ENHANCING SERVICE QUALITY THROUGH INTEGRATED SERVICES MARKETING

Dr Alex Maritz

Abstract- Service quality is often conceptualized as the comparison of service expectations with actual performance perceptions. Emphasis is placed on the combined attitudinal construct of service quality, highlighting cognitive and affective components. The aim of this study is to evaluate service expectations and perceptions from the point of view of franchisees in a prominent home entertainment franchise system. The purpose is to identify integrated services marketing initiatives to enhance service quality within the system. Research methodology includes a quantitative study using the Surveypro e-commerce survey tool, facilitated with SPSS 2 for data analysis. Use is made of SERVQUAL and SERVPERF measurement tools, with factors incorporating the profit chain, relationship management, best practice and service quality. Outcomes include the evaluation of the contribution of these factors toward service quality. Management implications involve the implementation of recommended integrated services marketing initiatives to enhance service quality.

Keywords- Relationship marketing, service quality, services marketing, service profit chain

INTRODUCTION

Evolving to a new dominant logic for marketing has lead to a service-centred model of exchange, implying that marketing must play a central and integrative role in organisations, which in turn must proactively involve consumers in the value-creation process, and that marketing communications must be characterized by dialogue with, not messages directed toward, consumers (Vargo & Lusch, 2004). The service-centred model of exchange has service quality as an outcome, perceived from the point of view of customers. This study however introduces service quality from the point of view of franchisees in a leading home entertainment franchise system. The system is the market leader in the franchising of home entertainment on the all-Africa continent, representing over 160 outlets.

The aim of the study is to evaluate service quality expectations and perceptions from the franchisees’ point of view, and the purpose is to identify integrated services marketing initiatives to enhance service quality in the system. The identified services marketing initiatives include the service profit chain, relationship marketing, best practice and measurement of service quality in the system. These initiatives are examined within the system, and measured with regard to their correlation with service quality. Inferential statistics examine the associations empirically, offering hypotheses between the constructs. The paper commences with a literature review on the identified services marketing initiatives, followed by research methodology, findings and recommendations.

SERVICES MARKETING INITIATIVES

The economic growth in service quality, related profit and competitive advantage potential has accelerated the competitive opportunities for companies who can excel in this discipline. The search for new approaches to enhance service quality and customer satisfaction led to the development of the scale SERVQUAL (Parasuraman, Berry & Zeithaml; 1988) that measures the discrepancy between consumers’ perceptions and expectations. Zeithaml and Bitner (2003) developed this model further, identifying five service quality dimensions, along with the scale developed to measure them. Dimensions include reliability, responsiveness, assurance, empathy and tangibles. In context, these dimensions represent how consumers perceive service quality. An adaptation is the development of SERVPERF (Cronin & Taylor: 1994), a service quality instrument applicable to the research project on hand. Service quality is often conceptualised as the comparison of service expectations with actual performance perceptions (Zeithaml & Bitner: 2003). Emphasis is placed on the combined attitudinal construct of service quality, highlighting constituents of both cognitive and affective components. Parasuraman et al (1998) tend to delineate service quality using more cognitive items, whereas Edwards (1990) found that the affective attitudes exhibited more change under affective means of persuasion than under cognitive means of persuasion. Teas (1993), however, argues that service quality is a combination of transaction and overall attitude.

Whilst service quality is directed towards customer satisfaction, the link to profit and growth
of organisations led to the development of the service profit chain (Heskett, Sasser & Schlesinger, 1997). The service profit chain is a well-received model to explain the sustainable competitiveness of many service organisations (Lau, 2000). The model attributes a service organisation’s financial and market performance to its relationships with its customers and employees (Heskett, 2002). Internal service quality serves the foundation of the model, igniting a chain effect to an organisation’s growth and profit (Silvestro, 2002). The Service Profit Chain is a strategic service vision, whereby there is a strong and direct relationship between customer satisfaction (Andreassen, 1994), customer loyalty (de Ruyter & Bloemer, 1999) and the value (Silvestro & Cross, 2000) of goods and services delivered to customers. Furthermore, there is a strong link between these elements and overall profit and growth of an organisation (Heskett, Sasser & Schlesinger, 1997). Organisational profit and growth are linked to customer loyalty, satisfaction and value via the strategic implementation of referral, related sales and retention strategies (Heskett, Jones, Loveman, Sasser & Schlesinger, 1994).

