

Chapter 1

The World of Customer Service

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Learning Outcomes

- LO 1-1 Define customer service.
- LO 1-2 Describe factors that have impacted the growth of the service sector in the United States.
- LO 1-3 Identify societal factors that have influenced customer service.
- LO 1-4 Recognize the changes in consumer behavior that are impacting service.
- LO 1-5 List the six major components of a customer-focused environment.
- LO 1-6 Explain how some companies are addressing the changes impacting the service sector.

Brief Chapter Outline

- I. Defining Customer Service
 - A. The Concept of Customer Service
 - B. Post–World War II Service in the United States
 - C. The Shift to Modern-Day Service
- II. Changes in the Service Sector
 - A. Impact of the Economy
 - 1. Quantity of Jobs Being Created
 - 2. Distribution of Jobs
 - 3. Quality of Service Jobs
- III. Societal Factors Affecting Customer Service
 - A. COVID-19 Worldwide Pandemic
 - B. Shifts in Consumer Needs, Wants, and Expectations
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 - 1. The Impact of Government and the Economy
 - 2. Consumer Mindset Changes
 - 3. Changes in Business Strategies
 - D. Shifts in the Population and Labor Force
 - E. Increased Efficiency in Technology
 - 1. Globalization of the Economy
 - F. Deregulation of Many Industries
 - G. Geopolitical Changes
 - H. Changing Personal and Societal Values
 - I. More Women Entering the Workforce
 - J. A More Racially and Ethnically Diverse Population Is Entering the Workforce
 - K. More Older Workers Entering or Remaining in the Workforce
 - L. Growth of E-Commerce

IV. Consumer Behavior Shifts

- A. Expectation of Quality Service
- B. Enhanced Consumer Awareness and Preparation

V. The Service Environment

- A. Components of a Service Environment
- B. The Customer
 - 1. External Customers
 - 2. Internal Customers
- C. Organizational Culture
- D. Human Resources
 - 1. Strategies for a Successful Job Interview
- E. Products and Services
- F. Delivery Systems
- G. Quality Service

VI. Addressing the Changes

Chapter Outline and Lecture Notes

I. Defining Customer Service

- **Customer service** is the ability of knowledgeable, capable, and enthusiastic employees to deliver products and services to their internal and external customers in a manner that satisfies identified and unidentified needs and ultimately results in positive word-of-mouth publicity and return business.
- Depending on an organization's focus, such as retailing, medical, etc., the goals of providing customer service may vary.
- **Service industry** is a term used to describe businesses and organizations that are engaged primarily in-service delivery. *Service sector* is a more accurate term, since many organizations provide some form of service to their customers even though they are primarily engaged in research, development, and manufacture of products.
- **Product** is something produced or an output by an individual or organization. In the service environment, products are created to satisfy customer needs or wants.
- A **customer-focused organization** is a company that spends energy and effort on satisfying internal and external customers by first identifying customer needs, and then establishing policies, procedures, and management and reward systems to support excellence in service delivery.
- **Customer relationship management (CRM)** is the concept of identifying

customer needs: understanding and influencing customer behavior through ongoing communication strategies to acquire, retain, and satisfy the customer. The ultimate goal is customer loyalty.

- Some common characteristics of leading-edge customer-focused organizations are:
 - They have internal customers (for example, peers, coworkers, etc.) and/or external customers (for example, vendors, suppliers, etc.).
 - Their focus is on determining and meeting the needs of customers while treating everyone with respect and as if he or she is special.
 - Information, products, and services are easily accessible by customers.
 - Policies are in place to allow employees to make decisions in order to serve customers better.
 - Having customer-focused systems and policies in place.
 - Management and systems support and appropriately reward employee efforts to serve customers.
 - Reevaluation and quantitative measurement of the way business is conducted is ongoing and results in necessary changes and upgrades to deliver timely quality service to the customer.
 - Continual benchmarking or comparison with competitors and related organizations helps maintain an acute awareness and implementation of best service practices by the organization.
 - The latest technology is used to connect with and provide service to customers, vendors, or suppliers and to support business operations.
 - They build relationships through **customer relationship management (CRM)** programs.
- All companies and organizations have **internal** or **external** customers, or both. Internal customers are people within the organization who either require support and service or provide information, products, and services to service providers who interact with external customers. External customers are those people outside the organization who purchase or lease products and services.
- The term **service sector** as used by the Census Bureau and the Bureau of Labor Statistics in their reports and projections typically includes:
 - Transportation, communication, and utilities
 - Wholesale trade
 - Retail trade
 - Finance, insurance, and real estate
 - Other services (including businesses such as legal firms, barbershops and beauty salons, personal services, housekeeping, and accounting)
 - Federal government

