27. Service Quality [3]

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Plan for Today's Class

Multichannel Services
Design Issues and Challenges
Multichannel Integration
Quality in Multichannel Services
Defining Multichannel Services [1]

Sousa & Voss (May 2006) point out that many service systems contain both PHYSICAL and VIRTUAL channels

- They define physical channels as those that involve face-to-face contact between employees and the customer
- Virtual channels use the Internet without any human intervention

Where do self-service "physical" technologies like ATMs and kiosks fit in this framework?

Where does VOIP or chat support associated with a web site fit into this framework?
"Multichannel Services" for Sousa and Voss
Defining Multichannel Services [2]

Let's define channel as "a means by which suppliers of goods or services provide access to them"

So any service that offers customers more than one way to obtain a service is "multichannel"

This broader definition admits different chain stores or franchise outlets, different bank branches, etc. as multiple channels
Maintaining Multiple Channel Service Quality in Dublin
Sears Catalogs

Sears catalogs and stores formed an important multichannel service for much of the 20th century in the US.
Contemporary Examples of Multichannel Services

Stores with both physical and web presence (for tangible goods)

Banks with physical branches, web, and IVR interfaces (for information services)

Government agencies that provide web options for face to face service transactions like DMV
Paths to Multichannel Services

Start physical, and add (or acquire) online presence

Start online ("pure play") and add (or acquire) a physical presence

NY City flower shop started 1-800-flowers phone service, then became 1-800-flowers.com, which spawned the expansion of physical stores
Advantages for the Online Channel

- Time and location independence
- "Long tail" inventory
- Easy search through inventory
- Potential for much more information about offerings
- Potential to track fine details of shopping behavior
- Dynamic tailoring of content and interaction structure on website
CDW "Product Finder" -- Notebook Computers
CDW "Product Finder" -- Faceted Selection
Advantages for the Physical Channel

Customers can experience goods and services with more fidelity

Customers can more readily negotiate prices, terms and conditions in face to face environment

Service providers have potential for real-time dynamic adjustments of product and service offerings and of "service intensity" (by observant and trained sales personnel) using many characteristics that are not available to service provider in online environment
Multichannel Issues for Service Consumers

Different customer types might prefer different channels or in the way they use multiple channels.

Different channels may be perceived differently on security, privacy, reliability dimensions.

Can customers choose which channel to use, or is this choice made by the service provider?

Can customers use multiple channels together for their benefit?
Multichannel Design and Delivery Considerations for Service Providers

Do new channels complement or cannibalize existing ones?

If new channels require new technology or organizational capabilities how are these developed or acquired?

What impact will the latent demand for a new channel have on capacity, possibly impacting existing channels?

Can customers be segmented and "managed" to use particular channels?

What aspects of the customer experience need to be the same across channels and what can vary (to take advantage of different capabilities)?
Choosing a Channel

Some services (like fulfillment for real goods) are intrinsically physical and are complementary to virtual channels.

Other services can be carried out either in physical or virtual channels:

- Should the customer be given a choice about which to use?
- What demand management techniques can or should be applied to influence the choice?
FLASHBACK to 9/19: Demand Vs Capacity

Available capacity

Demand

Underutilization
Cost of idle capacity

Available capacity

Demand

Optimum capacity utilization
Good service quality

Available capacity

Demand

Queues or reservation systems
Lower service quality

Available capacity

Demand

Insufficient capacity
Lost business and revenues
Influencing or Shifting Channel Choice

PRICE DISCOUNTS or SURCHARGES

Demand can also be shifted by offering a comparatively less attractive service package in one channel

BUNDLING

PROMOTION AND ADVERTISING

LOYALTY PROGRAMS
Does Frei's Framework Still Fit?
Gethuman.com is "an all-volunteer effort to improve the lamentable state of present day telephone customer service"

A "gethuman" standard was developed as a set of design principles, and hundreds of IVR applications have been rated using it

Most companies get failing grades
Why eBay Customer Service Gets an "F"

Gethuman discussion group recent post
(http://groups.google.com/group/gethuman/browse_thread/thread/32629a11e)

You can call eBay at 800-322-9266, but it won't do any good. The operators are extremely nasty people, the moment you say "customer service," they'll dump you to the voice message that says to use the e-mail only customer service, and then it hangs up on you. I called again, said don't dump me to the voice message, he does it again. Call up a third time, demanded to speak with his supervisor, he said I couldn't speak to any manager or supervisor unless I knew their name. So it's a real catch-22. After demanding several times to speak to his supervisor, I was again dumped to the voice message. Same operator all three times.
Why Customers Desire Multichannel Integration

Customers may prefer one channel over another, but they often want to use channels in complementary ways

- Use search capabilities and rich information of online channel to determine what's available
- But can avoid shipping costs and delay by purchasing at nearby physical store
- Or can return product ordered online to nearby store
Why Service Providers Desire Multichannel Integration

Achieve business efficiencies by eliminating duplicate functions

While customers may have different preferences or behaviors in different channels, some issues are inherently cross channel (their shopping history, payment and credit activity) - so you need a "cross-channel" view of the customer

Use channels to cross and upsell
Multichannel Personalization {and, or, vs} Customization

In previous lectures we've discussed personalization and customization in the context of a single channel.

