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## **Chapter 1 Know Why Service Matters**

### **Learning Objectives**

After reading this chapter, you should be able to

1. Explain why attracting and keeping loyal customers – people with whom we exchange value – is critical to business and personal success.
2. Describe examples of how customers are identified by various names and include both external and internal relationships
3. Explain how customers can become partners through service intimacy and an ongoing relationship.
4. Recognize the impact of positive word of mouth in getting and keeping customers.
5. Calculate the possible impact of lost customers on a business or organization.
6. Explain six core competencies necessary for service success.
7. Understand and describe some of the challenges associated with translating slogans and good intentions into a strategy for better customer service.
8. Articulate how to get customers beyond mere satisfaction and develop ongoing customer loyalty.

### **Chapter Outline**

- I. Gaining a Focus on Service Importance
  - a. A Simpler View
  - b. What if You Don't Work with "Customers"?
  - c. "Customer" Implies an Exchange of Value
  - d. External and Internal Customers
- II. Customer Relationships can Become Partnerships
- III. Positive Word of Mouth Gets and Keeps Customers
  - a. The Impact of E-Commerce on Word of Mouth
- IV. The Damaging Cost of a Lost Customer
  - a. Calculate the Terrible Cost of the Lost Customer
  - b. Acknowledge the Cost of the Lost
  - c. How Much Will it Cost to Replace These Customers
  - d. Understand How Lost Customers Mean Lost Jobs
- V. Translating Slogans and Good Intentions Into a Strategy
  - a. What if You Are "Just an Employee?"
- VI. Customer Service Core Competencies
- VII. The Ultimate Goal: Developing Customer Loyalty for Life
  - a. Customer Loyalty
- VIII. Final Thoughts

### **Teaching Suggestions**

1. Invite students to describe specific service experiences they have recently had.

- Probe comments to clarify specific actions or conditions (not “I received bad service” but “the clerk failed to say thank you”)
  - Record brief descriptions of these experiences on flip charts or white board.
  - Ask how they felt in the poor experiences.
  - Discuss their attitudes about returning to the business after a good or a poor experience.
  - Ask about their experiences being treated well as employees (internal customers) versus having a boss who treated them poorly.
  - Return to the descriptions and have student suggest little things the company could have done differently to mitigate against bad service or gain their loyalty. Probe comments to be as specific as possible.
2. Ask students what makes them want to return to a business.
    - Is a good product by itself sufficient reason to patronize a business?
    - Do they find a difference in their expectations of physical businesses from online businesses?
  3. Have students discuss any time that they have had a friend tell them about a product.
    - A time when a friend said, “you gotta go look at this”
    - Any stores a friend has said, “this place will treat you really well”
    - Any time a friend has said, “don’t go there, their (product or service) stinks. And they don’t take anything back if there’s a problem”
    - *How likely are they to believe the friend and follow the suggestion?*

## **Classroom Assignments**

1. Have students address the following situation:

You have ordered products from an online company. You have never tried their online business before, although you have used their physical business several times. The business sent you an order confirmation with a date of expected delivery. The products, however, don’t come. In fact, although the business guaranteed a one-week delivery time, you don’t receive the products until three weeks after you ordered them. What would you do? Your attempts to contact the company via email receive no response.

Focus on three aspects of your response:

- Would you be likely to use that business again?
- How likely is it that you would tell other people about your experience?
- How would you tell others (word of mouth, online, social networking site, others?)

2. Have students write a response to the following situation:

You work for a company that sells medical supplies to the general public: crutches, bandages, wheelchairs, physical therapy bands and balls, OTC medicines, slings, anything a person can use at home. One afternoon, a customer comes in and is visibly upset. He bought some crutches from you that broke six weeks after he bought them. Your store guarantees products for 30 days after purchase with receipt. Since the product was good for 30 days, he didn’t keep the receipt,

but now he has a problem and he is pretty sure you aren't going to fix it. He is already upset about the fight he anticipates in order to get new crutches. You weren't the salesperson who waited on him and you know that crutches are fairly generic; he could have actually bought them anywhere and they would look the same.

- What would you hope to be able to do as an employee?
- What would you expect to accomplish based on experiences you have actually had as an employee?
- If you were the boss, what instructions would you give employees as a general rule for defective merchandise?
- If you were the customer, what would you consider fair?

3. Invite students to research successful companies known for having good employee relations. Perhaps direct them to *Fortune* magazine's annual "Best Companies to work for in America" issue. Ask them to report on specific things these companies do to build better employee loyalty. Ask them to consider the "little things" done for employees.

As a variation of this activity, have students report on a company they currently work for or have recently worked for. Invite them to describe positive and negative factors that affect employee loyalty. Probe for specifics.

