Lecture #14

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Performance

- How do we judge this?
  - Efficiency, Profitability, Perceived Value, etc.????
- Two ways to think about performance…
  - How does a customer judge the performance of our service process?
  - How do we judge the performance of our service process?
- Let's first consider the customer viewpoint…

Moment of Truth

- Each interaction with a customer – "a moment of truth" – we have one shot at this interaction.
- Either satisfy or dissatisfy the customer through the interaction.
- Service recovery: satisfying a previously dissatisfied customer and transforming them into a loyal customer.

Customer Perception & Satisfaction

- Quality
- Satisfaction
- Aesthetics - surroundings
- Customizability
- Convenience
  - Availability
  - Accessibility
- Robustness
  - Comprehensiveness
  - Adaptability
  - Flexibility

- Measures of Performance Specific to the Service Process - Features
  - Restaurant
    - Waiting time
    - Food taste
    - Food temperature
  - Insurance agency
    - Responsiveness to claims
    - Availability
  - CAD company
    - Processing time

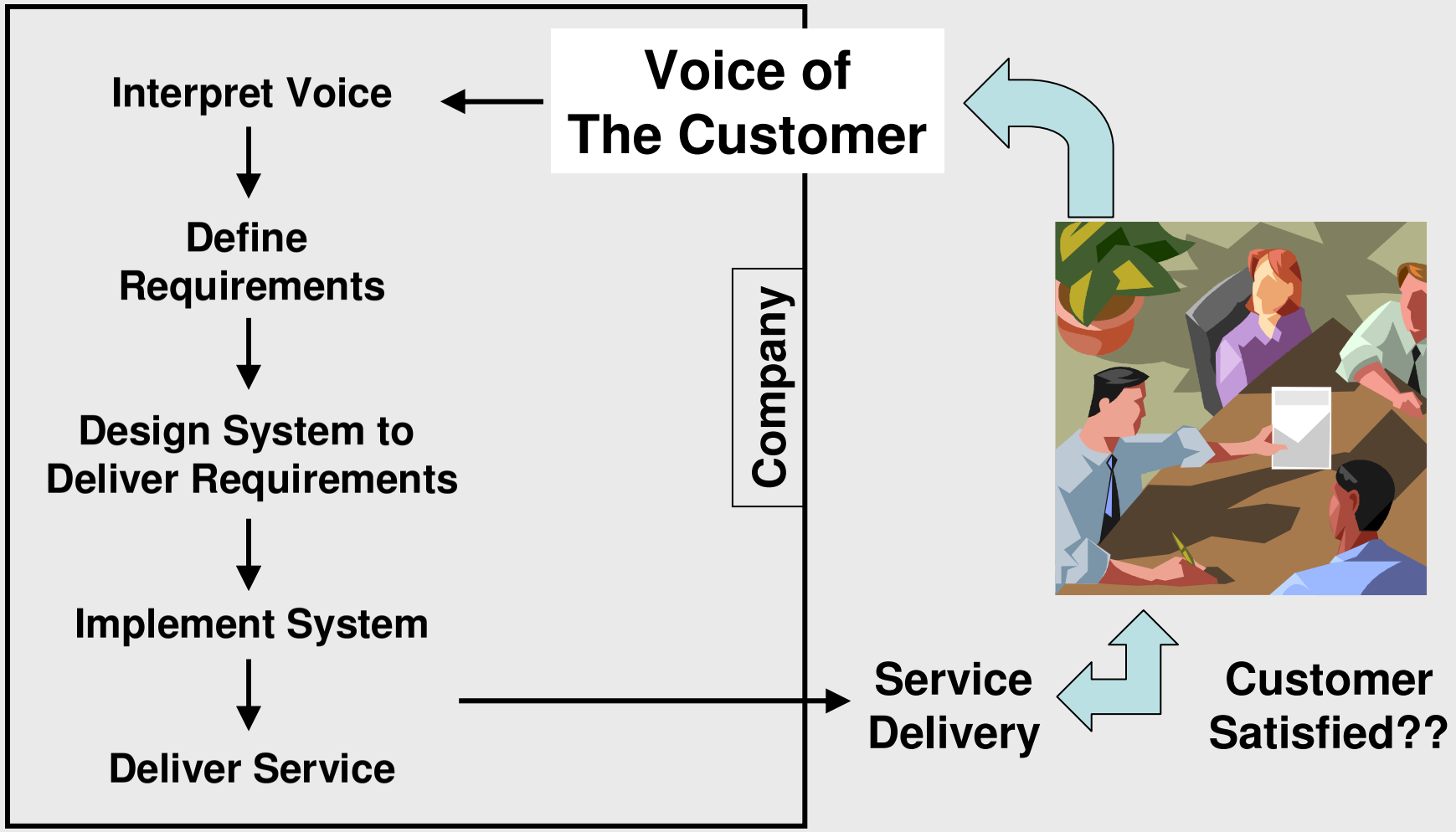
Quality

- Quality: distinctive characteristics or properties of a person, process, or thing. The characteristics that make a subject distinctive. "The qualities of the classroom include a projection system and tables." – Not useful – we call these "features"
- ISO 9000 defines quality as "degree to which a set of inherent characteristics fulfill requirements".
- "Level of variability", "compliance with specifications", etc.

Quality continued…

- Quality - "degree to which characteristics fulfill requirements"
- Species – Is a red car of better quality than a blue car? Not if the red car is supposed to be red and the blue one blue.
- This definition means that we need to define the requirements and then measure our ability to satisfy them.

Requirements & Satisfaction



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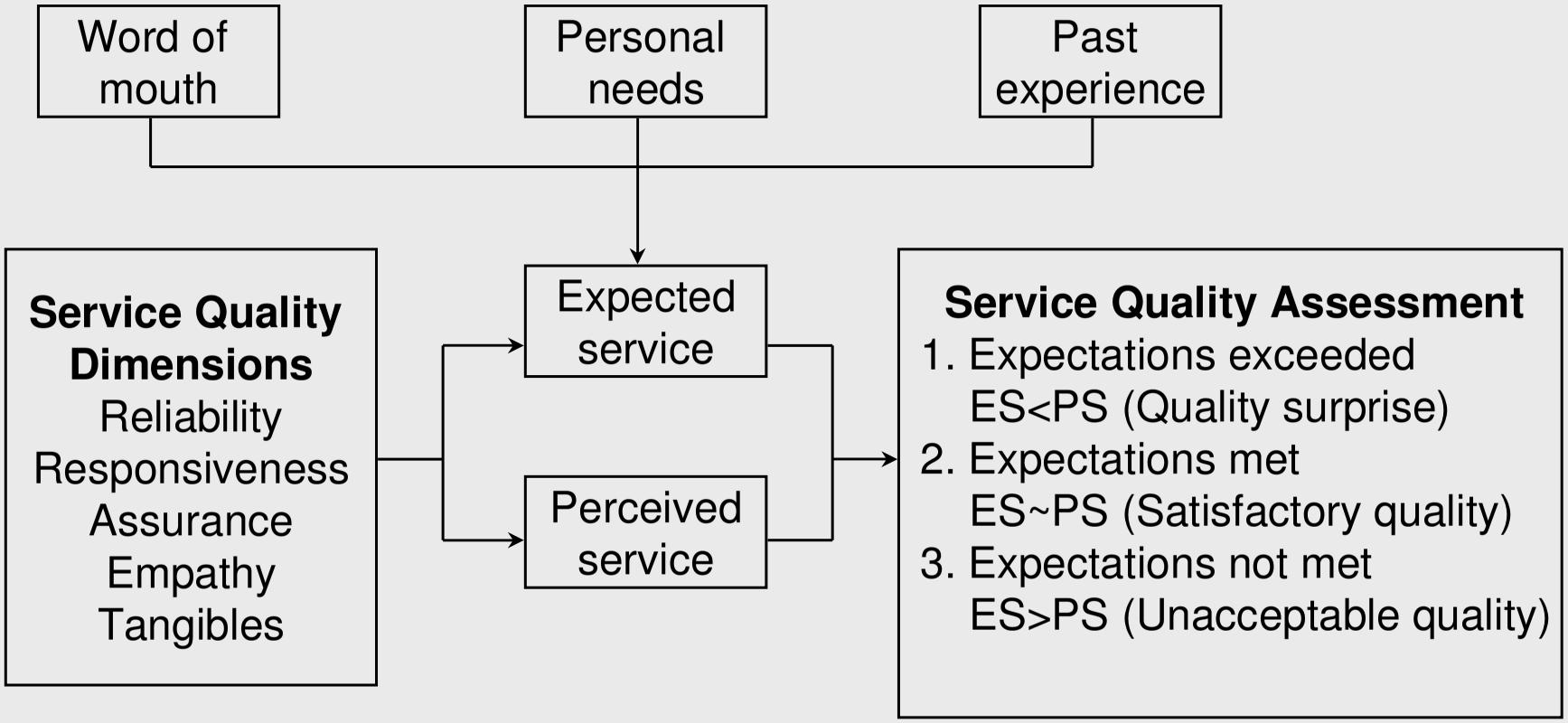
Perceived Service Quality



