

4

Customer challenge

Improving customer service

What happens when customer service goes wrong and customers criticize, lose faith and leave? How do you communicate the value proposition to customers? Understanding the nature of your offer and the way you offer it should provide essential clues to addressing the customer challenge.

Quality in a service or product is not what you put into it. It is what the client or customer gets out of it.

Peter Drucker

Here we look at some of the elements of customer service that may need to be addressed to stay ahead of the game and improve customer satisfaction. This theme explores what product and service management means and how it can be improved.

Increasingly legal and ethical dimensions are an area of concern for many customer organisations. Find out how suppliers can turn them into a competitive advantage.

The final stage in the customer service process is to monitor customer satisfaction and after-sales service.

In this theme you will:

- ◆ **Learn about customer satisfaction and what happens when it goes wrong**
- ◆ **Examine how the marketing offer can be improved through products and services**
- ◆ **Understand how legal and ethical issues can be turned to competitive advantage**
- ◆ **Monitor customer value and examine after sales service.**

Products

Coming together is a beginning. Keeping together is progress. Working together is success.

Henry Ford

A product is often more complex than it first appears. Understanding the product and perhaps more importantly, the particular customer needs the product fulfils is crucial to marketing success.

We will look at:

- ◆ the concept of the total product
- ◆ product life cycle
- ◆ product portfolio models
- ◆ what can be done to improve the product?

What is the total product concept?

The total product concept is based on the principle that a product has more dimensions than simply its obvious purpose or function. For example, a motor car is not simply a carriage that can convey its occupants from one destination to another. The motor car is a far more complex product, since in some cases it can fulfil a range of other customer needs including:

- ◆ Security
- ◆ Safety
- ◆ Status

Car manufacturers make an effort to understand the needs of their customers so that they can differentiate their product range to meet the needs of certain target markets. It is important for all manufacturers and suppliers to understand what particular features of a product interest the customer. It is also necessary to establish the key product benefits, which after all are likely to be the main reasons why customers buy a given product or in the event of disappointment fail to buy it.

Three levels of product

Kotler (1996) identifies three levels that make up the total product.

- ◆ The Core Product (the 'inner' basic product or the core benefits and what the customer is really buying i.e. a car or personal transport).
- ◆ The Actual Product (the additional features and associations that come with the product such as styling or quality i.e. a particular brand of vehicle).
- ◆ The Augmented Product (the supplier must offer a complete solution to their transport needs e.g. finance facilities and a warranty period on parts and labour).

The various layers that surround the core product add value to the basic product. The manufacturer or supplier may have identified these additional layers as important or key elements during the marketing research process. These additional product attributes may also create the opportunity for manufacturers and other suppliers of products and services to differentiate their particular offering from that of the competition.

One way of gaining a greater understanding of a product or service and also how to market it effectively, is to view it as a package of benefits. The success of each of the elements in the package needs to be reviewed constantly to see if they continue to match the requirements of customers.

The product life cycle

The product life cycle takes a product from the development of the initial concept to the ultimate withdrawal of the product from the marketplace.

Marketers are interested in product lifecycles because:

- ◆ the right products need to be supplied at the right time
- ◆ the market place is usually competitive and constantly changing
- ◆ the other elements of the marketing mix usually need to reflect the nature of the product and its' particular stage in the product lifecycle.

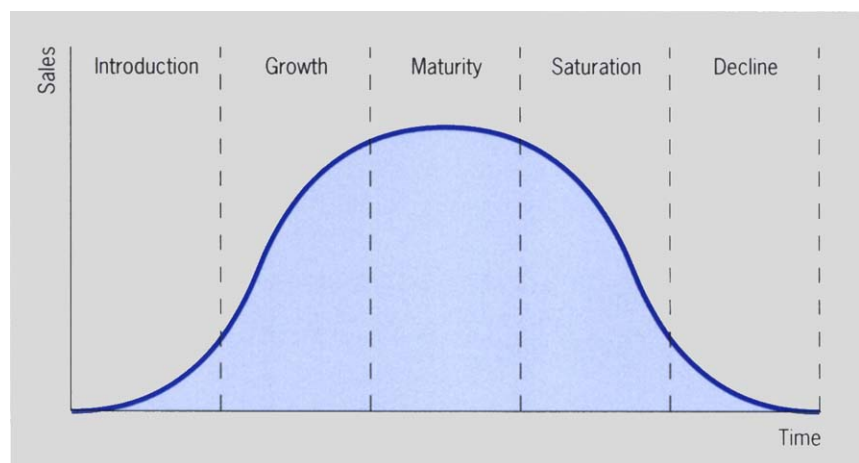


Figure 4.1 *The product life cycle*

At each stage of the lifecycle adjustments to the marketing mix (Promotion, Place, Price, Product) may be required. Some of the possible changes in emphasis involving the 'Promotional' or 'Communications' mix. The other elements of the marketing mix are also likely to need adjustment as the product (or service) moves through the stages of the lifecycle. For example, 'Price' and 'Place' are often likely to need some form of adjustment as the product maturity and as competition increases.

How can products be improved?