- State and local governments

A. The Concept of Customer Service

- The concept or practice of customer service is not new throughout the world.
 - Over the years, it has evolved from a meager beginning into a multibillion-dollar, worldwide endeavor.
- In the past when many people worked on farms, small artisans and business owners provided customer service to their neighbors.
 - To supplement their income, many people made and sold or bartered products from their homes in what came to be known as **cottage industries**.
- When industry, manufacturing, and larger cities started to grow, the service industry really started to gain ground.

B. Post–World War II Service in the United States

- After World War II, the desire, and in some cases need, to obtain products and services started to grow throughout much of the world.
- In the United States, there was a continuing rise in the number of people in service occupations.

C. The Shift to Modern-Day Service

- The age of the **service economy**, a trend in which businesses have shifted from primarily production and manufacturing to more service delivery, has been alive and strong for some time now.
 - Tied to this trend has been the development of international quality standards by which effectiveness is measured in many multinational organizations.
- Organizations such as the International Council of Customer Service Organizations (www.iccso.org) work to help develop and promote service and professional excellence standards throughout the world.
 - This is being done by setting internationally acceptable standards and certifications to create a global atmosphere of service.
- To help attract and maintain a more loyal customer base, many customer-centric organizations are stepping up their enthusiasm and support for such standards.

II. Changes in the Service Sector

- Research from the Bureau of Labor Statistics points to changes in the workforce through at least 2029.
 - Service-providing sectors will account for most of the jobs added by 2029.
 - Of the 6.0 million jobs projected to be added to the economy, about half are expected to be in the healthcare and social assistance sector.
 - The impact of these numbers can be seen as technology replaces many production-line workers and increasing numbers of service jobs are created.
 - Technology-related service jobs, such as those of database administrators, computer support specialists, computer scientists, computer engineers, and systems analysts are expected to continue to grow at a rapid pace.

A. Impact of the Economy

- According to leading economists, today's economy is affecting jobs in three ways:
 - Overall quantity of jobs created
 - The distribution of jobs among industries, occupations, geographic areas, and organizations of different sizes
 - The quality of jobs, measured by wages, job security, and opportunities for development

1. Quantity of Jobs Being Created

- According to the Bureau of Labor Statistics:
 - The 20 occupations shown in Figure 1.5 in the text are expected to add about 4.9 million jobs. That's more than 40 percent of the 11.5 million total new jobs projected for all occupations.

2. Distribution of Jobs

- Two parallel trends in job development are occurring:
 - The first comes about from the need for employees to be able to have regular access to personal and professional networks and to engage in collaborative exchanges.
 - The second trend in job development arises from the ease of transmission and exchange of information by means of technology.
 - It is called either **telework** or **telecommuting** and various

other terms describe it.

- The practice does not include the self-employed.
- With enhanced phone technology, **broadband Internet access** facilitates more personal communication with customers, suppliers, distributors, and colleagues.
- With visual imaging and collaboration software like, **Skype, Zoom**, and **GoToMeeting**; **instant messaging**; **social media**; e-mail; text chat; and other technology, employees can now work from their homes or satellite office locations worldwide.
- Government agencies, technology-focused organizations, and many companies with large staffs in major metropolitan areas that experience traffic congestion have used telework and telecommuting for a number of years to eliminate the need for employees to travel to work each day and to reduce corporate overhead, such as office space and technology, utility, and equipment costs.
- Even though many organizations have experienced savings, some companies prior to the pandemic were reversing their use of telecommuters and brought their employees back to the organizational worksite after indicating discontent with the results of the efforts to have people work independently.
- The importance and impact of working remotely by incorporating technology into the workplace formula has been amplified tremendously since the onset of the COVID-19 pandemic.

