

CUSTOMER SERVICE LECTURE 2

**UNDERSTANDING CUSTOMER
SERVICE AND ITS IMPORTANCE
IN YOUR ORGANISATION**

LECTURE 1 OUTCOMES

- **What makes Services different to Products?**
- **Definition of Services**
- **What is Customer Service?**
- **Importance of customer loyalty**
- **Customer Expectation, Service Performance and Customer Satisfaction**
- **Moments of Truth for External customers**
- **Moments of Truth for Internal customers**
- **The Service Profit Chain**

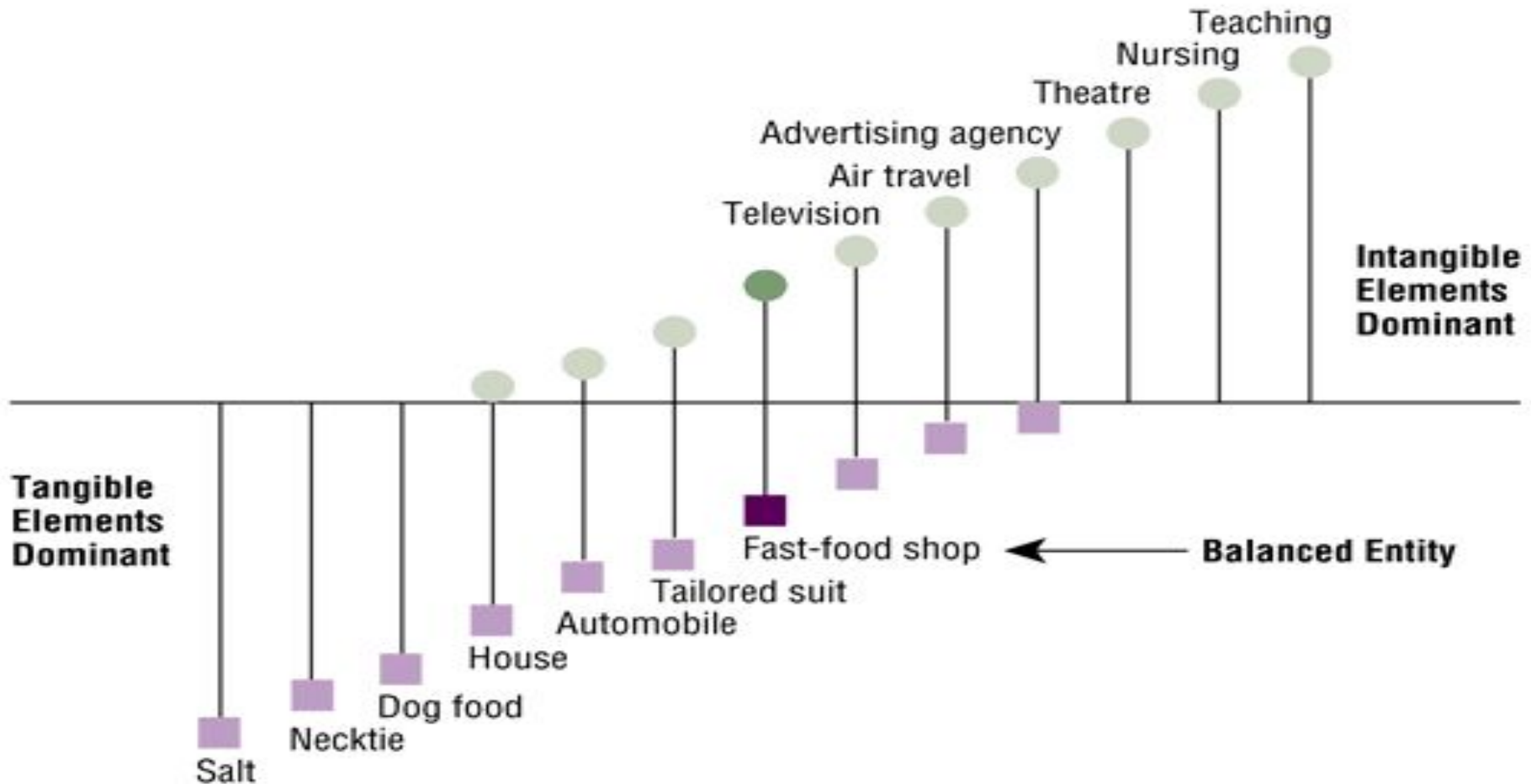
WHY ARE SERVICES DIFFERENT?

