

**Technological University of Panama  
College of Industrial Engineering**

**Notes for the course:**

**Customer Service and Quality**



**B. Sc. in Bilingual Executive  
Communications  
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**By**

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## 1. Understanding Services

### 1.1 What is customer service?

Customers live in a completely different world and speak a different language than organizations. In fact, it can be defined as an opposite world; while organizations provide solutions, customers have needs that are accumulated in an "infinite capacity" pool. No matter the main objective of the organization, the customer will expect to be taken care in such manner that their needs will be satisfied in the best possible way from their point of view. When it comes to managing customers, an important non-product benefit that affects customers' feelings about a company is customer service, which is defined as activities used by the organization to support the purchaser's experience with a product. Thus, good customer service is the lifeblood of any business.

Many attempts have been made to define customer service. Customer service is an organization's ability to supply their customers' wants and needs. According to the ACA Group, [www.theacagroup.com](http://www.theacagroup.com), "customer service is the ability of an organization to constantly and consistently give the customer what they want and need". Additionally, they define excellent customer service as "the ability of an organization to constantly and consistently exceed the customer's expectations."

Some definitions for customer service found in the literature are:

*"Customer service is the ability to provide a service or product in the way that it has been promised"*

*"Customer service is about treating others as you would like to be treated yourself"*

*"Customer service is an organization's ability to supply their customers' wants and needs"*

*"Customer Service is a phrase that is used to describe the process of taking care of our customers in a positive manner"*

*"Customer Service is any contact between a customer and a company, that causes a negative or positive perception by a customer"*

*"Customer service is a process for providing competitive advantage and adding benefits in order to maximize the total value to the customer"*

*"Customer Service is the commitment to providing value added services to external and internal customers, including attitude knowledge, technical support and quality of service in a timely manner"*

*"Customer service is a proactive attitude that can be summed up as: I care and I can do."*

Most definitions take the organization as the central focus point. But first and foremost, customer service should be about customers. "A customer defines good customer service as how he or she perceives that an organization has delighted him or her, by exceeding to meet his or her needs."

Thus, to have good customer service, it is necessary that customers are satisfied with the service or product provided. Customer satisfaction is the overall customer's overall feeling of contentment with a customer interaction. It recognizes the difference between customer perception and customer satisfaction. Perception is the way customers see something based on their own experience. On the other hand, expectations are the customer's personal vision of the result of an expected experience.

Expectations can be classified in two levels: Primary expectations that are the customers' most basic requirements of an interaction, while secondary expectations are based in previous experiences that can enhance their primary expectations.

Customer service includes several activities including:

- Training - services needed to assist the customer in learning how to use a product.
- Repair – services needed to handle damaged or malfunctioning products.
- Financial Assistance – services needed to help customers with the financial commitment in purchases or using the product.
- Complaint Resolution - services needed to address other problems that have arisen with customers' use of a product

Good customer service is all about bringing customers back. And about sending them away happy – happy enough to pass positive feedback about your business along to others, who may then try the product or service you offer for themselves and in their turn become repeat customers.

Customers tend to be more forgiving of organizations that acknowledge and apologize for their mistakes rather than denying them. Taking responsibility for mistakes and correcting them is considered an important aspect of good customer service. When a customer experiences poor service and is ignored, the customer is less likely to return to that company again.

In order to offer total customer satisfaction through a quality service delivery, it is necessary to recognize three levels in the service activity, as shown in figure 1.1

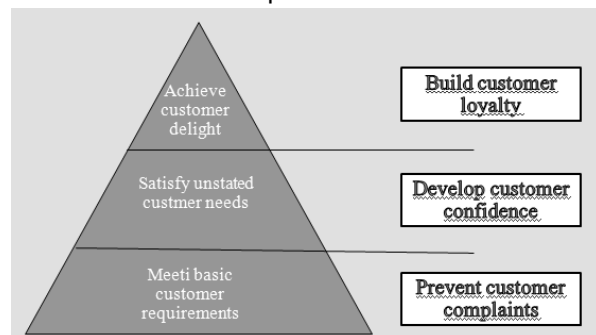


Fig. 1.1 Levels in customer service

As seen, the basic level is concerned with reducing or eliminating complaints through basic service delivery meeting their basic requirements. Once this step has been achieved, confidence needs to be built in order to gain customer loyalty to the service delivery process and, thus, to the organization and its business.

## 1.2 Service vs. Production

A company may attempt to differentiate itself from its competition through the provision of better customer service. The consistent delivery of superior service requires the careful design and execution of a whole system of activities that includes people, technology, and processes; although, the rewards will include improved revenue from customers that are impressed with the service provided.

A service can be defined as “an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between customers and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems.”

Thus, it is possible to define a continuum between tangible and intangible goods as shown in figure 1.1. As seen, a wide scenario of possible combination of services and products can be defined depending on the type of product delivered by the organization. Accordingly, it is almost impossible to define a pure product or service, but more realistic is to be at some point of the continuum.

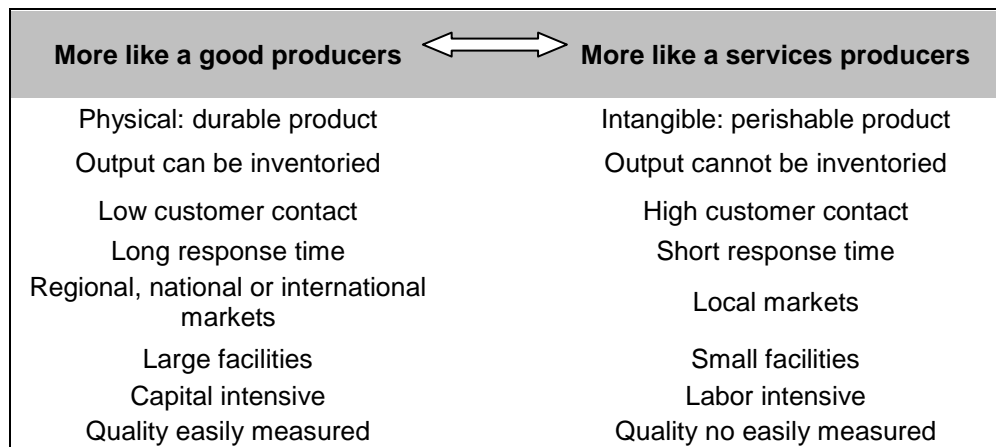


Fig. 1.2 Continuum of good and services

Customers are satisfied in two dimensions: needs and expectations. Customers satisfy needs through the purchase of goods or services. On the other hand, expectations are related not only to what the customer needs but to what the customer expects. A customer can purchase a product or service that even without satisfying his or her needs, might satisfy their expectations related to the context of the product or service, while he or she can purchase a product that satisfies his or her needs but not his or her expectations. The following sections will introduce several important concepts related to service delivery and customer expectations, as fundamental concepts to recognize the importance of customer service.

### 1.3 What is a customer?

Although in general terms, a customer is a person or organization that a marketer believes will benefit from the goods and services offered by the marketer's organization; it is possible to distinguish them as internal and external customers. Internal customers are people who work and develop activities within any organization. On the contrary, external customers are people or entities outside the organization and conduct business with it. Hence, a customer is not necessarily someone who is currently purchasing or conducting business from any marketer. In fact, customers may fall into one of three customer groups:

- **Existing Customers** – Consists of customers who have purchased or otherwise used an organization's goods or services, typically within a designated period of time. For some organizations the timeframe may be short, for instance, a coffee shop may only consider someone to be an Existing Customer if they have purchased within the last three months. Other organizations may view someone as an Existing Customer even though they have not purchased in the last few years (e.g., television manufacturer). Existing Customers are by far the most important of the three customer groups since they have a current relationship with a company and, consequently, they give a company a reason to remain in contact with them. Additionally, Existing Customers also represent the best market for future sales, especially if they are satisfied with the relationship they presently have with the marketer. Getting these Existing Customers to purchase more is significantly less expensive and time consuming than finding new customers mainly because they know and hopefully trust the marketer and, if managed correctly, are easy to reach with promotional appeals (i.e., emailing a special discount for new product).

- **Former Customers** – This group consists of those who have formerly had relations with the marketing organization typically through a previous purchase. However, the marketer no longer feels the customer is an Existing Customer either because they have not purchased from the marketer within a certain timeframe or through other indications (e.g., a Former Customer just purchased a similar product from the marketer's competitor). The value of this group to a marketer will depend on whether the customer's previous relationship was considered satisfactory to the customer or the marketer. For instance, a Former Customer who felt they were not treated well by the marketer will be more difficult to persuade to buy again compared to a Former Customer who liked the marketer but decided to buy from someone else who had a similar product that was priced lower.
- **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 requirements to become a customer include such issues as having a need for a product, possessing the financial means to buy, and having the authority to make a buying decision. Locating Potential Customers is an ongoing process for two reasons. First, Existing Customers may become Former Customers (e.g., decide to buy from a competitor) and, thus, must be replaced by new customers. Second, while we noted above that Existing Customers are the best source for future sales, it is new customers that are needed in order for a business to significantly expand. For example, a company that sells only in its own country may see less room for sales growth if a high percentage of people in the country are already Existing Customers. In order to realize stronger growth the company may seek to sell their products in other countries where Potential Customers may be quite high.

Every customer comes into the customer situation with different needs. While they are difficult to identify in advance, it is possible to affirm that every customer expects or look for any of five different experiences every time they conduct business. These basic needs are: service, price, quality, action and appreciation.

#### 1.4 The nature of services

To understand the importance of customer service and its implications in the operations of an organization, it is important to understand the nature of service. The distinction between a product and a service is difficult to make, because the purchase of a product is accompanied by some facilitating service and the purchase of a service often includes facilitating goods. But at the end is the consumer who has the final voice the purchasing process.

A service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between customer and service employees and/or systems of the service provider, which are provided as solutions to customer problems.

The nature of service comprises a wide variety of activities. From the basic activities included in cleaning to the more complex and difficult tasks involved in professional activities such as engineering, law or medical practices.

Services can be classified in terms of two dimensions: On one hand, the degree of labor intensity, which is defined as the ration between the labor cost and capital costs. On the other hand, the degree of customer interaction and customization which describes the ability of the customer to affect personally the nature of the service being delivered. Figure 1.2 presents the service process matrix, which presents a classification based on these two dimensions.

		Degree of interaction and customization	
		Low	High
Degree of labor intensity	Low	<b>Service factory:</b> - Airlines - Trucking - Hotels - Resorts and recreation	<b>Service shop:</b> - Hospitals - Auto repairs - Other repair services
	High	<b>Mass services:</b> - Retailing - Wholesaling - Schools - Commercial banking	<b>Professional services:</b> - Physicians - Lawyers - Accountants - Architects

Fig. 1.3 The service process matrix  
 From Fitzsimmons y Fitzsimmons (2002)

Services with low labor intensity require high capital investments and require close monitoring of technological advances to remain competitive. Alternatively, highly labor-intensive service will require high concentration on personnel matters. The degree of customization, on the other hand, affects the ability to control the quality of the service being delivered and the perception of the service by the customer.

The presence of the customer as a participant in the service process requires an attention to facility design that is not found in traditional production and manufacturing operations. For example, customers buying a car first see the product in the pleasant surrounding of the dealer's showroom. Thus, for the customer, service is an experience occurring in the environment of the service facility, and the quality of service is enhanced if the service facility is designed from the customer's perspective. Additionally, services provided to customers cannot be stored and are perishable and also vary from customer to customer. Moreover, the interaction client-employee makes critical the interaction process between humans creating the possibility of a more complete working experience.

The introduction of automation may be seeing as a barrier for such interaction, but authors argued that by automating routine impersonal tasks, personalization might be strengthened and accommodating variability in service can be possible. Even if customers perceive a significant variation in quality on a product or service, they expect to be treated fairly and to be given the same service that others receive. The development of standards and of employee training in proper procedures is the key to ensuring consistency in the service provided.

Even if services are difficult to identify as specific products, especially customer services activities, it is the presence of the customer in the process that creates a concern for the total service experience and satisfaction. In a restaurant atmosphere is as important as the meal itself. The service package is defined as a bundle of goods and services that is provided to customers, and consists of four features:

- **Supporting facilities:** the physical resources that must be in place before a service can be offered.
- **Facilitating goods:** the material purchased or consumer by the buyer, or the items provided by the customers.
- **Explicit services:** the benefits that are readily observable by the senses and that consist of the essential or intrinsic features of the service.
- **Implicit services:** psychological benefits that the customer may sense, or the extrinsic feature of the service.

All of these factors form the basis of the perception of the service and deviations from a pre-established package can destroy the bargain image of the expected service.

Servicing customers require this entrustment in order to satisfy expectations and as seen in figure 1.3, organizations have the opportunity to build long-term relationships because customers conduct their transactions directly with the service provider, most often in person. Customers have the need to develop relationships to create trust both from the customer and to de customer.

		Degree of relationship between the organization and customers	
		“Membership” relationships	No formal relationships
Nature of the service delivery	Continuous delivery service	<ul style="list-style-type: none"> <li>- Insurance</li> <li>- Telephone subscription</li> <li>- College enrollment</li> <li>- Bank account</li> </ul>	<ul style="list-style-type: none"> <li>- Radio station</li> <li>- Police protection</li> <li>- Public highway</li> </ul>
	Discrete transactions	<ul style="list-style-type: none"> <li>- Long-distance services</li> <li>- Car rental</li> <li>- Price Mart subscription</li> </ul>	<ul style="list-style-type: none"> <li>- Mail service</li> <li>- Toll highway</li> <li>- Pay phone</li> </ul>

Fig.1.4 Relationship with customers

### 1.5 Creating value to customers

To create value in service it is necessary to think of customers as individuals. Then, it is important to provide the best service it is possible to pay. There is no way that the quality of customer service can exceed the quality of the people who provide it. Additionally, consistent rude customer service is a reflection not as much on the employee as on management.

Moreover, it is important to know who the customer is and identify potential and current customers. On the other hand, it is important for the customer to know who the service provider is and the final objective of the service act. Figure 1.4 shows that the service act can be considered across two dimensions: who or what is the direct recipient of the service, and the tangible nature of the service act. This classification creates four possible scenarios: tangible actions directed to the customer, tangible actions directed at the customer’s possessions, tangible actions directed to the customer’s intellect and tangible actions performed on the customer’s assets.

This classification scheme raises questions about the traditional way in which services have been delivered, where and how the service act is to be delivered and if the provider has to travel to deliver the service or it is the customer who has to travel to the service provider.

		Direct recipient of the service	
		People	Things
Nature of the service act	Tangible actions	<i>Services directed at people’s bodies:</i> Health care Passenger transportation Beauty salons Restaurants Gymnasiums	<i>Services directed at goods and other physical possessions:</i> Freight transportation Repair and maintenance Laundry and dry cleaning Landscaping Veterinary care
	Intangible actions	<i>Services directed at people’s minds</i> Education Broadcasting Information services Theatres Museums	<i>Services directed at intangible assets</i> Banking Legal services Accounting Securities Insurance

Fig.1.5 Understanding the nature of the service act



Since service firms have the opportunity to build long-term relationships because of how customers conduct their transactions, it is important to know the customer to create a significant competitive advantage not only because of the quality of the service, but also because of this relationship and customer's satisfaction.

Long term relationship and customer satisfaction are created through the customization and contact that the customer receives from the service provider. Because services are a combination of knowledge, related so they are consumed and the customer is often a participant in the process, an opportunity exists to tailor a service to the needs of the customer and to create new value to the service provided.

Figure 1.5 shows that customization along two dimensions: either the character of the service permits customization, or the service personnel have the discretion to modify the service.

		Extent to which service characteristics are customized	
		High	Low
Extent to which personnel exercise judgment in meeting individual needs	High	Professional services Surgery Taxi services Beauty saloon Plumber Personal tutor Gourmet restaurant	Education Preventive health care College cafeteria
	Low	Telephone service Hotel service Retail banking Family restaurant	Public transportation Routine appliance repair Movie theater Spectator sports Fast food restaurant

Fig. 1.7 Customization and judgement in service delivery

As said, the essence of good customer service is forming a relationship with customers – a relationship that that individual customer feels that he would like to pursue. To provide good customer service, it is necessary to ensure that the organization consistently:

- Become familiar with the customer
- As customers what their expectations are
- Tell customers what they should expect
- Live up to customers' expectations
- Maintain consistency
- Communicate with customers using the method they want to use

In addition, combination of knowledge, professionalism and reputation made up the organization's credibility, which encourages trust from customers. It is important to remember that it is much harder to regain credibility than to keep it. To cultivate credibility it is necessary to:

- Practice consistency
- Keep promises
- Develop expertise
- Become a team
- Show dedication
- Treat everybody with the same level of respect
- Apologize when necessary

Having credibility is an important element of the reputation of the organization. Managing reputation is related to the way an organization is perceived by public, and to develop and establish plans to maintain, to correct and to enhance it. Things as trust, excellence, responsiveness, ethics, social responsibility and obedience of the law are factor that create and enhance reputation.

To sum up, organizations exceed customer expectations by focusing improvement efforts in three areas: customer friendly processes, employee commitment to customer service, and customer dialog, and organizations must be excellent in all three areas to achieve excellent customer service. The first step in improving customer service is the assessment of each of the critical aspects of the focus areas identified above. Those areas where operational improvements will lead to improved customer service have to be identified. The assessment acts as a strategic customer service improvement plan and training needs analysis that will lead to accomplishment of your customer service goals.

## 2. The Service Encounter

### 2.1 The service encounter triad

To effectively manage customers, organizations must be concerned with the entire experience a customer has with a company. While much of the value sought by customers is obtained directly from the consumption or use of goods or services they purchase (i.e., offers benefits that address a need), customers' satisfaction is not limited to direct product benefits. Instead the customer's buying experience covers the entire purchasing experience and is a mix of product and non-product benefits.

In many industries customers' experience with a company's customer service can significantly affect their overall opinion of the product. Companies producing superior products may negatively impact their products if they back these up with shoddy service. On the other hand, many companies compete not because their products are superior to their competitors' but because they offer a higher level of customer service. In fact, many believe that customer service will eventually become the most significant benefit offered by a company because global competition (i.e., increase in similar products) makes it more difficult for a company's product to offer unique advantages.

Customer service manifests itself in several ways, with the most common being a dedicated department to handle customer issues. Whether a company establishes a separate department or spreads the function among many departments, being responsive and offering reliable service is critical and in the future will be demanded by customers.

Most of the customer services are characterized by an encounter between a provider of product or services and a customer. From the service perspective, one of the unique characteristics or the service act is the active participation of the customer. Each of them has a role to play in an environment dominated by the service organization. The service triad, shown in figure 2.1 captures the relationship between the three parties in the service of attention for customer service and care.

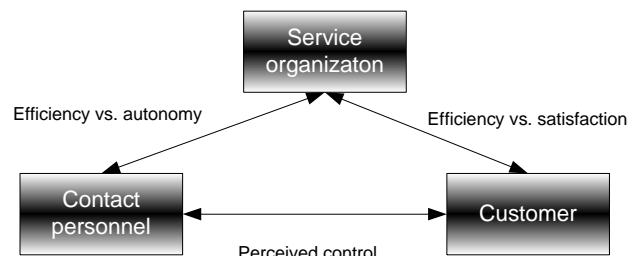


Fig.2.1 The service encounter triad

While for-profit organizations have an interest in delivering the service act as efficiently as possible, nonprofit organizations might substitute effectiveness for efficiency, but under budgeting constraints. Some authors define efficiency as doing things right, while effectiveness is doing the right things. Formally, it is possible to say that efficiency is the rational use of resources; while effectiveness is the degree in which objectives are reached (*Some authors argued that efficacy is the degree of objectives reached while effectiveness is the combination of efficacy and efficiency*). Thus, a tradeoff between efficiency and effectiveness is necessary in order to maintain control in the delivery of the service act and in customer satisfaction.

To control service delivery, management imposes rules and procedures to the contact personnel to limit their autonomy and discretion when serving the customer. These same rules and procedures also are intended to limit the extent of service provided for the customer and the resulting lack of customization that might result in an unsatisfied customer. Finally, the interaction between customer and contact personnel has the element of perceived control by both parties. The contact people tries to control the behavior of the customer to make their own work more manageable; at the same time the customers attempt to gain control of the service encounter to derive the most benefit from it.

Ideally, the three parties gain much by working together to create a beneficial encounter. This relationship might not be functional, however, when one party dominates the interaction by focusing solely on his or her own control of the encounter. These conflicts can be in one of three ways:

- **Encounter dominated by the organization:** To be efficient and, perhaps, to follow a cost leadership strategy, an organization may standardize service delivery by imposing strict operating procedures and, thus severely 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, but frustration is the result of lack of autonomy of contact personnel.
- **Encounter dominated by the contact personnel:** In general, service personnel attempt to limit the scope of the service encounter to reduce their own stress in meeting demanding customers. When contact personnel are placed in an autonomous position, they may perceive themselves as having a significant degree of control over customers. The customer is expected to place considerable trust in the contact person's judgment because of the provider's perceived expertise.
- **Encounter dominated by customer:** The extreme of standardized and customized services represent opportunities for customers to control the encounter. For standardized services, self-service is an option that 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. The contrary would be in the case of a much customized service, where all the organization's resources may be needed, at great cost in efficiency but with a great degree of effectiveness, satisfying the specific and unique needs of the customer.

A satisfactory and effective service encounter should balance the need of control by all three participants in the service encounter process. The organization's need for efficiency can be satisfied when contact personnel are trained properly and the customer's expectations and role in the delivery process are communicated effectively. In the following sections a more detailed analysis in the different elements of the service encounter will be presented.

## 2.2 The service organization

The service organization establishes the environment for the service encounter. The interaction between customers and contact personnel occurs within the context of an organization's culture as well as its physical surroundings. The following sections will discuss these two elements with more detail.

### 2.2.1 The culture

The underlying organizational culture helps to determine the value that customers place on the service. Several definitions of organizational culture have been:

- Culture is 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.
- Culture is the traditions and beliefs of an organization that distinguish it from other organizations and infuse a certain life into the structure.
- Organizational culture is a system of shared orientations that hold the unit together and give a distinctive identity.

The managers of the organization establish, whether purposely or unintentionally, a climate or culture that prescribes a norm of behavior or set of values to guide employee decision making.

These values permit contact personnel to act with considerable autonomy, because their judgment is founded on a shared set of values. Giving the personnel the authority to make decisions regarding the service encounter and customer's attention is defined by empowerment. Contact personnel are empowered to act without the traditional level of supervision (up to certain degree of actions) benefiting both the organization and the customer.

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

To guide the adoption of a specific organizational culture, it is necessary to have three ingredients:

- ◆ 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 organizational 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. On the other hand, *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.

Developing strong and productive cultures produces several benefits:

- ◆ 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

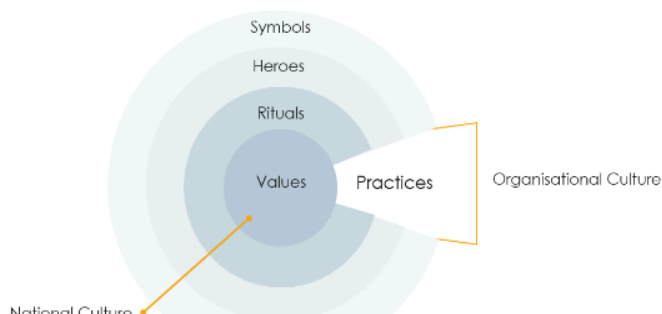


Fig. 2.2 Levels of culture

Finally, 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

Figure 2.2 shows the levels of cultures. As seen, organizational culture is embedded in the values derived from a national culture, which is supported by aspects such as rituals, symbols and practices.

### 2.2.1.1 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". In addition, he defined National Culture is about the value differences between groups of nations and/or regions.

In order to measure the cultural characteristics of a nation, he identified four independent dimensions:

- **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.

Additionally, Hofstede included two new variables to complete a more detailed scenario:

- **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.

It is possible to evaluate different countries and to compare them in order to see their similarities and differences. The following address allows the comparison: <https://geert-hofstede.com/countries.html>

A new model of service organization is emerging with a structure that is described as inverted T. As shown in figure 2.2, the layers of supervision are drastically reduced because contact personnel are

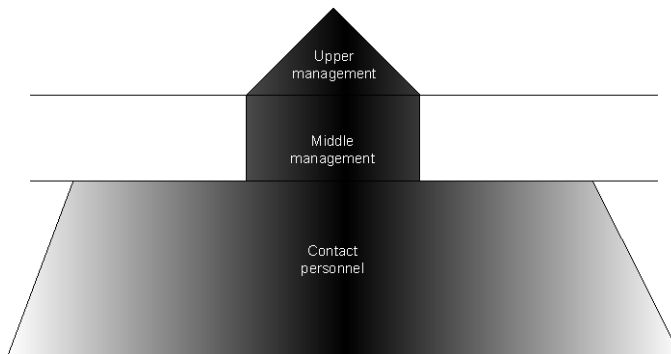


Fig. 2.3. The Inverted T Organization

trained, motivated and supplied with timely, computer-computer based information that enables them to manage the service encounter at the point of delivery.

Some actions have to be taken in order to make this inverted 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.

In this type of organization, the reduced middle management has a different role, not only the traditional supervisory role; instead, they become facilitators for the front-line or contact personnel.

How can an organization know if customers' needs are met according to their perception? Many companies have started to use new channels to capture customer feedback. Technology has made available a wide range of customer service tools. They include support websites, the ability to have live chats with technical staff, databases tracking individual customer preferences, pattern of buying, payment methods etc., and tailoring products and service responses based on these advanced data.

Moreover, there are different levels of knowing customers. Often, customer service relies on demographics or customer data collection. Yet, customer and customer dynamics as a group are affected through modalities of experience. Hence it is important to know customers and to define the organizational culture that it is necessary to create.

## 2.2.2 The physical surroundings

Additionally to the organizational culture, 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. Figure 2.3 shows a typology of serviscapes according to who participates within the service environment and the complexity of the service.

Because of the absence of employees, the servicescape for a self-service operation plays a central role in guiding customer behavior through the use of signs and instructions and intuitive design of interfaces.

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

Fig. 2.3 Typology of servicescapes

For remote services, on the other hand, satisfaction, motivation and operational efficiency of contact personnel are the primary objectives for the physical design since customer do not visit the site physically. But in the case of professional services such as those of lawyers or physicians, however, should project competence and authority. Interpersonal services are the most challenging since social interaction between participants should be facilitated by the servicescape.

A mix of environmental dimensions consisting of ambient conditions, space/function and signs and symbols define the servicescape. These dimensions include all the objective factors that can be controlled by the firm to enhance employee and customer actions and perceptions of the service.

- **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. This landscape can communicate order and efficiency or chaos and uncertainty for both personnel and customers. For self-service activities, for example the functionality or ease of use of equipment is important to allow customers to perform unattended activities.
- **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. The quality of the floor covering, artwork, and furnishings can create an overall aesthetic impression of the visitor and a pleasant workplace the employee. 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.

Finally, service delivery can be affected by the design of the facility, arising customer complaints and diminishing the perception of quality of service. In addition to the three dimensions mentioned above, the design and layout of the facility influence how the facility is used. Several factors influence design.

- **The nature and object of the organization:** the nature and core service should dictate the parameters of its design.
- **Land availability and space requirements:** a good facility design must consider all the constraints that come with land and space such as costs, zoning requirements, area needed. Distance from customers, parking availability, are important for customer service and are other factors to be considered.
- **Flexibility:** organizations in a global world must be able to adapt to changes in the nature of demand, customer needs and quantity. Facilities must be flexible to accommodate changes in capabilities, technologies and customers' needs without interrupting customer attention and service.



- **Aesthetic Factors:** aesthetic aspects have a marked effect on the consumer's perceptions and behaviors, but they also affect the employees and the service they provide, and as a result, customers perspective and satisfaction. Lack of attention to aesthetic factors during the design phase can lead to an unsatisfactory working environment and service.

In conclusion, the servicescape is designed to invoke social interaction between and among customers and employees. Because physical environment creates an emotional response and influences behaviors, the design of the service facility can intentionally form the behavior of the participants to support organizational and customer's goals.

### 2.3 Contact personnel

Customer contact personnel should have personality attributes that include flexibility, tolerance for ambiguity, empathy for customers, and an ability to monitor and change behavior on the basis of situational cues. In fact, some authors argue that 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.

There are typical situations that generate conflict in a service encounter, and personnel must have the intrinsic capabilities, abilities and training that result in a successful encounter even under these situation. Figure 2.4 shows some of these situations.

<b>Unrealistic customer expectations</b>	<b>Unexpected service failure</b>
Unreasonable demands	Unavailable service
Demands again policies	Show performance
Unacceptable treatment of employees	Unacceptable service
Breaking of societal norms	
Special needs customers	

Fig. 2.4 Common difficulties with interaction between customers and contact personnel

Although there is no reliable test to measure a person's service orientation, a variety of interviewing techniques have proven to be useful. For instance, abstract questioning, situational vignette and role playing are useful tools to evaluating potential front-line employees.

Questions asked in the abstract interview are open-ended. They provide insights regarding an applicant's ability to relate the immediate service situation to information collected from past experiences. This technique can be used also to reveal a person's willingness to adapt. Carefully listening and probing by the interviewing guarantee a better selection of contact personnel. On the other hand, situational vignettes require the applicant to answer questions regarding a specific situation. They provide an opportunity to determine whether applicants are able to think before acting. Finally, role playing requires applicants to participate in a simulated situation and to react as if the environment and situations were real. It is often used in the final phase of recruitment and gives the opportunity to see the applicant acting under stress.

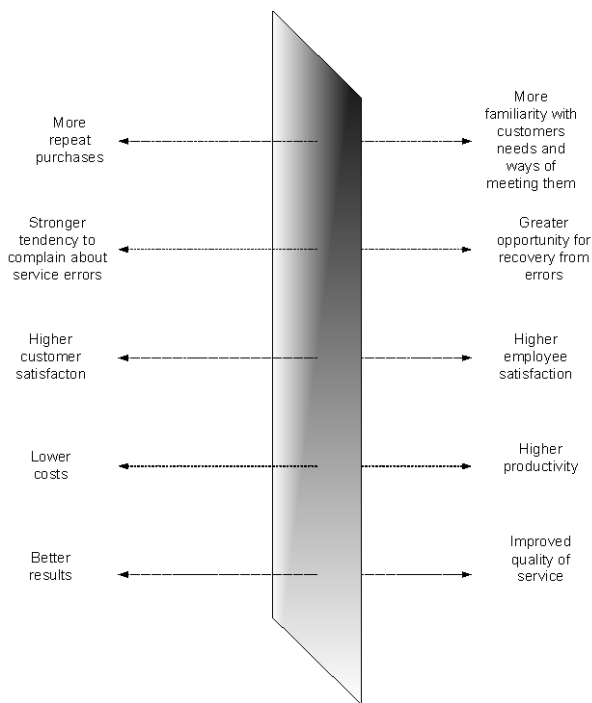


Fig. 2.5 The satisfaction mirror

When employees perceive a strong service orientation, customers report a superior service. This relationship that develops between customer and contact personnel is shown in figure 2.5. The satisfaction mirror, as this figure was defined by its authors, shows how creating a customer service orientation has as a result superior service practices, and procedures that are observable by customers. It seems to fit employees' views of the appropriate style for dealing with customers. Thus, even though employees and customers view service from different perspectives; their perceptions of organizational effectiveness are positively related.

Customer service manifests itself in several ways, with the most common being a dedicated department to handle customer issues. Whether a company establishes a separate department or spreads the function among many departments, being responsive and offering reliable service is critical and in the future will be demanded by customers.

In many organizations, help desks are becoming the central area for customer service support. Being an integral part of the customer service function can be challenging, frustrating, and exciting all at once. An effective help desk can be at the heart of customer service departments and can mean a positive or negative experience from an end user perspective. The view of the help desk from both an internal and external customer standpoint can be the view of the entire company.

One of the core things the organization should focus when managing the help desk it is the training for the contact personnel. Training should be specific to the goals of the group as well as the customer service functions you need.

As a both customer service oriented and technically oriented group, the help desk needs to fulfill both needs. Through cross-training, it is possible to achieve both skills. If the group currently isn't technically oriented, the organization has to make arrangements for the service representative to train in other areas of the organization that know the different aspects of the service and technology. This cross training will help them to understand what their function is, what they can and cannot do, and learn common tasks, or solve common problems. Through cross-training, the organization can reduce the amount of work overall through solving things the first time. Cross training, in addition, reduces the downtime for employees and customers supported.

Keeping the team happy will help with productivity and performance levels. Working at customer service might be a stressful experience, burnout is common, and employees need motivation to keep providing the excellent levels of support you want to provide. There are many ways to motivate and reward employee performance other than simply cash awards. A simple pat on the back and recognition is often both wanted and needed by employees who work in customer care environments.

- **Traveling Award** - One way to recognize employees is to use a trophy or plaque and have it travel from employee to employee each week for the "Employee of the Week".
- **Gift Certificates** - Gift certificates for dinner or to a store are great recognition gifts.

- **Time off** - An afternoon or even an entire day off to employees who excel at their positions can be an award for them to look forward to.
- **Award Certificate** - A simple award certificate can go a long way in making employees feel appreciated.

Justifying the number of positions for the support center is a complex matter requiring measurement of data, surveys, and other techniques that may not be readily available. If the organization is starting a help desk, it may not be able to generate this data, but if currently a help desk exists, and it is considered to be understaffed, here are some suggestions as to how to generate the data need to support that position.

- **Call Volume** - Measured in number of calls per a certain time period, e.g. calls per hour, per minute, etc. If running an electronic web based help desk, emails per hour or chat sessions per hour will work.
- **Average Time Per Call** - the average amount of time spent on each call.
- **Time to Answer** - the amount of time a person has to hold before reaching a representative.
- **Dropped Calls** - the number of calls that hang up before reaching a customer care representative.

Finally, the organization has to stress out the need of training reinforcing such aspects as communication skills and other interpersonal skills that are necessary to comply with customer requirements and avoid possible situations that might compromise the organization.

## 2.4 The Customer

As mentioned before, good customer service is all about bringing customers back. Every contact with the organization is an event of some importance to the customer. For most organizations understanding customers is the key to success while not understanding them is a recipe for failure.

Harris (2010) affirms that every customer comes into satisfaction through the following five basic needs;

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

A customer can be defined in different manners, but in general a customer is the person or entity to which the organization provides something that generates in some type of transactions. In general a customer is:

- 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?
- Is sole provider of every business—the revenue stream that pays for everything else.

To understand and classify customers it is necessary to define their attributes or characteristics. These attributes can be categorized as demographic, psychographic and firmographic information.

Customers can be defined according to different perspective. On one side, it is necessary to recognize the importance of both internal and external customers:

- **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.

In addition, customers can be classified according to how often they use a particular service or product:

- **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.

On the other hand, customers' attitudes toward shopping (goods or services) are guided by their expectations and motivations. Thus, it is important to understand the different types, goals and attitudes of the customers. In addition to the customer classification presented in the previous section (existing, former and potential customers) Gregory Stone (in Fitzsimmons y Fitzsimmons, 2002) developed a typology for the shopping customer:

- **The economizing customer:** this customer wants to economize the value obtained for his or her expenditures of time, effort and money. This customer is a demanding customer who 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:** this customer feels a moral obligation to patronize socially responsible firms.
- **The personalizing customer:** this customer wants interpersonal gratification, such as recognition and conversation, from the service experience.
- **The convenience customer:** this 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.

According to several studies, customers who selected a determined organization made the decision based on several factors:

- Amount of time involved
- Customer's control of the situation
- Efficiency of the process
- Amount of human contact involved
- Risk involved
- Amount of effort involved
- Customer's need to depend on others.

Thus, it is important that the constant drive to satisfy customers is not only a concern for those responsible for carrying out marketing tasks; satisfying customers is a concern of everyone in the entire organization.

Whether someone's job involves direct contact with customers (e.g., salespeople, delivery drivers, telephone customer service representatives) or indirect contact (e.g., production, accounting), all members of an organization must appreciate the role customers play in helping the organization meet its goals. To ensure everyone understands the customer's role, many organizations continually mention a "customer is most important" message in department meetings, organizational communication (e.g., internal emails, website postings), and corporate training programs. To emphasize the importance of customers, the message often contains examples of how customers impact the company. These examples include:

- **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 (e.g., surveys) and other feedback methods (e.g., website comments forms) that encourage customers to share their thoughts and feelings. With this information marketers are able to learn what people think of their present marketing efforts and receive suggestions for making improvements. For instance, research and feedback methods can offer marketers insight into new products and services sought by their customers.
- **Affects Activities Throughout Organization:** For most organizations customers not only affect decisions made by the marketing team but they are the key driver for decisions made throughout the organization. For example, customer's reaction to the design of a product may affect the type of raw materials used in the product manufacturing process. With customers impacting such a significant portion of a company, creating an environment geared to locating, understanding and satisfying customers is imperative.
- **Needed to Sustain the Organization:** Finally, customers are the reason an organization is in business. Without customers or the potential to attract customers, a company is not viable. Consequently, customers are not only key to revenue and profits they are a key to creating and maintaining jobs within the organization.

Finally, figure 2.6 shows that the service provider could be a machine or a human being, a machine serving another machine, or a human being serving a machine. In this era, the substitution of human service providers by technology is becoming common. This, it is necessary to be aware that new concepts are becoming part of daily customer service and are an important input for their perception of the service or product.

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

Fig. 2.6 Success factors influencing various types of service encounters

As noted, to effectively manage customers organizations must be concerned with the entire experience a customer has with a company. While much of the value sought by customers is

obtained directly from the consumption or use of goods or services they purchase (i.e., offers benefits that address a need), customers' satisfaction is not limited to direct product benefits. Instead the customer's buying experience covers the entire purchasing experience and is a mix of product and non-product benefits.

Finally, in many industries customers' experience with a company's customer service can significantly affect their overall opinion of the product. Companies producing superior products may negatively impact their products if they back these up with shoddy service. On the other hand, many companies compete not because their products are superior to their competitors' but because they offer a higher level of customer service. In fact, many believe that customer service will eventually become the most significant benefit offered by a company because global competition (i.e., increase in similar products) makes it more difficult for a company's product to offer unique advantages.

### 3. Quality in the service encounter

#### 3.1 Defining quality

Service quality is a complex issue. The most common interpretation of quality sees it as the non-inferiority, superiority or usefulness of something. In general, customers define the characteristics and elements that define the degrees of superiority or usefulness. Years ago “service with a smile” used to be enough to satisfy customers. Today, however, service firms differentiate themselves by offering a “service guarantee”. Unlike a product guarantee, service guarantee offer the dissatisfied customer a refund, discount, or free service.

Due to the complexity of service quality, five dimensions are needed to define quality: reliability, responsiveness, assurance, empathy and tangibles. Customer satisfaction with a service can be defined by comparing perceptions of service received with expectations of service desired. When expectations are exceeded, service is perceived to be of exceptional quality. When expectations are not met, however, service quality is deemed unacceptable. When expectations are confirmed by perceived service, quality is satisfactory. As shown in figure 3.1, these expectations are based on several sources, including word of mouth, personal needs and past experiences.

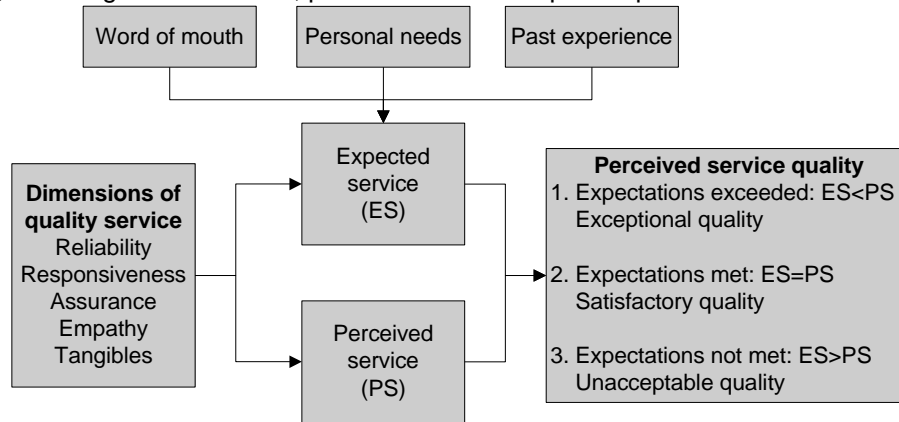


Fig. 3.1 Quality Dimensions

The dimensions defined in figure 3.1 are described as follows:

- **Reliability:** The ability to perform the promised service both dependably and accurately. Reliable service performance is a customer expectation and means that the service is accomplished on time, in the same manner, and without errors every time.
- **Responsiveness:** The willingness to help customers and to provide prompt service. If a service failure occurs, the ability to recover quickly and with professionalism can create a very positive perception of quality.
- **Assurance:** The knowledge and courtesy of employees as well as their ability to convey trust and confidence. This dimension includes aspects such as:
  - o Competence to perform service
  - o Politeness and respect for the customer
  - o Effective communication with the customer
  - o The general attitude that the server has the customer's best interest at heart
- **Empathy:** The provision of caring, individualized attention to customers. It includes
  - o Approachability
  - o Sensitivity
  - o Effort to understand customer needs.

- **Tangibles:** the appearance of physical facilities, equipment, personnel, and communication material. This dimension also can extend to the conduct of other customers in the service.

Customers use these five dimensions to form their judgments of service quality, which are based on a comparison between expected and perceived quality. The gap between expected and perceived service is a measure of service quality; satisfaction is either positive or negative.

### 3.2 Measuring and achieving quality in the service encounter

A comprehensive view of the service system is necessary to identify the possible measures of service quality. A comprehensive view need not to be limited to a single perspective, but to several perspectives such as:

- **Content:** Are standard procedures being followed?
- **Process:** Is the sequence of events in the service process appropriate?
- **Structure:** Are the physical facilities and organizational design adequate for the service?
- **Outcome:** What changes in status has the service caused?
- **Impact:** What is the long-range effect of the service in the consumer?

Some of the most influential models in the service management literature focus on the concept of service quality gap (SQG). Several references to possible quality inconsistencies, some of which are explicitly formalized as SQGs, are listed in the following table

Table 3.1 Quality inconsistencies and gaps

Gap Number	Inconsistency Gap	Gap Number	Inconsistency Gap
1	Management perceptions	8	Selection, training, and adequate levels of autonomy, power and rewards to personnel
2	Service quality strategy	9	Service delivery
3	Service design and specifications in terms of customer expectations	10	External communication
4	Quality supportive financial function	11	Contact personnel's perception of customer expectations
5	Internal communication	12	Contact personnel's perceptions of customers experiences
6	Integration/coordination	13	Consumer perceptions
7	Coordination of other people and/or organizations in the value system	14	Service quality evaluation

Measuring the gaps between expected and perceived services should be a routine process customer feedback process. A model for measuring the gaps should identify and relate those key elements that require systematic management attention. The elements that should be incorporated to fit in the model are:

- Management's perceptions of customer expectations and perceptions about the service.
- Vision, mission, service strategy and directions to eliminate the gaps.



