Foreword

The Hong Kong Association for Customer Service Excellence (HKACE) was formed in February 2000 to promote customer service excellence in Hong Kong. We have been conducting periodical studies to provide conglomerates and small and medium enterprises (SMEs) in the service industries with analyses and insights on customer service trends and best practices through publications and seminars.

Since 2007, the HKACE and Poon Kam Kai Institute of Management, The University of Hong Kong (PKKI-HKU), have collaborated on research which led to the launch of the "Hong Kong Service Excellence Index" (HKSEI) for the service sector. The index serves as a benchmark for service excellence that comprises customer satisfaction and loyalty.

This is the third HKSEI report since the launch of HKSEI in 2008. The results, combined with those from 2008 and 2009, provide important insights to guide service organizations in developing service excellence strategy. These include:

- An aggregated "Hong Kong Service Excellence Index" for the whole service industry to promote a culture of service excellence in Hong Kong;
- Individual indices for 11 core service industries and 31 service sub-industries for benchmarking service excellence;
- A customer service benchmarking tool for Hong Kong's SMEs; and
- Service excellence drivers to guide organizations in optimizing resources and enhancing customer satisfaction and loyalty.

We hope this publication will serve as a useful practical guide for any companies committed to achieving service excellence in their businesses.

Quince Chong
Chairman
Hong Kong Association for Customer Service Excellence

January 2011

About HKACE

香港優質顧客服務協會
Hong Kong Association for Customer Service Excellence

Mission and Objectives

Mission

To foster customer service excellence in Hong Kong and among members

Objectives

1. To share best customer service practices among members and with other service sectors in Hong Kong and overseas
2. To pursue continuous customer service improvement among members
3. To promote the benefits of customer-focused culture in Hong Kong
4. To establish and maintain relationship with service excellence providers and advocates
5. To act as catalyst of positive changes and improvements in Hong Kong service culture
6. To interface with the Government of the Hong Kong Special Administrative Region on customer service matters and research findings
7. To advise the Government of the Hong Kong Special Administrative Region on customer service issues

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We hope you will find this publication a useful resource and reference for you and your organization.

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Poon Kam Kai Institute of Management

The Poon Kam Kai Institute of Management (PKKI) is the executive education and management consultancy arm of the Faculty of Business & Economics at The University of Hong Kong. PKKI was established in 1990 through a donation from Hong Kong businessman Dr. Dickson Poon in honor of his father, Mr. Poon Kam Kai. It is an independent not-for-profit company, wholly owned by The University of Hong Kong.

PKKI aspires to be a leading institution for promoting excellence in managerial application, leadership practice and innovation. Our mission is to be an agent of management change by developing and delivering executive training programs and business solutions for individuals and organizations in the private and public sectors in Asia.

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1. Introduction

This year marks the third annual release of the Hong Kong Service Excellence Index[1](HKSEI), a pioneering index first launched in early 2009. The index serves as both a trend indicator as well as a benchmark for organizations, sub-industries, and industries of the Hong Kong consumer service economy. As a key feature of the index, diagnostic information on composition of the HKSEI and service excellence drivers is provided to guide organizations in optimizing their resources to enhance customer satisfaction and loyalty. The annual release of HKSEI results aims to stimulate and encourage the development of a culture of service excellence among service industries and sub-industries in Hong Kong.

The HKSEI is calibrated with an innovative HKSEI model including key service excellence drivers – *people, process*, and *physical evidence* and data from a large scale consumer survey. In its third year of development, the HKSEI 2010 continues to cover eleven industries and thirty one sub-industries of consumer services that account for a significant portion of GDP in Hong Kong. A total of more than 1,900 firms including conglomerates and small and medium enterprises (SMEs) are evaluated by a sample of 3,327 Hong Kong residents and a total of more than 140 firms are evaluated by a sample of 306 tourists visiting Hong Kong.

In 2010, the Hong Kong service economy as a whole receives a SEI score of 67.1 on a scale of 0 to 100, suggesting that Hong Kong's service sector is performing reasonably well and with an encouraging increase of 2.3 compared to the SEI score of last year.

2010 SEI scores at the industry and sub-industry levels vary from 69.2 (Banking and Finance) to 56.9 (Telecommunications), and from 73.8 (Car Repair) to 56.2 (Internet Service Provider), respectively. Twenty five of the sub-industries also register increases in their 2010 SEI scores when compared to last year.

Fifteen sub-industries of small and medium enterprises (SMEs) contained in our sample this year receive scores ranging from 76.6 (Travel Agency) to 59.4 (Property Management). Eleven of these SME sub-industries show improvement over last year. Consistent with last year's observation, tourists rated the service excellence level of the four sub-industries tracked by the HKSEI survey (Cosmetics, Jewelry, Hotel, and Theme Park) much higher than Hong Kong residents.

Organizations must continue to monitor, benchmark, and improve their service excellence in response to ever-changing customer needs and intensified competition in today's business environment. HKSEI results from 2008 to 2010 continue to provide relevant and important insights to guide service organizations in developing service excellence strategy and promote a service excellence culture in Hong Kong.

[1] The HKSEI is jointly developed by the Hong Kong Association for Customer Service Excellence (HKACE) and Poon Kam Kai Institution of Management, The University of Hong Kong (PKKI-HKU) through a collaborative research project since 2007.

2. Hong Kong Service Excellence Index (HKSEI)

2.1 What is the HKSEI?

The Hong Kong Service Excellence Index (HKSEI) is a pioneering index first launched in 2009 that is exclusively developed to benchmark excellence of major industries and sub-industries in the consumer service sector of Hong Kong. The index is jointly developed through a collaborated research project between the Hong Kong Association for Customer Service Excellence (HKACE) and Poon Kam Kai Institution of Management (PKKI), The University of Hong Kong. The index will be updated each year to reflect the latest results of Hong Kong service sector's continual pursuit of service excellence.

