

# CHAPTER 23

## Customer Service and Service Quality

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### 1. INTRODUCTION TO THE CUSTOMER SERVICE PARADIGM

A fundamental change in understanding business success has occurred. The new paradigm stresses that sales and profit are the result of customer satisfaction (Anton 1996) (see Figure 1).

Competitive advantage is most likely to come from innovation and creativity, flexibility to shift quickly as markets and customers change, marketing and tailoring value to the specific needs of profitable customers, and developing and creating long-term customer relationships. Today (and even more so in the future) competitive advantage will come from doing things sooner and better than the competition to a customer who will want to do business with you for an extended period of time.

The essence of business is to create satisfied customers who purchase your products and services and come back for more, and products that do not come back. The lifetime value of a customer is often overlooked in the day-to-day strategic and operational decisions. But this lifetime value is the critical issue for understanding why investments in service quality and customer satisfaction are not just expense lines in some budget but investments in bottom-line profit and the future of the company



**Figure 1** Customer Satisfaction Wheel of Success.

(Rust et al. 2000). Service quality and customer satisfaction must be calculated as a function of the sales and profitability related to the length of time a customer stays with your company as well as the costs involved in losing dissatisfied customers (see Tables 1 and 2). Research clearly shows that the longer a customer stays with a company the greater the sales and profits to the company because that consumer will buy more, buy more profitable items/services, requires smaller sales expenses, and be responsible for new customers through positive recommendations (see Figure 2 for a hypothetical look at this relationship).

**TABLE 1** Increased Revenues That Can Result over Time from Improved Customer Service

Year	Revenues at 70% Retention Rate	Revenues at 80% Retention Rate	Revenues at 90% Retention Rate	Revenues at 100% Retention Rate
1	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
2	770,000	880,000	990,000	1,100,000
3	593,000	774,000	980,000	1,210,000
4	466,000	681,000	970,000	1,331,000
5	352,000	600,000	961,000	1,464,100
6	270,000	528,000	951,000	1,610,510
7	208,000	464,000	941,000	1,771,561
8	160,000	409,000	932,000	1,948,717
9	124,000	360,000	923,000	2,143,589
10	95,000	316,000	914,000	2,357,948
<b>Totals</b>	<b>\$4,038,000</b>	<b>\$6,012,000</b>	<b>\$9,562,000</b>	<b>\$15,937,425</b>

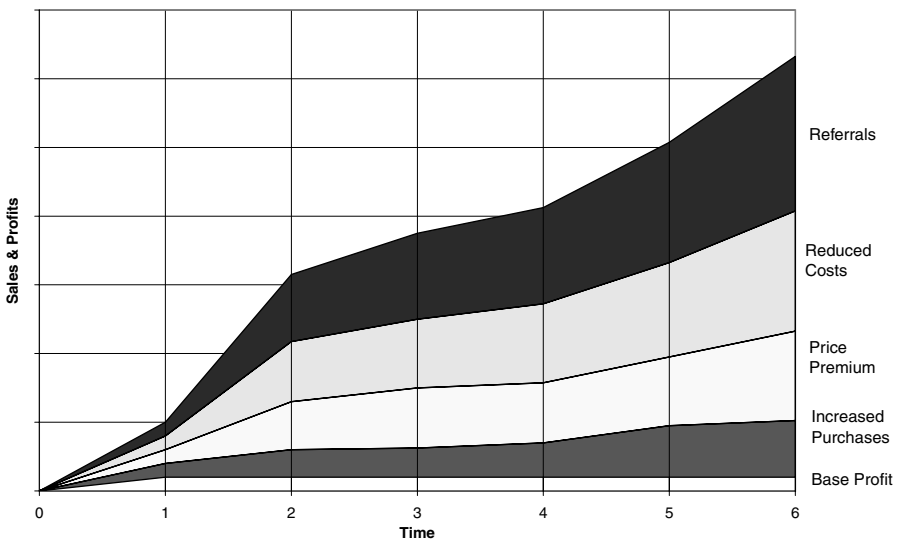
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Figures are based on 10% account growth annually.

**TABLE 2 Annual Revenue Loss from Customer Defection**

If you Lose:	<i>SPENDING</i> <b>\$5</b> Weekly	<i>SPENDING</i> <b>\$10</b> Weekly	<i>SPENDING</i> <b>\$50</b> Weekly	<i>SPENDING</i> <b>\$100</b> Weekly	<i>SPENDING</i> <b>\$200</b> Weekly	<i>SPENDING</i> <b>\$300</b> Weekly
<b>1</b> <i>customer</i> <i>a day</i>	\$94,900	\$189,800	\$949,000	\$1,898,000	\$3,796,000	\$5,694,000
<b>2</b> <i>customers</i> <i>a day</i>	189,800	379,600	1,898,000	3,796,000	7,592,000	11,388,000
<b>5</b> <i>customers</i> <i>a day</i>	474,500	949,000	4,745,000	9,490,000	18,980,000	28,470,000
<b>10</b> <i>customers</i> <i>a day</i>	949,000	1,898,000	9,490,000	18,980,000	37,960,000	56,940,000
<b>20</b> <i>customers</i> <i>a day</i>	1,898,000	3,796,000	18,980,000	37,960,000	75,920,000	113,880,000
<b>50</b> <i>customers</i> <i>a day</i>	4,745,000	9,490,000	47,450,000	94,900,000	189,800,000	284,700,000
<b>100</b> <i>customers</i> <i>a day</i>	9,490,000	18,980,000	94,900,000	189,800,000	379,600,000	569,400,000

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**Figure 2** The Lifetime Value of One Customer.

