

Customer Behavior, Customer Loyalty, and Exceptional Service

It's the little things that make the big things possible. Only close attention to the fine details of any operation makes the operation first class.

J. WILLARD MARRIOTT

OBJECTIVES

AFTER COMPLETING THIS CHAPTER, YOU WILL BE ABLE TO:

1. Describe customers' buying behavior relative to their basic needs.
2. Cite examples illustrating excellent customer service.
3. Distinguish between customer satisfaction and customer loyalty.
4. List actions companies can take to earn customer loyalty.
5. Cite examples of the three types of customer turnoffs—value turnoffs, systems turnoffs, and people turnoffs.
6. State the relationship between customer expectations and customer perceptions.
7. Cite examples a customer may describe as a great first impression of an organization.
8. Detail reasons that customer service is difficult to manage.
9. Describe methods companies use to measure customer satisfaction.

In a business sense, customers can be considered as assets. Most companies regard assets as items that must be protected and their value maintained and even maximized over time. From the customer's viewpoint, virtually all customer service activities, from billing accuracy to courtesy and accessibility of personnel, are prime components of excellent customer service. The trend in customer behavior and attitude is to expect that excellent customer service will be provided during all customer contacts.

Since recent data show that 40 percent of even satisfied customers will defect to a rival, companies who are intent on

retaining their customers must cultivate loyalty by establishing a common ground and showing concern for customers through listening and using humor, among other things.¹ Contrary to popular belief, increased technology isn't the way to create customer loyalty. In fact, it appears that, the more high-tech the business world becomes, the more challenging it is to build customer rapport, and, despite their obvious conveniences, e-mail, voicemail, fax machines, palmtops, and many other technological marvels

¹Laura Michaud, "Beyond Satisfaction," *CMA Management* (March 2000): 15.

of today take attention *away* from customers and eliminate the human touch needed to build long-term customer relationships.

In general, Chapter 2 describes customer behavior and underlines the importance of exceptional customer service and its effect on customer loyalty. Specifically, however, this chapter explores how companies cultivate and maintain loyalty, how the role of exceptional service keeps customers satisfied, and which elements should be considered when measuring satisfaction with customer service.

Understanding Customer Behavior

The primary mission of perfect customer service is to experience repeat business and to increase business from present customers. This goal requires specific knowledge about customers' behavior—*why* they buy, *how* they buy, and particularly *what* causes them to return and increase their purchases over time. The following are several types of customers:

- An individual buying
 - For him- or herself
 - For relatives or friends
 - As an agent for others
- An individual who
 - Receives the service or product but does not order it or pay for it
 - Orders or pays for the service or product but does not receive it
 - Is a noncustomer but whose informal advice is sought by family, friends, and acquaintances
- An individual within the organization (an internal customer) who is dependent on others in the organization to complete certain tasks of his or her own

ETHICS/CHOICES

2.1. If you were being verbally “beaten up” by a customer about an issue you knew was caused by a colleague who was just fired last week, would you tell the customer who it was that caused the problem? Explain.

Although the reasons that consumers buy vary considerably, they are manifested from basic needs that each of us has, as shown in Figure 2.1. Regardless of the industry or business, customers have four basic needs when deciding where to spend money on products and services:

1. *The need to be understood.* Emotions, customs, and language barriers can get in the way of properly understanding the needs of customers. Every effort should be made to be able to work with these challenges.
2. *The need to feel welcome.* That first impression a customer gets from service professionals is critical. Anyone doing business with a company and is made to feel like an outsider will probably not return for future goods and services.
3. *The need to feel important.* Little things mean a lot. Acknowledgment, name recognition, and eye contact make a person feel more important and appreciated.
4. *The need for comfort.* People need physical comfort—a place to wait, rest, talk, or do business. They also need psychological comfort—the assurance and confidence they will be taken care of properly and fairly.

Organizations that understand customer behavior and make the transition to customer-driven service are characterized in two ways: (1) the organization is regarded by customers as easy to buy from or deal with and (2) the organization depends on systems and organization (not speeches and slogans) to see that its service fits the customer's needs at a price the customer is willing to pay.



FIGURE 2.1

Our basic needs drive our decisions to buy from certain companies, while not buying from others.

In various industries, excellent service is often driven by customer behaviors and needs—for example,

1. *The retail business.* A customer-oriented retail organization provides for consumers a wide variety and selection of merchandise, convenient shopping hours, parking, reasonable policies on returns and exchanges, and ready availability of trained and courteous sales and service personnel.
2. *The consumer direct-marketing or mail-order business.* The nature of this business requires a high degree of customer trust and, in general, centers on immediate access to advertised products, prompt delivery, a liberal exchange and return policy, and hassle-free dealings.
3. *The banking and financial services business.* This area has shown tremendous advances in customer service recently, with its automatic teller machines, effective and interactive phone systems for handling account queries, increased availability and higher skill levels of customer service personnel, faster turnaround on loans, and quick resolution of money problems through immediate access to the financial institution's web site links.

