

## **CUSTOMER CARE (DES 3102)**

**LECTURE** : 2

**TOPIC** : Supporting a Service Strategy

### **LEARNING OUTCOMES:**

After completing this chapter you should be able to understand:

1. The various steps implemented to support a service strategy.

### **TOPIC OUTLINE:**

- 2.1 Developing a service strategy
- 2.2 Formulating strategy
- 2.3 Develop a specific action plan
- 2.4 Establish criteria for success
- 2.5 Identify obstacles to progress



## **Strategy**

Strategy makes up the final facet of the customer service diamond – mission, values, objectives, strategy. To convert vision and values into reality once customer service objectives have been established, senior management needs to create a customer service strategy – long-range plans on such critical issues as customer-focused processes, human resources, innovation and so on to meet customer demands. The strategy should in turn lead to implementable actions.

The approach which many organisations adopt in formulating a customer service strategy can be outlined as follows.

### **2.1 Developing a service strategy**

1. Review and link to mission, values and corporate objectives.
2. Evaluate current position.
3. Formulate strategy.
4. Develop a specific action plan.
5. Establish criteria for success.
6. Identify obstacles to progress.
7. Implement.

#### **1. Link to mission, vision, values and corporate objectives**

We have discussed earlier the importance of an organisational mission and values and how vital it is to have customer service as a key objective for the organisation.

#### **2. Evaluate current position**

Given this, in order to improve service quality, management need to take stock of the organisation's 'fit' with the environment. This can take place via an external and internal appraisal. This process allows the managers to identify the gap between the desired and current state.

It is well to thoroughly evaluate an organisation's past performance and present position in order to have a measure of future potential. Indicators of past performance include historical financial results, competitor analysis and customer satisfaction.

Measures, level of repeat and new business, as well as internal measures such as staff loyalty and attrition rates, motivation, structure and systems.

### **External appraisal**

In evaluating current service performance, senior managers need to be conscious of both the far and near environment in which the organisation operates.

The far environment can be defined as those elements which affect an organisation's business and over which a company often has very little direct control. These elements

are often classified as the STEP factors – the sociological, technological, economic and political factors that affect a business. If one were to undertake an audit of the STEP factors which confront the current position of a coach company, which wished to develop a service strategy, results may show:

**Sociological factors:**

- more people in full- and part-time work;
- greater car ownership;
- general desire for efficiency and speed in transport;
- growing awareness of environment issues as pollution and inner city congestion;
- higher degree of comfort and facilities expected;
- ageing population

**Technological factors:**

- improvement in transport manufacture;
- automation;
- improvements in road networks;
- greater use of the Internet and e-business

**Economic factors:**

- Customers more cost-conscious;
- Staff retention low as a wide choice of employment opportunities;
- High cost of fuel

**Political factors:**

- Government backing for less car usage;
- EC regulations.

The implication of this analysis would then need to be evaluated in the light of customer expectations.

Taking as an example the sociological factors for the Coach Company, a service strategy would need to address customers' requirements for speed, frequency of service and comfort as well as their requirements for competitive prices and efficiency.

Next there needs to be an appraisal of the *near environment* which affects the performance of the organisation that is required. The near environment includes aspects such as the impact on the business of the size and structure of the industry in which the organisation operates the competitive environment and bargaining power of suppliers and customers.

To conduct an audit of the near environment in terms of customer service, one needs to look at the immediate industry and competitors within it as well as the power of existing customers. Professor Michael Porter's concept of five forces, which determine an organisation's competitive position, is useful in this context and is shown in Figure 2.2.

Using this model in the hypothetical example of the coach company when conducting an appraisal of the near environment, it can be seen that the power of the customer is high – as there is a large number of alternative methods of transport and the threat of substitutes such as videoconferencing. Car, rail, bus and tube transport is also high because of the cost of investment. The bargaining power of suppliers is poor and the rivalry amongst existing competitors is high.

