

# **SERVICE DIFFERENTIATION AND QUALITY CONTROL - AS OFFENSIVE MARKETING STRATEGY**

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## **Abstract**

In today's increasingly competitive environment, service differentiation and quality service are critical to organisational success. Intuitively, it makes sense to suggest that improving service quality will increase customer satisfaction, leading to higher sales and profit, yet for many service companies, high standard of service quality remain elusive. This paper cast a searchlight on the obstacles to effective service marketing and the offensive marketing strategies to overcome them, with special emphasis on the Banking and Hotel industries in Nigerian Economy. In reviewing this research, the researcher's objective was to establish the relationship between service quality, differentiation and competitive advantage in the service industry. The data generated from the study were analysed through the use of chi-square to test the hypotheses.

## **Introduction**

In view of the size and importance of service in our economy, considerable innovation and ingenuity are needed to make high-quality services available at convenient location for consumers as well as business people. Infact, the area of service marketing, probably offers more opportunities for imagination and creative innovation than does goods marketing. Unfortunately, many service firms still lag in the area of creative marketing (Donnelly 2004).

A service has been defined as an intangible benefit provided to individuals, business, government establishment and other organizations through the performance of a variety of activities or the provision of physical facilities, product or activity for another's use (Inegbenebor 2003).

The service industry in Nigeria is important as in other economies, especially in terms of the number of persons employed in service industries and the contribution of services to the Gross Domestic Product (GDP) (Agbonifoh et al 1998). Although the required figures are not available to indicate the proportion of Nigeria's work force that is employed in service industries, consider that all those engaged in government ministries, educational institutions, hospitals, insurance companies, banks and consultancy business are employed in the service sector. So also are mechanics, plumbers, musicians, actors and actresses, barbers, repair technicians and janitors.

Furthermore, increasing percentage of Nigeria's Gross Domestic Product (GDP) is produced by service industries. The service industries include utilities, building and construction, transport, communication, wholesale and retail trade, hotels and restaurants, finance and insurance, real estate services and telecommunications. In 1987, the totals contribution of these sectors accounted for more than 42 percent of the Nigeria's GDP (Agbonifoh et al 2007). Services possess several unique characteristics that often have a significant impact on

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marketing program development. These special features of services may cause unique problems and often result in marketing mix decisions that are substantially different from those found in connection with the marketing of goods. Some of the important characteristics are intangibility, inseparability, perishability and fluctuating demand, highly differentiated marketing systems and a client relationship. Unlike products where quality is often measured against standards, service quality is measured against performance.

A service is said to be intangible because it has no physical properties. It cannot be seen, felt, tasted or tested before, purchasing it. Because, it is intangible, one can only experience it after purchasing it, by seeking the opinion of those who have used or experienced it. For example, the services of a bank cannot be seen, felt or tested without actually having an Account or transaction with the bank. Where the personnel rendering the service are unkempt, rude and the building, machines show evidence of disrepair, it can be inferred that the nature of service is of low quality.

Since services are frequently produced in the presence of a customer, are labour intensive and are not able to be stored or objectively examined, the definition of what constitutes good service quality can be difficult and infact, continually change in the face of choices (Donnelly 2004).

Management of a company may not even realize that they are delivering poor quality service due to difference in the way managers and consumers view acceptable quality levels. To overcome this problem and avoid losing customers, firm must be aware of the determinants of service quality (Jobber, 1998). This, the management can use as an offensive marketing strategy in a competitive business environment.

When the physical product cannot easily be differentiated, the key to competitive success may lie in adding valued services and improving their quality. The main service differentiations are ordering ease, delivery, installation, customer training, customer consultancy and maintenance and repair (Kotler 2004). Differentiation strategies seek to produce a competitive edge by incorporating attribute and features in a company products or services offering that rivals don't have. Anything a firm can do to create buyer value represents a potential basis for differentiation. Successful differentiation is usually keyed to lowering the buyer's cost of using the item, raising the performance the buyer gets, or boosting a buyer's psychological satisfaction. To be sustainable, differentiation usually has to be linked to unique internal expertise, core competencies and resources that give a company capabilities, its rival can't easily match. (Strickland 2001).

Offensive marketing strategies by organization is aimed at building competitive advantage quickly. The purpose is to neutralize or overcome the strength and capabilities of rival companies and secondly to gain profitable market share at the expense of rivals despite whatever resource strengths and capabilities they have. A company can take the initiative to gain market in roads by directing its competitive attention to the weaknesses of revivals (Strickland

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2001). According to him there are a number of ways to achieve competitive gains at the expense of rivals weaknesses.

