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# Topic 1

## What is Customer Services

Customer Service is defined as value added features or services offered with the product that the customer has bought in order to make him happy. It also means constant support and help offered by the organization for using the product which is bought. Customer Service basically means giving something extra to the customer to add more value to the original product/service. All the organizations have a strong focus on customer services as it can make their product stand out from amongst the competitors. All the employees of any organization are involved in customer service and are responsible for satisfying the customer's needs and making him happy. Good customer services can help an organization dominate the market, whereas, negligence in this area can cause a great deal of loss.

A customer is someone who buys your products or uses the services that you offer. The key purpose of any business is to make the customer's happy and satisfied with their products/services and to gradually convert these customers to brand loyal clients. Another key objective of the businesses is to attract the attention of the customers with their product and innovate to keep them from doing business with their competitors.

In order to achieve that objective, the organization needs to focus a lot on the customer services that they are offering. All the employees in the organization are expected to help the customer's whatever way they can. Customer service centres are established to facilitate the needs of the customer, answer his queries and satisfy his concerns. So, customer service is basically the interaction between a customer and an employee of that organization.

### Elements of Customer Service:

There are various different phases in which the organizations offer customer services. These are:

- Pre-transaction element: Customer services offered before ordering the product. This includes details about the product, its features, how it's different from the rest and pricing information.
- Transaction element: Customer services offered by the organization on the delivery of the product. These include ambience, convenience of buying, billing information.
- Post-transaction element: Customer services are offered by the organization after the product has been sold. These include help with faults in the product, dealing with customer complaints, warranty issues etc.

In order for a product/service to be successful, customer service needs to be provided from before the order is placed till the time the product is in use. This is necessary to keep the customer's satisfied and get them to keep trying your products.

## Classification of Customer Service

### 1) Information

Providing information about the product is an important part of the customer services offered by any organization. It is necessary to give the customers detailed information about the products they are about to buy. Information needs to be provided before the product is bought and the customer needs to be updated of additional information and changes in the product as well. New customers use this information to decide whether to buy the product or not and old customers need updated information to determine whether they should change their product choice or not. Information about the product is extremely necessary for online purchasing and needs to be very clearly understandable (no confusions or ambiguities). Some common methods used to give this information to customers is through advertising of the product on electronic/print media, keeping website updated with latest information, provision of a CD or tutorial with the purchase of the product etc.

### 2) Consultation

Consultation means helping a customer deal with a problem related to the product by discussing it in detail with the customer. This is another important part of customer service and is usually provided after the purchase of the product. The customer is asked variety of questions related to the problem and then a customized solution for that problem is figured out. The services provided for consultation are usually “problem diagnosis”, “individual counselling”, “training in product usage” etc.

### 3) Order Taking

This service enables the customer to book his order for the product/service on offer. Many organizations have a strong focus on this element of customer service as it is very important. The customer can simply “reserve” a product for use. Some organizations which focus very strongly on this feature of customer service are airline companies, cinema halls, restaurants, book stores, technology stores (like mobile vendors) etc.

### 4) Hospitality

This is also an important feature offered in customer service. The customers are treated as guests and special attention is given to them to make them be happy with the product/service that they are using. For example, warm welcome, waiting areas, TV screens, magazines and newspapers, complementary food and drinks among others. These really have an impact on the customer and can help make him happy.

### 5) Safekeeping

When customer's visit the stores for buying products, safekeeping services are offered to the customer in which the customer can relax and shop without having to worry about his/her belongings. Safekeeping means keeping the belongings of the customer safe while he shops.

Another type of safekeeping services are offered when products are bought online. The products are kept safe till they are delivered and delivery service may also be included with the safekeeping service.

### 6) Exceptions

Exceptions mean making an exception in the standard operating procedures for fulfilling the request of any customer.

### 7) Billing

Billing is one of the main services offered to the customer. In order to facilitate the customer, easy payment methods are introduced; payment can be made via cash, cheque, credit/debit cards etc. Detail of the product and pricing information is included in the invoice given to the customer as well as time and date of purchase. Although this is a very basic service offered by all business, it is still very important; so much so that it has become almost compulsory to offer these billing services.

### 8) Payments

Payment services are closely linked with the billing services. They give the customer different choices for paying for the product they have bought/ordered including direct transaction from bank account as well as the use of credit cards.