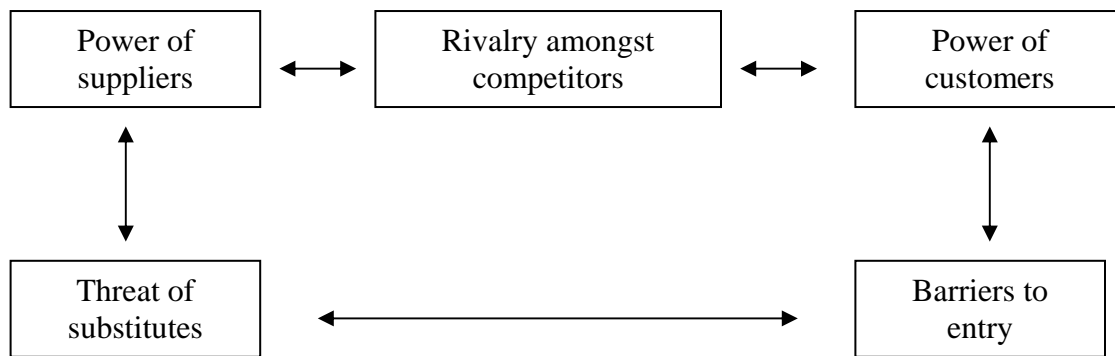
On this basis a service strategy would probably need to address, amongst other issues, the need to benchmark competitors and comparable industries to meet growing customer expectations and to add to the customer’s experience.

**Internal appraisal**

To achieve true customer focus, senior managers have to persuade the whole organisation to ‘live brand’ rather than just produce, package and sell it. At Cadet Uniform Service in Toronto, research revealed that customers perceived the delivery drivers, who collected and delivered the laundry, as the company. The company gave up its salespeople and made its drivers the sole point of contact with the customer. The drivers’ customers – handling skills now grow and develop the business: 98 per cent of success in business is down to repeat business.

American Express research shows that the manner in which a cardholder is handled when he or she is called to the phone because his or her card limit is exceeded, affects the customers’ satisfaction rating far more than if the card had been refused or denied.

When healthcare company PPP decided it wanted to deliver brand values such as openness, honest, flexibility and personal service, it found that it had to change not only its old insurance-based name, logo and advertising, but its insurance company mentality.



**Figure 2.1 Porter’s forces**

Customers experience service the way employees talk, behave and deal with them so that the company's own culture and values shine through everything it does. In preparing a

customer service strategy, therefore, it is essential to appraise the internal organisational environment. This audit should include such aspects as:

**Structure:** analysis of the size and structure of the organisation and whether its configuration meets customers' needs. Many layers of hierarchy can block customers' access.

**Shared values:** What is valued in the organisation? For example, is there evidence of teamwork, communication and co-operation? Is there fundamental passion towards the customer in making money?

**Strategy:** What has been the organisation's strategy in the past? What successes or failures has this brought, and why? Is the strategy translated into action?

**Systems:** an assessment of the internal processes and the effectiveness of each of them in meeting customer requirements. Are the system designed with the customer in mind?

**Style of management:** identification of characteristics of current management style and its appropriateness in customer-focused organisation. What leadership style prevails?

**Staff:** an assessment of the organisation's performance in terms of human resource management – recruitment, training and development, career development, reward and recognition. How customer-focused are employees?

**Skills:** an audit of the skill profile of the organisation's staff and their competencies in relation to customers. Are skills, knowledge, attitude and behaviour customer-orientated?

Particular attention should be paid in the audit to how employees currently perceive the role of service within the organisation. To be successful, service quality must be integrated into the corporate culture of the organisation and become a natural part of working life. Banks and building societies, for example, have undergone a revolution in the past decade to move from a bureaucratic to a service culture.

#### **Past**

Organisational focus  
Meeting audit requirements  
Quality control  
Hierarchical structure  
Limits on responsibility  
Close communication

#### **Future**

Customer focus  
Meeting customer requirements  
Error prevention  
Fewer layers  
Employee empowerment and responsibility  
Open communication

This has involved moving away from a paternalistic and audit-controlled environment where the needs of the organisation came far above those of the customer, and creating a culture where enterprise and service-mindedness are promoted and the focus is on the customers.

## **2.2 Formulate strategy**

Having undertaken an audit of the near and far environment and the internal organisation, senior management is then able to set a strategy for customer service quality on a continuous basis. There are a number, for examples, of organisations which have created successful service strategies.

When Peter Bonfield was appointed as chairman and chief executive of ICL plc in the mid-1980s, he was confronted with an organisation which faced going out of business. Bonfield and a top management team identified the company as being inward-looking without a clear vision of the future, lacking a consistent and appropriate culture, and having a focus on technology rather than customers, and limited general management skills.