A service can be defined as an act or performance that one party can offer that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.

“INTANGIBILITY”

DEFINITION OF SERVICE

All products are a combination of products and services and may be located on a continuum ranging from pure goods to pure services.



DEFINITION OF SERVICE

There are four classes of services:

- a) Pure service – professional giving advice i.e. doctor, dentist, tax consultant etc.
- b) Services that supplement the sale of a tangible good – e.g. an information hotline for troubleshooting with a piece of your equipment
- c) Services that are the main purpose or object of a transaction – e.g. renting a car in Cape Town to go to a meeting.
- d) B2B Services – e.g. Electricity, Water, Sewerage, traffic control, parks and recreation

SERVICES

**WHAT ARE THE SERVICES
THAT THE you OFFER?
CAN THEY BE ACCURATELY
MEASURED?
WHO IS RESPONSIBLE**

WHY SERVICES ARE DIFFERENT

1. Services are **intangible** so it is impossible for customers to sample a service before they buy it.
 - a) The promotional program must emphasise the benefits of the service, rather than the service itself.
 - b) Four promotional strategies that may be used to suggest service benefits are:
 - i) **Visualisation**, showing the benefits of a service directly - like people enjoying a holiday at a Mauritius resort.
 - ii) **Association**, connecting the service with a tangible good, person, object or place – such as the two Vodacom actors – Yebo Gogo
 - iii) **Physical representation**, using something physical to portray the benefit from the service -
 - iv) **Documentation**, using facts, figures or studies to support claims – reports

WHY SERVICES ARE DIFFERENT

2. Generally, the service and the creator-seller are **inseparable**. E.g. a hair stylist has to be present to create and sell a hair cut or a mechanic repairing a truck
3. **Services are variable**. Each “unit” of a service will be somewhat different from other “units” of the same service. This plays a massive role in the *Customer Service* environment
4. Services are highly **perishable** and cannot be stored, and the market for services has **fluctuating demand**.

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WHAT IS CUSTOMER SERVICE?

- The sum total of what an organisation does to meet customer expectations and produce customer satisfaction

WHAT IS CUSTOMER SERVICE?

- **Why bother building relationships with customers?**
- The answer is so that most for profit organisations can stay in business.
- This is not a short-term problem – sustaining customer loyalty and building long-term relationships is the real solution.

WHAT IS CUSTOMER SERVICE?

- Remember that long-term customer relationships are the ones that sustain organisations in general.
- This is because, in addition to having to find new customers, you and your organisation have to educate and win them over. Ie attracting Investment, industry and keeping citizens satisfied.
- You have to acquire new customers, prove yourself to them and win them over.

WHAT IS CUSTOMER SERVICE?

- New customers are also going to be more apprehensive, skeptical, and critical than customers who have previous experience with your organisation.
- For these reasons, it is imperative that you and every other member of your organisation work to develop loyalty on the part of those customers with whom you have an existing relationship.

WHAT IS CUSTOMER SERVICE?

- By providing excellent customer service and dealing with dissatisfaction as soon as it is identified, you can help ensure that your various customers remain committed .
- The following equation conveys this idea:

Effective product/service delivery
+ Proactive relationship building
+ Elimination of dissatisfiers
+ Resolution of problems
= *Customer satisfaction and loyalty.*

THE IMPORTANCE OF CUSTOMER LOYALTY

Research has revealed the following: in most organisations:

- It will cost an organisation at least five times more to acquire a new customer as it will to keep an existing one.
- On average, 50% of consumers will complain about a problem to a frontline person. In business-to-business customer service environments like yours -this figure jumps to 75%.