The HKSEI provides an independent, uniform, cross-industry measure of customer satisfaction and loyalty with services provided by eleven industries and thirty one sub-industries (Table 1) that account for a significant portion of GDP in Hong Kong. The index allows tracking of trends as well as benchmarking of companies, sub-industries, and industries of the Hong Kong consumer service economy. Performances of small and medium enterprises (SMEs) are also tracked by the index and benchmarked against all companies within service sub-industries.

Table 1: A List of the 11 Industries and 31 Sub-Industries Surveyed [2]

1 **Air Transport and Logistics**
- 1.1 Airline
- 1.2 Express Delivery

2 **Banking & Finance**
- 2.1 Bank
- 2.2 Security Brokerage

3 **Computer/Electronics (Related Services)**
- 3.1 Computer (Related Services)
- 3.2 Electronics (Related Services)

4 **Government & Public Services**
- 4.1 Government
- 4.2 Public Services

5 **Insurance**

6 **Land Transport**

7 **Healthcare**
- 7.1 Private Clinic
- 7.2 Private Hospital
- 7.3 Public Hospital

8 **Realty & Property Management**
- 8.1 Property Management
- 8.2 Realty

9 **Retail Services**
- 9.1 Apparel
- 9.2 Appliances (Related Services)
- 9.3 Car Repair
- 9.4 Cosmetics
- 9.5 Department Store
- 9.6 Fast Food Restaurant
- 9.7 Gas Station
- 9.8 Hair Salon
- 9.9 Jewelry
- 9.10 Restaurant
- 9.11 Supermarket/Convenience Store

10 **Telecommunications**
- 10.1 Internet Service Provider
- 10.2 Mobile Network Service

11 **Tourism**
- 11.1 Hotel
- 11.2 Theme Park
- 11.3 Travel Agency

Through the use of an innovative and unique model and data from a large scale consumer survey, the HKSEI provides reliable and comparable measures to monitor service excellence that comprises customer satisfaction and loyalty as well as its key drivers (people, process, and physical evidence) at the company and sub-industry levels. Diagnostic information on composition of the HKSEI and service excellence drivers can be used to guide organizations in optimizing their resources to enhance service performance.

[2] This categorization follows the practices of the Census and Statistics Department of HKSAR and Trade Development Council.

2.2 Purposes and Benefits of HKSEI

First and foremost, the HKSEI is launched to help raise service standards and promote a culture of service excellence among various service industries and sub-industries in Hong Kong. With over 90% of its GDP contributed by the service sector and its positioning as a world city, Hong Kong needs an independent and reliable index to serve as a barometer to gauge results of its continual pursuit of world-class service standards across all industries and sub-industries in the service sector. The HKSEI provides benefits at various levels that include:

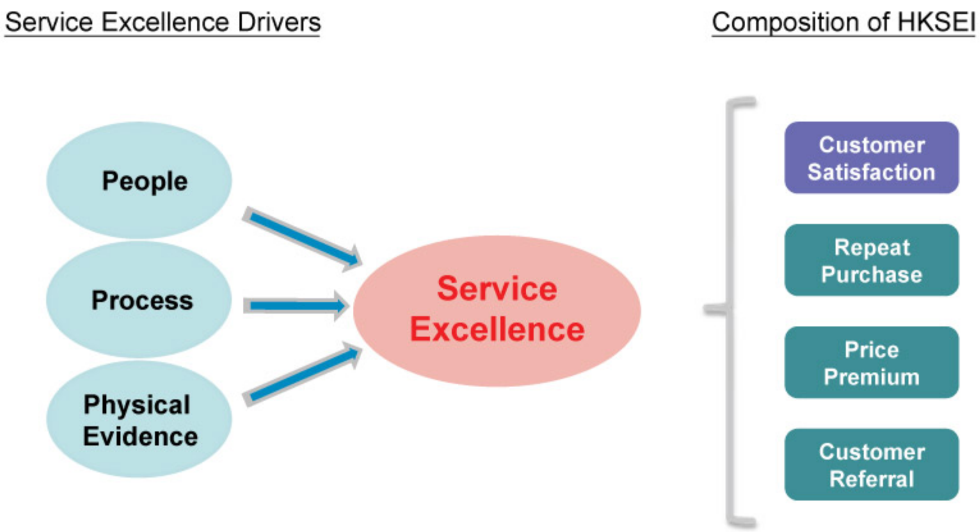
- At the service economy level, the HKSEI allows Hong Kong to benchmark itself against other major service economies such as Singapore in terms of service excellence and competitiveness.
- At the industry and sub-industry levels, SEI scores allow benchmarking of service excellence across industries and sub-industries. Service strategy implications can also be derived from information on composition of the HKSEI and service excellence drivers.
- At the company level, the HKSEI provides valuable information to indicate how performance in employee service attitude and capability, service delivery process, and service environment leads to a company's "service excellence" defined in terms of customer satisfaction and loyalty.

2.3 Methodology and Model of HKSEI

The HKSEI is calibrated based on data obtained from telephone interviews with actual users of services across eleven major service industries in Hong Kong. Traditional approaches of measuring customer satisfaction typically ignore the more influential indicator of a firm's business prospect, that is, customer loyalty. Using an advanced statistical modeling method, multi-item scales were employed to measure service excellence in terms of both customer satisfaction and loyalty (including repeat purchase intention, willingness to pay a price premium and to make referral) and to link it with three predominant drivers (people, process, and physical evidence). Relationships between components of service excellence and their key drivers are captured in a structural model (Figure 1). The whole model is estimated by a variance-based structural equations modeling technique that is considered the state-of-the-art methodology for calibrating various well-known national customer satisfaction indices such as the American Customer Satisfaction Index and the Customer Satisfaction Index of Singapore.