Having completed the analysis, the next step was to agree on a critical strategy document called 'The ICL Way' which provided a culture blueprint and defined seven commitments to be made by all employees, especially in the areas of excellence and customer service. The document also features ten key roles for managers who focused on responsibilities for people and their development. A series of company-wide business performance initiatives was introduced for the late 1980s and early 1990s:

- Quality the ICL way – a top-down TQM programme aimed at building a quality culture focused on both internal and external customers;
- The development of benchmarking to give objective external comparisons;
- Introduction of multi-skilling in the workforce;
- The achievement where appropriate of standards such as ISO 9000;
- A campaign to motivate the workforce through recognition, performance-related pay, employees' surveys and;
- Annual and quarterly, and criterion-based selection.

This strategy, aimed at focusing on customer satisfaction and excellence, has resulted in a strategic recovery, which has been dramatic.

The top team and leader of Braintree District Council outlined a simple statement of purpose as a focus for the organisation. Setting out its basic ambition, the mission led to operational principles for culture, quality, customer care and people development and contained four key statements:

1. Securing the best possible conditions for all that live in the district to lead a high quality lifestyle.
2. Focussing on customers through providing quality services.
3. Ensuring staff development opportunities thorough training, appraisal, respect and support.
4. Operating in a business like manner with clear accountabilities and insisting that targets be met.

## **2.3 Develop a specific action plan**

Whatever the strategy an organisation develops to enhance its customers care, it is essential that a plan is drawn up on how the strategy is to be implemented so that management can systematically measure its progress. A plan of action provides employees with a clear set of goals to aim for.

It is advisable to establish long-, medium- and short-term objectives and implementation actions and to review these at regular intervals. For example, the long-term objectives of a service quality programme may be for an organisation to ‘distinguish itself from its competitors by providing a superior standard of customer service’. Senior management may agree that this objective will take years to attain. In the first year the milestone may be, for example, attaining a score of 85 per cent in terms of customers’ satisfaction compared to competitors. A medium-term objective may be to increase that score to 90 per cent and three-year objectives may be to move to 95 per cent on “very satisfied” category. For example, year one’s actions may be:

- to develop leadership training for all managers;
- to ensure that all team members attend a service workshop;
- to establish improvement teams in each internal department to undertake process reviews across all aspects of the business.

#### **2.4 Establish criteria for success**

At the same time as developing a plan of action to sustain the strategy, criteria for measuring the attainment of these customer service objectives must be determined. These criteria could include such indices as:

- Increased market share;
- High levels of customers’ retention;
- Increased profitability;
- Greater staff motivation

They could also include measures as behavioural pointers of change:

- The number of customer visits made by members of management.
- The number of problems solved by members of staff in their workplace, etc.

Lex Service is an example of an organisation that is using the ‘balanced scorecard’ approach to measuring business performance. Developed by Professor Kaplan, the balanced scorecard provides a measure of an organisation’s performance in terms of:

- Customer satisfaction;
- Development of staff;
- Financial performance;
- Organisational learning

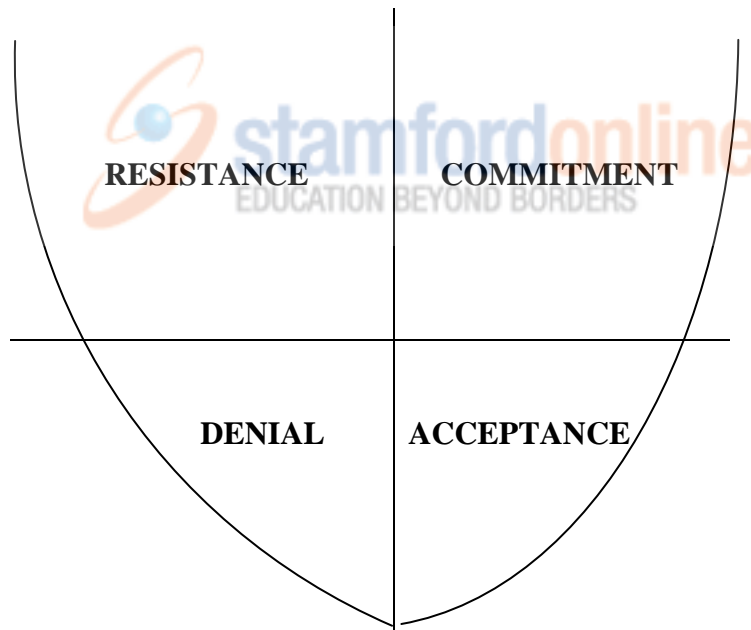
This provides a more holistic approach to performance than looking back at only financial results.