## Service Quality & Customer Service

Service quality means the quality of customer services offered by any organization. The service quality is measured by the customers who actually receive and avail these services offered by the businesses. Although the organizations themselves also analyze their performance and quality of service, true feedback can only be provided by a customer. A business which has a better service quality is more likely to attract customers as compared to other competitors.

When a customer does business with any organization, he also comes to expect a few things from the organization such as a minimum standard of services/ quality of product that the organization should deliver, extra or value-added features with the product, good customer service etc. If these expectations are not met, the customer would start feeling dissatisfied. However, if his expectations are met, he will not only be satisfied but will be happy as well.

A method used to measure the quality of customer service is known as SERVQUAL and a few of its dimensions are stated below:

Dimension	Description
<b>Reliability</b>	Reliability of services provided is extremely necessary for any organization to have good customer services and happy customers. Reliability means that the customers can count on the organization and its employees to get the job done and help the customers, also fulfil the promises that they make with the customers. Such as arrival of stock on time, support and guidance in case of faulty equipment etc.
<b>Responsiveness</b>	Responsiveness in the service is highly important. If the organization does not respond to the customer's needs and doesn't get proper feedback from the customer, they might start rating that organization's customer service as poor.
<b>Assurance</b>	Assurance means that the organization tells the customer not to worry about anything and gets the job done in time to solve customer's problems effectively. This way the customers will have trust and confidence in that organization's ability to solve customer related problems.
<b>Empathy</b>	Empathy means that the organization shows sympathy for the customer and knows the situation the customer is dealing with. Due to this they work to solve the customer's problem in a way which would be best suited in that particular situation. Empathy would help customers trust the organization and would make for happy customers when they get specialized individual attention.
<b>Tangibles</b>	Tangibles are the ambience factors in the organization's customer service. They include the physical appearance of the employees as well as the working condition of equipment and overall work environment of the organization. These elements are not that important to the customers.

Source: Parsuamann, Berry, and Zeithaml (1998).

Table.1

Another method (devised in 1998) is used to measure the gap between service and quality and consists of ten components, which mainly focus on the traits and appearance of the service providers. They are as follows:

- Friendly and caring employees.
- Employees who listen.
- Employees who have the ability to communicate.
- Employees who are able to make decisions.
- Employees who have the ability to make the customer feel special.
- Confidence in employees' abilities to solve problems.
- Appearance of personnel.

- Employees who are accurate.
- Confidence that the customer input helped solve the problems.
- Assurance that company policy is followed.

### Effects of Poor Service on a Business

Different customers have different priorities when it comes to customer service. Some may want high quality service, some may want more reliability even at high costs, and some might prefer low cost services.

The organization needs to deal with these different types of customers in a manner which suits their situation. For example, for customers who want high quality and reliability, the organization needs to provide best quality services otherwise the customer will not be satisfied. For someone who wants low cost services, the organization can compromise on quality. An important factor here is “zone of tolerance”. This means that if compromise on factors that are important to a customer falls below a certain level, the customer might end up being dissatisfied with the service.

Controlling the zone of tolerance for each customer is extremely important, because if the customer is not satisfied with the services, he might just stop using the organization’s products/services and rate the customer service as poor. Poor customer service can cost an organization very heavily. It can cost heavy expenses on call backs (on products), reworks, compensations given to customer for poor service etc. Other than that, the organization can lose customers to their competitors due to poor services.

When a customer is dissatisfied with the organization’s services, they spread the word about the poor service and try to convince other people not to try that organization either. This has a very negative impact on the organization’s business. On average if a customer like customer service, he recommends the organization to around 5/6 people. But if he is dissatisfied with it, he goes on to tell 9/10 people.

This is the reason why organizations focus so much on providing quality customer services.

### Benefits of a Customer-Centred Organization

In competitive markets, organizations have a strong focus on keeping the customers happy and their goals revolve around their customer. They believe in providing best quality services to the customers.

This has its benefits, like:

- Inspiring trust and confidence about the organization in the customers.
- Reassurance to customers about best quality work.
- Loyal customers.
- Good image among the customers.
- Friendly relations with customers.

- Which leads to more business.
- Focus on customer's needs.
- Good reputation.
- Differentiation from the rest of the competition.
- Satisfied employees.
- Increased productivity.
- Competitive prices.
- Good relations with suppliers.
- More profit.

# Topic 2

## Knowing your Customer's Needs

Knowing the customer needs is key for the success of any business. An organization cannot provide services if it does not know what the customers want. On the other hand, providing services without proper knowledge of customer's needs and demands can cost the business a lot and can ultimately lead to it being shut down.

So, the question arises that how can a business find out what the customer's needs are?

The answer is quite simple, the organization has to have a whole department created solely for the purpose of research; research about the customer's needs and expectations. Having direct communication with the customer can help a lot in this cause. Usually surveys, feedback and analysis of sales data helps an organization find out about its customer's needs and in turn helps focus their attention to providing only those services which the customers need.

After working out the customer's needs, the organization focuses on spending all funds and utilizing their assets to provide customer required services. They also focus on customer services to make sure their customers are happy.

## The Changing Nature of Customer Service

Now-a-days, there is a strong focus on customer services and every organization is striving hard to provide better services than its competitors. Organizations also rely on a lot of innovation and "thinking outside the box" techniques to come with unique new ideas to attract their existing customers and new ones. Such an innovation in retail banking business was introduced by "First Direct", the organization which introduced telephone banking service which won them new customers and about 38% of those new customers were recommended to use this service by existing customers.

In the modern day, all business focus on being customer oriented and everything in the business revolves around the customer.

### **Changing Customer Behaviour and Expectation**

In today's world, customers are highly educated and know the facts and information about everything. They make proper research before trying anything new. Hence, customers cannot be fooled by bargain offers or other marketing schemes. Customers expect the highest quality in products and customer services at affordable prices.

### **Value for Time**

Life has become extremely busy now, with the rapid increase in technology. Everyone is on the go and does not have a lot of time. Therefore, customers are looking for products which give them good value for time. Customers expect the products to be up to date with the latest technology and trends so they can communicate with their clients/friends/families and are on the go.

## **Consumer Rights**

Today's world is very different from what it was some 10/20 years ago. With the increased use of internet and technology, the world has become a global village. This technology has helped people in gaining more knowledge. Today's consumers know their rights and know they can ask for their rights in case they are being violated. Customer's in today's world are very smart.

## **Smart Competition**

With the increase in technology, new trends have also invaded the market. In today's world, most of the shopping is done online and customers have infinite choices to choose from. Therefore, the competitors of any business are not just local but, they have to compete with other businesses all over the world.

## **Technology**

In the modern day, technology has changed the lives of everyone. Businesses are now using technology to advertise and market online, sell goods and offer services online, offer assistance and provide product information online. Other than that, bills can be paid online and shopping can be done using credit cards. Organizations interact with their customer online and have them fill out surveys, try exciting new offers and what not. Due to technology, the possibilities are endless.

## **Customer Retention**

Customer retention means retaining the existing customers that are doing business with an organization and keeping them happy and satisfied as well as attracting new customers to do business with the organization.

An organization can only retain customers by providing great quality products and services and keeping the customers satisfied. Customer satisfaction can be achieved only when the organization knows what its customer's expectations are. Customer's expectations change quite frequently with the organization, especially after comparing the services offered by other competitors. When the customer sees the services being offered by other organizations, he wants the organization he is doing business with to give even better quality services and looks for a reason to keep doing business with that organization.

In such cases, the organization needs to keep their services according to the level of expectations of customers to retain them and to attract new customers.

## **Caring for Existing Customers**

Statistics underline just how crucial retaining customers can be:

- Keeping the customers satisfied can boost profits by 25–85% (Harvard Business School).
- The price of acquiring new customers can be five times greater than the cost of keeping current ones (US Office of Consumer Affairs).

- The return on investment to marketing for existing customers can be up to seven times more than to prospective customers (Ogilvy & Mather Direct).

Still, many companies do not give much importance to customer retention and don't even keep track of statistics regarding this matter.

Companies focus more on attracting new customers as compared to keeping the existing customers satisfied. However, the more successful companies keep track of all data related to existing customers, try to keep them satisfied and keep a record of why existing customers are leaving their services and giving preference to others. This data helps in making key decisions to help retain existing customers and keep them happy.

Research shows that:

- 50% of customers are lost in a five-year period.
- 50% of employees are lost in four years;
- New customers will not contribute to profit unless they are retained for at least three years.

Successful organizations have good stats for customer retention because they offer great quality services to their users and keep track of their needs and expectations. Research indicates that "Toyota" has a customer retention rate of over 70%. Whereas most companies lose their customers after the first purchase i.e the customers prefer to not try the product again unless their needs and expectations are being kept in mind when the products are designed.