- Service analysis, translation of perceptions into service quality specifications and service design.
- Financial and human resources (HR) management.
- External communication.
- Service delivery system (production, delivery and 'part-time' marketing).

Figure 3.2 shows the elements that have some fundamental relationships between them, namely:

- Management's perceptions influence mission, strategy and directions to eliminate gaps.
- Mission and strategy's influence on HR management, financial management.
- Service specifications and design, external communications and delivery system.
- External communications influence consumer expectations and perceptions.
- Relationships between specifications, finance, HR management and the service delivery system.

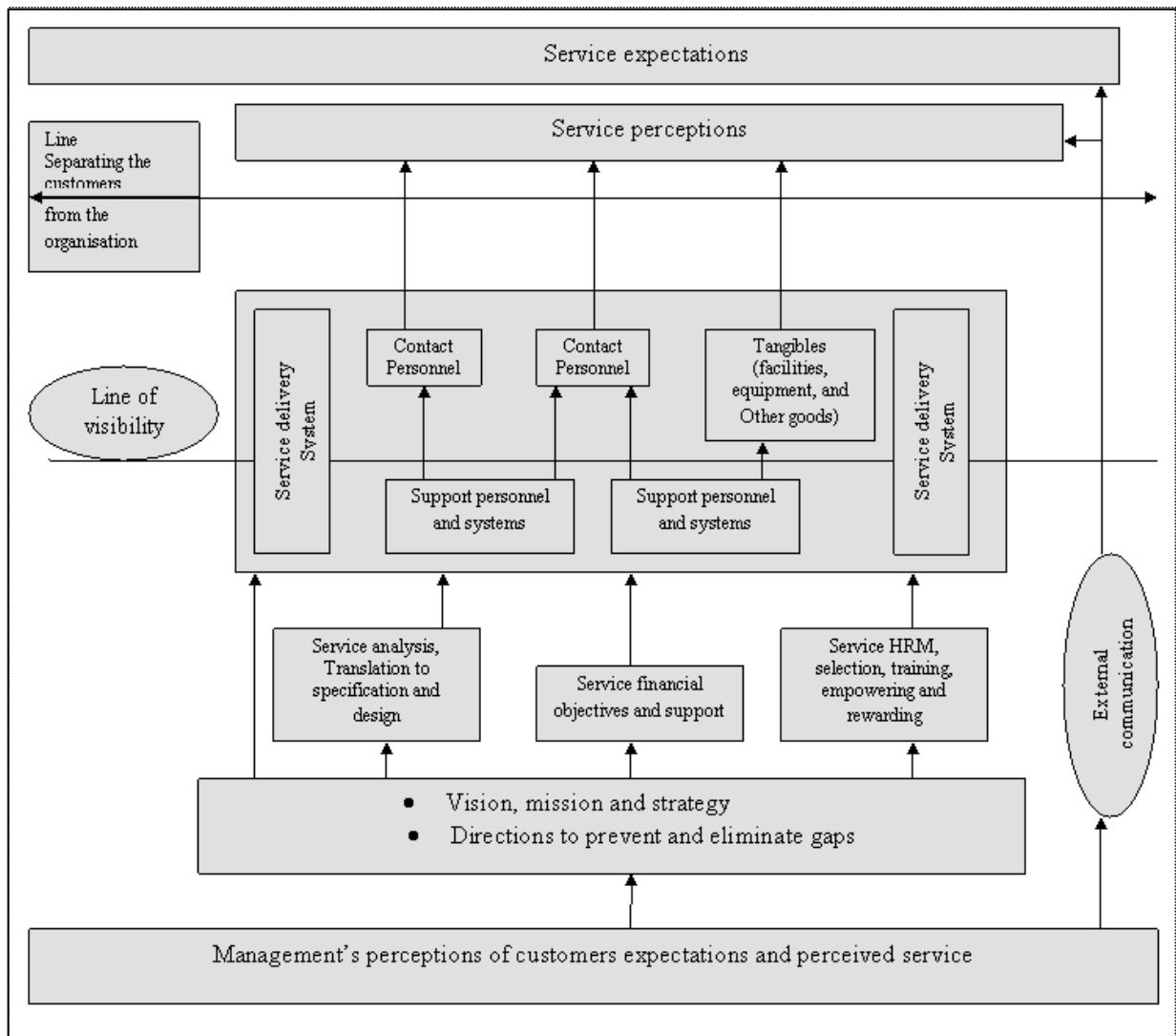


Figure 3.2 Service quality gap model: basic elements and some fundamental relationships.

- The figure also shows the basic elements of a service delivery system and their tangibles, support systems, support personnel and contact personnel.

Figure 3.3, on the other hand, shows the model, incorporating the elements already mentioned, and the 14 SQGs identified. It can be seen that SQGs occur during day-to-day activities and that some may occur during the strategy formulation and implementation process. The SQG can, thus, be mapped accordingly.

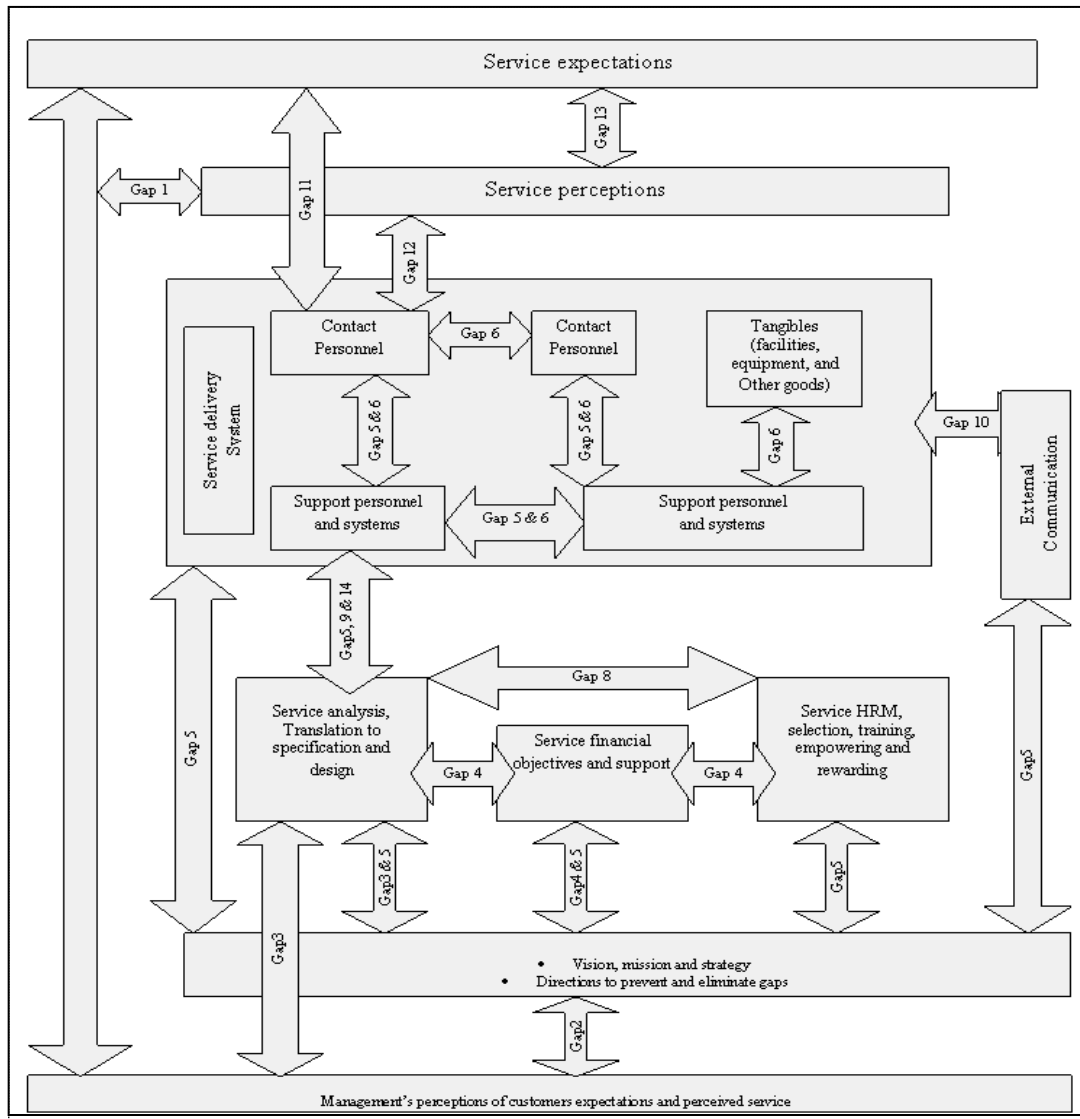


Figure 3.3 Service quality gap model

Gaps 1 to 7 might occur while discerning customer's needs and strategy. Gaps 3 to 8 can occur during development of the organization's capabilities. Finally, gaps 5 to 14 can occur during day-to-day delivery activities.

If any group of SQGs occurs during strategy formulation or implementations, the process is flawed. In that case, it is probable that the SQGs will become engraved in the organizational processes, routines and culture. All the subsequent organizational activity will be severely affected; the strategy implementation will be considered unsuccessful; and the organization's competitiveness will be endangered. This reasoning indicate that some SQGs might be conceptualized both as impediments to quality and as impediments to effective strategy implementation. It also suggests that prevention ad elimination of SQGs

should occur previous to, during and after the strategy process. Thus, an understanding of SQGs becomes necessary before starting any quality strategy formulation and implementation process.

A definition for the SCGs according to Clement and Servant, (2006) are outlined in this section.

### **Gap 1: Management perceptions**

Gap 1 is defined here as a management lack of understanding of customers' expectations and perceptions of the service, motivated by both lack of initiatives to listen to customers and by a lack of correct understanding when these initiatives are taken. The gap can be further enlarged to include a lack of understanding of other external information.

### **Gap 2: Service quality strategy**

Strategy relates the service organization to its environment and defines the way it wants to compete. Service quality strategy defines the organization's competitive scope and its concept of quality, through a selection of, and positioning on, the fundamental quality dimensions it wants to compete with (e.g. tangibles and empathy).

Quality dimensions are correlated and, sometimes, an improvement in one may be achieved only at the expense of another. The challenge is to choose a balanced combination and positioning. Highly concentrating on some dimensions may also constitute an appropriate strategy, but may lead to disaster.

Finally, service quality strategy is a set of guideline that provides orientations for everyone in the organization. It should be thoroughly communicated, should be meaningful for personnel and should distinguish the organization from others. Failure to forge and communicate a coherent service quality strategy is a serious SQG.

