

Customer value in the service industry

[Business](#), [Industries](#)



Over the years, there has been a tremendous increase in the number of the service industries in the world. This has been prompted by the rising demands for the services internationally. However, large numbers of the same industries have been very unsuccessful in their services provision to the consumers (Pfeifer et al, 2005). This has been attributed to the poor customer value consideration in the services provided by these industries to the consumers. In business, the perception and suitability of the final products determines its overall productivity and thus success.

They must establish the correct business operation environment with the design that ensures an overall high quality value in the services that assist in defining and thus carving an enviable niche for them. This paper explores the customer value in the service industries with an aim of establishing the major importance of implementing the customer value processes in the services industry. Also, the paper evaluates the implications of reduced customer values considerations in the services industries sector.

Besides, the paper gives a clear comparison of the different industries that have applied the concept in the worlds with varying levels of success. Finally, it gives a conclusion and outlines recommendations that are necessary for implementing customer value procedures in old and the new industries in services sector. Nature of customer value and theory of value in the service industry. According to the United States Federal Transit Administration (1999), customer value in the services industry involves the ability of the remitted services to meet the demands of the consumer and the recognized standards at all times.

Being considered as the main determinant of the suitability for different products, the value should be extended beyond the phenomenological conceptualization by the consumers to include other creative forms of intrinsic utilities which serve to differentiate and bring more consumers to the industry. Customers being highly flexible, the value must involve envisioning and possession that binds them to the service and thus increasing and sustaining the profits of the company or the firm for longer.

The theory of value seeks to underscore the reasons for implementing the customer value in the service industries at all times. The concept originated from in the ancient philosophy where the idea of good and evil was coined by the Greeks (Pfeifer et al, 2005). Currently, it seeks to establish the overall good that the final consumer services possess in terms of the intrinsic sociological, psychological and economic capabilities to meet the customer intentions and desires.

It argues that the services must be able to give the highest possible quality of the services to the consumers for guaranteed comeback for the same services. Unlike in the products provision where quality and value can be increased through highly mechanized systems, the services industries require partial or full time social psychological considerations of the people involved in the process (Jay et al, 2001). Importance of engaging and implementing customer value processes in the service industry.

Retaining and attracting more customers Customer value processes in the service industries form the building blocks of ensuring that the quality of the services getting to the consumers is of the required standards. To begin with, it is important as a key aspect in retaining the customers to the

<https://assignbuster.com/customer-value-in-the-service-industry/>

industry services at all times. As indicated earlier, the production of the services and products has greatly changed from mass production to customer consideration through increased and enhanced specialization.

Understanding that the consumer judgments are not always based on the direct quality of the services, the marketers should therefore seek to include a more inclusive satisfaction view to the consumers. In the financial industry, the immediate repute of the company both locally and internationally, ensures that the customers are fully glued to the bank for all their financial and related services. JP Morgan & Chase Company effected the mergers with other major banks in US to build its capital basement necessary for enabling it satisfy the consumers in all the services it gave to them.

Following the establishment, the company managed to increase it's customer base world wide from the high quality services it gave to them (Blazey, 2008). As a result of establishing the correct intrinsic and external derivatives of the various services given by the companies, a strong long term customer-service-industry relationship is developed. Hospitality industries in Venice have for a long time recorded large number of tourists visitation attached to the consumer's prior satisfaction experience in the region.

Over 42% of the total visitor to the island in the year 2003 had previously visited the area. The immediate perceptions created to the visitor are greater than the actual enjoyment that they derive from visiting the beautiful beaches (Bernard ; Wolfgang, 2005). Increasing the overall productivity from the industry. All over the world, it has been established that service industries are the best paying owing to the fact that they consume less raw

<https://assignbuster.com/customer-value-in-the-service-industry/>

material compared to the material based products. Whereas this statement has a great element of truth, it is not necessarily true.

Services industry, like the material based ones, requires very high investment and monitoring to ensure that the immediate returns are high. To maintain the overall production and the immediate returns from the industry, it is important to integrate the modern means of services delivery to the consumers as they form the main source of the industry's income. Blazey (2008) argues that like the other businesses struggle to ensure that they give the best to their staff and other employees, the service industry too ensure that the employees are internationally remunerated to boost their morale for their duties.

Insurance industries in developing countries have been accused of offering less quality services to the consumers who have as a result deviated to major banks for their immediate insurance related services while offering to fore go others. However, the top 20 insurance companies in US recorded a clear increase of productivity for the years 2005, 2006 and 2007 owing to their speedy response to life, health& Medical as a well as property destruction compensation services under the different agreed terms.

Understanding and emphasizing on the intricacies that focus on the quality of experience, setting the right expectations based on the overall ideology that the consumer is always right becomes easy. All the employees are therefore results oriented and motivated to maintain the high standards in the industry. Building the local and international business repute. As indicated earlier, customer value acts are the key to success for the service industries all over the world.