THE IMPORTANCE OF CUSTOMER LOYALTY

- At least 50% of your customers who experience problems will not complain or contact your organisation for help; **they will simply go elsewhere**....but can that approach apply to your company.

THE IMPORTANCE OF CUSTOMER LOYALTY

- Customers who are dissatisfied will tell as many as 16 colleagues about a negative experience with your organisation.
- **Can you really allow this to happen?**

Source: Technical Assistance Research Program, or TARP,

WHY IS EXCELLENT CUSTOMER SERVICE SO RARE?

- Customer service is rare because it requires three things that the average manager and organisation are unwilling to commit to:
 - Spending money
 - Taking action
 - Taking time to resolve

WHAT ARE THE IMPORTANT WORDS IN CUSTOMER SERVICE?

- The **10** most important words:
 - ***I apologise for our mistake. Let me make it right.***
- The **9** most important words:
 - ***Thank you for your business. Please come back again.***
- The **8** most important words:
 - ***I am not sure, but I'll find out.***
- The **7** most important words:
 - ***What else can I do for you?***
- The **6** most important words:
 - ***What is most convenient for you?***
- The **5** most important words:
 - ***How may I serve you?***
- The **4** most important words:
 - ***How did we do?***
- The **3** most important words:
 - ***Glad you're here!***
- The **2** most important words:
 - ***Thank you.***
- The **1** most important word:
 - ***Yes.***

REMEMBER: YOUR ORGANISATION HAS EXTERNAL AND INTERNAL CUSTOMERS

- Customers we do business with outside our organization.
- The people we work with throughout our organization – are you caught in a Silo management mentality ?

Talking Concepts

WHAT IS CUSTOMER EXPECTATION

- Customer Expectations are beliefs about the level of service that will be delivered by a service provider.
- These expectations then provide a level of reference against which a delivered service can be compared.

Talking Concepts

WHAT IS SERVICE PERFORMANCE

- Whilst Customer Expectations are beliefs about the level of service, service performance is the actual outcome of a service act.
- Customer Expectation can then be compared to actual performance and the differences measured and compared.

