

The Service Encounter

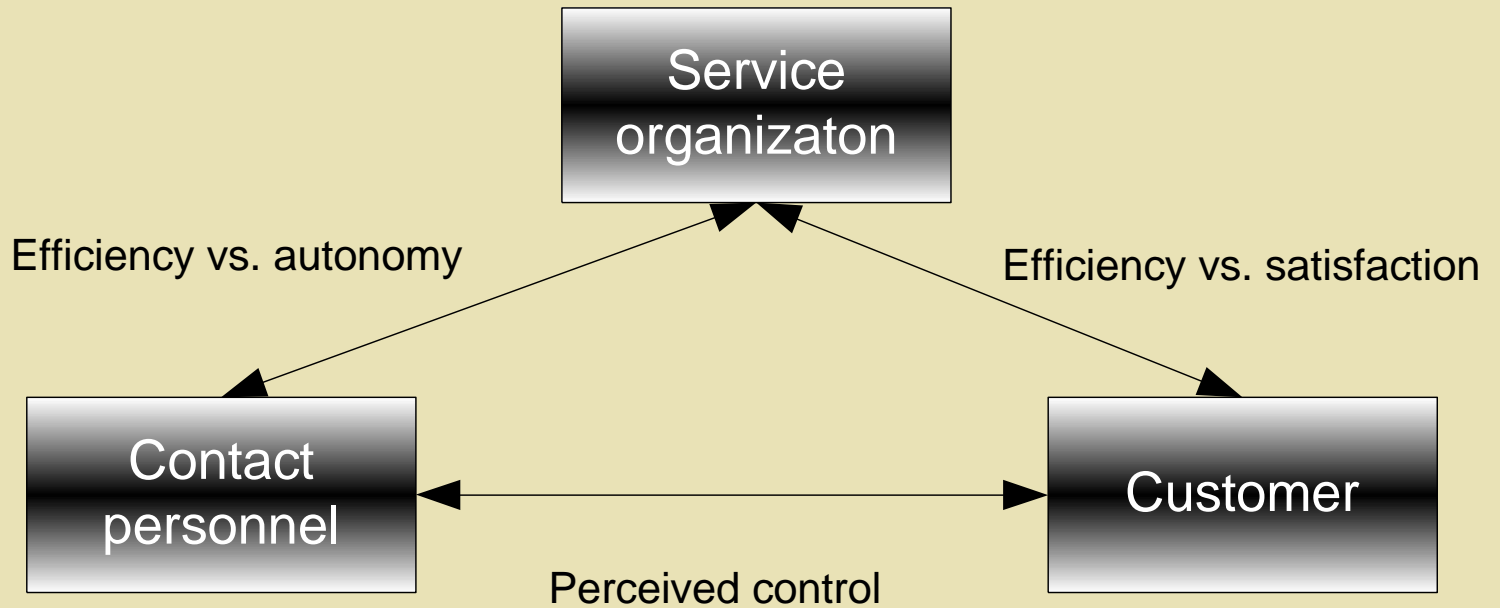





The service triad

- Most of the customer services are characterized by an encounter between a provider of product or services and a customer.
- The provider is composed by the organization and the contact personnel which could be part of the organization or outsourced.
- A satisfactory and effective service encounter should balance the need of control by all three participants in the service encounter process.

The service triad





Type of encounters: encounter dominated by the organization

- ◆ To be efficient an organization may standardize service delivery by imposing strict operating procedures, limiting the discretion of the contact personnel.
- ◆ Customers are presented with a few standard service options from which to choose, and personalized service is not an option.
- ◆ Success is based on teaching customers what not to expect from their service.
- ◆ Frustration is the result of lack of autonomy of contact personnel.



Type of encounters: Encounter dominated by contact personnel

- ◆ Service personnel attempts to limit the service encounter to reduce their own stress in meeting demanding customers.
- ◆ If contact personnel are placed in an autonomous position, they may perceive themselves as having a significant degree over customers.
- ◆ The customer is expected to place considerable trust in the contact person's judgment because of the provider's perceived expertise.



Type of encounters: Encounter dominated by customer

- ◆ The extreme of standardized and customized services.
- ◆ Customers control the encounter.
- ◆ For standardized services, self-service gives customers complete control over the limited service that is provided.
- ◆ The result can be very efficient and satisfying to the customer who needs or desires very little service.
- ◆ For customized services, the organization's resources may be needed.
- ◆ Represents a great cost in efficiency but with a great degree of effectiveness, satisfying the specific and unique needs of the customer.