The importance of the total product cannot be over stressed. People do not habitually and loyally buy a product just because it is the best on the market. Instead perceptions are framed by a whole range of issues. The role of a manager in reviewing the product offering is to analyse and clearly state the benefits that the customer perceives – which could be anything from prompt delivery to the colour of the packaging. Unless you and the organisation are aware of these benefits, the buying patterns of customers are likely to remain a mystery.

Products and service offers are a balance between the skills and expertise you have to enable you to make the offer and the benefits of your offer as perceived by the customer. The improvement of product and service offers centres on the need to gain an accurate understanding of the changing needs of your customers as well as the provision of quality and value for money.

For instance, a customer may be attracted to your product based on price. Your organisation delivers the product on time and in good condition. Your customer comes to rely on the accuracy of your delivery and the condition of the goods. Price may not then be the principle concern of the customer. The changing nature of the relationship needs to be explored with the customer to ensure that you can continue to deliver the product they want on time.

This illustrates the complex nature of the product that is at the same time a tangible item and a set of relatively intangible services. It may well be the services that need to be adapted, rather than the product.

Services

Marketers of services are faced with an even greater challenge than marketers of tangible products. A product can be demonstrated to a potential customer who can also try it out, to see if the product meets the claims of the manufacturer or retailer. Services on the other hand cannot always easily be demonstrated and sometimes the only time a service can be experienced, is after the sale. Customers are therefore often likely to be more cautious when considering whether or not to sign up for a new service.

The product-service continuum

The term 'service' is rather general and can be interpreted in many different ways. For example, a service can be pure in the sense that it stands completely alone, or it can be provided in support of a physical product.

Although some pure services and some pure products do exist, in reality it is not always easy to distinguish a product from a service. In most cases, the offering provided by a supplier is actually made up of a combination of both a product and a service, as indicated in the diagram below.

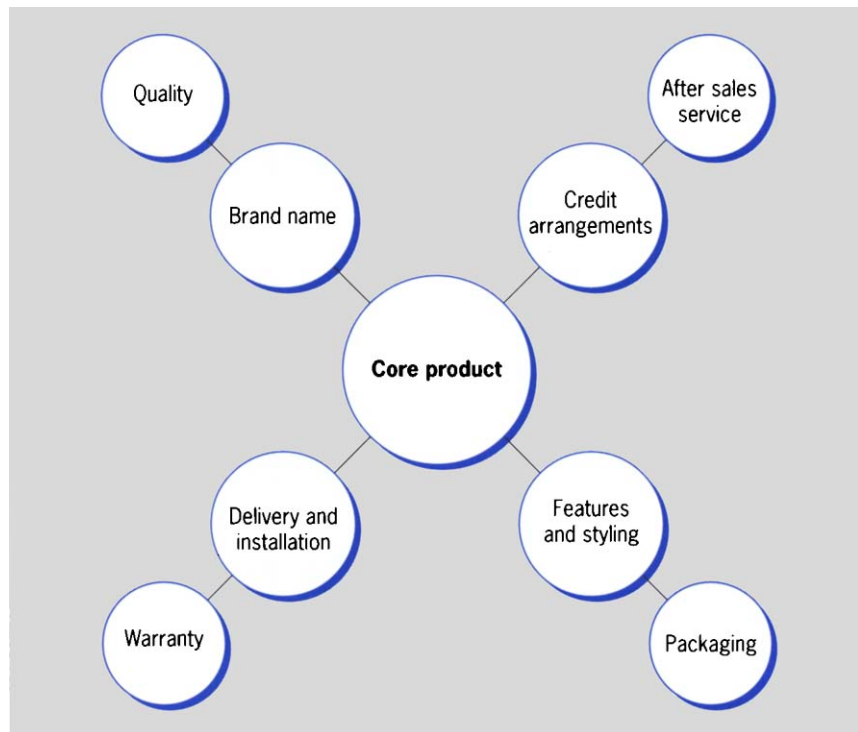


Figure 4.2 *The product-service offering*

Source: Kotler et al (1999)

In reality there is no firm dividing line between physical products and services, partly because everything has a service element, but mainly because, from the consumer's viewpoint, a product or a service may fulfil the same particular needs. For example, purchasing a new jacket may be as much of a spirit-raiser as going out on a night on the town.

Service characteristics

Because a service cannot usually be fully experienced prior to the purchase decision, consumers are likely to be far more cautious when making a service purchase decision. This of course often makes marketing a far more challenging activity for marketers of services e.g. holiday tour operators and financial services companies.

Although there are different service categories as indicated above, services share the following common characteristics:

Intangibility

Services, especially pure services do not have a physical dimension. If something cannot be seen and touched, it is difficult to demonstrate its inherent quality. Marketing communications involving services therefore need to ensure that the features and benefits of the service are communicated effectively to the target audience. Building trust and a positive image as the supplier of services, is also an important part of service marketing.

Inseparability

Inseparability means that the production and consumption elements of a service cannot be separated. As the elements of production and consumption are linked, it is not really possible to fully demonstrate a service. The customer will only know for sure whether or not he or she is satisfied, after the service has been completed.

Variability

Variability (or 'heterogeneity' as it is sometimes known) can be associated with the delivery of services, because services are usually highly dependent on the performance of people. Since it is more difficult to achieve total consistency when people are involved in a delivery process, levels of service and quality standards may vary, even within the same organisation.

Perishability

In the case of a service, 'perishability' refers to the fact that many services are only available for a given time. Trains, buses, cruise ships and planes have to depart at a given time and if all the seats or cabins are not fully booked at the time of departure, revenue can be lost. The perishability aspect means that organisations must consider pricing carefully and develop pricing structures to encourage bookings while maximising profits.

Lack of ownership

Since a service is not possessed, its existence and also its benefits can therefore easily be forgotten by consumers. Suppliers of services also cannot repossess a service if the customer fails to pay for it after it has been consumed. Marketing communications associated with services therefore need to address a number of issues, such as promotion of the advantages of non-ownership in certain cases, or by constant reinforcement i.e. reminding customers of the existence of the service via appropriate and timely communications.

Defining service characteristics in this way can help us to understand the nature of the service provided. This in turn helps us to understand barriers to customer satisfaction. So if a customer is looking for consistency of service and finds variability, the service offer may need to be adapted to provide more consistency, or expectations may need to be addressed. Service characteristics are also useful in providing clarity about the service levels being provided, both for employees and customers.

How can services be improved?

In common with products, services can be improved by developing trust with customers and communicating with them sufficiently to understand what elements of the service they perceive to be of most value. The process for service improvement involves the following:

- ◆ Identifying the key service issues.
- ◆ Measuring customer preferences for the service.
- ◆ Benchmarking the service against competitors.

Once the service improvements likely to make a difference have been identified, there are a number of options for differentiating the service from competitors and raising its perceived value. These include:

- ◆ customisation to the exact requirements of the customer
- ◆ configuring the product or service to meet specific performance criteria
- ◆ benchmarking processes to raise the standard of operations and delivery
- ◆ defining service quality
- ◆ monitoring the process of delivery
- ◆ monitoring employee and customer satisfaction feedback.

These processes underpin the development and growth of products and services and the quality of delivery. Service quality and delivery are explored in more depth below.

Activity 11

Products and services

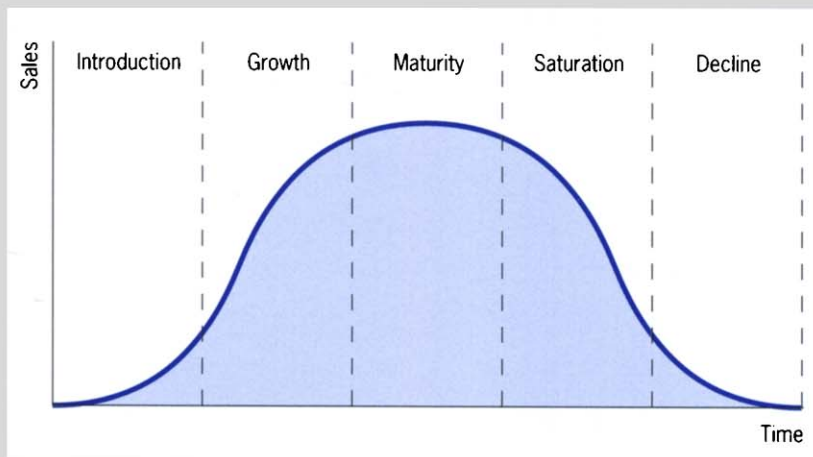
Objectives

This activity will help you to:

- ◆ apply product life cycle theories to your organisation's offer, highlighting any needs to review products or services
- ◆ review the process used to design and develop products and services including the need to test before entering the market.

Task

- 1 Identify how the product life cycle applies to your organisation's service or product offer.



- 2 Create a diagram to illustrate how products and services are designed, developed, piloted and launched in your organisation. An example is given below for an Internet financial service.



Feedback

The product life cycle illustrates the dynamic nature of the market and the predictions required of all managers in the organisation to keep ahead of the game. The essence of the life cycle is to forewarn of the need for changes and updates in product and service offerings. We can all think of occasions when a product or service has been continued for too long without the necessary injection of innovation.

Identifying the way products and services are updated and renewed in your organisation is important if you want to have a say in what the organisation provides. It is useful to be able to represent it pictorially. This may help you to explain it clearly to colleagues or your team.

Keeping the customer satisfied

Keeping the customer satisfied means understanding whether their expectations are being met and where possible striving to meet those expectations. Communication is at the heart of this process. Communication can of course take various forms and could be defined as the process of exchanging information or ideas, through the use of language, symbols, signs, behaviour, or through any technological means that result in an exchange process.

The 'Communications Channel' is the specific route we use to convey a message to the target audience. The route or channel may be traditional, such as via a 'face-to face' conversation, or it may involve the use of new technology, such as email.

Communication channels include:

- ◆ Advertising
- ◆ Brochures
- ◆ DVD
- ◆ Email
- ◆ Face to face contact
- ◆ Internet
- ◆ Instant messaging
- ◆ Letters
- ◆ Messaging forums
- ◆ Newsletters
- ◆ Telephone
- ◆ Text messaging

The medium used needs to match and access target customers precisely to be effective. More and more data is stored by organisations about customers, which supports very tightly focused communication techniques.