3. Quality of Service Jobs

- The last decade of the twentieth century saw increasing economic growth, low interest rates, and new job opportunities.
- Unemployment rates reached a historic low in 1999, and then rose dramatically as the worst recession (2007–2009) since the Great Depression occurred and resulted in unemployment rates of 6 to 14 percent globally.
- Another economic crisis began in 2020 with the COVID-19 pandemic. The impact of the resulting sharp decline in employment affected virtually every aspect of life.
- Employees who do obtain and maintain the better customer service jobs that provide good working conditions, security, and benefits will be the ones who are better educated, trained, and prepared.
 - They will also be the ones who understand and have tapped into the concept of professional **networking**—the active process of

building relationships and sharing resources.

III. Societal Factors Affecting Customer Service

- The economies of America and many geographic areas are being dramatically changed by the forces that are shaping the world.
- Some of the major shifts that continue to occur each year around the world are:
 - Shifts in consumer needs, wants, and expectations
 - Declining economic conditions in some areas
 - Demographic shifts in population
 - Constant technological change
 - Globalization
 - Deregulation of industries
 - Geopolitical changes
 - Increases in the number of white-collar workers
 - Socioeconomic program development
 - More women entering the workplace

A. COVID-19 Worldwide Pandemic

- Few events in modern history have directly impacted the way of life for so many people and organizations in such a short period.
- More people have started working remotely from home, and customer service employees of the future will need enhanced technology skills and the ability to communicate more effectively via phone, video, and in writing.
- Interacting mainly via technology has its limits when it comes to the ability to develop and use interpersonal skills like listening, reading nonverbal cues, and feeling more connected to others, and such a lack of interpersonal skills can negatively impact service levels.
- Because of the duration of the worldwide medical crisis, people and organizations are likely never going to want to return to the old norms related to how services are delivered.

B. Shifts in Consumer Needs, Wants, and Expectations

- Consumer behavior continues to shift.
- Economists use **demand curves** to illustrate shifts in consumer behavior. They are the graphic representation of expected behavior in the real world used to predict coming trends or shifts in consumer needs, wants, or

expectations.

C. Global Economic Shifts

- Not since the 1980s have economic indicators (e.g., stock trades, home sales, international transactions, etc.) been in such flux worldwide.
- Events contributing to this economic flux include the recession of 2007-2009, the COVID-19 pandemic beginning in 2020, and the United Kingdom's exit from the European Union in 2020.

1. The Impact of Government and the Economy

- In addition to governmental policy and economic changes, new legislation impacting health care and taxes, job elimination in the government sector, and shifts in consumer spending can significantly impact many organizations, forcing downsizings and in many cases closures.

2. Consumer Mindset Changes

- Large numbers of customers search and do their homework for products and services online and often use retail outlets as a showroom to physically examine things they are interested in potentially purchasing online.
- Since the start of the pandemic, many consumers have avoided in-person businesses, forcing these organizations to demonstrate their adherence to approved scientific guidelines and to ensure their staff is properly trained on prevention and appropriate customer service techniques.

3. Changes in Business Strategies

- Large retail businesses compete with online retailers by using strategies such as price-matching.
 - Many smaller and independently-owned businesses do not have the resources to use these strategies, forcing them to sell out or cease operations.
- Many companies have made dramatic shifts in the way they do business and attempt to attract and hold customers.
- Because of the financial meltdown that occurred during the high point of

- the recession and the economic impacts of the pandemic, many organizations that have been household names for decades and had international presence have cut back severely on the size of their workforce and inventory and sold off, merged, or closed operations.
- Projections are that numerous other well-known organizations are likely to either disappear soon or significantly reduce their presence in the near future.

D. Shifts in the Population and Labor Force

- Today's labor force is older, more racially and ethnically diverse, and composed of more women than in the past.
- According to U.S. Census data, the U.S. resident population is projected to grow from 319 million to 417 million between 2014 and 2060, reaching 400 million in 2051.
- Several significant factors will shape the future demographics of the U.S. population:
 - By 2030, one in five Americans is projected to be 65 and over.
 - By 2044, more than half of all Americans are projected to belong to a minority group (any group other than non-Hispanic White alone)
 - By 2060, nearly one in five of the nation's population is projected to be foreign born.
- There will be a need for more consumer goods and services to provide for the needs and expectations of diverse customers.
- Since the size of the labor force is the most important factor related to the size and makeup of the available pool of workers, organizations that hire service representatives will have to make some adaptations related to the way they recruit and hire in order to obtain quality candidates for open positions.

