Managing Customer Expectations – the marketing communications vs service delivery conundrum

Nigel Hemmington
Bournemouth University

Sandra Watson
Napier University

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Abstract

The marketing communication-human resource management relationship and its implications for customer satisfaction is investigated through a conceptual analysis of the Service Profit Chain\(^1\), Expectancy Disconfirmation Theory\(^2\) and the Conceptual Model of Service Quality\(^3\). It is suggested that service organisations focus on four particular areas that will enable them to close the customer expectations-service quality gap. Firstly, organisations should develop their market segmentation strategies within the context of the implications of these strategies for other functions in the organisation; particularly service delivery and the management of human resources. Second, marketing communications should, in general, focus on the more reliable tangible aspects of the product as opposed to service aspects. Thirdly, customer service should be used as the basis for exceeding expectations at the point of service delivery. Promotional promises about service quality should be considered very carefully. Service based differentiation strategies should be established on precise, distinctive and achievable concepts of service quality which should be clearly understood by all service delivery staff. Fourthly, organisations should develop a service quality based approach to managing the human resource where service excellence is the performance standard and where policies and practices are designed to be consistent promotional promises and the needs of the market segment.
The Business Context

Service industries operate within increasingly complex and competitive market environments, many of which exhibit the characteristics of mature operating environments including increased international competition, falling margins, emphasis on price and discounting and a shake-out of capacity. Buttle\(^4\) characterises the changing market place in terms of increased competition, market fragmentation, increased customer demands and raised expectations, and product homogeneity. In these competitive environments organisations are continuously searching for sources of competitive advantage, usually through the differentiation of their products along dimensions that are valued by customers. As Porter\(^5\) states, "Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value". However, as product quality rises and products become less distinguishable from one another, companies are seeking competitive advantage through more service focussed relationships\(^6\).

A fundamental aspect of product differentiation as a successful competitive strategy is the relationship between the marketing promotion of the differentiated product and effective service delivery of the promises made through that promotional activity. Deficiency in the management of this relationship has been characterised by Zeithaml, Parasuraman and Berry\(^7\) as the service delivery and external communications gap in their Conceptual Model of Service Quality. As Porter\(^8\) observes, "the essence of strategy is in the activities - choosing to perform activities differently or to perform different activities than rivals. Otherwise, a strategy is nothing more than a marketing slogan that will not withstand competition". Consideration of expectancy based models of consumer satisfaction, such as Oliver's\(^9\) Expectancy-Disconfirmation model, further highlight the challenging nature of the relationship between marketing promotion and service delivery.

This paper, therefore, seeks to investigate the relationship between marketing promotion and service delivery through an analysis of three models: the Service Profit Chain\(^10\), the Expectancy-Disconfirmation Theory of consumer satisfaction\(^11\) and Zeithaml et al's\(^12\) Conceptual Model of Service Quality, with a view to identifying approaches that will enable service organisations to maximise customer satisfaction and gain genuine competitive advantage. The aims of the paper are, therefore to investigate the marketing promotion-service delivery relationship in terms of its implications for consumer satisfaction and to identify approaches that will enable organisations to minimise the service delivery-external communications gap; thereby maximising consumer satisfaction.

The rationale for this inter-disciplinary approach to competitive advantage in service organisations is provided by several recent trends in organisation theory. The systems approach to organisational effectiveness has been espoused for a number of years and continues to be supported by writers in service management\(^13\). More recently, models of strategic analysis such as Value Chain Analysis\(^14\) have emphasised the importance of managing the links between organisational activities (both internal and external) as a source of competitive advantage (e.g. international reservation systems that link hotels and airlines). Porter\(^15\) characterises this as "fit" and states that, "Strategic fit among many..."
activities is fundamental not only to competitive advantage but also to the sustainability of that advantage", and further that, "Fit locks out imitators by creating a chain that is as strong as its strongest link".

Finally, Heskett et al\textsuperscript{16} have identified the need to investigate the individual links in the Service-Profit Chain in "meaningful ways ... that can lead to comprehensive strategies for achieving lasting competitive advantage". As Gronroos\textsuperscript{17} states; "true cross-disciplinary research is still rare. In future such research projects will broaden and deepen the service management perspective even more".

\textbf{The Service Profit Chain}

The Service-Profit Chain developed by Heskett et al\textsuperscript{18} identifies important relationships between employee satisfaction, loyalty and productivity, organisational profitability and consumer loyalty. The model also clearly establishes the importance of employees in achieving customer satisfaction and indicates the vital role that the human resource function plays in successful service delivery. This has important implications for service organisations in terms of competitive strategy, product differentiation and the role of human resource management as a fundamental part of service delivery. For these reasons this paper focuses on the human resource management aspects of service delivery and its relationship to the marketing function, specifically external communications.