Communicating the value proposition and improving customer satisfaction

Customer satisfaction can be improved in a number of ways. The following are some of the key ways to communicate the value proposition of your organisation.

CRM

Customer Relationship Management is based on principles of effective data exchange, the purpose of which is to manage the total customer. By analysing trends and buying patterns, it should be possible to predict changes in behaviour more rapidly and to respond with new or adapted offers. It should also be possible to maintain consistent and updated data on customers to facilitate communications between the customer and a range of customer service employees. CRM can facilitate the process of one-to-one marketing – dialogue marketing. The employee has a full record of customer interactions on the screen.

Getting close to customers

Retention of customers has proven to be the most cost effective way of selling products and services. Achieving this and attracting new customers is all about getting close to them and understanding their motivations and their complaints.

A company that isn't there to hear the complaint of their customer won't learn the important lessons for improvement of their product or service.

**I won't complain. I just
won't come back.**

**Brown & Williamson
Tobacco ad**

Standards of service

Clarity of purpose for both employees and customers is paramount in the battle to balance perceptions and expectations. Employees need to know exactly what standards of service they are working to and customers need to know exactly what standards of service they can expect to receive.

A typical example illustrates this principle from the UK Inland Revenue:

Responding to post

We aim to respond fully within 15 working days. Our target is to achieve this in at least 80% of cases. Where we cannot do this, we will let you know the reason for the delay and tell you when you can expect a full reply.

Attending to callers

We aim to see everyone who calls at our Inland Revenue Enquiry Centres without an appointment within 15 minutes. Our target is 95% of callers. In addition, if you have an appointment you should not have to wait more than 10 minutes.

Source: www.hmrc.gov.uk/servicestandards/standards.htm

Centrica publicise their standards for customer relations:

Customer relations

We are committed to ensuring all our customers receive the best possible service. However, we recognise that on occasions, some of our customers experience problems.

We recognise that complaints are a valuable form of feedback on our service delivery. We therefore use this direct feedback to identify the root causes of complaints and ensure that improvements are made to our processes for the long term.

Through regular dialogue with our customers, we understand what the important factors are when dealing with organisations.

These are:

- ◆ we will listen to, understand and care about why you are dissatisfied
- ◆ we will endeavour to resolve your problem at the first point of contact that you make with us
- ◆ we will take ownership of your complaint to ensure resolution
- ◆ we will offer fair solutions quickly.

It is our aim to continually improve our service delivery to develop long-term and loyal relationships with all customers in all our businesses.

Source: www.centrica.co.uk/index.asp?pageid=33

In making its standards public Centrica is demonstrating a commitment to the public they serve and qualifying the way they will deal with complaints. This sends out a powerful message of commitment and clarity in their dealings with customers. This is what they will be measured on.

Training

An essential part of any customer service practice is employees' knowledge of what they can do to satisfy and rectify customer problems. Training is a fundamental tool to develop employee capabilities and understanding about what the customer is looking for and what they value. Employees need to know what resources are available to them to help satisfy customers' requirements and at what point they need to let customers go. Training can help employees to identify and implement clear and effective processes to support customers and sort out their problems without the problems escalating. Finally training needs to help employees in all areas of the organisation recognise problems, monitor customer feedback and understand how they can contribute to the solution.

Employees need to be encouraged to ask questions, provide feedback on all aspects of customer interactions and maintain records. In doing so they need to identify their own learning needs. The ability to codify and pass on the information learned throughout the organisation will create a framework for knowledge management and corporate learning.

Reward structure

Rewards have been traditionally given for sales against targets and in the form of commission or bonuses. Sales measured purely against revenue and balanced against costs create a culture that emphasizes transactional or short-term sales and competition amongst sales staff. With the recognition of the value of long-term relationships, partnerships and repeat business has come detailed consideration of the most appropriate reward structures.

Customer and market orientation mean that it is no longer really appropriate to limit commission and bonuses to front line staff. Internal customer relationships need to be nurtured and recognised. Longer-term client relationships feature in the climate, as do integrated partner relationships. The environment is not a simple one of reward for sales made, it is a much more complex network of interpersonal skills and clarity of purpose.

As such rewards are changing and recognition may be in the form of changes of role, training as a benefit, equipment, flexible working arrangements, cultural changes that praise, value and respect people, communications that recognise achievement. An example from Rhone Poulenc illustrates how a reward system based on sales achievement was ultimately counter-productive to the growth and development of individuals.

'People were almost totally focused on what their performance meant in terms of money. This hindered healthy, productive discussions on performance issues. In the new system, no one will be judged with a performance label. They will be given feedback geared toward development and improvement.'

Source: www.performance-appraisals.org/cgi-bin/links

Key Point: Feedback and appropriate performance appraisal can be a key tool in the reward and motivation process that benefits both the individual and the organisation.

Complaint analysis – dealing with complaints

Analysing and dealing with the complaints of customers may seem a very obvious technique for improving customer satisfaction. It is one however that is usually handled inconsistently and without sufficient attention. True collation and analysis of complaints tends

to be inconsistently performed in many organisations. Ad hoc arrangements may exist which will deal with the complaints of the 'loudest' customers, but rarely are employees incentivised to encourage feedback and by default complaints from customers. CRM highlights this as an opportunity for dialogue with customers and as such should highlight the crucial contribution customer complaints can make to the development and adaptation of products and services.

