

## Unit 5

# The nature of customer service

## What is customer service?

## Customer service in building relationships

### DEFINITION

Excellent customer service has the ability to improve customer satisfaction and customer retention, resulting in customer loyalty which means greater profitability.

The provision of service to customers before, during & after a purchase.

Any back-up service that the company provides to customers to maintain their loyalty and to secure a sale

It is not the actual service that is important, but rather the perceptions that a customer has of the service. Note that customers have expectations

### CHANGING CUSTOMER EXPECTATIONS

Modern day customers are more demanding, knowledgeable & sophisticated.

Customer has higher expectations & more choices.

Marketers have to listen more closely, anticipate needs, proactive problem solving, provide impressive service & responses to mistakes that more than make up for the error.

Competitors are creating higher standards of performance and value.

In order to service customers, the organisations offer needs to be better at servicing customers than competitors.

### THE INCREASED IMPORTANCE OF CUSTOMER SERVICE

With changing customer expectations, competitors are seeing customer service as an important competitive weapon by means of which to distinguish their products from competitor offerings, thereby successfully differentiating their sales efforts

### THE NEED FOR A RELATIONSHIP STRATEGY

To ensure a customer service strategy that is formulated, implemented and controlled and that will create attractive value for customers, it is necessary to establish this strategy as having a central role and no-tone that is only a sub-component of the elements of the marketing mix.

### DEFINITION

An organisation that has adopted the marketing concept with its focus on customer orientation, everyone focuses on customer satisfaction in order to offer superior customer value, which helps to attract customers in the first place and keeps them satisfied after they buy. They purchase again because they are satisfied. As the relationship is profitable, the organisation is encouraged to find better ways to offer superior customer value.

Quality is the ability of the organisation to meet or exceed customer expectations.

### CUSTOMER SATISFACTION

Necessary before a customer will become loyal thus resulting in a long-term relationship.

In terms of CRM, everybody is expected to offer excellent customer service (frontline personnel to the back office).

The customers feeling that a product has met or exceeded his/her expectations.

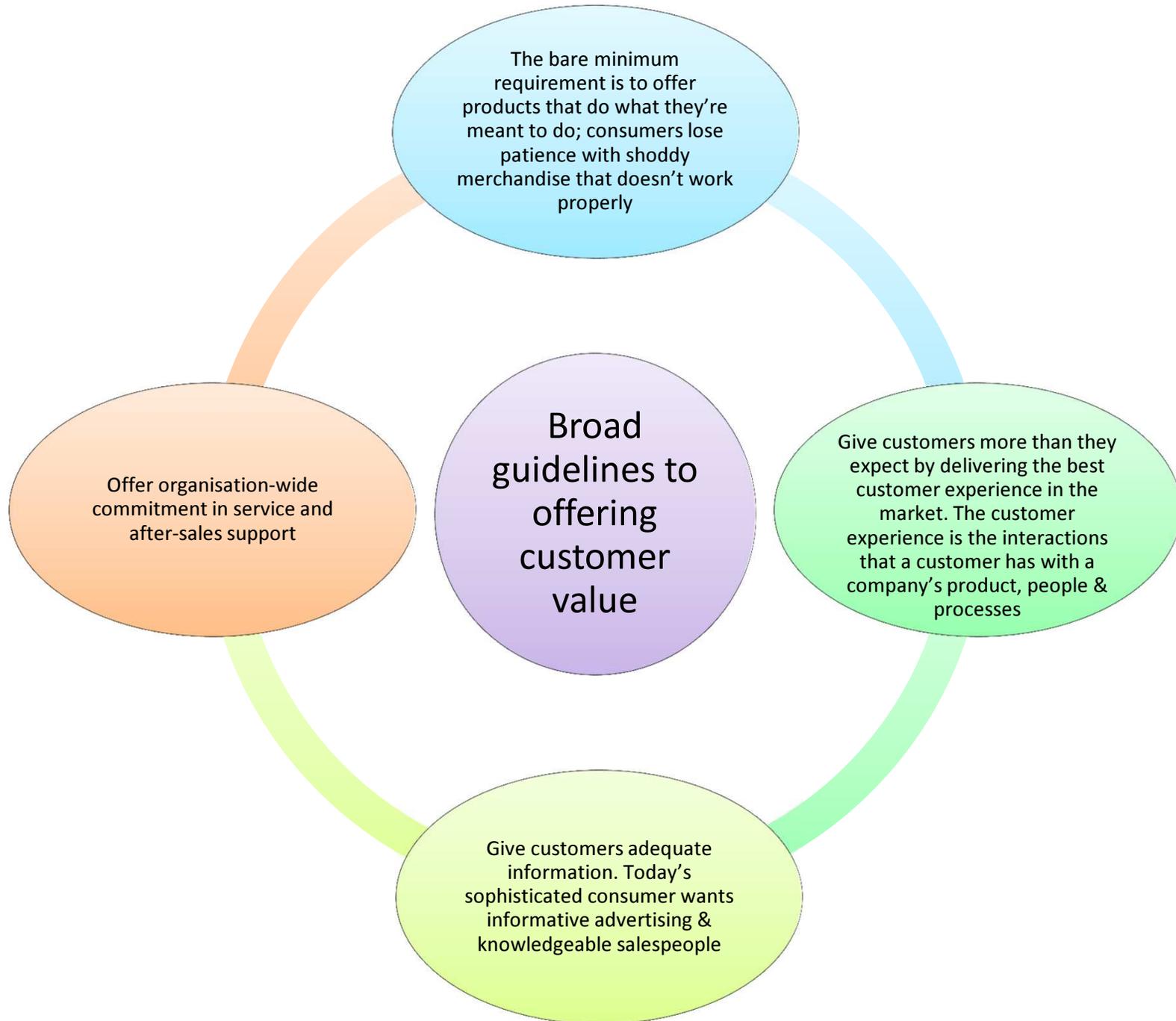
Different to competitors, top management obsessed with customer satisfaction, employees understand importance. Culture is to satisfy customers.