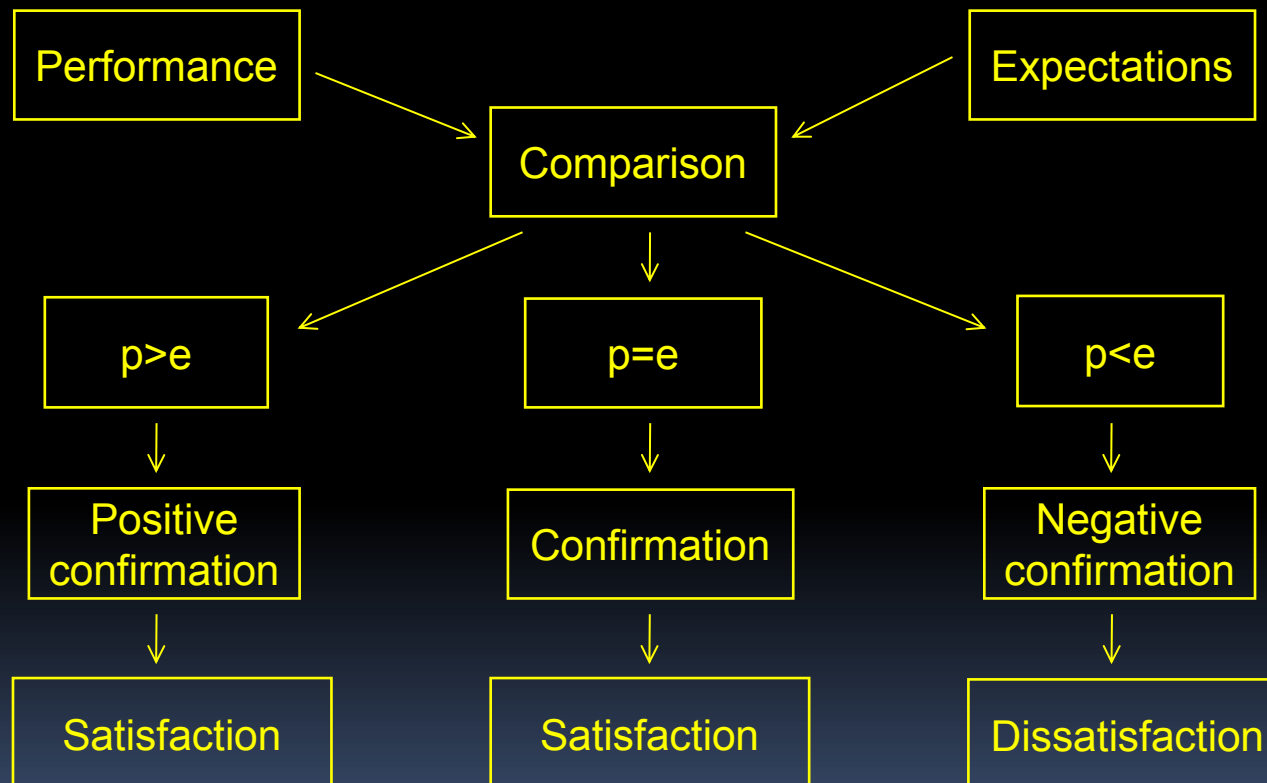
Talking Concepts

WHAT IS CUSTOMER SATISFACTION

- The customer's overall feeling of contentment with customer interaction based on the service providers' performance.



PERFORMANCE, EXPECTATION AND SATISFACTION



PERFORMANCE, EXPECTATION AND SATISFACTION

- Remember **Customer Perceptions** of service-quality of a customer-interaction depends on repeated comparison of the customer's service expectation compared with the actual performance of that service – remember perception is influenced by how customers feel and experience a service.

MOMENTS OF TRUTH (MOT)

- A **Moment of Truth** occurs when a customer comes into contact with an organisation.
- During this moment of truth, the customer's experience may be positive, negative or indifferent.
- The more positive the moment of truth, the greater the chances are that the customer will return to that business.
- The question to ask is when this moment of truth arises.

MOMENTS OF TRUTH OR SERVICE ENCOUNTERS

a) Types of Service Encounters

- The first is a *remote* encounter where there is no human contact. Includes the use of direct mail methods .
- The tangible evidence of service and the quality of the process itself (process dimension of service quality) become the basis for judging the quality of the service.
- The second is the *telephone* encounter. For many businesses, this is the most frequent type of encounter with end customers.

MOMENTS OF TRUTH OR SERVICE ENCOUNTERS

a) Types of Service Encounters