Earning Customer Loyalty

The consumer services manager at Ben and Jerry's Homemade, Inc., describes how "euphoric service" can move customers from mere satisfaction of purchasing their ice cream into passionate loyalty like this: "Customer satisfaction is only a feeling—an attitude—that does not predict future customer performance because satisfied customers will still purchase from your competitor. Customer loyalty, on the other hand, is a behavior. When you make a personal connection with your customers and let them know that you hear what they're saying and then prove it by being responsive to their needs, you're building loyalty that influences behavior. Loyalty is always going to be based on relationships and that's what you want."²

In companies across America, a disconnect between intentions and reality may be driving away customers. Of-



Companies who have earned customer loyalty.

ten, companies do not live up to customer expectations. Incredibly, the disappointments that customers experience are often the result of expectations that the company has set up for itself. For example, customers are routinely surprised because many businesses fail to meet their own promised deadlines, fail to back up their products adequately, provide only limited availability of their advertised products, or provide inconsistent product service and support after the sale. Clearly, customer loyalty is not earned in these ways.

How Loyalty Is Earned

Profound changes have transformed the business world. Ask most managers what is different in the new economy and they will tell you that markets are more crowded with global competitors and that it is harder than ever to attract and retain customer attention. In other words, an increased capacity to produce products and information has created an overcrowded marketplace, as more and more companies compete for the *same* customers.

Interestingly enough, a momentous shift has occurred—we have, in effect, entered an age of *customer scarcity*. The end result of this shift is that customers have become the most precious of all economic resources to businesses. Earning and keeping their loyalty, therefore, is not undervalued by successful companies.

²Gary Henderson, "Ben & Jerry's Euphoric Service Makes Customers More Confectionate," *The Supervisor's Guide to Improved Customer Service & Retention* (Sample Issue 2002): 3.

Customers tend to stay with organizations that enable them to experience positive, meaningful, and personally important feelings, even if an organization cannot always provide everything customers want or cannot solve all their problems. Surveys reveal that most people shift from one supplier to another because of dissatisfaction with service, not price or product offerings. It is the service provider's responsibility to manage the emotions in customer service exchanges.

According to Technical Assistance Research Programs, Inc. (TARP), a Washington, DC, consulting firm, 68 percent of the customers who go elsewhere do so because of a perception of indifference.³ Indifference in this regard means that customers believe that their loyalty is wasted on a company that couldn't care less if they remained customers. Thus, they vote with their feet and walk out the door, seldom or never to be seen again. Establishing lasting customer relationships can be extremely difficult, because one bad experience—or even a mediocre one—can cause a customer to take his or her business to a competitor.

There is an equation for keeping customers. It's not exactly a secret, considering the multitude of books on the topic. It is as follows: Take a good, first reaction with the customer; add in reliability, a quick response time, quality services and products, plus empathy; and you end up with a satisfied customer. Take away any of these factors, and customer loyalty will begin to wane. Guideline 2.1 lists some tips that are useful to earn repeat business from customers.

There is a cost benefit of building customer loyalty. Companies that frequently and periodically survey their customers to find out how happy they are and what suggestions they have to offer to improve products and services are doing the right thing. The names at the top of the list of corporations that have taken these steps and, thus, have earned the right to experience deep customer loyalty are Cisco, GE, Microsoft, Intel, Yahoo!, Home Depot, Wal-Mart, and Oracle. These are some of the companies that actively seek out from the customer better ways to serve them. The entire purpose of improved service is ultimately to honor customers by caring enough to meet their needs. Loyalty is earned when intentions and reality blend and become one.

³Joan Fox, "How to Keep Customers from Slipping through the Cracks," *The Small Business Journal* (May 2001): 2.

GUIDELINE 2.1

Tips to Earn Repeat Business

from Customers

Ask questions.	Never make assumptions about what customers expect in terms of quality and service.
Be honest.	For long-term success, honesty is not just the best policy; it's the only policy.
Fix the problems.	When a mistake occurs, give your customers two things: an apology and a fix to the problem at no expense to the customer.
Learn from the competition.	Pay attention to the service provided by competitors; then try to improve on that level when you are dealing with your customers.
Back up your company's promises.	Nothing ruins credibility more than when customer service representatives promise what their company cannot deliver.
Offer "one-stop" service.	Customers don't like being passed along from one person to another. Always try to take care of the problem up-front and immediately.
Build on emotion-friendly service culture.	To deal effectively with customers' emotions, employees must be aware of the full range of their own emotional states—both positive and negative.