Service Quality Dimensions

- **Reliability: Perform promised service dependably and accurately.**
  - **Example: receive mail at same time each day**
- **Responsiveness: Promptness in serving customers.**
  - **Example: limit customer wait time in restaurant**
- **Assurance: Conveying trust and confidence.**
  - **Example: being polite and showing respect for customer.**
- **Empathy: Ability to be approachable.**
  - **Example: being a good listener.**
- **Tangibles: Physical facilities and goods.**
  - **Example: cleanliness.**

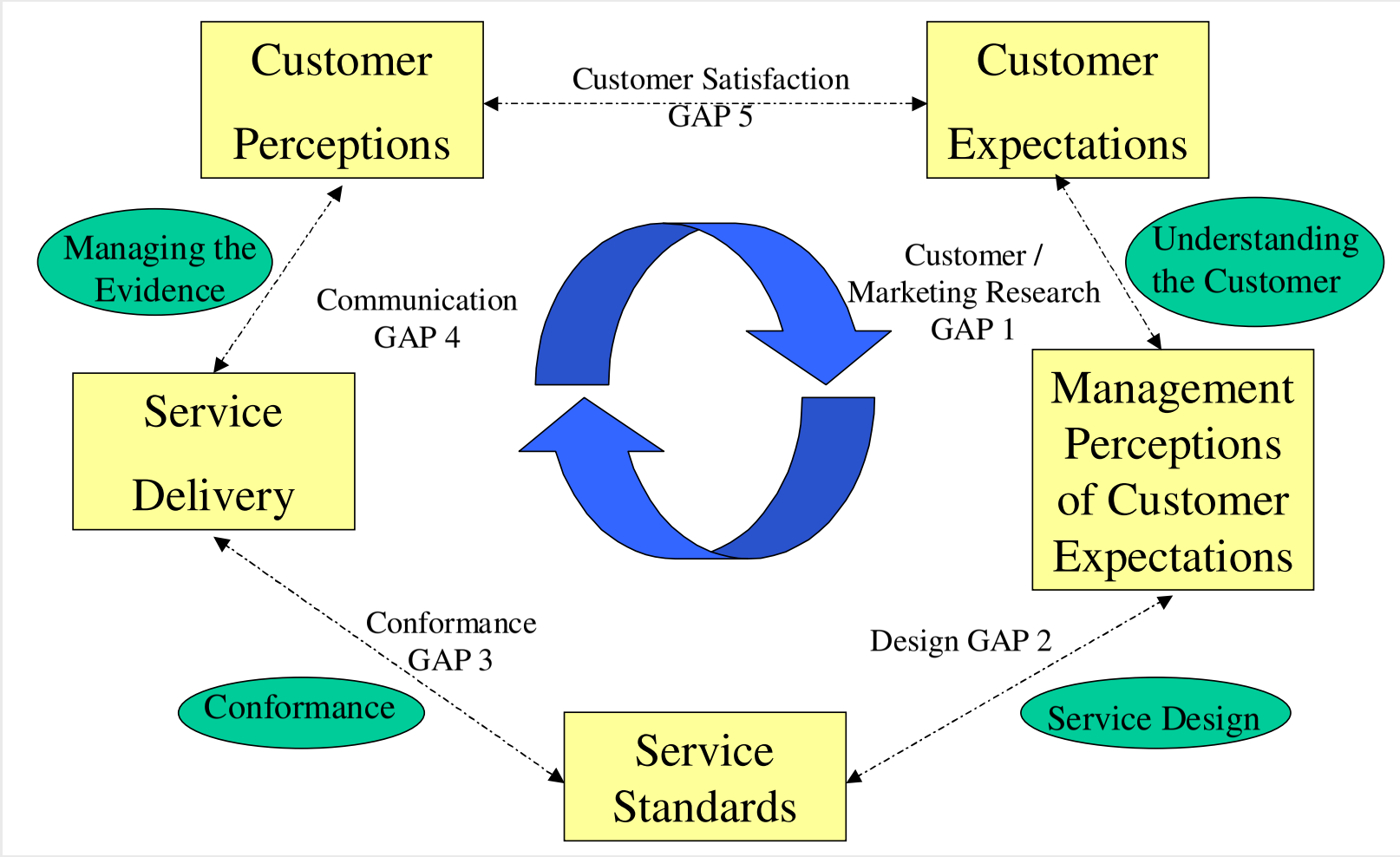
Reliability

- Reliability may be defined in several ways:
  - The ability of a device or system to perform as designed.
  - The resistance to failure of a device or system.
  - The ability of a device/system to perform its required function for specified period of time.

Service Process Requirements

- Discussion…

Service Quality Gap Model



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Judging Service Process Performance

- Cost
- Process
  - Performance (Speed, Throughput)
  - Productivity (Efficiency, Effectiveness)
  - Safeguards (Privacy, Security, Safety)
- System
  - Consistency - repeatability
  - Equity
  - Reproducibility
- Serviceability
- Reliability
- Demand

- Process
  - Talked about "time" – more later
- System
  - Reproducibility
    - Repeatability – large variability across trials
    - Reproducibility – large variability across situations (store to store)
  - Equity – freedom from bias – fair
- We can affect the demand!!

Organization Performance Measures

- **Measures of Efficiency**
  - Examples: i) percent of time equipment is being used, and ii) worker output
  - Doing things right
- **Measures of Effectiveness**
  - Examples: Stakeholder satisfaction level, profitability, and rate of return.
  - Doing the right things

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Measures of Efficiency

- **Process Efficiency**
  - Examples: How much of the available time a resource is used, efficiency in outcome, the amount of work that is done by each resource.
- **Capacity Utilization = $\frac{\text{Capacity required}}{\text{Capacity available}}$**
  - Examples: How much of the available capacity is being used, expressed as a percentage.