Dealing with complaints is a difficult process but can be made easier for front line staff if they know that the information will be valued by the organisation. Given this context, employees are likely to be more receptive, less defensive and friendlier in their attempts to diffuse difficult situations. Where complaints are valued clear processes are likely to be in place to empower staff to take remedial action.

Partnership arrangements – structural ties

Structural ties within vertically integrated partner organisations are possibly one of the strongest ways to support improvements in customer satisfaction. In this situation, both companies are working towards the same goals, in the same environment. They will have empathy for each other's situations and find ways of working through difficult situations if they have been set up appropriately.

Publicising successes

The power of after sales reinforcements cannot be underestimated. Even a customer with a complaint is more likely to be understanding if they believe that they have essentially made the best purchase decision for them. Publicising relationships and successes that reinforce faith and trust in the supplier are an effective means of complaint management.

Reinforcement of buying decisions

Reinforcement of the buying decision can be effected in a number of ways. It will serve to prevent the customer from falling into buyer's remorse – a perception of having in some way been ripped off – it may also lead to customer recommendations. Both are very effective marketing devices for future sales from the same customer and from new customers.

Examples of reinforcements include:

- ◆ asking for customer satisfaction surveys to be completed
- ◆ asking for feedback
- ◆ listening to the customer about any concerns
- ◆ press coverage of the deal or other similar deals with satisfied customers
- ◆ keeping in touch through newsletters or emails

- ◆ benefits or perks associated with the purchase – including upgrades or fixes.

Message management

Message management is essentially part of customer relationship management. It is concerned with co-ordinating all communications with customers. This is vital in large organisations where there could be many customer contacts and many points of contact from the supplier. Co-ordination looks more professional and can save both customer and supplier time, effort and money.

Legal, ethical and environmental considerations

Customer satisfaction is no longer simply about the supply of an appropriate product or service in the right time, at the right place. Changes in the buying process now mean that organisations acting as both suppliers and customers need to highlight their green, ethical or legally compliant credentials. These are passed up the supply chain and represent a significant value added element for the end user. We look at this area in more detail below.

Legislation and ethics

Legislation and ethics in the business arena mean more than compliance with accepted norms, guidelines and regulations. Companies now see them as part of the marketing mix and are prepared to promote them heavily. But first let's have a look at the kind of legislation that can impact on the marketing process.

Acts of Parliament

Acts of Parliament in the UK cover such things as labeling of goods and advertising of foods, the provision of remedies that do not match the descriptions or claims made for them, 'sale' goods and prices, buying on credit, guarantees and conditions of sale. It is important for any organisation to be explicit and clear about claims made for goods and services and to get legal advice about all claims made.

Managers need to be aware of their customers' rights and how these rights limit what you are able to do for customers.

Copyright and IPR

These are areas of the law that are increasingly blurred by advances in Internet technologies and the sharing of information.

Nevertheless, they continue to be the framework for many organisations in a variety of sectors that rely on patents, copyrights and intellectual property not only for income, but also for differentiation from competitors.

Data protection

Many organisations, especially large companies in the financial services and leisure and tourism sectors now use the latest technology and systems to capture, store and analyse data. Often a considerable amount of emphasis and attention is given to the mining of the data, while perhaps the issues surrounding use of the data and the legal issues associated data protection are given less attention or are less well understood. It is therefore usually beneficial when the senior management of an organisation takes a keen interest in the way managers within the organisation use and manage data.

An example serves to illustrate just one element of the law associated with Internet use.

The UK Privacy and Electronic Communications Regulations (2003) law limits the use of 'cookie'. It states:

'a person shall not use an electronic communications network to store information, or to gain access to information stored, in the terminal equipment of a subscriber or user unless the following requirements are met'.

The requirements are:

'(a) the user is provided with clear and comprehensive information about the purposes of the storage of, or access to, that information; and (b) is given the opportunity to refuse the storage of or access to that information.'

Equal opportunities

Discrimination and equal opportunities legislation have made an enormous impact on the way businesses operate and behave. This has developed to the extent that organisations are keen to publicise their commitment to equal opportunities and recognise diversity as a powerful force for competitive advantage.

Health and safety

Health and safety is of concern to us all. It impacts at every level in the community. This is reflected in the negative effects of any health and safety breach on marketing efforts. Most customers would prefer to be put to some slight discomfort for the sake of health and safety than question the credentials of a supplier.

There are a large number of regulations and codes. Some of these are set by the government, and some by other organisations (for example the Advertising Standards Association). The Chartered Institute of Marketing (CIM) make the point that:

Just in the last year, 21 new Acts, regulations or amendments that directly affect marketers in their daily activities have been passed in the UK alone. In addition there are a further 10 Bills before Parliament in 2005-6 that will directly affect marketers if they are passed, including the Consumer Credit Bill, the Equality Bill, the Fraud Bill, the Occasional Sales Bill, the International Development (Anti-corruption Audit) and the London Olympics Bill.