E. Increased Efficiency in Technology

- The development and increased sophistication of machines, service equipment, and computers have caused an increase in production and quality.
- An advantage of this change is that machines and equipment can work 24 hours, 7 days a week with few lapses in quality, with no need for breaks, and without increases in salary and benefits.
 - They also potentially enhance the ease of service delivery and provide faster processing.

- Technology is extremely attractive to profit-minded business and corporate shareholders and managers who are concerned with service delivery and how it impacts sales.
- Statistics from Internet World Stats indicate that as of October 27, 2020, there were an estimated 7,796,615,710 people in the world. Of that number, 4,929,926,187 use the Internet.
- The U.S. government passed the Recovery Act in 2009, with money allocated to expand nationwide Internet access to rural areas and into schools, libraries, public safety offices, and other community buildings.
 - With expanded Internet access, more people will have access to products and services via computers, smartphones, iPads, and similar devices.

1. Globalization of the Economy

- Beginning in the 1960s, when worldwide trade barriers started to come down, a variety of factors have contributed to expanded international cooperation and competition.
 - This trend has been termed **globalization**, with many companies focusing on **business-to-business (B2B)** initiatives, as well as individual consumers.
- At some point, many companies make staffing and/or production decisions based on bottom-line figures.
 - When this happens, companies can, because of recent changes in the law, take their production or call center functions “offshore” (**offshoring**) to other countries.
 - In doing so, companies often save money on costs such as production, wages, and benefits.
- In addition to offshoring, many organizations are also **outsourcing** job functions that have been traditionally handled internally (e.g., recruiting, payroll, etc.) to third-party companies that specialize in these areas.
- Related to offshoring and outsourcing, **insourcing** occurs when organizations decide to have internal employees assume functions and perform work instead of contracting out to third parties or outsourcing it.

F. Deregulation of Many Industries

- **Deregulation** is the removal of government restrictions on an industry.
- The continuing deregulation of major U.S. public services has caused competition to flourish.

G. Geopolitical Changes

- Events such as economic embargoes, political unrest, and conflicts and wars involving various countries have reduced U.S. business access and competition within some areas of the world while companies from some countries have free access in those areas.
 - These circumstances not only limit access to product, manufacturing, and distribution channels, but also reduce the markets to which U.S. businesses can offer products and services.
- The **United States-Mexico-Canada Agreement (USMCA)** enhances many of the provisions from the North American Free Trade Agreement, and includes stronger guidelines related to labor laws in Mexico, copyright protections for intellectual property, agriculture trade access with Canada, and a provision for future expiration of the agreement unless parties agree to extend it.
 - Further events, such as trade agreements with China and other Asian countries, have expanded or opened new political and economic doors.
- With increased ease of transportation and communication in today's business world, companies cannot afford to ignore international competitors.

H. Changing Personal and Societal Values

- Values are internalized and a result of individual life experiences and societal norms.
- Throughout the world, there has been a tremendous amount of dynamic change in recent decades due to economic instability, quickly expanding and enhanced technology, and global mobility where people move quickly and frequently.
- Because different societies view what is important from different perspectives, clashes can sometimes result when service providers encounter customers who have different values.
- As a result of societal values, companies often change their approach to doing business as a competitive strategy and to attract and hold customers.
- Because many consumers are now cost-conscious, are ecologically aware, and value sustainability, many automobile manufacturers are developing vehicles that are more energy efficient, use ecologically sensitive fuels and electric power systems, and cost less.

I. More Women Entering the Workforce

- The fact that more women are in the workplace means that many of their traditional roles in society have shifted, out of necessity or convenience, to service providers such as cleaners, cooks, and childcare providers.
- As women have become a larger part of the work force, they have slowly seen their income levels rise compared to those of their male counterparts, but have not yet reached equality in workplace compensation.
- As the pandemic and economic impacts progressed, many working women were employed in industries that were hard hit as customers and employees receded into their homes.

