



## **A Value Creation Model for Services Organizations**

### **- Managing the Moments of Truth -**

#### **Purpose of Document: Introduce topic and provoke further action.**

Unlike product oriented companies, service organizations create their value in the presence of and usually with the cooperation and/or active participation of the customer. This introduces a large number of variables and events that must be understood and managed in order to reliably and robustly reproduce the service event at the level of quality required.

Here are some concepts that are useful in envisioning the moment between a company and a customer when a service value is created and some of the issues in seeking to manage and market the production of services.

NOTE: This paper draws broadly from **Service Management and Marketing: managing the moments of truth in service competition** by Christian Gronroos, ( DC Heath: Lexington Books 1990 Boston). This book is highly recommended as a thorough introduction to the topic.

Unlike products, where the physical and functional characteristics that comprise product quality can be extensively defined and assured before the product reaches the end customer, services are quite different. As noted earlier a service is almost always produced in the presence of and not infrequently with the cooperation and active participation of the customer.

The **first lesson** to be drawn from this environment is the absolute truth that the value of a service is entirely defined and determined by the customer. Service providers know this instinctively, but it is worthwhile reiterating here: **Value is defined by the customer.**

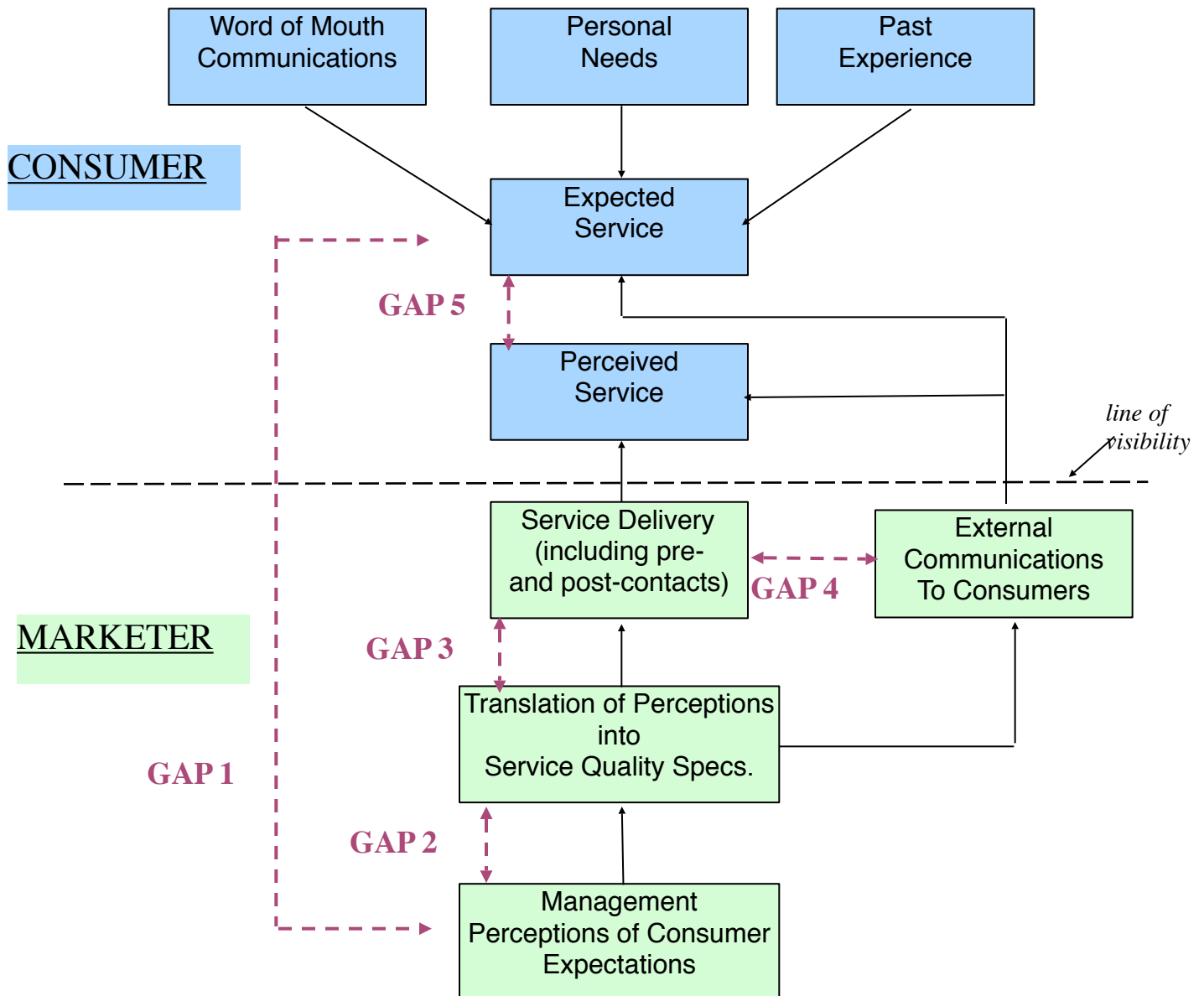
#### **Six Criteria of Good Perceived Service Quality**