Research conducted by "Tarp Organization" in the US explains customer behaviours such as:

### ❖ Reason for Choice of Product

- 7% because of the technical specifications of the products.
- 50% because of the manufacturers' response and services.

### ❖ Reason for changing product

- 8% because of quality or cost.
- 40% because of dissatisfaction with the service.

Hence, the reasons for a customer's behaviour in buying a product or changing the brand can be attributed to both tangible and intangible factors. Tangible factors define the service quality, specifications, cost and effectiveness of the product. Whereas, intangible factors are mainly the customer service related factors, such as the importance an organization gives to its customers or their procedures of operation etc.

#### **Tangible**

Performance  
Quality

#### **Intangible**

Sense of caring  
Courtesy

Reliability  
Cost

Willingness to help  
Ability to solve problems

In the automobile industry, the prices of products (cars) are quite high and the frequency of purchases is low as compared to other industries. Research shows that in automobile market, attracting a new customer costs about 17 times as much as it would to retain a customer.

# Topic 3

## Importance of Customer Feedback and Complaints

Customer feedback is also very necessary other than offering quality products. Customer feedback and research is also one of the main components of customer services offered by the organization. This means they encourage the customer to contact the organization in case they have any kind of complaint with their product or if they are not satisfied with the services which they are offering.

However, the problem with this is that some customers are too lazy to complain about the product and just move on to something else. Or even if they want to complain, they just find it a waste of their time thinking that the product can't be changed because of their complaint. When the organization doesn't know the reason for losing customers, they can't do anything to make changes to the products either.

In this scenario, it is the duty of the organization to keep track of their customer's needs and expectations and ask them if they're satisfied with the services or not.

So, for this purpose, they need to have customers participate in surveys in exchange for gift offers or deals or discounts. This information can be used to see how many customers are happy and how many are dissatisfied. Other than that, a proper customer complaint center can be established. Customers can be encouraged to lodge complaints with that department if they are dissatisfied. The complaint lodging processes need to be simplified as much as possible to encourage customers to use this service.

### Research:

Some common methods employed by organizations to gather information about customer's satisfaction levels are:

#### **Mystery Shoppers**

Mystery shoppers are people that any organization hires to give them their opinion just like any other real life customer would do. They are paid to give their objective opinion about the organization's products and services. This is a very common method used for data gathering.

#### **Opinion/Perception Surveys**

Surveys are one of the most commonly used methods employed to gather information about the customer's satisfaction levels. These surveys are conducted online, on telephones, through the mail and even in person. However, they need to be expertly designed to make sure the participants answer everything honestly and not just try to get it over with.

### **Customer Comment (and guarantee) Cards**

This method of information gathering is not very common now-a-days, especially with the advances in technology. These cards basically ask the customer to write their opinion about the product. However, many customers also don't want to fill these out as they think it's a waste of time.

Giving some incentives for filling this card might change the customer's mind. But even then only some customers will give an honest opinion as they might think that giving a negative response might not make them eligible for the deal/gift that the organization is offering. Therefore, this method does not yield accurate results.

### **Customer Focus Groups**

This is another method used for gathering data by asking customers to participate in return for some deal/gift. Customer focus groups consist of small number of participants and focuses on the customers individually. This is a time consuming process for data gathering but highly useful to find the level of customer satisfaction and to focus on things the customers are not satisfied with.

### **Market Research**

Market research is also extremely important for organizations. They tell us about the market trends and help predict the customer's needs and expectations as well as help in predicting the strategies of competitors. However, for useful changes to sales strategies, customer research data needs to be analyzed along with the market research data to help make key decisions about future strategies.

### **Customer Panels**

Customer panels consist of people who help give their opinion about organization's products and services and help them gather important data. They are a little like mystery shoppers and give their subjective opinions to the organization.

### **Critical Incident Analyses**

This is another method used by organizations to gather data about customer satisfaction levels. A team of specialists then transform this data into information by analyzing it. This team of people records customer's experience with the organization when they are particularly pleased or dissatisfied with the services.

### **Customer Interview Videos**

This method also needs customers to volunteer and participate. Customers are interviewed about their experience with the organization and these interviews are recorded on film to analyze later. These yield accurate results and can be used to compare satisfaction levels for different time periods. However, these are also very time consuming.