- Criteria for judging this encounter include tone of voice, employee's knowledge and effectiveness in handling customer issues. The popularity of call centres has emphasised the importance of this type of encounter for many companies.
- The third type of encounter is ***direct contact*** (face to face). This is a complex way of trying to establish service quality because both verbal and non-verbal behaviour need to be considered.

D. MOMENTS OF TRUTH OR SERVICE ENCOUNTERS

b) Moments of Truth of the Cycle of Service

- The cycle of service is the chain of events, made up of particular moments of truth or encounters, that customers go through as they experience a service.
- Customers, in their exposure to the cycle of service, are usually concerned about their needs and expectations.
- The organisation on the other hand, is often more concerned with the systems that are in place to handle any customer interaction.

D. MOMENTS OF TRUTH OR SERVICE ENCOUNTERS

b) Moments of Truth of the Cycle of Service

- The organisation must ensure that it is managing the moments of truth through the cycle of service so as to deliver excellent service. If the encounters or moments of truth are not managed, the customer needs will be met only some of the time.
- This means that the organisation can hope to achieve only mediocrity in terms of service quality, since it will win some encounters and lose others.
- Managing the moments of truth implies establishing the customer expectations at each critical moment of truth.
- Each encounter might include skills, competencies, attitudes, time, knowledge, equipment, decision-making capability and authority.