The evidence and logic of the Service-Profit chain indicates that there is a close relationship between customer satisfaction, service quality and employee satisfaction. It also indicates the value of focusing product differentiation strategies on the service dimension of the product. It is interesting to note that in terms of competitive strategy, service organisations including have recognised the importance of service as a basis for differentiation\textsuperscript{19}. Indeed it has been argued that in the hospitality sector the number of organisations that seek to differentiate on the basis of service quality is excessive\textsuperscript{20}.

The implications of a service orientation to human resource management within service organisations are quite profound. The correlation between employee and customer satisfaction emphasises the need for an internal quality of working environment that makes an effective contribution to employee satisfaction, particularly in terms of systems and mechanisms that enable service workers to create satisfaction for customers\textsuperscript{21}. As Schneider\textsuperscript{22} points out the traditional inward focus on productivity and tangible measures of performance is less appropriate and needs to be supplemented with measures of service quality as the legitimate standard for evaluating the effectiveness of human resource practices and procedures.

\textbf{Expectancy-Disconfirmation Theory}

Although the Service-Profit Chain model includes a consideration of customer satisfaction in terms of "value" (results received in relation to "total costs"), it is useful for the purposes of this study to consider the model alongside Oliver's\textsuperscript{23} Expectation-Disconfirmation Theory. The use of expectations as the basis for understanding consumer satisfaction has been
widely debated and has led to such initiatives such as SERVQUAL\textsuperscript{24}, the group model of service quality\textsuperscript{25} and cognitive scripts\textsuperscript{26}. Consideration of Expectancy-Disconfirmation Theory enables a number of aspects of the marketing-service delivery relationship to be investigated and developed further.

Expectancy-Disconfirmation Theory maintains that customer satisfaction is a function of the relationship between customer expectations of service outcomes and the extent to which these are either confirmed or disconfirmed by experience of the service. When the summative evaluation of experienced outcomes equals or exceeds expectations, positive disconfirmation occurs and various degrees of satisfaction result. When expectations exceed the summative evaluation of experienced outcomes, negative disconfirmation occurs and dissatisfaction results.

This paradigm of consumer satisfaction highlights a major conundrum in the management of service operations relating to the marketing promotion-service delivery relationship. On the one hand organisations, in competition with other service providers, focus on attracting specific groups of customers (segments) and convincing them that their product meets their needs better than alternative offers. They do this through the marketing function and specifically through marketing promotions. By definition this process inevitably raises consumer expectations about the product and specifically those expectations associated with the dimensions of the product the organisation chooses to promote and uses as the basis of product differentiation – often the service dimension. On the other hand, service delivery is set the challenge of at least meeting or even exceeding these raised consumer expectations. Interestingly, therefore, effective marketing promotion can make the achievement of consumer satisfaction more difficult and elusive. This is the conundrum that this paper seeks to address.

**The Conceptual Model of Service Quality**

Zeithaml et al's\textsuperscript{27} Conceptual Model of Service Quality identifies the service delivery--external communications relationship as one of five potential causes of service quality shortfalls. These causes are identified by the authors as service quality "gaps". The model identifies two key contributory factors to the service quality--external communications gap (Gap 4); inadequate horizontal communication (between external marketing and operations) and the propensity to over promise. Gronroos\textsuperscript{28} discusses these two factors and suggests that the “cure” is to create a system that coordinates external marketing communication campaigns with service operations and delivery.

However, Zeithaml et al's\textsuperscript{29} empirical research of five major U.S. service companies indicates that Gap 4 is an important issue (as perceived by managers and contact personnel) in the delivery of service quality. It was found that the propensity to over promise was high and that there were significant opportunities for gap closure in each of the companies investigated. This has major implications for consumer expectations and the ability of organisations to meet/exceed expectations and create satisfaction.

**Service Quality and Customer Expectations**
As already mentioned, there has been a clear trend in business towards a focus on service quality as a source of competitive advantage. This has led to a number of initiatives focusing on the role of the human resource in improving service quality including Service Transaction Analysis, empowerment and sensitising front-line staff. The logic of this service quality approach is supported by the evidence of the Service Profit Chain where the relationship between employee satisfaction, customer satisfaction and profitability is made clear.