The organization

- ◆ According to Wikipedia, an organization or organization is an entity comprising multiple people, such as an institution or an association, that has a particular purpose.
- ◆ The word is derived from the Greek word organon, which means tool or instrument, musical instrument, and organ.
- ◆ The service organization establishes the environment for the service encounter.
- ◆ The interaction between customers and contact personnel occurs within the context of:
 - the organization's culture,
 - its physical surroundings.



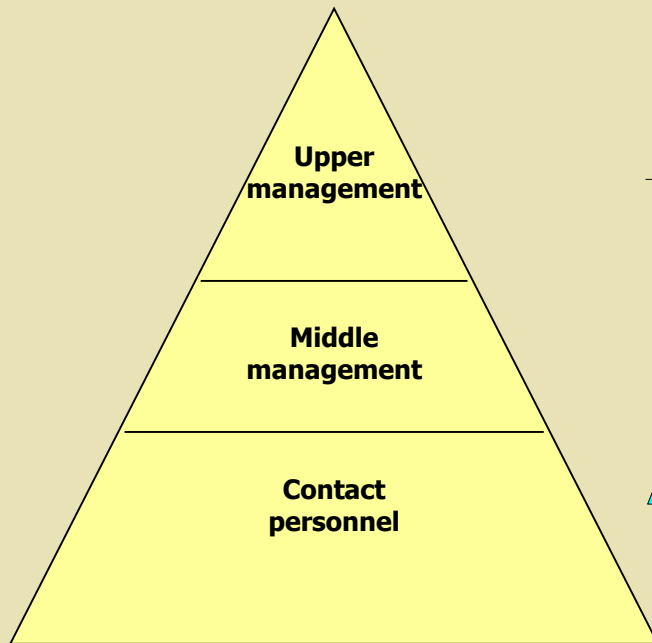
Culture



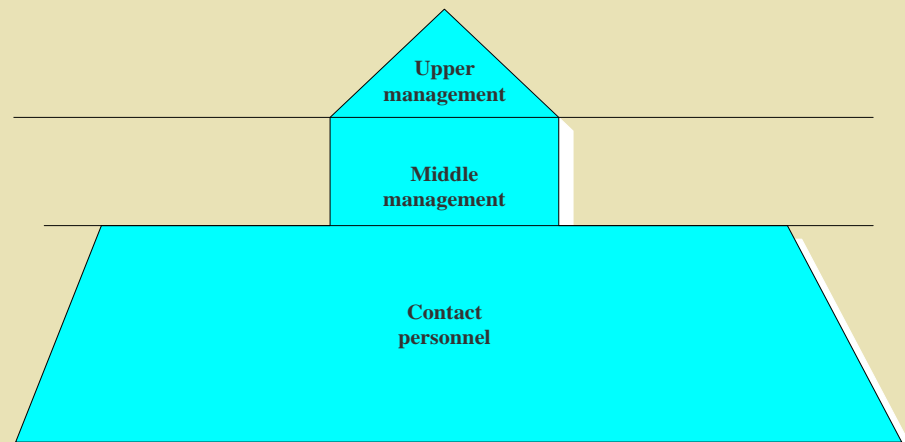
Culture

- ◆ A pattern of beliefs and expectations that is shared by the organization's members and produces norms that powerfully shape the behavior of individuals or groups in organizations.
- ◆ Traditions and beliefs of an organization that distinguish it from other organizations and infuse a certain life into the structure.
- ◆ A system of shared orientations that holds the unit together and give a distinctive identity.

Culture and organizational structure



Traditional



Inverted T

Organizational Culture

- ◆ Encompasses values and behaviors that contribute to the unique social and psychological environment of an organization.
- ◆ Represents the collective values, beliefs and principles of organizational members and is a product of factors such as history, product, market, technology, strategy, type of employees, management style, and national culture.
- ◆ Culture includes the organization's vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits.
- ◆ It is an *emergence* – an extremely complex incalculable state that results from the combination of a few simple ingredients.