## European Quality Award

Many organisations are turning to the European Foundation for Quality Management (EFQM) model of organisation excellence to help them develop a service strategy and assess their progress. There are three main models which are generally used for assessment: Deming, which has six elements of assessment; Bladridge, which has seven; and EFQM, which has nine.

### 2.5 Identify obstacles to progress

Creating a customer service within an organisation involves change. Models such as the European Quality Award provide a useful tool to monitor the degree of change that is taking place.



**Figure 2.2 People's reaction to change**

In every process of change – a new job, a move, a new baby, divorce, and bereavement – many people experience a sense of loss of security and familiarity. The same is true in a major organisational change such as instilling a service quality philosophy.

People's reaction to change is often dependent upon their status within the organisation, their attitudes towards their employer, past experiences and organisational norms. A

typical pattern of response to change is vacillation between initial resistances followed by a period of denial where people refuse to face up to the implications of change. The transition period should lead to exploration of the effect of the changes and final acceptances and commitment to the new way of working (see Figure 2.2).

People's reactions to change can often be classified into those of an innovator, a conservative or an inhibitor.

Innovators welcome change and see it as a challenge. They are stimulated by new ideas and concepts, and are willing trialists. Conservatives wait to see the results and effects of change before accepting alterations to power bases and positions. Inhibitors are those people who, through reasons of insecurity, fear or inertia, proclaim about how the service strategy is intended to work and the role they will be required to play. Typical comments made by middle managers that are involved in service quality improvement programmes are:

'A great concept but difficult to put into practice'

'I believe in it but I can't always do it any time'

'Difficult to monitor'

'It's not easy to see any tangible evidence of success.'

It must be stressed to middle management, therefore, that they are the keys to bringing about the necessary radical changes required as part of a successful programme.

It can be helpful to use analytical models to assess the power of the driving forces for change and to identify potential allies and competitors. Two such models are the actor/issues matrix and force field analysis.

## **2.6 Implement**

Successful management teams build customer care into all the actions they take as managers of the company. Here is a selection of practical action which senior managers can undertake to bring a service philosophy to life.

### **a. Integrate service quality into all management activities**

The most powerful way a management team can show visible and verbal commitment into service quality is to integrate customer care into all management activities.

This means:

- Putting customer service on top of all management agenda;
- Including customer satisfaction scores on all profit and loss statements;
- Including customer service on all job descriptions;
- Including customer service in all appraisals;
- Taking customer service at all company updates, briefings, departmental meetings, presentations and training sessions.

Introduce some ways in which customer care can become integrated into a business's activities so that it becomes the number one factor in organisational life.

**b. Give time to spearhead the service programme**

The value management puts on an activity is often perceived by employees as directly related to how management spends their time.

During British Airways 'Putting People First' campaign, Sir Colin Marshall delivered the closing speech at two-thirds of the first 430 sessions. Another airline chief, Jan Carlson of SAS, has also been deeply involved in the company's quality programme, to the extent of having written a book on the subject.

It is essential for senior management to make time to spearhead a customer service strategy by attending launch events, communication forums, training sessions and reviews, and to be open to questions and involvement in debate.

**c. Initiate regular customer contact**

How many senior managers in this country have regular contact with their customers? When was the last time the marketing director of one of the rail companies had to check the tickets of hot and angry commuters forced to stand in a late and overcrowded train where the air conditioning had broken down, or a supermarket boss soothed the nerves of a frustrated shopper?

The remoteness of many senior managers leads them to be shut off from honest feedback and dragged into internal politics. An important method of demonstrating visible commitment is for management to have direct contact with customers. All ASDA senior managers are committed to a programme of 'listening groups' where they meet customers on a regular basis, for example.

Tom Farmer, Chairman and Chief Executive of Kwik-Fit, and every one of his management team spend one week a year working in one of the Kwik-Fit depots. They fit exhausts, change tyres and, even more importantly, are seen by the staff dealing with customers. They are observed working to Tom Farmer's customer policy:

I am your customer, satisfy my wants – add personal attention and a friendly touch –and I will become a walking advertisement for your products and service. Ignore my wants; show carelessness, inattention and poor manners and I will simply cease to exist –as far as you are concerned.

