Winning Customers Through Superior Service

Expert knowledge means success

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Introduction

The last 10 years has been characterised as the service decade for businesses worldwide. Bad service can drive customers out of the door and adequate service will give them a reason to stay, but great service will cause customers to seek you out. The question is: How does a business develop great service?

The answer is not complicated: make service a priority and focus on delivering great service consistently. However, as with many ideas, turning service into an organisational value is difficult to implement. This Publication[1] looks at the elements of a great customer service system:

- The foundations: service reliability, service leadership and a service infrastructure;
- Strong service recovery; and
- Tools for implementation.

Providing great service requires support from management and a willingness to focus on the customer. Great service is an asset to any company and both product-based and service-based businesses can benefit from a stronger focus on customer service. The ideas from this report will help to guide your own service quality program.

Laying the foundations

The first questions to be answered are: What is service quality from the customer's viewpoint and how do customers judge the quality of a service? Other questions are: how should the firm view service quality and what measures should be used to control service quality?

The Customer's Perspective

Five general dimensions that influence customers' assessment of service quality are:

- Reliability: The ability to perform the promised service dependably and accurately;
- Responsiveness: The willingness to help customers and to provide prompt service;

- Assurance: The knowledge and courtesy of employees and their ability to convey trust and confidence;
- Empathy: The provision of responsive, individualised attention to customers;
- Tangibles: The appearance of physical facilities, equipment, personnel, and communications materials.

Reliability primarily concerns the service outcome, while the other factors address the service process. Three of the four process dimensions - responsiveness, assurance and empathy, are directly related to human performance, which indicates the importance of employees to service quality.

The most important factors are reliability and responsiveness. Reliability is extremely important because a customer's basic expectation is that the service will be performed correctly, or that the product will perform as promised.

For example, in the case of an accounting firm, the customer's basic expectation is that his or her income tax form will be prepared correctly. If the accounting firm consistently makes errors, the customer has little reason to remain, no matter how courteous the staff is - the cost to the customer of the poor execution is too high.

Responsiveness allows the firm to show the customer that he or she is important and appreciated. Customers base their opinion of service quality on a limited number of encounters with the firm - therefore it is important to make each encounter a positive experience.

The Firm's Perspective

From the firm's perspective, managers need a measure of service quality effectiveness. This can encompass such measures as percentage of failures.

Managers should focus on the absolute number of service quality failures. That means counting the number of times products or services failed to meet the company's standards. For products, this could include (1) the mean time between failures or (2) the failure to meet performance standards.

Service quality failures include below-standard service response time and taking too long to complete the transaction.

Focusing on the absolute number of failures instils an attitude of service excellence and minimises the number of unsatisfied customers.

Benefits of Service Reliability

Service reliability delivers four key benefits:

- More business from current customers;
- Word of mouth marketing;
- Premium pricing opportunities;
- Reduce costs from redoing the service.

The company's goal should be to aim for 100% service reliability. This will allow the company to fully exploit all of the benefits.

Premium pricing and more business from current customers are the biggest benefits from service reliability because they have the greatest potential to significantly improve the firm's profits. Word-of-mouth marketing and reduced costs will all favourably impact profits, but not in a dramatic way. Premium pricing allows a firm to charge higher prices and earn larger gross margins from all customers, thereby significantly increasing profits. The goal is to provide a valuable service to the customer.

For example, a car dealership can offer to pick up customer's cars for servicing, provide loaner cars while the customer's cars are in the shop, have its salespeople be friendly and cordial to customers, keep in touch with customers via cards, news of events at the dealership, and deliver prompt "no questions asked" service. This type of service quality offers a great deal of value to a certain segment of the market, which will be willing to pay premium prices.

More business from current customers has the effect of increasing revenues across the board. This effect is considerable when the customer's relationship with the company extends over several years.

Service Leadership

It is critical to provide strong leadership in implementing a renewed focus on customer service. Depending on the company, employees may have seen several plans come and go, and management may mean well, but fail to implement its plans wholeheartedly.

Top managers who are leaders in service quality:

- View 100% service reliability as an achievable goal;
- Frequently and effectively communicate this belief firm-wide;
- Reward error-free service; and
- Strive for continuous improvement.

The same is true for service quality as for any other program; without management support it will die on the vine. This does not mean that management must focus on service quality to the exclusion of everything else, but that management should spend some time planning, implementing and promoting service quality.