Ingredients that guide organizational culture

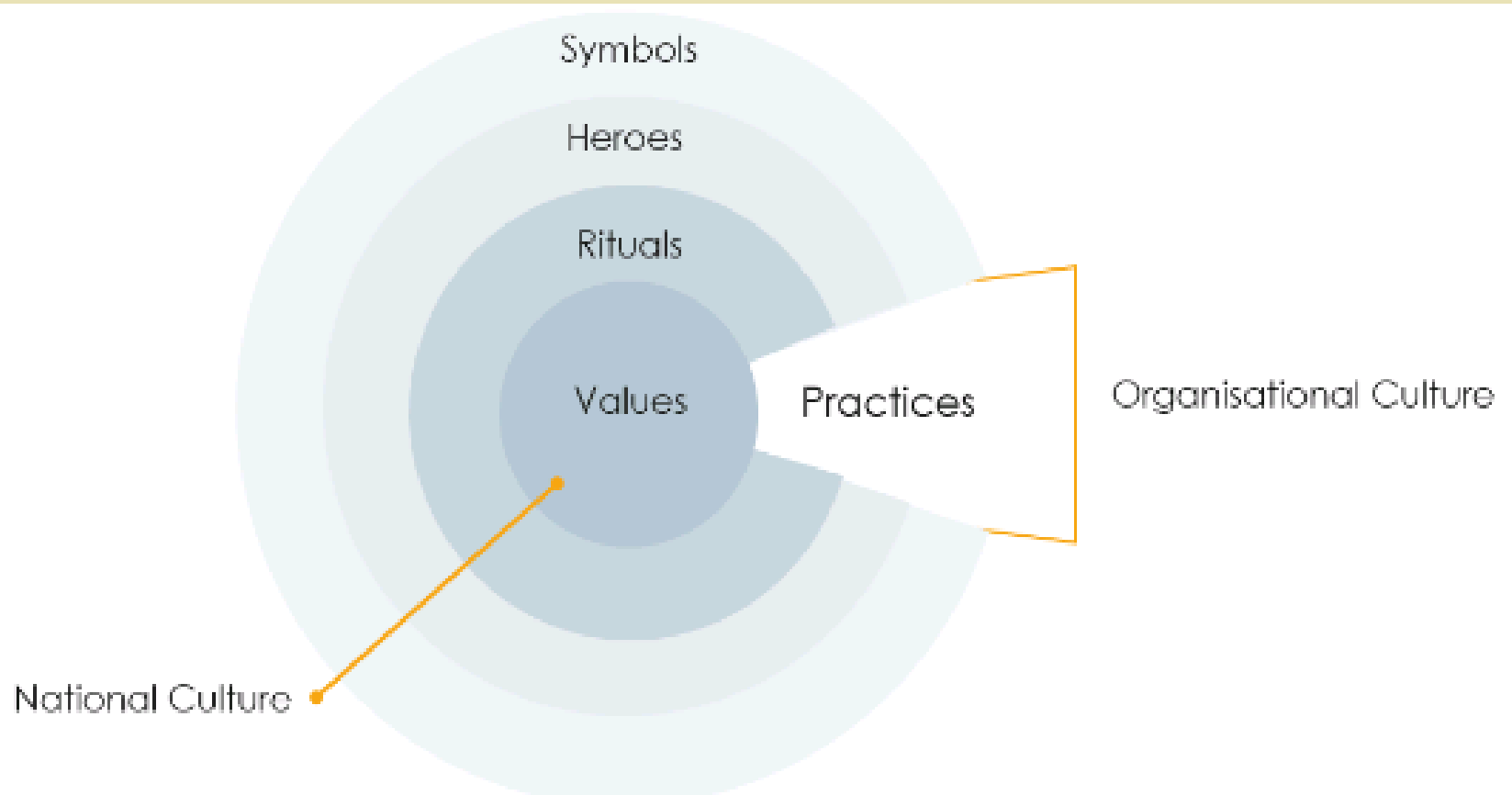
- ◆ Ingredient #1 – Employee (focus on engagement)
- ◆ Ingredient #2 The Work (focus on eliminating waste increasing value) waste
- ◆ Ingredient #3 The Customer (focus on likelihood of referral).



Strong and weak cultures

- ◆ *Strong culture* is said to exist where staff respond to stimulus because of their alignment to organizational values.
- ◆ Strong cultures help firms engage in outstanding execution with only minor adjustments to existing procedures as needed.
- ◆ *Weak culture* represents little alignment with organizational values, and control must be exercised through extensive procedures and bureaucracy.
- ◆ Organizations that foster strong cultures have clear values that give employees a reason to embrace the culture.
- ◆ A "strong" culture is beneficial to firms operating in the service sector since members of these organizations are responsible for delivering the service and for evaluations important constituents make about firms.
- ◆ Benefits from developing strong and productive cultures:
 - Better aligning the company towards achieving its vision, mission, and goals
 - High employee motivation and loyalty
 - Increased team cohesiveness among the company's various departments and divisions
 - Promoting consistency and encouraging coordination and control within the company
 - Shaping employee behavior at work, enabling the organization to be more efficient
- ◆ Although beneficial for the organization, here is a risk of "Groupthink," in other words, when the members' strivings for unanimity override their motivation to realistically appraise alternatives of action

Levels of culture



The Big 9 Cultural Values



Agility



Collaboration



Customer



Diversity



Execution



Innovation



Integrity



Performance



Respect

https://sloanreview.mit.edu/culture500?utm_medium=email&utm_source=newsletter&utm_campaign=Culture500



The Big 9 Cultural Values

- ◆ **Agility:** Employees can respond quickly and effectively to changes in the marketplace and seize new opportunities.
- ◆ **Collaboration:** Employees work well together within their team and across different parts of the organization.
- ◆ **Customer:** Employees put customers at the center of everything they do, listening to them and prioritizing their needs.
- ◆ **Diversity:** Company promotes a diverse and inclusive workplace where no one is disadvantaged because of their gender, race, ethnicity, sexual orientation, religion, or nationality.
- ◆ **Execution:** Employees are empowered to act, have the resources they need, adhere to process discipline, and are held accountable for results.