Service quality and customer satisfaction are not new constructs. As early as the mid-1960s, Peter Drucker, the original management guru, prescribed the following questions for all businesses: Who is your customer? What is the essence of your business? What does your customer value? And how can your business serve the customer better than the competition?

It is clear that although the 1990s were an era of talking about service quality and customer satisfaction, business has a long way to go in delivering on a customer satisfaction promise. It would certainly be depressing if all we have accomplished since the 1982 publication of Peters and Waterman's *In Search of Excellence* is to add a customer service customer satisfaction statement to the mission statements of our Fortune 500 companies. Five years ago, we would have been pleased to state that customer satisfaction was being discussed in the boardrooms and had a chance to become a part of business strategy. Now this is not enough. Delighting customers must become a focal strategy. Every business, every executive, and every manager must assess how their "function/work" contributes to customer satisfaction.

## **2. IT'S THE CUSTOMER, STUPID . . . NOT SERVICE QUALITY, PRODUCT QUALITY, OR CUSTOMER SERVICE!**

The issue is satisfaction. Consumers will pay for two things: solutions to problems and good feelings. When the consumer can purchase almost any product from multiple channels (TV, catalog, Internet, multiple stores) the only thing that can differentiate one business from another is the way it makes the customer feel. Businesses must decide whether they will simply be a vending machine and wait for the customer to deposit money in the slot and pick up their product/service, or whether they will add value. If businesses choose to be a vending machine, consumers will choose the cheapest, most convenient vending machine. But if businesses add value, consumers will expend effort, remain loyal, and purchase at greater margin for longer periods of time.

The issue is not simply service and product quality. Businesses can make their "stuff" better and better, but if it is not the stuff that consumers want, then consumers will not buy. In the 1960s, the big names in slide rules were Post, Pickett, and K&E. Each made considerable profit by selling better-quality and better-functioning slide rules—year after year after year. These three companies did exactly what the experts say is important—make quality products. Yet in the late 1970s slide rule sales disappeared, and so did these companies, not because they made slide rules of lower quality but because new companies by the name of Hewlett-Packard and Texas Instruments began making electronic calculators. Not a single slide rule company exists today. None of the three dominant companies noticed the shift. All three continued to make quality slide rules for customers who were now buying electronic calculators. Making the best-functioning product does not guarantee survival. The customer passed them by. Satisfaction results not simply from quality products and services but from products and services that consumers want in the manner they want. The side of the business highway is littered with companies that continued to make their stuff better without watching where the consumer was headed. In 1957, the top 10 businesses in Chicago were Swift, Standard Oil, Armour, International Harvester, Inland Steel, Sears, Montgomery Wards, Prudential, and the First Bank of Chicago. Thirty-five years later, the list includes only Sears and First National Bank from the original list, plus Ameritech, Abbott Labs, McDonald's, Motorola, Waste Management, Baxter, CAN Financial, and Commonwealth Edison. These two lists dramatically show the evolution that business goes through.

The discussion of a customer-satisfaction orientation is not limited to a few select businesses and industries. A satisfaction orientation exists in profit, not-for-profit, public and private, and business-to-business, and business to consumer (see Table 3).

### **2.1. Return on Investment for Service-Quality Improvements**

Increases in service quality and customer satisfaction have direct bottom-line benefits. According to Robert LaBant of IBM, a 1% increase in customer satisfaction is worth \$275,000,000 to IBM. Reichheld and Sasser (1990) estimated that a 5% increase in customer retention yields a 20% profit increase for catalog companies, 30% for auto service chains, 35% for software companies, 50% for insurance companies, and 125% for credit card companies. Costs associated with satisfaction and service-quality improvements are not costs but investments in sales, profit, and long-term viability. Assistance in figuring the return on investment for service quality and satisfaction improvements is available in books (Rust et al. 1994) and ROI calculators available on the Web ([www.1to1.com](http://www.1to1.com)—click on tools and ideas—look for downloads; [www.e-interactions.com/download.html](http://www.e-interactions.com/download.html)); ([www.cfs.purve.edu/conscirt/quality.html](http://www.cfs.purve.edu/conscirt/quality.html)).

