

Managing service quality

[Business](#), [Marketing](#)



John Wanamaker, the legendary retailer, once said, " When a customer enters my store, forget me. He is king (Zulker, 1993 p. 3). " He pioneered the concept of the American department store that turned shopping into an event. He was the first to open an in-store restaurant, installed electric lights and added elevators to his store. He also created February " Opportunity Sales," July " Midsummer Sales," and in 1878 the first " White Sale. " In 1874, he printed the first-ever copyrighted store advertisement. When people found out what he advertised was true, business boomed and he earned the public's trust (Zulker pp. 39-45).

Types of Customer Management " The customer is king" the shortened version of Mr. Wanamaker's famous saying are four words that bring numerous connotations and have even more reactions. Whole businesses and philosophies such as Customer Relationship Management (CRM), Client Care Management (CCM) and Customer Service Management (CSM) have been created. New job titles such as Client Care Representative (CCR), Customer Service Representative (CSR) and Chief Customer Officer (CCO) have resulted. Customers get surveys about their experiences and numerous data is compiled by companies.

But what does this all mean? Is the customer really that valuable? Is the customer truly the king? Yes, because without the customer there would be no need for the business you are in. CRM is a broad based set of tools that includes soft skills training such as how to speak with a customer to find out their needs, management process creation which involves creating a framework to enable the answering of questions that relates to the customer

and the company producing the required products that the customer will ultimately purchase.

CRM also involves technology that keeps statistics on who buys what product, which company manufactures that product and the brand name associated with it (<http://www.crm-daily.com/>). CSM attempts to manage the customer by having call centres, customer care centres, areas and staff trained to handle the various questions that customers may have about the product. However, CRM and CSM are only part of the solution. Companies cannot rely solely on systems, technology or even just the customer. Focus is required on all aspects from the internal customer being the general worker to the external customer that walks through the door.

Companies also need to focus on their type of management and what their organization is doing (Livingston, 1999 pp. 45-71). Customer Methodology One such framework attempts to incorporate methodical thinking and logic when approaching the customer. Customer Equity Framework (Rust, Ziemhl, and Lemon, 2000), which consists of value, brand, and relationship equity, and in which a customer, is treated like a financial asset such as a product and brand. What this framework tries to do is place the emphasis on the value of the customer by asking several questions: What is the value of the customer?

Is it easier to get a new customer or retain a current customer? What brand do the customers like to buy? Is the relationship equitable - meaning is the customer getting something of value and is the company getting something of value? The customer equity framework attempts to provide the necessary steps for providing the ability of both the customer and company to

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ultimately recognize the importance of the customer - why does the customer want the product and does the customer need the product; as well as, if the company is providing a product that satisfies the customers wants and needs.

By creating a framework the necessary steps in linking the role of customer and company can be further refined. Importance of Listening One such example of a corporation not understanding the role of the customer is that of computer giant IBM. IBM created an operating system named OS/2 Warp. They believed that the customer would realize this was a superior operating system to that of Microsoft Windows. They decided not to market the product (Lea, 1999). Windows won because Microsoft aggressively supplied its initial 'early adopters' - customers known as 'beta-testers' with advanced copies of the operating system.

They were able to test, play, and use the operating system and report any bugs they encountered to Microsoft. Microsoft's business partners, such as Intel, built their CPU's (central processing units) around Windows. While this may seemingly appear as a great marketing tactic, it really isn't. Microsoft utilized what has been known since the beginning of mankind. Involve those around you and you will have believers. They will believe because they would have seen the results, product(s) or services that you wish to sell them.

Even more importantly if these early adopters cite any errors in the operating system and Microsoft credits their efforts, this will be seen by other customers as a huge corporation willing to listen (Green, 1998). The amount of goodwill this creates resonates for entire product cycles. You

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cannot buy that type of advertisement. However, Microsoft like so many companies before it has lost sight of this vision. They have in recent times ignored the value of the customer and have seen their huge market dominance decline as a backlash of customers - new and old have converted to a 'friendly' type of operating system known as 'open source.

' This allows the customer to customize the operating system and share their knowledge with others (Gaskin, 2005). While Microsoft is not the only culprit in its ignorance of its customers, every single company on every level suffers from the same symptoms: ignoring the customer, pretending to listen to the customer yet maintaining the company's agenda, implementing solutions that appear to appease the customer but really don't (Arygyris, 1998 pp. 101-119).

We shouldn't forget that the general worker is also a customer. The general worker may actually tell their friends their company isn't any good and to avoid them like the plague. While we may take this under judgment, this is still a lingering doubt to utilize that service or product. A work theory such as empowerment, which is supposed to enable workers to make decisions doesn't really result in that being accomplished. Management feels that they are left out of the process and their power abated.

The worker feels that they aren't really being listened to so why bother? This type of attitude sinks businesses and creates a toxic workenvironment(Goffee and Jones 1996 pp. 1-44). This type of double-speak characteristic also hampers a company's ability to communicate properly with those they employ and the services and products they make. This translates into disgruntled employees and customers who notice the

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lack of enthusiasm the worker has for their job. Customer focus starts with those who deal with customers first.