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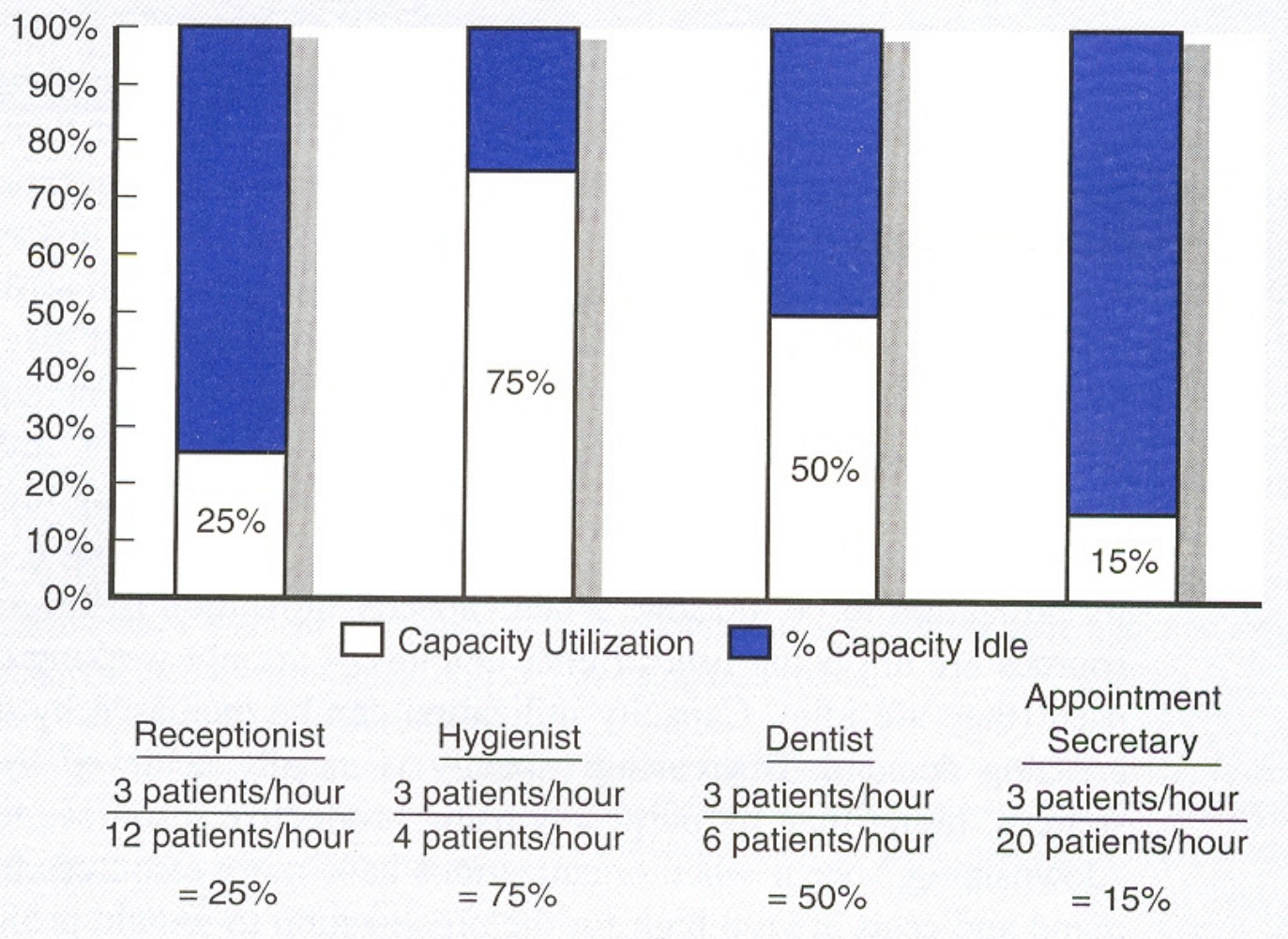
Dentist's Office



Capacity Utilization

- Three Ways to Change Capacity Utilization (efficiency approach):
  - Change the Capacity Required (Demand)
  - Change the Time Available
  - Change the Processing Time
- Effectiveness approach

More Org. Performance Measures

- Customer Satisfaction
  - Customer Retention/Loss
  - New Customers
  - Sales Volume and Market Share
  - Complaints
  - ?????? – good measures??
- Sears study – customer complaints

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More Org. Performance Measures

- Customer Cancellation and No-Show Rates
- Employee Satisfaction
- Flexibility/Bandwidth of the Organization – Agility
- Surveys

Measuring Yield

$$\text{Yield}(\%) = \frac{\text{Good Outputs}}{\text{Total Outputs}}$$

$$\text{Yield}(\%) = \frac{\text{Number of Sales}}{\text{Number of Calls}}$$

$$\text{Yield}(\%) = \frac{\text{Number of Sales}}{\text{Number of People Who Visit Website}}$$

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More Measures

- Dependable Delivery
- Waiting Time
- Financial Measures
- ???