J. A More Racially and Ethnically Diverse Population Is Entering the Workforce

- The increase in numbers of people from different cultures entering the workforce has had a profound impact on the business environment.
 - Members of this expanded worker category bring with them new ideas, values, expectations, needs, and levels of knowledge, experience, and ability. As consumers themselves, they bring a better understanding of the needs of the various groups that they represent.
- Projections from the U.S. Bureau of Labor Statistics paint a good picture for various service professions, but as we witnessed during the pandemic, life as usual disappeared and may take quite a while to return or to at least settle into a new norm.
 - What that will mean for employment potential in the service sector and other occupations is unknown, but it is safe to say that the service sector is one area that will improve quickly once life stabilizes.

K. More Older Workers Entering or Remaining in the Workforce

- The median age of people in the United States is rising because of the aging of the “baby boom” generation (those born between 1946 and 1964).
 - Older members of that generation will likely still be working in some capacity out of desire to stay engaged or necessity to supplement retirement income.

L. Growth of E-Commerce

- The past two decades have been witness to unimagined use of the personal computer and the Internet by the average person.

- **E-commerce** refers to the entire spectrum of companies that market products and services on the Internet and through other technology, and the process of accessing them by consumers.

IV. Consumer Behavior Shifts

A. Expectation of Quality Service

- Most customers expect that if they pay a fair dollar, in return they will receive a quality product or service.
 - If their expectations are not met, customers simply call or visit a competing company where they can receive what they think they paid for.
- Companies recognize that if they do not meet the service expectations of customers, they lose business and revenue.
 - Thus, the superior service providers invest large amounts of money in training and empowering employees.

B. Enhanced Consumer Awareness and Preparation

- Customers today are not only more highly educated than in the past, they are also well informed about the price, quality, and value of products and services.
 - This has occurred in part through the advertising and publicity by companies competing for market share and by the activities of consumer information and advocacy groups that have surfaced.
- Hence, all business owners find that they have to continually prove the worth of their products and services.
 - They must provide **customer satisfaction** or face losing customers to competitors.

V. The Service Environment

A. Components of a Service Environment

- The six key components of a **service environment** are the customer, organizational culture, human resources, products or services, delivery systems, and quality service.
 - With the exception of the customer, all of these factors are under the control of the service provider and staff.

B. The Customer

- The central component in a customer-focused environment is the customer.
 - All aspects of the service organization revolve around that crucial entity.

1. External Customers

- **External customers** are those people outside the organization who buy, rent, or lease products and services.

2. Internal Customers

- **Internal customers** include coworkers, employees of other departments or branches, and other people who work within the same organization.
- One way to improve internal customer service is to shift thinking of other employees as “coworkers” and refer to them as “customers.”
- The important point to remember related to your internal customers is that you must take care of them, just as you do your external customers.

C. Organizational Culture

- **Organizational culture** includes any element of an organization that a customer encounters.
- Typically, culture includes the dynamic nature of the organization and encompasses the values and beliefs that are important to the organization and its employees and managers.

D. Human Resources

- **Human resources** refers to the employees of an organization.
- To make the culture work, an organization must take great care in recruiting, selecting, training, retaining, and supporting qualified people.

1. Strategies for a Successful Job Interview

- Anyone looking to enter the customer service sector as a career would do well to factor in how a potential employer views and values its employees.
- A big part of interview preparation is to ask your recruiter or other

interviewer questions about the organization's mission, goals, and values.

E. Products and Services

- The fourth component of a service environment is the **products** and **services** offered by an organization.
- A product or service may be a tangible item manufactured or distributed by the company or a service available to the customer.
- There are three potential areas of customer satisfaction or dissatisfaction:
 - Quality
 - Quantity
 - Service effectiveness

F. Delivery Systems

- The fifth component of an effective service environment is the **delivery system**—method(s) by which the product or service is delivered.
- In deciding on delivery systems, organizations examine the following factors:
 - Industry standards
 - Customer expectations
 - Capabilities
 - Costs
 - Current and projected requirements

G. Quality Service

- Stated simply, service is the manner in which you and your employees treat your customers and each other as you deliver your company's products/services.

VI. Addressing the Changes

- With all the changes, developing strategies for providing premium service that will attract and hold loyal customers has become a priority for most organizations.
 - To this end, organizations must become **learning organizations**—organizations that value knowledge, education, and employee training.
- In the past, many organizations took a reactive approach to service by waiting for

customers to ask for something or by trying to recover after a service breakdown.