OTHER TYPES OF MOTs FOR EXTERNAL CUSTOMERS

These include the following:

- *Marketing and public relations:* Advertisements can create a positive or negative impression in the mind of the customer.
- *Interpersonal:* A customer could have contact with a frontline official or with a member of the support team (e.g. a person in the accounts department).

OTHER TYPES OF MOTs FOR EXTERNAL CUSTOMERS

These include the following...:

- *The support team:* Members of the support team can create a lot of negative experiences for the customer (e.g. the accounts department may not correct errors on a customer's account timeously).
- *The physical environment – Waiting in long queues*
- *Other customers:* When a customer sees other customers complaining, it could leave them with a negative attitude towards the organisation.

MOMENTS OF TRUTH THAT AFFECT INTERNAL CUSTOMERS

- *Meeting a new staff member or manager.*
- *Seeking assistance from a staff member or manager.*
- *Raising grievances*
- *Restructuring: When businesses restructure, an opportunity arises to show employees they matter.*

MOMENTS OF TRUTH THAT AFFECT INTERNAL CUSTOMERS

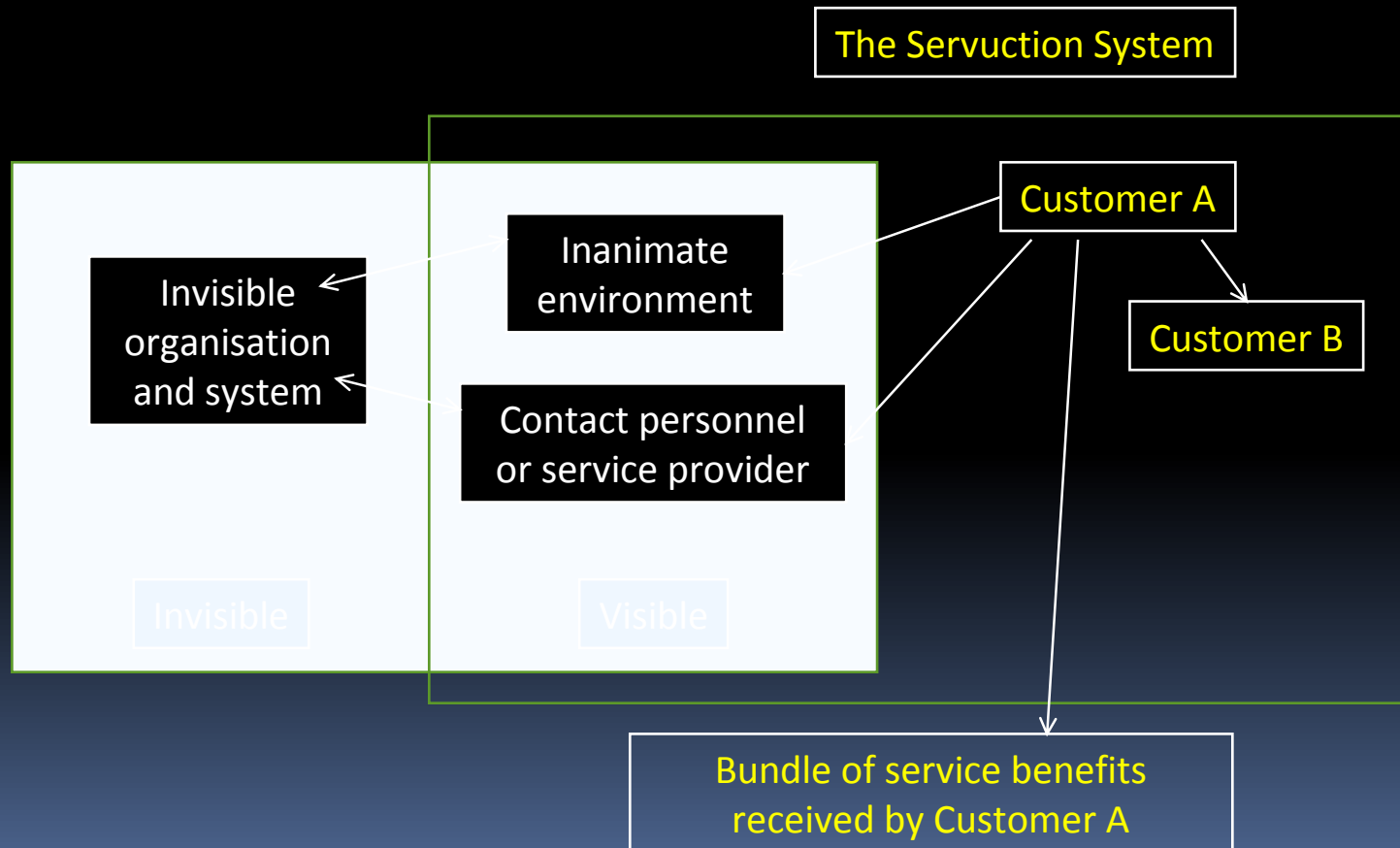
- *Training:* The extent to which employees receive on the job training.
- *Inaction by management:* Employees often look to managers to rectify problems. When management fails to do so, employees feel disempowered and disillusioned.

