



Services Marketing

Unit III

Unit III – Syllabus

Improving Service Quality & Productivity

Service Quality – GAP Model, Benchmarking

Measuring Service Quality – Zone of Tolerance & Improving
Service Quality

SERVQUAL Model

Defining Productivity – Improving Productivity

Demand & Capacity Alignment



3



Service Quality

- ◆ Service quality is an approach to manage business processes in order to ensure full satisfaction of the customers & quality in service provided. It works as an antecedent of customer satisfaction.
- ◆ If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs.
- ◆ Quality is the performance of the Service what the Customers buys.

Dimensions of Service Quality – Christian Grootenroos

Technical Quality

“What” of the Service is delivered

Process and types of services offered

Functional Quality

“How” of the Service is delivered

- ◇ Influenced by attitude, behaviour, appearance, accessibility, courtesy, empathy etc.

- ◇ A tool for Brand



SERVQUAL

SERVQUAL is a service quality framework, developed in the eighties by Zeithaml, Parasuraman & Berry, aiming at measuring the scale of Quality in the service sectors.

SERVQUAL was originally measured on 10 aspects of service quality to measure the gap between customer expectations and experience.

Responsiveness

communication

Credibility

Understanding
the customer

Tangibles

**Original
SERVQUAL
INSTRUMENT**

Reliability

Courtesy

Access

Security

Competence

Dimensions	Definition	Example
Credibility	Trustworthiness, believability, honesty	<ul style="list-style-type: none">• Can I trust the hospital to give an honest opinion?• My mechanic will only change parts when it is essential.• He will not bill me for parts that he has not changed.
Security	Safety, freedom from risk	<ul style="list-style-type: none">• Can I use my credit card on the internet without disclosing the detail to others?• Can I use my ATM card without fear of others finding out my secret code number?
Access	Approachability and ease of contact	<ul style="list-style-type: none">• I want my faculty to be available when I need to clear my doubts about the subject.• Will the doctor be available to respond to my queries before the operation?

Dimensions	Definition	Example
Communication	Listening to customers and keeping them informed	<ul style="list-style-type: none"> • The engineer at the government electricity board never takes customer complains seriously. • When they schedule the power cut, the customer is the last one to know about it.
Understanding the customer	Making the efforts to know the customers and their need.	<ul style="list-style-type: none"> • I wish the receptionist at the dental clinic would not force on me a 4 pm appointment because my office close only at 5 pm.
Tangibles	Physical facilities, equipment, signage, environment, etc.	<ul style="list-style-type: none"> • Is the driver of the hired car dressed in a uniform?
Reliability	Delivery of promised service dependably and accurately	<ul style="list-style-type: none"> • Will the baby-sitter feed the baby at the right time? • Will the bus hired for taking my child to school reach safely and on time?

Dimensions	Definition	Example
Responsiveness	Willingness to help and provide prompt service	<ul style="list-style-type: none">• Good taxi drivers help carry the baggage.• Will the bus conductor help me get a seat when I am travelling with the child?
Competence	Possession of skills and knowledge to do the job	<ul style="list-style-type: none">• Will the travel agent be able to find the cheapest fare for me?
Courtesy	Politeness, respect, consideration and friendliness of the contact person	<ul style="list-style-type: none">• Will the travel agent be able to find the cheapest fare for me?• I like the bus service from Mumbai to Pune because the drivers drive safely and are so courteous.

10 Dimensions of Service Quality

Determinants		Qualities Required
	Reliability 	Consistency of performance and dependability 
	Responsiveness	Willingness or readiness of employee
	Competence	Required skills and knowledge
	Access	Approachability and ease of contact
	Courtesy	Politeness, respect, consideration, friendliness
	Communication	Keeping customer informed
	Credibility	Trustworthiness, believability, honesty
	Security	Freedom from danger, risk or doubt
	Understanding/knowing customer	Understand the customer's needs
	Tangibles	Physical evidence of the service

In 1988 the 10 components were collapsed into five dimensions (RATER).

Reliability

Tangibles

Responsiveness

Assurance

Empathy.

Parasuraman et al. developed a 22-scale instrument with which to measure customers' expectations and perceptions (E and P) of the five RATER dimensions.

RATER Analysis - SERVQUAL

Responsiveness

Reliability

Assurance

Empathy

Tangibility

Dimensions of Service Quality

RESPONSIVENESS - Willingness to help customers and provide prompt service

ASSURANCE - Knowledge and courtesy of employees and their ability to convey trust and confidence

TANGIBLES - Factors which the consumer can touch, see, feel, hear
Tangibles are used while assessing the physical qualities and before service is experienced

EMPATHY - Power of understanding customer's feelings and needs that enables that enables the server to take care of the customer and provide personal attention.

Caring, individualized attention the firm provides its customers

SERVQUAL

Attributes

RELIABILITY

Providing service as promised

Dependability in handling customers' service problems

Performing services right the first time

Providing services at the promised time

Maintaining error-free records

customer questions

RESPONSIVENESS

Keeping customers informed as to when services will be performed

Prompt service to customers

Willingness to help customers

Readiness to respond to customers' requests

EMPATHY

Giving customers individual attention

Employees who deal with customers in a caring fashion

Having the customer's best interest at heart

Employees who understand the needs of their customers

Convenient business hours



ASSURANCE

Employees who instill confidence in customers
Making customers feel safe in their transactions

Employees who are consistently courteous

Employees who have the knowledge to answer

TANGIBLES

Modern equipment

Visually appealing facilities

Employees who have a neat,
professional
appearance

Visually appealing
materials
associated with
the service

Criticisms to SERVQUAL

- It has been criticized that SERVQUAL's 5 dimensions (RATER) are not universals, and that the model fails to draw on established economic, statistical and psychological theory.
- There is little evidence that customers assess service quality in terms of Perception / Expectation gaps.
- SERVQUAL focuses on the process of service delivery, not the outcomes of the service encounter.
- There is a high degree of intercorrelation between the five RATER dimensions, thus the scores obtained cannot be exact.

SERVQUAL; Good or Bad???

SERVQUAL “remains the most complete attempt to conceptualize and measure service quality” - Nyeck, et al. (2002)

The main benefit to the SERVQUAL measuring tool is the ability of researchers to examine numerous service industries such as healthcare, banking, financial services, and education

Nyeck et al. (2002) reviewed 40 articles that made use of the SERVQUAL measuring tool and discovered “that few researchers concerned themselves with the validation of the measuring tool”, which means it is well anchored as a trusted model.

Advantage

s of SERVQUA

- Enables service providers to assess service quality from the customer's perspective
- We can track expectations over time, together with the discrepancies between them and competitors' on service quality aspects
- We can assess the internal expectations of customers or services - e.g. other departments we deal

Disadvantage s of SERVQUAL

- The uniform applicability of the measuring method for all service sectors is currently difficult under a lot of criticism.

Does not measure service outcome perceptions.

