

MIND THE GAP - What companies are missing and what to do about it

*Conclusions of 12 years of Service Delivery Gap Polls and Surveys,
2002-2014*

Robert Craven

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Background

The publication of *Customer is King* (2002) was based on the assumption that there was a gap between:

- 1) What companies believed they delivered, and
- 2) What customers believed they received.

This is referred to as the *service delivery gap*.

While plenty of models and anecdotal evidence existed at the time (eg *Parasuraman, Zeithaml & Berry* (1985), and subsequently *Bain & Co*, (2005)), it was felt necessary to test the hypothesis in the field. This report draws together *The Directors' Centre's* findings and conclusions of 12 years of relatively informal data gathering.

Results

A service delivery gap is reported consistently and across all sizes of business and across all sectors that we came into contact with (professional service, service and manufacturing firms).

- **80% of companies reported that they deliver an above-average customer experience.**
- **Only 14%** of the same companies **believe that their clients think they received an above-average customer experience.**
- When asked, the actual clients (in a smaller dataset) supported the companies' views about the customer's experience: **only 11% of the actual clients felt they received an above-average experience.**

This "service delivery myopia" or "deafness" appears to be most apparent in professional service firms: the firms are the most optimistic and their clients' reported experience is very low.

Table 1

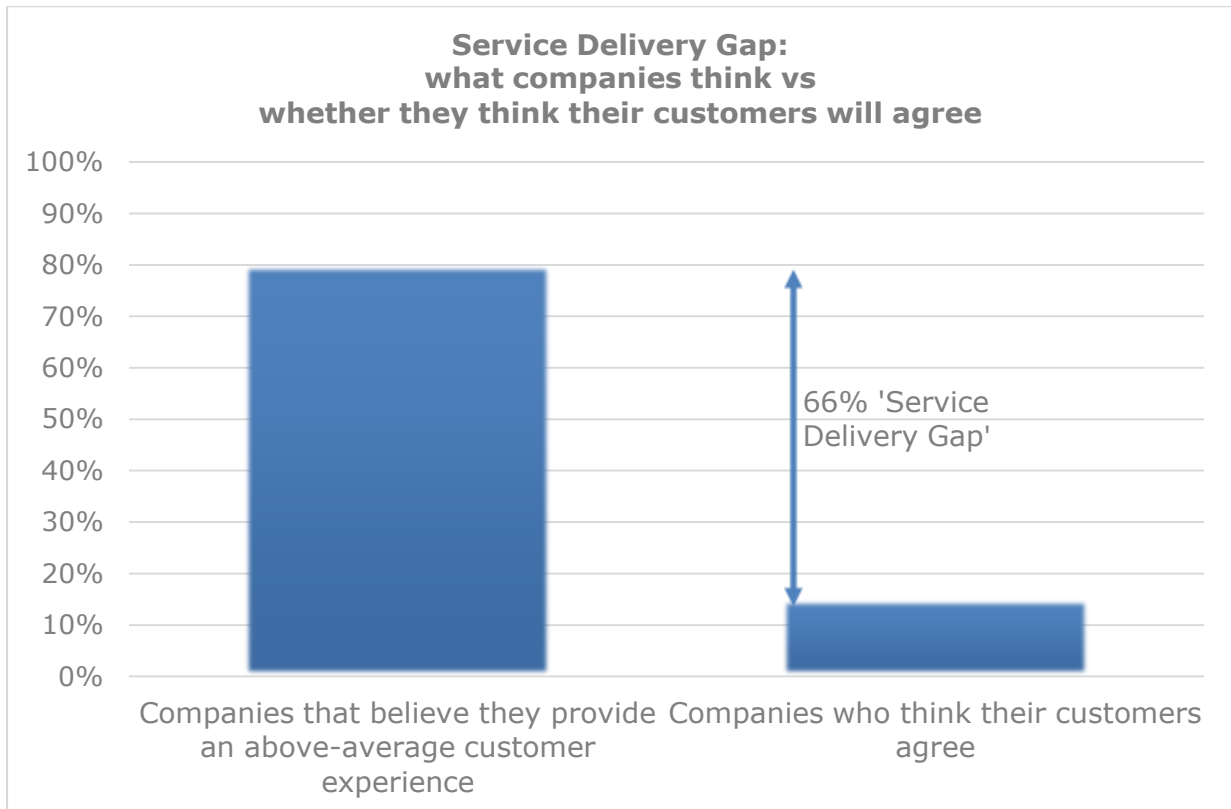
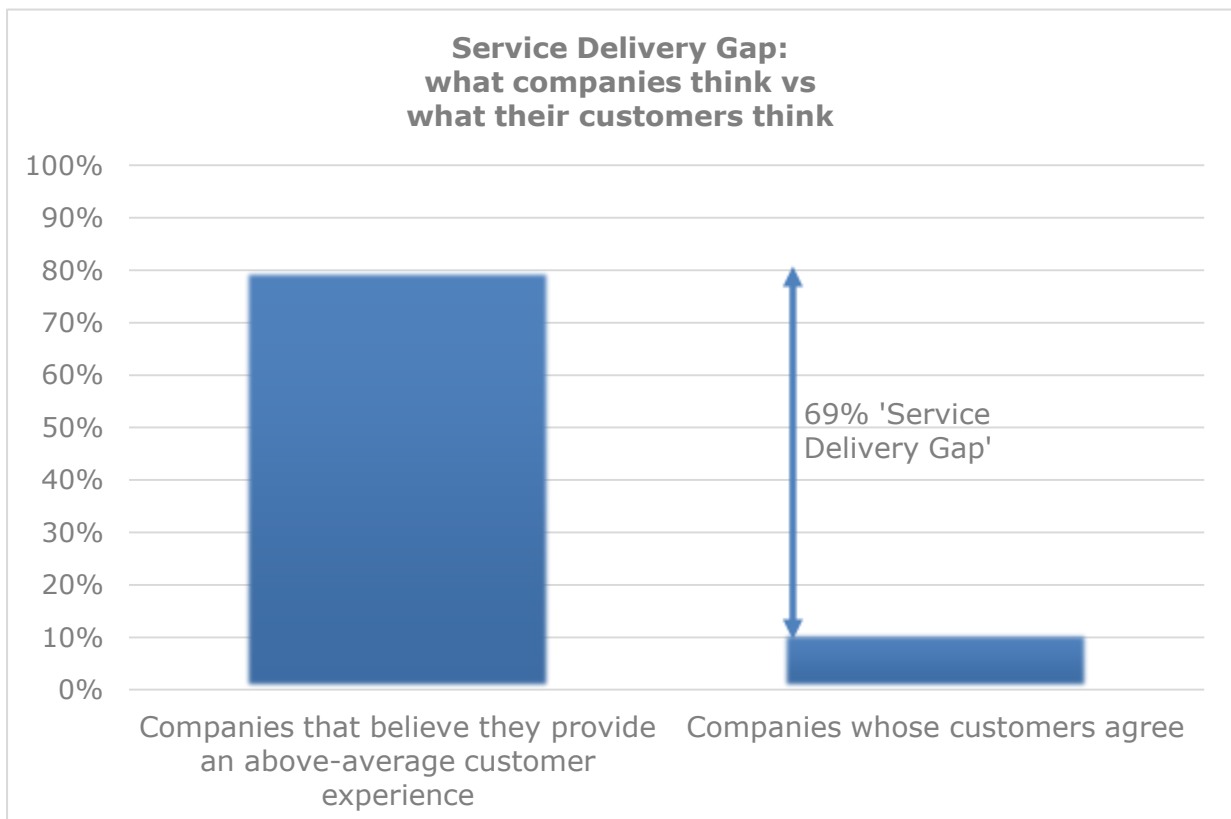


Table 2



Observations

Like male drivers, most companies believe that they are above-average. Paradoxically, they are not so confident as to say that their clients would agree. The clients (as suggested by the companies themselves) support the view that few supplier companies deliver above-average service levels.

The gap appears to remain relatively consistent over time and between industries.

It surprises the authors that suppliers appear to hold logical but inconsistent points of view:

- *A totally unrealistic view* (over-inflated?) of the customer experience they are delivering
- *A totally realistic view* of what their clients think of their delivery.

This cognitive dissonance, the discomfort experienced when one holds two or more contradictory ideas at the same time, seems to be buried in their psyches (Festinger, 1962).

