Defining The Service-Profit Chain

- The service profit chain is composed of links that lead to employee satisfaction, employee productivity, external service value, customer satisfaction, and customer loyalty.
- Traditional business models of the 1970’s and 1980’s focused on profit maximization by becoming number one or two within an industry or segment.

Service-Profit Chain Basics

- Successful service managers pay attention to such factors as: investment in people, technology that supports frontline workers, revamped recruiting and training processes, and compensation linked to performance at every level.
- Requires managers to measure the impact of employee satisfaction, loyalty and productivity on the value of products and services.
Service-Profit Chain Basics (continued)

- Focus shifts to building customer satisfaction and loyalty, depth of the employee and customer relationships becomes critical
- Satisfaction is largely influenced by the value of the services provided to the customer
- Value is created by satisfied, loyal and productive employees
- Employee satisfaction results primarily from high quality support services and policies.

Customer Loyalty Drives Profitability and Growth

- Reichfield and Sasser (1990) estimate that a 5% increase in customer loyalty can produce profit increases from 25% to 85%
- Quality of market share, measured in terms of customer loyalty deserves as much attention as quantity of market share.
- Goal is to create customers for life
Customer Satisfaction Drives Customer Loyalty

- Have to quantify customer satisfaction
- Customers who are totally satisfied are six times more likely to return
- Goal is to create apostles, eliminate/convert terrorists

A Satisfied Customer is Loyal

Value Drives Customer Satisfaction

- Customers measure value based on the results that they receive in relation to total costs
- Total costs include time, convenience and hidden transaction costs
Employee Productivity Drives Value

- Cross-training
- KISS
- Procedures and policies
- Process Mapping Based on Fast-Cycle Time
- Service Tools And Techniques in Place

Decomposition of a Restaurant Transaction

A Satisfied Customer is Loyal
Decomposition of a Restaurant Transaction

Specialization Process Map

Summarizing The Service-Profit Chain

- Working the service profit chain requires managers to shift focus from command-control models of management to process management
- Guest satisfaction is driven by employee satisfaction, which is driven by management focusing on process mapping and process management