There is also a logic for the service orientated approach provided by Expectancy-Disconfirmation Theory. This lies in the nature of the tangible (physical) and intangible (service) aspects of the service product. Tangible aspects provide very limited opportunities to customise the product for individual customers and are therefore limited in their potential to meet or exceed individual expectations and create satisfaction. An hotel room, for example, is pretty much the same for all customers and offers little opportunity for personalising beyond the addition of marginal adornments such as wine, fruit or flowers.

Service aspects of the product, on the other hand, provide a wide range of opportunities, through the interaction of customers and staff, to tailor the intangible aspects of the product to meet individual needs. It has been recognised that the service encounter provides the greatest opportunity to customise service delivery for each individual customer and it is through these more personal and individual aspects of the product that organisations have the potential to exceed customer expectations and create high levels of satisfaction. This is confirmed by Bettencourt & Gwinner who identify the service encounter as the focal point in consumer evaluations of the whole organisation.

Hemmington & Watson conducted a content analysis of the promotional material of hotel companies operating in the UK. This study found that all 12 companies in the sample drew attention to service quality as an important aspect of the promotional message. However, most of these messages contained vague, subjective and in some cases rather meaningless clichés about service quality. These include phrases such as "delightful ambience" "service most often associated with a bygone age", "great service", “warm welcome” and "traditional standards of service and hospitality". The general and imprecise nature of these promotional statements raises a number of issues. Firstly, are they intended to reflect and communicate genuine distinctiveness in the product (differentiation), or are they just platitudes in the trend towards service orientation? The rather hackneyed nature of many of the statements ("warm welcome", "traditional standards of service", "home from home") tends to suggest that the latter is the case and that far from creating differentiated products, most hotel companies are actually following similar strategies.

The second issue is whether the statements are likely to be believed by consumers. The issue of the credibility of promotional statements is clearly an important one and is fundamental to the success of marketing communications. Extravagant claims that consumers find hard to believe such as, “Our heart beats for you 24 hours a day” and, “we delight in treating each guest as a personal friend", and, "always ready to cure that nagging headache", tend to defeat the object of promotional messages and are likely to develop a
cynicism in consumers that can become a barrier to subsequent promotions. Disbelief may, however, be preferable to consumers developing expectations based on these extravagant promises.

The final issue is the extent to which the subjective promises that hotel companies make are actually achievable through service delivery? The extent to which extravagant claims such as those discussed above can be achieved through service delivery is questionable and is directly related to Zeithaml et al.'s³⁸ concept of the propensity to over promise. The challenge of curing minor medical ailments, such as headaches, is one that service delivery staff might not welcome! In addition, statements like "impeccable service" and "delightful ambience" could be interpreted by customers in an infinite variety of ways and could create a range of expectations that are difficult to identify and therefore almost impossible to meet. Clearly in any attempt to create customer satisfaction, service organisations must use promotional messages that develop customer expectations that can be planned for and met through effective service delivery.

The question then becomes how can service organisations effectively promote their products and yet avoid over promising and leave scope for expectations to be exceeded? There is empirical evidence, particularly from research using the SERVQUAL instrument, that reliability is the most important dimension for consumers in assessing quality of service³⁹. In terms of performance, however, empirical research indicates that satisfaction is highest with the tangible components of the service and lowest with intangible aspects such as responsiveness and empathy⁴⁰. This confirms the view of those who believe that tangible aspects of the product are more easily managed⁴¹ and, consequently, are likely to be more reliable. Thus, in terms of reliability and the ability to at least meet customer expectations, there would seem to be a case for focusing promotional messages on the tangible aspects of the product. This then leaves the intangible, service aspects of the product, where expectations have not been raised, for exceeding customer expectations and creating higher levels of satisfaction.

### Repeat custom, satisfaction and loyalty

Heskett et al.⁴² identify customer loyalty, through satisfaction, as a primary determinant of organisational profitability and growth. There is evidence, however, that only “very satisfied” customers show a high rate of repeat custom⁴³. As Gronroos⁴⁴ states, it is not enough to offer a level of service that keeps customers in the “zone of indifference” (satisfied), they have to be offered a service package that makes them very satisfied before they will repurchase. This is also true of positive word of mouth⁴⁵.