With this methodology, customers' perceived service excellence levels of different companies can be benchmarked through SEI scores against other companies, industries and sub-industries, and the service economy of Hong Kong as a whole. This model can produce an accurate and reliable picture of consumers' perceived service excellence to yield valuable insights into the current performance of the service sector in Hong Kong and shed lights on the potential drivers of achieving an outstanding SEI score.

Figure 1: The HKSEI Model



The survey of 3,327 Hong Kong residents aged 18 and over was conducted between August and November 2010. Each respondent was asked to indicate service sub-industries that he/she has used in the past twelve months. Three to four sub-industries were then randomly selected and the respondent was requested to answer questions regarding his/her consumption experience with the most frequently visited company within each of the selected sub-industries. A total of 10,126 evaluations on more than 1900 firms were successfully obtained. Out of the thirty one sub-industries, fifteen of them provide customers' evaluations to track service performance of small and medium enterprises (SMEs).

To obtain a better understanding of non-residents' perceived service excellence of Hong Kong, a total of 306 tourists were surveyed at the departure hall of the Hong Kong Airport during September 2010. Each tourist was asked whether they have used services from four sub-industries (Cosmetics, Jewelry, Hotel, and Theme Park) during their stay in Hong Kong. Up to two sub-industries were then randomly selected and the respondent was requested to answer questions regarding his/her consumption experience with the most frequently visited company within each of the selected sub-industries. A total of 581 evaluations on more than 140 firms were successfully obtained.

Three sets of SEI scores are produced, namely, (1) an overall HKSEI score for the Hong Kong service economy as a whole, (2) a SEI score for each industry, and (3) a SEI score for each sub-industry.

The overall HKSEI is a weighted average of SEI scores of the eleven service industries by their relative contributions toward the Hong Kong GDP, which are themselves being weighted averages of SEI scores of their respective sub-industries.

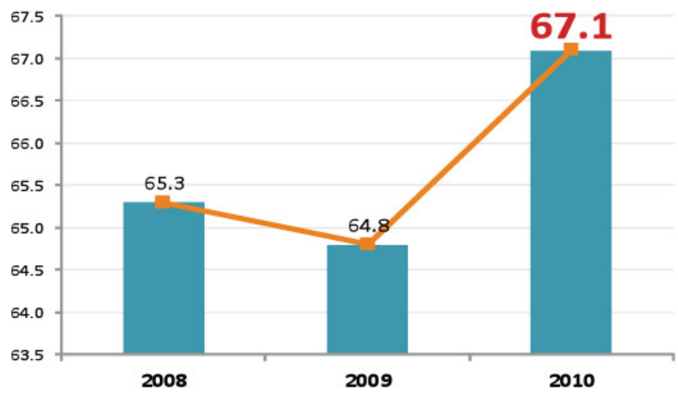
SEI score for each sub-industry is calibrated by the HKSEI model with inputs from customers' ratings of all companies included in that sub-industry in our sample. The score was then rescaled to have a range of 0-100 to represent ascending levels of service excellence.

SEI scores of small and medium enterprises (SMEs) within the fifteen service sub-industries and SEI scores of the four sub-industries calibrated with data from the tourist sample are also reported.

3. HKSEI 2010 Results

3.1 Overall HKSEI Score

Figure 2: Trend of HKSEI Scores

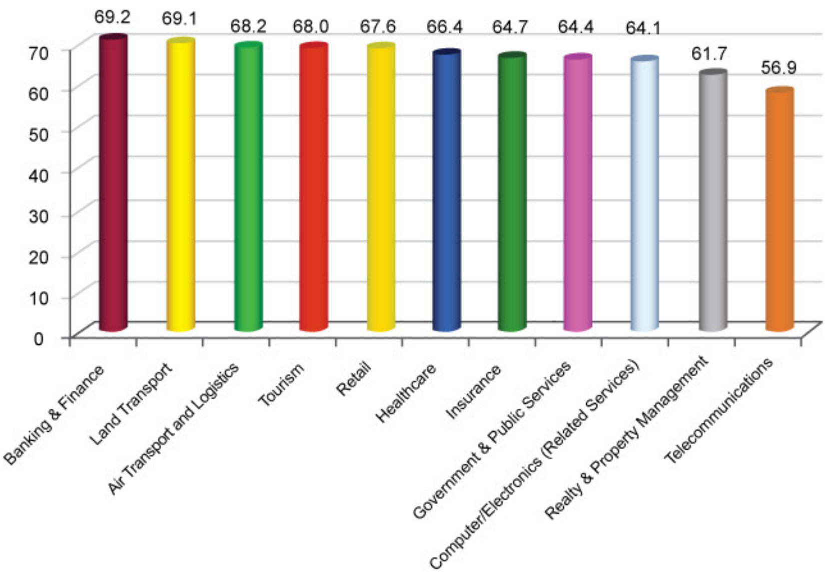


The overall HKSEI for 2010 is 67.1. On the scale of 0 to 100, this score suggests that the Hong Kong service economy as a whole performs reasonably well. The 2010 score also represents an encouraging improvement of 2.3 compared with last year's score of 64.8 and it has surpassed the score of 65.3 recorded in 2008.

3.2 SEI Scores of Major Service Industries

As shown in Figure 3, 2010 SEI scores at the industry level vary from 69.2 to 56.9 with all eleven major service industries tracked by the index scoring above the 50% mark. Among the eleven major service industries, Banking and Finance services receive the highest industry-level SEI while the lowest score goes to Telecommunications services.

Figure 3: Industry Level 2010 SEI Scores



When compared to their 2009 SEI scores, it is encouraging to see that ten of the eleven major service industries show an increase in the 2010 SEI scores and one industry maintains its SEI score at last year's level (Figure 4).