The Big 9 Cultural Values

- ◆ Innovation: Company pioneers novel products, services, technologies, or ways of working.
- ◆ Integrity: Employees consistently act in an honest and ethical manner.
- ◆ Performance: Company rewards results through compensation, informal recognition, and promotions, and deals effectively with underperforming employees.
- ◆ Respect: Employees demonstrate consideration and courtesy for others, and treat each other with dignity.

Hofstede's cultural dimensions

- ◆ Professor Geert Hofstede conducted one of the most comprehensive studies on national values, introducing the dimension concept.
- ◆ He defined “culture” as “the collective programming of the mind that distinguishes the members of one group or category of people from others”.
- ◆ National Culture is about the value differences between groups of nations and/or regions.
- ◆ He identified four largely independent dimensions:
 - Power Distance (large versus small),
 - Uncertainty Avoidance (strong versus weak),
 - Individualism versus Collectivism
 - Masculinity versus Femininity.

Power Distance Index (PDI):

- ◆ This dimension expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally.
- ◆ The fundamental issue is how a society handles inequalities among people.
- ◆ People in societies exhibiting a large degree of Power Distance accept a hierarchical order in which everybody has a place and which needs no further justification.
- ◆ In societies with low Power Distance, people strive to equalize the distribution of power and demand justification for inequalities of power.

Individualism versus Collectivism (IDV)

- ◆ Individualism, can be defined as a preference for a loosely-knit social framework in which individuals are expected to take care of only themselves and their immediate families.
- ◆ Collectivism represents a preference for a tightly-knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty.
- ◆ A society's position on this dimension is reflected in whether people's self-image is defined in terms of "I" or "we."



Masculinity versus Femininity (MAS)

- ◆ The Masculinity side of this dimension represents a preference in society for achievement, heroism, assertiveness and material rewards for success. Society at large is more competitive.
- ◆ Femininity stands for a preference for cooperation, modesty, caring for the weak and quality of life. Society at large is more consensus-oriented.
- ◆ In the business context Masculinity versus Femininity is sometimes also related to as "tough versus tender" cultures.



Uncertainty Avoidance Index (UAI)

