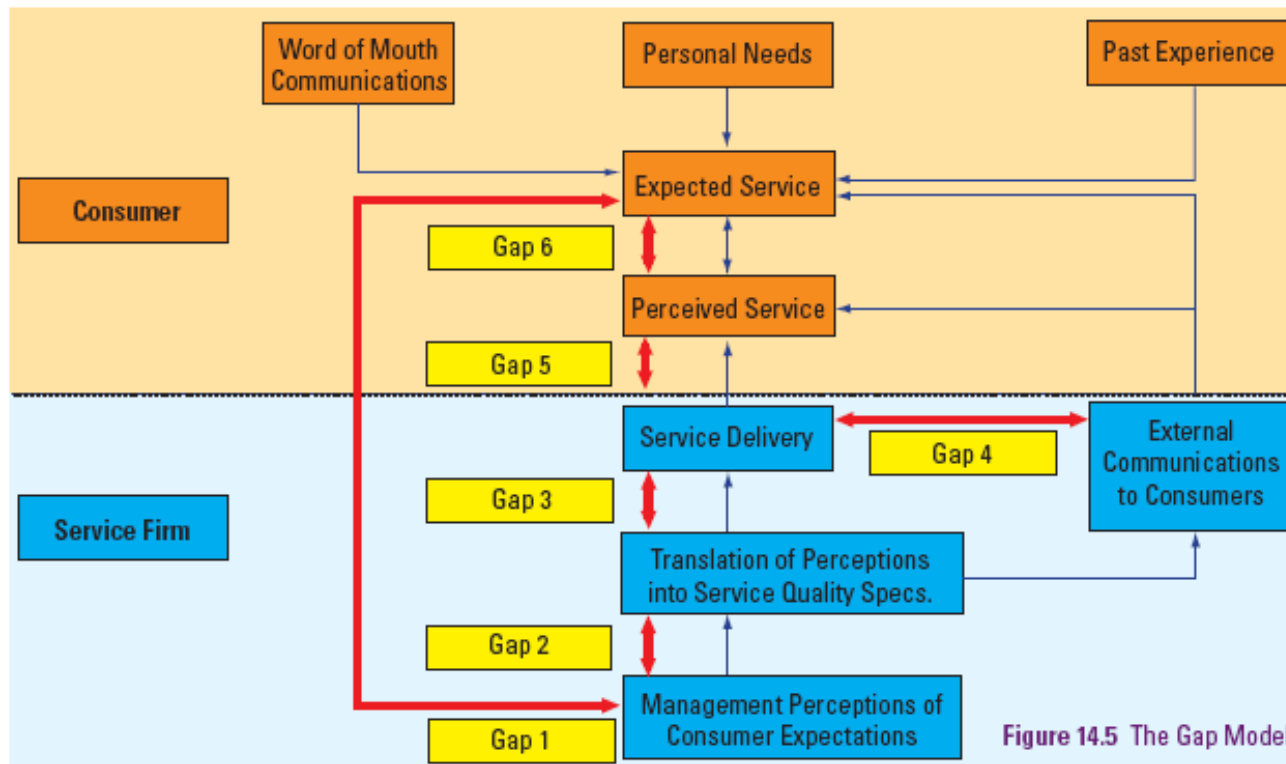


Figure 14.5 The Gap Model.

