SILESIAN UNIVERSITY
SCHOOL OF BUSINESS ADMINISTRATION IN KARVINA

PROCESSES AND QUALITY IN FINANCIAL SERVICES

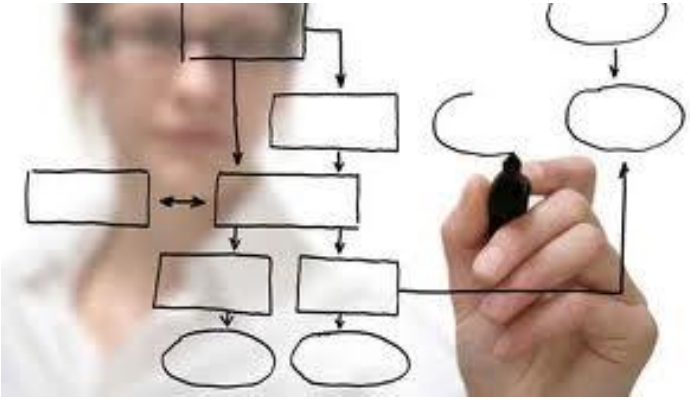
Ing. Kateřina Matušínská, Ph.D.

MARKETING OF FINANCIAL SERVICES/PEMNAMAF

OUTLINE OF THE LECTURE

1. Processes in FS

2. Quality in FS



1. PROCESSES IN FINANCIAL SERVICES

- **Processes are a sequence or a sequence of activities, logically arranged and their output is a benefit for the customer.**

- **Processes are a set of procedures and activities the employees are identified with and they respect and observe them all the time.**

- **The process can be characterized by the following features:**

  - a clear objective must be **the benefit for the customer,**
  - logical classification and arrangement to process only those activities that are necessary to achieve the desired output - **the process must be economical,**
  - all activities must be eligible and stabilized - the process must be of high quality, complied with deadlines and **reproducibly reliable.**

PROCESSES IN FINANCIAL SERVICES

- **Wrong processes are when:**

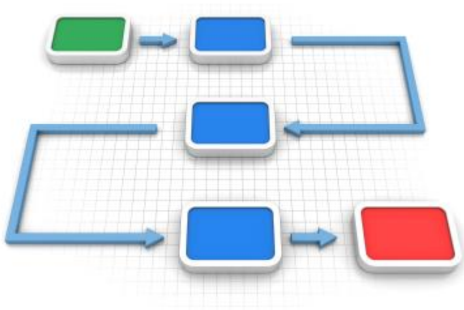
  - You do the same thing differently each time.
  - Competition can do it faster and cheaper.
  - You do not use modern technology to save time and money.
  - You do not have clear metrics for quality and efficiency control.

PROCESSES ACCORDING TO DIVERSITY AND COMPLEXITY

1. **Mass services** - low interaction, high standardization and automation.

2. **Custom services** - middle interaction rate, high adaptation, they can be unrepeatable.

3. **Professional services** - a high level of interaction, the high qualifications of the service provider.



CLIENT INVOLVEMENT IN THE PROCESS

- Self-service zone
- ATMs
- Electronic banking
- Other forms of remote banking, …

- Seller comes to customer
- Traditional and non-traditional forms of branches

CONSUMER DEMAND MANAGEMENT

- Irrational demand
- Declining demand
- Latent demand
- Excessive demand
- Negative demand
- Irregular demand
- Full demand
- No demand

PROCESSES IN FINANCIAL SERVICES

- **Demand management** ⇨ influencing the demand with marketing tools.

- **Capacity management** ⇨ flexible use of facilities and staff, the change in organization of demand, ...

BUSINESS PROCESS REENGINEERING

- **Business process re-engineering** is a business management strategy, originally pioneered in the early 1990s, **focusing on the analysis and design of workflows and business processes within an organization.** BPR aimed to help organizations fundamentally rethink how they do their work in order to dramatically improve customer service, cut operational costs, and become world-class competitors.

- Business Process Reengineering is also known as business process redesign, business transformation, or business process change management.

2. QUALITY OF FINANCIAL SERVICES

- **Quality of service is a tool to maximize revenues through increasing in clients satisfaction.**

- **Quality is capability for use. (Juran)**
- **Quality is compliance with the requirements. (Crosby)**
- **Quality is what is considered by a customer. (Feigenbaum)**

- **The resulting quality** = quality of financial services + quality of processes + quality of financial Institution.

CUSTOMER!!!

QUALITY OF FINANCIAL SERVICES

- Support personnel may measure quality in the degree that a product is reliable, maintainable, or sustainable.

- A quality item (an item that has quality) has the ability to perform satisfactorily in service and is suitable for its intended purpose.

QUALITY OF FINANCIAL SERVICES

- **QUALITY FINANCIAL SERVICE** produces more loyal customers and they will buy again next time. It means the increase in sales volume and profitability of financial institutions.

- **POOR FINANCIAL SERVICE** can mean the loss of customers, which is expensive not only because of the cost of compensation, but also because of their negative opinion.

- **MOTIVATION OF THE STAFF** is increased when the service is good. Then it brings increased productivity and contributes to greater customer satisfaction and so on.

QUALITY IN FINANCIAL SERVICES

- 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 from these expectations, recognizing that consumers of services value not only the outcome of the service encounter but also the experience of taking part in it.