In contrast to economic market forces (Porter, 1998), whereby competitors believe a high correlation between profitability and market share prevail, many management authors (Reichheld & Sasser, 1990) are of the opinion that it is quality of market share which is important (Andreassen, 1994), and a high correlation actually occurs between service value and profitability (Maranto & Reynoso, 2003; Ho & Cheng, 1999). This correlation was evident in Southwest Airlines (USA), who never made the top five largest in its industry, but has over the years been the most consistently profitable (Herbert D. Kelleher, Chairman, President and CEO of Southwest Airline Company). The Service profit chain identifies direct and strong relationships between profit, customer satisfaction, employee satisfaction and capability (Heskett et al., 1994). The customer value equation is pivotal to the other two elements of the service profit chain, with the employee at one end, and the customer at the other (Ho & Cheng, 1999). The employee links productivity and quality of output with employee loyalty, satisfaction and capability (Andreassen, 1994; Silvestro, 2002). The customer value equation equates results plus process quality against price plus customer access costs, linking profitability and growth with customer satisfaction and customer loyalty (de Ruyter & Bloemen, 1999). In service settings, these relationships are self-reinforcing; whereby satisfied customers contribute to employee satisfaction and vice versa (Reichheld, 2001).

Relationships between value chain participants (Porter, 1998) led to developments in the field of relationship marketing. Peck et al (1999) developed a revised version of the six markets model; which included customer, internal, referral, influence, recruitment and supplier/affiliate markets. The six markets model identifies all facets of internal and external relationships that can contribute towards an organisation’s marketplace effectiveness. The purpose of evaluating relationship marketing is to analyse the effect of networks and relationships towards customer satisfaction and loyalty (Heskett, 2002; Reichheld, 2001). The empirical study of Kang et al (2002) into the measurement of internal service quality may be mirrored in a franchise system, with franchisees representing the internal marketing arm of the system (Mendelsohn, 2003). This in turn links internal service quality (Lau, 2000) to the service profit chain (Heskett et al., 1997) and service quality (Zeithaml & Bitner, 2003). Hopkinson and Hogarth-Scott (1999) in turn identify franchise relationship quality from a micro-economic perspective. They empirically examine the behavioural implications of the three main micro-economic explanations of resource constraint, agency theory and search cost theory – for franchising. The outcome of the study is a conceptual model, linking strategic direction, franchise motivation and relational quality. Operationalizing the six markets model, Peck et al (1999) addressed each market domain in greater detail, consisting of key participants; research to identify expectations and needs of key participants; current and proposed level of emphasis in each market; and the formulation of a desired relationship strategy.

Complementing the service vision further led to development of best practice initiatives, often initiated by innovative firms in competitive industries and environments. Such initiatives were regarded as pivotal in survival and achievement of competitive advantage (Porter, 1998). The Video Software Dealers Association of America (VSDA: 2001) identified best practice in the industry, as identified by Arthur Andersen Business Consultants. These were wide ranging, including understanding customers and markets; developing vision and strategy; refining store product offering; implementing the marketing plan; creating promotions and in-store merchandising; and clear in-store operations. Customer service findings included that the best customer service is one-to-one, strong relationships and loyalty are developed between staff and customers through consistency of management and staff, and personalising customer service. The benchmarking exchange (TBE, 2004) defines benchmarking as, “the process of identifying, understanding, and adapting outstanding practices from organisations anywhere in the world to help your organisation improve its performance. It is a highly respected practice in the business world. It is an activity that looks outward to find...
best practice and high performance and then measures actual business operations against these goals. Customer service quality and satisfaction rates as the second most used discipline of benchmarking and business process best practice (TBE: 2004). A best practice is a generally accepted best way of doing something (Wilkins: 2003); examples being ISO and Six Sigma processes; both force adoption of applying best practices; neither is applied exactly the same across an industry or organisation. Macky and Johnson (2003) identify best practice benchmarking as reviewing what other successful organisations are doing and adapting it to one's own situation.