### **Gap 3: Service design and service quality specifications in terms of customers' expectations**

Specifications, along the strategic quality dimensions, are useful to define what quality is. Frequently, organizations do not possess any kind of formal specifications, which results in aggravated service variability and lower quality. Specifications are required to guide personnel in their activities. Specifications are also required as a means of comparisons for effective quality evaluation. Setting adequate specifications does not mean total standardization, but requires an analysis and design of the total service, i.e. of every moment of truth. From these ideas, gap 3 is defined as

- A lack of analysis, design and definition of service quality specifications, or when specifications exist, and
- An inconsistency between those specifications and the strategy content or the perceptions management held of customers' expectations.

Several factors can originate this gap, for instance lack of management commitment to service quality and short-term profit orientation.

### **Gap 4: Quality supportive financial function**

Although a vital function to the service organization, finance involves little customer contact, except for billing payment and credit activities. This is one reason why it has been neglected in the service literature. Financial management, in service organizations, has been also been mainly as a constraint and an obstacle to other functions.

The literature suggests an 'enlightened' approach to finance in service organizations. This consists of more participative and positive approach where far from being an obstacle, it contributes to

strategic planning, costing systems, personnel motivation, quality control, continued solvency, and keeping outsiders' confidence in management. In particular, there is a need to distinguish 'good costs' that improve organizational capabilities from 'bad costs' that increase bureaucracy. Doing this will, probably, require a substantial effort, undertaking, co-operation and goodwill from financial managers and personnel to avoid traditional methods and arguments.

#### **Gap 5: Internal communications**

Service strategy has to be communicated over and over again to everyone. Thus employees at all levels must be aligned with a single vision of what the organization is trying to accomplish. Effective internal communications is the requisite for integration and harmony in the service organization's activities and quality. Internal communications is not just about strategy, it has to do with managers listening to employees, receiving feedback about the employees' perceptions of the organization's performance on its fundamental quality dimensions. It also involves: managers working with and listening to other managers, thus sharing problems and solutions; managers giving information to employees about their individual performances, thus contributing to individual improvements; and prompt horizontal and vertical communications, thus flattening and inverting the hierarchical pyramid.

#### **Gap 6: Integration/coordination**

Integration between every employee, every activity, every department and every function is fundamental for the success of the service quality strategy. The need for integration efforts arises from the differentiation of jobs and functions in the organizations. This differentiation implies differences in cost/revenue orientations, policies and in specific external environments, which can easily lead to misunderstandings, lack of co-ordination and even conflict. Integration can be achieved through several distinct devices for instance, promoting employees' mobility inside the organization, cross-training, task forces, team projects, supervision and, basically, good internal communications. There are two sides to integration. One is that every job, activity, department and function should be compatible and mutually reinforcing, the other is that customers must never feel ignored, unimportant or abandoned, for example, repeatedly sent from one department to another.

#### **Gap 7: Coordination of other people and/or organizations in the value system**

External co-ordination is also fundamental. If the external organizations in the value system are not organized to provide service quality to the final consumer, this lack of understanding and co-ordination can result in poorer customer perceptions. Service firms have to extend their organizing capability well outside their own company; that they have to organize their clients; and that they can benefit from doing the same even with groups or sectors normally regarded as separate.

#### **Gap 8: Selection, training, and adequate level of autonomy, power and rewards to personnel**

The importance of functional quality in service industries makes HR management highly important. HR management involves selection, training, giving adequate levels of autonomy, setting standards/objectives, accessing individual performance, helping people where help is needed and, finally, rewarding them for their achievements. The right people should be selected and the tendency to recruit quickly, accepting candidates with inadequate attitudes, values and skills should be avoided. Selected people are trained to enhance skills, improve attitudes towards customers and learn about the services offered. These people can be slowly vested with substantial responsibility, enabling them to solve customer problems in a more autonomous and satisfactory way to both parties. Contact personnel are encouraged to feedback information about customers' expectations and perceptions. Finally, personnel are rewarded for excellent service quality and their achievement is made public. Inability or unwillingness coherently to manage personnel constitutes a significant SQG.

### **Gap 9: Service delivery**

Service delivery is an inconsistency between service design/service quality specifications and the service quality actually by the service delivery system. The inconsistency may be technical quality and/or process quality-related. It can be analyzed more precisely using the strategic quality dimensions selected. This means that on each of these dimensions can be found a SQG. Thus, gap 9.1 to 9.N can be defined, N being the number of strategic quality dimensions. Gap 9.1 for example, might be a difference between the designed level of reliability and the level of reliability actually delivered by the system Gap 9 can, consequently, be defined as a function of gaps 9.1 to 9.N. Such gaps result from employees' inability or unwillingness to perform.

### **Gap 10: External communications**

External communications is an inconsistency between what is externally communicated (promised) and what the service delivery system is actually able to provide the customers with. Several factors may contribute to the origin of the gap: a lack of communication between the Marketing Department's members and the Operations Department's members, a propensity to over promise, or an inability to communicate clearly and accurately the benefits of the service offered to the customers.

In order to use adequately and to appreciate fully the choices that the organization offers, the customer has to be in possession of accurate and comprehensive information. It may be necessary to use more than one communication means to inform, persuade and educate the customer. Designing services to be user friendly will simultaneously facilitate consumer use and external communication.

### **Gap 11: Contact personnel's perceptions of customers' expectations**

This gap consists of a discrepancy between the contact personnel's perceptions of customers' expectations and the customers' real expectations.

### **Gap 12: Contact personnel's perceptions of customers' experiences**

Similar to the previous gap, gap 12 consists of a discrepancy between the contact personnel's perceptions of customers' experiences and the customers' real experiences.

These two gaps can have most impact on professional services, where professional' perceptions most directly affect the design and delivery of the services offered. But, even in other services, these gaps can have a significant impact, because they address the need of contact employees to understand a customer's expectations and experiences. Specifically, when gap 11 is nil, the employee will have evaluated correctly the customers' expectations, and when gap 12 is nil, his perceptions. In conjunction, these two gaps will affect the contact employee's perceptions of his interlocutor's assessment of the quality he is being provided with and the employee's subsequent behavior.

### **Gap 13: Consumer perceptions**

Consumer's perception is the difference between what consumers expect from the service and what they actually perceive of it. The need for managers to access customers' expectations and their perceptions of the quality provided should be emphasized here. This assessment should be constant or, at least, periodic. It should encompass the totality of the service offering, i.e. including every moment of truth, and it should be done for each of the strategic quality dimensions. Gap 13, thus, can be disaggregated into gaps 13.1 to 13.N, according to the N strategic quality dimensions, just as suggested for gap 9.

## Gap 14: Service quality evaluation

Setting standards is not sufficient to ensure that a quality service is being offered. Accurate measures are essential for monitoring and for effective quality management. Measuring is an objective way to monitor service quality, but personal observation is also important. This should not be confounded with “police action”. Several methods can be used to measure quality, however, the best measurements that can be devised mirror and validate the details of [the organization’s] service strategy. Standards are set according to essential strategy elements and measurements must focus on the same fundamental variables.

Thus, customer satisfaction is determined by defining and measuring customer’s perceptions of quality, expectations and perceptions. Empirical research by several authors resulted in the SERVQUAL scale developed by Parasuraman, Zeithaml, and Berry, The psychometric properties of the SERVQUAL scale have been the subject of considerable research in recent times. The scale was developed from an initial pool of 97 items generated through a series of focus group sessions conducted with consumers. The initial pool of 97 items was reduced to 22 to form the SERVQUAL scale with a reported reliability above .90. The scale was said to tap the five different underlying dimensions of customer service: Tangibles, Reliability, Responsiveness, Assurance, and Empathy. It is important to note that without adequate information on both the quality of services expected and perceptions of services received then feedback from customer surveys can be highly misleading from both a policy and an operational perspective.

The SERVQUAL instrument has been divided in two parts. The first part measures customer’s expectations, while the second part measures customer’s perception of a given service or organization. The score for the quality of service is calculated by computing the differences between the ratings that customers assign to paired expectation and perception statements. Following are the 22 items of the SERVQUAL instrument.

### 22 statements of the SERVQUAL instrument

#### PART I

**DIRECTIONS:** This survey deals with your opinions of XYZ services. Please show the extent to which **you think firms** offering \_\_\_\_ services should possess the features described by each statement. Do this by picking one of the seven numbers next to each statement. If you strongly agree that these firms should possess a feature, circle the number 7. If you strongly disagree that these firms should possess a feature, circle 1. If your feelings are not strong, circle one of the numbers in the middle. There is no right or wrong answers. All we are interested in is a number that best shows **your expectations** about firms offering \_\_\_\_ services.

- E1. They should have up-to-date equipment.
- E2. Their physical facilities should be visually appealing.
- E3. Their employees should be well dressed and appear neat.
- E4. The appearance of the physical facilities of these firms should be in keeping with the type of services provided.
- E5. When these firms promise to do something by a certain time, they should do so.
- E6. When customers have problems, these firms should be sympathetic and reassuring.
- E7. These firms should be dependable.
- E8. They should provide their services at the time they promise
- E10. They shouldn't be expected to tell customers exactly when services will be performed. (-)
- E11. It is not realistic for customers to expect prompt service from employees of these firms. (-)
- E12. Their employees don't always have to be willing to help customers. (-)
- E13. It is okay if they are too busy to respond to customer requests promptly. (-)
- E14. Customers should be able to trust employees of these firms.
- E15. Customers should be able to feel safe in their transactions with these firms' employees.
- E16. Their employees should be polite.

- E17. Their employees should get adequate support from these firms to do their jobs well.
- E18. These firms should not be expected to give customers individual attention. (-)
- E19. Employees of these firms cannot be expected to give customers personal attention. (-)
- E20. It is unrealistic to expect employees to know what the needs of their customers are. (-)
- E21. It is unrealistic to expect these firms to have their customers' best interests at heart. (-)
- E22. They shouldn't be expected to have operating hours convenient to all their customers. (-)

## PART II

**DIRECTIONS:** The following set of statements relate to **your feelings about** XYZ organization. For each statement, please show the extent to which you believe XYZ has the feature described by the statement. If you circle a 7 it means that you strongly agree that XYZ has that feature, and circling a 1 means that you strongly disagree. You may circle any of the numbers in the middle that show how strong your feelings are. There is no right or wrong answers. All we are interested in is a number that best shows your perceptions about XYZ.