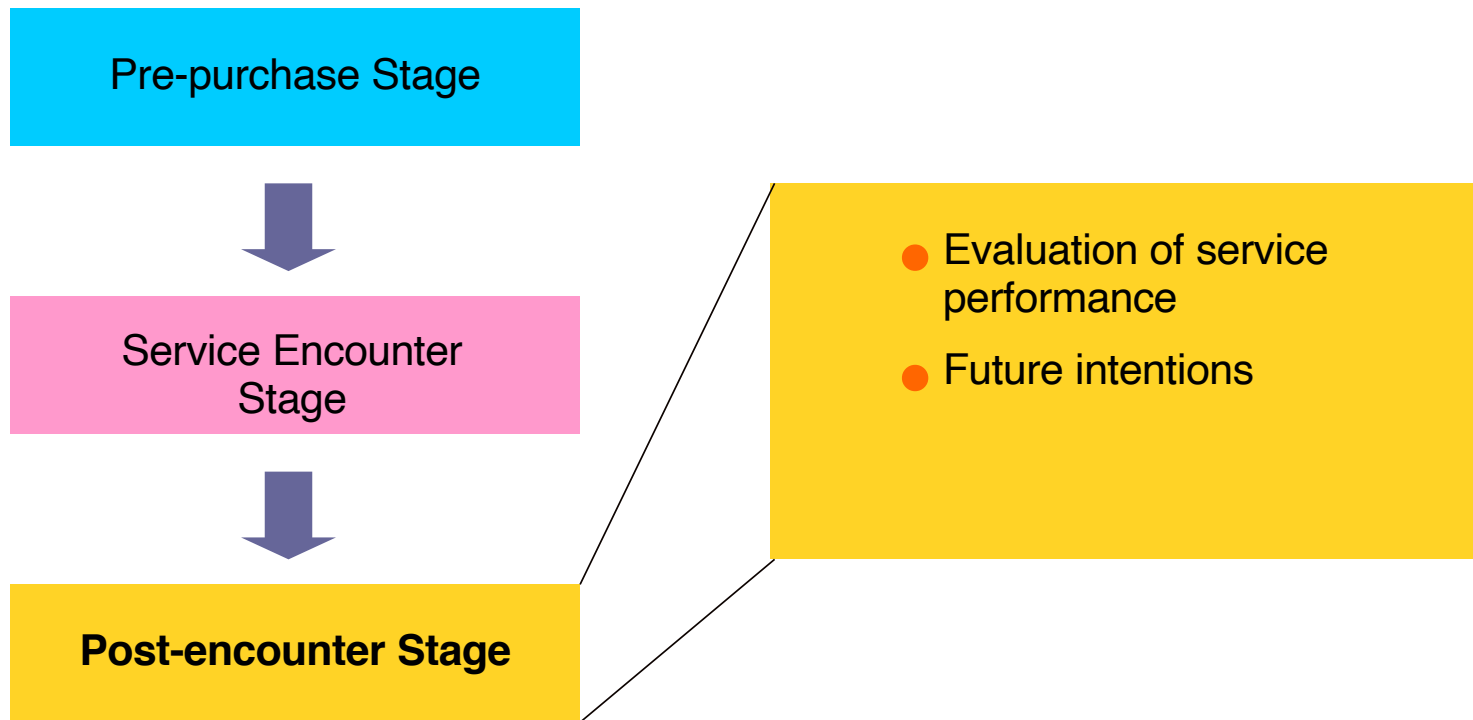
**SOURCE**

Adapted from the original 5-gaps model developed by Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing* 49, (Fall), pp. 41–50; Zeithaml, V. A., Bitner, M. J., & Gremler, D. (2006). *Services Marketing: Integrating Customer Focus Across the Firm* (p. 46.). NY: McGraw Hill/Irwin. A further gap (Gap 5) was added by Christopher Lovelock (1994), *Product Plus* (p. 112). NY: McGraw Hill.