Required Infrastructure

Personnel

Without the buy-in of employees, it is impossible to achieve a truly customer-focused service quality. Customers interact with employees regularly, so all employees must be aware of, and actively involved in creating service quality.

The key is to create a "do it right" culture. This value can be integrated into current company culture. Again, management must lead by example and strengthen those incentives that encourage employees to take part in the initiative. The key attitudinal barriers to overcome are:

- I do not want to improve quality (keys to overcoming: leadership and incentives);
- I am not expected to improve quality (keys to overcoming: leadership, incentives, and communication);
- I am not able to improve quality (keys to overcoming: training, authority, and access to resources).

Each of these attitudes can be isolated and removed with the right blend of leadership, incentives and training. Employee training is an important way of alerting employees to the need for service quality and ensuring that employees have the tools to do the job.

Significantly, management must enable and encourage employees to serve the customer by such means as approving refunds on the spot, ordering special measures to resolve problems, etc. Training is of little use if employees do not have the authority to enact solutions.

For example, if a customer orders a coffee, and it arrives cold and late -- the server must have the authority to order another cup of coffee for the customer. If the server has to obtain approval from the manager, the customer will be long gone - he or she already received a cold cup of coffee and now is expected to wait until the manager can sort it out.

Admittedly, this example is extreme, but it serves to reinforce the point that employees must have the ability to resolve common errors rapidly and effectively.

Teamwork

Companies are often organised along functional lines. A common problem is that a lack of interdepartmental understanding, cooperation and communications contribute to unreliable service. The longer the trail from the customer to the person that ultimately performs the service, the greater the number of potential weak points in the system. In order to assure service reliability, these interdepartmental links must be strengthened by fostering teamwork and streamlining communications and procedures.

A common cause of service unreliability is inadequate communication between personnel who promote or sell the service and the personnel who perform the service. Lack of communication may result in unrealistic delivery dates or the failure of service providers to be made aware that a customer is expecting them.

A good starting point is to conduct an audit of the procedures and the communications network between departments. Weak points should be strengthened or eliminated through restructuring. Management must also explicitly promote teamwork between departments with appropriate morale-building and training programs.

Questions: Ask this:

- Do we believe that 100% service reliability is a worthwhile goal?
- Do we fully understand the challenges involved in striving for 100% service reliability?
- Do we demonstrate our commitment to service reliability to all of our employees?
- Do we continuously re-evaluate new services after introduction?
- Are we doing enough to ensure that our employees are able, motivated and encouraged to aim for zero service errors?
- Do we encourage, facilitate and require teamwork and communication across functional units?

Service Recovery

Unfortunately, most companies have high rates of not resolving problems satisfactorily. This compounds the problem as the customer is already dissatisfied by the initial service.

Companies that provide excellent service recovery have an opportunity to differentiate themselves. Excellent service recovery provides an unequalled opportunity to build customer loyalty and reinforce relationships with customers.

Excellent service recovery is neither expensive nor complex. The essence of excellent service recovery is good communication and empowering the employee to assess and respond to the service failure.

Table 1 next lists the top ten service attributes of importance to customers. Note that none of the attributes require extra effort or expense. Employees should be made aware of the information so that they can implement the measures immediately.

Table 1: Top Ten Service Attributes of Importance to Customers

1	Being called back when promised.
2	Receiving an explanation of how a problem happened.
3	Being provided with information to know what number(s) to call.
4	Being contacted promptly when a problem is resolved.
5	Being allowed to talk to someone in authority.
6	Being told how long it will take to solve a problem.
7	Being given useful alternatives if a problem can't be solved ("We can't do that, but we can do this or this....").
8	Being treated like a person, not an account number.
9	Being told about ways to prevent future problems.
10	Being given progress reports if a problem can't be solved right away.

Benefits of Strong Service Recovery

Strong service recovery has a significant impression on customer perception partly because customers pay more attention when something goes wrong.

For example, at a restaurant, good service is taken for granted. When something goes wrong, the food is not to expectations for example, we are more aware of how the staff deals with the situation and allows us to proceed with the evening.

The Service Reliability-Recovery Link

When something goes wrong, a customer's confidence in the company won't be dramatically affected unless:

- The problem reinforces a recurring pattern of previous shortcomings;
- The recovery effort fails to satisfy the customer, compounding rather than correcting the failure.

The first situation should occur only rarely for most companies because it implies a severe problem with the company's ability to deliver the service. If a firm cannot consistently deliver its core product or service, it must correct the situation immediately.
The only solution is to evaluate the company's service delivery mechanism and correct the core problems.