- Go after the customers of those rivals whose products /services lag on quality, features or product performance, in such cases, a challenge with a better service can often convince the most performance – conscious customer to switch to its brand.
- Concentrate on geographic regions where a rival has a weak market share or is exerting less competitive effort.
- Pay special attention to buyer’s segment that a rival is neglecting or as weakly equipped to serve.

As a rule, initiative that exploit competitors weaknesses stand a better chance of succeeding than to do those that challenge competitors strengths, especially if the weaknesses represents important vulnerabilities and the rival is caught by surprise with no ready defence. How this offensive marketing strategy is effected in the service industry is the focus of this research.

#### **Statement of the Problem**

In general, problems in the determination of a good service quality are attributable to difference in the expectations, perceptions and experience regarding the encounter between the services provider and customer.

These gaps according to Donnelly, can be classified as follows:

- The gap between consumer expectations and management perceptions of consumer expectations.
- The gap between management perceptions of consumer expectations and the firm’s service quality specifications.
- The gap between service quality specifications and actual service quality.
- The gap between actual service delivery and external communication about the service.

Considerable innovation and ingenuity are needed to make high quality service available to consumers in order to meet their expectations and also to serve as a competitive advantage over rivals. Service quality and customer satisfaction are of growing concern to business organizations throughout the world, to achieve this, two issues are paramount.

- 1) Understanding the expectations and requirements of the customer.
- 2) Determining how well a company and its major competitors are succeeding in satisfying these expectations and requirements.

Marketing concept claims that the social and economic justification for the firm’s existence is the identification of needs and wants of target market in order to adapt itself to delivering the desired satisfactions effectively and efficiently. The main problem to be addressed in this study involves how customers’ service expectations are met in a competitive business environment.

## **Research Questions**

A key to providing service quality is the understanding and meeting of customer expectations. To do so require a clear picture of the criteria used to form these expectations. Thus this study seeks to attempt solutions to the following research questions.

- i. What are customers' service expectations?
- ii. What are the variables in measuring service quality?
- iii. What are the main variables to be differentiated in service offering?
- iv. What are the effects of management misconception on customers' service?

## **Research Hypotheses**

### **Hypothesis 1**

Ho- There is no significant relationship between management misconception and customers' service expectation of quality.

### **Hypothesis 2**

Ho-There is no significant relationship between exaggerated promises and customer service expectation of quality.

## **Significance of Study**

The result of this study would be relevant to service firms in the adoption of offensive marketing strategy as a competitive advantage. These service firms among others include the Hotels, Restaurants, Laundry and Dry cleaning, Healthcare, Beauty saloons, Banks, Insurance, Legal, Accounting. The work is also of interest to entrepreneur who are innovative and creative by their nature, who would want to start a new venture in service offering.

## **Review of Related Literature**

### **Introduction**

As companies find it harder to differentiate their physical products, they turn to service differentiation (Kotler 2003). According to him, companies seek to develop a reputation for superior performance in on-time delivery, better and faster answering of inquires and quicker resolution of complaints. He stated further, that, not all companies have invested to provide superior service. He pointed out that since 1994, customer satisfaction in the United States dropped by 12.5 percent for airlines, 8.1 percent for banks, 6.5 percent for stores and 4 percent for hotels. Customers are increasingly complaining about inaccurate information, unresponsive, rude, or poorly trained personnel and long wait times.

Agbonifoh et al (2007) stated that in Nigeria, consumers are frustrated in service offering by long delays in obtaining service, lack of objectivity in problem diagnosis, firms undertaking to perform services for which they have no competence etc. Service industries are quite varied. The government sector, with

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its courts, employment services, hospitals, loans agencies and schools, is in service business.

The private non-profit sector, with its museums, charities, churches, colleges and hospitals is in the service business. A good part of the business sector, with its airlines, banks, hotels, insurance companies, law firms, management consultancy, firms, medical practices, plumbing – repair in the service business. Many workers in the manufacturing sector, such as computer operator, accountants, and legal staff are really service providers (Kotler 2003).

Based on the above analysis, Kotler (2004) defines a service as any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.