It is argued that the delivery gap may occur for a number of reasons:

- Basic blindness or inability to take on customer feedback
- Being too much in love with one's own product/service
- Not being close enough to the customer
- Failure to track and monitor every step of the customer journey
- Preoccupation with hard measures and statistics that sit neatly in a spreadsheet
- Forgetting the purpose, the why, of their business
- Inability to believe that there could be a better way of delivering
- Smugness that the customer is not always right
- Failure to design new products/services that exceed customer satisfaction.

The service delivery gap model developed by *Parasuraman, Zeithaml and Berry* (1985) identifies five different gaps and the list above could fit neatly into these five categories:

1. **The customer gap:** the gap between customer expectations and customer perceptions.
2. **The knowledge gap:** the gap between consumer expectation and management perception.
3. **The policy gap:** the gap between management perception and service quality specification.
4. **The delivery gap:** the gap between service quality specification and service delivery.
5. **The communication gap:** the gap between service delivery and external communications.

Consequences

It would appear that there is a cause-and-effect (chicken and egg) loop that is difficult to unpick eg does a service delivery gap cause an inability to take on customer feedback or is it the reverse?

While the cause-and-effect loop is interesting to explore elsewhere, it is believed that the consequences of these gaps impinge significantly on the profitability and sustainability of the business (*Bain & Co, 2005*).

A word of warning: correlation does not imply causation; a correlation between two variables does not necessarily imply that one causes the other! What is not in dispute is the consistent presence of the gap!

Key Points

Excellent customer service is difficult to deliver

While excellent customer service is easy to describe it seems to be much harder to deliver, consistently. Good relationships are hard to build and even harder to maintain.

Business myopia

Businesses seem to be blind to what the customer really wants or needs. Too much in love with their own product/service and their own processes, businesses fail to see or acknowledge how they are failing their customers. We regularly heard statements like, "Customers don't know what they really want", "We still deliver the best product but customers just don't seem to get it".

Communications gap

Many businesses simply fail to understand who their customer is, why and when and how and where they buy the product/service. The company then proceeds to use inappropriate messages often via the wrong channels.

Confusing products and services with markets and customers

The product/service-centric view of the world is doomed in the long run; it will fail to follow the needs of customers as their tastes and technology change. The business needs to see the product/service through the eyes of the customer.

Similarity

Most businesses are competing in over-cooked marketplaces: more competitors competing on price, weary customers progressively less impressed by empty/vacuous marketing messages. Similar-looking businesses employ similar people with similar qualifications to use similar software and hardware to create similar-looking websites to sell similar-looking products to similar people at similar prices.

Five-year-old-itis

Too many businesses are still working with five-year-old assumptions about who their customer is, what they are buying, for what reason, the right price point, the right sales channel and who or what the competition really is today. Out-of-date, it is no wonder their latest P&L doesn't match their business plans.

Hard vs Soft thinking paradox

It is argued that hard-thinking (measuring and analysing accounts) conflicts with soft-thinking (relationships and service). An impact of chasing hard results is that costs will be squeezed to maximise profits (at the cost of customer service performance).

Solutions

In some senses, the solutions feel like a return to the basics of a first year *Marketing 101* course. Somewhere along the way, businesses have lost the plot. The key is to design the customer journey through the eyes of the customer. The following strategies and initiatives will start to address the service delivery gap issues:

- Get customer-centric
- Identify key target customers
- Create a clear value proposition and a clear message and voice
- Design and align sales, marketing and operations
- Use the appropriate channels to communicate.

Background

This was never intended to be an intellectually rigorous piece of research but simply a privately-funded survey to get an understanding of some of the key behaviours and drivers in this field.

There has been much talk of customer experience and also of service under-performance; the survey was designed to test some crude assumptions and propose some conclusions.

Commentary

Everything and nothing has changed between 2002 and 2014. On the one hand, communication, design, production and distribution are cheaper and faster than ever. On the other hand, there is still a need to engage, on a personal level, and to respond to customer wants and needs in a way that they find accessible and compelling. Businesses that fail to address these apparently contradictory pressures will fail in the marketplace. (Think of *Encyclopaedia Britannica*, *Kodak* and *Blockbuster*.)