## **3. HOW TO CREATE A CUSTOMER-FOCUSED BUSINESS**

### **3.1. Step 1: Mission, Values, and Purpose**

A customer-service focus emanates from the core values implicitly and explicitly expressed throughout the organization. It is represented in the mission statement of the company and the development

**TABLE 3 Examples of Customer Service Applications**

Consumer		Business		Public/Institutional/Associations/Not for Profit	
Products	Services	Products	Services	Products	Services
Retail, general	Insurance	Manufacturing to inventory	Transportation	Infrastructure	Defense
Retail, special	Banking, financial	Manufacturing to order	Warehousing	Currency/stamps	Education
Mail order	Travel	Commodities	Insurance	Publications	Licensing, regulation
Do-it-yourself	Health care	Finished goods	Financial	Power/light	Police protection
Home delivery	Real estate	Hi-tech/low-tech	Factoring	Museums, parks	Health
Party sales	Domestic help	Bulk/packaged	Engineering	Sheltered workshops	Information
Door-to-door	Lawn, yard care	Consumer/industrial	Environmental	Research spinoff	Postal service
In-home demos	Bridal counseling	Original equipment	Computer services	Surplus goods	Subsidies
Auctions	Catering	manufacturers/distributors	Security services	Timberlands	Taxes
Estate/yard sales	Riding, sports	Direct/indirect	Consulting	Oil, minerals	Lotteries
Equipment rental	Recreation	Consignment	Leasing	Agriculture department	Disaster relief
Subscriptions	Entertainment	Site delivery	Waste management	Standards	Export/import
Negative options	Beauty	On-site construction		Social services	Fire department
	Diet plans			Waste management	
	Child care				
	Education				
	Consulting				

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of a functional department to oversee customer relationship management and an executive responsible for the voice of the consumer.

A customer-focused mission statement should make it clear to all who work in the company and do business with the company that the customer is not to be ignored and should be the focal point of all components of the business. Every department and every individual should understand how they are serving the customer or serving someone who is serving the customer. The mission can be something as simple as Lands' End's "guaranteed period" or the engraving on a two-ton granite rock that marks the entrance to Stew Leonard's grocery stores in Connecticut: "Stew's Rules—Rule 1. The customer is always right. Rule 2. If you think the customer is wrong reread rule number 1." Then there is the elegant mission statement on the walls of the Ritz-Carlton: "We are Ladies and Gentleman Serving Ladies and Gentleman. . . . The Ritz-Carlton experience enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests." And the mission statement that helps explain why Wal-Mart is the top retailer in the world: "We exist to provide value to our customers. To make their lives better via lower prices and greater selection; all else is secondary."

The foundation for a visionary company is the articulation of a core ideology (values and guiding principles) and essence (the organizations fundamental reason for existence beyond just making money) (Collins and Porras 1994).

### 3.2. Step 2: Proactive Policies and Procedure

Once an organization has established the principles of customer orientation and service quality as part of its reason for being, it must implement that vision throughout in specific policies and procedures that define doing business as and at that company.

These policies can be taught as simply as they do at Nordstrom's, where customer service training consists of the prescription "Use your good judgment always," or as complex as a 250-page policies and procedures manual covering acceptance or orders, handling major and minor accounts, order changes, new customers, phone inquiries, return policies, ship dates, orders for future delivery, and hundreds of other specific policies and procedures.

In a business world that no longer has time for a five-year apprenticeship in which the policies and procedures are passed through in one-on-one learning, how things are done and their standards must be available for all. High levels of turnover means that teaching policies and procedures is a 7-day a week, 24-hour-a-day requirement.

#### 3.2.1. One Very Important Policy: The Guarantee

One of the more important policies and procedures for creating service quality and satisfaction is the guarantee. In a world in which products and services are commodities (interchangeable products that can be purchased at a number of channels), customers want to know that the company stands behind the purchase. Companies may not be able to guarantee that they won't make mistakes or that the product will never fail, but they can guarantee that they will stand behind it. Unfortunately, many companies have policies that state what they will not do rather than reassuring the customer with what they will do. Lands' End tells us that everything is "Guaranteed period." Restoration Hardware tells us, "Your satisfaction is not only our guarantee, it's why we're here. To be perfectly clear, we insist you're delighted with your purchase. If for any reason, a selection doesn't meet your expectations, we stand ready with a full refund or exchange." Nordstrom's has been built on its legendary policy of taking back *anything* (it is part of the Nordstrom's legend that they once accepted a set of tires despite never having sold tires). Same-day delivery, "If something goes wrong in 30 days after we fix it we will repair it free," "We accept merchandise for 30 days after purchase but only with a sales slip" are examples of policies affecting guarantees.

In establishing guarantees, there are a number of factors that should be considered. First, the costs of administering return/guarantee policies may outweigh their benefits. For example, if a manager must approve all returns and the approval rate exceeds 90% anyway, the costs of the manager's time and effort probably exceed the benefit. Second, uncertain and restrictive policies that increase the probability that irate consumers will confront poorly prepared front-line people will decrease morale and increase turnover. Third, guarantees can be a significant source of profit when companies sell extended guarantees for products and services that have naturally low levels of failure. Electronics companies have found these extended policies to be very profitable. Fourth, guarantees, which lay out an organization to outperform historical or market standards, force companies to become extraordinary. Making extraordinary goals public may force companies to aim at and reach high levels of customer service and satisfaction. Finally, return policies and product service guarantees must be developed in light of the lifetime value of the customer. The probability of losing a customer for life because of a restrictive policy must be balanced against the value of the potential purchasing power and loyalty of the consumer in the formation of policies. Sewell Cadillac in Texas estimates the value of each customer to be over \$250,000 (the value of car sales, leasing, repairs to customers buying

cars over their lifetime). To create policies that drive these customers away for what really are insignificant dollar amounts given this lifetime value is tantamount to stealing future income.