Management can implement whatever policy they want, however, if their staff doesn't have the prerequisites whether that is training, the right attitude or job satisfaction management's frontline staff will not engage or succeed in customer satisfaction (Livingston, 1999 pp. 45-71). Over the past three years, four-fifths of America's fastest growing companies have initiated important new programs aimed at customer expansion, customer retention, and/or customer profitability. A majority is planning to either greatly enhance an existing customer initiative, or launch a new one over the next 12 months.

There is an important payoff to this reaffirmation: those planning new customer-focused programs have achieved 46 percent faster revenue growth than their peers over the past five years, and are projecting 35 percent higher growth over the next 12 months according to PriceWaterhouseCoopers "Trendsetter Barometer," (<http://www.pwc.com>). 73 percent of CEOs say their company understands the evolving needs of buyers in their market either "extremely well" (24 percent) or "very well" (49 percent).

This may be because a total of 81 percent have initiated important new programs focused on customer expansion, retention, and/or profitability over the past three years—with the typical company involved in two of three areas (<http://www.pwc.com>). Although more have launched programs to expand their customer base, retention initiatives are viewed as more effective—with customer profitability programs lagging, both in number and

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in management satisfaction. 'Trendsetter' CEOs suggest there is room for improvement in their customer focus:

- Less than half (46 percent) are 'extremely or very satisfied that their company is supporting customer requirements in the most cost-effective way.
 - Only 39 percent are 'extremely or very' satisfied with their company's efforts to increase revenues among different customer segments.
 - Only 31 percent are 'extremely or very' satisfied with efforts for increasing profitability of customer segments
- PriceWaterhouseCoopers' Paul Gulbin states, "Companies often build relationships with the wrong customers—or try to structure relationships with the right customers, but using the wrong capabilities.

Instead of attempting to provide full service to all, businesses can operate more profitably by focusing on products and services that relate to specific customer segments. Businesses should always be conscious of, and fine-tuning the alignment between customers and various business channels (<http://www.pwc.com>). "If business success is based on customer relationships, then why is strategy still based on products? Wal-Mart is one such company that understands customer relationships. With sales of over 240 Billion and growing one cannot discount the power of the customer.

Wal-Mart achieved this by treating everyone - from the companies that manufacture the product to the companies that deliver the product - as their customer. Wal-Mart is the reason why we do not see packaging on such products as deodorant. Deodorant used to be packaged with lots of cardboard making it difficult to see the product. What Wal-Mart proposed to the various manufacturers of these products was to cut out the cardboard

and let the customer see what they are buying. The packaging cost about a nickel to manufacture - pennies per package. Wal-Mart received some of this money and passed the savings to customers.

If you add up a nickel per package and multiply this by millions of product consumed by customers the savings add up. Wal-Mart was able to recognize this by watching how the customer initially reacted with packaging. The customer wasn't terribly fond of it so Wal-Mart proposed getting rid of it (Fishman, 2006 pp. 47-98). Another area that Wal-Mart catered to their customers was in the development of their grocery aisle. Wal-Mart wanted to become a 'one-stop shop' where the customer shopped for everything at their stores. Wal-Mart applied the same approach to their grocery aisle. Wal-Mart now accounts for approximately 19% of grocery shopping.

Wal-Mart has overtaken the grocery business in Mexico and bought out former grocery giant ASDA in Great Britain (<http://asdacares.gpalm.co.uk/>) Wal-Mart employs numerous tactics to achieve this end. Chiefly it monitors what the customer is buying. If the customer only buys let's say a certain size of garbage bag, Wal-Mart will target this by carrying only that type of garbage bag. This will vary from store to store and region to region (<http://news.bbc.co.uk/2/hi/business/368430.stm>). For example, Novartis worked with Wal-Mart to improve its customer focus. Wal-Mart allowed them access to buying habits of Novartis' products.

What Novartis found astonished them. A certain brand called Benefiber was being sold, however, according to the data that Wal-Mart had, customers would prefer a bigger size because Benefiber was a superior product. However, Benefiber only had a 21-day supply and not more like their
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competitors. Novartis listened and created a 30-day supply. Novartis as a result of listening to the customers and analyzing specifically what they wanted now has a commanding 25% share of that market. They have even targeted consumers in certain states such as Florida that has a higher proportion of customers that use their product (http://www.novartis.com/annual_reports/2004/customer_king.shtml).

Customer Relationship Management, Customer Care Management, Customer Service Management and Customer Equity Framework are all great methods of understanding the behaviour of the customer. The essential question is if one method is better than the other. The outstanding answer seems to be no. No because all the methods incorporate many of the same ideas and share the same goal: to create an atmosphere where the customer is satisfied and becomes a repeat customer. These methods appear to work better together because they are focused on the whole customer process.

John Wanamaker made customer focus the most essential part of his company's operation. However, as this paper has indicated only a handful of company's recognize this fact. Wal-Mart has paid attention and dominates the market because it listened to its customers and provided the data necessary to its other customers - the manufacturers of the products - and this has resulted in superior customer satisfaction. The customer is king is very true and very much alive. Long live the customer! REFERENCES Argyris, Chris. 1998. 'Empowerment: The Emperor's New Clothes', *TheHarvardBusiness Review*, pp. 101-119.

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