### **Suggested Responses to "Consider this Case: Costco and the Power of High-Quality Relationships"**

The intention of the brief cases in this book is to generate discussion and insight. As in any case study, there are few absolutely right or wrong answers.

Student responses to the Costco case will, of course, depend on whether or not they have experienced this retailer. In most classes, at least some of the students have visited a Costco.

Answers to Probes 1 and 2 are self-evident. Probe 2 gives the opportunity to clarify what "promoters" of a business do. Ask students to be specific. What do they *do* to promote?

Probe 3 invites students to look at Costco for the perspective of an employee. What evidence do they have that employees (internal customers) seem engaged, satisfied? Again, ask about specifics. Do the employees interact pleasantly with each other? Smile or joke with each other? Pitch in to help each other?

Probe 4 calls for students to think about whether Costco can continue to be a strong customer service provider. The point to reinforce is that all things change and that great service is a moving target. Possible challenges may be that competitors develop creative approaches that are better than Costco's (ask what these might be—let students brainstorm, even if their ideas are a bit unrealistic). Also, internal dissatisfaction among employees could poison the customer-friendly atmosphere. Ask how that could happen (unfair or irrational bosses, inequitable treatment of workers, etc.).

## **Suggested Responses to “Consider this Case: Diminished Image of Airline Travel**

Student responses to this case will, of course, depend on whether or not they have experiences with air travel.

A bit of a history lesson may be useful as you lead a discussion about Probe 1. In past decades, air travel was considered prestigious. Passengers dressed up to fly. Meals and free drinks were served on virtually all flights. Flight attendants (almost all female and then called stewardesses) were hired in part for their attractive appearance. Changes in air travel evolved after the deregulation of the industry in the 1980s and the subsequent fare wars that made air travel affordable for “the masses.”

In recent years, airlines faced cost pressures (e.g., fuel prices, stiff competition) and added government regulations (mostly for security) that have made the flying experience less pleasant. Invite student comments—their “pet peeves”—as well as any improvements they may be seeing.

Probe 2 asks for student impressions of what might work to improve the air travel experience. There are no right or wrong answers, of course, but encourage students to brainstorm possible creative solutions.

Probe 3 invites students to think about the impact of diminished service. Ask them to consider how other industries or businesses might also be impacted by a perception of poorer service. Invite examples by asking what other businesses they can think of that don’t seem to be as good as in the past. Probe for specifics—Why aren’t they as good?

## **Ongoing Case – Chapter 1**

Student responses to the case will vary based on the company they choose to consider. The responses to Questions below are based on the sample companies Independent Auto Sales and Service (IAS) and Network Nutrition Distributors (NND).

Question 1 asks students what they could do to help employees understand the value of excellent customer service. In the case of the sample companies, the owners can exemplify excellent customer service, not only when working with external customers, but also when working with internal customers (employees). At NND, netiquette and phone training would be especially beneficial to employees and owners to improve their interactions with customers via web and phone. Owners at IAS could help Ray see the cost of lost service contracts, which are in jeopardy if he continues to overpromise and underdeliver in terms of scheduling. Owners can work with Ray on scheduling to help him better estimate the workload.

Question 2 suggests that students name at least three external customers, as well as their needs. These will vary based on student company choices. The answers provided here are based on the sample companies, IAS and NND.

NND is dealing with 2 specific types of external customers:

- Distributors (wholesale) – wholesalers need education and a price they can resell products at that will allow them to make a profit. Availability of products to meet their customers' needs will also be important.
- Distributor retail – these customers will not deal directly with NND but will still need the education and quality product that NND can provide.

IAS is dealing with 3 specific types of external customers:

- Retail car sales – these customers rely on honesty and quality used vehicles
- Service contract customers – the agencies/businesses signing these service contracts need reliable service in a timely manner. They need to keep their vehicles on the road
- Direct service work – these customers need quality service work by trained mechanics completed in a timely manner for a fair price.

Question 3 asks students to identify internal customers and their needs. The answers provided here are based on the sample companies, IAS and NND.

NND has 3 types of internal customers:

- Manufacturing employees – these are the people that make/personalize the products NND sells. They need time and money to develop the products and respond to customer feedback
- Order Fulfillment employees – these are the people that pack and ship the orders. They need reliable information on manufacturing and supply schedules. They need to be empowered to satisfy retail and distributor customers.
- Distributors – Distributors serve as both external and internal customers in this situation. They need fair pricing, information to share with customers, and support in building additional relationships that strengthen the organization.