Methodology of SERVQUAL

- ◆ The method essentially involves conducting a sample survey of customers so that their perceived service needs are understood.
organization in question, customers are asked For measuring their perceptions of service quality for the
The relative importance of each attribute.
A measurement of performance expectations that would relate to an “excellent” company.
A measurement of performance for the company in question.
- This provides an organization with its own allows and resources where to maximize necessary service quality whilst costs are and

Uses of SERVQUAL

To assess a company's service quality along each of the 5 SERVQUAL dimensions. E.g. XYZ Events Ltd carries out the servqual survey to know where it stands in the perception of customers.

To track customer's expectations and perceptions over time. E.g. XYZ Events Ltd wants to compare its score of last year against that of the current year to know whether it has improved or has to improve

- To compare and examine customer scores against competitors. E.g.: XYZ Events Ltd wants to compare its score against that of 1570 Events Ltd to see who is the best.
- To assess internal service quality (interdepartmental comparison) ce.

Applications of SERVQUAL

Service quality has become an important research topic because of its apparent relationship to costs, profitability, customer satisfaction, and customer retention

SERVQUAL has been a keyword in 41 publications which incorporate both theoretical discussions and applications of SERVQUAL in a variety of industrial, commercial and not-for-profit settings.

Some of the published studies include :

Hotels ,travel and tourism

Car servicing, business schools

Accounting firms, architectural services

Conclusions

SERVQUAL is considered very complex, subjective and statistically unreliable. The simplified RATER model however is a simple and useful model for qualitatively exploring and assessing customers' service experiences

It is an efficient model in helping an organization shape up their efforts in bridging the gap between perceived and expected service

SERVQUAL is used to track customer's expectations and perceptions over time to compare the company's SERVQUAL scores against competitors.

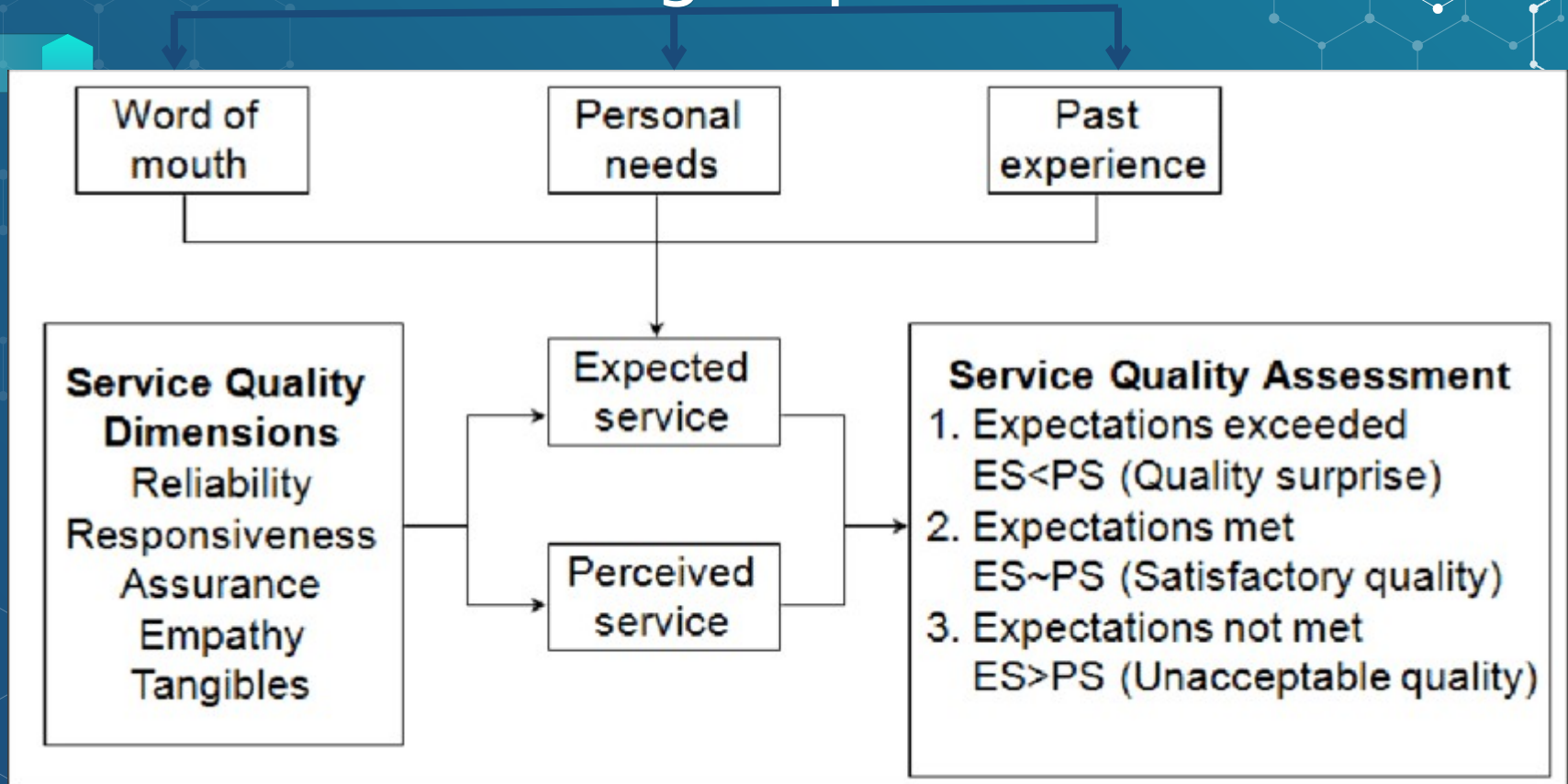
Although SERVQUAL is face and construct valid,



Perceived Service Quality

- ◆ Perceptions are judgement of the consumers about the actual service performance or delivery by a company.