<https://assignbuster.com/customer-value-in-the-service-industry/>

Consequently, a combination of marketing, sales, customer services and technologies are engaged for ensuring high customer value and thus satisfaction. Business reputation and fame that makes its immediate products to be sought has been indicated to depend on the perceived quality, perceived expectations and the perceived value of the immediate services given to them. As a result of the high quality and the great value that New York Times give to the people, it is highly sought on a daily basis throughout the year.

The magazine has therefore established a niche out of the people's confidence that carves an immediate good reputation amidst other numerous similar magazines (Jonker et al, 2004). In addition, standards have already been established to denote levels of the expected customer value that accrues to the delivered services. ISO certification like 1400, 1500 and 1600 ensures that the industries are fully compliant and committed to not only offering high quality standard goods, but also reducing the resultant negative impacts like environmental degradation.

This is done by ensuring high quality staff, facilities and procedures are used in the production and giving of these services. Hotels are categorized with classes as a key indicator of the high level value a consumer would get by visiting them. Six, Five and Four star hotels have the best facilities for people's satisfaction. Hotel Britannica and Sarova Chains of Hotels is five star in the ranking and possess very positive reputation about their comfort internationally (Blazey, 2008).

Managing competition in the highly dynamic world of globalization and international outsourcing that have seen major industries open international offices all over the world, have served to increase the overall competition by

<https://assignbuster.com/customer-value-in-the-service-industry/>

the different firms and industries in their operations. As a result customer value that yields immediate and latter satisfaction is required to effectively manage this high competition. As indicated earlier, retaining customers has been considered as being easier that acquiring new ones in the industry.

To ensure that the consumers are fully attached to their different service industry providers, creating customer lifetime value is helping greatly to reduce the competition. Induced customer company relationship that ensure all consumers are able to access their money everywhere though automated systems have ensured that international banks like Barclays and Standard chartered remain highly competitive to the others. Increased innovation, that brood new technology application determines the giants and weaklings in the industry.

Due to the massive invention and innovation that brings the real life in the world to the people's living rooms, National Geographic have won the hearts of many people as the correct and precise informer on the real life in the wild. Information technology has acted to strongly increase the accessibility of information to the people world wide. With every body going digital in the 21st century, the overall customer satisfaction has been greatly enhanced. Therefore, the largely wielded trust from the consumers on the Google and Yahoo will take long before being toppled (Blazey, 2008).

As a result, bulk information and pictures transfer as a well as learning and communication with the people who are far away with ease, has been indicated the best innovation of all times. Implications for failure to encourage superior customer values services in organizations. Causes of poor customer value consideration To clearly understand the implications of not practicing <https://assignbuster.com/customer-value-in-the-service-industry/>

high level customer value integration in all the services provided by an organization, it is important to underscore the major reasons that make them fail to implement it.

Poor leadership and management acts as the major recipe for poor planning and thus poor customer value consideration. Lack of visionary and transformational leadership that would ensure high innovation and application of various aspects through effective teams, kills the staff morale as it is short sighted and unfocused. In their findings, Bernard and Wolfgang (2004) noted that lack of proper customer feedback had reduced the customer value emphasis mainly due to lack of competition from other similar organizations.

Also, lack of adequate financial resources that would ensure adequate advertisements and improvement in the quality of the services also kills the long term customer value. Harmful competition on the other hand may kill the young companies as they are sealed from penetrating the markets by the large investments holdings which are already established. Reduced sales and profits from the organizations. As indicated earlier, organization customers are the most important component for enhancing increased sales and thus the accruing profits too.

Poor emphasis on the customer value from the organizations results to their immediate shift to other organizations or alternative services. Over time, the ability of the customers and the public to evaluate the value of the services delivered has increased dramatically. While some may directly complain to the management of the organization, majority tend to keep quiet making it appear as if everything is okay with the product. Consequently, the long

<https://assignbuster.com/customer-value-in-the-service-industry/>

term good will of the customer association with the organization is lost and he may disassociate with all of its products (Jonker et al, 2004).

Understanding that the consumers live in the social ties with their neighbors and the community, the spread of the gospel on poor customer value may become a bush fire and spread to the whole region easily making the organization to get large losses. This reduction in sales of the different services culminates to reduction in the overall profits for the organizations management and other running activities. Unlike majority of the developed world, the developing countries remains behind in the levels of profits they collect from the services organizations.

External influence of the political power and high levels of corruption in the management that lead to less qualified people getting to the managerial positions, lowers the customer value of services from these organizations greatly (United States Federal Transit Administration, 1999). Collapse and loss of jobs as they succumb to competition. As indicated earlier, the management of many organizations after flourishing for along time with little competition tends to make them ignorant of the customer value in their services provision.