IDENTIFYING IMPORTANT MOTs BOTH FOR EXTERNAL AND INTERNAL CUSTOMERS

- Observe how staff members interact with external customers and with one another.
- Observe how long it takes staff members to perform a particular task
- Check if any systems are cumbersome.
- Compare what takes place in your organisation with what takes place in a competitor's organisation.

THE SERVICE SYSTEM

The five main elements of the service delivery system, including the Servuction system



THE SERVICE SYSTEM

- **Customer:** The customer is the person who is receiving the service – citizens of Jo'burg
- **Other customers:** These customers include all other customers present at the service facility who impact on the experience of the main customer mentioned above. Such customers may cause disruptions in queues, create noise or smoke excessively.
- **Inanimate environment:** The environment in which service deliveries take place – air quality, music, signage, décor, and layout of the service facility. It is the atmospherics or servicescapes.

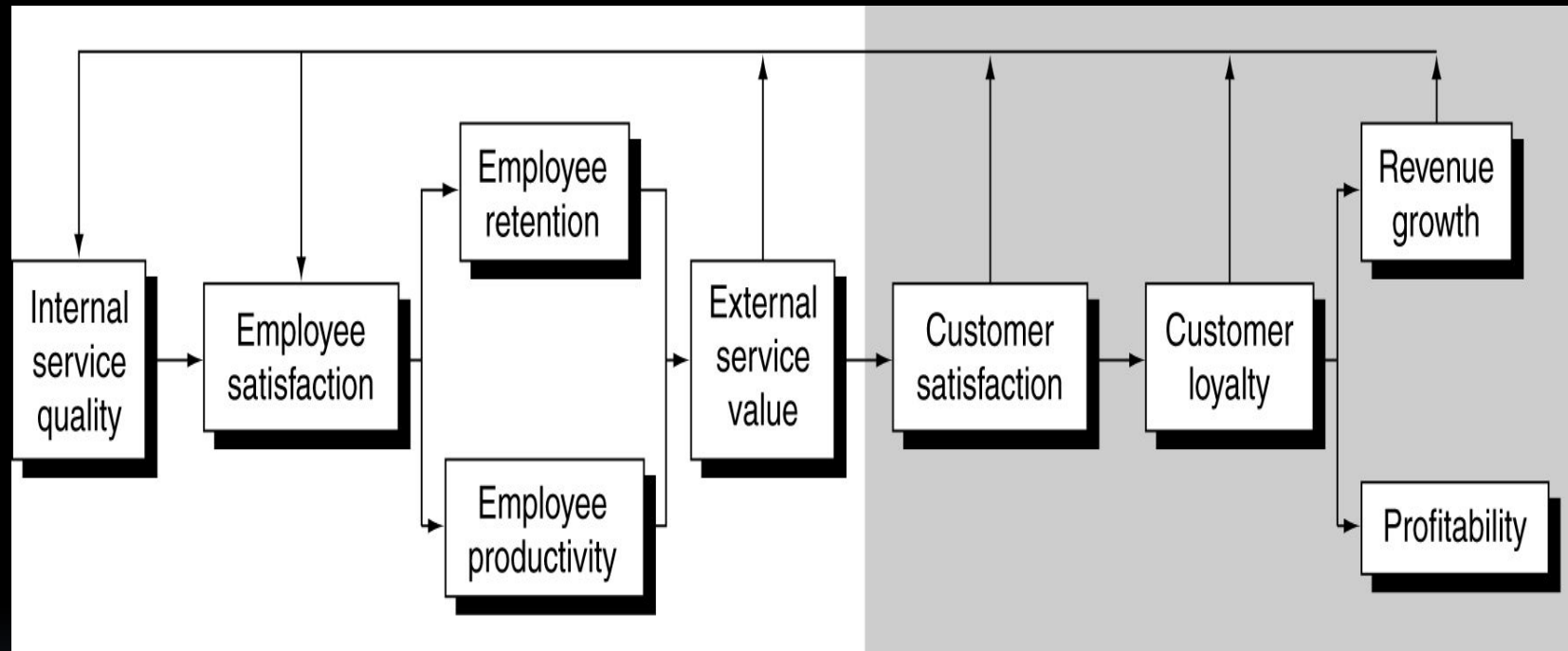
THE SERVICE SYSTEM

- **Contact employees:** These are the employees of the business with whom customers interact directly. They are referred to as front-line employees – tellers, customer service personnel. They must be well-trained for their jobs and be able to work with people.
- **Backstage activities:** These are ‘invisible’ to the customers, but important in the delivery of the service to the customer as they support the work of front-line employees. Eg. Clerks, data capturers, cleaners, maintenance staff and managers

IDENTIFYING IMPORTANT MOTs BOTH FOR EXTERNAL AND INTERNAL CUSTOMERS

- Interview customers to learn about their experiences.
- Ask customers to answer questionnaires.
- Identify in detail what takes place at each point in the SERVICE PROFIT CHAIN.