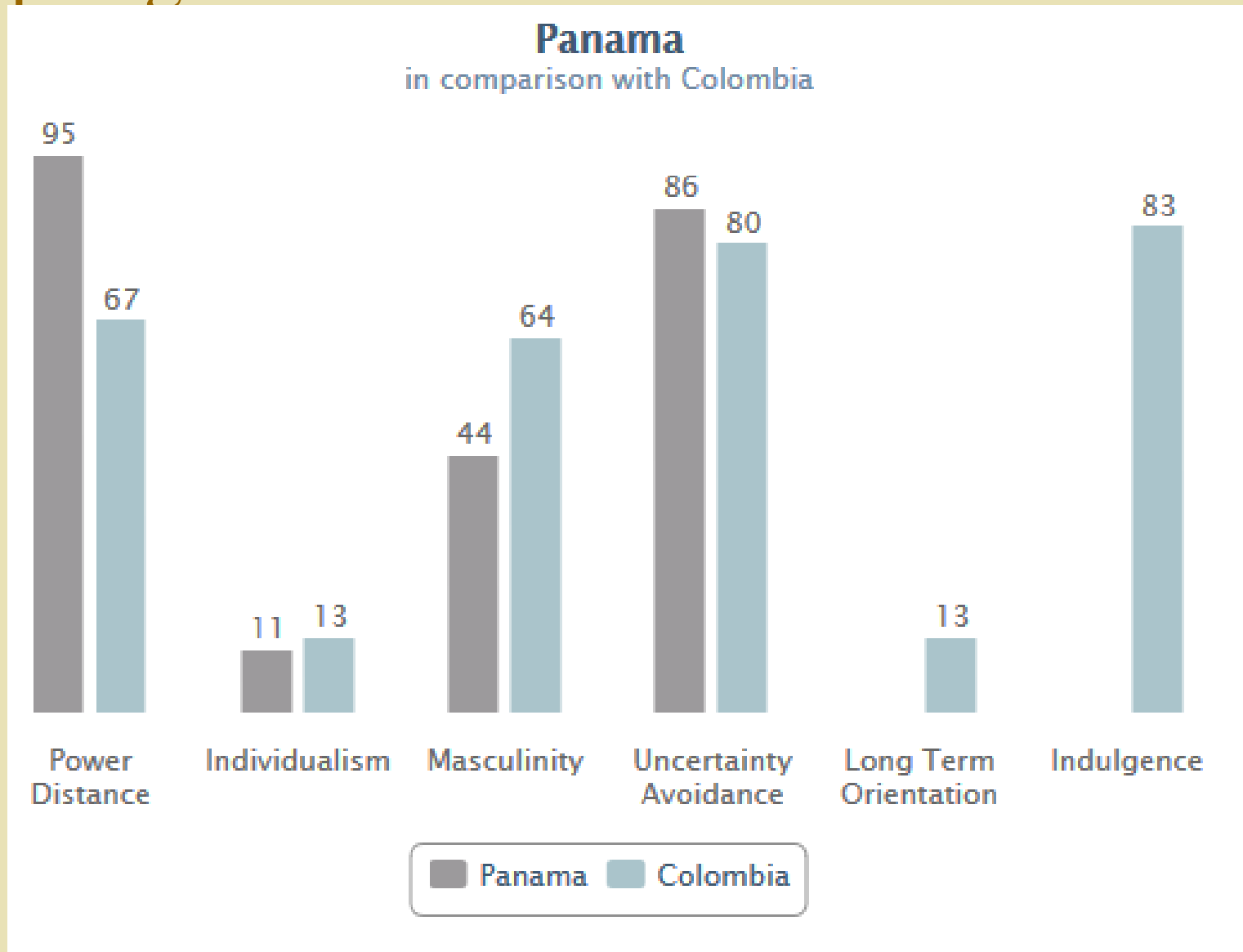
- ◆ Is the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity.
- ◆ The fundamental issue here is how a society deals with the fact that the future can never be known: should we try to control the future or just let it happen?
- ◆ Countries exhibiting strong UAI maintain rigid codes of belief and behavior and are intolerant of unorthodox behavior and ideas.
- ◆ Weak UAI societies maintain a more relaxed attitude in which practice counts more than principles.

Two other dimensions

- ◆ **Long Term Orientation versus Short Term Normative Orientation (LTO):** Societies who score low on this dimension prefer to maintain time-honored traditions and norms while viewing societal change with suspicion. Those with a culture which scores high, on the other hand, take a more pragmatic approach: they encourage thrift and efforts in modern education as a way to prepare for the future.
- ◆ **Indulgence versus Restraint (IND):** Indulgence stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun. Restraint stands for a society that suppresses gratification of needs and regulates it by means of strict social norms.

Country comparisons

<https://geert-hofstede.com/countries.html>





To make T structure functional

- ◆ To invest in people as much as, or more than, in machines.
- ◆ To use technology to support contact personnel rather than to monitor or replace them.
- ◆ To consider the recruitment and training of contact personnel as critical to the firm's success.
- ◆ To link compensation performance for employees at all levels.
- ◆ Middle management has a different role, not only the traditional supervisory role; instead, they become facilitators for the front-line or contact personnel.



The physical surroundings

- ◆ The physical surroundings create the environment for the service.
- ◆ The physical environment or *serviscape* influences both customer and personnel behavior and should be designed with an image and feel that is congruent with the service concept.



Physical complexity

- ◆ For a self-service operation: the objective is to guide customer behavior through the use of signs and instructions and intuitive design of interfaces.
- ◆ For remote services: satisfaction, motivation and operational efficiency of contact personnel are the primary objectives for the physical design since customer do not visit the site physically.
- ◆ For professional services: should project competence and authority.
- ◆ Interpersonal services are the most challenging since social interaction between participants should be facilitated.

The servicescape

Who performs within servicescape	Physical complexity of the servicescape	
	Elaborate	Lean
Self-service (customer only)	Golf course Amusement parks	Post office kiosk ATM E-commerce website
Interpersonal services (both customer and employee)	Luxury hotel Restaurant Airline terminal	Budget motel Hot dog stand Bus station
Remote service (employee only)	Professional services	Telemarketing Online technical support



Dimensions for servicescapes

- ◆ **Ambient conditions:** the background of the environment, such as temperature, color, lighting, noise, music and scent, affect customers and personnel senses and affect employee's performance and satisfaction and customers comfort and temper.
- ◆ **Spatial layout and functionality:** the type and arrangement of furniture and equipment and the relationship among them create a visual and functional landscape for deliver of the service.
- ◆ **Signs, symbols and artifacts:** Many items in the physical environment serve as explicit or implicit signals that communicate acceptable norms of behavior, either in form of rules or responsible acts. Signs such as pictures, symbols such as tablecloth or carpeting, or artifacts such as antiques can influence the customer about the personnel, service quality and competence.