The biggest gain in the SEI score (+3.0) goes to the two industries of Banking and Finance and Computer/Electronics (Related Services); closely followed by the Government and Public Services industry (+2.9). Air Transport and Logistics industry is the industry that maintains its SEI score.

As shown in Figure 5, five of the eleven service industries — Banking and Finance, Computer/Electronics (Related Services), Insurance, Telecommunications, and Tourism — have recorded an increase in their SEI scores two years in a row since 2008.

Figure 4: Changes in Industry Level SEI Scores (2009-2010)

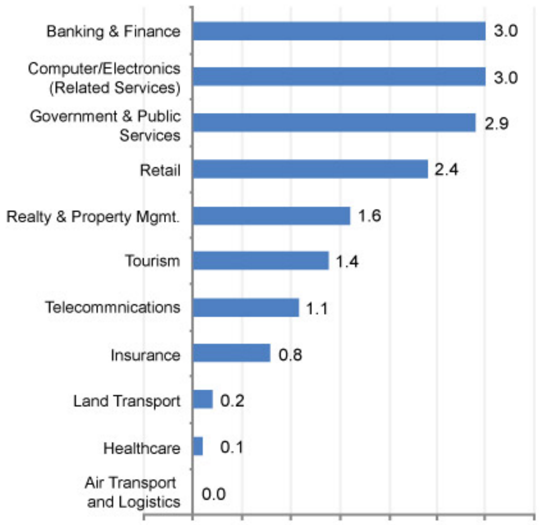
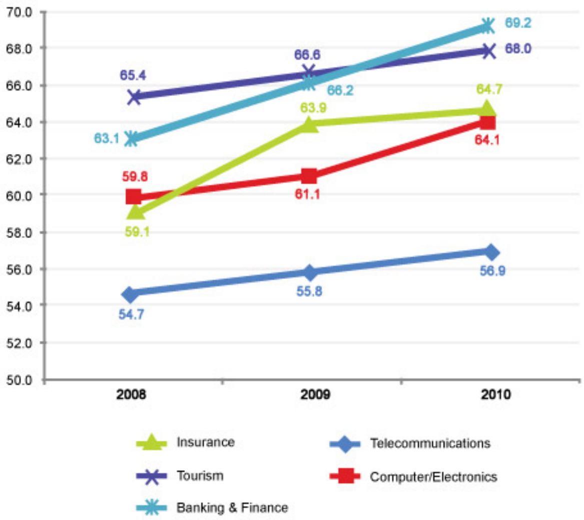


Figure 5: Industries with an Increasing Trend



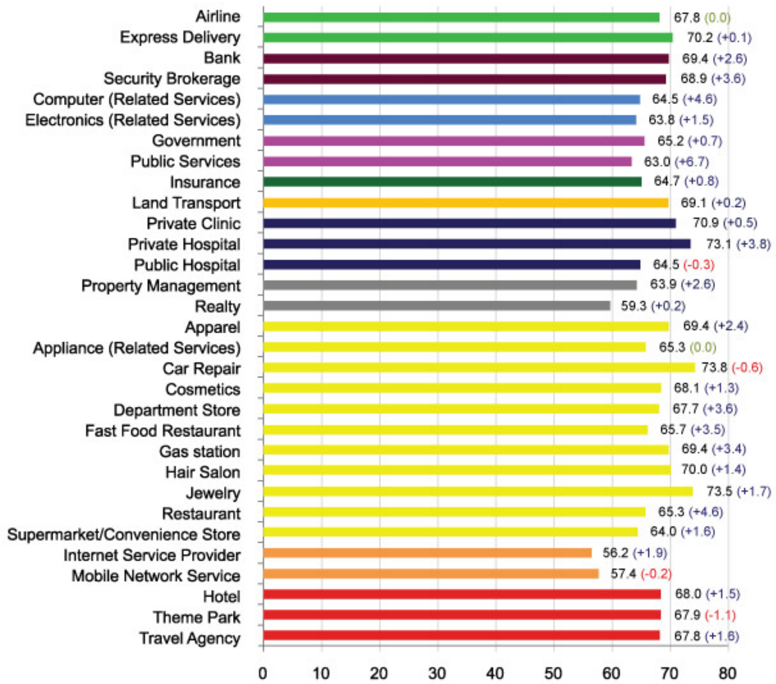
3.3 SEI Scores of Service Sub-Industries

Figure 6 presents 2010 SEI scores for service sub-industries within each of the eleven industries (separated by different colors). The sub-industry level 2010 SEI scores tracked by the index range from a high score of 73.8 (Car Repair) to a low score of 56.2 (Internet Service Provider), with scores of all thirty one sub-industries passing the 50% mark.

Six service sub-industries (Express Delivery, Private Clinic, Private Hospital, Car Repair, Hair Salon, and Jewelry) even score at or above the 70% mark, with four of them (Express Delivery, Private Clinic, Car Repair, and Jewelry) also received such high scores in 2009.

When compared to last year's SEI scores, twenty five service sub-industries register increases in SEI scores, with service sub-industries of Public Services, Computer (Related Services), and Restaurant having the top three SEI increases of +6.7, +4.6, and +4.6 respectively. The other service sub-industries either show no improvement or a slight decrease ranging from -0.2 (Mobile Network Service) to -1.1 (Theme Park).