Influencing Expectations





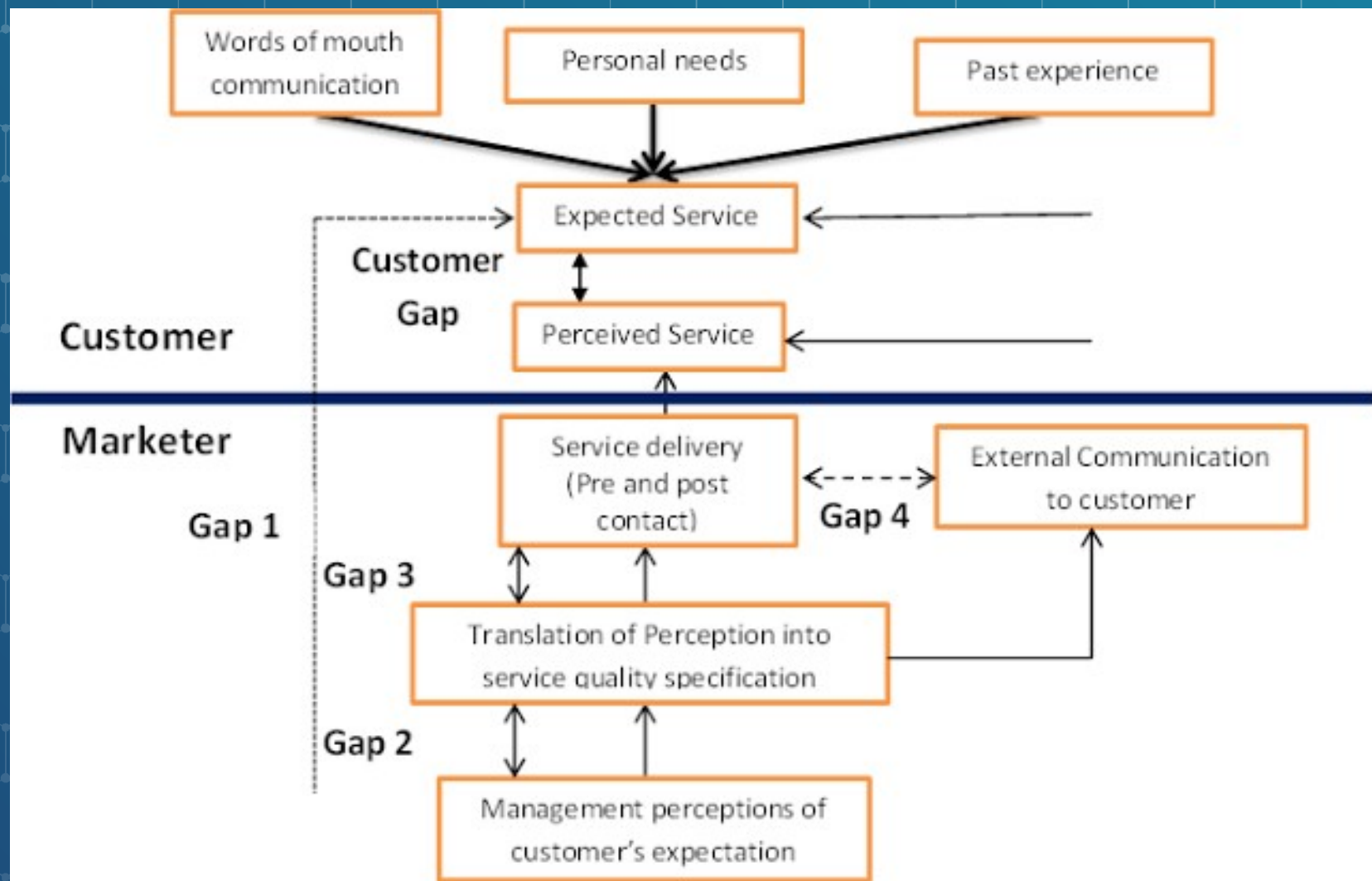
Perceived Quality $>$ Expected Quality
Delighted Customer

Perceived Quality = Expected Quality
Satisfied Customer

Perceived Quality $<$ Expected Quality
Dissatisfied Customer



GAP ANALYSIS / SERVICE QUALITY GAP MODEL



GAP 1: The Knowledge Gap

Customers Expectations (Not knowing what customers expect)

Gap between Consumer Expectation and Company Perception:

This gap arises when the company/management does not correctly perceive what the customers want.

Provider GAP 1

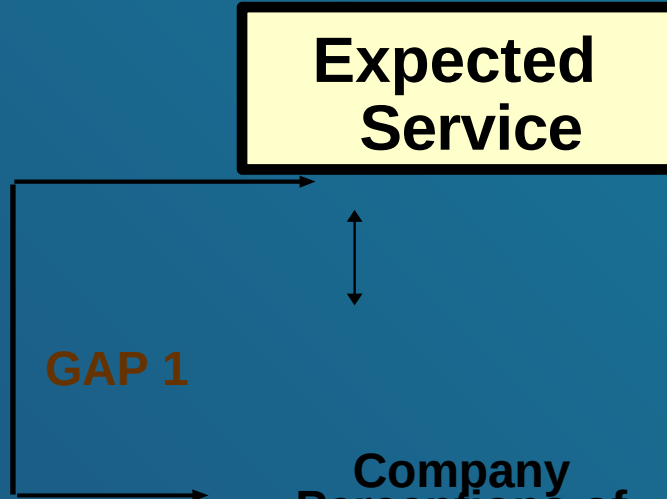
CUSTOMER

**Expected
Service**

COMPANY

GAP 1

**Company
Perceptions of
Consumer
Expectations**



Key factors leading to this gap are:

- i. Insufficient marketing research.
- ii. Poorly interpreted information about the customer's expectations.
- iii. Lack of communication and understanding between the front line personnel and the top level management.

Examples:

A wireless telephone service provider may think that their customers want lower tariffs for calls, but the customers may be more concerned with the range of network coverage of the provider.

In a hospital, the administrators may think patients want better food, but patients may be more concerned with the care given by nurses and support staff.

GAP 2: Standards Gap

Management Perception of Customers Expectation (Not selecting the right service design standard)

Gap between Management or Company Perception and Service Standards:

Here the management might correctly perceive what the customer wants, but may not set an appropriate performance standard.

Gap 2 may occur due the following reasons:

- i. Lack of planning
- ii. Lack of management commitment
- iii. Unclear service design.

Examples:

In a Travel and tourism company the management may instruct their employees to respond to booking enquiries of customers fast and efficiently, but the management has not mentioned how fast and efficiently. They have not set standards to their process.

An IT company may ask their employees to solve customer complaints quickly, but it doesn't mention how quickly (within 24 hours 2 day, 3 days etc.)

Here even though the management or service provider is aware of what the customers want, they aren't able to satisfy the customers due their lack of planning and standards

GAP 3:

The Delivery Gap

The Gap and difference between specified delivery standards and service providers actual performance

This gap may arise owing to the service personnel. The reasons being poor training, incapability or unwillingness to meet the set service standard.

The possible major reasons for this gap are:

- i. Deficiencies in human resource policies such as – ineffective recruitment, role ambiguity, role conflict, improper evaluation and compensation system
- ii. Ineffective internal marketing
- iii. Failure to match demand and supply
- iv. Lack of proper customer education and training.

Examples:

In an upscale restaurant, if the waiter/server is not courteous and hospitable, the customer may become unhappy with the entire service experience even if the food served complies with his quality standards.

In a hair salon franchise like Lakme Salon, the management has set standards and have specifications regarding service quality. If a hair dresser is inexperienced and doesn't do a good job of cutting their client's hair, this results in customer dissatisfaction due to GAP3

GAP 4:

The Internal Communication Gap

Gap between Service Delivery and External Communication:

The difference between what company's advertising and sales people think are product features and what company is actually able to deliver.

Consumer expectations are highly influenced by statements made by company representatives and advertisements. There are numerous factors which influence the customer. This gap arises when these assumed expectations are not fulfilled at the time of delivery of the service.

The discrepancy between actual service and the promised one may occur due to the following reasons:

- i. Over-promising in external communication campaign
- ii. Failure to manage customer expectations
- iii. Failure to perform according to specifications.