Employee is the business in customers viewpoint – therefore employee belief is important

### CUSTOMER VALUE

Implies that the higher the perceived benefit & the lower the price of a product or service, the higher the customer value & the greater the chance that the customer will choose & keep on choosing (ie becoming loyal) the product in future.

All staff need to work together to ensure long term relationship is not threatened and that the customer value is not reduced. When benefits to customer decrease or costs increase, the relationship is weakened.



## Definition

- Service quality is the ability of the organisation to meet or exceed customer expectations.
- Customer expectations may be seen as the desires or wants of consumers (should rather than actual).
- Service quality is measured in terms of the extent of the expectations being met.
- Perceptions are reality (service quality).
- Customers perceive service in terms of the service provided & level of satisfaction attained.
- Service quality and customer satisfaction should be the organisations' focus because these factors have to be measured. In this way an organisation can differentiate itself (ie creating an SCA) by providing better service quality and overall customer satisfaction.

## Service expected vs service received

- Customers expectations are based on their knowledge of and experiences with a particular organisation & its competitors.
- Marketers can provide unexpected services to increase their competitive advantage and to outsmart competitors.
- Delivering quality service means conforming to expectations consistently.
- Service quality is thus a measure of how well the level of service delivered matches customer expect
- Customers evaluate service before & after. How it is evaluated depends on quality expected before service delivery and quality of actual service.
- If service expectation is low and service is average, quality will be positively confirmed.

## Types of customer expectations

Expectations serve as benchmarks against which present & future service encounters are compared.

3 different types of expectations:

- Predicted service
- Desired service
- Adequate service

## Customer Expectations

## Factors influencing service expectations

- Enduring service intensifiers
- Personal needs
- Explicit service promises
- Implicit service promises
- Word-of-mouth communications
- Past experience

## Zone of tolerance

- The difference between the desired service level and the adequate service level
- The extent to which customers recognise and are willing to accept variation in service delivery from one location to the next and even with the same provider from one day to the next.
- Expands & contracts across customers and within customers
- Influences on the zone of tolerance: depending on service, service conditions, price,

# Types of customer expectations

## Predicted service

A minimum tolerable expectation & reflects the level of service that the customer is willing to accept.

