



UNIT-1

The Importance of Customer Services

Learning Outcomes

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

- ✓ Discuss what is Customer Services
- ✓ Analyse the Classification of Customer Services
- ✓ Evaluate the important of Customer Feedback and Complaints.

Unit 1

The Importance of 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 centers 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
Reliability	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.
Responsiveness	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.
Assurance	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.
Empathy	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.
Tangibles	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).

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.

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 rate the quality of this service provided by the organization, if the employees are satisfied by the work being done by the organization (in the different departments), they will be satisfied with the services that the organization is offering. For example, if the employees are satisfied with the response time and measures taken in case of emergency situations or 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 get the external customers to try their products and provides the best possible services to make the customers happy. The same cannot be said about the 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, but still 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 strive hard to make the customers happy either. Similarly all the 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 the 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 the 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, 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.

Customer Satisfaction

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

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

Customer Loyalty

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

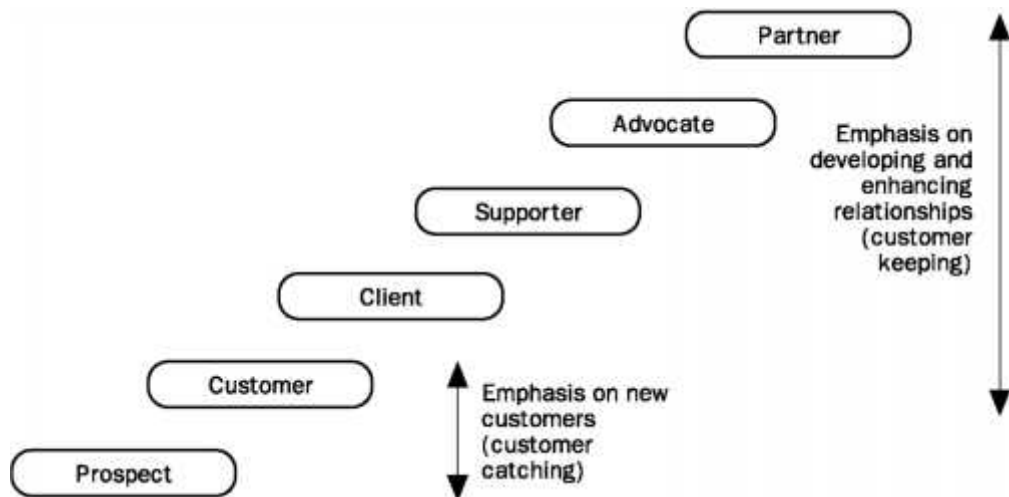
A customer who chooses your product when no better alternative is available is not a loyal customer. The quality of the product as well as good customer service helps make loyal customers.

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 the loyal customers. Whereas, there are others who use the product once and don't like it much so they try others. Another type of customers are those who hate the product and start giving negative reviews.

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

This is explained below:



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 renew 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 furnish lagging indicators of customer loyalty.

Knowing your Customer's Needs and Requirements

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

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 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.

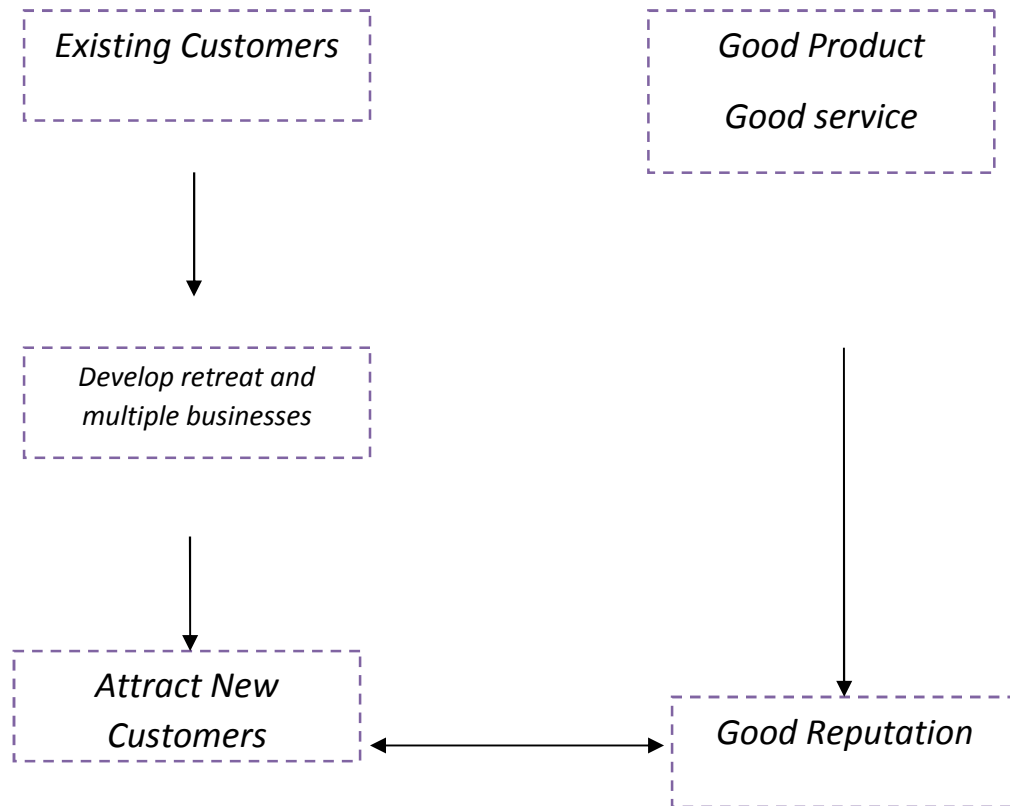
Reasons for Developing long-term Relationships with Customers

Developing long term relations with customers is extremely important for business to find success and make profits. According to rough estimates, it costs almost five times as much to attract and find new customers as compared to serving older ones.

This is because a lot of money needs to be spent in advertising the products and offering bargain deals to attract new customers whereas, older and loyal customers already use the product and trust the services of the brand they use. So, they don't need to be convinced to try it again, they will do that 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:

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



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.

Further Reading: