

# Tool

## Benchmarking in the Service Sector

<b>Area of Application</b>	Improvement of Service Quality through Comparison with Competitors
<b>Objective</b>	Identification of Service Quality Deficits and Alternatives for Improvement

### 1 Context

Benchmarking is a process of learning from other companies, allowing you to determine how your organisation is performing in relation to them. It includes, wherever possible, visits to or studies of other competing or non-competing organisations. Benchmarking is an important tool intended to identify the best practices available and improve any weaknesses within your organisation, in order to achieve a competitive advantage in the service market.

Benchmarking is supposed to provide information on whether the performance of your competitors and/or non-competitors is meeting or exceeding your customers' needs and expectations. Benchmarking of direct competitors is known as 'competitive benchmarking', whereas the term 'generic benchmarking' refers to comparisons with non-competitors.

### 2 Description of the tool

Eight steps for the benchmarking process are proposed:

#### **Step 1 Identification of a process (service function) that needs improvement**

To identify what should be benchmarked is the most difficult step. First, one should try to find out what the core processes in service delivery are and which ones need improvement. If there are several, one should look at each one individually and identify those which affect business most. The process with the greatest potential of providing additional value to customers should be priority-benchmarked.

#### **Step 2 Measuring of this process in terms of cost, quality and time**

The ability to compare the selected process with that of competitors depends on measurement. Comparisons with benchmarking partners are not possible without first

measuring one's own processes. Measurements should include the costs of a process, the quality of a service and the time involved in the process.

### **Step 3 Search for best practices to ensure superior performance, not just parity**

The objective of benchmarking is to achieve superior service performance and not just parity. Therefore the scope of search for benchmark partners should target the best performers countrywide or regionwide.

### **Step 4 Selection of a benchmarking partner that fits your situation**

The selected partner has to be contacted and permission has to be obtained. One has to be prepared to discuss equivalent internal data and exchange information about operations. It is also possible to realise low-profile benchmarking activities without prior permission.

### **Step 5 Data collection**

Data on the partner's service processes are collected through surveys, site visits, or consultants (using specific guidelines). The most recommended method for data collection is the site visit. The following guidelines for site visits should be observed:

- determine at the outset who the most appropriate person to contact is
- outline the main areas of interest
- obtain and review in advance all relevant data on the company
- prepare a list of questions covering best practices and measures
- establish a team of three (one to ask questions, one to note the answers, and the third to formulate the next question)
- make a note of important points and clarify them after the site visit
- be prepared to discuss your equivalent internal data, and offer a reciprocal visit
- debrief team members
- document the visit in a written report.

### **Step 6 Identification of the gap between the industry/market leader and your company**

At this point in the process, having compared the strengths of the benchmark partner with one's own performance, a positive performance gap, a negative performance gap or parity will be identifiable. It is important to focus on the negative gap, because this represents a real opportunity for improvement. The analysis of the data collected will help to identify the methods needed to close this gap.

### **Step 7 Projection of future performance levels**

After determining present performance levels, it is necessary to set targets for improvement and predict where you, your benchmarking partner, and the defined gap are likely to be in the future. At this point it should not be forgotten that the competitor will also continue to pursue improvements.

## **Step 8                    Integration of benchmarking findings with a customer satisfaction strategy**

Benchmarking must be integrated carefully into service operations, especially in regard to customer satisfaction efforts. As a valuable tool, benchmarking should not be reduced to a one-time project, but rather be used frequently in order to attain the desired results.

### **3 Use of the tool**

This tool provides a means of identifying the best practices available for the purpose of improving weaknesses within your organisation, thus achieving a competitive advantage in the service market. It can be used by anyone interested in such an analysis.