Reflects the level of service customers believe is likely to occur. Customer satisfaction evaluations are developed by comparing predicted service to perceived service received.

## Desired service

Reflects a higher expectation than predicted service.

Ideal expectation that reflects what customers actually want compared with the predicted service that they are likely to get.

Comparing desired expectations to the perceived service received results in a measure of perceived service superiority.

## Adequate service

A minimum tolerable expectation & reflects the level of service that the customer is willing to accept.

Based on experiences or norms that develop over time.

One factor that influences adequate service is predicted service.

Encounters that fall below expected norms fall below adequate service expectations.

Comparing adequate service with perceived service produces a measure of perceived service adequacy.

Factors influencing service expectations

Enduring service Intensifiers

- Personal factors that are stable over time & increase customer sensitivity to how service should best be provided. Customers personal service philosophies or personal view of the meaning of service. They hold their own views regarding exactly how service should be provided & they want to be treated accordingly

Personal needs

- Customers own personal needs influence desired service expectations. Customers have a variety of needs that differ – therefore the organisation is challenged in providing a service.

Explicit service promises

- These encompass the organisations advertising, personal selling, contracts & other forms of communication. The more ambiguous the service, the more customers rely on advertising to form expectations.

Implicit service promises

- These promises are also influence desired service & predicted service.
- As prices increase, customers expect higher quality services. The nicer the furnishings, the higher the customer expectations become.

Word-of mouth communications

- Customers tend to rely more on persona sources of info than on non-persona ones when choosing a service provider. Customers view word-of-mouth info as unbiased info from someone who has been through the service experience. Sources include friends, family or consultants giving reviews (eg: getaway magazine)

Past experience

- Service evaluations are often based on a comparison of the current service encounter to other encounters with the same provider, as well as other providers in the same or different industries.

## Definition

- The ability to determine customer expectations correctly & to deliver the service at a quality level that will at least equal these customer expectations.
- A focused evaluation reflecting the customers perception of specific dimensions of service.
- One of the components that influence the satisfaction of the customer. Promising quality attracts customers, but actually delivering the promised quality is what helps to build and maintain customer relationships.
- Consistency with which customers expectations are met and the general superiority relative to the competition, this includes practices focused on identifying services customers want:
  - Efforts to raise standards & improve service performance
  - Listening to customers preferences
  - Ensuring that customers requirements are met
  - Making on-time deliveries
  - Supplying a wide range of goods & services
  - Having a knowledgeable staff
  - Providing technical competence
  - Knowing the market
  - Understanding customer needs

## Dimensions used for evaluating service quality

- Reliability
- Responsiveness
- Assurance
- Empathy
- Tangibles

Service quality dimensions for selected industries

## Service Quality

## Evaluating Service Quality

One way of evaluating service quality is by considering two factors:

- The technical quality of the outcome of service delivery
- The functional quality of the service delivery process
  - If a service has a specific outcome, then a customer can make a judgement on the effectiveness of the service on the basis of the particular outcome.
  - If service is complex & outcome is not clear, it may be hard to judge a service on the outcome. Service is judged by looking at the process.

Industry	Reliability	Responsive-ness	Assurance	Empathy	Tangibles
Restaurant	Food order received and delivered accurately	Waiting time reasonable and acknowledged	Treated with respect and special orders attended to	Acknowledges mistakes and remembers orders for each customer	Resturant layout and the dress code of the staff members
Car Dealership	New car ordered and delivered on time	Simple and easy paperwork and financing options provided	Trusted brand name; add-on features explained and competent sales staff	Needs and preferences acknowledged	The dealership floor, pamphlets and office environment
Health Spa	Appointments are kept on schedule and communicated via email/ sms	Appointment started on time	The relevant information provided and medical history checked	Therapist introduced	Therapy room layout, background music, facilities inside the spa

## Dimensions used for evaluating service

### Reliability

The ability to perform the promised service dependably & accurately and focuses on delivering on promises made by the organisation.