Figure 6:
Sub-Industry Level 2010 SEI Scores

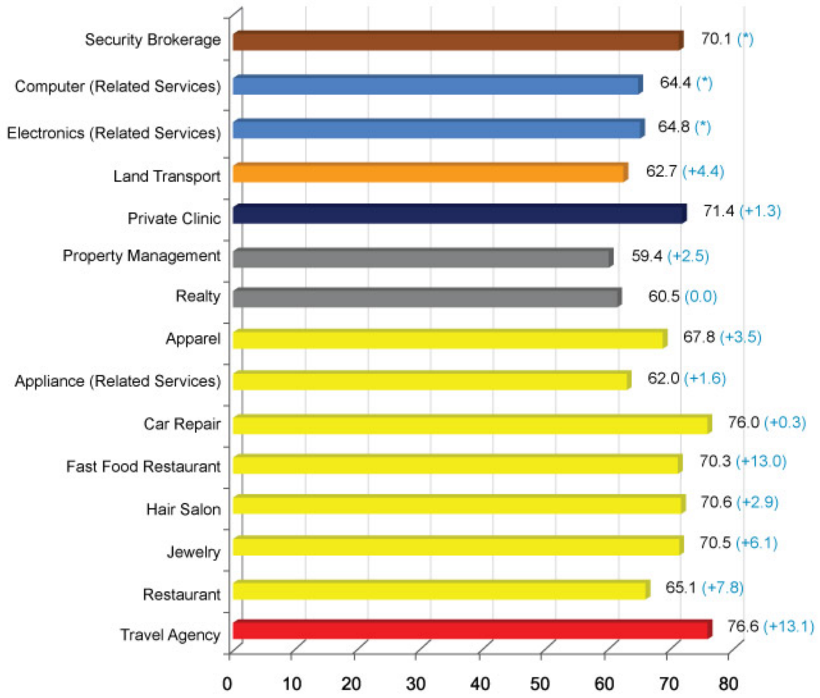


3.4 SEI Scores of Small and Medium Enterprises (SMEs)

The 2010 SEI scores of SMEs in fifteen sub-industries tracked by the index range from a high score of 76.6 (Travel Agency) to a low score of 59.4 (Property Management) with scores of all fifteen sub-industries passing the 50% mark (Figure 7). In seven service sub-industries — Security Brokerage, Private Clinic, Car Repair, Fast Food Restaurant, Hair Salon, Jewelry and Travel Agency — SEI scores of SMEs even reach above the 70% mark.

The comparison of 2010 SEI scores for SMEs against averages in corresponding sub-industries reveals that in the service sub-industries of Travel Agency and Fast Food Restaurant, SMEs perform substantially better than the sub-industry averages by +8.8 and +4.6, respectively. SMEs in these two sub-industries seem to have a competitive edge over larger corporations with more resources. In four sub-industries, SMEs receive much lower scores than the sub-industry averages: Land Transport (-6.4), Property Management (-4.5), Appliance (Related Services) (-3.3), and Jewelry (-3.0).

Figure 7: SEI Scores of SMEs in 15 Sub-Industries



*Security Brokerage, Computer (Related Services), and Electronics (Related Services) are newly tracked SME sub-industries and their change information compared to last year's scores is not available.

3.5 SEI Scores for Tourist Sample

The SEI scores obtained from the tourist sample provides valuable data for assessing service performance of four sub-industries of services heavily used by tourists, namely, Retail: Cosmetics and Jewelry, and Tourism: Hotel and Theme Park.

Among the four sub-industries (Figure 8), the 2010 SEI scores calibrated on tourists' evaluations range from a high of 79.7 (Jewelry) to a low of 76.2 (Theme Park). Except Theme Park, all other sub-industries recorded increases in SEI scores (from +0.7 to +1.4). Consistent with last year's observation, tourists rated the service excellence level of the four sub-industries much higher than Hong Kong residents.

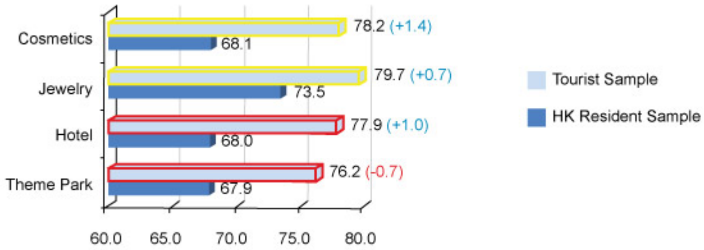


Figure 8: SEI Scores of 4 Sub-Industries (Tourist Sample vs. HK Resident Sample)

3.6 Composition of HKSEI

As shown in Figure 9, the measure of service excellence in the HKSEI is comprised of customer satisfaction and three components of customer loyalty, namely, repeat purchase intention, willingness to pay a price premium, and willingness to make referral[3]. These are outcomes of companies' continuous efforts to improve their service delivery.

Information about a sub-industry's performance across these outcomes and the relative contributions of these outcomes to service excellence help companies in a sub-industry gain an understanding of the consequences of their service improvement efforts and identify focal outcomes directly resulted from these service improvement efforts, respectively.

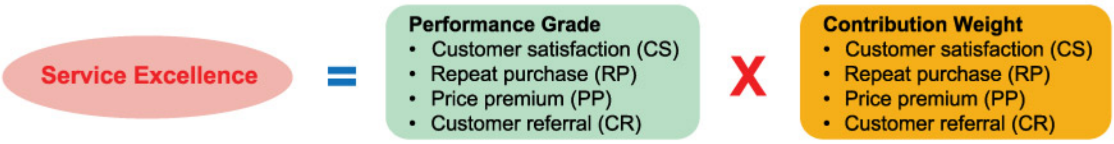


Figure 9: Components of Service Excellence

Implications of Results Presented in Table 2

Performance grades and contribution weights of the four service excellence (SE) components for the thirty one service sub-industries are presented in Table 2. A close relationship between sub-industries' SEI scores and their performance grades on the SE components is expected. Sub-industries having relatively higher performance grades on the four SE components (Table 2) will receive higher SEI scores (Figure 6), for example, Private Hospital, Car Repair, and Jewelry.