And as the global marketplace becomes smaller, and more business is conducted via the Internet, marketers have to have increased knowledge of laws in other countries too. Across the marketing community, who can honestly say that they are fully aware of the extent of the legislation that can affect their work, and that they regularly check to make sure their marketing activities don't flout any of the regulations that exist?

Source: CIM Insights Team www.wnim.com/archive

The message is that marketers and managers alike need to take notice of legal restrictions and take expert advice to ensure that they don't send out messages that fall foul of the law or waste valuable resources.

Compliance is a good thing

On a more positive note, the CIM is keen to emphasise how compliance with the law is seen by customers generally to be positive.

So the word is out there! Compliance to the increases in new legislation, which is all too often perceived as an extra and sometimes as an unnecessary burden upon business, needn't be seen as costly or resource draining. New legislation offers many opportunities to present your company as one that practices and preaches Corporate Social Responsibility, one that includes staff in much of the decision-making processes that help to drive a business forward.

Source: www.wnim.com/archive

BP have addressed the issue of compliance and green issues head on with a stated code of conduct:

The code of conduct covers five areas:

- ◆ health, security, safety and the environment – including basic health, safety and environmental expectations along with some fundamental rules
- ◆ employees – covering fair treatment and equal opportunity, providing guidance for dealing with cases of harassment or abuse and highlighting our support for the abolition of child labour
- ◆ business partners – providing detailed guidance on the giving and receiving of gifts and entertainment, conflicts of interest, competition, trade restrictions, money laundering and working with suppliers
- ◆ governments and communities – covering such areas as bribery, money laundering, dealing with governments and political activity
- ◆ company assets and financial integrity – containing guidance about the use of company property, proprietary information, intellectual property, insider trading and data and digital systems.

The perception among customers is likely to be that BP is taking its corporate social responsibility seriously and this is reassuring. What is more prime time TV advertising is being used to reinforce the message with the general public.

Our global advertising programme explains how we are acting on the challenges of climate change, energy security, new sources of energy and our ecological footprint.

Source: www.bp.com

Good reasons for environmental awareness

There are good reasons for promoting environmental and socially ethical credentials and these are linked to actual changes in production and delivery of goods and services. Organisations are recognising the limited supply of most natural resources and their role in preserving resources.

- ◆ Environmental marketing is perceived to be an opportunity that can be used to help achieve objectives.
- ◆ Organisations believe they have a moral obligation to be more socially responsible.
- ◆ Governments are forcing firms to become more responsible through regulation.
- ◆ Organisations change to environmental marketing activities in response to pressure from competitors' activities .
- ◆ Organisations have modified their behaviours in relation to waste disposal or reducing wastage in the production process principally to reduce costs. They are keen to publicise these waste reductions.

Activity 12

Techniques for keeping the customer satisfied

Objectives

This activity will help you to:

- ◆ identify a range of methods to help keep the customer satisfied
- ◆ consider the potential for legal compliance and ethical values in a marketing context.

Task

- 1 All of the following techniques can be used to help organisations keep customers satisfied. You may be able to think of more. From the list, indicate in the second column those that you currently use in your organisation. In the third column indicate any that could help you work more effectively with your customers.

| <i>Techniques, strategies or systems to keep customers satisfied</i> | <i>Used now</i> | <i>Potential for the future</i> |
|--|--------------------------|---------------------------------|
| CRM | <input type="checkbox"/> | <input type="checkbox"/> |
| Getting close to customers | <input type="checkbox"/> | <input type="checkbox"/> |
| Standards of service | <input type="checkbox"/> | <input type="checkbox"/> |
| Training | <input type="checkbox"/> | <input type="checkbox"/> |
| Reward structure | <input type="checkbox"/> | <input type="checkbox"/> |
| Complaint analysis – dealing with complaints | <input type="checkbox"/> | <input type="checkbox"/> |
| Partnership arrangements – structural ties | <input type="checkbox"/> | <input type="checkbox"/> |
| Publicising successes | <input type="checkbox"/> | <input type="checkbox"/> |
| Reinforcement of buying decisions | <input type="checkbox"/> | <input type="checkbox"/> |
| Message management | <input type="checkbox"/> | <input type="checkbox"/> |
| Legal, ethical and environmental considerations | <input type="checkbox"/> | <input type="checkbox"/> |
| ◆ Environmental marketing is perceived to be an opportunity that can be used to help achieve objectives | <input type="checkbox"/> | <input type="checkbox"/> |
| ◆ Organisations believe they have a moral obligation to be more socially responsible | <input type="checkbox"/> | <input type="checkbox"/> |
| ◆ Governments are forcing firms to become more responsible through regulation | <input type="checkbox"/> | <input type="checkbox"/> |
| ◆ Organisations change to environmental marketing activities in response to pressure from competitors' activities | <input type="checkbox"/> | <input type="checkbox"/> |
| ◆ Organisations have modified their behaviours in relation to waste disposal or reducing wastage in the production process principally to reduce costs. They are keen to publicise these waste reductions. | <input type="checkbox"/> | <input type="checkbox"/> |

2 What standards of service for customers exist in your organisation? How effectively are they met?

Feedback

Your responses will be individual to your organisation and you may very well have some techniques to keep customers satisfied beyond those listed. Talk to colleagues about any that you think might have potential for the future. Think about the particular issues that you face in terms of attracting, keeping and growing customers. These will have an impact on the types of strategy that you use.