- P1. XYZ has up-to-date equipment.
- P2. XYZ's physical facilities are visually appealing.
- P3. XYZ's employees are well dressed and appear neat.
- P4. The appearance of the physical facilities of XYZ is in keeping with the type of services provided.
- P5. When XYZ promises to do something by a certain time, it does so.
- P6. When you have problems, XYZ is sympathetic and reassuring.
- P7. XYZ is dependable.
- P8. XYZ provides its services at the time it
- P9. XYZ keeps its records accurately.
- P10. XYZ does not tell customers exactly when services will be performed. (-)
- P11. You do not receive prompt service from XYZ's employees. (-)
- P12. Employees of XYZ are not always willing to help customers. (-)
- P13. Employees of XYZ are too busy to respond to customer requests promptly. (-)
- P14. You can trust employees of XYZ.
- P15. You feel safe in your transactions with XYZ's employees.
- P16. Employees of XYZ are polite.
- P17. Employees get adequate support from XYZ to do their jobs well.
- P18. XYZ does not give you individual attention. (-)
- P19. Employees of XYZ do not give you personal attention. (-)
- P20. Employees of XYZ do not know what your needs are. (-)
- P21. XYZ does not have your best interests at heart. (-)
- P22. XYZ does not have operating hours convenient to all their customers. (-)

The concept of measuring the difference between expectations and perceptions in the form of the SERVQUAL gap score proved very useful for assessing levels of service quality. Parasuraman argued that, with minor modification, SERVQUAL can be adapted to any service organization. The author further argues that information on service quality gaps can help managers diagnose where performance improvement can best be targeted. The largest negative gap, combined with assessment of where expectations are highest, facilitates prioritization of performance improvement. Equally, if gap scores in some aspects of service do turn out to be positive, implying expectations are actually not just being met but exceeded, then this allows managers to review whether they may be "over-supplying" this particular feature of the service and whether there is potential for re-deployment of resources into features which are underperforming.

A particular advantage of SERVQUAL is that it is a tried and tested instrument which can be used comparatively for benchmarking purposes. SERVQUAL does, however, benefit from being a statistically valid instrument as a result of extensive field testing and refinement. It therefore escapes the pitfall of being perceived by service users and providers as an instrument with no

validity or a questionnaire that has been skewed to elicit certain types of response. As a generic and universally-applicable instrument, SERVQUAL can also be administered on a repeated, regular basis and used for comparative benchmarking purposes. To appreciate more fully the benefits of using SERVQUAL, surveys should be conducted every year, for the following reasons:

- To allow yearly comparisons.
- To determine how service improvements have affected customers' perceptions and expectations of the service over time; and
- To determine the effectiveness of service development and improvement initiatives in targeted dimensions.

It is important to note that the measurement systems themselves are often inappropriate because the system designers do not know enough about what is to be measured. Measuring customer perceptions of service may increase expectations and measuring too often may well result in customers losing their motivation to answer correctly. Finally, there is no point in measuring service quality if one is not willing to take appropriate action on the findings.

It seems that the SERVQUAL approach has been used only for closing Gap 13 or Gap 5 in the original Parasuraman's Gap model. However, its application could also be extended to the analysis of other gaps. It is important to note that SERVQUAL is only one of the instruments used in service quality analysis and there are different approaches which might be stronger in closing gaps. SERVQUAL has been extensively criticized on both theoretical and operational grounds although as several authors coincide: "Until a better but equally simple model emerges, SERVQUAL will predominate as a service quality measure". It is also evident that SERVQUAL by itself, useful though it may be to a service manager, will not give a complete picture of needs, expectations and perceptions in a service organization context, because service provision is complex, it is not simply a matter of meeting expressed needs, but of finding out unexpressed needs, setting priorities, allocating resources and publicly justifying and accounting for what has been done.

Service organizations are responsible and accountable to citizens and communities as well as to customers and service users. There are wider service organization agendas than simply service quality: improving access to existing services; equity and equality of service provision; providing efficient and effective services within political as well as resource constraints. The definition of service quality therefore takes on a wider meaning and accordingly its measurement becomes both more complex and more difficult.

### 3.3 Quality service by design

One of the main principles of quality is that it has to begin with the design of the product or service delivery system. In order to accomplish it two factors have to be taken into account: the elements of the service package, and the service profit chain.

As defined in the first section, the service package can be considered as the set of goods and services that is provided to customers, and consists of four features:

- **Supporting facilities:** the physical resources that must be in place before a service can be offered.
- **Facilitating goods:** the material purchased or consumed by the buyer, or the items provided by the customers.
- **Explicit services:** the benefits that are readily observable by the senses and that consist of the essential or intrinsic features of the service.
- **Implicit services:** psychological benefits that the customer may sense, or the extrinsic feature of the service.

Since quality is seen as an action-oriented activity requiring corrective measures when nonconformance occurs, it is necessary to develop a way to define explicitly, in measurable terms, what constitutes conformance to the quality requirements defined for each of the features and their



components. To accomplish this task it is necessary to develop forms that will give indications on attributes to be measured in each feature, the type of measurement used and corrective actions for each nonconforming characteristic.

Additionally, the service chain proposes a relationship that links profitability, customer loyalty and service value to employee satisfaction, capability and productivity as shown in figure 3.4. The figure shows that profitability and revenue growth are derived from loyal customers. Loyal customer, in turn, result from satisfaction that influenced by the perceived value of the service. Satisfied, committed, capable, and productive employees create service value.

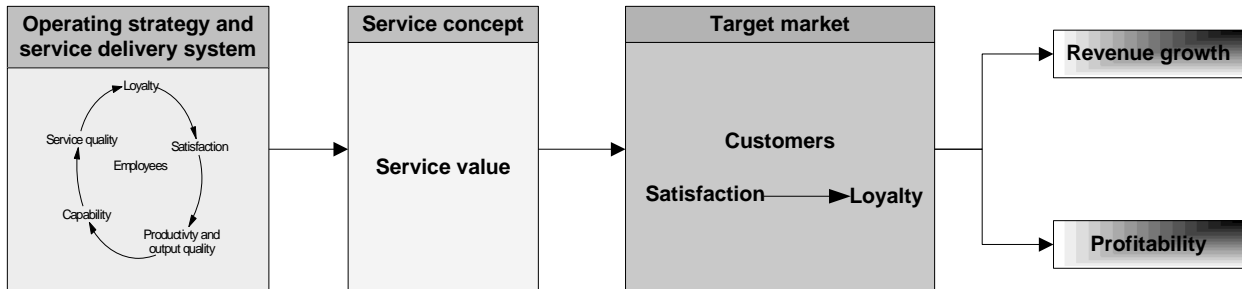


Figure 3.4 Service profit chain

In summary the service profit chain indicates that:

- **Internal quality drives employee satisfaction:** Internal service quality describes the environment in which employees work and includes employee selection and development, rewards and recognition, access to information to serve the customer, workplace technology, and job design.
- **Employee satisfaction drives retention and productivity:** In most service jobs, the real cost of employee turnover is the loss of productivity and decreased customer satisfaction. In personalized service, low employee turnover is directly related to high customer satisfaction.
- **Employee retention and productivity drives service value:** Customers place high value in productivity and quality of service. Productivity is possible because highly trained flexible employees can perform several jobs with perceived quality.
- **Service value drives customer satisfaction:** Customer value is measured by comparing results received to the total costs incurred in obtaining the service.
- **Customer satisfaction drives customer loyalty:** A satisfied customer remains loyal to the service providing organization.
- **Customer loyalty drives profitability and growth:** Because, a 5% increase in customer loyalty can produce profit increase from 25 to 85%, the quality of market share, measured in terms of customer loyalty, deserves as much attention as quantity of share.

### 3.4 Achieving Service Quality

Service quality is an intangible issue. In manufacturing it is possible to return or fix products, but in the service industry claims and guarantees are difficult to define and accomplish. Guarantees in services have five important issues (Hart in Fitzimmons and Fitzimmons, 2000):

- **Unconditional:** customer satisfaction is unconditional without exceptions.
- **Easy to understand and communicate:** customers should know precisely what to expect from a guarantee in measurable terms.
- **Meaningful:** The guarantee should be important to the customer in financial as well as in service terms.
- **Easy to invoke:** A dissatisfied customer should not be hassled with filling out forms or writing letters to invoke a guarantee.
- **Easy to collect:** The best guarantees are resolved in the spot.

Poor quality and achieving quality have associated costs. The following table shows some of the costs associated with preventing and achieving quality.

Table 3.2 Costs of Quality for Services

Cost Category	Definition
Prevention	Costs associated with operations or activities that keep failure from happening and minimize detection costs.
Detection	Costs incurred to ascertain the condition of a service to determine whether it conforms to quality standards.
Internal failure	Costs incurred to correct nonconforming work prior to delivery to the customer.
External failure	Costs incurred to correct nonconforming work after delivery to the customer or to correct work that did not satisfy a customer's specified needs.

A dissatisfied customer is not simply a loss of future sales but potentially very damaging to a firm's reputation. Dissatisfied customers express dissatisfaction in two ways, either by taking or not taking actions. Taking actions can be either public or private. Private actions might include stop buying products or services from the organization and warning friends about the product, service or seller. Most important, public actions can vary from seek satisfaction directly from the organization, to legal actions or formal complains to business, private or governmental agencies.

A service failure can be turned by empowering employees with the discretion to "make things right". There are four basic approaches to service recovery:

- **The case-by-case approach:** It addresses each customer's complaint individually. Although easy to implement, this approach can generate perceptions of unfairness since persistent and aggressive customers might receive satisfactory response while more reasonable or passive customers do not.
- **The systematic-response approaches:** This approach defines a protocol to handle customer complaints. It is more reliable than the case-by-case approach because it is a planned response based on identification of critical failure points and prior determination of appropriate recovery criteria. As long as the response guidelines are continuously updated, this approach can be very beneficial because it offers a consistent and timely response.
- **Early intervention approach:** It adds another component to the systematic-response approach by attempting to intervene and fix service-process problems before they affect customers.
- **Substitute service recovery approach:** It is an alternate approach that capitalizes on the failure or the rival to win the competitor's customer by providing a substitute service. This approach is difficult to implement because information about a competitor's service failure is usually closely guarded.

It is possible to affirm then, that excellent customer service is the process by which an organization delivers its services or products in a way that allows the customer to access them in the most efficient, fair, cost effective, and humanly satisfying and pleasurable manner possible. Here is the first point to remember: Customer service is a process, not a set of actions that might include greeting the customer, smiling, asking if you can help, etc.

As seen, customer service is not only about individual responses, but about how the organization delivers its product or service. The process has to be efficient in terms of information, use of resources and effort. In addition, there has to be fairness in the process. Hence, the process has to be transparent and consistent to all customers. Customers should experience the organization as one where they will not be surprised or felt deceived. This will create a competitive edge since customers will have confidence in the customer service process, creating customer loyalty

In addition, the product or service has to be cost-efficient, without creating expectations that will disappoint customers and destroy loyalty. Customer will trust in an organization that will assure duration, rather than sale protection for a low quality product.

Furthermore, customer service must be delivered in the most humanly satisfying manner and pleasurable possible. The act of buying or acquiring is one of the strongest human emotions. It is necessary to provide more than appearance. The pleasure of buying experience is as important as the product or service itself. Creativity in creating the service experience is a key component or organizations today. Service people nicely dressed and smiling big will create a negative reaction if the service system is not efficient.

In conclusion, achieving quality in services promotes organizational effectiveness in several ways since it focuses on customers to identify their expectations. Additionally, quality sets clear standards for the organization and guarantees feedback for quality assessment. Moreover, quality promotes an understanding of the service delivery system. This helps to identify possible failure points and the constraints the can limit their control. Finally, achieving quality, with all the implications it has, builds customer loyalty since it reduces customer's risk, make expectations explicit, and builds market share by retaining dissatisfied customers by applying the different approaches to service recovery and unconditional guarantee.