Customer Turnoffs

Attracting replacement customers is an expensive process, because research indicates that it costs five times as much to generate a new customer as it does to keep an existing one. Unfortunately, few companies even track customer-retention rates, much less inquire about what issues might be driving their customers away. Could it be fear about discovering the answers that prevents businesses from ever asking the question "What turns you off as a customer?"

If asked, customers would probably cite three categories of turnoffs, as illustrated in Figure 2.2:

1. *Value turnoffs.* This means not getting what the customer pays for. Value turnoffs include inadequate guarantees, a failure to meet quality expectations, and high prices relative to the value perceived of the product or service.

CUSTOMER SERVICE TIP

2.1 *Don't pass blame. When a customer calls with a problem you personally did not create, don't rush to point out, "I didn't do it," or "It's not my fault." Instead of dodging the issue or blaming someone else, apologize for the customer's inconvenience and immediately begin to take action to solve it.*

2. *System turnoffs.* These irritations arise from the way a company delivers its products or services. When transactions are unnecessarily complicated, inefficient, or troublesome, customers experience system turnoffs. For example, employees who lack the knowledge to answer customer questions and organizations that have just one person capable of fulfilling a key function are symptomatic of system failures. So are voicemail menus that are unnecessarily complicated. Slow service, lack of delivery options, cluttered workplaces, unnecessary or repetitious paperwork requirements, poor product selection, and inadequate reordering processes are additional examples of system turnoffs.
3. *People turnoffs.* These are the things customers most often associate with poor service from customer service representatives. These turnoffs include lack of courtesy or attention, inappropriate or unprofessional behavior, and an indifferent attitude. In short, any behavior that conveys a lack of appreciation, care, or consideration for the customer is a people turnoff.

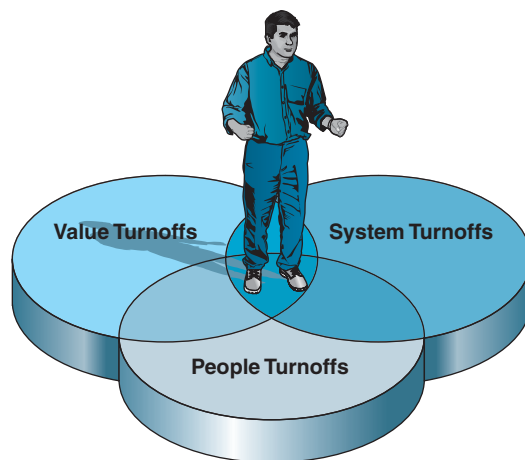


FIGURE 2.2

What drives customers away?

According to Jill Griffin and Michael Lowenstein, co-authors of *Customer WinBack*, there are seven primary reasons that customers defect from an established relationship. Guideline 2.2 itemizes these reasons and goes on to suggest approaches companies can take to reduce customer defections.

Offering Exceptional Customer Service

Exceptional customer service is in the eye of the beholder—the customer. How does the customer determine whether a company has provided exceptional customer service? It usually depends on two factors: the customer's expectations and perceptions.

Customer expectations are what a customer wants *before* a transaction. Typically, a customer forms expectations

GUIDELINE 2.2 Why Customers Defect and Approaches to Reduce Defections

Why Do Customers Defect from an Established Relationship?

1. They don't know where or how to complain to the supplier.
2. They are too busy and can't, or won't, take the time to resolve a concern they have.
3. They consider complaining to be an annoyance that they would rather avoid.
4. They don't believe the company will do anything about it, anyway.
5. They don't see any direct value or benefit to them from complaining.
6. They fear some postcomplaint hostility or retaliation on the part of the company.
7. They can get what they want from a competitor, so it is simpler and easier to switch.

Steps to Reduce Defections

1. Make it easy for customers to complain.
2. Train CSRs to use good questioning techniques to uncover complaints.
3. Get resolution to customer problems more quickly.
4. Positively acknowledge every complaint as soon as possible.
5. Enforce a closed-loop complaint management system, in which complaints are routinely gathered and analyzed for insights.

SOURCE: "Customer Retention Is a Critical Challenge for CSRs," *Customer Service Newsletter* (July 2001): 1.

from several sources: advertising, previous experience, word of mouth, and the competition. **Customer perceptions**, in contrast, are created *during and after* a transaction. A customer's perception is based on how actual service measures up to his or her expectations. If customers get more than they expected, the end result is **exceptional customer service**. However, if customers get anything less than they expected, they perceive a performance gap; in that gap lies customer disappointment. Disappointed customers will leave an organization and take their business elsewhere, and poor customer service is responsible for much of the disappointment experienced by customers.