On the other hand, very liberal guarantees and return policies may be inappropriate and silly. A contractor who has a satisfaction-guaranteed policy might be giving away the business when the customer is dissatisfied with the room design they selected and approved although the workmanship was outstanding. Although unlimited guarantees are an inducement to consumers and may be a competitive advantage, a profitable business must be run. Unlimited and liberal policies may require higher prices, which will allow competitors to offer comparable products and services at lower prices.

For most businesses, a guarantee in the form of a limited warranty probably makes sense. These limited warranties spell out the conditions that define replacement or exchange. Customer abuses are less likely, but reasonable customers will still find these guarantees an inducement.

### 3.3. Step 3: Determining What Is Important to the Customer

Perhaps the biggest drawback to developing exceptional customer satisfaction is that information about what is important to customers comes from talking to ourselves (the executives of the company), not the customer. Understanding the customer experience from representative samples of customers using qualitative measurement and analysis is generally possible, and it guarantees that policies and procedures instituted by a company are not based on idiosyncratic and/or nonrepresentative (of all a company's customers) pieces of data or belief.

The customer satisfaction measurement system must connect to the internal measures of a company and to external customer evaluations. To provide evidence, surveys can be performed to make possible a gap analysis (the gap is the difference between what the customer should experience and what the customer actually experiences). The data of actual-to-expected performance allow the application of advanced statistical techniques such as regression analysis to determine empirically the relative impact and/or importance of attributes and processes to customer satisfaction (the power of this technique and an example of its application are illustrated in Anton [1996]). To improve customer satisfaction, identifying the specific attributes and processing the most predictive of customer satisfaction decisions about investment of resources will yield the greatest benefit.

## 4. THE CUSTOMER SERVICE DEPARTMENT

Companies at the forefront of customer satisfaction have found that positioning, organizing, and staffing a department for consumer affairs/customer satisfaction is essential. The growth in importance of customer service departments is dramatically shown by the proliferation of professional associations and professional newsletters. The Society of Consumer Affairs Professionals (SOCAP, at [www.socap.org](http://www.socap.org)) serves to professionalize the industry and provides a range of training, educational material, and meetings. The *Customer Service Newsletter*, offered by the Customer Service Group ([www.alexcommgrp.com](http://www.alexcommgrp.com)), is part of a set of useful newsletters and practical materials for improving and understanding a company's customer service offerings.

### 4.1. Organization

Organizing a department whose top executive reports to the CEO is likely to send a signal to the organization that customer service/satisfaction is important. Direct reporting to the CEO allows policies about customers to be made at the highest levels and reduces the probability that these policies will get lost in the history and bureaucracy of the business.

### 4.2. Centralization

There is much to be gained from having a centralized customer service initiative. These advantages include economies of scale, greater practicality for using state of the art computers and telephone strategies, adaptability, easy adherence to standards, better access to top management, opportunities to create career paths, and being well suited for manufacturing and consumer products businesses. Probably the greatest advantage of centralization is the centralization of information. Information is easily aggregated and analyzed for use by the strategic areas in the business.

### 4.3. Setting Service-Quality Standards

Service standards are the measuring stick that guides a customer service report card. Standards must be carefully engineered to be consistent with the operational and strategic goals of the business. One of the more common standards in customer call centers may actually be antithetical to the customer satisfaction goals of the organizations. Forcing customer service agents to take too many calls per hour or make each call as short as possible (both metrics logical under a cost cutting/control mission) may interfere with a mission to maximize customer satisfaction (which might require longer calls and therefore fewer calls per hour).

Mystery shoppers, mystery callers, and quality monitoring are all techniques used to monitor service quality standards. Unfortunately, more attention is paid to how those standards are measured than to the establishment of standards that are really related to outcome measures that matter.

Simply stated, what gets measured gets done. What gets rewarded gets repeated. Telling front-line people that they must greet the customer within 25 seconds can easily be monitored and will increase the chance that the front-line person will greet the customer quickly. If a standard is established, it should be related to satisfaction, purchase, or loyalty in some way. Standards should be related to issues of bottom-line significance. Unfortunately, many customer satisfaction and service quality standards are set because they can be easily measured and monitored (greet customers within 25 seconds when they enter the store, answer the phone by the fourth ring, respond to the e-mail with 24 hours). Or they are set because they have been historically used in the organization.

Creating meaningful customer service and service quality standards plays a role in establishing the company as an outstanding customer-oriented organization. Few companies and organizations have standards, and those who have them do not tie them to strategy and mission. But a few have standards that they have found to be causal determinants of customer satisfaction and profitability. These companies are leaders in their fields.