Loyalty cannot be earned without consistent & reliable service

### Responsiveness

Willingness to ensure that the needs of the customers are met in a timely manner and that the organisation is flexible enough to customise according to specific needs.

Critical to understand expectations in terms of time in order to understand what must be done to be seen as responsive.

### Assurance

The knowledge & courtesy of employees and their ability to convey trust and confidence. Important in high risk services or where customer is not sure how to evaluate outcomes.

Eg: banking, insurance, medical services

### Empathy

The caring, individualised attention a firm gives its customers (confirming to the customer that needs will be met)

Smaller companies compete with larger companies by offering a more personal approach as opposed to larger more formal companies

Being perceived as a specialist can also help to be seen as being able to meet more personalised needs.

### Tangibles

The appearance of physical facilities (offices, showrooms, consulting rooms), equipment, staff and communication materials – in other words, anything physical that indicates to customers the quality of the service that they will receive.

Especially important for a new customer who looks for cues of the level of service that should be expected.

## Definition

The exchange of value in the form of transactions between the customer & the company is an important part of marketing, as if the company is successful in satisfying the customer in terms of this value exchange in a consistent way, then it can create a relationship with that customer where these transactions take place regularly.

## Reasons why customer service fails

- The market is not properly segmented
- The customer database is incomplete or non-existent
- The organisation is managed from the inside out
- All blame is shifted downward
- Misunderstanding below the line of visibility
- Focus is attracting new customers rather than retention of new customers
- Dehumanised customer
- Strong link between customer satisfaction, customer retention and customer loyalty

## QUALITY SERVICE AND CUSTOMER LOYALTY

## Reasons for emphasis on relationships & not transactions

The shift in emphasis to a relationship approach was due to:

- Companies being in mature phases and facing overcapacity and oversupply. This means that finding new customers became increasingly difficult and companies have had to take action to keep good customers.
- Customers are also kept for a lengthy period before they become profitable.
- Customers are more knowledgeable about suppliers and products, due to media and information access.
- International focus on customer and value-added aspects has also led to customers being more demanding.

## They payoff of relationships and good service: loyalty

- ✓ Loyal customers are more profitable, because spending by customers in most businesses tends to accelerate over time.
- ✓ Customers learn to be more efficient as they learn about a business over time
- ✓ Referrals are important long term benefits of loyalty and referral customers are often of higher quality in terms of the profitability and longevity of the relationship than marketing response customers.
- ✓ A customer gets better value and tends to be less price sensitive on individual product items than a new customer is.

## Reasons why customer service fails

Many organisations do not understand how to practically implement customer service. Some of the biggest reasons why customer service fails are listed below:<sup>14</sup>

- **The market is not properly segmented:** The organisation wants to get its product or service to everyone in the world, but does not properly understand the market's needs.
- **The customer database is incomplete or non-existent:** Because of this, improvement in customer service is based on what the managers think is best, instead of what the customers want, i.e. customers' perceptions are disregarded.
- **The organisation is managed from the inside out:** The organisation uses a push strategy – it tells customers to use the product – as opposed to a pull strategy, where research is done to work out what customers need and want; the product or service is then developed; and, due to the need, customers will actively seek out the product or service.
- **All blame is shifted downward:** Front-line employees are blamed for any service failure, regardless of a lack of training and/or the failure of organisational systems, processes or structures.
- **Misunderstanding below the line of visibility:** Employees who are below the line of visibility (i.e. never in contact with customers) struggle to understand the need for customer service; however, these employees still have an important role to play in the delivery of exceptional customer service.
- **The focus is on attracting new customers as opposed to the retention of customers:** Little effort is made to keep the company's most profitable segment—its existing customers.
- **Dehumanised customers:** To many employees and managers, a customer does not have a face, which can lead to the customer becoming less human in their minds, and therefore less deserving of respect.
- **As mentioned earlier, there is a strong link between customer satisfaction, customer retention and customer loyalty.** The extent of the customer's satisfaction with a product or service will determine its success in the market. It is therefore necessary to look at ways of measuring customer satisfaction.