CUSTOMER SERVICE TIP

2.2 *Respect your customers' time. Once you show that you respect your customers' time as much as you value your own, they will give you their time freely.*

In practice, what does exceptional customer service really mean? Perhaps it is when a company seriously tries to determine what is truly unique about the company and what makes its customer experience better than that of its competitors. It is also important to remember cautiously that, when you define what better customer service means for your customers, that definition is based on how they feel right now, and it doesn't necessarily mean that the definition won't change in the future. Defining exceptional customer service is an ongoing, fluid process.

For those reasons, strong organizations keep in touch with their customers on a regular basis and are not afraid to receive negative comments. In fact, they welcome negative comments that help them improve. The overriding thought by these companies is that it is infinitely better to have customers tell their complaints to the companies than for the customers to tell someone else.

The Value of Exceptional Customer Service

Exceptional customer service matters. Customers who experience world-class customer service return for more products and services and are less likely to shop around. Knowing what is on the customer's mind, therefore, is the smartest thing a business can do. Successful companies focus on what the customer is saying and then tailor their products or services to meet customer needs.

Profits and customer service go hand in hand. The value and economic effects of exceptional customer service are realities businesses are recognizing. According to a myriad of customer service surveys and resulting statistics, on average:

- Most people tell 10 other people about great service they have received (and are willing to pay more just to have it) but will tell up to 20 people about poor service they have gotten.
- Depending on the industry, it costs between 2 and 20 times more to gain a new customer than it does to satisfy and retain a current one.
- Ninety-five percent of the customers whose problems are fixed quickly continue to do business with the company.
- Today, \$1 spent on advertising yields less than \$5 in incremental revenue, whereas \$1 spent on a good customer experience yields more than \$60 in incremental revenue.

Paying attention to the little details is the special touch that will make a company stand out from the crowd. Some of the most effective extras are really very basic concepts of conducting good business, although customers are often surprised when these actions take place. Little details that contribute to exceptional customer service include

- Treating customers respectfully and courteously at all times
- Greeting customers by name and promptly answering their questions (if you can't answer promptly, get back to them with an answer as quickly as possible)
- Standing behind your product or service and doing whatever it takes to right a customer service concern in a manner fair to both sides

Moment of truth is a term coined by Jan (Yon) Carlzon of Scandinavian Airlines Systems (SAS) in turning around his company as a result of a tremendous loss of profits in 1981. Simply put, a **moment of truth** is an episode in which a customer comes in contact with any aspect of the company, however remote, and thereby has an opportunity to form an impression. This moment of truth happens in a very short time period, from 7 to 40 seconds. That is the amount of time you, as a CSR, have to make a good impression on your customer. It is this impression that will guide the rest of the encounter.

If the moment is favorable, the whole interaction will be pleasant. If not, a positive customer relationship has been tarnished. Carlzon's idea is that, if his company's 10 million passengers had an average contact with 5 SAS employ-

ees, the company had 50 million unique, never-to-be repeated opportunities, or “moments of truth.” With these moment-of-truth events, the company in two years recouped from an \$8 million loss to a profit of \$71 million.

Critical First Impressions

According to an old saying, “You never get a second chance to make a first impression.” Nowhere is this more applicable than in business situations, whatever the industry, because how you communicate with people the first time is key to your overall and continued success. In general, most consumers prefer to spend their money where they are treated well.

Research suggests that, within the short time span of up to four minutes, when two individuals meet for the first time, they make a decision whether they want to continue the relationship or not. It is evident that this decision is based on assumptions. Perhaps the scariest fact of all is that this initial illusion usually lasts a lifetime. In other words, if that initial interaction with the customer is poor, even if a fairly good relationship ensues, the brain won’t let go of that very first impression.

Positive first impressions are critical. Several types of communication can be used to create a positive first impression: the physical place of business (both the environment and the way in which people are greeted), the telephone, voicemail and e-mail, printed materials, and the way in which you present yourself and your company outside of the office. First impressions are also influenced by a customer service representative’s personal habits. When a CSR’s hair is groomed, hands and fingernails are clean, clothing is appropriate and clean, and general grooming reflects professionalism on the job—these practices send a positive impression to those who do business with your company.