#### 4.4. Managing Complaints

At any time, almost 25% of your customers are dissatisfied with your products or service. Yet fewer than 5% of these consumers ever complain. Complaints are a fertile source of consumer intelligence. Businesses should do everything to maximize the number of complaints from dissatisfied customers. Complaints define what companies are doing wrong so that systemic changes can be made if needed. Second, research is clear in showing that a dissatisfied consumer who complains and is taken care of is significantly more loyal than a consumer who does not complain. Complaints are strategic opportunities. Most consumers who complain are not irate. Systems and employees who are not responsive create irate consumers. Training and empowerment allow front-line employees to reduce anger and create loyal customers.

Companies that understand the strategic value of complaints have instituted systems and access points that literally encourage consumers to complain. Internet access sites and e-mail addresses are the wave of the future, and companies will need to be prepared for the volume of contacts received in this manner. More likely today's companies have a call center at the center of their complaint-management system.

With simple training and sound procedures and policies, most consumer complaints can be resolved quickly and effectively at the lowest levels of contact. It costs five times as much to get new customers as it does to keep customers. Call centers, and in the future e-mail and Web access, provide companies with the cost-effective ability to manage complaints, turning a dissatisfied customer into a loyal one. But maybe more important, a company that recognizes a complaint as a strategic opportunity encourages complaints and is more likely to use the information to make strategic development and marketing decisions. What you do not hear can and will hurt you.

#### 4.5. Call Centers

The call center has emerged as a vital link between customers and businesses after the consumer has purchased the products and/or services. These centers range from small operations to massive operations employing thousands of telephone service representatives.

The birth of the 800 toll-free number made access to companies cheap and easy for consumers. Subsequent advances in telecommunications technology have enabled businesses to handle volumes of calls unimaginable five years ago at affordable costs.

##### 4.5.1. Call Center Operations and Logistics

Inbound and outbound communications form the thrust of call center operations. The Internet is forming the basis of low-cost communication for the business-to-business and consumer-to-business enterprise. EDI (electronic data interchange) was a novelty five years ago. Now consumers (and businesses who are consumers of other businesses) would probably prefer to be able to order, check order, check inventory, locate where the products are en route, pay, and follow up without having to touch or talk to a live person.

Sophisticated natural language recognition voice recognition programs (interactive voice response technology [IVR]) are replacing the boring and ineffective first-generation IVR ("press or say 1 if you . . . press or say 2 if you . . ."). IVR can become a cost-effective means of handling 50–75% of all incoming phone conversations. Telephonic advances allow a consumer to speak in his or her natural voice about the problem he or she is experiencing and the call to be routed so that the most qualified customer service agents will get the call before it has even been picked up.

More importantly, switch technology allows routing of customers based on their value to the company. High-priority customers can get through quickly, while lower-valued customers can wait in the queue.



#### 4.6. Hiring, Training, and Keeping Customer-Oriented Professionals

The customer is the most important part of a business. No customer means no sales means no reason to exist. If the customer is so important, do we see few executive-level positions with customer satisfaction in the title? The financial side of the business is important, so we have a vice president of finance. The marketing side of the business is important, so we have a vice president of marketing. The consumer is important, but we do not have a vice president for consumer satisfaction.

Where to begin:

1. Make a commitment to exceptional customer satisfaction by making certain that job descriptions have customer satisfaction accountabilities. Have a person whose only responsibility is to think about how the operations and marketing and recruitment affects the customer. Because we believe that hiring minority individuals is important, we put into place an executive who audits all aspects of this part of the company. Without a key individual whose focus is customer satisfaction, customer satisfaction may be lost in the day-to-day pressures.
2. The expression is, if you are not serving the customer, you'd better be serving someone who is. Thus, positions should include some accountability for customer satisfaction. What gets measured and rewarded gets done. If customer satisfaction is important, then monitoring, measuring, and rewarding based on customer satisfaction are critical.
3. Customer satisfaction must be lived by the top executives. Customer-oriented cultures wither when senior executives only talk the talk. Every Saturday morning, executives at Wal-Mart's Bentonville, Arkansas, headquarters gather for a meeting that is satellite linked to each of their 2600+ stores. They do a number of things at this meeting (point out and discuss hot items, cost savings, the Wal-Mart cheer, etc.), but nothing is more important than the senior executive at the meeting getting up and asking all there, "Who is the most important person in Wal-Mart's life?" and then hearing all respond, "The customer."
4. Hire for attitude, train for skill. There is simply too much looking for skilled people and then hoping they can learn customer service skills. In studying at the best-in-class companies, we have observed that selecting people at all levels who are "eagles" (show evidence of the ability to soar) and then teaching them the skill set for the job is better than getting people who have some skills and hoping they will become eagles.
5. There are any number of commercially available screening and selection tools focusing on customer satisfaction.

Selecting, training, and developing a fanatical devotion to the customer in employees is the critical piece of the puzzle.

##### 4.6.1. Training for Exceptional Customer Service

Most companies expect a great deal from their customer service professionals. Yet formal training is sketchy and infrequent and lacks specificity and impact. Training works well because it sets expectations, teaches skills, and allows employees to be successful in the job.

Instituting customer service training in companies with established training programs requires a customer-orientation module in existing training programs and the development of a complete customer service representative training program for those individuals with total customer service functionality.

