



UNIT-1

Understanding Customer Service

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Understand what Customer Service is
- ✓ Explore the Classification of Customer Service
- ✓ Evaluate the Importance of Customer Feedback and Complaints.

Unit 1

Introduction to Customer Services

Customer service is defined as the value-added features or services offered with a product, in order to make the customer happy. It also means the ongoing support and help offered by the organization with 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 organizations have a strong focus on customer service, as it can make their product stand out from those of competitors. All employees of any organization are involved in customer service and are responsible for satisfying the customer's needs and making them 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 happy and satisfied with their chosen products/services, and to gradually convert these customers to brand-loyal clients. Another key objective of the businesses is to attract the attention of customers with products and continually innovate to *discourage* them from doing business with their competitors.

In order to achieve this objective, the organization needs to focus a lot on the customer services they offer. All the employees in an organization are expected to help the customer in any way they can. Customer service centers are established to facilitate the needs of the customer, answer queries and satisfy concerns. As such, customer service is basically the interaction between a customer and any employee of that organization.

Elements of Customer Service:

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

- Ñ Pre-transaction element: Customer services offered before ordering the product. This includes details about the product, its features, how it's different from others and pricing information.
- Ñ Transaction element: Customer services offered by the organization upon delivery of the product. These include ambience, convenience of buying, billing information etc.
- Ñ Post-transaction element: Customer services are offered by the organization after the product has been sold. These include help with product faults, 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 through to the time the product is in use. This is necessary to keep customers satisfied and encourage 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, while existing customers need updated information to determine whether they should change their current product choice. Information about the product is extremely important for online purchasing and needs to be very clearly understandable (no complications or ambiguities). Some common methods used to give this information to customers is by advertising the product via electronic/print media, keeping websites updated with the latest information, provision of a CD ROM 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 a variety of questions related to the problem, after which a customized solution for the 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 their 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 that focus very strongly on this feature of customer service are airline companies, cinemas, restaurants, book stores, technology stores (like smartphone 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, in order to make them happy with the product/service they are using. For example, a warm welcome, waiting areas, TV screens, magazines and newspapers, complementary food and drinks can all be effective. These have a positive impact on the customer and can help make them happy.

5) Safekeeping

When customers visit stores for buying products, safekeeping services are offered 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/she shops.

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

6) Exceptions

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

7) Billing

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

8) Payments

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

Service Quality & Customer Service

Service quality means the quality of customer services offered by an organization. The service quality is measured by the customers who actually receive and avail the services offered by the businesses. Although the organizations themselves analyze their performance and quality of service, true feedback can only be provided by a customer. A business that offers better service quality is more likely to attract customers compared to those that do not.

When a customer does business with any organization, they fundamentally expect a few things from them - such as a minimum standard of services/quality of product, extra or value-added features with the product, good customer service etc. If these expectations are not met, the customer will start feeling dissatisfied. However, if expectations are met, they 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
Reliability	Reliability of services provided is extremely necessary for any Organization, to provide good customer services and keep customers happy. Reliability means that the customers can count

	<p>on the organization and its employees to get the job done and help customers, while also fulfilling any promises that they make to the customers. This could arrival of stock on time, support and guidance in case of faulty equipment etc.</p>
Responsiveness	<p>Responsiveness is also 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 the organization's customer service as poor.</p>
Assurance	<p>Assurance means that the organization tells the customer not to worry about anything and gets the job done in sufficient time to solve customer's problems effectively. This way, the customers will develop trust and confidence in the organization's ability to solve customer-related problems.</p>
Empathy	<p>Empathy means that the organization shows understanding for the customer and knows the situation the customer is in. Due to this, they work to solve the customer's problem in a way that is best-suited to that particular situation. Empathy can help customers trust the organization – customers are always happy when they get specialized, individual attention.</p>
Tangibles	<p>Tangibles are the ambience factors in the organization's customer service. They include the physical appearance of employees, as well as the working condition of equipment and overall environment of the organization. These elements are not always very important to the customers.</p>

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

Table.1.1

Another method (devised in 1998) used to measure the gap between service and quality 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's input helped solve the problems.
- Assurance that company policy is followed.

Internal Service

There are two types of services provided by any organization; an internal service and an external service. The external service is also known as customer service and is provided to people outside the organization, i.e. the customers. Whereas, internal services are provided to the people working for the organization- the employees. The employees will always rate the quality of this service provided by the organization. If the employees are satisfied by the work being done by the organization (a c r o s s different departments), they will be satisfied with the services the organization is offering. For example, if the employees are satisfied with response times, measures taken in case of emergency situations, the overall work conditions etc., they are satisfied with the internal services provided by the organization.

There is a significant difference between the internal and external customers of any organization. The organization works hard to motivate external customers to buy their products, providing the best possible services to make the customers happy. The same cannot be said about employees. Employees have to do the work assigned to them and the organization does not pay as much attention to employee satisfaction as it does to customer satisfaction (with some exceptions). Although the internal and external people that the organization deals with are completely different from each other, the quality of internal service and employee satisfaction has a direct effect on customer service and satisfaction.

If the employees are not satisfied with the services and work environment of an organization, they will not work hard to make customers happy either. Similarly, all employees and departments need to work together to make the organization successful *and* to provide good quality customer service. If there is no understanding between the different departments, they will not be able to work together as a team.

Everyone should know their own responsibility and should co-operate with other co-workers to get the job done. This can only happen if employees are happy and satisfied with the organization. Hence, the organization can only succeed in achieving its goals and objectives if it gives proper attention to its employees, as well as the customers and strive to keep employees satisfied.

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, some might prefer low-cost services etc.

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 the best quality services possible, 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, they might 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 bring about heavy expenses on recalls (on products), reworks, compensation given to customer for poor service etc. Other than that, the organization can lose customers to the competitors due to poor customer service.

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 do business with them. This has a very negative impact on the organization's reputation and performance. On average if a customer is happy with the customer service, he/she recommends the organization to around 5/6 people. But if he/she is dissatisfied with it, they go on to tell 9/10 people.

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

Benefits of a Customer-Centred Organization

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

This has its benefits, like:

- Ñ Inspiring trust and confidence about the organization in the customers.
- Ñ Reassurance to customers of the highest-quality work.
- Ñ Loyal customers.
- Ñ Good image among customers.
- Ñ Friendly relations with customers, which leads to more business.
- Ñ Focus on customer's needs.
- Ñ Good reputation.
- Ñ Differentiation from the rest of the competition.
- Ñ Satisfied employees.
- Ñ Increased productivity.
- Ñ Competitive prices.
- Ñ Good relations with suppliers.
- Ñ More profit.

Customer Satisfaction

Customer satisfaction is directly related to the quality of services provided. But in some cases, it can happen that the customer is satisfied with the customer service, but not the product or its features. Some factors that influence customer satisfaction are:

- Ñ Basic elements: This means basic services/features that are offered by all the businesses dealing with a specific product or service. If the most basic service is not provided, the business won't even last a day. The quality of basic elements needs to be very high as it is provided by *every* business. For example, a telephone company provides a balance checking facility (as do all the others) or a bank provides credit card facilities (as do all the others).
- Ñ Basic customer services: Basic customer services as also provided by all businesses to help and support the customers. Such as providing assistance for faulty equipment, help in setting up the product etc.
- Ñ Recovery process: Recovery processes are necessary when the product/service does not perform as expected, or when the customer is simply not happy with it. Recovery processes are aimed at trying to compensate the customer to avoid negative feedback.
- Ñ Extraordinary services: These services can determine the value of any company's overall customer services and help differentiate them from the competition. A lot of innovation is required in these services to make the customers see the real potential of the business.

Customer Loyalty

Customer loyalty can be described as a situation in which the customer has many available products and many alternatives, but chooses your product because he/she likes it and is satisfied with it. He/she has the option to try something different, but chooses the same product over and over because they like it.

A customer who chooses your product when no better alternative is available is not a loyal customer. The quality of the product as well as good customer service helps nurture loyal customers.

The Loyalty Ladder

Each organization has to deal with different kinds of customers. Some like the product they offer so much that they keep coming back to use it and don't even consider the possibility of trying something else - these are loyal customers. Whereas, there are others who use the product once and don't like it much so they try others. Another type of customer is those who hate the product and immediately begin sharing negative reviews.

These various types of customers can be accommodated in the loyalty ladder, which defines the level of loyalty of the customers - loyal customers right at the top. Gradually, loyal customers become supporters, advocates and even partners in the business.