Indicative of the age of quick response time that we live in, returning calls promptly, delivering products or services quickly, and using modern technology to decrease response time are also smart business moves, which help create superior first impressions. Customers simply are not willing to wait. Beware of using on-hold time to deliver information about your business. A waiting customer can easily take offense at being forced to endure your advertising or your taste in music. If at all possible, have enough phone lines (and enough people to answer them), so that callers don’t get a busy signal or get put on hold for longer than 45 seconds.

In terms of making a favorable first impression, a good rule of thumb is to exceed customer expectations consistently. Since many consumers have modest expectations to begin with, this may be easier than it sounds. Keep in mind, however, that a positive first impression isn’t going to do much good in the long run if a subsequent negative experience eclipses it. The best way to maximize the value of a positive first impression is to reinforce it with extraordinary approaches to customer service and other favorable experiences throughout the course of future interactions.

CUSTOMER SERVICE TIP

2.3 *Undeliverable promises can do more harm than saying “no” to a customer.*

Extraordinary Approaches to Customer Service

To go beyond client satisfaction, make every effort to exceed your clients’ expectations, every time. An age-old rule that is followed by customer-savvy organizations is to “underpromise and overdeliver.” For example, if you think it will take two months to complete a project, quote a two-month time frame. If you get the job done a week or two early, you have underpromised and overdelivered. Tactics such as these empower people in the organization by giving them freedom to act in customers’ best interests, and they yield enormous dividends for the company.

Stellar customer service is a mindset that defines each company’s culture. It is pervasive, out in the open, and everyone’s responsibility. Obviously, this unity of purpose begins with hiring and training the right people, but it also requires organizations to keep the basic company functions in superior shape, so that CSRs do not get bogged down by

ETHICS/CHOICES

2.2. Time after time, as you enter your company’s employees’ break room, you overhear other CSRs talking about how bad the management is at your company—specifically, your manager. What is your reaction to this situation? Would you enter the discussion to express your personal views, would you ignore the discussion, or would you try to reason with your coworkers and advise them against spreading negative thoughts? Explain.

the grind of cleaning up problems, correcting errors, or being on the defensive with customers. The following are six ways companies can improve performance and apply extraordinary approaches to customer service:

1. *Decide who you are and what you can deliver.* It's important to know what you can and cannot provide. Make sure you are true to your company's mission. Decide who you want to provide exemplary service to. Decide what you want to deliver and deliver it well.
2. *Decide who your customers are and what they want.* What you think customers should value might not really be what they value. Make sure you are in sync with customers.
3. *Deliver more than you promise.* Make sure that you give your customers more than they request, but, when doing so, ensure it is something they will value.
4. *Review your rules.* Look at both formal and informal rules. Some rules might have evolved from previous stressful times in your company. Examine which rules obstruct serving your customers' needs and get rid of them, if at all possible. Make every effort to favor the customers' needs over internal needs.
5. *Celebrate your diversity.* Some employees might be difficult to work with, but they might be the best fit with some customers. Empower them. They might become your best employees.
6. *Treat your employees as you expect them to treat your customers.* Treat your employees with respect. Put yourself in their shoes. Make them feel special. Make time for them. The result is that they will treat customers the same way. In business, this idea is referred to as the **mirror principle**, which says, your employees won't treat customers better than you treat them.

In this discussion, it is probably prudent to examine what service is not. Service is not easily managed, because so many factors make it unpredictable and difficult to control fully. The following characteristics of service contribute to this complexity and are the other side of the coin. Therefore, when focusing our discussion on serving customers in the best way, remember the following realities, which can cause dilemmas for CSRs:

- Customer service happens instantaneously and right in front of the customer.
- Customer service is created and delivered at the same time.

- Service must be individualized for each customer; it cannot be standardized or routinely applied universally.
- The perception of the customer may not be the same perception as that of the service providers.
- Often, customer requests are complex and unique and cannot be speedily resolved.
- Different customers have different needs; further, the needs of the same customers change constantly.
- Complete customer service requires others in your organization to support you; it requires customer service teamwork, with everyone committed to the same goal.

CUSTOMER SERVICE TIP

2.4 Measuring customer satisfaction is important because research indicates that 84 percent of all sales in America originate from the recommendations of a satisfied customer.

Measuring Customer Satisfaction

The case for maximizing customer satisfaction is a strong one, because a customer base will remain if it is built on trust, quality service, and product excellence. What is the best way to measure customer service and satisfaction? The answer is simple—ask your customers. Having customers tell you specifically what you are doing right and what you are doing wrong is the only accurate means of determining how well you are meeting their needs.

There are several ways to gather customer feedback: surveys and assessments, focus groups, and interviews. When conducted at six-month and yearly intervals, these are all first-rate methods for generating qualitative and quantitative information for sound decision making and appropriate changes to the way business operates.

The advantage of quantitative, or numeric, data is the ability to establish baseline performance measures to create a scorecard for ongoing improvement. Gathering qualitative, or narrative, information, on the other hand, results in the personalized feedback and depth of knowledge generated through this practice.

There is a faulty belief in the marketplace that the mere collection of data will result in improvement. That's probably because, in years past, just the act of conducting a sur-

vey had some positive impact on customer satisfaction and loyalty, but the bar has been raised. With a smarter customer base with greater expectations, companies can no longer ask if customers are satisfied without acting in a personalized way on the responses they receive. The process of asking customers to set the standards for the level of service they expect from a company

- Shows the company how effective it is
- Helps the company set realistic goals and monitor trends
- Provides critical input for analyzing problem areas
- Assists the company in monitoring progress toward improvements
- Keeps the company close to its customers

Customer service representatives pay attention to performance standards that are measured because they then know what to expect. Customer-focused measures are needed because they explain reasons for lost sales, retention problems, time-consuming and costly complaints, and cost-redundancies. Without measurable performance standards, employees are left to guess what good service is. When that happens, customers become disappointed. The following are some examples of measurable customer service standards:

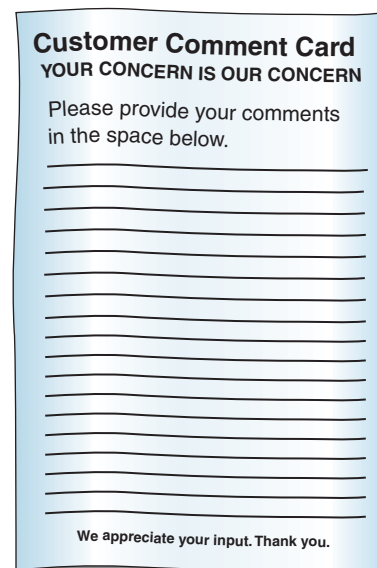
- Answer telephones by the third ring.
- Serve hot food at a temperature of at least 140 degrees.
- Smile and greet all guests within 10 feet of you.
- Respond to each shopper, so that he or she does not stand in line more than two minutes.
- Offer bell or concierge service to every hotel guest.
- Speak professionally to clients and avoid the use of slang.

How do you ask customers if your service goals are in line with their service expectations? The easiest way is to have a customer response system in place. You can use several methods, such as comment card surveys, follow-up telephone surveys, mail surveys, or other types of surveys and interviews:

- *Comment card surveys.* Hand the card to the customer at the end of the transaction. Ask the customer to please take a moment and complete the survey, as it will be useful to your company in determining how well you are meeting his or her needs.
- *Follow-up telephone surveys.* Have a written framework of questions to ask the customer. When calling, introduce yourself and tell the customer you are conducting a short customer service survey, which will take no more than two minutes to complete. Tell the customer

you would appreciate his or her input concerning a recent contact with your company.

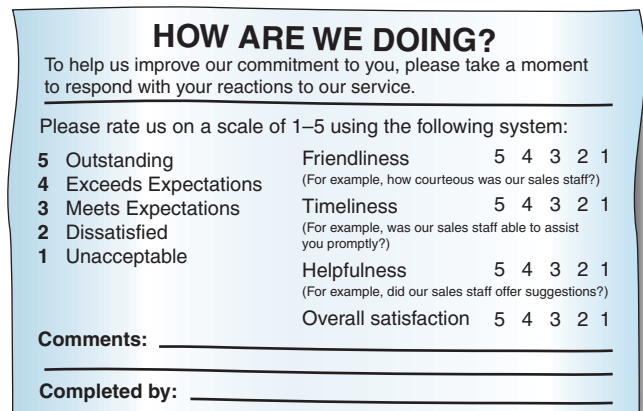
- *Mail surveys.* Include a cover letter explaining the reasons for your survey. Address the short survey to the person who interacted with your company. Include a stamped return envelope.
- *Other methods:* Electronic surveys, in-store shopper surveys, and onsite interviews can also be effective. In addition, create a forum for customer service representatives to provide anecdotal feedback on the market's response to product features, functionality, pricing, and advertising. Nobody knows what customers are thinking better than CSRs do. Examples of customer response methods are shown in Figure 2.3.



Customer Comment Card
YOUR CONCERN IS OUR CONCERN

Please provide your comments in the space below.

We appreciate your input. Thank you.



HOW ARE WE DOING?

To help us improve our commitment to you, please take a moment to respond with your reactions to our service.