Some companies find that a call center is the best place for any new hire to gain experience. Few engineers at Ford will forget the customer in their later jobs after spending some time in the Ford Customer Call Center listening to problems and complaints. In addition, after working in a call center, these future leaders of the company (whether they come from sales, finance, marketing, legal, or administration) become sensitive to customer satisfaction issues and see more clearly how customer service fits the big picture.

Stories of companies with exceptional customer service orientation and excellent training obscures the fact that training alone will never work. The organization, its people, and its processes must support the jobs of people who have direct customer service functionality. Customer service training is a continuous process. Measuring performance, holding people accountable, providing feedback, cross-training, refresher training, and customer visits all allow the growth and development of a customer service culture and mission.

#### 4.7. Serving the Internal Customer

One of the greater gaps found in organizations attempting to become more customer focused is the lack of attention to the internal customer. A good example of an internal customer orientation is provided by the Haworth Company, an office systems manufacturer. Their quality-improvement program revolved around the internal customer. Each work unit identified all its internal customers. They prioritized these customers, identified key work output in measurable terms, set standards, and mea-

sured their performance with their internal customers. Many companies have instituted internal help desks to which employees can call to get answers and solutions to their work problems much the same way that external customers use call centers for answers to questions and solutions to problems.

## 5. THE FUTURE OF CUSTOMER SERVICE AND SERVICE TECHNOLOGY

The 21st century will be an era when customer satisfaction and service quality will be defined by providing customers (business to business and consumer to business) consistent accessibility. Total customer touch, at anytime, from anywhere, in any form. However, few businesses use customer access as a key component of a business strategy. Access seems to be developing piecemeal, not as the central core of an overall strategy to allow customer access and deliver customer value anytime and anywhere.

### 5.1. Customer Access Is the New Marketing Paradigm

It really is very simple. If you want people to solve problems right now, give them right-now information. And magically, if you want employees to create an enhanced customer experience (internal and/or external), give them the right information exactly when they need it. Access will be realized in a combination of bricks-and-mortar storefronts, the call center, and the Internet. If you don't deliver consistent accessibility, someone else will.

Dell Computers understands the new paradigm probably better than any company as we enter the new millennium. It began selling products online in 1996. In 1999, it received 2 million hits per week and did 40% of its business on the Web. That is 20 million dollars of computers and "stuff" each day. No computer is built until it is ordered, making inventory expenses minimal. Michael Dell believes that three words control the future of business. Businesses that understand the power of these words and can implement them will win. What are these three words? "The consumer experience." That expression placed on or in view of everyone's desk reminds all Dell employees that their salaries, cars, desks, and retirement accounts and the presents they give all depend on the experience they provide to the customer at all customer touch points. To make certain they are on top of that "experience," Dell created the Consumer Experience Council, a group that scrutinizes every aspect of how Dell interacts with the customer.

Technological advances have made the ability to integrate telephone and computer technologies with front- and back-office functions a realistic weapon in creating and maintaining long-term customer relations. The business that treats the telephone, the Internet, e-mail, and storefronts as complementary channels will just create more opportunities for capturing market share and the share of the consumer.

There are some very strong reasons why accessibility is the central issue, but none more important than the simple fact that lack of accessibility turns out to be the prime customer dissatisfier and reason why consumers desert a company. Research at our Center for Customer Driven Quality at Purdue University has affirmed that over 50% of consumers who desert a company because of bad service experience (Figure 3) and that bad service is primarily defined as an accessibility issue (Figure 4).

In order to support the total customer experience with information and intelligence at all points of contact, businesses must develop systems that can pull information from many differing databases. This requires a technology platform that allows for real-time reporting to the business and immediate updating to the customer experience file. Our points of contact must be aligned with all databases. Finally, the people who work in all of the customer access channels (contact centers, storefronts, and webcenters) need to understand the value that is added at each and every point of customer contact. This requires a redefinition of the role of each person who is acting in one of these contact channels. As an example, storefront people need to be comfortable with the Web and the call center. They need to be aware of how each of these access channels operates. This will require them to access to these other channels within the store. The company face to the customer should be such that whatever channel the customer selects, he or she will be able to conduct the business he or she wants and be recognized by his or her contact point as a person, not a transaction. No story will need to be told twice. No problem will go unsolved. No question will go unanswered. The customer will be proactively informed of any changes.

The organization must realize that this is not simply a technology purchase. This is not just pasting the latest electronic gizmo or switch or software onto your call center or website. Technology only enables the organization to enhance the customer experience. Customer relationship management (CRM) is not a toolbox; it is a new way of seeing the customer and then using a set of tools to enhance the total customer experience.

