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The marketing of quality

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SUMMARY

In this paper a program is presented to implement quality within a commercial strategy. The ABCDE-quality program starts from the Analysis of customers' quality perceptions. It is argued that each quality program should start with information on how the customer perceives and experiences the companies service delivery. Bringing about the involvement of topmanagement and employees with the quality orientation is a prerequisite for a successful quality program. Communication both internal between management and personnel and later external to the clients on what to improve and how to do that is essential in preparing the organization for the next step: the actual Diffusion of quality. It is argued that a successful implementation of quality depends on the specification of service improvements as found from the analysis of clients perceptions. Finally the Effectiveness measurement as a means for feedback to the organization can make a quality program into a continues improvement process.

1. Introduction

Quality literature shows a development in thinking about quality. Until recently, quality was studied from only a technical perspective, which stresses 'objective' internal technical procedures, processes and control. More recently, a subjective quality perspective was added, in which the customer instead of the technician judges quality.

This article will expand on how the two quality perspectives interact. We will focus on how quality management matches the internal quality program with the external quality perceptions of customers. We have developed an ABCDE-Quality Program that consists of several steps the marketing manager has to

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consider when trying to implement quality as an effective marketing strategy. The successive steps are: Analyzing customers' quality perceptions, Bringing about involvement of management and employees, Communication -both internal and external-, Diffusion of quality, and Effectiveness measurement of the quality program.

2. The power of perceived quality

Both in practice and in theory, the quality concept has received a lot of attention. This seems legitimate, since several researchers have shown quality to be a powerful marketing tool. Buzell and Gale (1987) found a relationship between relative market share, perceived quality and return on investment. Research by Thompson, Desourza and Gale (1985) showed that high quality is positively related to the price acceptance of products, the growth in annual market share, the increase of turnover and profit. Table 1 provides some evidence: for several selected industries the top and bottom thirds of the business units are listed according to customer ratings of 'relative perceived service quality.'

In addition, Luchs (1986) stated that offering a product with premium quality (premium from the customer's perspective), has a positive influence on all of the following: the profitability, the possibility of demanding premium prices without losing market share, the market share itself, resistance to price competition, repurchasing, and customer loyalty.

TABLE 1:
CONTRIBUTION OF SERVICE QUALITY TO RELATIVE PERFORMANCE

source: Thompson, Desourza and Gale (1985)

	high third in service quality	low third in service quality	difference in % points
price index relative to competition	7%	-2%	+9%
change in market share per annum	6%	-2%	+8%
sales growth per annum	17%	8%	+9%
return on sales	12%	1%	+11%

Our experience is that the majority of the organizations claim 'differentiation through quality' to be the central issue in their strategic marketing planning. That this strategy is desirable is understandable given the results listed above. A variety of problems however can be seen in marketing practice regarding the implementation of this prosperous strategy.

3. Problems in implementing quality strategy

Although a quality strategy holds much promise, it is also difficult to execute. Focussing on specific marketing problems, we can distinguish three categories:

1. the knowledge of perceived quality;
2. the translation of external quality into internal quality (and vice versa), and
3. the simplification of the quality process.

First, an organization must offer benefits to the consumers that they will find so distinctive and important that customers will choose to buy them. We call this distinctive satisfaction. Based on our experience, organizations lack knowledge of how and why customer quality judgments are formed, what cues customers use, and how competitors perform on quality issues. Furthermore, no information is available on customer quality expectations and on what is perceived as 'really distinct' quality. Quality performance must also be based on a distinctive competence (Porter, 1985), without which there is no basis for the quality strategy.

Second, moving from distinctive competence (read: internal technical quality) to

distinctive satisfaction (read: external or perceived superiority) and vice versa, seems difficult. This is partly due to the fact that quality programs are often created and executed by organization experts or by marketing experts. A cross-pollination between internal and external disciplines could resolve this, but is rarely performed.