As a result new technology acquired through immediate outsourcing and the looming globalization has seen new players emerge with innovative applications that are more attractive to the customers. By the end of the year 2008, 11 banks had collapsed in US from low level customer value services provision. Though this was greatly tied to the great economic crisis affecting the world, only those banks with stronger customer value emphasis and long term relationship ties with their customers are managing to survive.

<https://assignbuster.com/customer-value-in-the-service-industry/>

With the service industries increasingly employing more people to work in them, succumbing to competition leads to major losses of employment (Blazey, 2008). Reduced levels of innovation and invention in the industry. Customer values as defined by Bernard & Wolfgang (2005), entails enhancement of the “end user” services utility, benefits, quality and thus overall satisfaction worth or more than the value of the amount actually paid by the customer. Innovation and invention acts as the main support to ensure reputable quality for the services given to the consumers.

With less emphasis on the quality of the services to the consumers, the leadership discourages the employees from innovating new ways of satisfying the customer. During the de-regularization and liberalization of the US airlines in 1970s, the immediate success of different companies was totally based in the ability to innovate high customer value services. Less innovative companies were unable to establish new methods schemes and services that would attract and retain customers for continued profitability.

Therefore, their customers shifted to the more innovative air lines like Virgin Atlantic and prompted their companies either being bought or merging with others as the only survival tactic (Jay et al, 2001). Poor economic development in the regions of occurrence According to Bernard & Wolfgang (2005), having less consideration for the consumers’ value in the service industry indicates possible retardation in economic growth of different countries and regions. Increasingly, many countries are depending on hospitality industries to substitute for their immediate economic growth.

Their lack of total value remittance in the services delivery may greatly reduce the economic basements of these service dependent countries.

<https://assignbuster.com/customer-value-in-the-service-industry/>

Thailand and Italy have in the last five years relied heavily on tourism in their regions as part of the main source of government income to drive their economic activities. Majority of the third world countries have failed to ensure high value tourism and thus the industry is poorly developed in the middle of the spectacular visitor attractions in their countries. Conclusion.

High level customer value in the service industry serves as the most important aspect for enhancing its suitability, profitability and sustainability in the fast developing world. Therefore, careful application and design of all the resultant services being given to the customers should be emphasized. All the intrinsic and the extrinsic evaluation and revaluation should be clearly established with clear understanding that the overall customer satisfaction is dependent not only on the visible pleasurable continuum, but increasingly on the bundle of direct and indirect utilities that the buyer will derive from the service.

As a result, the leadership should enhance large and visionary long term derivatives of the services that the consumers get from their organizations in the world. As a major consideration in the fast changing world, customer value acts as the main determinant factor for the ultimate economic status of a given region (United States Federal Transit Administration, 1999). All the countries that rely on services sales like tourism have in the last decade made major strides towards increasing the value of the services they release to the consumers.

Regions like Hawaii and major companies like JP Morgan & Chase have been making huge profits even in the midst of the current economic turmoil of the world courtesy of customer value. Recommendations. ? All the service
<https://assignbuster.com/customer-value-in-the-service-industry/>

industries should embark on strong research on the best methods of enhancing customer value in the services they provide to them. ? Visionary transformational leadership that emphasizes on total quality management should be implemented for the organizations to survive in the fast changing world.

High level Customer Relations Management should be instituted for successful customer value to be implemented in the services industry. ? Total quality management that ensures all the staff is fully involved through team work and innovations in the industries is required with highly motivated employees who form the basis for effective high customer value customer services delivery. ? Continuous comparison of the company's customer services value with other organizations of similar kind and subsequent monitoring and evaluation for possible changes and evaluation should be instituted.

Reference list Bernard, S. & Wolfgang, S. (2005). Complaint Management: The Heart of CRM. Washington: Thompson South-Western publishers. Jay, K. , Connie, M. & Beverley, S. (2001). Service Quality Management in Hospitality, Tourism, and Leisure. New York: Haworth Press. Jonker, J. J. , Piersma, N. & Dirk, V. (2004). " Joint optimization of customer segmentation and marketing policy to maximize long term profitability", Expert systems with application, (2)27, 159-168. Pfeifer, P. E. , Haskins, M. E. , & Conroy, R. M. (2005), " Customer Lifetime Value, Customer Profitability, and the Treatment of Acquisition Spending," Journal of Managerial Issues, (1)17, 11-25. United States Federal Transit Administration. (1999).

A Handbook for Measuring Customer Satisfaction and Service Quality. Washington: Transportation Research Board. Blazey, M. (2008). Service industries: Enhancing customer satisfaction in the 21st century. Journal of Managerial Issues,(6)25, 41-45.