The high scores for the companies' belief that they deliver an above-average experience is supported by polls taken at the same meetings asking businesses to produce scores for their financial, their marketing and their operations effectiveness. Crude results from just over 20,000 participant scores are:

- Financial performance: 6
- Marketing performance: 4
- Operations performance: 8

Owners and directors clearly believe that they do deliver a high quality operation (their product/service). This supports the fact they would also believe that they deliver an above-average customer experience. It appears they might be too much in love with themselves!

Weaknesses of the Study

This survey is not academically rigorous and its flaws and limitations are acknowledged by the authors.

Concepts such as customer service, customer experience and customer journey are not clearly defined and only used in the most general of terms.

The study is simply a meta-study, combining a number of different business audiences. Only business people who attend such events (conferences, seminars and workshops) were polled. The polling was approximate and not measured precisely.

It should be noted that the polls in this study rarely defined 'service delivery gap' to the respondents. Higher scores were reported in a public (show of hands) poll than a 1-2-1 or online questionnaire. The matched poll (where supplier and client were questioned) was considerably smaller than the others.

The original purpose was just to get a feel for the size of the gap. It is only now that we see the consistency in the results that a consistent trend can be reported. The study would not stand up to rigorous scientific scrutiny but that was not the original intention.

Next Steps

A proposed next step would be a more thorough and more controlled investigation of the subject, using service providers and their matched customers, to explore the level and extent of the service delivery gap. This would then make it appropriate to assess the data using appropriate statistical tools.

Additional Information

This paper was compiled in Quarter 1 of 2014 by *The Directors' Centre*. It comprised of 203 polls* (20,350 participants) as well as 78 face-to-face interviews with owners, managers and managing directors. The majority ran independent businesses in most sectors. Desk-based research was also a key methodology.

* Between 2001 and 2008, The Directors' Centre ran approximately 200 *Let's Talk... Business* events in conjunction with Barclays with some 16,000 delegates.

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Appendix 1 – The Data Sources

1a) Suppliers, Clients

Events

Barclays Bus Tour, 2010-2011

30 polls, 611 participants,

<50 employees (5% start-up, 20% <5 emp, 50% 6-9 emp, 25% 10-50 emp)

Let's Talk Tour, 2006-2010

121 polls, 15,007 participants,

(5% start-up, 20% <5 emp, 50% 6-9 emp, 25% 10-50 emp)

Events with Business Scene, NRG, various Chambers of Commerce and business organisations, UKTI, Business Link, IMC, IoD, FSB, ISMM, BPMA, PSA, NABO, HSBC, ICST, Warwick and London Business Growth Programmes, 2005-2014

52 polls, 4,732 participants,

(5% start-up, 20% <5 emp, 50% 6-9 emp, 25% 10-50 emp, 30% 51+ emp)

A total of 20,350 suppliers and clients polled at events.

Qualitative Research

TheDC Survey, 2014

Sources:

- Twitter/FaceBook/LinkedIn (*Directors' Centre* database)

- Email List (2,000 names supplied by *NettSales*)

432 participants,

(5% start-up, 20% <5 emp, 50% 6-9 emp, 25% 10-50 emp, 30% 51+ emp).

1b) Matched Questioning: Suppliers and their Clients

26 companies. A total of 78 interviews undertaken by *The Directors' Centre*.

Appendix 2

About the Author

Robert Craven, BSc(Hons), Economics and Politics (Bath) and MBA (Warwick Business School) is Managing Director of *The Directors' Centre Ltd*.

Formerly Director of Consultancy and Training, and Teaching Fellow, at *Warwick Business School's* Centre for Small and Medium-sized Enterprises and Visiting Professor at *ESC Toulouse*. He is currently Programme Director (Export Growth Masterclass) at *Cranfield School of Management*. Robert has written six, and co-authored two, business books aimed at helping the owners and directors of growing businesses.

www.robert-craven.com

About The Directors' Centre

A management consultancy that focuses on delivering sales and profit results to the directors of growing businesses. Led by Robert Craven, it is known for a free-of-nonsense approach to helping clients run the businesses they really want to run. Its approach is highly practical and results-oriented. Clients include: *Bighams, Hobbs House Bakery, Barclays, Airbus, Sandals, LandRover Jaguar, Ritz Carlton*.

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