- In today's economy, a proactive approach of anticipating customer needs is necessary and becoming common.
- To excel, organizations must train all employees to spot problems and deal with them before the customer becomes aware that they exist.
- If a service breakdown does occur, managers in truly customer-focused organizations should empower employees at all levels to do whatever is necessary to satisfy the customer.
 - This concept is known as **service recovery**, the process of correcting or remedying something that has not gone as promised involving provision of a product or service to a customer.

Class Activities and Sample Assignments

1. Ask students to get into discussion groups to discuss their best and worst experiences with customer service. (LO 1-1)
2. Ask students to get into discussion groups for onsite/on-ground courses, and discuss any of the questions you choose from the discussion opportunities section below. (LO 1-1 through 1-6)
3. Ask students, either alone or in teams, to visit a retail store. After visiting the store for at least 15 minutes, ask them to write a report or prepare a presentation addressing how well the company met each of the components of a customer-focused environment and what can be done if they need to make improvements. (LO 1-5, 1-6)
4. Ask students to bring in a recent newspaper or magazine and put themselves into groups of 5 or 6. Then, using their articles, find at least 4 examples of socioeconomic, demographic, consumer behavior, and economy articles that might impact customer service. Have them prepare and present a summary of their articles, along with a description of how customer service can be impacted as a result of these articles. Divide students into equal groups (3-4 people per group, depending on the class size) and give each group a marker and sheet of flip chart paper to use as they participate in the activities noted herein or in those that you develop. (LO 1-2, 1-3, 1-4)

Discussion Opportunities

1. In what specific ways do you see technology impacting customer service? (LO 1-4 and 1-5)
2. Which of the demographic changes discussed in the chapter has the greatest impact on customer service in your opinion? Why? (LO 1-2 and 1-3)
3. What does great customer service mean to you? (LO 1-1)
4. Give examples of companies you think focus on all six areas of the customer-focused environment. Describe how you think the company meets all of these areas. (LO 1-5)
5. This chapter discussed learning organizations. How can individuals contribute to this ideology? (LO 1-6)

In the Real World Notes (p. 7)

Every chapter has an opening, real world example of customer service. This section in the instructor's manual will address the opening and give suggestions on initiating class discussion.

Retail—Amazon.com

This opening discussed Amazon.com. Jeff Bezos founded his company in 1994 as “Cadabra.com” and launched Amazon.com out of his garage in 1995. By 2016, Bezos boasted that the company was the fastest to ever reach the \$100 billion sales mark. As the company's capabilities and reputation grew, so did its product line. As the world's largest Internet retailer, the company dominates e-commerce through superior electronic and cloud computing sales and marketing. Some of Amazon's success strategies have included: opening websites in numerous foreign countries, acquiring established catalog businesses like Zappos.com, patenting 1-Click checkout, offering free shipping on orders over \$25.00, and setting up a textbook trade-in program for students. These initiatives have been focused at driving up revenue while providing a seamless shopping experience for a diverse customer base with varying needs, wants, and expectations. Amazon's vision statement: “To be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online.”

The questions and possible answers for this situation are as follows:

1. What have you heard or experienced related to Amazon's approach to customer service?

There may be a variety of answers. Some of the answers you may see include the large selection of books, music, DVDs, and electronics, and many other commercial items the retailer sells. Amazon sells almost anything and delivers it to the customer's door. Customer service focuses on selection and quick delivery.

2. From a service perspective, how does this company differ from other online businesses that you have dealt with or heard of?

The strengths of the organization are the number of product lines, the ease of ordering, and quick home delivery.

3. What do you believe to be this company's customer service-related strengths and weaknesses? Why do you feel this way?

Many students will feel that one company is the same as another. Use this question as an opportunity to ask students about their experiences with customer service, particularly in the online retail industry.

4. What role do you think Jeff Bezos plays in the service culture of this organization? Explain your answer.

One good way of answering this would be that he observed predictions that online commerce would grow dramatically in coming years and decided to first focus on five product lines that would sell well. Only as the company's capabilities and reputation grew, did Bezos expand its product lines. Amazon has continued to be a retail innovator by using strategies such as an associate program to allow affiliates to place Amazon banner links on their own websites. If the prospect purchases any item, the associate receives a sales commission.

5. As a consumer, would you now consider using Amazon's services in the future? Why or why not?

A variety of answers can be expected here. You can ask students how much customer service would impact their decision on which online retail company to use, and compare that to price—which is more important? Can the student, as a consumer, avoid such a retail giant?