The Expectancy-Disconfirmation Model highlights the fundamental challenge for organisations seeking to achieve customer loyalty through very satisfied customers. This is the need to continue to exceed customer expectations over a number of repeat experiences. At first sight this may seem an impossible challenge which even questions the validity of the Expectancy-Disconfirmation Model. How is it possible to exceed the expectations of customers who have experienced the product a number of times and whose expectations are now based on actual experience?
Again, the key to this issue seems to lie in the tangible (physical) and intangible (service) aspects of the product. Physical aspects of the product offer rather limited opportunities to exceed customer expectations over time because they are relatively fixed in the short to medium term and therefore once experienced offer little opportunity to further exceed expectations in subsequent repeat purchases/experiences. Once guests have experienced the swimming pool, for example, they know exactly what to expect in the future and it becomes difficult for the hotel to exceed that expectation. In the language of Herzberg the physical dimensions of the product may be seen as "hygiene factors", in as much as they can do little to add further levels of satisfaction although they could, by their absence, lead to dissatisfaction.

Intangible, service aspects of the product, however, are based on social interaction, are multi-dimensional and are therefore open to development over time in the form of the relationship between the organisation, through its members and individual customers. It is through service that the organisation can continue to incrementally exceed customer expectations as both employees and therefore the organisation develops a deeper relationship with individual customers. Perhaps the best example of this is the restaurant where on the customers' second visit the waiter welcomes them by name, and on the third remembers that they prefer a particular table in the "no smoking" area, and on the fourth visit the waiter remembers some of their meal preferences. Pollock recounts a similar story of her favourite lunchtime café in London. In this way organisations can develop customer loyalty through an on-going, mutually satisfying relationship with the customer.

**Service Delivery**

In accepting the need for customer loyalty, service organisations must recognise that they have a vital role to play in supporting staff in the achievement of effective customer relationships. Staff must be supported by an organisational philosophy that supports and encourages a customer relationship management approach; where the focus is on the development of long-term relationships and marketing is seen as an investment rather than a short-term expense.

At a more fundamental level, approaches to human resource management must move away from the traditional, inward, productivity orientated focus where performance is measured against hard, tangible productivity goals, towards a more customer orientated approach where service quality is the standard against which excellence in the management of people is measured. Parkington and Schneider have found evidence of role ambiguity and conflict where bank workers have had to try to reconcile the conflicting demands of the firm (productivity) and customers (service). As Henkoff states, "Redesign work so that superior service satisfies both the employee and the customer". Schneider and Bowen identify four important aspects of organisational policy that create a positive climate for "superior service quality": managerial behaviour that supports service excellence, tangible evidence of support from marketing and HRM departments, emphasis on the retention of existing customers and evidence of support facilities to deliver service excellence.
As mentioned above, organisations must provide support systems that help staff to provide service excellence and enable them to develop customer relationships. Perhaps the best examples of this are networked information systems that provide all employees with instant access to customer information. In the hotel industry these systems enable staff to access guest information facilitating the provision of individual service that reflects previous experiences and individual preferences. In this way hotel companies are able to develop an organisational relationship with the customer rather than a relationship based on the experience of individual staff.

Service organisations should also consider their approach to providing quality service. There is, for example, evidence that fully empowered staff who communicate in a genuine and understanding way are very highly rated by customers. Conversely, staff who have limited empowerment and who communicate in a more formal and impersonal way are lowly rated by customers. This has clear implications for the current trend of bureaucratic, procedure based quality systems where staff are expected to follow scripts. Evidently customers are able to see through the insincerity of the formula approach to service quality!

Finally, human resource management policies should be targeted to meet the needs of the organisation's specific market segments. This has implications for management style as well as the recruitment, training and development of staff. Gronroos characterises this approach as "internal marketing" and identifies it as the pre-requisite for successful external marketing. It also helps ensure that the firm's market segment and its needs are kept high in the organisation's consciousness and acts as a focus for all it activities.

**Employee Satisfaction and Retention**

The relationship between employee satisfaction and customer satisfaction was established as long ago as the 1960s. With the current trend in emphasising service quality this relationship has assumed even greater importance; as Carla Paonessa of Anderson Consulting observes, "You cannot expect your employees to delight your customers unless you as an employer delight your employees." Indeed the closeness of the employee/customer satisfaction relationship is illustrated by the fact that a primary source of job satisfaction has been identified as the employees perception of their ability to meet customer needs. Clearly the issues to do with human resource policy as discussed above are instrumental in achieving employee satisfaction.

Relating the twin objectives of employee satisfaction and customer loyalty, however, highlights the need for employee retention and the minimisation of labour turnover. The cost of losing staff goes far beyond the short-term costs of recruitment and training; there are more serious long-term costs in terms of the loss of productivity, the disruption of customer service teams and interruptions in the development of customer relationships. It is clear that if organisations want to develop customer loyalty they must retain staff to allow relationships with customers to develop. The retention of staff has traditionally been a problem for the hotel and catering industry but it is interesting to note that Disney World, which emphasises service quality as of paramount importance, loses only 15% of its front-
line staff to attrition each year, this compares with a hospitality industry average rate of 60%.