# Post-Encounter Stage



# Post-purchase Stage - Overview



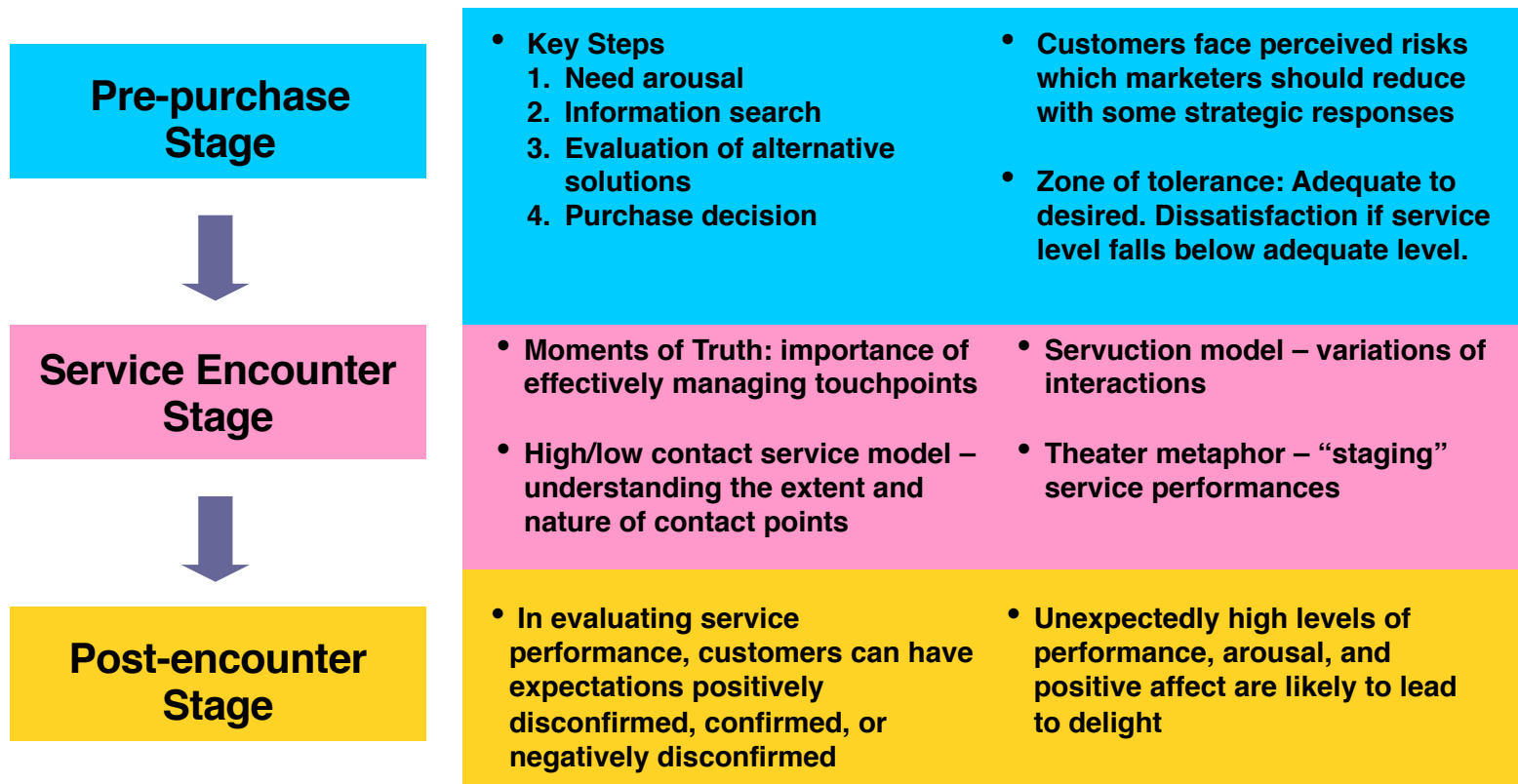
# Customer Satisfaction with Service Experience

- Satisfaction: **attitude-like judgment** following a service purchase or series of service interactions
  - Whereby customers have expectations prior to consumption, observe service performance, compare it to expectations
- Satisfaction judgments are based on this comparison
  - Positive disconfirmation (better)
  - Confirmation (same)
  - Negative disconfirmation (worse)

## Customer Delight: Going Beyond Satisfaction

- Research shows that delight is a function of three components
  - Unexpectedly high levels of performance
  - Arousal (e.g., surprise, excitement)
  - Positive affect (e.g., pleasure, joy, or happiness)
- Strategic links exist between customer satisfaction and corporate performance
  - By creating more value for customers (increased satisfaction), the firm creates more value for the owners