- Meeting and exceeding customers´ expectations is even more important as good and bad experiences can easily be shared via blogs, social networking sites and websites. **Ten criteria may be used when evaluating the outcome and experience of a service encounter (see next slide).**

QUALITY IN FINANCIAL SERVICES

EVALUATION CRITERIA OF SERVICES

Access	Is the service provided at convenient locations and times with little waiting?
Reliability	Is the service consistent and dependable?
Credibility	Can customers trust the service company and its staff?
Security	Can the service be used without risk?
Understanding the customer	Does it appear that the service provider understands customer expectations?
Responsiveness	How quickly do service staff respond to customer problems, requests and questions?
Courtesy	Do service staff act in a friendly and polite manner?
Competence	Do service staff have the required skills and knowledge?
Communication	Is the service described clearly and accurately?
Tangibles	How well managed is the tangible evidence of the service (e.g. staff appearance, decor, layout)?

BASIC TYPES OF QUALITY IN FINANCIAL SERVICES

- **Objective quality -** these parameters are quantifiable (time and locality of service providing, interest, fees, terms etc.).

- **Subjective quality** – it should be viewed in terms of satisfying the client's requirements. There are subjective criteria for measuring subjective quality – attitude surveys, satisfaction surveys, complaints etc.

SERVQUAL METHOD

- A scale called **SERVQUAL model (GAP model)** developed by Zeithaml, Parasuraman & Berry in the 80s comes as a facilitator to measure, evaluate and manage quality analysis of services and has also been named as a method of analysis of the deficiencies in service from the process to improve the service provided.

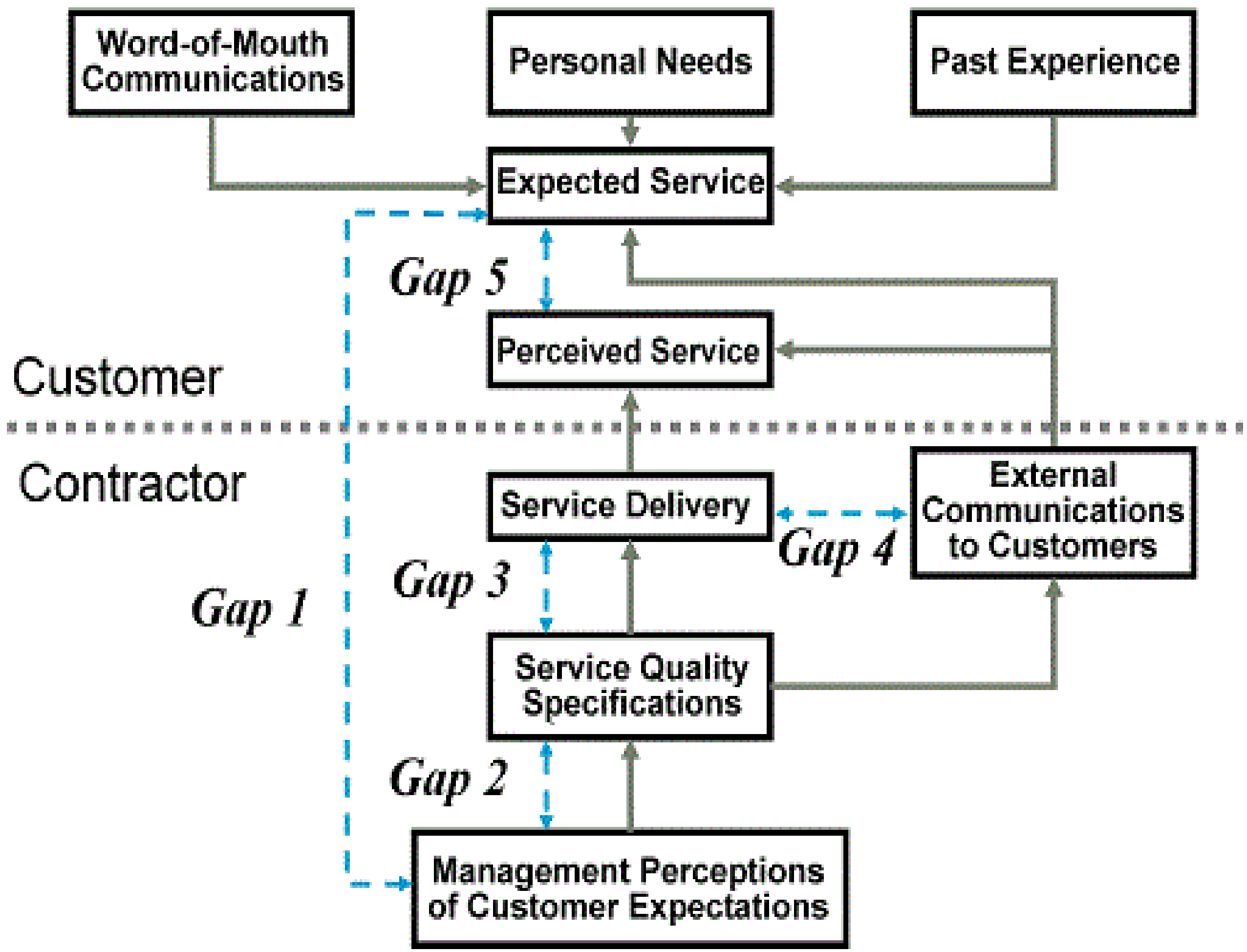
- **Based on five criteria** – reliability, responsiveness, courtesy, competence and tangibles – it is a multiple-item scale that aims to measure customer perceptions and expectations so that gaps can be identified.

- The scale is simple to administer with respondents indicating their strength of agreement or disagreement with a series of statements about service quality using a Likert scale.

SERVQUAL METHOD

- **The meaning of the gapes is:**
  - Gap between what the customer expects and what the company believes that expected.
  - Gap between what the company thinks and what the service provides.
  - Gap between service planned and that really lends.
  - Gap between what has been delivered to the customer and what has been reported.
  - Gap between customer expectations and what has been.

SERVQUAL METHOD – GAP MODEL



Source: http://www.serviceperformance.com/gap-5-roswell/