Designing the facility

- ◆ The nature and object of the organization
- ◆ Land availability and space requirements
- ◆ Flexibility
- ◆ Aesthetic Factors





Contact personnel

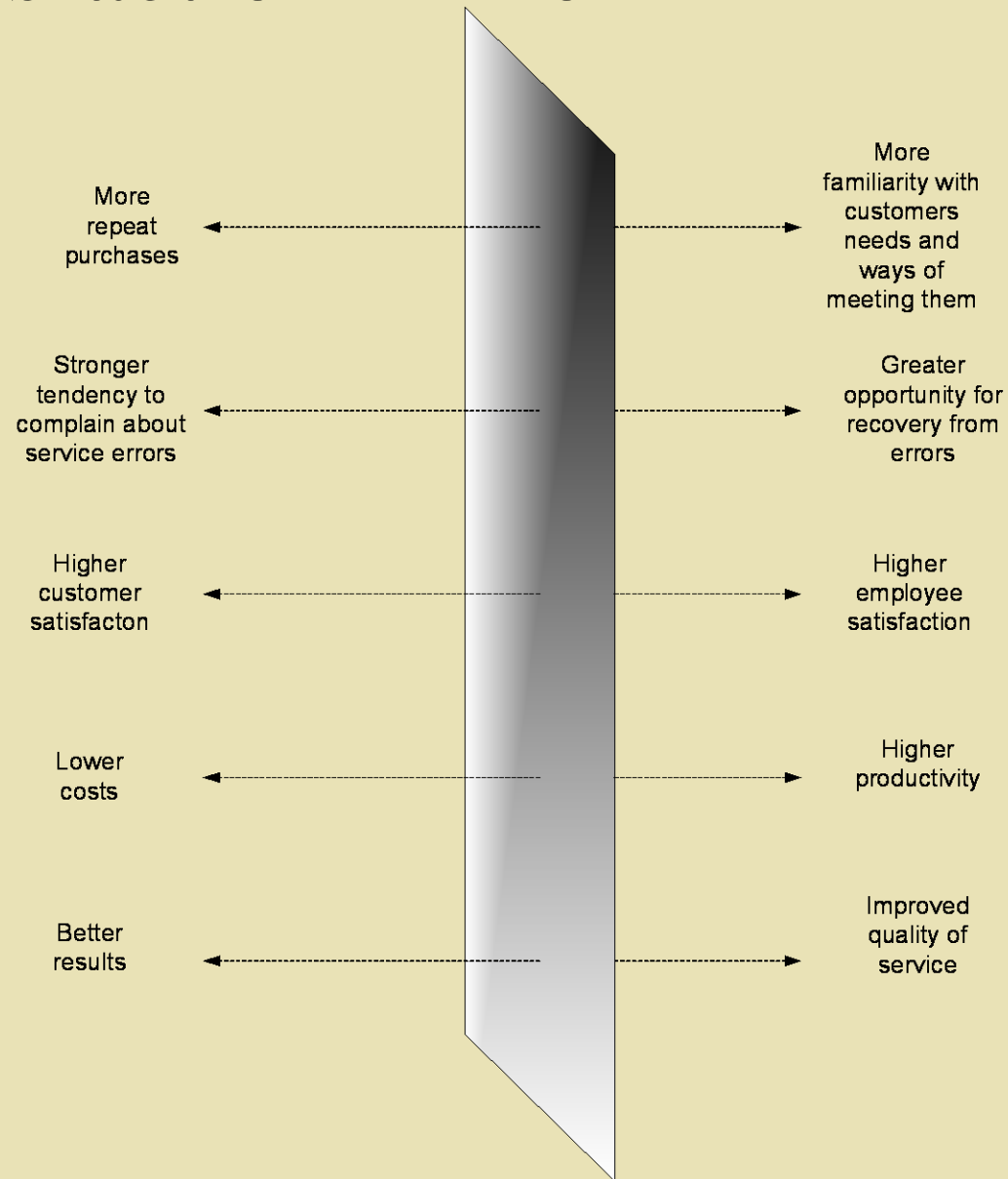
- ◆ Customer contact personnel should have personality attributes that include
 - Flexibility
 - Tolerance for ambiguity
 - Empathy for customers
 - An ability to monitor and change behavior on the basis of situational cues.
- ◆ Empathy is more important than age, education training and intelligence.
- ◆ Since contact personnel must have certain non common characteristics, it becomes a priority for any customer service organization to have a selection and training processes that ensures high-quality personnel.

typical situations that generate conflict in a service encounter

Unrealistic customer expectations	Unexpected service failure
Unreasonable demands	Unavailable service
Demands against policies	Show performance
Unacceptable treatment of employees	Unacceptable service
Breaking of societal norms	
Special needs customers	

The satisfaction mirror

- Creating a customer service orientation results in superior service practices and procedures.
- When employees perceive a strong service orientation, customers report a superior service.
- Employees and customers perceptions of organizational effectiveness are positively related.