Gronroos posits the following criteria (p. 47) that dominate the approach customers take to evaluating the merits of services:

- 1) Professionalism and Skills
- 2) Attitudes and Behavior
- 3) Accessibility and Flexibility
- 4) Reliability and Trustworthiness

- 5) Recovery
- 6) Reputation and Credibility

A fundamental problem in the service “moment of truth” is what is in the mind of the customer at this moment. This is the “moment of truth” where the customer’s expectations are formed. These expectations are based on the following factors:



Adapted from **Communications and Control Processes in the Delivery of Service Quality** by V.A. Zeithaml, L.L. Berry, and A. Parasuraman, *Journal of Marketing* April 1988, p 36

### **GAP 1 – The Management Perception Gap.**

- Management perceives the quality expectations inaccurately

### **GAP 2 – The Quality Specification Gap**

- Service specifications are not consistent with management perceptions of quality expectations

### **GAP 3 – Service Delivery Gap**

- Service specifications are not met by the performance in the service production and delivery process

### **GAP 4 – Market Communication Gap**

- Promise made by marketing communications activities do not match the service delivered.

### **GAP 5 – Perceived Service Quality Gap**

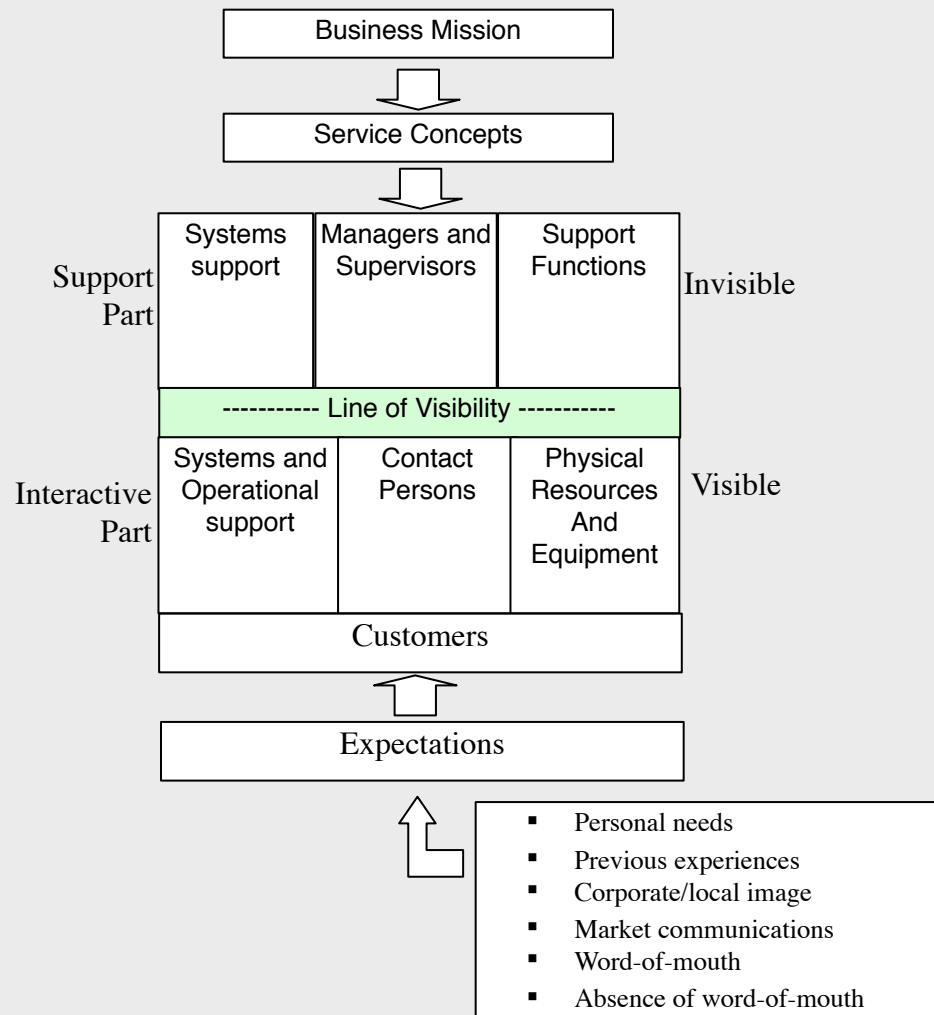
- The perceived or experienced service is not consistent with the expected service.

## **A Systems View of Service Production**

Although the moment of truth is in fact a naked moment of perception that occurs between two human beings, services are not produced in a vacuum, in a single moment. It is useful to envision services as the product of hopefully an intentional series of steps with supporting people, information systems, and physical resources involved.

The Service Production System model on the next page is an approach to organizing these concepts visually. It offers the beginning point to building your own model that fits the details of your service objectives and environment. The model makes it obvious that there is a need to integrate human resources, physical resources, information, and strategic marketing values to produce high quality services.

## The Service Production System



Adapted from Gronroos, Christian, **Service Management and Marketing: managing the moments of truth in service competition** ( DC Heath: Lexington Books 1990 Boston) p. 208