Work It Out Notes

Every chapter has several Work It Out sections that ask the students to think about the material a bit deeper and relate it to their own life. This section will provide notes for class discussion for each of these Work It Out topics.

Work It Out 1.1—*Improving Service Quality* (p. 23)

This box asks students to list some of the changes related to service that students have personally witnessed in the business world. Are these changes for better or worse? Students may cite not being able to get a hold of an English-speaking person when calling for technical help or too many buttons to press to speak with a real person, but they may also cite the ability to order things online, live chat, and other features for a better customer service experience.

You can facilitate a discussion here on how companies can remedy the things about customer service that have gotten worse. In other words, ask them to come up with solutions, too.

Work It Out 1.2—*Personal Exposure to the Global Trend* (p. 38)

This box helps students recognize the impact that the global trend of change in values has on them and their family as consumers. Students are asked to list five major products that they or their family members own, along with their country of origin. Most likely, students will find 10-15 countries of origin where these products are manufactured.

Work It Out 1.3—*Who Are My Internal Customers?* (p.47)

This Work It Out question asks students to think about internal versus external customers. Ask students to get into groups and identify their internal customers in a current or past job. You can start by telling students that they are the external customers, whereas your program chair, dean, financial services department, registration department, and other faculty would be considered internal customers. Every job likely has both external and internal customers.

Work It Out 1.4—*Types of Service* (p. 48)

To complete this exercise, ask students to work in groups and brainstorm types of

“service” that are provided to external customers. Next, on the board or a flip chart, have them write the top ten things they came up with and then engage in a class discussion on each. You can point out here that the intangibles are sometimes more important than the tangibles. For example, if a contractor remodels your bathroom, the service provided, including the timeliness, quality of work, and cleanup, is often as important as the work performed.

Work It Out 1.5—*Attracting and Training Employees* (p. 51)

This box looks at some of the things companies use to attract good quality workers besides compensation. In a down economy, companies generally have to offer less to attract people but often do provide attractive benefits to keep current people happy. Things such as signing bonuses, relocation packages, telecommuting, and flextime options are the norm, while extreme attractions might be that some companies provide day care services and concierge service to employees.

End-of-Chapter Material Notes

Key Terms

- Broadband Internet access (p. 18)
- Business-to-business (B2B) (p. 33)
- Chatbot (p. 31)
- Cottage industry (p. 12)
- Customer-focused organization (p. 9)
- Customer relationship management (CRM) (p. 10)
- Customer satisfaction (p. 44)
- Customer service (p. 9)
- Delivery system (p. 51)
- Demand curve (p. 25)
- Deregulation (p. 35)
- Downsizing (p. 21)
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Review Questions

1. What is customer service?

Customer service is defined as the ability of knowledgeable, capable and enthusiastic employees to deliver products and services to their internal and external customers in a manner that satisfies identified and unidentified needs and ultimately results in positive word-of-mouth publicity and return business.

2. Describe some of the earliest forms of customer service.

Doctors visiting their patients' homes (as opposed to the sick patients having to go into the doctor's office) or door-to-door salespeople peddling goods are examples of the earliest forms of customer service.

3. What are some of the factors that have facilitated the shift to a service economy?

Some of the factors that have facilitated the shift to a service economy are expectations of customers, changes and shifts in consumer behavior, and use of technology in customer service transactions that used to be done face-to-face.

4. What have been some of the causes of the changing business environment in recent decades?

Some of the causes of the changing business environment in recent decades are globalization, demographic shifts in population, geopolitical changes, more white-collar workers, and more women entering the workplace.

5. Describe the impact of a company's culture on its success in a customer-focused business environment. Discuss why each is important.

The entire company must be trained on the service culture and it must resonate through all aspects of the organization. It must be widely communicated in order to be effectively implemented. The organization's culture sets the tone for the way in which service is delivered and how service providers interact with both internal and external customers.

6. What role does the human resources element of the customer service environment play in customer satisfaction?

Organizations rely on employees to provide service excellence to customers, and seek employees who are skilled, motivated, and enthusiastic, and who possess the knowledge, skills, and competencies to professionally serve customers.

7. What three factors related to an organization's products or services can lead to customer satisfaction or dissatisfaction?