## **Product User Groups**

These are forums or user feedback groups created with a purpose of interacting with the customers and knowing their opinions. These forums help communicate openly with the customers and see their areas of concern. These forums have a positive impact on the customers as they feel their opinion matters.

## **Conducting Effective Surveys**

As mentioned earlier, conducting surveys is very important for finding customer satisfaction levels and getting feedback about products and services. However, a survey needs to be very carefully designed to be effective.

Most people will not take the survey if it's too long or leave it halfway through. Other than that, a survey needs to ask only important questions and give appropriate answers, accommodate questions that can be answered honestly by all the participants. The questions in the survey need to be brief and to the point, no one likes reading long explanations. The survey also has to be designed not to be monotonous or boring. The design of the survey form needs to be catchy and attractive as well.

One of the most important questions that need to be asked before designing the survey is; why is the survey being designed? What sort of information is required from the customers? What sort of questions need to be asked. It should be kept in mind that surveys are short and cannot be very descriptive. So, for detailed problems, other means of information gathering should be used. Surveys should only be taken when customer's opinion about some product, service or offer is required or when the organization needs to check the satisfaction level of the customers. Surveys should be convenient for the customers to participate in, be it online, on phone, in person or by mail.

Effective surveys can help the organization study market trends, study competitor's strategies and find out the customer's needs. Effective surveys can also help in better provision of services and better marketing and sales strategy.

# Topic 4

## The Importance of Training and Development in Customer Service

Training and development is a foundation in promoting a customer service philosophy.

When customer service training was in its infancy in the United Kingdom, the focus tended to be on 'catch all' training for front-line staff. A recent Industrial Society survey found that today firms are putting more emphasis on training and development as they focus more on the customer and encourage employees to become empowered. The report showed that leadership, quality and teamwork are the top three priorities for management training. Teamwork, quality and customer care were seen as the top three priorities for staff training.

Experience shows that training and development not only helps organisations be more flexible, proactive and customer focused in the face of fierce competition, but it is also a prime motivational tool. The emphasis on customer service training has changed, therefore, to a philosophy which recognises that to alter the culture of an organisation to one which is customer focused, training and development needs to be offered to all levels of management and staff.

## Identifying Training and Development Objectives

### Listen to Customers

Best-practice organisations use the information which customers provide to draw up training and development objectives for their organisations and to ensure they keep a clear focus on the business. As we have discussed earlier customer service is what the customer says it is. Only by asking customers their opinion can a business gain a true perspective on what matters to customers and how well it is performing, thereby identify areas for improvement.

The customer service department of pharmaceutical giant GlaxoSmithKline used this form of gap analysis to identify areas where it could proactively improve its service and add value to the customer. For example, the survey identified the expected response times to queries and the customers' level of satisfaction with the current response. As a result of the survey, the members of the customer service department were able to set service standards and identify training and development needs so that they could better meet customers' expectations.

Quantitative surveys are now common place in best-practice organisations, sometimes backed up by mystery shoppers to check that service delivery is consistent. One large, high street fashion retailer introduced a new refund policy to better meet customer expectations. It provided a training package for all members of staff and their managers. Once the training had been introduced, a quantitative survey was undertaken followed by a mystery shop to each store to monitor whether the policy was being implemented. The results identified further areas of training need.

Customer focus groups and interviews are other methods that organisations use to get a more 'subjective' feel for customer expectation. The calling back of customers on a sample basis is another technique, used for example by Southern Electric, to validate its service delivery.

Research conducted among customers of Marriott International suggested that a guest's overall perception of a hotel's service is based disproportionately on the performance of front-line staff. In an effort to improve guests' perceptions, a training programme called 'Front Desk' was introduced. Aimed at front-line staff, the training was delivered by managers in modular format. In every hotel where training took place, there was a one per cent increase in customer satisfaction.

Listening to customers, therefore, helps prioritise the areas, most in need of development. Key success criteria can then be agreed. In setting training and development objectives and deciding on the methods to be adopted, it must be remembered that training and development will be more accepted when the trainee is motivated to learn and in addition, when management wants the learning to take place. Therefore it is important to create the right environment for learning to take place where training is enjoyable and not seen as a chore.

The objectives of the training and development must be clearly explained and agreed on by both the trainer/manager and the trainee. A clear set of objectives will allow the training and development to be validated after it has taken place and performance to be reviewed systematically as part of an overall programme of customer satisfaction.