THE SERVICE PROFIT CHAIN



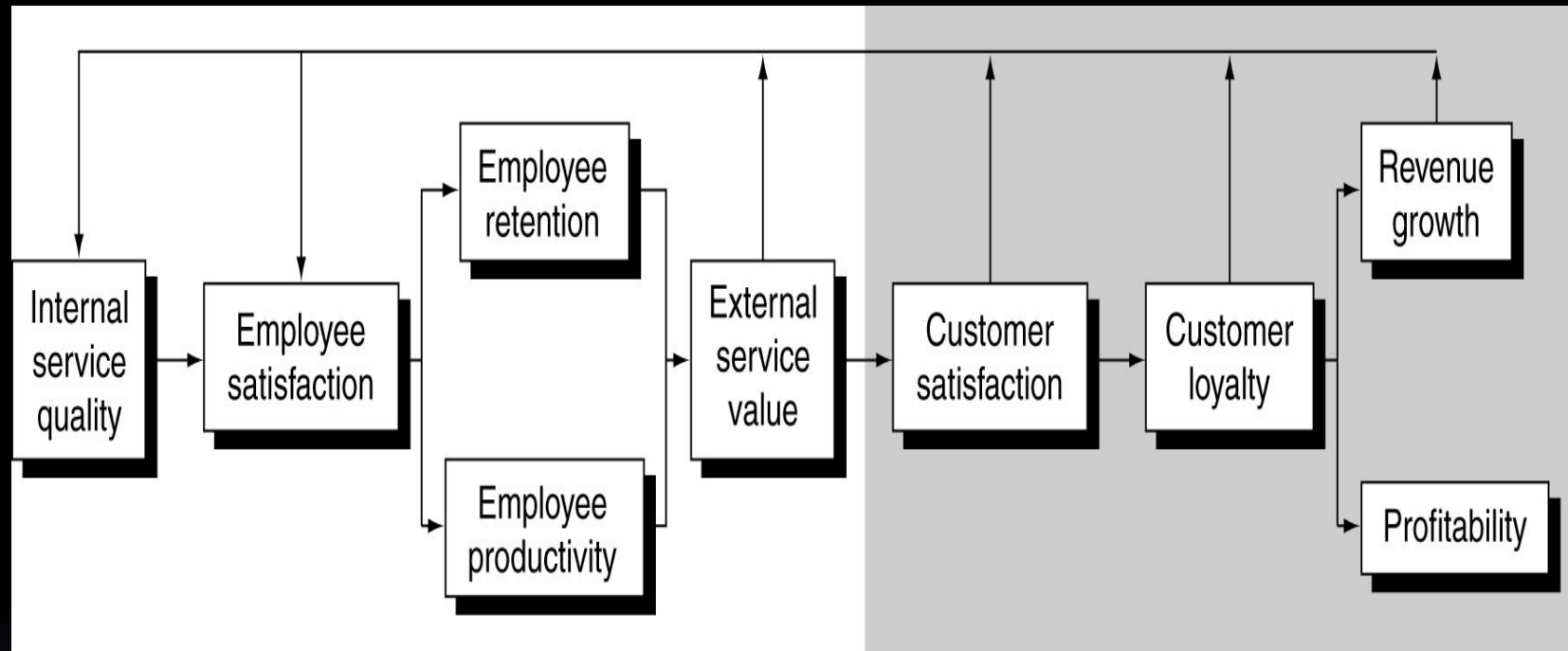
Source: An exhibit from J. L. Heskett, T. O. Jones, W. E. Sasser, Jr., and L. A. Schlesinger, "Putting the Service-Profit Chain to Work," *Harvard Business Review*, March-April 1994, p. 166.

THE SERVICE PROFIT CHAIN

The service profit chain consists of the following factors that link worker to customer satisfaction

- *Internal service quality*, which is based on better choice and training of workers, a quality work environment, and strong support for workers who work with customers.
- *External service quality from productive workers* who are satisfied, loyal, and hardworking.
- *Satisfied and loyal customers* who buy again and refer other customers, and
- *Good profits and growth*, which indicate better performance.

THE SERVICE PROFIT CHAIN



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THE SERVICE PROFIT CHAIN

- Customer loyalty drives profitability and growth
- Customer satisfaction drives customer loyalty
- Value drives customer satisfaction
- Employee productivity and retention drive value
- Employee loyalty drives productivity
- Employee satisfaction drives loyalty and productivity
- Internal quality drives employee satisfaction
- Top management leadership underlies chain's success

THE IMPORTANCE OF THE SERVICE PROFIT CHAIN

- The service value chain provides a useful framework for analysing the business from a customer service point of view.
- It makes it easier to identify the issues involved in customer service, as we no longer see the organisation as one whole, but rather many small parts working together.
- Customer service improvement without the service value chain is like trying to identify what is wrong with a motor car's engine simply by staring at it.

THE IMPORTANCE OF THE SERVICE PROFIT CHAIN

- We need to look at all the parts and how they work, individually and together, to fix any problems that may arise.
- Most importantly, we also need to consider **areas of impact.**
- We should always ask what impact our actions have on others. In other words, we need to answer the following question: 'When we do something, who does it affect and how does it affect them?'

THE IMPORTANCE OF THE SERVICE PROFIT CHAIN

Group Exercise

- *Most importantly, we also need to consider areas of impact*
- *What areas of impact does the Service Profit Chain have in your area of operation?*