When devising strategies to keep your customers satisfied, you need to know what you are trying to achieve. This can be defined in terms of the standards of service that you would expect to receive as a customer. Are these adequately defined in your organisation? Consider what you could do to make them clearer to your customers (internal or external) and to your team.

Monitoring and reinforcing customer satisfaction

Monitoring and reinforcing customer satisfaction involves:

- ◆ understanding the expectations of customers
- ◆ measuring customer satisfaction
- ◆ reinforcing the benefits of the relationship.

Understanding the expectations of customers

Proctor (2000) discusses the factors that influence expectations. Generally, customers measure their experiences against a benchmark of the service that they expect to receive. Expectations are comprised of what customers expect will occur and what they desire from an encounter. An encounter above these levels is likely to delight the customer and below these levels will make the customer dissatisfied. A number of factors influence expectations including:

- ◆ the personal needs of the customer
- ◆ alternative services or products considered
- ◆ specific promises made by service providers in a bid to win the business
- ◆ past experiences.

It is generally recognised that customer expectations rise with time. An effective sales process will surface all the issues associated with a customer's expectations. This should help the process of meeting those expectations.

Measuring customer satisfaction

The SERVQUAL model has become the most popular measure of customer satisfaction levels over the past decades. The authors Parasuraman et al (1988) argue that in order to balance customer perceptions and expectations the supplier needs to:

- ◆ know exactly what customers expect
- ◆ set proper service quality standards
- ◆ support employees in delivering quality service
- ◆ never over-promise.

The SERVQUAL model measures service quality over five service quality dimensions:

Tangibles – the appearance of the physical facilities and materials related to the service

Reliability – the ability to perform the service accurately and dependably

Responsiveness – the willingness to help customers and provide prompt service

Assurance – the competence of the system and its security, credibility and courtesy

Empathy – the ease of access, approachability and effort taken to understand customers' requirements

These dimensions have broadly stood the test of time in terms of defining customer service quality. The aim is to test the key aspects of an organisation's skills, capabilities, resources and commitment to service. The SERVQUAL tool is designed with 22 questions to identify gaps in each of these areas, which can be used to address service quality.

Customer surveys

Customers need to supply feedback if service or product quality is to be improved. Customer surveys in a variety of forms are useful tools to support measurement of customer satisfaction.

Complaint and suggestion forms of one way of surveying customers, but these are most likely to be used by customers after a dissatisfying event. Some organisations take a pro-active stance and call customers after a purchase or service delivery to ask whether they are satisfied.

Customer satisfaction surveys involve identifying the factors important to the customers, assessing their relative importance and assessing performance against these factors. Amazon and eBay have built customer satisfaction ratings into the sale of marketplace goods. The ratings provided by customers are an integral part of the service delivered and provide reassurance to the customer of the reliability of external suppliers.

A formalised approach to the capture of feedback from customers or potential customers is marketing research.

Marketing research

Marketing research ultimately provides information to support marketing decision-making. Different types of marketing research provide marketers with a wide range of data that can be used to gain competitive advantage.

The research process

To be effective, marketing research should be appropriate, systematic and objective. The research process usually follows the sequence below:

- ◆ Identify the problem (specify the research aims and objectives).
- ◆ Determine the research method (e.g. 'secondary' or 'primary' research or both).
- ◆ Design the method of data collection (e.g. to be captured via observation or questionnaire etc).
- ◆ Decide on sample (sampling frame, selection process and sample size).
- ◆ Collect data (e.g. via researchers or existing sales force).
- ◆ Analyse and interpret data (possibly involving editing, coding and tabulation).
- ◆ Prepare the research report (the document submitted to management).

Some examples of research methods include the following:

- ◆ Undertaking surveys to obtain a wide range of customer feedback involving the use of 'face to face' questionnaires, postal questionnaires, telephone questionnaires and Internet-based questionnaires.
- ◆ Using different types of response forms or cards e.g. 'customer guarantee cards' to collect additional customer data, to enable detailed customer 'profiling'.
- ◆ Testing out various new ideas involving experimentation or observation e.g. testing customer reactions to packaging using special eye movement devices, or testing proposed new advertising ideas or promotional techniques.
- ◆ Working with focus groups made up of small numbers of consumers who may or may not represent the potential target market, but who provide useful qualitative feedback (usually relating to their views about a product, service, advertisement or even packaging).

What is the real value of customer research?

The real value of the research is to find out what your customers really think and in what directions they are heading so that you can provide new products or services or adapt existing ones to meet changing needs.

Due to the development and rapid adoption of new technologies, the speed at which the commercial world moves today makes it difficult for individual consumers or even some corporate customers to know what they actually want or need at any given time. If asked about their needs, some customers would be extremely hard pressed to provide a meaningful answer, because they are not always able to

keep up with the rapid developments outside their own area of operation. Research needs to adapt to provide a model that informs about perceived needs, future needs and current criticisms of the product or services being offered.