Benchmarking is the practice of being humble enough to admit that someone else is better at something, and being wise enough to learn how to match them and even surpass them, implementing the new behaviour as a best practice (Andersen et al: 1999). They identify the core of implementation as being measurement of one's own and the benchmarking partner's performance level, both for comparison and registering improvements; comparison of performance levels, processes and practices; learning from the benchmarking partner to introduce improvements in the new applicable organisation; and improvement, which is the goal of any benchmarking study. In the Andersen et al (1999) empirical investigation, it was suggested that service providers often find it more important to find best practices than numerical performance data. Jarrar and Zairi (2000) identify best practices as those that have been shown to produce superior results, selected by a systematic process; and judged as exemplary, good or successfully demonstrated. They portray the effective transfer of best practice, from searching, evaluating, validating, implementing (transferring and enabling), reviewing to routinizing. Transfer involves identifying and learning from best practices and applying them in a new configuration or venue (O'Dell & Grayson: 1997). In their empirical study of internal transfer of best practice for performance excellence, Jarrar and Zairi (2000) indicate a wide spread of benchmarking applications across geographical and sectoral borders. It is the intention to adapt an international best practice study (customer satisfaction) into the context of a South African franchised home entertainment organisation.

**METHODOLOGY**

Research methodology comprises the survey approach, using electronic media and SurveyPro analysis. This is facilitated by descriptive and inferential statistical techniques using SPSS version 11.0 data analysis. Inferential significance tests include the ANOVA Kruskal-Wallis hypothesis test; based on the approximation of the chi-square distribution with k-1 degrees of freedom. Internal-consistency reliability is measured by the Cronbach's coefficient alpha, measuring overall inter-item correlation between the identified constructs. Exploratory research, in the form of the literature review and previous empirical studies, are used as background and facilitating data. The sample consists of all participants in the defined franchise system, consisting of 110 franchisees representing 162 franchised outlets. An electronic survey, consisting of twenty questions per factor (service profit chain, relationship marketing, best practice and service quality) was presented to franchisees. Response was requested in the form of a 5 point likert scale. Factors were represented in the form of hypotheses, each defining an association to service quality. Hypotheses were represented as follows:

- Service profit chain initiatives are positively associated with service quality
- Relationship marketing initiatives are positively associated with service quality
- Best practice initiatives are positively associated with service quality.

Service quality was also evaluated within the system, using a similar measuring instrument.

**FINDINGS**

The applied tailored design approach (Dillman: 2000) resulted in a favourable response rate from 93 franchisees, indicative of a 86% response rate. Descriptive and inferential statistics for each item are depicted in Table 1. An appropriate Cronbach's Alpha was presented on each construct. The hypotheses were tested using significance tests, with appropriate

| Insert Table 1 here |

Kruskal Wallis outcomes on all constructs. Outcomes are represented in the last two columns of Table 2. Key construct summary statistics are represented in Table 2. We accept all the hypotheses as presented, and confirm a positive association of factors with service quality.

| Insert Table 2 here |

Service profit chain (SPC) highlights include SPC links and satisfaction as the dominant association, implying significant correlation between employee and customer satisfaction. Retention and relationships are the next most
dominant association, implying significant correlation between retaining customers and internal marketing; Retention and lifetime value of customers are not adequately measured in the franchise system, implying neglect to loyal customers. SPC links and best practice initiatives are not adequately communicated in the system, an implication of poor performance management on behalf of the franchisor. Retention and feedback is depicted as inadequate in the system, implying the lack of optimal customer feedback channels. Despite a few associations being inadequate within the defined franchise system, service profit chain initiatives were positively associated with service quality.

Relationship marketing highlights include referral markets dominating response ratings. The implication is the associated positive link to word-of-mouth, lifetime value and loyal customers. Internal markets rated high in the relationship associations, implying the relative importance of quality of work life and relationships between franchisee and franchisor. Recruitment markets dominate dissatisfaction in the system, implying discontent with optimal association and industry alliances. Furthermore, franchisees identify the measurement of franchisee satisfaction levels as dismal. Internal markets rated poorly in the supply chain, with franchisees doubting the integrity of major suppliers. In conclusion, relationship marketing initiatives were positively associated with service quality.

Industry best practice highlights include promotion and in-store merchandising dominating the best practice associations, implying the importance of physical evidence tangibles in the service offering. Implementing the marketing plan with regard to community involvement also dominates best practice associations; indicative of the link between localized marketing and awareness and loyalty. Clear in-store operations regarding operating procedures are regarded as poorly documented by the majority of franchisees; as is the use of direct mail. Best practice initiatives are not adequately communicated within the defined franchise system, implying discontent with overall communication within the system. Developing strategy and vision is regarded as undeveloped, particularly regarding single outlet franchisees. Implications include lack of long-term business planning, vision and direction. In conclusion, best practice initiatives were positively related to service quality.

Service quality highlights include high responses across all themes, with the highest being empathy. The implication is that of employees meeting the needs and wants of the consumer. Exceptionally high correlation between all variables within the construct were found, and only four per cent of franchisees responded negatively to the entire construct. In conclusion, service quality variables were evaluated as an appropriate measure of the service quality construct; exhibiting significant item-total correlation and reliability coefficients. The variables were thus considered appropriate to test the associations to the service profit chain, relationship marketing and best practice constructs.

RECOMMENDATIONS AND MANAGERIAL IMPLICATIONS

Significant positive associations between service profit chain initiatives of retention, related sales and referrals are experienced relative to customer satisfaction and service quality. Service profit chain recommendations include developing and implementing a SPC programme across retention, related sales and referrals within the system; implement measurement of loyalty within the system; particularly regarding the lifetime value of customers; develop customer feedback and complaint systems (listening posts), such as introducing a franchise toll-free number; communicate the value of SPC enhancement, and the links to profit and growth; entrench customer value to all employees in the system, identifying the value mix; enhance SPC initiatives, such as spending time with customers, putting employees first, investing in customers and communication the message within the franchise system. The overall objective of the SPC is to link initiatives of retention, referrals and related sales with the other links within the chain. These include satisfaction, loyalty, value and long-term growth.

Relationship marketing initiatives are positively associated with service quality. To facilitate a strategic service vision, the following relationship marketing initiatives are recommended: integrate and implement a relationship marketing programme, consisting of customer markets, internal markets, referral markets, influence markets, supplier and alliance markets and recruitment markets; Evaluate and identify areas of discontent within the supply chain. Particular emphasis to be placed on areas of trust and reciprocity between franchisees and major suppliers. Thereafter develop a relationship management chain; develop core competencies for internal services marketing, including the measurement of franchisee satisfaction levels, develop alliances with strategic intent; such as alliance with a major take-out fast food chain such as Nando’s and supply alliance with international content providers. The research project
has identified particular opportunities of internal marketing, particularly regarding relationships between franchisor and franchisee. The development of a relationship management chain, together with development of a core competencies matrix; will facilitate all themes across the relationship management construct.

It has been shown that industry best practice initiatives enhance service quality. Taking a lead from the studies of the Video Software Dealers Association of America (VSDA), and in conjunction with empirical findings of this research report, recommendations include: develop and implement a best practice and benchmarking guideline for franchisees. Themes are to include understanding markets and customers, developing vision and strategy, refining outlet offerings, implementing the marketing plan, excellent customer service, creating promotions and in-store merchandising, and clear in-store operations. These guidelines will not take the place of an operations manual, but are intended to supplement it, update the franchise operations manual, with the appropriate training in communication and of new initiatives; facilitate training and development regarding business planning at franchisee level; link best practice communication and interaction with SPC and relationship marketing initiatives (such as intranet and internal marketing core competencies matrix). Best practice initiatives are integrally linked to the relationship marketing, service profit chain and service quality constructs. Overall, a guideline of best practices, communicated formally to franchisees; will go a long way toward enhancing both customer and franchisee satisfaction.

Although service quality is regarded as the dependent variable; themes of tangibles, reliability, assurance, empathy and responsiveness further enhance strategic service initiatives. Most of these themes correlate to the other service vision constructs, so implementation of recommendations in one construct will ultimately have a positive association to the service quality construct. Service quality recommendations however include: communicating technical and functional quality consumer perceptions to franchisees; instilling service quality dimensions as ongoing improvement measures within the system; setting service standards and integration of service quality relationships. This includes developing a system model of market orientation; identifying a service quality and internal marketing link; measuring service quality within the system. An integration of SERVQUAL and SERVPERF is proposed. The overall service quality objective with regard to recommendations is the ultimate link to service loyalty; notwithstanding the importance of a customer centric approach.

CONCLUSION AND LIMITATIONS

This study, the first of its kind in the home entertainment industry and in the specific organisation, empirically demonstrated the association of services marketing factors with that of service quality. The factors of the service profit chain, relationship marketing, and best practice were identified as having a positive association with service quality. Furthermore, initiatives were identified within each of these factors, toward facilitation of service quality within the system. Limitations are predominantly centred on the study within the defined franchise system, lending to the opportunity for further research in associated systems, and other business formats.