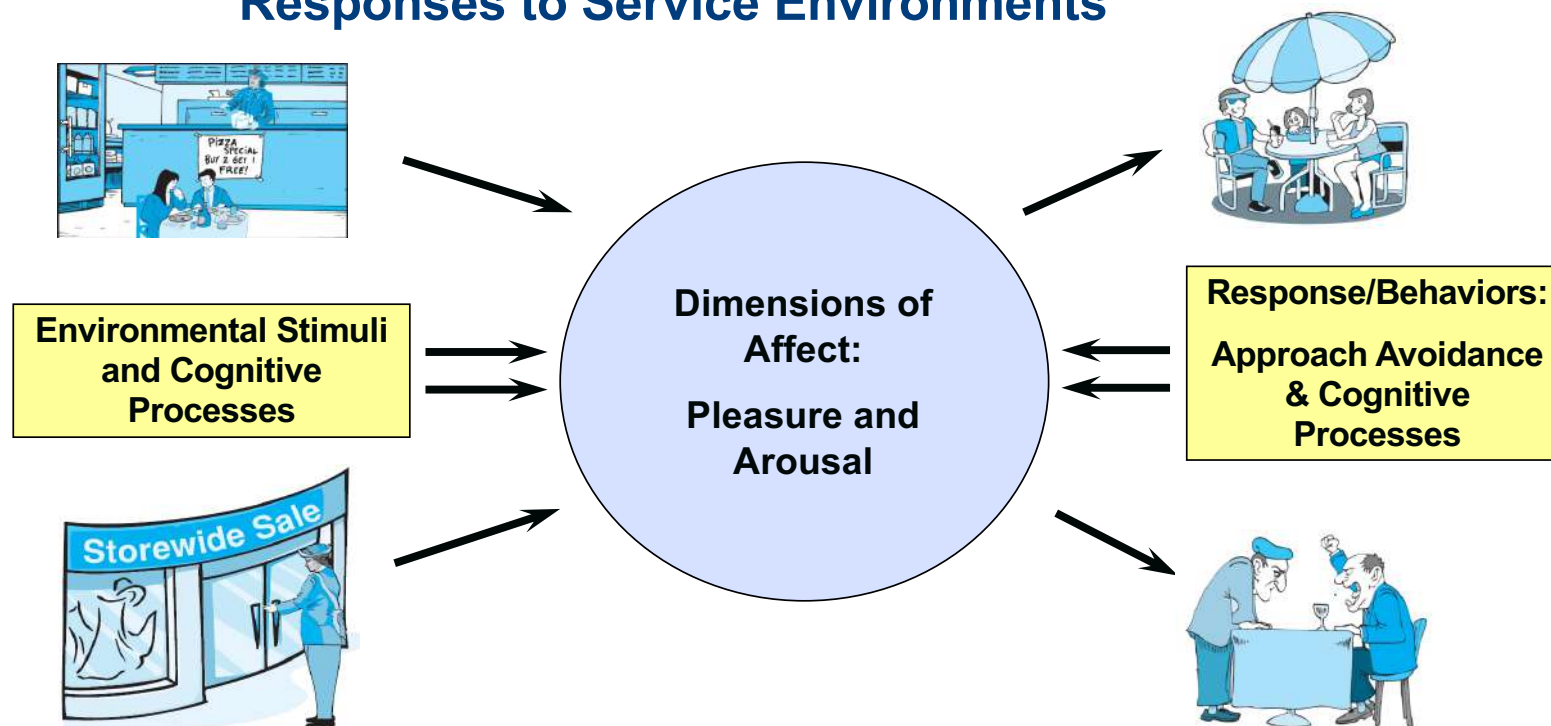
# Summary



# Understanding Consumer Responses to Service Environments

# The Mehrabian-Russell Stimulus-Response Model

## Feelings Are a Key Driver of Customer Responses to Service Environments





## Insights from Mehrabian-Russell Stimulus-Response Model

It is a simple yet fundamental model of how people respond to environments that illustrates:

- The environment, its conscious and unconscious perceptions, and interpretation influence how people feel in that environment
- Feelings, rather than perceptions/thoughts drive behavior
- Typical outcome variable is 'approach' or 'avoidance' of an environment, but other possible outcomes can be added to model

## Are your customers REALLY welcome?



# The Russell Model of Affect



## Insights from Russell's Model of Affect

- Emotional responses to environments can be described along two main dimensions:
  - Pleasure: subjective, depending on how much individual likes or dislikes environment
  - Arousal: how stimulated individual feels, depends largely on information rate or load of an environment
- Separates cognitive emotions from emotional dimensions
- Advantage: simple, direct approach to customers' feelings
  - Firms can set targets for affective states