The second problem occurs far more frequently and is extremely devastating to a customer's confidence in the company. The customer's view of the firm's credibility has already been damaged and if the problem is not resolved, the customer will downgrade the company again. This second problem can be corrected by focusing on service recovery.

Excellent Service Recovery Process

Service recovery is often neglected in favour of service reliability. Service recovery is often a disruption of normal activities and involves dealing with unhappy customers. However, it is critical to design, implement and monitor a service recovery system because of its importance. Customer goodwill is hard to win, and one bad experience will destroy goodwill that has taken months to build up.

The keys to an excellent service recovery process are:

- Identify service problems;

- Resolve problems effectively; and
- Learn from the recovery experience.

In order to complete these objectives, a company needs to provide guidelines, training and incentives for employees, and set up systems to track problem resolution.

Identifying Service Problems

The first step is to identify areas where customers have experienced problems, and to learn what customers view as poor service. Companies must have a system for monitoring customer complaints, conducting customer research, and monitoring the service process.

1. Monitor Customer Complaints

One approach for identifying service deficiencies is to examine comments provided by customers. Means of doing this include customer comment cards, suggestion boxes and toll-free telephone lines.

An effective complaint-handling system has two aspects. First, it must prompt internal action to resolve the complaints it receives. Second, it must prompt external action to apologise to complaining customers, acknowledge the company's awareness of the situation, and inform the customer of the measures being taken to resolve the problem.

Although this system is a good first step towards service recovery excellence, it is insufficient because many customers who experience problems choose not to complain because they believe that complaining will not make a difference or that there is no easy, hassle-free way to complain.

Customers may believe that companies do not really care, and this belief is reinforced by the difficulty in lodging complaints and by unsympathetic service representatives. Importantly, only customers experiencing serious problems will complain. Research has shown that 31% of customers with an average loss of £60 due to defective products or services will still not complain.

2. Conduct Customer Research

Because of the difficulty in obtaining voluntary comments from customers, it is necessary to conduct formal or informal customer research. Soliciting complaints demonstrates genuine interest and concern on part of the company, and most customers are happy to provide their opinion.

Research can be qualitative or quantitative, including survey questionnaires and observations. More extensive qualitative information can be obtained from open-ended interviews or focus groups. Mystery shoppers can also be used to gauge the quality of service and pinpoint any areas of weakness.

The keyword for any market research is objectivity. It is best to utilise external consultants to design and implement the research study. If the research is conducted internally, management must keep an open-mind and be willing to entertain any possibility.

3. Monitor Service Process

It is important to develop a strong proactive process to anticipate and identify problems before customers experience them. Identifying potential trouble spots minimises the need for service recovery and allows extra time for handling problems that occur.

A useful tool for identifying potential trouble spots is the "service blueprint" - a flowchart that plots the steps in the service process to identify points where the service is subject to breakdown.

Another useful tool is the "service map", which displays the relationships between customers, front-line employees and support employees. The "service map" depicts the chronology of tasks involved in delivering the service and highlights points where the customer is "transferred" from one work group to another. These transfer points are particularly vulnerable to problems. The end-goal is to identify potential fail points and correct them or devise contingency plans.

Resolve Problems Effectively

The service recovery process should focus on three of the five quality dimensions listed earlier - responsiveness, assurance and empathy. These factors are people factors - that is, they result directly from human interaction.

The People Factor

Regardless of the type of service, employees who are responsible for problem-resolution largely determine the success or failure of the recovery effort. Therefore, it is prudent to encourage employee behaviour that converts problems into positive experiences for both the customer and the company.

1 .Prepare Employees for Recovery

Proper training aimed at making service personnel more effective is critical. Employees should be aware of what they can and cannot do when responding to customer complaints, ands where the potential "fail points" are. Emphasis should be placed on bending the rules when it makes sense, improvising and taking initiative to resolve problems.

2. Empower Employees

Effective service recovery means that employees need to have the authority to satisfy customer complaints on the spot. Training without empowerment is not conducive to a strong recovery effort because customers will have to wait for their problem to be resolved or deal with different people in lodging their complaint. One area of empowerment is the need to establish spending levels (spend up to £xx to resolve customer problem) for employees to resolve service problems.

3. Facilitate Employees

Training and empowerment should be augmented with technology and information so that employees can resolve problems effectively. For example, the company telephone system should enable quick response rates and have few busy signals. An information system containing key information (e.g., key billing or delivery information, customer profiles etc.) should be accessible so that employees can answer any questions.