Examples:

The hotel printed on the brochure may have clean and furnished rooms, but in reality it may be poorly maintained in this case the customer's expectations are not met.

An insurance company may promise large returns to the policy holder but in reality, the fine print in the policy may be different than what was promised to the customer.

An individual may go to a shopping mall on his friend's recommendation, thinking that the 50 % off sale is still on in his favourite store, only to find that the sale concluded the previous day.

GAP 5:

The Perception Gap

Gap between Expected Service and Perceived Service:

The difference between what is delivered and what customers perceive they have received.


This is the gap between what customers expect from the service and what they think they have received. This gap arises when the consumer misinterprets the service quality. This may happen due to customer's own bias or prejudice. Customer expectation is what the customer expects according to available resources and is influenced by cultural background, family lifestyle, personality, demographics, advertising, experience with similar products and information available online.

Examples:

When a student signs up for an online course, he expects the course to increase his domain knowledge, however, after taking a few lectures online, he may think that he hasn't received the perceived amount of knowledge.

A doctor may ask the patient to keep visiting him often in a short span of time to show and ensure care, but the patient may interpret this as an indication that something is really wrong with his health.

6. The Interpretation Gap



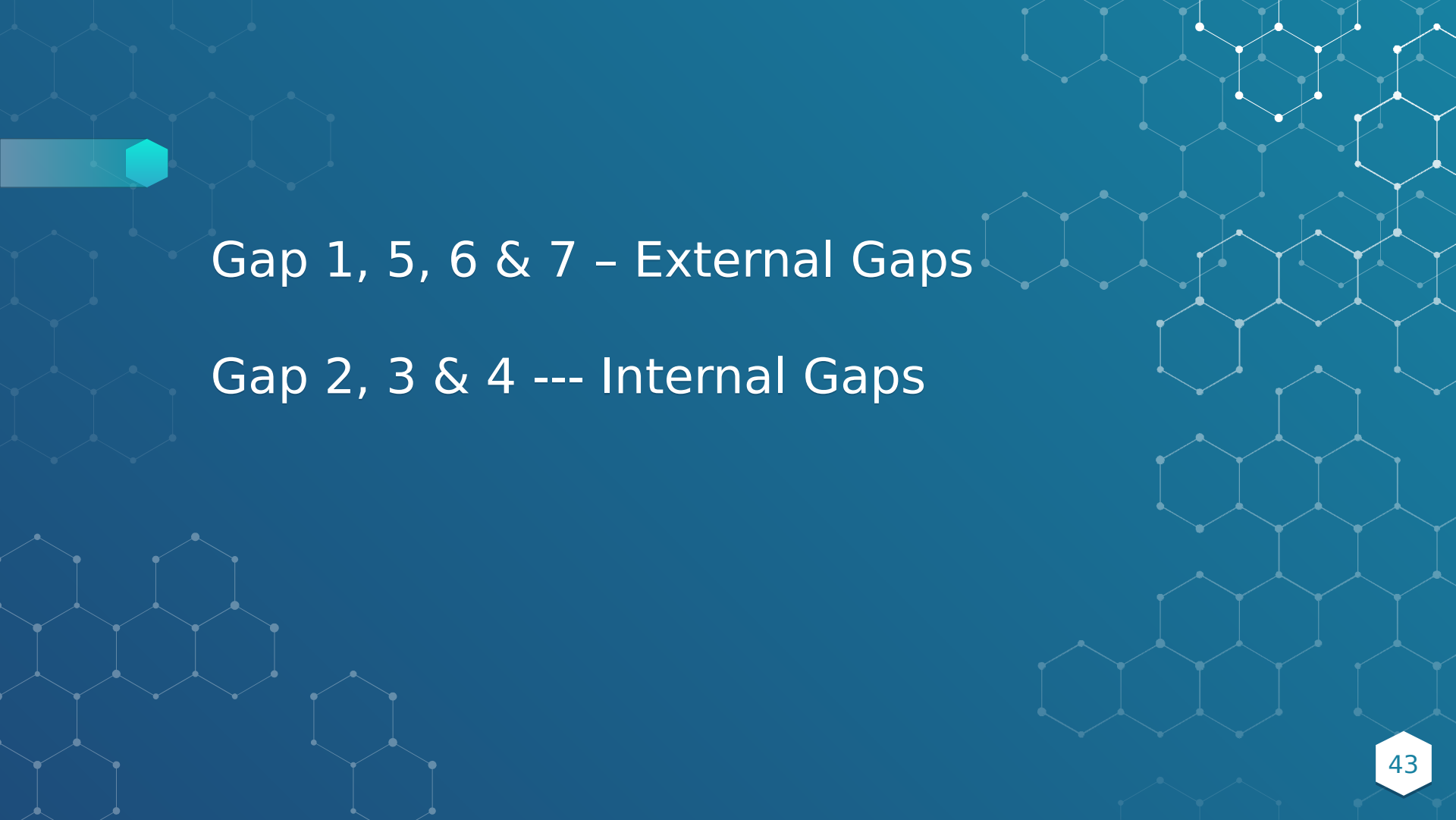
The difference between service providers communication efforts promise and what a customer thinks was promised by these communication

7. The Service Gap



The difference between what a customer expects to receive and their perception of the service that is delivered.

The final Gap - addition of all above gaps.



Gap 1, 5, 6 & 7 – External Gaps

Gap 2, 3 & 4 --- Internal Gaps

Strategies / Prescriptions for closing Service Gaps

Gap 1 - The Knowledge Gap

- **Learn what customers wants.**

Research, do Complain Analysis, Panels

Direct interaction between managers and customers

Insist on Upward Communication

Turn Information into Action

Strategies / Prescriptions for closing Service Gaps

Gap 2 - The Standards Gap

Establish the Right service Quality Standard

- Top Management should insist and commit quality
- Communicate quality standards to all
- Train, Standardise, clarify and measure performance

Strategies / Prescriptions for closing Service Gaps

Gap 3 - The Delivery Gap

Ensure that Service performance meets standards

Clarify employee roles, ensure the right candidate at right jobs

Look into job satisfaction

Train, motivate, empower, build teamwork amongst all employees

Eliminate role ambiguity and conflicts

Strategies / Prescriptions for closing Service Gaps

Gap 4 - The Internal Communication Gap

Ensure that Communication promises are realistic

Take inputs from operations dept while planning external communications

Make ads that feature real employees in their jobs

Insist sales staff involvement in operations – face to face meet

Strategies / Prescriptions for closing Service Gaps

Gap 5 - The Perception Gap

Keep Customers informed and involved during Service delivery

Brief customers during service delivery, offer tangible evidence to build trust

Strategies / Prescriptions for closing Service Gaps

Gap 6 - The Interpretation Gap

Advertisers select a sample and show all publicity and advertising materials to this selected sample and check their review before going public

Brief Summary Gaps in Service Quality

Gap	Problem	Cause(s)
1. Consumer expectation – mgmt. perception	The service features offered don't meet customer needs	Lack of marketing research; inadequate upward communication; too many levels between contact personnel and management
2. Management perception – service quality specification	The service specifications defined do not meet management's perceptions of customer expectations	Resource constraints; management indifference; poor service design
3. Service quality specification – service delivery	Specifications for service meet customer needs but service delivery is not consistent with those specifications	Employee performance is not standardized; customer perceptions are not uniform
4. Service delivery – external communication	The service does not meet customer expectations, which have been influenced by external communication	Marketing message is not consistent with actual service offering; promising more than can be delivered

Measuring & Improving Service Quality

Soft measures—not easily observed, must be collected by talking to customers, employees, or others Provide direction, guidance, and feedback to employees on

ways to achieve customer satisfaction

❖ Can be quantified by measuring customer perceptions and beliefs

- For example: SERVQUAL, surveys, and customer advisory panels

Hard measures—can be counted, timed, or measured through audits

❖ Typically operational processes or outcomes

❖ Standards often set with reference to percentage of occasions on which a particular measure is achieved

❖ Control charts are useful for displaying performance over time against specific quality standards

Soft Measures includes.....