## Building Customer Service into all Training and Development Activities

### Recruitment

To succeed at customer service it goes without saying that you must recruit the right people. Studies of organisations which excel at providing customer service reveal that they invest heavily in recruitment and selection processes.

Organisations such as First Direct and TGI Friday have set up an intensive system for selection including producing customer-oriented candidate profiles which includes such aspects as:

- attitude towards customer service and people
- knowledge
- skill
- experience
- flexibility
- communication skills
- resourcefulness
- intelligence
- personality

- appearance.

### **Recruit For Attitude, Train for Skill**

Increasingly organisations are recognising that they can train skills and knowledge but that if the person they are training has the wrong attitude towards the customer in the first place, the development can fall on stony ground.

### **Blended learning**

Part of the challenge of the manager in helping individuals to identify learning and development opportunities is creating an understanding that learning is not just restricted to training courses. For example, development may take place on the job as well as by attending a training course. There is a range of learning and development options open to individuals – self-study, e-learning, seminars, conferences and workshops, coaching and mentoring, to name but a few. All of these, according to the need, may support employees in acquiring new skills and knowledge, changing behaviours and keeping abreast of developments in their areas of work.

### **Training To Deal With Challenging Situations**

There is an increasing need for organisations to deal with challenging customer situations. The emphasis however, has moved away from labelling customers as ‘difficult’ to recognising that it is the situation rather than the customer that is challenging.

Research focused on the customer’s perspective shows that the most important things customers want when they complain is to be listened to, to receive an apology and for the organisation to put things right. There is a common misconception that the customer’s key concern is compensation. Studies show that this is not the case. From an employee’s perspective, dealing with challenging situations can be stressful. We frequently find that this is not acknowledged openly in a service environment. Training in many sectors of the health service, for example, now covers self-regulatory techniques to help service providers feel more able to take control of the situation.

### **Induction**

Induction is a critical period when employees’ attitudes towards the customer are often formed. Horst Schulze, CEO of Ritz-Carlton Hotels, explains that, “An employee is never more focused, malleable and teachable than [on] the first day on the job.” It is vital, therefore, to ensure that customer service is given proper emphasis to new recruits and that training in customer service is given as a key part of the induction package. At DHL every new recruit for whatever part of the organisation, including external agencies that provide a service to the company, spends a five-day induction period with a courier.

Customer service training is equally important for part-time staff. As demand from customers for flexibility increases, many retailers have responded by taking on additional part-time staff, thereby offering longer opening hours. This can cause headaches to employers, because the part-time nature of the work means

there is not the time available for training and development. Organisations such as BHS send all staff on customer care training, including part-timers, as they recognise that the customer does not know (or often care) whether the person is working full- or part-time; he or she still requires the same standard of excellent service. This means that training methods have to be more flexible and often training modules are delivered on a self-study basis with coaching from the manager. Companies which treat their new staff in the way they wish them in turn to treat their customers, set a positive example from day one.

Managers need to view induction as a powerful means of demonstrating their own personal commitment to quality. Giving time to new recruits to provide, in person, an overview of the service philosophy, the vision and values of the organisation and providing anecdotal examples of how these values translate into behaviour, is an emphatic means of reinforcing a service strategy. Where senior managers cannot see new members of staff in person, a video of their message can be produced.

### **Competences**

One way many organisations reinforce the need for customer service as a key behaviour for success is to include this in competency frameworks. These frameworks specify the standard of behaviour which is required to perform successfully in any given job. Thomas Cook, for example, has developed a whole section on empowerment in its competency framework to encourage enthusiasm and flexibility.

Competences are also linked with the appraisal system where, for example, people may be rated on how well they:

- find out what customers want
- talk to customers to discuss problems
- listen to customers' complaints and comment sympathetically
- resolve customers' problems
- plan their work and the work of staff to respond to customer needs
- change what they are doing at short notice to deal with customers' needs
- make others aware of the importance of satisfying customer needs.

Behaviours were identified by managers and staff which, it was believed, echoed quality principles and company values. This helped the process of identification with the ownership of these behaviours, mainly because they were in a language that the managers could recognise and identify from their own experience. The identified behaviours were that a manager:

1. Gets full use out of staff, knows their capabilities, encourages and considers their feelings and aspirations.
2. Has strength of purpose, is willing to deal with important issues head-on, no matter how tough.
3. Does the job for the company and the customer, puts in one hundred and ten per cent and sees self as part of the team.