This is explained below:

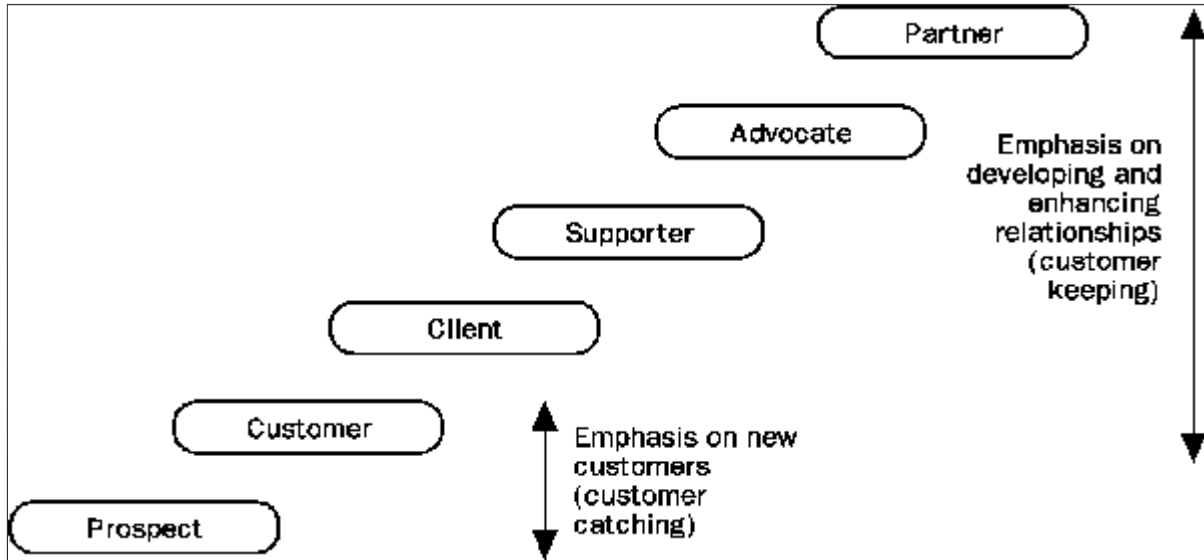


Fig. 1.1

Common Attitudinal and Behaviour Indicators of Customer Loyalty

Attitudes commonly attributed to loyal customers:	Behaviours commonly associated with customer loyalty:
➤ Intend to try the product again and perhaps even try other products.	➤ Buy the products again and renewing contracts.
➤ Willingness to recommend the brand to others as well.	➤ Trying more products from the same brand.
➤ Content with the brand they use and don't want to try anything else.	➤ Recommendation of the brand to friends, family, colleagues.
Attitudinal measures are leading indicators of customer loyalty.	Behavioural measures are lagging indicators of customer loyalty.

Table 1.2

Knowing your Customer's Needs and Requirements

Knowing the customer's needs is the key to 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 the customer's needs and demands can cost the business a lot, and can ultimately lead to it being run out of business.

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

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

After working out the customer's needs, the organization focuses on spending funds and utilizing 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

Nowadays, there is strong focus on customer services and every organization is striving hard to deliver better services than its competitors. Organizations also rely on innovation and "thinking outside the box", in order to come with unique ideas to attract both existing customers and new ones. Such innovation in the retail banking business was brought about by "First Direct", the organization that first introduced a telephone banking service – a service that won them new customers, of which about 38% were recommended to use this service by existing customers.

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

Changing Customer Behavior and Expectations

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

Value for Time

Life has become extremely busy, largely due to the rapid evolution of technology. Everyone is on the go and people in general do not have a lot of spare time. Therefore, customers are always looking for products that give them good value for time. Customers expect products to be up to date with the latest technology and trends, which allow them to make the most of every second available to them.

Consumer Rights

Today's world is very different from that of 10 or 20 years ago. With the increased use of the internet and consumer technology, the world has become a global village. This technology has helped people gain so much more knowledge. Today's consumers know their rights and know they can stand up for their rights, in any case they may be being violated. Quite simple, customers in today's world are very smart.

Smart Competition

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

Technology

In the modern world, technology has changed the lives of pretty much everyone. Businesses are now using technology to advertise and market online, sell goods and offer services online, offer assistance and provide product information online etc. Other than this, bills can be paid online and shopping can be done using creditcards. Organizations interact with their customers online and may ask them to fill out surveys, try exciting new offers and generally interact. Thank to technology, the possibilities are endless.