REFERENCES


### TABLE 1
Construct Statistics

<table>
<thead>
<tr>
<th>Question</th>
<th>Association</th>
<th>Item Mean</th>
<th>Std error of mean</th>
<th>Standard deviation</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>39</td>
<td>SPC links (satisfaction 1)</td>
<td>3.75</td>
<td>0.086</td>
<td>0.820</td>
<td>1.460</td>
</tr>
<tr>
<td>40</td>
<td>SPC links (satisfaction 2)</td>
<td>3.99</td>
<td>0.070</td>
<td>0.652</td>
<td>5.842</td>
</tr>
<tr>
<td>41</td>
<td>SPC links (best practice)</td>
<td>2.49</td>
<td>0.094</td>
<td>0.904</td>
<td>-0.320</td>
</tr>
<tr>
<td>42</td>
<td>Retention (feedback)</td>
<td>2.20</td>
<td>0.078</td>
<td>0.745</td>
<td>-0.551</td>
</tr>
<tr>
<td>43</td>
<td>SPC links (QWL)</td>
<td>3.67</td>
<td>0.074</td>
<td>0.713</td>
<td>3.234</td>
</tr>
<tr>
<td>44</td>
<td>Retention (relationships 1)</td>
<td>3.95</td>
<td>0.061</td>
<td>0.581</td>
<td>10.212</td>
</tr>
<tr>
<td>45</td>
<td>Retention (relationships 2)</td>
<td>3.90</td>
<td>0.078</td>
<td>0.739</td>
<td>5.109</td>
</tr>
<tr>
<td>46</td>
<td>Related sales</td>
<td>3.68</td>
<td>0.078</td>
<td>0.754</td>
<td>3.584</td>
</tr>
<tr>
<td>47</td>
<td>Referrals (WOM)</td>
<td>3.62</td>
<td>0.083</td>
<td>0.796</td>
<td>1.541</td>
</tr>
<tr>
<td>48</td>
<td>Retention (lifetime value)</td>
<td>2.61</td>
<td>0.095</td>
<td>0.913</td>
<td>0.776</td>
</tr>
</tbody>
</table>

Construct descriptives \( n=93 \)

<table>
<thead>
<tr>
<th>Construct</th>
<th>Item Mean</th>
<th>Std error of mean</th>
<th>Standard deviation</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service profit chain</td>
<td>3.38</td>
<td>0.762</td>
<td>0.838</td>
<td>3.088</td>
</tr>
<tr>
<td>Relationship marketing</td>
<td>3.17</td>
<td>0.749</td>
<td>0.793</td>
<td>0.793</td>
</tr>
<tr>
<td>Best practice</td>
<td>3.31</td>
<td>0.799</td>
<td>0.799</td>
<td>2.123</td>
</tr>
<tr>
<td>Service quality</td>
<td>3.80</td>
<td>0.635</td>
<td>0.934</td>
<td>3.570</td>
</tr>
<tr>
<td>Overall study ( n=93 )</td>
<td>3.42</td>
<td>0.83</td>
<td>0.815</td>
<td>5.570</td>
</tr>
</tbody>
</table>

**Key**
- Items 39-48: Service Profit Chain
- Items 59-68: Relationship Marketing
- Items 69-78: Best Practice
- Items 49-58: Service Quality

### TABLE 2
Construct Summary Statistics

<table>
<thead>
<tr>
<th>Construct</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Kurtosis</th>
<th>Cronbach's Alpha</th>
<th>Kruskal-Wallis</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service profit chain</td>
<td>3.38</td>
<td>0.762</td>
<td>3.088</td>
<td>0.8335</td>
<td>0.563</td>
<td>Accepted</td>
</tr>
<tr>
<td>Relationship marketing</td>
<td>3.17</td>
<td>0.749</td>
<td>2.005</td>
<td>0.7937</td>
<td>0.117</td>
<td>Accepted</td>
</tr>
<tr>
<td>Best practice</td>
<td>3.31</td>
<td>0.799</td>
<td>2.123</td>
<td>0.7893</td>
<td>0.172</td>
<td>Accepted</td>
</tr>
<tr>
<td>Service quality</td>
<td>3.80</td>
<td>0.635</td>
<td>5.570</td>
<td>0.9344</td>
<td>0.771</td>
<td>not applicable</td>
</tr>
<tr>
<td>Overall study ( n=93 )</td>
<td>3.42</td>
<td>0.83</td>
<td>2.129</td>
<td>0.8152</td>
<td>0.371</td>
<td>not applicable</td>
</tr>
</tbody>
</table>