In addition, achieving service excellence requires proper focus on SE components with greater contribution weights; they are focal outcomes directly resulted from service improvement efforts. Specifically, results presented in Table 2 can help a sub-industry address questions such as:

- ✓ What are the *relative contributions* of different service excellence components to achieving service excellence in a sub-industry and what do they imply?
- ✓ How should a sub-industry properly set its strategic focus across the service excellence components?

[3] For Government and Public Services, customer loyalty components include willingness to provide feedback regularly, willingness to make improvement suggestions, and willingness to praise services. For Public Hospital, customer loyalty is comprised of repeat purchase intention, willingness to make improvement suggestions, and willingness to praise services.

Table 2: Results on Service Excellence Components

	Performance Grade*				Contribution Weight#			
	CS	RP	PP	CR	CS	RP	PP	CR
Air Transport and Logistics								
Airline	B+	B+	B	B	9	8	7	6
Express Delivery	B+	B+	B	B	10	7	7	6
Banking & Finance								
Bank	B+	B+	B	B-	9	8	6	5
Security Brokerage	B+	B+	B	B-	9	7	5	3
Computer/Electronics (Related Services)								
Computer (Related Services)	B+	B	B	B	9	7	6	5
Electronics (Related Services)	B+	B	B	B	10	8	7	7
Government & Public Services								
Government	B+	B-	B	B	10	3	3	4
Public Services	B+	B-	B	B-	9	4	3	5
Insurance	B+	B+	B	B-	9	8	7	7
Land Transport	B+	B+	B+	B-	9	7	5	5
Healthcare								
Private Clinic	B+	B+	B+	B	10	8	7	6
Private Hospital	A-	A-	B+	B	10	8	6	3
Public Hospital	B+	B+	B	B-	9	8	4	6
Realty & Property Management								
Property Management	B+	B	B	B-	10	8	7	6
Realty	B+	B	B-	B-	10	8	6	7
Retail								
Apparel	B+	B+	B	B	9	8	6	4
Appliances (Related Services)	B+	B+	B	B-	9	7	5	5
Car Repair	B+	A-	B+	B	9	7	5	6
Cosmetics	B+	B+	B	B	9	7	6	4
Department Store	B+	B+	B	B	10	8	8	6
Fast Food Restaurant	B+	B+	B	B-	9	7	6	4
Gas Station	B+	B+	B	B-	10	7	4	4
Hair Salon	B+	B+	B+	B	9	8	8	5
Jewelry	A-	B+	B	B	9	5	4	1
Restaurant	B+	B+	B	B-	10	8	7	6
Supermarket/Convenience Store	B+	B+	B-	B-	9	8	5	3
Telecommunications								
Internet Service Provider	B	B	B-	C+	10	8	7	7
Mobile Network Service	B	B	B-	C+	10	7	7	6
Tourism								
Hotel	B+	B+	B	B	10	8	7	7
Theme Park	B+	B+	B	B-	8	9	8	9
Travel Agency	B+	B+	B	B	10	7	7	7

CS = Customer Satisfaction; RP = Repeat Purchase; PP = Price Premium; CR = Customer Referral
**Scale of Performance Grade: F ~A+ (poor ~ outstanding performance)*
#Scale of Contribution Weight: 0 ~10 (insignificant contribution ~ highly important contribution)

Relative Contribution of Service Excellence Components

- Table 2 indicates that *customer satisfaction (CS)*, *repeat purchase intention (RP), customers' willingness to pay a price premium (PP)* and *make customer referral (CR)* are important contributors to achieving service excellence across all thirty one sub-industries, even though with different degrees[4].
- Among the four SE components, *customer satisfaction (CS)* shows a dominantly important contribution toward service excellence in 30 of the 31 sub-industries by having highest contribution weights (9 or 10).
- Among the three customer loyalty components, *repeat purchase intention (RP)* contributes more toward service excellence by having relatively higher contribution weights (7, 8, or 9) in 28 of the 31 sub-industries.

[4] Contribution weights of all four service excellence components estimated from individual service excellence models of all thirty one sub-industries are statistically significant.

- These results imply that organizations in most sub-industries should strive to maximize their **customer satisfaction and customers' repeat purchase intentions** in order to achieve service excellence.
- Contribution weights of *willingness to pay a price premium (PP)* and *make customer referral (CR)* vary across sub-industries. It can be inferred that customers in sub-industries with higher contribution weights (7, 8, or 9) on these two components are more willing to pay a price premium and make customer referral if excellent services are delivered.

Strategic Focus Across Service Excellence Components

- Analyzing performance grades and contribution weights of a sub-industry together offers insights on planning its strategic focus to achieve a higher level of service excellence.
- Achieving a higher (lower) performance grade on a SE component with a greater (lower) contribution weight reflects a *match* of strategic focus. A *mismatch* is reflected in two situations: (i) getting a low performance grade on a more important SE component, and (ii) receiving a higher performance grade on a less important SE component.
- A match would imply that a sub-industry should continue its strategic focus to improve performance on the SE component while a mismatch would suggest that the specific SE component either requires more strategic focus or deserves less strategic focus because it only produces marginal benefit for continuous improvement. For most of the sub-industries, a match of strategic focus is observed. Table 3 presents examples to illustrate match and mismatch of strategic focus in some of the sub-industries.