**Recruitment and Training**

Effective recruitment and training is fundamental to the success of any strategy based on customer service. Where customer service is the basis of product differentiation for specific market segments it is critical that recruitment and training policies reflect the specific needs of that market segment. If the organisation is hoping to exceed customer expectations it must have staff that fully appreciate and understand what it is trying to do in terms of customer service. This could be characterised as a human resource segmentation approach that is designed to correspond to the organisation's market segmentation strategy.

In practice this means that it is important to recruit staff with values and attitudes that are consistent with those of the market segment and reflect the service values that the organisation is trying to project. There is evidence, for example, that service staff who are able to communicate in an accommodating style that minimises social distance are highly rated by customers. This approach will also have implications for the knowledge, skills and abilities that the organisation requires and the corresponding job and person specifications. As an example, there would clearly be problems in employing waiting staff with no appreciation or understanding of fine food or wine in an expensive, Michelin starred, a la carte restaurant. This mis-match of values would be evident in almost all that the staff do and might even manifest itself as resentment towards customers.

The training function also needs to reflect this segmented approach and should focus on the on-going development of appropriate skills and abilities for the delivery of the specified service concept. Staff should also be made aware of the general principles of customer satisfaction including the relationship to expectations, the positive effects of active listening and evidence of effort on the part of the service provider, and that staff who show a genuine interest in customer problems are highly rated by customers.

**Conclusions**

Through analysis of the relationship between the Service Profit Chain, the Conceptual Model of Service Quality, and Expectancy Disconfirmation Theory this paper has identified a number of issues that relate to the management of the marketing communication-human resource interface and the realisation of customer expectations.

1. **Segmentation is not just about marketing.**
   The process of market segmentation is too important to be left to the whims of the marketing department. Segmentation strategies must be developed with an understanding of the demands that they place on other functions in the organisation. Where businesses base their competitive strategy in service quality, the relationship between the marketing and HRM in determining the basis of segmentation must be particularly close. It is essential, for example, to establish whether the business can recruit and develop staff with the appropriate
attitudes, values and skills to deliver the promised service to the targeted market segment. This leads to the concept of human resource segmentation where, in order to deliver a particular service quality, organisations need to focus their HRM policies, practices and procedures on the needs of their specific market segment.

2. **Focus promotional messages on the physical aspects of the product.**
The physical (tangible) aspects of the product are those most readily controlled and are more likely to meet the expectations of customers reliably and consistently. Organisations should, therefore, focus their promotional messages on the physical aspects of the product where the business can be confident that expectations can be met and where failure is unlikely. Product differentiation on the basis of physical dimensions is also more likely to be reliable and consistent, and of course more tangible to the customer. Aspects of service quality probably should not be used in promotional messages as it is difficult to avoid the use of vague clichés (e.g. “warm welcome”, “traditional service”) which are likely to create a variety of expectations that are almost impossible to meet.

3. **Maximise satisfaction and customer loyalty through service quality and customer relationships.**
The service dimensions of the product provide the best opportunity to exceed expectations, and therefore create high levels of satisfaction, if expectations have not already been raised by promotional messages. Social interaction between staff and customers also provides the best opportunity to generate customer loyalty through the development of long-term relationships with the organisation. Where elements of service quality are used as part of a differentiation strategy, businesses need to be clear and precise in their specification of the dimensions of service that make them distinctive. This organisational vision of service must then be embedded in the culture and practice of the whole business in order for it to be expressed through service delivery.

4. **Develop a service quality based approach to HRM.**
The move towards service based strategies requires a change in the traditional productivity orientation of human resource management. There is a need for an organisational philosophy where service quality is the standard against which excellence in the management of people is measured. This must be backed up by support systems that help staff provide service excellence and enable them to develop relationships and customer loyalty. In addition, human resource policies should targeted to the needs of the organisation's market segment through a system of internal marketing. It is important to recruit staff with values and attitudes that are consistent with those of the market segment and reflect the service values that the organisation is trying to project. This has implications for the knowledge, skills and abilities that the organisation requires and the corresponding job and person specifications. Staff should also be made aware of the general principles of customer satisfaction including the relationship to expectations, the positive effects of active listening and evidence of effort on the part of the service provider, and that staff who show a genuine interest in customer problems are highly rated by customers.
References


61. Ibid.