In a similar manner, the director, manager, or senior executive will have access to a set of cockpit-like analytical tools that will provide her or him enterprise-wide access to aggregate real-time information. So while the individual performance of a telephone service representative may not be

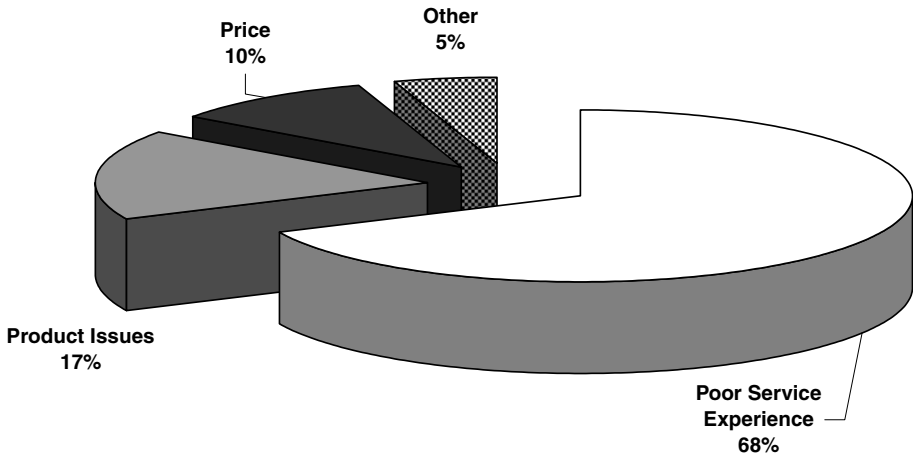


Figure 3 Why Do Customers Desert?

important to her/him, the enterprise-wide customer issues being probed in the contact centers are an issue—and this cockpit-type software provides that information when requested in real time.

So companies must remember to keep the customer at the focus of the decisions and solutions. Systems must be based on processes and technology that allow for simplified customer relationship management. General Electric has over 200,000 products across 80+ industries but only one number to call with a question, problem, concern whether it is about a jet engine, MRI machine, or a lightbulb . . . and they do this 24 hours a day, 7 days a week, 365 days a year. The systems must be open and easily integrated. The news is that this version of the future is available with technology today (and it will only get better and cheaper and easier).

Perhaps the most critical but undervalued aspect in creating total enterprise access will be the development of a layer of technology infrastructure called middleware. This middleware is critical for integrating the information now housed in separate and disparate databases. This “plumbing” does not get the attention it deserves. It is not glamorous or fashionable, partly because it is difficult to get a handle on, and it represents separate and distinct territories, each protected by herds of executives and workers who have vested interests in status quo systems. Middleware is the bridge between the databases. It is the piece that prevents the customer from hearing, “I am sorry, but the system does not allow me to do that” (heard often at airline counters) or “I don’t have access to that database here” (heard often at banks)—the kinds of things that frustrate consumers and drive them elsewhere. No more “Why is it so hard for you people to get the order right?”

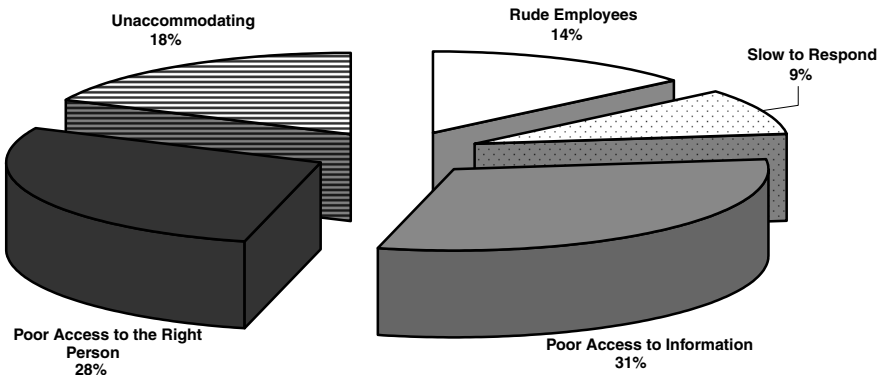


Figure 4 What Does the Customer Mean by Poor Service Experience?

Accessibility is clearly a business issue. Dell has recently moved past Compaq computer as the leading PC in the United States, yet Dell doesn't sell a single computer in the store. Intel and Cisco will book more from direct Internet orders than all the business-to-consumer sales that have taken place up until now. We can check inventory levels, place orders, and track these orders and delivery dates from these companies anytime we want to from our desk (as well as answer or have answered any of the questions we might have).

Accessibility is a control issue. Our ability to track our FedEx and UPS packages gives us power (and satisfaction). Imagine my smile when, after the recipient of a report I sent by FedEx claimed not to have received it, meaning my bonus for doing the work at that date would not be forthcoming, I was able to access (while we were speaking) the very signature that signed for the FedEx package exactly one hour before the due time (signed by this guy's secretary).

Accessibility is not just a marketing issue but an enterprise one. The story of how Avis trains its people better and more efficiently is the story of accessibility. Avis had the goal of consistent training across all employees anywhere anytime in the organization. The company developed a system called Spotlight, a virtual multimedia learning center that can be accessed in any of the 15,000 offices across 1,210 countries. After hearing a greeting and motivational talk by the CEO and learning the basic Avis skill set, the new employee meets a customer who takes him or her through the most common problems (representing 80% of all the escalated customer dissatisfaction issues). There are multiple lessons of accessibility here. First, anyone in the organization has immediate access to training. Classes do not have to be scheduled. Trainers do not have to be trained. The associate in Asia can access the training as well as an associate in New York City. This training is infinitely repeatable. But less obvious is the accumulation of customer information so that employees can know and learn from the top consumer problems, questions, and difficulties in an almost real-time process. While Avis is training to the specific situation, the competition is talking about general issues of customer dissatisfaction/satisfaction. Accessibility of information has led to specificity of attack.