4. Reward Employees

Managers need to establish appropriate rewards to persuade employees to excel in problem resolution. Often, especially in an environment without a culture of excellent service, managers will need to overcome employee scepticism with positive reinforcement.

Some suggestions for rewards are:

- Offer several awards with varying degrees of visibility and recognition to reflect different levels of recovery excellence;

- Make available a relatively large number of awards at lower levels to place them within reach of anyone willing to put forth a sincere, all-out recovery effort;

- Give fewer awards at higher levels and be more stringent in giving out these awards. This establishes credibility for the highest honours;

- Prominently publicise the specific accomplishments of higher-level awardees as good examples of excellent recovery and as inspiration for peers.

Compensate for the Hassle Factor

During a service failure, the customer incurs monetary (expense of failure and returning) and non-monetary costs (e.g. frustration, time) even if the problem is ultimately resolved. The fact that the customer pays a cost even if the problem is resolved is called "the hassle factor".

An excellent service recovery program must compensate for the hassle factor, and make the customer feel they have gained in going through the recovery process. Each company must consider what gesture or extra-service will compensate for the hassle factor. For example, the company could pay a small fee to the customer for making the error.

Learn from the Recovery Experience

1. Conduct Root-Cause Analysis

After a problem has been dealt with, it is important to examine its cause. Questions to answer include: is the problem symptomatic of more severe problems? Was it a one time occurrence or could it repeat itself? Are our procedures or systems flawed?

Careful analysis of service problems may reveal subtle trouble spots such as flaws in training or the reward system. Discovering and correcting these problems will prevent future problems and improve employee morale at the same time.

2. Modify Service-Process Monitoring

Service-process monitoring is a proactive strategy designed to identify potential flaws and to suggest changes to service procedures. Careful monitoring and analysis will also indicate which processes or service procedures to monitor more closely based on patterns and problems. For example, a hotel may choose to monitor cleaning procedures more closely if a number of complaints are received in this area.

3. Set Up Problem Tracking System

A problem tracking system captures information on each instance of a service recovery (e.g., customer information, the nature of problem, the actions taken to resolve, etc.). The system allows the opportunity to methodically search for common problems, and identify opportunities for improving service reliability.

Questions: Ask this:

- Do we have an effective system for capturing complaints volunteered by customers?
- Do we conduct formal research on customers' service problems?
- Do we systematically monitor potential service fail points?
- Are our employees encouraged to excel in resolving problems?
- Are we sensitive to the hassle factor customers' experience in getting problems resolved?
- Do we strive to expose the root causes of service problems?
- Do we modify our service-process monitoring based on recovery experiences?
- Do we have an effective problem-tracking system?

Implementation

Service quality is the cornerstone for services marketing. High quality service gives credibility to the sales force, advertising and increases customer perception of value. Importantly, if competitors offer poor service, high service quality will serve to differentiate the firm from the competition. Poor service will not create a core group of loyal customers. The core of service quality is reliability and an excellent recovery system for correcting mistakes. It is essential to deliver on the service promise. Breaking service promises frequently will cause customers to conclude that the firm is not reliable. An excellent service recovery system will mitigate this to some degree, but it is always preferable to deliver consistently.

The window of opportunity to demonstrate superior service is during the service process, when customer and company interact. During this process, it is possible to surpass customer expectations and develop a reputation for high service quality.

Steps to Take

Step One: Attitude Shift from Good to The Best

Service quality must be a core part of the firm's values. Because customers can interact with all levels of the organisation, all workers in the firm must buy into the service quality initiative. Management must lead by

example. Essential attitude shifts are detailed next in Table 2.

Table 2: Attitude Shifts for Improving Service Quality

From:	To:
Being Good	Being The Best
Quality In Products	Quality In Everything
Management Support	Management Involvement
Quality Is Someone Else's Job	Quality Is My Job
Some Employees Work With Customers	All Employees Have Customers
Mistakes Will Happen	Do It Right The First Time
Service Cannot Be Measured Or Controlled	Service System Design
Quality Is An Add-On	Quality Is A Core Value

Step Two: Integrate Service into the Firm

1. Build a Service Quality Information System

A service quality study is not enough. A systematic flow of information for use in regular decision-making is required to deliver on the service promise. This information system need not be complex or expensive. Table 3 details attributes that may be included in the system.