- ❖ Key objectives of effective customer feedback system
- ❖ Key **customer-centric SQ measures (Use of mix of customer feedback collection tools)** include:
 - Total market surveys, annual surveys, transactional surveys
 - Service feedback cards
 - Mystery shopping
 - Analysis of unsolicited feedback—complaints and compliments
 - Focus group discussions, and service reviews

Hard Measures include

Hard measures refers to operational process or outcomes and include such data as time, service response times, failure rate and delivery cost of service.

In complex service multiple measures of service quality will be recorded at different points.

In low contact service, many operational measures apply to backstage activities.

Two measures:

- ❖ Service quality index
- ❖ Control charts

Benefits of Service Quality

- ◇ Improve their image in eyes of customers
- ◇ Improves profitability
- ◇ Improve staff morale
- ◇ Increase productivity
- ◇ Reduce costs
- ◇ Encourage employee participation
- ◇ Brings continuous improvement
- ◇ Minimise price sensitiveness
- ◇ Increase customer satisfaction
- ◇ Differentiate from competitors

Strategies to manage Service Quality

- ◇ Setting the Right Standards
- ◇ Implementing Quality Service – total commitment from all levels of organisation
 - Total Quality Management
- ◇ Monitoring Service Quality
 - Statistical tools
 - Quality function deployment
 - Internal performance Analysis
 - Customer satisfaction analysis
- ◇ Instill Team efforts



Total Quality Management Concept

- ◆ Focuses on quality management in terms of costs, quality and delivery
- ◆ Includes cost-management, business process re-engineering, new product development & customer service

- **TQM – Total Quality Management**

- A **collection of principles, techniques, processes, and best practices** that over time have been proven effective
- **Continuous improvement**
- based on the premise that the quality of products and processes is the **responsibility of everyone** - management, workforce, suppliers, and customers

- Have processes that continuously collect, analyze, and act on customer information.
- All of the TQM model's elements work together to **achieve results**





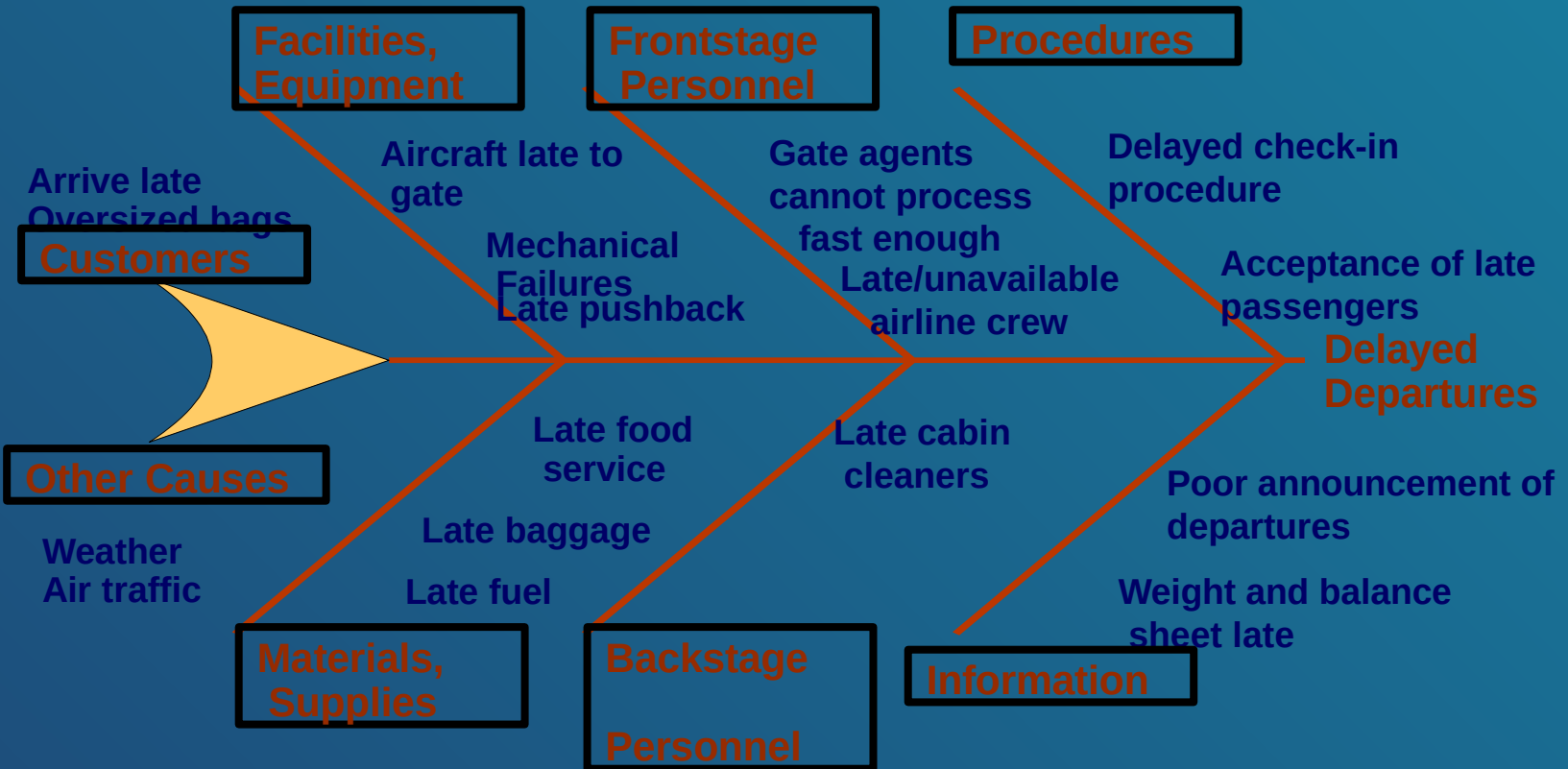
TQM Techniques

- ◇ Statistical process control
- ◇ Process management
- ◇ Employee participation
- ◇ Management commitment & leadership
- ◇ Empowerment & Team building

Pre-requisites for achieving Service Quality

- ◆ Visionary Leader
- ◆ Setting High Performance Standards
- ◆ Management's commitment & support
- ◆ Preparing employees – train them to be owners
- ◆ Frame a planned system for addressing Customer Complaints
- ◆ Frame a Service Quality Monitoring System
- ◆ Take Customer feedback

Cause-Effect Analysis – Strategy to improve Service Quality





Service Productivity

Service Productivity



A firm need to ensure that it can deliver quality experience more efficiently to improve its long term profitability.