There are three potential areas of customer satisfaction or dissatisfaction—quality, quantity, and service effectiveness. If your customers receive the correct product(s) at a competitive price that they perceive to be of good quality along with service at the level expected, in the timeframe promised or viewed as acceptable, they will likely be happy.

8. When organizations select a delivery method for products or services, where do they get information on the best approach to take?

Organizations examine the following factors: industry standards, customer

expectations, capabilities, costs, and current and projected requirements.

9. What are the six key components of a service environment and how does each directly impact customer loyalty and satisfaction?

1. The customer
2. Organizational culture
3. Human resources
4. Products or services
5. Delivery systems
6. Quality Service

Customers, whether internal or external, are the “star” of the show and should be the central focus of all workplace efforts. By striving to identify the specific needs of each individual customer, and then acting to satisfy him or her, employees can help ensure his or her loyalty, satisfaction, and positive word-of-mouth publicity. By remembering that all aspects of the service organization revolve around that crucial entity and that without the customer, there is no reason for any organization to exist, service professionals help ensure personal and business success.

10. Why are many organizations changing to learning organizations?

To excel, organizations must train all employees to spot problems and deal with them before the customer becomes aware that they exist. Every employee must take personal responsibility for customer care. If all employees assume ownership for continuous product and service quality improvement, their organization can flourish.

Collaborative Learning Activities

1. Walk around the room as this discussion takes place to ensure students stay on topic. Ask probing questions to each group as you walk around, such as:
 - What is the role of schools today in terms of customer service?
 - Do you think schools provide good customer service?
 - How can schools get better (while staying in budget) at providing good customer service?
 - Who should be responsible for preparing students for their role in providing customer service?

2. Walk around the room as this discussion takes place to ensure students stay on the topic and answer the following questions:
 - Based on what you read in this chapter, what factors might be affecting survey recipients?
 - How do the statistics shown in this study analysis potentially impact service organizations?
 - How do you see these responses personally impacting you in the future?
3. Walk around the room as this discussion takes place to ensure students stay on the topic and answer the following questions:
 - What additional competencies do you feel are necessary to be successful when working with customers?
 - Do you believe each of these competencies is crucial or not?
4. Walk around the room as this discussion takes place to ensure students stay on the topic and answer the following questions:
 - How do you believe this development has most affected customer service in your lifetime? Why do you believe this to be true?
 - Do you believe this development was a positive change? Why or why not?
 - Do you think the developments during your lifetime have impacted customer service more or less than earlier developments? Why or why not?

Face-to-Face—*Getting Ready for New Employee Orientation at PackAll*

This situation asks the student to imagine they have been hired at PackAll and are about to attend an orientation. The orientation will address service culture, policies and procedures, techniques for handling customers, and specific job skills and requirements.

The following questions are asked of the students:

1. What interpersonal skills do you currently have that will allow you to be successful in your new position?

Student answers will vary. They may mention interpersonal skills like listening, reading nonverbal cues, and feeling more connected to others.

2. After reading through this chapter, are there other skills and knowledge that you might need to acquire to perform required duties in this organization? How will you go about reducing those deficits?

Most skills and knowledge are specific to the actual position. The most direct way is to approach the manager. Not only do PackAll owners/operators attend a rigorous eight-week management training program, but they participate in retreats in which they share best practices, receive additional management training, and have an opportunity to ask questions in a structured setting. It is in their best interest that they provide their employees with ongoing training that fits their organization's needs, mission, and values. If the deficit lies in technology, the employee might seek training at a community college, for example.

3. As a new employee, what general questions about the organization and handling of customers should you ask your supervisor?

Again, answers will vary. As part of the interview process, the employee should have questioned the organization's mission, goals, and values and asked about the manager's/supervisor's approach to leadership. Questions will arise naturally as the employee has on-the-job experiences.

4. If a customer asks for a service that PackAll does not provide, how will you handle the situation? Exactly what will you say?

Student answers will vary, but handling of the situation will depend on the service provider's training and how much leeway this person has been given by the manager as well as by company policy.

Consider asking students to work on this by themselves, then share answers within small groups. The most interesting question is number two, as it concerns how situations are handled when someone has not been trained or needs additional training. Ask students to share strategies used in their current jobs to handle customers who are difficult or challenging.