Table 3: Examples of Match and Mismatch of Strategic Focus

Sub-Industry	SE Component*	Performance vs. Contribution	Match / Mismatch	Implication
Example 1: Private Hospital	CS and RP vs. CR	Higher performance grade (A-) on more important SE components (CS & RP contribution weights = 10 & 8) and lower performance grade (B) on a less important SE components (CR contribution weight = 3)	**Match**	Continue strategic focus on CS, RP and CR
Example 2: Theme Park	CR	Lower performance grade (B-) on a more important SE component (CR contribution weight = 9)	**Mismatch**	Require more strategic focus on CR
Example 3: Jewelry	CR	Higher performance grade (B) on a less important SE component (CR contribution weight = 1)	**Mismatch**	Deserve less strategic focus on CR

**CS = Customer Satisfaction; RP = Repeat Purchase; PP = Price Premium; CR = Customer Referral; For Public Hospital, PP=Make Improvement Suggestions*

The above discussion provides only general guidelines in interpreting results and deriving implications at the sub-industry level. Given the wide variation among companies within each sub-industry, individual companies must exercise caution in interpreting results and applying implications to their specific situations.

3.7 Service Excellence Drivers (People, Process, and Physical Evidence)

Delivering excellent services through people, process, and physical evidence is the key to achieving service excellence[5]. However, relative importance of the three drivers, indicating their relative effectiveness in driving service excellence, may vary across sub-industries depending on the nature of the services and current level of performance of the drivers.

Table 4 provides performance grades and importance weights of the three drivers for all thirty one sub-industries. Each sub-industry's performance grades on people, process, and physical evidence reflect customers' evaluations on these three aspects of its services. Relative importance weights associated with the three drivers indicate their relative effectiveness in driving service excellence in a sub-industry.

[5] "People" is measured in terms of the staff's courtesy, competence and knowledge, communication ability, and understanding of customers' needs; "process" is measured in terms of the waiting time, convenience, service efficiency and reliability; "physical evidence" is measured in terms of the service environment and employee appearance.

Table 4: Results on Service Excellence Drivers

	Performance Grade*			Importance Weight#		
	People	Process	Physical Evidence	People	Process	Physical Evidence
Air Transport and Logistics						
Airline	B+	B+	B+	2	3	5
Express Delivery	B+	B+	B+	0	5	6
Banking & Finance						
Bank	B+	B+	B+	2	3	5
Security Brokerage	B+	B+	B+	2	5	2
Computer/Electronics (Related Services)						
Computer (Related Services)	B+	B+	B	5	4	2
Electronics (Related Services)	B+	B	B+	1	6	3
Government & Public Services						
Government	B+	B+	B+	1	6	3
Public Services	B+	B+	B+	0	4	4
Insurance	B+	B+	B+	3	5	2
Land Transport	B	B+	B+	3	4	3
Healthcare						
Private Clinic	B+	B+	B+	2	4	3
Private Hospital	B+	B+	A-	5	0	5
Public Hospital	B+	B	B+	3	4	3
Realty & Property Management						
Property Management	B+	B+	B+	3	4	4
Realty	B+	B+	B	5	0	4
Retail						
Apparel	B+	B+	B+	4	2	5
Appliances (Related Services)	B+	B+	B+	0	5	5
Car Repair	A-	A-	B+	6	5	0
Cosmetics	B+	B+	B+	2	3	5
Department Store	B+	B+	B+	6	0	3
Fast Food Restaurant	B	B+	B+	3	2	5
Gas Station	B+	B+	B+	2	3	6
Hair Salon	B+	B+	B+	6	2	3
Jewelry	B+	B+	A-	2	2	6
Restaurant	B	B+	B+	3	4	3
Supermarket/Convenience Store	B	B	B+	0	0	9
Telecommunications						
Internet Service Provider	B	B	B	1	7	2
Mobile Network Service	B	B	B	1	6	3
Tourism						
Hotel	B+	B+	A-	4	2	5
Theme Park	B+	B+	B+	0	0	10
Travel Agency	B+	B+	B+	5	3	2

**Scale of Performance Grade: F ~ A+ (poor ~ outstanding performance)*
#Scale of Importance Weight: 0 ~10 (insignificant importance ~ high importance)

Relative Importance of Service Excellence Drivers

- When interpreting the relative importance of service excellence drivers, it is important to understand that a low importance weight associates with a particular driver does not mean that the driver is not important for the sub-industry in general. It merely means that a significant investment in further improvement of the driver may not necessarily lead to improvement in the level of service excellence at this point.
- *People* is a relatively more important SE driver than process and physical evidence in 6 of the 31 sub-industries such as Car Repair, Department Store, and Hair Salon. These sub-industries should devote more attention to managing the people aspect of their service operations.

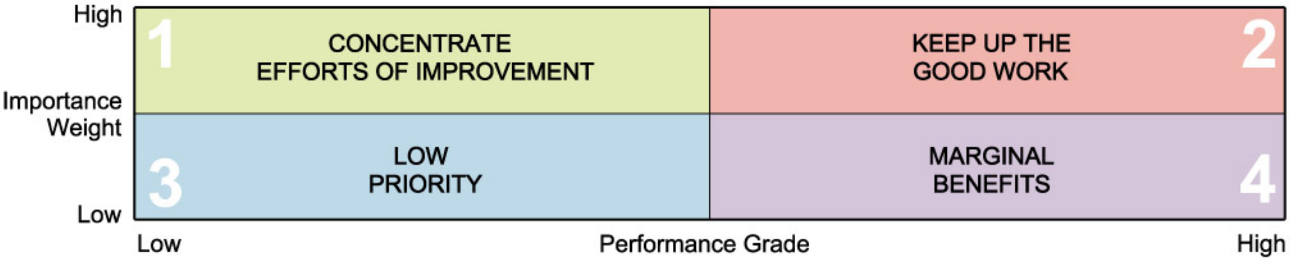
- *Process* is a relatively more important SE driver than people and physical evidence in 10 of the 31 sub-industries, for example, Internet Service Provider, Mobile Network Service, Government, and Electronics (Related Services). These sub-industries should probably focus their attention on the process aspect of their service operations.
- *Physical evidence* is a relatively more important SE driver than people and process in 11 of the 31 sub-industries such as Theme Park, Supermarket/Convenience Store, Gas Station, and Jewelry. These sub-industries should closely monitor their performance in service environment and other aspects of physical evidence.
- In another 4 of the 31 sub-industries, either all three or two of the SE drivers have similar importance and relative effectiveness in driving service excellence. These sub-industries include Public Services, Private Hospital, Property Management, and Appliances (Related Services). A balanced focus on all three or two of the SE drivers in managing the service operations of these sub-industries is required.