IAS has 3 types of internal customers:

- Sales staff – these employees need reliable vehicles to sell and for owners to stand behind the product being sold.
- Ray (Service Manager) – Ray needs feedback, assistance with scheduling, and training in customer service
- Service staff – these employees need training in customer service and empowerment to do their work.

Question 4 invites students to discuss starting points for building core competencies. These answers are based on the sample companies NND and IAS.

1. NND could gather feedback from distributors and the ultimate consumers in an effort for continuous quality improvement.
2. Empower employees to bend when needed to meet customer needs (including distributor needs)
3. Support distributors by providing information they can use with their customers.
4. Seek out ways to legitimize the business, like joining the Better Business Bureau, the local Chamber of Commerce, associations in the nutrition industry, etc.

1. IAS could hire a salesperson with good communication skills to continue the honest business they have built, providing the owners with an opportunity to expand the inventory by seeking out more vehicles and identifying new sources for quality vehicles.
2. One way IAS can manage knowledge is to empower Ray and give him the opportunity to perform as Service Manager of a growing team. This should be accompanied by training to promote Ray's success.
3. If Ray underperforms, he should be moved to the service team and the owners should take over as Service Manager until a skilled Service Manager can be hired.
4. IAS can communicate regularly with the Government Agency and Building Contractor (service contracts) to measure their satisfaction and work on continuous quality improvement. They can do this by staying aware of any service issues that exist with the customer.
5. IAS needs to assess and improve their current service business using the newly hired mechanics before seeking additional contracts. By doing so, they will have success stories to share with new potential customers.

Question 5 provides an opportunity for students to share ways they can apply the ideas from the chapter to build customer loyalty. These answers are based on the sample companies NND and IAS.

#### NND

1. Move to distributor relationships where possible
2. Pay special attention to following up with customers, seek feedback, implement continuous quality improvement
3. Start a loyalty program.

#### IAS

1. Complete service work on time.
2. Hire and train salesperson to serve customers the way the owners do (by providing information and empowerment)
3. Seek customer feedback from service customers and implement continuous quality improvement to deal with any issues.

## **Chapter 2 Use Behaviors that Engage Your Customers**

### **Learning Objectives**

After reading this chapter, you should be able to

1. Distinguish between behaviors (specific actions) and desirable outcomes, goals, or hoped-for results.
2. Recognize the kinds of behaviors and personality factors that please customers.
3. Apply specific action tips (behaviors) that can convey a positive personality.

4. Recognize and promote organizational behaviors that convey a customer-centered culture.

## **Chapter Outline**

- I. Behavior and Personality Factors that Please Customers
- II. Individual Behavior Action Tips That Convey Personality
- III. Action Tips for Making Contact with Customers
  - a. Greet Customers Like Guests
  - b. Plant Seeds for a Relationship Building
- IV. Action Tips for Establishing Rapport with Customers
  - a. Smile
  - b. Compliment Freely and Sincerely
  - c. Call People By Name
  - d. Ask Often “How Am I Doing?”
  - e. Say “Please,” “Thank You,” and “You’re Welcome”
- V. Action Tips to Communicate Reassurance to Customers
  - a. Reassure Customers in Their Decision to Do Business With You
  - b. Reach Out and Touch Them
  - c. Discipline Your Self-talk to Enjoy People and Their Diversity
- VI. Action Tips for Projecting Professionalism
  - a. Pay Attention to Your Dress, Grooming, and Workplace Attractiveness
- VII. Organizational Action Tips That Convey a Customer-Centered Culture
  - a. Consider Your Company’s Appearance and Grooming
  - b. Get Customers to Interact with Your Organization
  - c. Correspond Regularly – the Old Fashioned Way
  - d. Use Hoopla and Fun
  - e. Reward the Right Action
  - f. Stay Close After the Sale or Transaction
- VIII. A Final Thought

## **Teaching Suggestions**

1. Discuss with students businesses that have a distinctive “personality.”
  - Do you frequent businesses that stand out with a strong culture?
  - What specific factors serve to create this personality? (Remember they may be little things.)
  - Would you rather go to a business that has a strong culture or one that feels generic, where nothing the business does is memorable?
  - Is the product more important than the personality of the business? (Can you give examples of each situation?)
2. Discuss with students the concept of “breaking the ice” with customers.
  - Do you prefer sales people to greet you and make personal comments to break the ice, or do you prefer to be left alone while you browse? Why?