But they can also take place across channels, and are one of the primary benefits of multichannel integration.

The extent of cross-channel integration shapes the amount of cross-channel customization and personalization.
Customer Expectations about Multichannel Integration

What are "reasonable" expectations for customers to have about multichannel integration?

How much of the information provided in an online or self-service channel should be available to service providers in the physical channel?

How much of the information provided in physical channel should be available/exploitable to service providers in the virtual channel?

What is an acceptable latency for multiple channels to be "synchronized" in these ways?
The extent of multichannel integration is a difficult but critical decision. The "Innovator's Dilemma" warns firms that online channels are hard for firms with extensive physical ones to establish. But this isn't an either/or decision; it is multidimensional and firms can choose the extent of integration on each dimension.
The Right Mix of "Bricks and Clicks"

The integration-separation decision is not a binary choice. Different companies will need to follow very different paths in deciding how closely—or loosely—to integrate their Internet initiatives with their traditional operations.
Clicks {and, or, vs} Mortar Decisions -- Brand

Separation

Brand

Integration

Does the brand extend naturally to the Internet? yes

Will we target a different customer segment or offer a different product mix online than in stores? yes

Will we need to price differently online than in stores to stay competitive? yes
Clicks {and, or, vs} Mortar Decisions - Management

- Do current executives have the skills and experience needed to pursue the Internet channel? **yes**
- Are they willing to judge the Internet initiatives by a different set of performance criteria? **yes**
- Will there be major channel conflict? **yes**
- Does the Internet fundamentally threaten the current business model? **yes**
Clicks {and,or,vs} Mortar Decisions - Operations

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
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<tbody>
<tr>
<td>Do our distribution systems translate well to the Internet?</td>
<td>yes</td>
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<tr>
<td>Do our information systems provide a solid foundation on which to build?</td>
<td>yes</td>
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<tr>
<td>Does either system constitute a significant competitive advantage?</td>
<td>yes</td>
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Clicks {and,or,vs} Mortar Decisions - Equity

- Are we having trouble attracting or maintaining talented executives for the Internet division?
- Do we need outside capital to fund the venture?
- Is a certain supplier, distributor, or other partner key to the venture’s success?
Complications about Quality in Multichannel Services

Traditional measures of service quality have focused on the front stage, especially on the intensity of interactions.

When the front stage became "virtual" as a web site, the quality of the web site became an additional place to assess quality.

But all this did was add a notion of "website usability" to the measures of quality.
Outcome- and System-Based Quality Measures

Some services (like ordering goods via Internet commerce) are initiated in a virtual channel but fulfilled in a physical one.

The complexity and deferred nature of physical fulfillment provide many ways for the service to fail (for the goods to be out of stock, to fail to arrive when promised, to arrive damaged, etc.)

So the quality of service isn't apparent during the virtual service encounter; or put another way, measures of the quality of the virtual service can't alone suffice as measures of overall service quality.

Instead, quality is dependent on the entire service delivery system and especially on the fulfillment outcome.
Quality Framework in Multichannel Services
Emerging Considerations

Many devices can support multiple channels - eg a phone or PDA can have phone, computing, SMS and Internet capability.

Users in a ubiquitous computing world will interact with several devices simultaneously. This multi- or federated-device interaction paradigm presents significant design challenges.

"Web 2.0" applications can be thought of as multichannel services in which one or more of their channels are controlled by other customers.
The "MySpace/Facebook/SecondLife" Effect

People are increasingly sharing information about their personal experiences (both offline and online ones) in blogs, wikis, social networking sites, Second Life.

Many of their interactions with each other have implications for service providers like online retailers.

So many online retailers are experimenting with or adopting these techniques and technologies to enable them to better interact with and track their customers.

But how do you effectively design a service when one or more of its channels are controlled by other customers?
Multichannel Services and "Digital Divide" Considerations

Banks and retail organizations can choose their customers and build multichannel services with different quality of service to attract particular customer segments.

But for public sector service providers like governments, this runs into "digital divide" issues; is it "right" or "fair" to offer different classes of services on different channels?

And you certainly shouldn't provide services in channels for which the intended customers lack technology or capability to use.

Some services probably need to maintain a high face to face component because there are aspects of the encounter that reveal essential information to the service provider that can't be obtained any other way.
For 5 December