Resource Allocation for Service Improvement

Information provided in Table 4 offers valuable insights on optimal allocation of resources across the three drivers of people, process, and physical evidence for continuous improvement in order to achieve service excellence.

- A mismatch in resource allocation is indicated: (1) if a relatively lower performance grade is obtained on a relatively more important SE driver (Case 1), and (2) if a relatively higher performance grade is received on a relatively less important SE driver (Case 4).
- A match in resource allocation is implied: (1) if a relatively higher performance grade is obtained on a relatively more important SE driver (Case 2), and (2) if a relatively lower performance grade is received on a relatively less important SE driver (Case 3).
- Each of the four cases of match/mismatch of resource allocation would call for a different service improvement strategy with suggested resource re-allocation. A visual representation of the guidelines for developing service improvement strategy in each of the four cases is provided in Figure 10.

Figure 10: Guidelines for Developing Service Improvement Strategy



- For most of the sub-industries, a match in resource allocation is observed. Table 5 below presents selected examples of match and mismatch of resource allocation among some sub-industries based on this year's results.

Table 5: Examples of Match and Mismatch of Resource Allocation

Sub-Industry	SE Driver	Performance vs. Importance	Match / Mismatch	Implication
Case 1: Electronics (Related Services)	Process	Lower performance grade (B) on more important SE driver (Process importance weight = 6)	Mismatch	Concentrate efforts of improvement
Case 2: Car Repair	People & Process	Higher performance grades (A-) on more important SE drivers (People & Process importance weights = 6 & 5)	Match	Keep up the good work
Case 3: Computer (Related Services)	Physical Evidence	Lower performance grade (B) on less important SE driver (Physical evidence importance weight = 2)	Match	Low priority
Case 4: Express Delivery	People	Higher performance grade (B+) on less important SE driver (People importance weight = 0)	Mismatch	Marginal benefits

The above discussion provides only general guidelines in interpreting results and deriving implications at the sub-industry level. Given the wide variation among companies within each sub-industry, individual companies must exercise caution in interpreting results and applying implications to their specific situations.

4. Insights from HKSEI 2010

Emerging of a Service Excellence Culture in Hong Kong

A culture of service excellence cannot be developed with only a few companies or a few industries exhibiting continuous improvements in the level of service excellence. After three years of tracking the level of excellence across major service industries and sub-industries, a few observations may suggest the emerging of a service excellence culture in Hong Kong. First, comparing the SEI scores between 2010 and 2008 (the first year HKSEI was launched), over 76% of sub-industries increased their scores. Second, over 53% of sub-industries recorded consecutive improvements in service excellence. Finally, even the industry (Telecommunications) and sub-industry (Internet Service Provider) with the lowest level of service excellence are showing improvements two years in a row.

Value of Continuous Benchmarking in the Pursuit of Excellence

It is exciting to find that over 80% of sub-industries recorded improvements in service excellence in 2010. Yet, most sub-industries ranked in the top ten and the bottom ten by SEI scores remain stable across the three years. Seven sub-industries (Car Repair, Express Delivery, Hair Salon, Jewelry, Land Transport, Private Clinic, and Private Hospital) consistently ranked in the top ten while seven sub-industries (Computer-related services, Electronics-related services, Internet Service Provider, Mobile Network Service, Property Management, Realty, and Supermarket/ Convenience Store) consistently ranked in the bottom ten across the three years. These results suggest that focusing on self-improvement alone is not sufficient to achieve service excellence, only benchmarking against others will help us "get out of the well and see the world."

Tourists Perceived or Received Better Services in Hong Kong?

Across the two years (2009 and 2010) that a separate tourist sample was added for gauging excellence in services provided to customers outside of Hong Kong, tourists consistently rated the service excellence level of the four sub-industries tracked (Cosmetics, Jewelry, Hotel, and Theme Park) very high and much higher than Hong Kong residents. Could the tourists have perceived a higher level of service excellence because they are on vacation and in a happy mood? Would these results suggest that Hong Kong's service level is indeed world-class, but our own residents are more demanding? Would it be possible that the service levels received by tourists versus Hong Kong residents in the four sub-industries are truly different?

5. Conclusions

It has been three years since the Hong Kong Service Excellence Index 2008 was first launched in 2009. The launch of the index marked a small step taken in the journey to raise service standards by offering a benchmark of excellence for Hong Kong's service industries and sub-industries. HKACE and PKKI-HKU are proud to have worked as collaborating partners contributing to this mission to promote a culture of service excellence in Hong Kong.

HKSEI 2010 continues to cover eleven major service industries and thirty one sub-industries that account for a substantial portion of the Hong Kong GDP. Benchmarks of service excellence across industries and sub-industries as well as results for small and medium enterprises and tourist sample are provided. Diagnostic information for guiding the development of a proper strategic focus and an efficient resource allocation to enhance service excellence is also offered.

Raising the overall level of service excellence is imperative for maintaining or even increasing Hong Kong's competitiveness as the service sector's contribution to the economy's GDP continues to rise. Achieving service excellence for Hong Kong requires the commitment of every organization in every service industry to deliver best services. Results from the past three years offer encouraging evidences that a culture of service excellence may be emerging in Hong Kong. As most organizations are recovering from the aftermath of the global financial crisis, this may be a golden opportunity to invest in service improvement in order to strengthen the defense against any unforeseeable challenges in the future.