The customer

- ◆ A person who buys, especially on a regular basis; a person with whom one must deal.
- ◆ Is a person or organization that will benefit from the goods and services offered by the organization.
- ◆ Customers are the sole provider of every business—the revenue stream that pays for everything else.



Needs of every customer

- ◆ **Service:** customers expect what they think is appropriate for the level of purchase.
- ◆ **Price:** customer pay for what they want, not only what they need.
- ◆ **Quality:** products and services to be durable, reliable and functional
- ◆ **Action:** customer expect response to their claims and requests.
- ◆ **Appreciation:** customer need to know that their business is appreciated.

The Customer

◆ **Source of Information and Ideas:**

- Satisfying the needs of customers requires organizations maintain close contact with them.
- Organizations can get close to customers by conducting marketing research and other feedback methods.
- With this information organizations are able to learn what people think of their present processes, products and services.

◆ **Affects Activities Throughout Organization:**

- Customers not only affect decisions but they are the key driver for decisions made throughout the organization.
- creating an environment geared to locating, understanding and satisfying customers is a must.

◆ **Needed to Sustain the Organization:**

- Customers are the reason an organization is in business. Without customers a company is not viable.
- Customers are not only key to revenue and profits they are a key to creating and maintaining jobs within the organization.



The customer

- ◆ **External Customers:** customers that are outside the boundaries of the organization and are willing to pay for the services of products provided.
- ◆ **Internal Customers:** People who work with the organization but that require services and products internally provided to efficiently and effectively conduct their activities.



Types of customer

- ◆ **Existing Customers** – Consists of customers who have purchased or otherwise used an organization's goods or services, typically within a designated period of time.
- ◆ **Former Customers** – This group consists of those who have formerly had relations with the marketing organization typically through a previous purchase.
- ◆ **Potential Customers** – The third category of customers includes those who have yet to purchase but possess what the marketer believes are the requirements to eventually become Existing Customers.

The Shopping Customer

- ◆ **The economizing customer:** wants to economize the value obtained for his or her expenditures of time, effort and money and looks for value that will test the competitive strength of the organization in the market. Loss of this customer serves as an early warning of potential competitive threats.
- ◆ **The ethical customer:** feels a moral obligation to patronize socially responsible firms.
- ◆ **The personalizing customer:** wants interpersonal gratification, such as recognition and conversation, from the service experience.
- ◆ **The convenience customer:** has no interest in shopping; convenience is the secret to attracting him or her. They are willing to pay extra for a personalized or hassle-free service.

The autonomous customer

- ◆ According to CISCO and BT , they are consumers who research and investigate possible purchases online using websites or mobile devices before buying.
- ◆ They ‘self-serve’ such information and prefer to interact with organizations on their own terms.
- ◆ They invest time and effort to make a purchase decision.
- ◆ When they hit an issue they can’t resolve, they want an answer from the organization there and then.
- ◆ Three quarters of consumers expect a customer service agent to be instantly aware of their details and history, across all channels.”
- ◆ They expect the contact center to offer everything going.
- ◆ Alongside the phone, and email, they want to be able to use messaging channels such as WhatsApp and Messenger