Please rate us on a scale of 1–5 using the following system:

5 Outstanding	Friendliness	5 4 3 2 1
4 Exceeds Expectations	(For example, how courteous was our sales staff?)	
3 Meets Expectations	Timeliness	5 4 3 2 1
2 Dissatisfied	(For example, was our sales staff able to assist you promptly?)	
1 Unacceptable	Helpfulness	5 4 3 2 1
	(For example, did our sales staff offer suggestions?)	
	Overall satisfaction	5 4 3 2 1

Comments: _____

Completed by: _____

FIGURE 2.3

Two methods that survey customers' expectations and satisfaction with products and services.

Concluding Message for CSRs

To be sure, it takes more than “the customer is always right” rhetoric to satisfy today’s diverse customers. Customers are not always right, but customers are always emotional. They always have feelings—sometimes intense, other times barely perceptible—when they make purchases or engage in business transactions. When unhappy CSRs in an organization are out of touch with their own feelings, they cannot provide emotional competence or use emotional connections to increase customer loyalty.

Some tips to help you separate your organization from your competition and build strong customer loyalty are

- *Listen to your customers.* Not everyone complains. Those who do complain speak for more people than themselves.
- *Be knowledgeable and accessible.* Nothing is more frustrating than to have customers treated like basketballs—they don’t appreciate being bounced from one person to another, never reaching someone who can help. When CSRs are empowered to solve customers’ concerns, it is a win-win strategy for everyone.
- *Be honest.* When something goes wrong, tell the truth. If you are wrong, admit it. Once you’ve lost credibility with your customer, you’ve lost a customer.
- *Smile.* Greet every customer with a smile. Double that suggestion if it is a customer with a complaint. Being greeted by a sincere smile softens the “attack” and allows the conversation to take a more pleasant tone. Remember, the customer may not always be right, but he or she is always the customer. Some employment specialists say that, when hiring CSRs, it’s advisable to hire the smile and train the skill.

Summary

- The primary mission of perfect customer service is to experience repeat business and to increase business from present customers.
- When customers spend their money on products or services, they are motivated by the needs to be understood, to feel welcome, to feel important, and to experience comfort.
- Earning customer loyalty is critical, because today’s economy has an increased capacity to produce products and information; therefore, there is a glut in the marketplace as more and more companies compete for the same customers.

- When customers move from one supplier to its competitor, it is often because they experience turnoffs relative to the product’s value, an organization’s troublesome systems, or lack of respect and attention from service providers in the organization.
- Customer expectations are what a customer wants before a transaction, whereas customer perceptions are created during and after a transaction.
- In terms of making a favorable first impression, a good rule of thumb is to exceed customer expectations consistently, because first impressions are formed within the first four minutes of a customer contact.
- It is important to realize that customer service is not easily managed, because so many factors make it unpredictable and difficult to control.
- With a smarter customer base that has greater expectations, companies can no longer ask if customers are satisfied without acting on the responses they receive.

QUESTIONS FOR CRITICAL THINKING

1. In what ways do the four basic needs described in this chapter relate to the reasons people buy from certain companies?
2. Describe an experience you have had or have heard about that demonstrates excellent customer service.
3. Are customer satisfaction and customer loyalty the same in meaning? Why or why not?
4. Of the three types of customer turnoffs—value turnoffs, system turnoffs, and people turnoffs—which do you feel is the most often violated by organizations? Why?
5. In your own words, explain the relationship between customer expectations and customer perceptions.
6. Do you agree with the statement “You never get a second chance to make a first impression”? Why or why not?
7. Are the reasons customer service is difficult to manage just excuses for poor customer service or are they reasonable? Explain.
8. If you were the president of a retail organization, what methods would you use to measure customer satisfaction? Why?

 **On-line Research Activities**

Project 2.1: Measuring Customer Satisfaction

Assume you are doing a report on *current methods to measure customer satisfaction*. Use the Internet to research information and use the search engine *altavista.com*. Specifically, locate in your research published information from business journals and business-oriented web sites. As a result of your search, keyboard three items (and their URLs) of current information you might use in your report.

Project 2.2: Customer Service Books on Loyalty and Retention

Situation

The big push at On-Time Technology Products is to increase sales by doing whatever it takes to retain customers and increase customer loyalty. In the technology business, however, Vice President Woo, who is in charge of customer relations, realizes that there are so many good ideas and outstanding competitors in the technology field that it might be prudent to do some research on the Internet. He specifically wants to survey how customer loyalty is achieved and specifically relative to the technology industry.

Go to the Amazon.com web site and locate three books on customer loyalty and customer retention. Using file PRJ2-2 on the student CD, key responses in the following table format that will inform Mr. Woo what recently published books are available and that you would recommend, along with a brief description of each book.