### **Criteria for Meeting Service Customer Expectations**

Jobber (1989) outlined ten criteria which form a useful checklist for service providers wishing to understand how their customers judge them. According to him, a key to providing service quality is the understanding and meeting of customer expectations. To do so requires a clear picture of the criteria used to form these expectations which include among others the following”

1. Access – This involve whether the service is provided at convenient location and the times with little waiting.
2. Reliability – This involve whether the service is consistent and dependable.
3. Credibility – The trust the customer has for the service company and its staff.
4. Security – Can the service be used without risk?
5. Understanding the customer – This has to do with whether the service provider understands customer expectations.
6. Responsiveness – This has to do with how quickly service staff responds to customer problems, requests and questions.
7. Courtesy – This involve the friendly and polite manner by service staff.
8. Competence – This has to do with the required skills and knowledge by service staff.
9. Communication – This is the ability of the service staff to describe the service clearly and accurately.
10. Tangibles – This has to do with how well managed the tangible evidences of the service e.g staff appearance, layout etc.

### **Quality in Service Organizations**

Controlling quality in service organization is different from what obtains in manufacturing enterprises. Since services are consumed as they are being produced, some of the quality control techniques used in manufacturing systems are not applicable to service organizations. Also because services are intangible, customers of service organizations used certain cues such as price, physical facilities and service personnel to assess the quality of a service (Inegbenebor 2003).

According to him, if the price of a service is low relative to that of competing services, then the quality of that service is regarded as low. The aspects of physical facilities that customers consider include architectural attractiveness and service facilities, orderliness, the standard and quality of equipment, state of repair of equipment.

With respect to service personnel customers depend on what they see and hear to make a judgment of the capability of the firm to render quality service. In particular, customers assess the service by the dress of service personnel, their state of well-being, courtesy, skill levels and professional orientation. In specific terms, many services involve a high degree of contact between service staff and customers. This is true for such service industries as health care, banking, catering and education. The quality of the service experience is therefore heavily dependent on staff – customer interpersonal relationships. The way in which service personnel treat their customers is fundamental to success in the service industry (Jobber 1989).

If price and physical facilities suggest high quality service but service personnel suggest low quality service, inconsistency exists and customers are likely to perceive the quality of the service as low.

### **Service Differential Advantage**

Understanding customer needs is the basis of the design of a new service concept which is different from competitive offerings, is highly valued by target customers and therefore creates a differential advantage.

Kotler (2004) pointed out that, the main service differentiators are ordering ease, delivery, installation, customer training, customer consulting and maintenance and repair.

According to him, ordering ease refers to how easy it is for the customer to place an order with the company delivery is delivered to the customer, it include speed, accuracy and care attending the delivery process; installation refers to the work done to make a product operational in its planned location e.g buyers of heavy equipment expect good installation service; customer training refers to training the customer employees to use the vendor's equipment properly and efficiently. Customer consulting refers to data, information systems, and advice services that the seller offers to buyers; Maintenance and Repair describes the service program for helping customers keep purchased products in good working order.

### **The Service Marketing Mix**

The service marketing mix is an extension of the 4ps. The service mix has 7 ps of product, promotion, price, place, people, physical evidence and process (Jobber 1989).

The need for the extension is due to the high degree of direct contact between the firm and the customer, the highly visible nature of the service assembly process and the simultaneity of production and consumption.

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People, physical evidence and process are crucial in influencing the customers' perception of service quality.

The firm personnel occupy a key position in influencing customer perception of product quality. In fact service quality is inseparable from the quality of the service provider (Jobber 1989).

According to him, there may be inadequate delivery barrier if they are not trained. This may manifest itself in poor communication skills, inappropriate dress, and unwillingness to solve customer problems. The physical evidence is the environment in which the service is delivered and any tangible goods that facilitate the performance and communication of the service. Customers look for clues to the likely quality of a service by inspecting the tangible evidence. For example, prospective customers may gaze through a restaurant window to check the appearance of the waitress, the decoration and furnishings.

Process is the procedures, mechanism and flow of activities by which a service is required. Process decisions radically affect how a service is delivered to customers. In the bank, for example, queuing may provide an opportunity to create a differential advantage by reducing/elimination, or making the time spent waiting more enjoyable (Kotler 2004).

### **Methodology**

One hundred and twenty service staff randomly selected (using stratified random sampling technique) from banks and hotels from Delta State constituted the sample for this study.

The instrument used for study was survey questionnaire and personal interview. The questionnaire was divided into two sections A and B. Section A elicited background information of the respondents and their organizations. Section B sought information on the service differentiation and service quality control as offensive marketing strategy.