Customer Retention

Customer retention means retaining the existing customers that are already doing business with an organization, by keeping them happy and satisfied – all at the same time as attracting new customers to do business with the organization.

An organization can only retain customers by providing great quality products/services and keeping customers satisfied. Customer satisfaction can be achieved only when the organization knows what its customers' expectations are. Customer 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/she wants the organization they're doing business with to give even *better* quality services, and often looks for a good reason to keep doing business with that organization.

In such cases, the organization needs to maintain their service quality, according to the level of expectations of customers, in order to retain them *and* to attract new customers.

Caring for Existing Customers

Statistics underline just how crucial retaining customers can be:

- Ñ Keeping customers satisfied can boost profits by 25–85% (Harvard Business School).
- Ñ The price of acquiring new customers can be five-times greater than the cost of maintaining current customers (US Office of Consumer Affairs).
- Ñ The return on investment for marketing which targets existing customers can be up to seven-times more than to prospective customers (Ogilvy & Mather Direct).

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

Companies typically focus more on attracting new customers, compared to keeping existing customers satisfied. However, the more successful companies keep track of all data related to existing customers, working hard to keep them satisfied and keeping records of why existing customers are leaving and taking their business elsewhere. This data helps when making key decisions to help retain existing customers and keep them happy.

Research shows that:

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

Successful organizations have good customer retention performance because they offer great quality services to their customers and keep careful track of their needs and expectations. Research indicates that “Toyota” has a customer retention rate of over 70%. However, Most companies lose customers after the first purchase - i.e. the customers prefer not to try the product again, unless their needs and expectations are being kept in mind when new products are designed.

Research conducted by the “Tarp Organization” in the US explains customer behaviours, such as:

❖ **Reason for Choice of Product**

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

❖ **Reason for changing product**

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

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 priority an organization gives to its customers or their procedures of operation etc.

Tangible	Intangible
Performance	Sense of caring
Quality	Courtesy
Reliability	Willingness to help
Cost	Ability to solve problems

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

Reasons for Developing Long-Term Relationships with Customers

Developing long-term relations with customers is extremely important for any business targeting success and profits. According to rough estimates, it costs almost five-times as much to attract and find new customers, compared to retaining current customers.

This is because a lot of money needs to be spent in advertising products and offering deals and discounts to attract new customers, whereas loyal customers already use the product and trust the services of the brand they use. As such, they don't need to be convinced to try it again - they will do that by themselves if they're satisfied with the quality the brand is offering. They will also recommend the brand to others.

Hence, developing long-term relations with customers becomes highly necessary and its benefits can be summed up as follows:

- Ñ Costs marketing and attracting new customers are very high.
- Ñ This cost can instead be spent in making products and services better to satisfy existing customers.
- Ñ Existing loyal customers trust the brand they use and will try it again.
- Ñ They will even try other different products from the same brand.
- Ñ They may also pay to get premium offers on products, as they trust the brand already. Whereas, this kind of premium deal will not attract customers who have never tried the product before.
- Ñ Retaining customers will prevent market share being lost to competitors.
- Ñ Existing customers may also recommend the brand and its services to their friends/family/colleagues.

