

CHAPTER 12: MANAGING SERVICES

I. LEVELS OF SERVICE

a. CORE/PRIMARY SERVICES

- i. The major activity of a business or nonprofit
- ii. Investment services provide the usage of a brokerage account to buy/sell stock
 1. Ex: Charles Schwab, eTrade

b. Ancillary Services

- i. Expected or optional supplements to the primary purchase
 1. Ex: Supermarket carryout, Valet Parking, Free Parking
- ii. Expected in B2B Marketing
 1. Prompt delivery
 2. Favorable credit terms
 3. Responsive (24/7) Customer Service

II. SERVICES AS VALUE

a. Consumers and Organizational Buyers Want:

- i. Quality products
- ii. Right price
- iii. Qualified sales personnel
- iv. Maximum benefits
- v. Minimum effort
- vi. Low wait times
- vii. VALUE!

b. Casual Dining Industry stopped providing "value"

- i. Competition from "fast-casual" chains are stealing customers
- ii. Checks average from \$10-\$23
- iii. Ex: Panera, Chipotle, Panda Express, Zaxby's Five Guys

III. VALUE

a. An intangible concept often defined in terms of...

- i. Exceptional customer service
- ii. Exceptional product quality
- iii. Value-based prices

IV. COMPETITIVE POSITIONING

a. Service Image is conveyed by the firm's "service products"

- i. Dimensions used should be those valued by the customers

b. What DO consumers want in casual dining?

- i. Stand for something unique
 1. Cheesecake Factory (Large Portions)
 2. Outback (High quality grilled Steak)
 3. Olive Garden (Tuscan-like ambience)
- ii. Lower Prices
- iii. Better Food (ex: Ruby Tuesday's)

- iv. Improved Service (ex: Chili's)
 - 1. Slow service, discourteous staff, professional uniforms
- v. Better-Looking Stores (ex: Ruby Tuesday's)
- vi. Get Kid-Friendly

V. SERVICE LEADERSHIP OR FOLLOW THE LEADER?

- a. Will you set the service standard or wait for competitors to set the standard and then follow their lead?

VI. BENEFITS OF EXCEPTIONAL CUSTOMER SERVICE

- a. Exceptional customer service can differentiate you from competitors
 - i. Services attract and keep customers
 - ii. Services and recover lost sales
 - iii. Service quality is related to customer satisfaction
 - iv. Customer service usually leads to a profitable Return on Investment in the long-run

VII. How consumers purchase/evaluate services

- a. The Purchase Process
 - i. **Search Properties:** What consumers can judge prior to purchase
 - a. **Easiest to Evaluate**
 - b. Price, Location, Appearance of Physical Facility, Paperwork, Interactions with Staff
 - c. HIGH: clothing, jewelry, furniture, houses, Automobiles
 - ii. **Experience Properties:** Attributes discernable only after the service experience
 - a. **Hardest to evaluate**
 - b. Physical comfort, staff concern, wait time
 - c. HIGH: restaurant meals, vacations, haircuts, childcare
 - iii. **Credence Properties:** Attributes inferred from a subjective evaluation of the entire process
 - a. HIGH: TV repair, legal services, root canal, auto repair, medical diagnosis

VIII. THE SERVICE DESIGN PROCESS

- a. Customer Targets (What do they want?)
- b. Nature of the Service
 - i. Complex: substantial support services and highly qualified customer contact people (medicine, investments)
 - ii. Less Complex: Substantial "up front" design effort (automated services [ex: ATM])
- c. Pricing (Who is the Target?)
 - i. How much and how often do you buy?
 - ii. Ex: T. G. I. Friday's Loyalty Program
 - iii. What is this type of service?
 - iv. Can a fee be justified?
- d. Costs
 - i. Wages
 - ii. Physical facilities
 - iii. Technology and equipment
 - iv. Honoring warranties and guarantees
- e. Degree of Complexity/Uncertainty
 - i. When the service/product is complex or customers are uncertain about the purchase. They may need:
 - 1. Extensive sales assistance

2. Demonstrations
 3. Service guarantees
 4. After-sale assistance
 5. Pre-purchase information
- f. Marketer's Resources
- i. Smaller marketers may need to outsource some customer services to save costs
 - ii. When to use customer service outsourcing
 1. Significant Growth
 2. Save money
 3. Testing & Learning
 4. Variable Volume
 5. Business Model Shifts
- g. Number of Services
- i. Focus on services which make a difference in consumers' purchase decisions
 - ii. Remember, customers may be willing to pay some or all of the cost of desired services
- h. Level of Service
- i. Full service to self-serve
 1. What does your market/target customer call for?
 2. What can you support?

IX. SERVICE DELIVERY

- a. Top-Management Commitment
- b. Treat customers as internal customers (ex: Disney)
- c. View service as a "performance"
- d. Ensure service recovery

X. SUCCESSFUL SERVICE RECOVERY

- a. Know the costs of losing a customer
 - i. For every customer that bothers to complain, there are 26 others that stay silent
 - ii. The average wronged customer will tell 8-16 people
 - iii. 91% of happy customers will never purchase your services again
 - iv. It costs about 5X as much to attract a new customer than to keep an old one
- b. Listen to the customer – get them to talk
- c. Anticipate potential failures
- d. Act fast!
- e. Train Employees
- f. Empower the front line
- g. Close the Loop – get back to the customer

XI. CHEF RAMSEY'S CARDINAL RULE

- a. Put customers first, make them feel really special, and build a sense of loyalty
- b. Unhappy customers destroy reputations!

XII. THE EVOLVING WORLD OF PRODUCT

- a. Before 1940s: A world of Commodity
- b. 1940s-1980s: A World of Product Branding
- c. 1980s-1990s: A World of Services