4. Is open and honest, approachable and dependable, a good listener, and displays an interest in other points of view.
5. Will take action – ‘let’s go for it.’
6. Will discuss decisions and listen to arguments. Disseminates all relevant information.
7. Inspires confidence, and is to be trusted – decisions have been reached and thought through.
8. Delegates – demonstrates trust and encourages ownership.
9. Asks for people’s ideas and is open to being persuaded by logical, relevant discussion.
10. Cares about people and their problems and is interested on a personal level.
11. Gives realistic objectives, has clear criteria and ground rules.
12. Knows what’s going on, has a bigger picture, looks at problems globally, and can communicate the company view.

# Topic 5

## Importance of Building Long-term Customer Relationships

### Introduction

Most companies make a sale and walk. They walk away without giving a second thought about how to continually engage with these 'one-time' customers. As a manager responsible for customer care you might not directly have the power to implement incentive or loyalty schemes that are set up either by the sales department or corporately. But you certainly need to be aware of how they operate and of the pros and cons of using this method of promotion to sustain a loyal customer base. In turn, as you will see in this chapter, there is much that you and your team can do to ensure that customers remain loyal to your organisation. It is easier and less expensive to retain existing customers and keep key customers than to attract new ones. It is generally agreed that loyal customers tend to spend more than those whose loyalty has to be constantly re-won. Why is this? It's all about the way your organisation positions itself. You are what you are in the minds of your customers. Or, to put it another way, you are seen from the customer's perspective. Of course, you have to attract customers in the first place, and one of the devices used is some form of discount or incentive scheme.

### Incentives and Loyalty Schemes

An incentive scheme – 'Buy one, get one free,' or 'Have your car washed here three times and the fourth time is free' – can seem genuinely enticing. But the 'Fly to Berlin for £5 plus taxes' can seem less enticing and frankly rather annoying to a customer when they go on to the airline website and find that additional taxes and surcharges wreck the low-price promise. The problem is that these recruitment efforts could merely load the pipeline with people who are inherently disloyal. Of course, suppliers cannot afford not to keep finding new customers, and such fairly non-arbitrary promotion tools play a useful role in raising awareness, interest and motivation in potential purchasers.

Satisfied customers feel good only as long as their current needs are met and only as long as they perceive that a supplier is giving value. Committed customers want more than transient bait. They want to develop a long-term relationship with an organisation that understands and responds to their individual needs, and discriminates between customers who have been genuinely loyal over a period and newcomers who have yet to demonstrate such an allegiance. This raises the question of whether customer care schemes are designed to reward true loyalty or to lure customers indiscriminately with an incentive. With this in mind, how about loyalty schemes such as pharmacy-style 'advantage' cards, supermarket club cards, and airline rewards cards? A loyalty scheme can be a highly valuable addition to a customer-care initiative. However, setting up a scheme can have pros and cons so care and thought is needed.

Pros	Cons
An incentive to the customer to purchase from you	Attracting customers who are not ideal
Chance to build long-term relationships	Set-up costs
Marketing opportunities	On-costs that must be covered by attracting increased sales
Competitive edge	Reward(s) that might not be sufficiently motivating to win long-term loyalty
Increased sales	Redemption processes that might be too complex for customers
Customer research data	The time and money it would take an average customer to accumulate sufficient points for a worthwhile reward
Foundation for tie-ins to additional offers	Loyalty can be to the incentive rather than the supplier, which could mean loss of business once the programme ceases

**Table 2**

While a loyalty scheme is not a substitute for such core values as product quality and customer service, it can attract customers who might be willing to test how well their needs are met. AirMiles schemes have been shown to retain customers' loyalty due to the benefits of free flights available to family and friends, and many of the airlines' schemes move regular purchasers into different reward brackets as they increase spend.

Of course, it is not only retail companies that can benefit from offering a loyalty scheme. Commercial and industrial suppliers, however, seem not to pay sufficient attention to developing loyalty among their key purchasers. As a customer care manager, how can you find out what is important to your key customers? A definition of key customers is those who purchase from you on a regular basis and through analysis have been proven to be profitable customers. The best way of finding out, of course, is to ask them.

This could be done as a research project or by one-on-one interviews, depending on the number of key customers that you might have. You could do a SWOT analysis to find out the strengths and weaknesses of what you offer in the marketplace, be it a product or service. During the analysis process you could also explore the strengths and weaknesses in the service level of your department, where you can take immediate action.