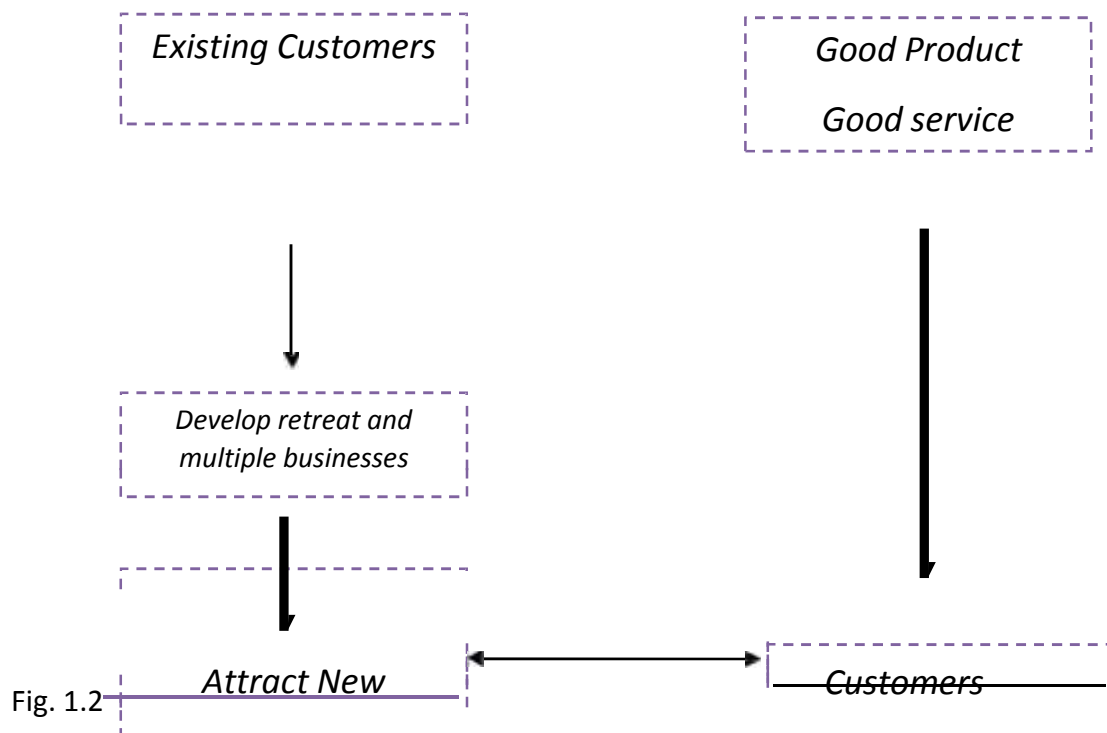


Fig. 1.2

*Good
Reputation*

Importance of Customer Feedback and Complaints

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

However, the problem with this is that some customers have neither the time nor the energy to complain about the product, and so just move on to something else. Or even if they would like to complain, they find it a waste of their time thinking that the product can't be changed because of their *one* complaint. When the organization doesn't know the reason why it is losing customers, they can't do anything to make changes to the products or services offered.

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

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

Research:

Some common methods employed by organizations to gather information about customer 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, after visiting the business in secrecy. 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, by telephone, through the post and even in person. However, they need to be expertly-designed to make sure the participants answer everything honestly, as opposed to just ticking boxes at random to get it over with.

Customer Comment (and guarantee) Cards

This method of information-gathering is common nowadays, especially with the advances in technology

allowing for online comments to be transmitted. These 'cards' basically ask the customer to write their opinion about the product and the brand/service in general. However, many customers also choose not to fill these out as they think it's a waste of time.

Offering incentives for filling these cards 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 the organization is offering. Therefore, this method does not always yield accurate results.

Customer Focus Groups

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

Market Research

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

Customer Panels

Customer panels consist of people who give their opinion about an organization's products and services, in order to 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 focuses on data gathered with specific focus on critical incidents – those that involve extreme complaints or compliments for any given reason. They then transform this data into information by analyzing it. This team records customers' experiences 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 experiences with the organization - the 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, they are also very time-consuming.

Product User Groups

These are forums or user feedback groups, created for the purpose of interacting with customers and learning their opinions. These forums help communicate openly with customers and identify their areas

of concern. Such forums have a positive impact on customers as they feel their opinion matters.

Conducting Effective Surveys

As mentioned previously, conducting surveys is very important for determining customer satisfaction levels and obtaining 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 may simply leave it halfway through. Other than this, a survey needs to ask only the most important questions and request appropriate answers. It must feature questions that can be answered honestly by *all* participants. The questions in the survey need to be brief and to the point – nobody likes wasting time on unnecessarily long explanations. The survey also has to be designed not to be monotonous or boring. The overall layout and design of the survey form needs to be eye-catching 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 more detailed problems, other means of information gathering should be used. Surveys should only be used when the customer's basic opinion about a product, service or offer is required, or when the organization needs to check the satisfaction level of its customers. Surveys should be convenient for the customers to participate in, whether online, by phone, in person or by mail.

Effective surveys can help the organization study market trends, study competitors' strategies and find out the customer's needs. Effective surveys can also help facilitate the better provision of customer service, improve marketing and benefits an overall sales strategy.

Further Reading:

- ✓ *Building a Customer Service Culture: The Seven Service Elements of Customer, (2008), By Mario Martinez, Bob Hobbi*
- ✓ *Design of Structural Elements: Concrete, Steelwork, Masonry and Timber., (2009, Third Edition), By Chanakya Arya*
- ✓ *Adobe Premiere Elements For Dummies, (2005), By Keith Underdahl*