Research cannot provide the answers, but it should provide clues as to current thinking from customers. It is a starting point that leads on to prototyping, piloting and testing new ideas in the market. In certain industries, some customers are now looking more and more to their suppliers for advice and also for inspiration and this can become a major factor when determining which is the best or most appropriate supplier. This also means that some suppliers must be far more pro-active than they have ever been in the past if they wish to remain competitive and take full advantage of the opportunity.

Reinforcing the benefits of the relationship

Communications with the customer do not stop at the sale. All organisations need to consider and plan the after sales service that they provide to customers. This will help to head off any complaints, promote feedback and keep the channel open for future sales.

After a major capital purchase in particular cognitive dissonance is likely to occur. This is sometimes known as 'buyers remorse'. It centres on the notion that the chosen option will have some unattractive features, while rejected options will have some attractive features. Frequently a decision-maker will seek information to reinforce or justify the purchasing decision and will filter information that is favourable to the decision. Lancaster and Reynolds 2005 identify the marketing implications.

The major implication of dissonance theory is that for existing brands in the repeat purchase market the role of advertising is essentially defensive. It should seek to maintain the brand within the buyer's choice portfolio and be aimed at existing users of the brand who are aware of the brand and who have formed positive attitudes towards it... Repetitive reassurance advertising should therefore, reinforce the continuation of the buying habit in the face of competition.

Source: Lancaster p192

Customer relationship management (CRM) systems will also support the process of after sales service arrangements. Knowledge of the customers' buying patterns and habits will be invaluable. Supermarkets are increasingly making use of the information that we let them hold about our buying habits to help them target new products and discounts.

There are other factors associated with reinforcing the benefits of the relationship. As we saw earlier, customers are looking for integrity and may demand high ethical values, and environmental awareness. Customers are increasingly looking for longer-term relationships where they can demand transparency and open information from suppliers.

Internal marketing will support processes of reinforcement and add credibility to messages from the supplier. Employees basically want to be proud of the service and products they provide and will talk more effectively if they trust their employers.

Perhaps the worst scenario for any organisation is a product or service failure. Marketing planning needs to have in place clearly defined messages to communicate and mitigate the situation. Employees need to know how to respond, what actions they can take and that there is a process in place to help sort it out. Customers need to know that the supplier is listening and reacting appropriately. These are important after sales messages.

Activity 13

Customer satisfaction

Objectives

This activity will help you to:

- ◆ review your current service levels for customer complaints
- ◆ evaluate options to improve the offer
- ◆ examine ways to monitor and evaluate customer satisfaction.

Task

- 1 Outline one or two occasions where a customer has complained and how it was dealt with.

- 2 Describe three ways you could jointly work with a customer to resolve a difficult situation – this could be an internal or external customer.

3 What could have been done more generally to improve the situation?

- Product changes
- Service changes
- Legal issues
- Ethical issues
- Communications
- Monitoring of customer service levels
- After sales service

4 Write some brief notes on the processes and techniques used in your organisation to monitor and evaluate customer satisfaction.

Feedback

Monitoring and evaluating customer service relies on information and feedback from your customer. Do you have adequate systems in place to capture that information and if so does the organisation make the most of it to:

- ◆ show that you are listening to your customers?
- ◆ improve products or services?
- ◆ make changes to systems or processes?

Are staff encouraged to gather the information and if necessary rewarded for doing so?

Action list

Review the activities you have completed for this theme and write down any action points that you can use to support you and your team in creating or improving the market or customer focus in your organisation.

◆ Recap

Examine how the marketing offer can be improved through products and services

- ◆ Products and services need to be dynamic to operate in a changing environment. There are a number of factors that impact on the way products and services change through time. These include the product lifecycle, social and environmental changes, competition and customer expectations. Looking at the total product concept can be a useful way of keeping the product and service offer up to date.

Understand how legal and ethical issues can be turned to competitive advantage

- ◆ No longer are legal and ethical issues merely a matter of compliance. Customers satisfied by the overall quality of the offer may be looking at other factors in their buying decision. Factors that are important include the environment in which the product is grown or manufactured, the health and safety record of the organisation, environmental credentials, renewable sources and the potential for using recycled resources.

Monitor customer satisfaction and examine after sales service

- ◆ Customer satisfaction needs to be constantly evaluated. The keys to doing this are setting standards so that employees understand clearly what they are expected to do, and gathering and capturing feedback from customers. A company must show that they are not only listening, but making changes in the face of feedback.

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Parasuraman, A., Zeithaml, V. A. and Berry, L. L. (1988), 'SERVQUAL: a multiple item scale for measuring consumer perceptions of service quality', *Journal of Retailing*, 64 (1): 12-40
This is a classic text on measuring service quality providing key indicators and a means of interpretation.

Kotler, P. and Keller, K. L. (2005) (12th Edition) '*Marketing Management*', Prentice Hall
Marketing Management is a resource designed primarily for future marketing managers. The twelfth edition incorporates new material brand management and includes strong sections on connecting with customers and communicating value.

McDonald, M. and Wilson, H. (2002) '*The New Marketing*', Butterworth-Heinemann
The New Marketing presents a comprehensively revised blueprint for the marketing process affected by technological developments and the associated 'information revolution'. Built around the leading concept of a value exchange with customers, it provides essential advice on how to harness the latest technology and incorporate it effectively into marketing practice.