Table 3: Components of a Service Quality Information System[2]

Source of Information:	Frequency:
Solicitation of Customer Complaints	Continuous
Post-transaction Follow-Up Surveys	Continuous
Telephoning Customers For Informal Feedback	Weekly
Customer Focus Groups	Quarterly
"Mystery Shopping" of Service Providers	Biannually
Employee Surveys	Annually
Total Market Service Quality Surveys	Annually
Special Purpose Research	As Required

2. Report Key Service Statistics

Key quality statistics should be reported regularly to management. These can be stated as the percentage of orders shipped according to standards, and the number of consumer complaints.

3. Measure the Impact of Poor Quality on Profits

Firms should measure the cost of poor quality and assess the impact of this data on a business units profit contribution. For example: what is the cost of redoing service tasks that should have been completed the first time? What are the costs of lost customers due to service failures?

By necessity, some of these figures will be estimates, but the exercise will highlight the importance of service quality.

4. Emphasise Personal Quality

Managers should use every opportunity to ensure that each employee takes personal responsibility for service quality. This includes employee training and incorporating service quality into job descriptions and performance reviews. It is important to realise that service quality does not stand-alone and must be supported by training and support.

5. Celebrate Service Leadership

Managers should take every opportunity to recognise improvements in service quality and to recognise employees who achieve service goals.

Keeping the Customer Happy

With research showing business spends six times as much to recruit a new customer than to retain an existing one, good customer service is an essential component of a successful business.

Getting it right first time is obviously the secret of good customer service, but where mistakes happen, research shows that a well-handled complaint makes all the difference to customer loyalty.

What Angers Customers?

- Being kept on hold for excessive lengths of time, while being told repeatedly how much the organisation values their custom;

- Organisations which ignore basic consumer rights, e.g., taking back faulty goods and being refused a refund and told to change it for another product;

- Battling bureaucracy to resolve a problem. Staff should be empowered to tackle complaints immediately;

- Rude or over-friendly staff - both extremes can make customers feel uncomfortable;

- Anonymous staff who refuse to give their names;

- Broken promises - businesses should not make promises to customers which they cannot honour;

- Inflexible delivery times - businesses which refuse to deliver beyond a narrow, fixed time, or at weekends when most customers are at home;

- Lack of customer-friendly complaints handling systems - if it is difficult to complain, most people will not bother. They will simply take their business elsewhere;

- Premium rate advice lines. It would be better customer service to provide freephone or lo-call numbers;

- No human voices on the telephone - mechanised systems will fail to connect to which take customers through a lengthy process only to deliver them back to the beginning.

Top Ten Tips for Good Customer Service

- Talk to your customers - carry out surveys. Ask customers what they want and make it easy for them to give you feedback;

- Listen to your customers - listen to complaints and compliments. Don't be defensive – accept criticisms as they will highlight areas for improvement. Let customers know if you are acting on their suggestions;

- Build trust Keep your promises. Deliver when you say you will. If things go wrong put them right quickly;

- Take complaints seriously – **don't be** dismissive or patronising. Have a customer friendly system for dealing with complaints so that if things go wrong, staff are easily accessible to put things right;

- Get it right first time - it saves you time and money if customers are handled well from the outset;

- Make the most of your staff - invest in training. Value them. Empower them to deal quickly with complaints. This will build morale and happy staff lead to happy customers;

- Go the extra mile - a willingness to delight customers is what separates the best from the rest;

- Do not make assumptions – your last customer service survey (last years) is probably out of date now - keep talking to your customers. The most successful companies know they cannot afford to rest on their laurels and are always willing to try something new and learn from others;

- Learn from your mistakes - and put them right;

- Put yourself in your customer's shoes - would you be delighted by the service you receive? Would you do business with you?

Benchmarking

Benchmarking your performance against other similar companies can help your business to:

- Improve productivity;
- Improve competitiveness;
- Overcome competitive threats;
- Address growth issues;
- Gain a complete picture of the business.

More information about Benchmarking can be found at: www.winningmoves.com or by calling +44 (0) 1785 827600.

Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

Acknowledgements and References:

[1] This publication (except the section on page 9 entitled: Keeping the Customer Happy) is based on the work of Tikkanen-Bradley Consulting Group, a management consulting firm in Vancouver and Toronto, Canada. They excel in a variety of management consulting services including marketing, business planning, and strategy.

[2] Adapted From: A. Parasuraman, Leonard L. Berry, and Valarie A. Zeithaml, "Guidelines For Conducting Service Quality Research," Marketing Research, December 1990