Defining productivity in service

Productivity measures amount of output produced relative to the amount of inputs.

Improvement in productivity means an improvement in the ratio of outputs to inputs.

Improvements in productivity **require an increase in the ratio** of output to inputs ;

- **Cutting resources** required to create a given volume of output
- **Increasing the output** obtained from a given level of inputs

Measuring Productivity is a Challenge.....

Intangible nature of many service elements makes it hard to measure productivity of service firms, especially for information-based services

- Difficult in most services because both input and output are hard to define
- Relatively simpler in possession-processing services, as compared to information- and people-processing services

In people processing service, such as hospital - no. of patients treated in year, average bed occupy

Consideration of different variables – difference in patients, difference in outcomes.

Service Productivity, Efficiency & Effectiveness

Efficiency:

- Rate at which inputs are converted into outputs.
- Eg. Calls per sales representative / customers served per waiter
- Emphasis is on quantitative measurement
- Objective is to secure maximum output from minimum input

Service Productivity, Efficiency & Effectiveness

- ◇ Effectiveness: Degree to which firm meets goals
- ◇ Number of productive & profitable sales calls per representative.
- ◇ Emphasises on Quality measurement
- ◇ Objective is to meet customer needs & deliver quality

Strategies for improving Service Productivity

1. Increased use of technology
 - Reduce cost by substituting labour
 - Offers standardised services
 - Increased availability
 - Links and involves customer into service delivery system
 - Builds customer & People relationship

2. Training & Development of Employees

Select the Right employee for the job

Train / Orient

Motivate / Appraise

Employee Empowerment

Strategies for improving Service Productivity

3. Reduce the Service Levels

- Reduce quality & quantity of service level
- Eg. A doctor can give less time to each patient.

4. Increase / Diversify Service Offering

Eg. A doctor can start pathology services too

5. Match Demand & Supply

Expand / Shrink Capacity

Expand Demand / Plan Demand

Strategies for improving Service Productivity

6. Learn from Lost Customers

7. Introduce Systems & Technology

Hard Technology
- Machine based
ATM Vending

Soft Technology
-software based
e-bookings



8. Increase Customer Interactions

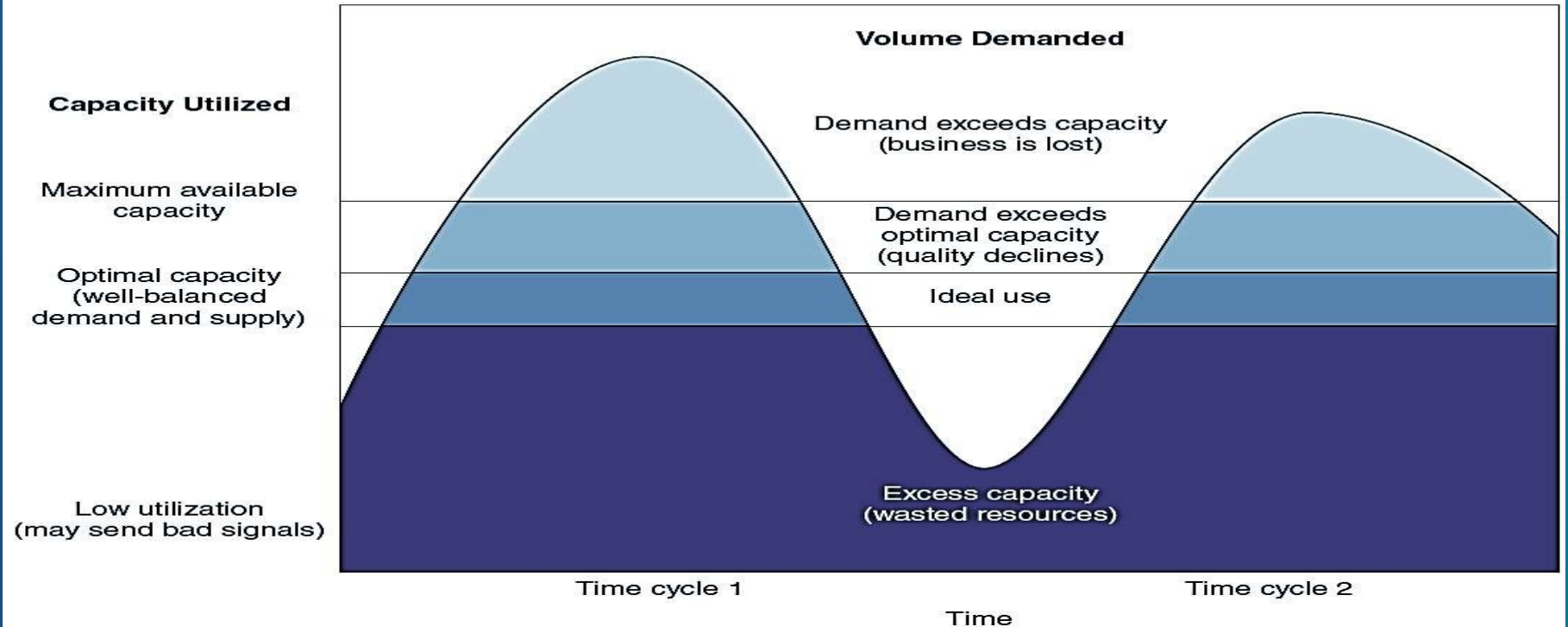
Managing Demand and Capacity



Lack of inventory Capability

FIGURE 13.1 Variations in Demand Relative to Capacity

Source: Lovelock, Christopher H.; Wirtz, Jochen, *Services Marketing*, 7th Edition, (c) 2011, chap. 9, p. 230. Reprinted by permission of Pearson Education Inc., Upper Saddle River, NJ.



Variations in Demand Relative to Capacity

- **Excess demand: the level of demand exceeds max capacity.**
 - Some customers will be turned away.
 - For customers who do receive service, quality may be lacking because of crowding or overtaxing of staff and facilities
- **Demand exceeds optimum capacity.**
 - No one is turned away, but quality may still suffer.
- **Demand and supply are balanced at optimum capacity.**
 - Staff and facilities are occupied at ideal level.
 - No one is overworked, facilities can be maintained, customers are receiving quality.
- **Excess capacity: demand is below optimum.**
 - Resources are underutilized resulting in lower profits.
 - Some customers may receive high quality service, but if quality depends on the presence of other customers, customers may be disappointed.