### **Strengths**

As a company you need to ask: What do we do well with regard to the products or services we offer the marketplace? How about our department – what do we do well?

### **Weaknesses**

Where is there room for improvement? Once again, start at the corporate level and then focus on your own department.

### **Opportunities**

Could you suggest any other companies that might be interested in our products or services? With regard to the service that our department offers, are there any recommendations that you can make to improve the standard of care we offer them?

### **Threats**

Are there any changes that might be occurring in our customers' environment that might have an impact on the budget they are currently spending with our company? Are there any new competitors we need to be aware of that might impact on our business?

### **How to Develop an Ongoing Business Relationship with Customers**

Corporate loyalty schemes have their place, but what can you personally do to develop rapport with the customers and encourage them to continue doing business with your organisation? Sales personnel and the Business Development department will have immediate and ongoing relationships with clients. However, a Customer Services department will engage with regular purchasers or customers on a service contract that the department is responsible for implementing, or it may simply deal with customers making a complaint. So if you are a Customer Care Manager you can still play your part in enhancing the profile of the company and also flag new business opportunities to pass through to the business development team.

A manager's roles in customer care can be very diverse. In one environment you could have literally hundreds of customers that your team or department service. In other circumstances you could be looking after two or three main customers who have been passed to you for after-sales service activity. Regardless of whether it is two or two hundred customers that you deal with, there are always going to be occasions when you want to develop or build the relationship with particular customers. So how do you do this without appearing to be a pushy sales person?

### **Building Relationships during a Service Contract**

If your team is responsible for carrying out any type of service contract where continuous customer contact is required, for example the installation of a product or service, then I am sure you already have built into

your project schedule regular review meetings with the customer, asking variations of the following questions:

- How are our recommendations working?
- Speaking now from experience, how does our solution to your business problem measure up?
- Is there anything else we can do or arrange to improve your experience of our product or service?
- Are there any other issues that have arisen since we last met that you would like to discuss, where we might be able to help?

**Referrals; the Active Reference Principle**

Be proactive and ask your customer if they will be an ‘active reference.’ You could go about this by saying, ‘We have worked together for a time now; are you able to introduce me to any other contacts in your organisation, or elsewhere, that we might talk to?’ You might get a no but there is also a good chance that you will get a yes if they are happy with the product or service you offer and can see that their colleagues could benefit from working with you. The point here is that if you don’t ask, you don’t get.

It should be a win–win situation for both parties. If they believe in you and your company’s offerings, they will get reflected glory by recommending you to others (obviously subject to them also being happy with what you have to offer). Active references are different from passive references. When the customer agrees to be a reference for you, they will talk to others on your behalf. If you just use their name to get into other parts of an organisation without checking with them first, this is a passive reference. What is the advantage of an active reference? If your organisation makes a mistake and your customer is your active reference, they are more likely to defend you. Passive references generally will never do that.

**Effectiveness of Corporate Activities in Building Long-Term Customer-Care Relationships**

You will see that all the activities that are undertaken initially to attract business, such as advertising, non-selective ball room style seminars, cold calls by the sales team, ultimately fade into the woodwork and are less effective when the business relationship develops with the customer.

**Table 3** Activities to build longer-term relationships with customers

Most effective	<ul style="list-style-type: none"> <li>➤ Research the customer’s business</li> <li>➤ One-to-one relationship building</li> <li>➤ Seminars (small scale)</li> <li>➤ Articles in customer-orientated (sector) press</li> <li>➤ Speeches at customer industry meetings</li> </ul>
Less effective	<ul style="list-style-type: none"> <li>➤ Community or civic activities</li> <li>➤ Networking with potential referral sources</li> <li>➤ Newsletters</li> </ul>

Least effective	<ul style="list-style-type: none"><li>➤ Public relations</li><li>➤ Brochures</li><li>➤ Seminars (ballroom scale)</li><li>➤ Direct mail</li><li>➤ Cold calls</li><li>➤ Sponsorship of cultural or sporting events</li><li>➤ Advertising</li><li>➤ Video brochures</li></ul>
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## Assessment

**Total Marks: 20**

- |   |   |
|---|---|
| 1. Discuss the importance of customer services in an organization.          | 5 |
| 2. Why is it important to know about customer's needs?                      | 5 |
| 3. Discuss the importance of customer service training for an organization. | 5 |
| 4. Discuss pros and cons of a loyalty scheme.                               | 5 |