Third, even if quality perception research is executed and applied in quality programs, it is often oversimplified. The idea, for example, that every discrepancy between the customer's expectation and the perceived performance (Lewis and Booms, 1983), should automatically lead to an adjustment of the product or the organization is too obvious. These questions are rarely asked: (1) What caused the difference and why? It is possible, for example, that one could still be satisfied about a tour operator and its service, even if consumer expectations were not met (due to the bad weather). (2) What is the impact of this discrepancy on the overall quality judgment? When a customer is in a hurry and there is a crowd before the registration desk, this will have a more important effect on the quality assessment than when the customer is not in a hurry. (3) What will be the effect of quality level adjustments? Not every product adjustment automatically leads to better quality. Insurance company customers might still be dissatisfied if the term of payment is shortened from two months to three weeks, if they still expect payment within one week.

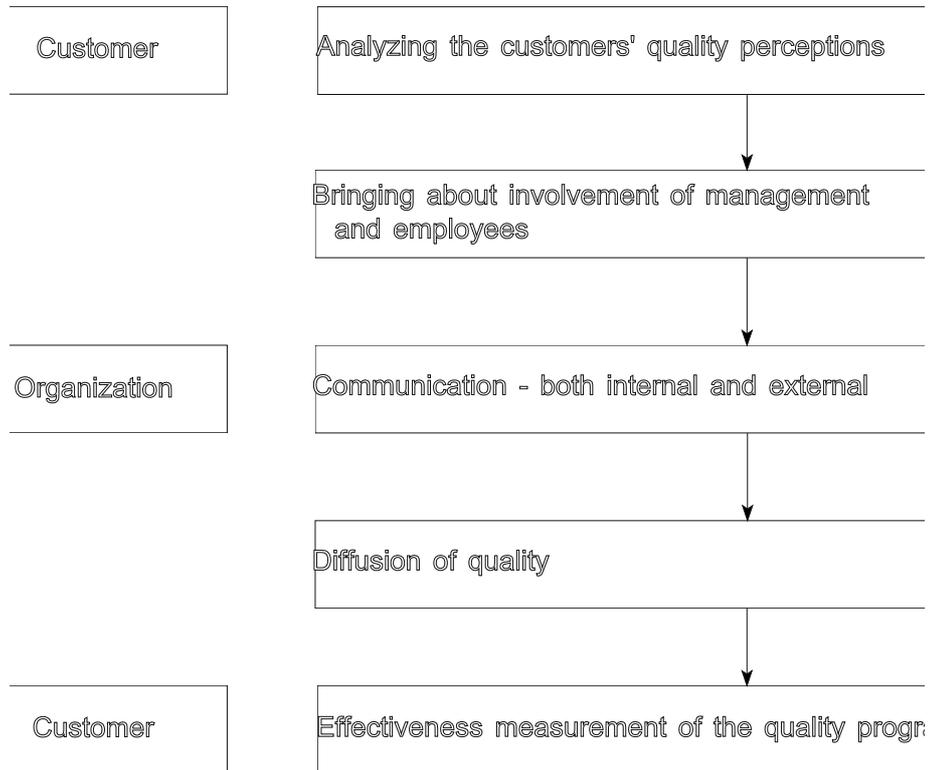
In the light of the implementation problems and examples listed above, it shouldn't surprise us to see that organizations who claim quality to be the strategic choice often don't experience the pursued prosperous business economic effects.

We conclude that although perceived quality as a strategy promises much for organizations, they often lack the opportunities and conditions to execute it. The next section will therefore consider how quality as a marketing strategy can be executed more effectively.

4. Matching internal and external quality

The previous section described some aspects important for perceived quality to become a successful marketing strategy. The customers' quality perceptions and the capacity of the organization to take advantage of this, using both the product and the organization in a positive and distinctive way, take a central position in this strategy. From that perspective we have developed an ABCDE-Quality Program:

FIGURE 1: THE ABCDE-QUALITY PROGRAM



A. Analyzing customers' quality perceptions

To discover what quality perception processes a customer uses for assessing quality, five aspects should be considered in succession: identifying the quality dimensions clients use, finding out what and how quality cues are related to these dimensions, measuring the relevant levels within each quality cue, and recording both consumer ratings and establishing priorities.