TABLE 13.1
Demand and
Capacity for Service
Providers

Source: Adapted from C. H. Lovelock, "Classifying Services to Gain Strategic Marketing Insights," *Journal of Marketing* 47 (Summer 1983), p. 17. Reprinted by permission from the American Marketing Association.

Extent to Which Supply Is Constrained	Extent of Demand Fluctuations over Time	
	Wide	Narrow
Peak demand can usually be met without a major delay.	1 Electricity Natural gas Police and fire emergencies Internet services	2 Insurance Legal services Banking Laundry and dry cleaning
Peak demand regularly exceeds capacity.	4 Accounting and tax preparation Passenger transportation Hotels Restaurants Hospital emergency rooms	3 Services similar to those in cell 2 that have insufficient capacity for their base level of business

Demand and Capacity for Service Providers

Constraints on Capacity

Nature of the Constraint	Type of Service*
Time	Legal Consulting Accounting Medical
Labor	Law firm Accounting firm Consulting firm Health clinic
Equipment	Delivery services Telecommunications Network services Utilities Health clubs
Facilities	Hotels Restaurants Hospitals Airlines Schools Theaters Churches

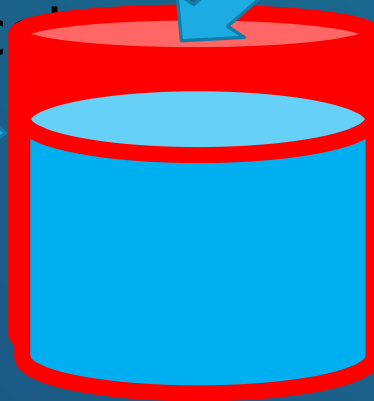
Optimal Vs. Maximum

Optimal

- Resources are fully employed but capacity not over used.
- Customers are received with quality service in a timely manner.
- Best Quality

Maximum

- Resources are fully employed
- Limited service available capacity
- Highest possible

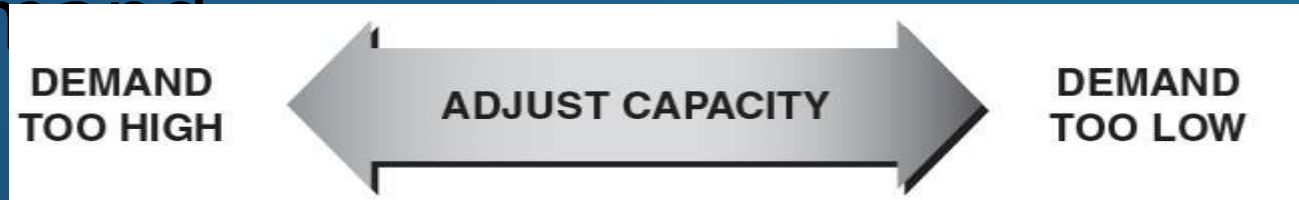


Strategies for Matching Demand and Capacity

Strategies for Shifting Demand to Match Capacity



Strategies for Adjusting Capacity to Match Demand



Strategies for Matching Demand and Capacity

Strategies for Shifting Demand to

FIGURE 13.2 Strategies for Shifting Demand to Match Capacity



(Reduce Demand during Peak Times)

- Communicate busy days and times to customers.
- Modify timing and location of service delivery.
- Offer incentives for nonpeak usage.
- Set priorities by talking care of loyal or high-need customers first.
- Charge full price for the service—no discounts.

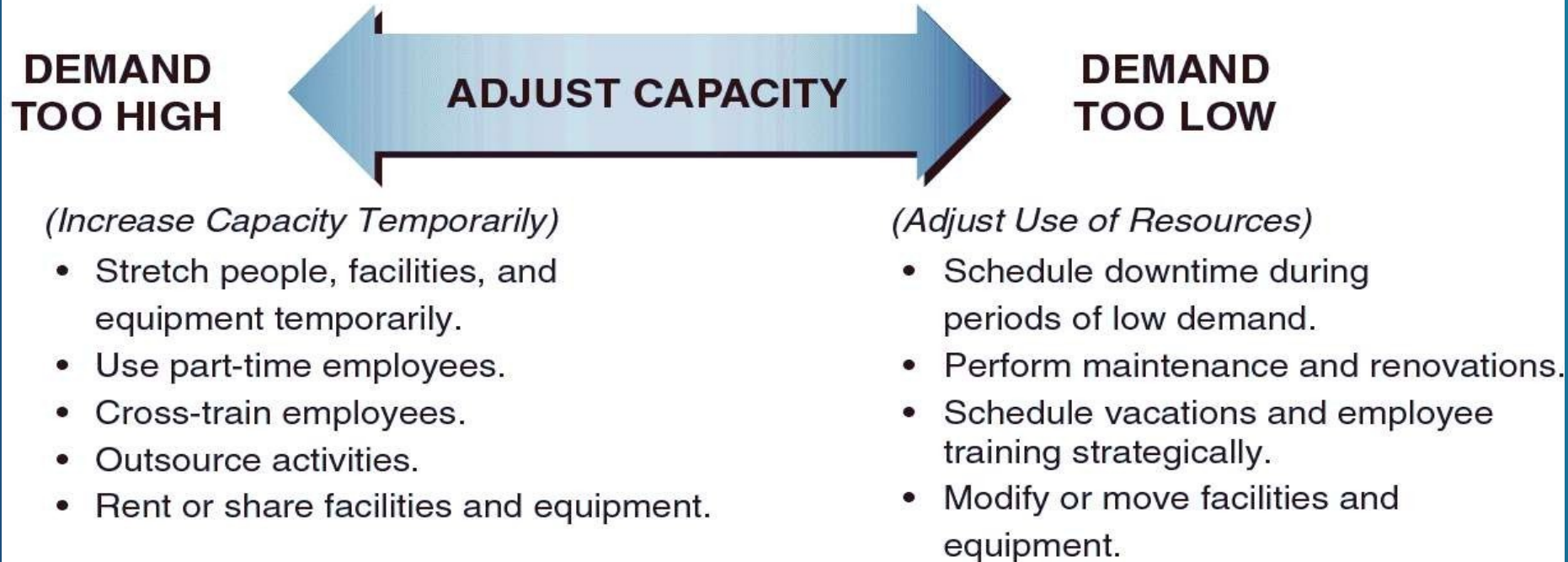
(Increase Demand to Match Capacity)

- Educate customers about peak times and benefits of nonpeak use.
- Vary how the facility is used.
- Vary the service offering.
- Differentiate on price.