## 4. Building Customer Loyalty

### 4.1 Introduction

In a world where competitors are only a click away, customer loyalty really is the new marketing. Today's customers have access to an endless amount of information about different businesses, and research shows that they're ready and willing to stick with companies who go above and beyond to create a fantastic customer experience.

Although customer loyalty is often achieved through offers, discount coupons, rebates and other kinds of rewards, long-term customer loyalty can only be created by making customers feel that they are your number one priority. Loyal customers repeatedly purchase products or services. They recommend a company to others. And most important, they stick with a business over time.

Within the literature there is no common definition of customer loyalty (<http://www.pm-management.co.uk/chapter4.pdf>), there tend to be agreement that loyal customers demonstrate the following behaviors and attitudes:

- Repeatedly purchase from the organization (preferring and choosing it to others).
- Have a high level of satisfaction with the company.
- Will recommend the company to others.
- Will trust the company.
- Will be committed to the company

### 4.2 Customer Service and Customer Loyalty

A variety of research shows that customers place a priority on receiving great service. A 2011 report published by American express revealed that 3 out of 5 customers were willing to give up a former favorite brand in order to have a better service experience. Additionally, the results of the 2010 RightNow Customer Experience Impact report, revealed that 9 in 10 Americans are willing to spend more with companies they believe provide excellent customer service. Moreover, eighty percent of respondents shared the belief that smaller companies place a greater emphasis on service than larger companies, meaning small business success is highly dependent on the satisfied customer.

Then, the way that small business owners can beat out big-box stores isn't to compete with them on the things they are good at (e.g., low prices, logistics, etc.); it's far more important to out-support your competition by providing a level of service that they just can't match. Marketing and customer service were usually separate issues within any organization with separate goals and methods.

That situation is changing, due several factors:

- Industry has discovered the value of loyal customers: they buy more, buy more often, are cheaper to serve, have higher retention rates, and are more profitable than newly acquired customers.
- Marketers have discovered that it is possible to influence the level of customer loyalty through two methods: recruit the right kind of customers to begin with, and treat them very well once acquired.
- Excellent customer care is the most important method for improving customer loyalty. Customer service personnel are the front line troops in the battle to win customer's loyalty.
- To provide good customer care, customer contact personnel have to be empowered with information and the authority to make decisions and to act in the customer's behalf.

News of bad customer service reaches more than twice as many ears as praise for a good service experience. Consumer Reports surveys have shown that nearly 91 percent of customers will not do business with an organization a second time if it fails in the first encounter. It was even uncovered that two-thirds of customers have walked out of a store when they felt the service was subpar.

The amount of customers willing to immediately abandon a business reached nearly 70 percent when it came to poor service on the phone, conclusively showing that customers are willing to shut you out if you don't provide the quality of service they expect. The worst part is that organization may not know how much of an impact poor quality of service is having before it is too late.

It seems natural customer loyalty would follow good service. Near 68% of customers who never return to a business choose to not come back because of they were treated. In other words, poor service is the reason that two out of every three customers are leaving. It had nothing to do with price, product quality, location, convenience, or other factors. It has everything to do with how willing and able people are to serve their customers.

According to the previous statement, it does not matter in what type of service industry an organization is involved, customer loyalty has often not being attained because customer service has been done badly. One reason of this failure is because customer service has been defined badly. Business needs a customer service definition and model upon which it is possible to build a strategy to create and maintain customer loyalty.

#### **4.3 Selecting the right customer**

Several studies show how many large well-known brands have lost a lot of loyal customers in the last year. According to these reports, less than half (48%) of customers considered highly loyal remained highly loyal from 2007 to 2008, for the brands included in this study. The rest either reduced loyalty or defected entirely. In the same period, only 4 out of ten brands in the study retained 50% or more of their highly loyal customers. It was also found that, for many brands, a tiny fraction of the customer base accounts for much of the revenue. The report states: "...just 2.5% of shoppers for the average brand make up 80% of brand sales."

Although some customer service advocates consider that organizations should provide the same excellent service to all of their customers, they are learning that they must not treat all customers alike, because all customers are not alike. Some are loyal and put all their trust in us. Others are indifferent, and spend most of their money elsewhere. Many customers cost money, and will never be profitable. A main question arises:

Why should the organization spend money trying to retain the bottom quintile when they are robbing the company of value and hurting the enterprise?

It seems that what the organization ought to do is to provide super services to the top two quintiles with the objective of retaining them. They are the life blood of the enterprise. Companies should give them services that cannot be afforded to be provided to everyone. If organizations focus their services to those things that they could afford to give everyone, the services would be so meager that they would be meaningless to the recipients, and useless for influencing loyalty.

On the other hand, it could be possible to change attitudes by building a relationship based more in friendship and building outbound relationships, than in sales or traditional loyalty techniques. The Customer Loyalty Formula can be defined as:

## Customer Loyalty = Connection \* Value \* Experience

Where:

- **Connection** means how connected the customer is connected with the brand? Can customers easily and conveniently communicate with people who represent the brand?
- **Value** is the perception of what the brand offers to the customer in the context of what the customer wants and expects. Are customers getting what they want or more? Do they feel the brand offers them the best combination of features and benefits for the price?
- **Experience** here means how have customers experienced this brand? Have they been treated well by the people involved? Do they have a positive emotional feeling associated with the brand?

Many companies have failed to define or redefine their "V". Current economic environment is causing people to spend their money more wisely. Customer based their decision in different choices and demand more than what they did several years ago. Their buying preferences and values have changed the same as their perceptions. Organizations have to offer more value than before in order to retain loyalty. On the other hand, customers may respond to other issues in addition to value. Better information, contacts, experiences, and all of the above have to be part of any strategic plan oriented to build loyalty.

Not all the organizations can choose their customers, but they can enforce customer loyalty strategies to those who might be valuable. In business, it is not only about what product or service can be offered, but also it is necessary to consider to whom the product or service is going to be offered. The success of business also lies in choosing the right customer for the business.

Many marketing campaigns are designed entirely around moving products. What if instead they were designed around moving people? Most customers aren't particularly loyal to any one business, but they are loyal to what the business stands for.

Connecting with the customers on a personal level is crucial for growing a small business that will retain their loyalty. Since a majority of your customers don't care about having a close relationship with your brand, it makes sense that those who do care more deeply about the things you stand for than how often you engage with them.

The only thing that is going to enhance this type of relationship is the knowledge that the business is on the same team as them. These customers will want to see that people share their beliefs and that you incorporate those beliefs into how you conduct business. The most beloved brands have developed their cult following through a strong stance on issues both within and outside of their industry.

### 4.4 Developing a Customer Service Model

A good customer service model focuses on increasing satisfaction while decreasing or minimizing customer conflict. Implementing a business model that focuses on an atmosphere of service is essential to the majority of businesses worldwide. Customer service models should include strategies for getting customer feedback, retaining angry or unsatisfied customers and continually updating policies and services to meet customers' needs.

The following steps may help in developing such model:

1. Define what you and/or your company means by "customer service." Write down all aspects of the customer experience that you feel is important to work on and develop. Review your company goals and missions to determine if there are any customer service models already

written into your policies. Include everything from welcoming the customer and assisting him with products/services all the way to providing for a complaint resolution service when issues arise.

2. Develop a strategy for welcoming the customer to your business. This means having a friendly and light atmosphere if you have a traditional brick-and-mortar store. Welcoming the customer also gives them the impression of being part of the organization.
3. Institute employee training programs that focus on improving and creating a customer service atmosphere. Each employee should have a distinct role, but customer service should be a part of all positions. Employees should be trained in welcoming customers, assisting and conversing with customers as needed. A company's reputation and brand image partially rely on a customer service focus, which is why employee training programs should be used.
4. Create plans to include customer service after a purchase has been made. Low-cost or free installation services should be considered if you're selling high-priced items such as appliances or electronics. Technical support services and service warranties are also possibilities that enhance a company's customer service image.
5. Make company management personnel available for any customer issues or concerns that need to be taken care of immediately. Names and phone numbers of company management should be easily accessible to low-level employees if management is not available.
6. Consider using multiple channels to communicate with your customers. Provide a toll-free or local phone number so that customers can call and get in touch with a customer service representative to talk about issues and complaints. Include other communication channels such as live website support and social media methods like Twitter and Facebook. When customers need to get in touch with a company representative it should be fairly easy to do so.
7. Develop a clear method to resolve customer complaints. Decide how and with whom complaints will be handled and resolved. Consider using customer relationship management (CRM) software such as that offered by Oracle to help. Institute complaint resolution policies such as giving account credits, free coupons and products, or refunds. A good customer service model should be flexible and resolve each complaint on a case-by-case basis.

#### **4.5 Some final considerations.**

To truly engage and maintain a strong customer service culture, management ought to do the following:

**Make Customer Centricity A Priority:** The organization must be willing to walk the talk by not just declaring customer service as a top priority but also ensure such policy are translated and integrated into every level of the supply chain. Bold decisions must be made on a continuous basis to address any customer issues and such changes must be visible and communicated on an ongoing basis. Top executives must take the leadership role to promote and drive a customer service culture personally. Make exclusive offers to your customers on an ongoing basis and go the distance to promote it.

**Invest in the right people and technology:** Without saying, organizations that only give lips service will never really bother responding to customer feedback or implementing meaningful changes that truly matter to its customers due to a mis-match in priority and cost factor.

**Reward Customers on an ongoing basis:** Organizations must be prepared to set aside cost to truly reward customers in the form of product and service warranties and replacement of faulty goods without questions. The organization must be brave to empower their staff to use their

discretion in offering solutions that at time may appear to be lost making but have the potential to build long lasting customer loyalty.

**Invest in the journey not quick fix:** Hence reaching the goal can be a very long and continuous journey that requires strong focus and support from management. The responsibility of meeting this goal cannot be entrusted to the customer service department alone but everyone in the organization from top managers, right down to the delivery boys. Finally, in the pursuit of wealth and growth you should not forget to give back to the society in meaningful manners

**Clear customer service measures/incentives system:** Since there is no single measure or process that can work for all situations in meeting customers' needs, the need to learn, unlearn and reward small wins must be the order of the day. Sadly, such awards and awareness programs for best customer service are rear and few in between enough to really make an impact to most companies.

For any organization, a client is an enormous asset and they are a major investment of its time, energy, and resources. And most of the time this relationship results in significant results for both parties. Experienced business owners will tell that the best clients are a pleasure to work with. While this is a tough adjustment for many business owners, it's absolutely critical that service firms that can choose customers learn how to say "yes" to the good fits, and "no" to the bad ones. Selecting the right customers will make their service more efficient, attract like-minded referral work, and allow organization to be more profitable.



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Other documents used for this text are included in the appendices.

# Appendices