Accessibility is an inventory issue. Accessibility among vendors, manufacturers, and retailers will lead to automatic replenishment. The complex accessibility among Dell, FedEx, and the many manufacturers who make Dell's parts results in FedEx managing just-in-time delivery of all the parts needed to build that special PC that the consumer just ordered today. At the end of the day, the system will tell us what we have on hand compared with what we want. If there is a difference, the difference will be ordered and the system will learn about proper inventory levels so that differences will be less likely in the future. In other words, the system learns from its experiences today and adjusts for tomorrow.

Accessibility is a retooling issue. Retooling a company for customer access means reengineering the technology and the people.

Most importantly, whatever the bottom-line impact of accessibility is on running a better business, the bottom-line impact on consumers is key. Accessibility enhances the customer's total experience. Accessibility builds customer and employee relationships with the company that empower them to change the enterprise and the enterprise to change them.

Accessibility builds brand meaning and value. Consumers are finding accessibility as a differentiating brand value.

Accessibility can create "delight"—the difference between the just satisfied and the WOWed.

In addition to accessibility, the future of service quality and customer satisfaction has to do with how information about the consumer will lead to extraordinary relationship building. Many names are emerging for this, such as database marketing, relationship marketing, and one to one marketing. This is not a new name for direct mail, or an order-taking system, or a substitute for a solid marketing strategy, or a solution to a bad image, or quick fix for a bad year. This is a new paradigm that Peppers and Rogers (1997, 1999) call "one to one marketing." The goal is to identify your best customers ("best" can mean more profitable, most frequent purchasers, highest proportions of business, loyalty) and then spend the money to get them, grow them, and keep them loyal. You need to fence your best customers off from competition. How easy would it be for another company to come in and steal these clients? How easy would it be for these best customers to form a relationship similar to what they have with you with another company?

## 6. THE CUSTOMER SERVICE AUDIT

The list of questions in Table 4 is a useful checklist to monitor performance of your company for customer service and satisfaction.

## 7. A FINAL WORD

Customer satisfaction is everything. (For a free downloadable collection of customer service and customer satisfaction quotes, go to customer service graffiti at [www.cfs.purdue.edu/conscirt/quality.html](http://www.cfs.purdue.edu/conscirt/quality.html)—click on customer service graffiti). In the 21st century, satisfaction will be driven by

**TABLE 4 Customer Service Audit Checklist**


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OBJECTIVE: The following list is an aid to measure and monitor customer orientation.

**PROCEDURE**

- Do you have a written customer service policy?
  - Is this given a wide circulation within the company?
  - Do customers receive a copy of this policy?
  - Is customer service included in the marketing plan?
  - What elements of customer service do you regularly monitor?
  - Do you think other aspects of service should be monitored?
  - Do you monitor competitive service performance?
  - Do you know the true costs of providing customer service?
  - Do customers have direct access to information on stock availability and delivery?
  - How do you report to customers on order status?
  - Is there a single point of contact for customers in your company?
  - Do customers know who this individual is?
  - Is any attempt made to estimate the cost of customer service failures (for example, a part delivery, late delivery, etc.)?
  - Do you seek to measure the costs of providing different levels of service?
  - Do you have internal service measures as well as external measures?
  - How do you communicate service policies to customers?
  - What is your average order cycle time?
  - How does this compare with that of your major competitors?
  - Do you monitor actual order-to-delivery lead-time performance?
  - Do you have a system for accounting for customer profitability?
  - Does the chief executive regularly receive a report on customer service performance?
  - Do you consciously seek to hire individuals with a positive attitude towards customer service?
  - Does customer service feature in the criteria for staff promotion?
  - Do you use quality control concepts in managing customer service?
  - Do you differentiate service levels by product?
  - Do you differentiate customer service levels by customer type?
  - Do you have a standard cost for an out of stock situation (for example, cost of lost sales, cost of back orders, etc.)?
  - Do you provide customers with a customer service manual?
  - Do you monitor the internal customer service “climate” on a regular basis?
  - Does your customer service organization effectively manage the client relationship from order to delivery and beyond?
  - How do you monitor and respond to complaints?
  - How responsive are you to claims from customers?
  - Do you allocate adequate resources to the development of customer service?
  - How do you seek to maintain a customer focus?
  - Does customer service regularly feature at management meetings and in training programs?
  - What specific actions do you take to ensure that staff motivation re customer service is maintained at a high level?
  - Is the company image re customer service adequate for the markets in which it operates?
- 

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customer access. But first, senior executives must agree that providing customers with a consistent, thoughtful, and value-added total customer experience at any and all touch points is vital to their retention and loyalty and future acquisition. This will allow their organizations to be moving towards a yet-to-be-defined level of enhanced total enterprise access for employees and customers . . . which will enhance the employee and customer experience . . . which will create loyal and long-lasting employee and consumer relationships with your company . . . which means happy customers, happy employees, happy senior executives, happy shareholders, happy bankers, and of course happy consumers.

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