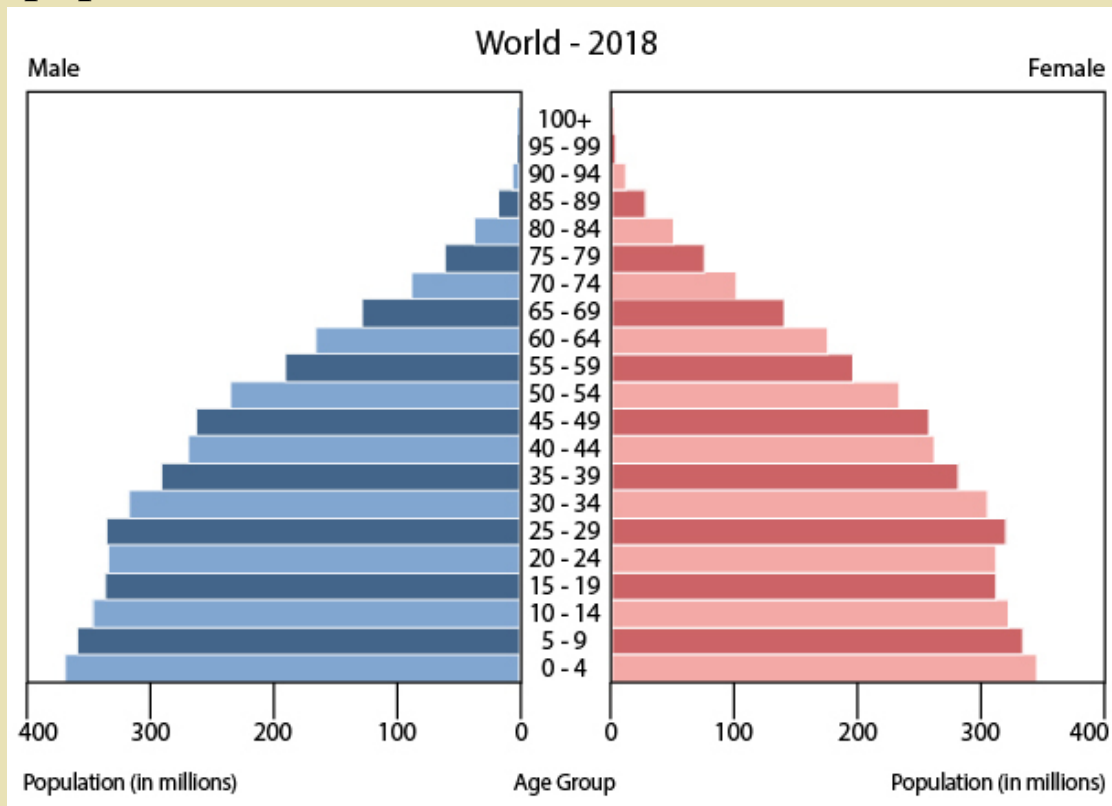


Trends on autonomous customer

- ◆ From research it has been found that speaking to an agent on the phone remains the most important form of customer contact for young and old.
- ◆ Closely followed by that 50-year-old technology, email.
- ◆ Despite organizations repeatedly trying to direct customers to self-help alternatives, people do not completely follow them.
- ◆ People are willing to engage with chatbots and are positive towards AI.
- ◆ But it was clear human agents should be in the loop, to handle tricky issues and keep an eye on automated interactions.

The study

- ◆ This research is based on a survey of 6,000 consumers.
- ◆ Across twelve countries – Australia, Brazil, China, France, Germany, India, Netherlands, Singapore, South Africa, Spain, the UK and the USA – in August 2019.
- ◆ The research involved online consumers and matched the nationally representative population structure of each market.



Autonomous customer 2020.



5 key trends in understanding digital and channel success

1. Voice

74%

of respondents **phoned a contact centre** last year (64% in 2015).



53%

say agents **don't always know** what's on their website (59% in 2017).

81%

think **human agents should check** the more complicated responses of chatbots (74% in 2017).



80%

expect organisations to use **AI and automated voice services** to answer simple queries from customers (67% in 2017).

2. Messaging

58%

say that being able to **look at the screen** makes webchat more useful (49% in 2015).

55%

like webchat because they have a **record of the conversation** (48% in 2015).



47%

of 16-34 years olds would be happy making a **secure payment over webchat** or messaging.

48%

prefer to use **webchat** rather than the phone to contact an organisation when they are on their website.



Autonomous customer 2020.



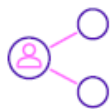
5 key trends in understanding digital and channel success

3. Social media and video

In 2019,

29%

of people used **social media** to get customer service from a company, down from 38% in 2017.



57%

say they get ideas for buying new products and services from **social media**.

39%

use social media to read other people's comments about brands, products and services.



4. Trusted technology

60%



say it takes **too long** to identify them when they phone call centres.

81%



would like **voice biometrics** for Identification and Verification (ID&V).

67%



say they are often asked to **repeat their account details** on the same call which is irritating.

50%



would have bought more over the phone if **payments were secure**.

5. Outbound care

87%



want to be informed when there is a problem with their **product or service**.

82%

say it would be good if organisations used **AI to monitor** the condition of products and services.



Customer attributes

- ◆ Characteristics that allow customers to be categorized.
 - Demographic information
 - Psychographic information
 - Firmographic information

Success factors influencing various types of service encounters

Customer	Service provider	
	Human	Machine
Human	Careful employee selection Good interpersonal skills Agreeable environment Good support technology Employees engendering trust	Intuitive user interface Customer verification Transaction security Easy access Access to human, if needed
Machine	Easy access Fast response Transaction verification Remote monitoring	Hardware and software compatibility Tracking capability Automatic verification Transaction record Transaction security Failsafe