1. The first phase is to examine the quality dimensions customers use in their quality judgments. Research within the service industry has come up with five quality dimensions: reliability, responsiveness, assurance, empathy and tangibles. These dimensions vary in importance depending on psychological, situational and service typical factors (Parasuraman, Zeithaml and Berry, 1985, 1988).

2. Also important is which quality cues customers use in determining the level of the quality dimensions. For example: according to consumers the color of bread provides a cue about its taste. Some quality cues are obviously easier to control and manage than others. The power of these cues is that they make the connection between the distinctive satisfaction and distinctive competence. Within cues, intrinsic (technical) attributes and extrinsic perceived product benefits are present. Verhallen (1992) states that in service quality research (e.g. banking and insurance companies) 40 to 50 quality cues can be established.

3. Determination of the quality levels used by customers is the next step. A customer trying to make a telephone call to an organization, for example, is dissatisfied when he is not connected with the right employee within 15 seconds.

4. Defining quality levels in operational terms, with clear meaning to the customer as well as to the organization and its translation to daily delivery practice, can easily bridge the gap between internal and external quality (see step B). The actual measurement of cues and dimensions for products, the organization and its competitors can be executed in several ways (see also step E).

5. Finally, the customers' own priorities have to be determined. This will prevent unnecessary investment in attributes with no relevance for quality perception. In the SMART-procedure, developed by Research International, the customer is asked to rate quality improvements (Sikkel 1992) which can be expressed as differences between quality levels on relevant quality cues.

Once it is known how the client rates the level of quality currently delivered, as well as what is possible, and this also parallels aspects on which the organization can gain a

sustainable level of distinctiveness, only then it is useful to further develop the quality strategy.

B. Bringing about involvement of management and employees

For controlling and executing marketing quality and, when needed, implementing quality improvements, involvement of the organization's employees and management is a basic requirement. Many quality operations have failed because organizations overlooked integrating the marketing quality consequences with organizational operations. Organizations implemented quality teams and quality circles, often copied from Japanese businesses, without defining the role and the logic of it and without providing the opportunity and delegating the authority for necessary actions. The necessary support and incentives from management were also missing to carry out this strategy effectively.

In this context it is important to carefully describe the perceived quality specifications (Verhallen, 1992). Important quality dimensions from step A should, in other words, be translated into controllable and operational actions for the organization.

For example, how can the organization measure courtesy of personnel? The following scale may help:

- gruff, stiff personnel on telephone or front office desk;
- cool, reserved and professional personnel on telephone or front office desk;
- cheerful, friendly and professional personnel on telephone or front office desk.

Here the lowest level is described as gruff/stiff personnel, the middle level as cool/reserved/professional employees and the highest level as cheerful/friendly/professional on telephone or front office desk. Quality level specification is especially important to make clear to the personnel what is really meant by the phrase 'please, be more polite.' When an organization pursues the highest courtesy level, it must, for example, determine to react with a well-organized administration desk where work pressure is not in evidence and with personnel who welcome customers with spontaneous smiles and eye contact. Quality dimensions and their desired levels must thus be translated into unambiguous terms for both client and personnel, and must be clearly transformed into operational activities.

In this way the operational personnel feels more involved in quality, and can better and earlier recognize possibilities for improvements. Focussing on marketing quality specifications requires careful tuning between several organizational departments,

across the hierarchical structure. Training and motivating personnel can also be based on this principle. Faster delivery is more than a matter of running faster -it is a different way of organizing-. Giving personnel the opportunity to observe customers (from a distance), their behavior and the way the organization handles this contact, will help personnel be more customer orientated and increase employee involvement. Customer research, in the form of group discussions with customers, for example, can be set up so that employees have the unique opportunity of watching the discussion via a camera-monitor formation or a 'blind-screen.' Perhaps a mentality of improvement is one of the most crucial factors in order to arrive at an effective marketing quality strategy.