- Does that preference change depending on different types of businesses, for example, car dealerships, electronics stores, and clothing stores? Why?
  - In some parts of the United States and other countries, using “Sir” or “Ma’am” is common, as are the expressions “Please,” “Thank you,” and “You’re welcome.” Do you find these courtesies strange or do you expect them? If you expect them, are you put off when you don’t hear them? If you are not accustomed to being called “Sir” or “Ma’am,” does the use bother you?
3. Ask students about being touched when in a store.
- Under what circumstances (if any) do you expect to have a salesperson shake your hand? Pat you on the back? Put a hand on your back or arm to guide you to see something?
  - Do you find that you feel differently depending on the gender of the salesperson? How so?

### **Classroom Assignments**

1. Have students address the following situation:

You are the salesperson at a full-service furniture store. A customer walks in who is dressed in garb associated with the Middle East. As you approach him, he walks to intercept you and stands closer to you than you are accustomed to being with people you don’t know. You back off a little and he follows. You find that as you are speaking, you are gradually being backed around the store. What do you think is going on?

- The customer is trying to intimidate you into giving him what he wants at a much lower price than you intend.
- The customer has some sort of disorder that prevents him from realizing what normal social space is.
- The customer is from a culture that is different from yours and he believes that you are odd.

How does this situation feel to you? What could you do to reduce discomfort, if any?

2. How would you react under slightly different circumstances?

You are the salesperson at a clothing store. A customer walks in who is from Asia, i.e., Japan, Taiwan, China, etc. As she is considering coats, you walk up to ask her if she needs some help. As you talk, she backs off. Thinking she is going to lead you to another item she would like to discuss, you follow her. She backs off again and turns her head, looking the other way. This happens a couple of times. What is going on?

- You need to pay more attention to personal hygiene, particularly to halitosis (bad breath).
- You have the appearance of a mugger and she is afraid that you will snatch her purse.
- She is from a culture that is different from yours and she believes you are odd.

3. Review the list of specific behaviors addressed in the chapter. Ask students to list the top 3 to 5 that are most likely to influence them as customers (for good or ill). Lead a discussion of why students selected the behaviors they did.

Invite the class as a group to rank the top 5 items they would stress if they were training customer service people for their business. (Consider different types of businesses or organizations.)

### **Suggested Responses to “Consider this Case: How Difficult is It to Treat Someone Well?”**

The intention of the brief cases in this book is to generate discussion and insight. As in any case study, there are few absolutely right or wrong answers.

Probe 1. Some of the “little things” or behaviors that may provide a better customer experience could be at “Furniture Barn” might be:

- more neatly displayed merchandise
- better dress and appearance of the employees
- avoid yelling to customers from across the room, instead come up to them
- get rid of the dust on the merchandise

These kinds of things (and others) could be done without changing the business’s approach.

Probe 2. Invite opinions from students. Generally, they will agree that personality is important in any business. Ask for specific behaviors that convey a positive personality.

### **Suggested Responses to “Consider this Case: Hospitality in the Big City**

Probe 1. Review the case and cite little things that project positive personality. Ask how such behaviors would make students feel.

Probe 2. Stress the importance of dealing with customer problems even when they are not your fault. This is a mark of professionalism. The rain described in the case was, perhaps, disappointing for the customers but also provided an opportunity for the hotel employee to demonstrate caring by lending the umbrella.

Probe 3. Ask for similar experiences students may have had. When describing how they made the student feel, invite specific responses, not just “it felt good.” Why did it feel good? What message did the behavior convey to you?

### **Ongoing Case – Chapter 2**

Student responses to the case will vary based on the company they choose to consider. The responses to Questions below are based on the sample companies Independent Auto Sales and Service (IAS) and Network Nutrition Distributors (NND).

Question 1 asks students to identify key behaviors they want employees to apply. There are many good answers, but here are some examples.

**NND**

1. Answer the telephone by the 3<sup>rd</sup> ring.
2. Answer the telephone with a smile.
3. Respond to customer emails and texts within 2 hours.
4. Resolve customer concerns/complaints with a phone call (not in an email or text)
5. Place a survey (including a discount for completion) in every order.

**IAS**

1. Greet customers with a smile.
2. When a vehicle is brought in for service, communicate with the customer directly about when the vehicle should be ready for pickup.
3. Complete service work when promised.
4. Maintain eye contact when talking with customers.
5. Say please and thank you.

Question 2 encourages students to consider how they could get others in their organization to do the specific things from Chapter 1. As a boss, either company could set up an Employee of the Month program to formally recognize employees that are implementing these key behaviors. More importantly, anyone, whether boss or fellow employee, can lead by example. They can also complement employees when they see them exhibiting key behaviors.

Question 3 invites students to share behaviors that have improved their own customer experience. Answers will vary, but here are a few examples:

- Being greeted with a smile
- Being helped by knowledgeable employees who can share product benefits with customers
- Being followed up with to check on customer satisfaction after the sale.