Book and Author	Cost	Description of Book's Contents (One or Two Sentences)
1.		
2.		
3.		

 **Communication Skills at Work**

Project 2.3: Moment of Truth Examples

Review

A moment of truth is an episode in which a customer comes in contact with any aspect of the organization, however remote, and thereby has an opportunity to form an impression. In other words, a moment of truth

- Consists of any interaction with a customer
- Determines a customer's perception of your service
- Requires judgment, skill, and understanding by the CSR
- Occurs in less than 40 seconds

Retrieve file PRJ2-3 and complete the following form by listing actions a customer professional can do in column 2 for each of the four industries itemized in column 1.

Industry	What Can You Do to Create and Communicate Positive Moments of Truths to Customers (e.g., Smile)?
1. Hotel	<ul style="list-style-type: none"> • • •
2. Restaurant	<ul style="list-style-type: none"> • • •
3. Retail store (e.g., Sears)	<ul style="list-style-type: none"> • • •
4. Airline (e.g., American Airlines)	<ul style="list-style-type: none"> • • •



Decision Making at Work

Project 2.4: Customer Turnoffs Discussion

You are sitting in the lunchroom at On-Time Technology Products with other CSRs Rosie and Doug. It's Friday and everyone is looking forward to the weekend, but Doug is relating a customer problem he has just experienced and is asking how you and Rosie would have handled it. You discuss it, then the discussion moves to other examples of situations that turn customers off and how each of you would handle the situations. The following are three major customer turnoffs, which are not specific to the technology industry.

Respond to these customer turnoffs and state how you or your company might address each:

1. A customer waiting in line or on the phone

2. Red tape—such as refunds, credit checks, and adjustments on account

3. Failure to stand behind products or services



Case Study

2.1 The Mirror Principle

Helen Harrison, marketing director of a major manufacturing plant on the East Coast, was driving back from a noon Chamber of Commerce meeting and was reflecting on a statement made by the luncheon speaker. He described the mirror principle by saying, “Your employees won’t treat your customers better than you treat them.” Given the increasingly fragile employee morale, decrease in sales, and increase in customer service complaints over the past six months, Helen is wondering if this thing called a mirror principle isn’t what is happening at her company.

Questions

1. If you were Helen, when you got back to the office in what ways would you translate your feelings into an action plan for improvement?

2. What steps would be included in your action plan to turn this customer service issue around?



Case Study

2.2 Customer Service Satisfaction and the Budget

It’s budget time at On-Time Technology Products, and Mr. MacGibson is seeking input from employees in order to develop a realistic budget for next year. One budgeting change he is contemplating is to increase by 8 percent the amount of money allocated to customer service. Mrs. MacGibson (his wife and closest friend) has advised him that just committing more resources to customer service will not necessarily increase customer satisfaction and loyalty. Nonetheless, Mr. MacGibson needs more input and has asked you and the other CSRs to respond to the following three customer service situations to acquire more information as he prepares the budget.

Answer the following questions:

1. In what way could a higher budget assist On-Time Technology Products to make credits and adjustments to customer accounts more easily?

2. In what ways could a higher budget assist On-Time Technology Products to provide information and answers to customers in a more timely way?

3. In your opinion, can providing more money really solve customer service problems? Why or why not?

Let's Discuss...

Industry: Call Centers

Call Center Activities

What are call centers? Call centers are the areas of every company where customers and prospective customers call, make web site requests, and message through e-mail. Call center areas are where those major customer communications are received and/or answered.

1. *What industries have call centers?* Research your community, city, and state and determine where call centers are. (Usually, call centers don't hang banners on the door, so you might have to do some investigating.) In the following table, column 1 lists some typical industries that have call centers; column 2, categories or names of companies with call center areas. List in column 3 the companies in your area that have call centers established and operating. You may have to call and confirm your suspicions.

Industry	Examples	Call Centers in Your Area
Telecommunications	Verizon Wireless, MCI	
Financial	Banks and brokerages	
Retail	Sears	
Travel	Airlines, car rentals	
Insurance	Prudential, Farmers	
Reservations/tickets	Ticketron, timeshare condos	
Internet, or dot-com, companies	ISPs, e-trade,	
Others		

2. *Size and growth of call centers.* In 1998, there were 69,500 call centers in the United States, and that number is expected to grow to 78,000 by 2003, according to a recent Benchmarking Study. Provide on the following lines three items of information about call centers that you were unaware of. You will find much information by visiting the following four call center web sites: www.callcentermagazine.com, www.callcentermanagement.com, www.callcenternews.com and www.incoming.com.

- a. _____
- b. _____
- c. _____