C. Communication -both internal and external-

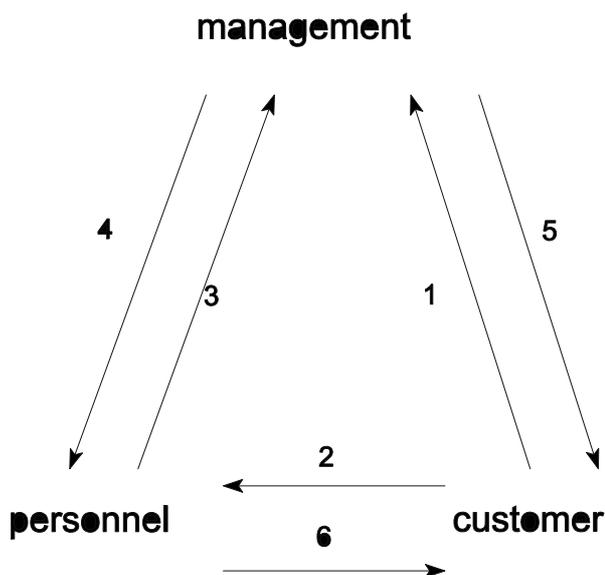
Communication is clearly an important factor in this context. Quality marketing is averse from hierarchical organization structures; communication structures should therefore be both vertical and horizontal. An organization depends on bottom-up communication, for example, because executives rarely have good insight into customers' perceptions. Schneider and Bowen (1985) suggest that customer-contact personnel are more able to assess and investigate these perceptions. These findings should be communicated from the bottom up. Using top-down communication, management informs the front office about specifications, goals and the results achieved. The importance of horizontal and diagonal communication becomes manifest in the coordination between people and departments in their efforts to realize marketing goals. Internal problems between departments of any kind are not in the customer's interest. Especially in services this aspect deserves extra attention, because customers also experience the service production in which they participate. Not only the service product but also the production process experiences will be used to assess their service quality perceptions. Only if the organization can guarantee the quality sufficiently, it should be allowed to tell customers about it using the motto 'be good and tell about it.' If possible, customers should be made aware of the distinctive capabilities of the organization. This kind of claim increases the customer's level of expectation up to the 'augmented' level, which only the organization can perform (Levitt, 1980). Figure 2 depicts the communication flows between involved parties.

D. Diffusion of quality

Another problem associated with quality programs is dosing the introduction of quality

as a marketing strategy. It is often assumed that once the management has communicated that quality is an important issue to them in policy and performance, this will have structural and ongoing impact. Management tends to forget that implementing quality marketing is successful only if it penetrates into the capillary vessels of the organization. Quality as a strategy interfaces more with the organizational culture than with the organizational structure. Preparation and performance must take place in a profound, continuous and stimulating way and quality programs must be handled systematically and carefully. Too many good ideas are fatal for a quality program and to work well, the best ideas should be selected early on. Bad ideas are hardly a problem because they usually are recognized as such.

FIGURE 2: COMMUNICATION STRUCTURES INVOLVING EXTERNAL AND INTERNAL QUALITY



Examples

from customer :

1 quality research and ana

2 interaction with customer

internal :

3 personnel pointing out to

what is going on and what

4 management translating i

operational terms and initia

to customer :

5 advertising

6 (non)verbal quality delive

It makes sense to start the quality implementation trajet with just a few quality aspects that are important to customers and where implementation depends on a combined effort of as many different people/departments as possible. Management's objective

here is to let personnel understand that increasing quality is possible (evolution instead of revolution) and to stimulate continuation as a team. As far as customers are concerned, management tries to prevent them from forming quality expectations that the organization cannot perform (yet). As an example, a local housing association, in the context of its desire to privatize, had to raise their quality performance level up to the level of their competitors (Roest, 1987). We found that, among several other factors, accuracy was extremely important for their customers. This was true for both the tangible part of the product, the house, and the intangible part, the service relation with the tenants. Using the customers' perspective, the association formed a project committee with representatives from several departments. Each representative would determine from his own department, how the accuracy of their mutual and dependant activities and operations could be improved. Subsequent meetings between management and the respective departments, evolved into a quality mentality that led to a level of further quality development exceeding everyone's expectations.