Strategies for Matching Demand and Capacity

Strategies for Adjusting Capacity to Match Demand

FIGURE 13.3 Strategies for Adjusting Capacity to Match Demand



Strategies when Demand & Capacity do not match



Strategies when Demand & Capacity cannot be matched

- ◇ Yield Management
- ◇ Reservations & Appointments – Airlines, Railways, Healthcare.....
- ◇ Triage – (sorting) – Emergency arrangements are done to manage situation. Eg, emergency rooms are given on basis of critical situation & not in process of the order.
- ◇ Waiting Lines

Definition

“The process of allocating the right type of capacity to the right kind of customer at the right price so as to maximize revenue or yield.”

$$\text{Yield} = \frac{\text{Actual revenue}}{\text{Potential revenue}}$$

~~Actual~~
revenue
price

=

actual capacity x
average actual

Potential
revenue

total capacity x
maximum price

200-room Hotel

Max room rate = \$100/night

- Potential Revenue = $200 \times \$100 = \$20,000$

All rooms sold at discounted rate (\$50/night)

- Yield = $(200 \times \$50) / \$20,000 = \$10,000 / 20,000 \times 100 = 50\%$

Full rate charged, but only 80 rooms sold

- Yield = $(80 \times \$100) / \$20,000 = \$8,000 / 20,000 \times 100 = 40\%$

Full rate charged for 80 rooms, discount for remaining 120 rooms

Challenges and Risks in Using Yield Management

- ✓ **Loss of competitive focus**
- ✓ **Customer alienation**
- ✓ **Overbooking**
- ✓ **Incompatible incentive and reward systems**
- ✓ **Inappropriate organization of the yield management function**

Waiting Line Configurations

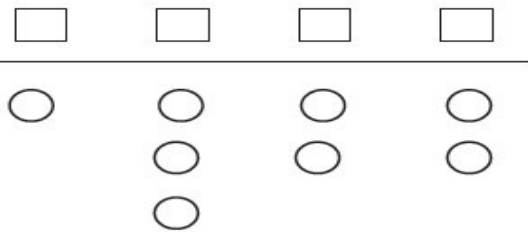
Employ operational logic to reduce wait

- How to configure the
- Multiple Queue
- Single Queue
- Take a Number



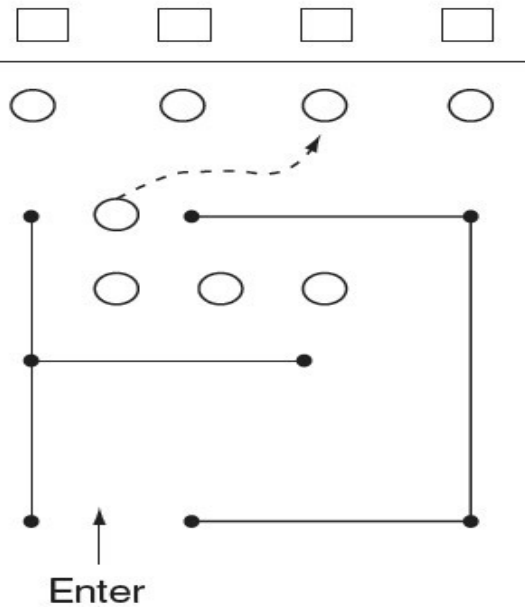
Waiting Line Configurations

Multiple Queue



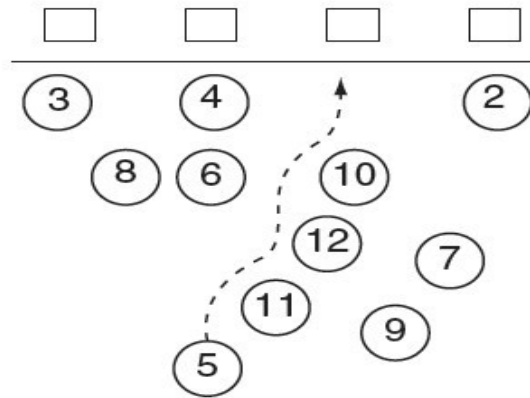
(a)

Single Queue

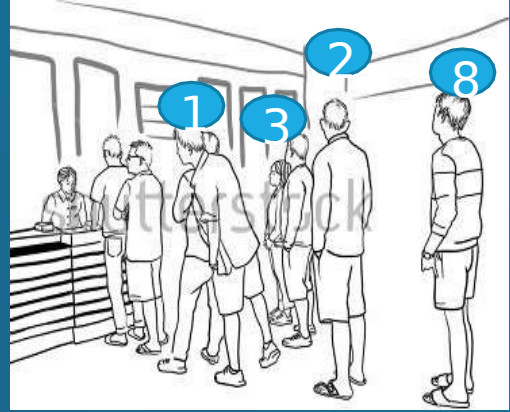
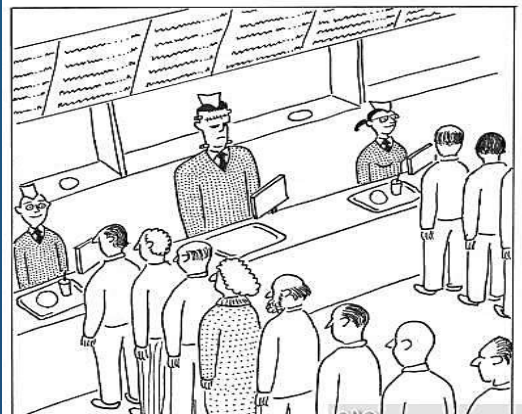
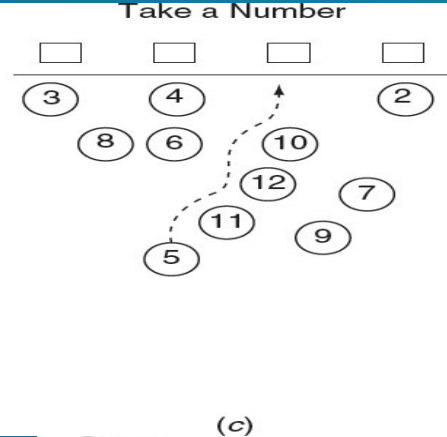
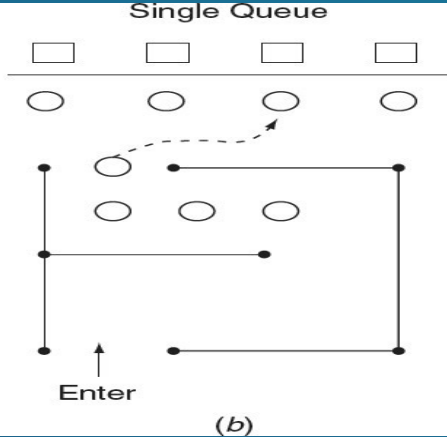
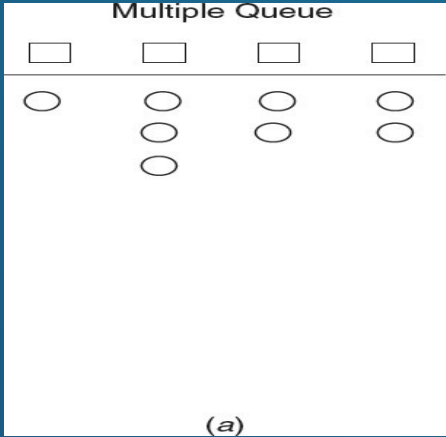


(b)

Take a Number



(c)



Waiting Line Strategies

Establish a reservation process

Differentiate waiting customers

- **Importance of the customer**
- **Urgency of the job**
- **Duration of the service transaction**