One hundred and twenty questionnaire was administered out of which one hundred and five were retrieved. The hypothesis were tested by means of the chi-square test statistics.

### **Test of Hypothesis**

Research question /statement 1

#### **Research Question – Management Misconception Affects Customers' Service Expectations of Quality**

Rating scale 5.1	Frequency	Percentage
Strongly agreed	45	42.86
Agreed	30	28.57
Indifferent	10	9.52
Disagree	15	14.29
Strongly disagree	5	4.76
Total	105	100

**Hypothesis 1**

**Ho -** There is no significant relationship between management misconception and customer service expectations quality.

**Test of Hypothesis One**

**The Hypothesis is Tested Based on the Data Analysis of Table 1**

Fo	Fe	Fo-fe	$(fo - fe)^2$	$(fo - fe)^2$
45	21	24	576	27.43
30	21	9	81	3.86
10	21	- 11	121	5.76
15	21	- 5	36	1.71
5	21	- 16	256	12.19
				X <sup>2</sup> 50.95

The data presented was analysed using the chi-square test statistic, given as  $x^2 = \frac{(fo - fe)^2}{Fe}$

Degree of freedom (df) = n - 1, where n is the number of categories

Degree of freedom = 5 - 1 = 4

The calculated value of  $x^2 = 50.95$

The table value at 5% (0.05) = 9.49

Since the calculated value is higher than the table value, we reject the null hypothesis (Ho), and accept alternate hypothesis (1) which state that there is a significant relationship between management misconception and customer service of quality. When management misunderstand customers service expectation, the right quality service is not offered. This problem arises from management misunderstanding of what the customer expects and it is only research that can make management conceive the important service attribute that customers use when evaluating a service.

**Hypothesis Two**

**Ho -** There is no significant relationship between exaggerated promises and customer service expectation.

Research question: Does exaggerated promises by service companies lead to service customer high expectation of quality?

**Table 2**

	Frequency	Percentage
Yes	85	81
No	18	17
I don't know	2	2
	105	100

**Test of Hypothesis Two**

Research question /statement 2: Does exaggerated promises by service companies lead to service customer high expectation of quality?

**The Hypothesis is Tested Based on the Data Analysis of Table 2**

	fo	Fe	Fo = fe	(fo – fe)2	(fo – fe)2
Yes	85	35	50	2,500	71,43
No	18	35	- 17	289	8.26
I don't know	2	35	- 33	1089	31.11
					$X^2 = 110.8$

$X^2 = 110.8$

df = n – 1 where n is the number of categories

Degree of freedom = 3 – 1 = 2

The table value at 0.05 level of significance is 5.99

Since the calculated value is higher than the table value we reject the null hypothesis and accept the alternate hypothesis which states that there is a significant relationship between exaggerated promises by service companies and customers high expectation of quality. In other words, based on promises of good quality services made by service companies, customer may be expecting very high quality only to find out that they were mere exaggerations. When this occurs there would not be a repeat purchase.

**Recommendations**

1. Management of service companies should try as much as possible to provide services that match customers' expectations.
2. Management of service companies should avoid exaggerated promises to consumers.
3. To be market leaders, service companies should embark on service differentiation and total service quality control.
4. As an offensive marketing strategy, service companies should go after those customers of those rivals whose services lag on quality and performance, by providing them better services.
5. There should be a concentration on geographic regions where a rival has a weak market share or is exerting less competitive effort.

6. There should be service packaging which among others include courtesy, competence, credibility, reliability, responsiveness which the customer see as important features of service.

### **Conclusion**

The problems in the determination of a good service quality are attributable to differences in the expectations, perception and experience regarding the encounter between the service provider and customers.

For a service company to have a competitive and comparative advantage in a competitive business environment, an understanding of consumer expectations, service quality specifications and actual service delivery, are paramount to organization survival and growth.

Service companies can be market leaders if they strike a balance in adopting the following variables – reliability, credibility, security, courtesy, understanding the customer, communication, competence and responsiveness etc. A total adoption of these variables by service organization is an offensive marketing strategy if it is done at a minimum cost.

Management misconception of customer expectations makes an organization to provide poor quality services. Moreso, exaggerated promises of organization that cannot be met lead to loss of customers as quality expected cannot be offered. This serves as a weakness which other competitor can capitalize on to take over a larger market share.

The courtesy from the service provider for example, a cashier in a bank counter, goes a long way to increase the quality of service rendered.

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