E. Effectiveness measurement of the quality program

Effectiveness measurements forms the basis for quality improvement plans; quality in fact, is never satisfied. Has quality perception, for example, developed in a positive and desirable way and has it increased the difference with its competitors? Quality perception research offers faster feedback than do sales and turnover figures. A positive evaluation enlarges, as has already been asserted, both customers and employees involvement.

Five methods of quality effectiveness measurement can be distinguished. (1) *Customer complaint registration* assumes the customer makes his complaints to the organization known. Measurement here is simple; few customers however will actually voice their complaints by letter or telephone, and so customer complaint (dissatisfaction) registration indicates only the top of the iceberg. It should also be noted that all discontent -expressed or not- causes negative word-of-mouth communication.

An extra disadvantage of this method is that complainers will often cite concrete events rather than abstract underlying motives they may have for their dissatisfaction. (2) A second way to gain insight into the customers' quality perception is to get their *reactions right after delivery*. Well known is the inquiry-card that restaurants and hotels often enclose with the invoice and that can be mailed back to the organization later. A disadvantage is that the customer has only limited possibility to express his true quality perceptions. (3) A method that requires a more active attitude from the organization is

the *lost customers analysis*. It is important to realize however, that lost customers often advance other, more rational, arguments for ceasing to do business with an organization. The customer won't easily say that he resented impersonal treatment by an employee, and will try rather to advance more objective arguments. (4) A method in which not the customer himself, but a third party will make a statement in relation to quality perception is *mystery shopping*. Here a person acts like a customer and reports on the way he has been treated or how he perceives the product's performance. For this procedure to be valid, the method must be tested on aspects relevant to the customers; the Michelin-star classification system, for example, is based on this method (Roest and Verhallen, 1994). (5) Finally, it is possible to have a *detailed customers quality perception inquiry*. Here, customers evaluate the quality of the product or organization according to defined quality dimensions. This yields in a good picture of how customers perceive quality.

Costs of this kind of inquiry can be prohibitive, however. Market research companies offer a variety of ways for carrying out this type of investigation.

Table 2 presents an overview of these five different measurements in relation to their prices, the amount of quality perception details provided and the amount of response control. The more detailed the measurement, the more accurate the evaluation of the performance of the activities and their effects can be determined. However, this type of measurement will also require a lot of effort and a large budget. The more controlled the sample is, the more reliable the results are and thus the more suitable they will be in their impact on quality policy.

No one method can claim to be best, the optimal method depends on the situation.

TABLE 2: FIVE QUALITY MEASUREMENT METHODS
(the number of stars is related to the extent the method is suitable for that item)

Quality (effectiveness) measurements	low costs	amount of detail	amount of control
administration of complaints	*****	**	*
reaction after delivery	***	*	**
lost customers analysis	**	**	**
mystery shopping	**	***	*****
customers perception investigation	*	*****	***

5 Conclusions

Implementing quality as a strategic instrument is a continuous process of measuring and analyzing quality perceptions of customers.

Marketers are most closely related to customers. In effect, the customer's representative within the company, the marketer, is involved with everything that concerns both parties. Dealing with perceived quality allows an organization to investigate customers and implement new programs. Distinctive satisfaction and distinctive competence are both sides of the same coin. Not every possible quality problem and improvement, according to the customers' view, will be equally important or will have an acceptable cost level. A cost calculation of the possible quality improvements will be relevant only if an organization has good insight into the profits for both the customer and the organization. The larger the gap between employees and the customers is, the worse that insight will be into the way customers think about quality and how this can be translated into activities that really work and can be measured regularly. Real contact with customers is the key opening the door for implementing quality as a successful marketing strategy.

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Tilburg, 28 maart

1994

Geachte mevrouw Bovenberg,

Refererend aan ons telefoongesprek deze middag stuur ik u bij deze een Nederlandstalige copie alsmede een voorzet voor een Engelstalige versie van het artikel "The marketing of quality". Graag zouden wij uw reactie voor donderdag 7 april ontvangen zodat wij nog in staat zijn de nodige aanpassingen door te voeren, alvorens het artikel naar de editors door te sturen.

Met vriendelijke groet,

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