## Drivers of Affect

- Caused by perceptions and cognitive processes of any degree of complexity
- Determines how people feel in a service setting
- If higher levels of cognitive processes are triggered, the interpretation of this process determines people's feelings
- The more complex a cognitive process becomes, the more powerful its potential impact on affect

## Behavioral Consequence of Affect

- Pleasant environments result in approach, whereas unpleasant ones result in avoidance
- Arousal amplifies the basic effect of pleasure on behavior
  - If environment is pleasant, increasing arousal can generate excitement, leading to a stronger positive consumer response
  - If environment is unpleasant, increasing arousal level will move customers into the “distressed” region
- Feelings during service encounters are an important driver of customer loyalty



# What is Service Quality?

## Different Perspectives of Service Quality

### Transcendent:

- Quality = Excellence. Recognized only through experience

### Manufacturing-based:

- Quality is in conformance to the firm's developed specifications

### User-based:

- Quality lies in the eyes of the beholder

### Value-based:

- Quality is a trade-off between price and value

# Dimensions of Service Quality

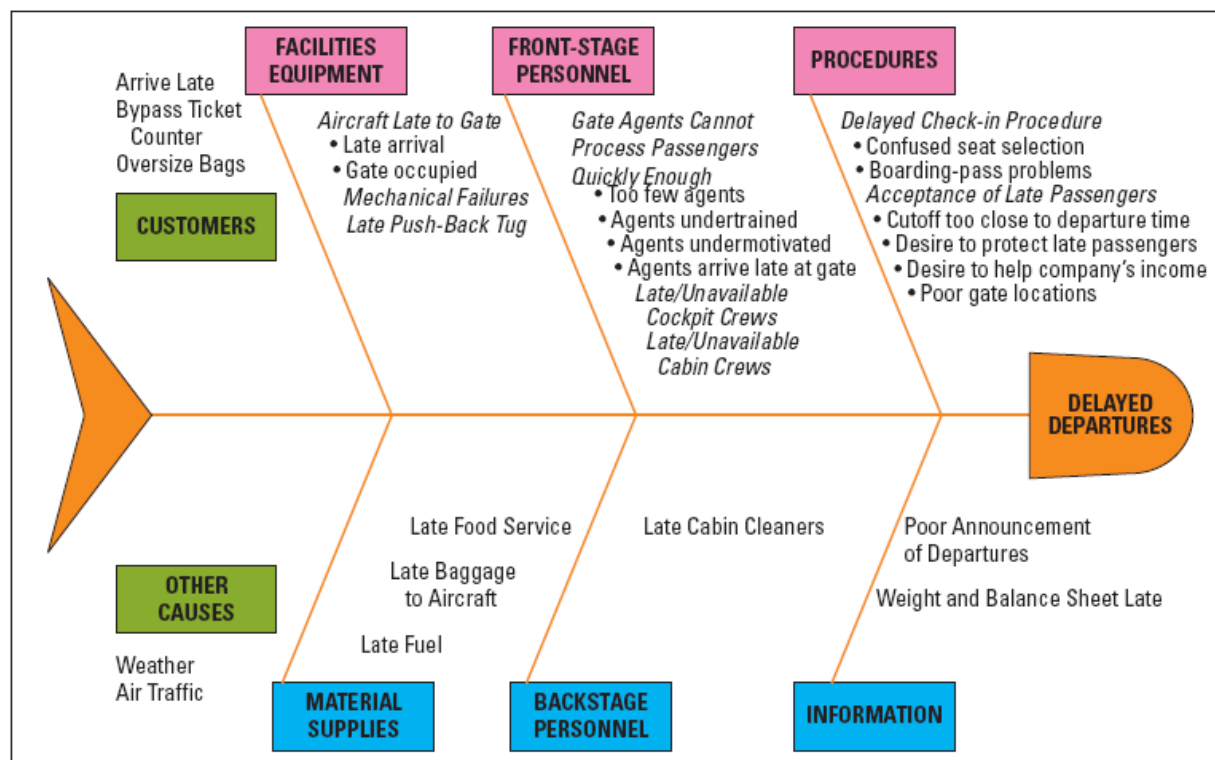


# Tools to Analyze and Address Service Quality Problems

## Tools to Analyze and Address Service Quality Problems

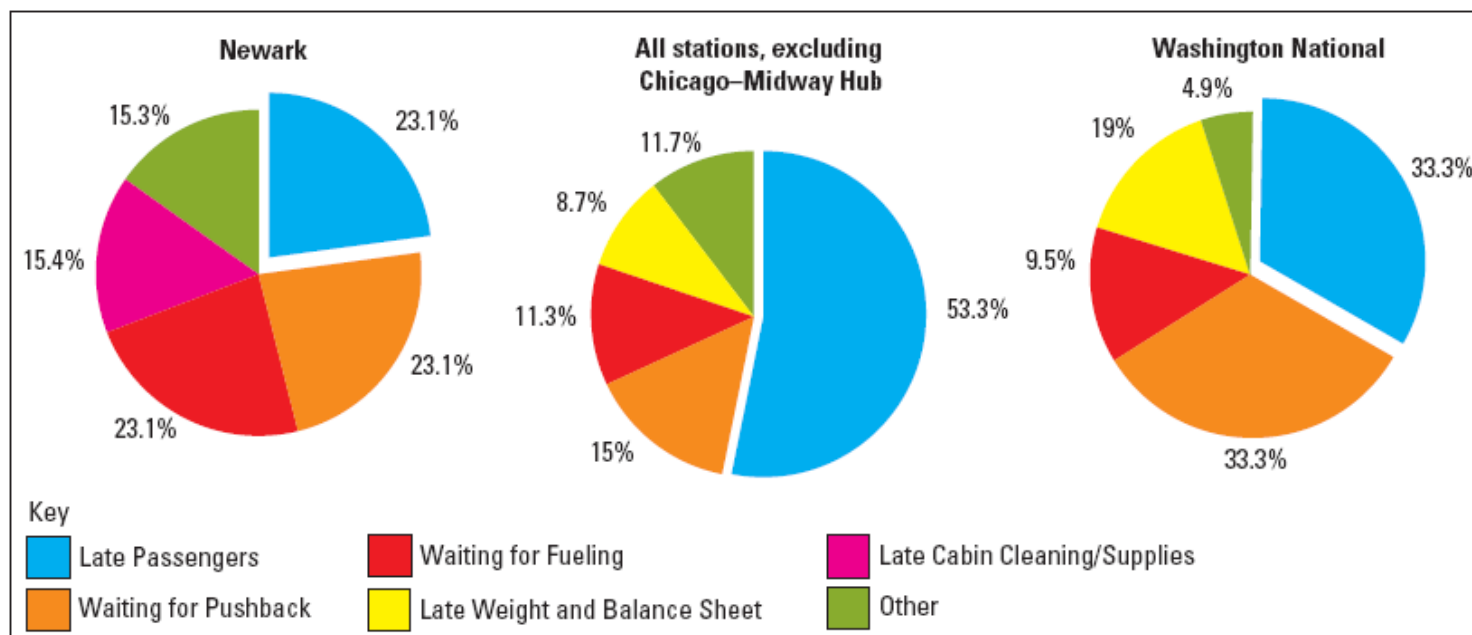
- Fishbone diagram
  - Cause-and-effect diagram to identify potential causes of problems
- Pareto Chart
  - Separating the trivial from the important. Often, a majority of problems are caused by a minority of causes (i.e., the 80/20 rule)
- Blueprinting
  - Visualization of service delivery, identifying points where failures are most likely to occur

# Cause-and-Effect Chart for Flight Departure Delays





# Analysis of Causes of Flight Departure Delays



# Blueprinting

- Depicts sequence of front-stage interactions experienced by customers plus supporting backstage activities
- Used to identify potential fail points
  - where failures are most likely to appear
- Shows how failures at one point can have a ripple effect
- Managers can identify points which need urgent attention
  - Important first step in preventing service quality problems