In addition, Tom Farmer regularly visits each one of his depots and commits one evening a fortnight to telephoning customers to enquiry how they had found the service the previous day.

To Pritzker, President of the family-owned Hyatt Corporation in America, insists on putting his management in the field as doormen, front desk attendants and food serve. For two years running Hyatt Hotels have held an 'In Touch Day'. Originally conceived as a morale booster for lower-level employees, the company's managers have discovered how vital and often difficult is the role of the service provider.

With most hotels providing a similar service, Hyatt's executives believe it is the employees in the front line who determine the fate of the company. Tom Pritzker believes that this type of corporate 'upstairs-downstairs' role-reversal has changed managers' decision making. Tom Pritzker himself works as a porter, doorman and a waiter at his family's Washington DC Park Hyatt Hotel as part of the employees going to the corporate suites to see how the other half live.

This type of involvement, of getting on the shop floor, experiencing the service itself and keeping close to the customer has three major effects:

- It helps avoid the imposition of procedures and policies which in fact hinder staff in delivering good service;
- Obvious involvement helps strengthen the commitment of management staff;
- It avoids the double standards of managers talking about the quality of service and not acting by example.

Organisations ranging from Avis to Mrs. Field's Cookies recognise the benefits of 'visible management', when head-office managers spend time each year on the front line. MBNA America Bank requires each manager to spend four hours a month listening to customers' phone calls.

Richard Branson's active participation in his airline, Virgin Atlantic, is a benefit for customer. After a Virgin flight, Branson faxes his Crawley head office with comments, suggestions and criticisms gleaned from talking to passengers and observing the in-flight service. All are investigated and reported back to the Chairman.

#### **d. Monitoring customer satisfaction**

Coming into direct contact with the customer is only one means of listening to customers. It is also important that senior management spend time and effort in monitoring customer satisfaction on an ongoing basis.

Pret A Manager is an example of an organisation, which does both. Pret A Manager serves thousands of customers a week in sandwich bars throughout the London area. Director Julian Metcalfe sums up the company's philosophy:

Quite rightly direct contact we realise that what brings customers back is a good product at the price and with the right service. That is 95 per cent battle, what makes us a success is repeated trade. You can fool a customer once or twice but after that they won't come back ... We tend to look at what are trying to achieve for the customer's perspective, not

we who pay them their wages, it's the customer, and that every single sandwich that they make is someone's lunch.

It keeps in touch with the front line by shutting down the entire Fleet Street head office for one day every quarter, giving all head office staff the chance to spend a day preparing sandwiches, serving behind the counter or cleaning tabletops. In addition, a message from Julian Metcalfe is printed on all sandwiches wrappers and carrier bags, extolling customers to phone him directly with any comments or suggestions they may have on any aspects of the products, price or service. In this way, Julian Metcalfe and his co-directors hope to keep closely in touch with their customers.

Senior managers in other best-practice organisations regularly monitor the levels of customer satisfaction and spearhead initiatives to bring about service improvement. A personal promise and commitment to customer satisfaction from senior management emphasises the organisation's dedication. Glen Tilton, Chairman of Texaco Ltd, advertised in all his service stations, for example, the organisation's service promise, together with his own commitment: I promise we will do more than value your opinion – we'll act on them. CEO of Birmingham Midshires Building Society advertised his some phone number for customer to call with their concerns.

**e. Take a personal interest in complaints**

Although complaints are not a reliable measure of customer satisfaction, senior management should have a process in place to deal effectively with complaints and take a personal responsibility and interest in their resolution.

J. Willard Marriot, founder of the US hotel chain, personally read every customer complaint card and his son, Bill, the present chairman, is reputed to read about ten per cent of the thousands of letters that pour in each month.

Marriot not only benchmarks competitors' innovations but questions its customers on them. If Holiday Inn offers a free continental breakfast, Marriot will know within weeks whether its customers would like one too.

In 1996, all managers at Mobile Telephone Company Orange were given the experience of what it is like to be on the receiving end of customer complaints. About 200 spent a day listening in to customer calls. It was hoped that this experience would make them more customers – focused and improves the status of the firm's customer service staff.

**REFERENCE**

1. **Customer Care, (3rd ed. 1992), Sarah Cook, Kogan Page Ltd.**

**TUTORIAL QUESTION – WEEK 2**

1. **Explain the various steps taken in formulating a strategy to support customer service.**