BMT 1650: CUSTOMER SERVICE 2021)

Perry and Benbow
Prince George's Community College

LibreTexts™

BMT 1650: Customer Service

Created using LibreTexts by

Dr. Charles L. Perry and Professor Daphne Benbow

Prince George's Community College

June 2021

This text is disseminated via the Open Education Resource (OER) LibreTexts Project (https://LibreTexts.org) and like the thousands of other texts available within this powerful platform, it is freely available for reading, printing, and "consuming."

The LibreTexts mission is to bring together students, faculty, and scholars in a collaborative effort to provide an accessible, and comprehensive platform that empowers our community to develop, curate, adapt, and adopt openly licensed resources and technologies; through these efforts we can reduce the financial burden born from traditional educational resource costs, ensuring education is more accessible for students and communities worldwide.

Most, but not all, pages in the library have licenses that may allow individuals to make changes, save, and print this book. Carefully consult the applicable license(s) before pursuing such effects. Instructors can adopt existing LibreTexts texts or Remix them to quickly build course-specific resources to meet the needs of their students. Unlike traditional textbooks, LibreTexts' web based origins allow powerful integration of advanced features and new technologies to support learning.

LibreTexts is the adaptable, user-friendly non-profit open education resource platform that educators trust for creating, customizing, and sharing accessible, interactive textbooks, adaptive homework, and ancillary materials. We collaborate with individuals and organizations to champion open education initiatives, support institutional publishing programs, drive curriculum development projects, and more.

The LibreTexts libraries are Powered by NICE CXone Expert and was supported by the Department of Education Open Textbook Pilot Project, the California Education Learning Lab, the UC Davis Office of the Provost, the UC Davis Library, the California State University Affordable Learning Solutions Program, and Merlot. This material is based upon work supported by the National Science Foundation under Grant No. 1246120, 1525057, and 1413739.

Any opinions, findings, and conclusions or recommendations expressed in this material are those of the author(s) and do not necessarily reflect the views of the National Science Foundation nor the US Department of Education.

Have questions or comments? For information about adoptions or adaptions contact info@LibreTexts.org or visit our main website at https://LibreTexts.org.

This text was compiled on 05/08/2026

TABLE OF CONTENTS

Licensing

1: Examine the role of customer service

- 1.1: Role of Customers
- 1.2: Marketing and Customer Relationships
- 1.3: The Three Threads

2: Analyze the customer in today's business environment

- 2.1: The Customer

3: Apply the activities for handling difficult customers

- 3.1: Identifying Your Customers
- 3.2: Dealing with Problems
- 3.3: Reading- Common Ethical Issues in Marketing

4: Examine the activities associated with developing and building customer relationships

- 4.1: Customer Service Skills
- 4.2: Knowing your customers
- 4.3: Reaching the Customer

5: Define the role of management and workers as it relates to customer service

- 5.1: Module 15- Customer Service Strategies
  - 5.1.1: Why It Matters- Customer Service Strategies
  - 5.1.2: Introduction to Customer Service Strategies
  - 5.1.3: Customer Service
  - 5.1.4: Customer Profiles
  - 5.1.5: Offered Services
  - 5.1.6: Personalized vs. Standardized Service
  - 5.1.7: Introduction to the Customer Evaluation Process
  - 5.1.8: Perception vs. Expectation
  - 5.1.9: Service Quality Perceptions
  - 5.1.10: Customer Expectations
  - 5.1.11: Introduction to the Gap Model of Service Quality
  - 5.1.12: Gap 1- Customer Expectation vs. Management Perception
  - 5.1.13: Gap 2- Management Perception vs. Quality Specifications
  - 5.1.14: Gap 3- Quality Specifications vs. Service Delivery
  - 5.1.15: Gap 4- Service Delivery vs. External Communications
  - 5.1.16: Gap 5- Actual Performance vs. Perceived Service Gap
  - 5.1.17: Putting It Together- Customer Service Strategies
  - 5.1.18: Discussion- Customer Service Strategies
- 5.2: Reading- Customer Relationship Management Systems

- 5.3: Self Check- Customer Relationship Management (CRM) Systems

6: Examine the importance of communication skills to be successful in customer service

- 6.1: Identifying and Analyzing Customer Value
- 6.2: Negotiations
- 6.3: Negotiation

7: Explore future trends of customer service

- 7.1: Defining the Context- Overview
- 7.2: Customer relationship management(Summary)
- 7.3: Loyalty and Customer Relationships
- 7.4: The Power of Relationship Selling

8: Explore future trends of customer service

Index

Glossary

Detailed Licensing

Licensing

*A detailed breakdown of this resource's licensing can be found in **Back Matter/Detailed Licensing**.*

CHAPTER OVERVIEW

1: Examine the role of customer service

1.1: Role of Customers
1.2: Marketing and Customer Relationships
1.3: The Three Threads

1: Examine the role of customer service is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

1.1: Role of Customers

Learning Objectives

- Explain the marketing concept
- Explain the importance of managing the customer relationship
- Explain the consumer buying process

Marketing Defined

What Is Marketing?

Marketing is a set of activities related to creating, communicating, delivering, and exchanging offerings that have value for others. In business, the function of marketing is to bring value to customers, whom the business seeks to identify, satisfy, and retain. This module will emphasize the role of marketing in business, but many of the concepts will apply to non-profit organizations, advocacy campaigns, and other activities aimed at influencing perceptions and behavior.

The Art of the Exchange

In marketing, the act of obtaining a desired object from someone by offering something of value in return is called the **exchange process**. The exchange involves:

- **the customer (or buyer):** a person or organization with a want or need who is willing to give money or some other personal resource to address this need
- **the product:** a physical good, a service, experience or idea designed to fill the customer's want or need
- **the provider (or seller):** the company or organization offering a need-satisfying thing, which may be a product, service, experience or idea
- **the transaction:** the terms around which both parties agree to trade value-for-value (most often, money for product)

Individuals on both sides of the exchange try to maximize rewards and minimize costs in transactions, in order to gain the most profitable outcomes. Ideally, everyone achieves a satisfactory level of reward.

Marketing creates a **bundle of goods and services** that the company offers at a price to its customers. The bundle consists of a tangible good, an intangible service or benefit, and the price of the offering. When you compare one car to another, for example, you can evaluate each of these dimensions—the tangible, the intangible, and the price—separately. However, you can't buy one manufacturer's car, another manufacturer's service, and a third manufacturer's price when you actually make a choice. Together, the three make up a single firm's offer or bundle.

Marketing is also responsible for the entire environment in which this exchange of value takes place.

- Marketing identifies customers, their needs, and how much value they place on getting those needs addressed.
- Marketing informs the design of the product to ensure it meets customer needs and provides value proportional to what it costs.
- Marketing is responsible for communicating with customers about products, explaining who is offering them and why they are desirable.
- Marketing is also responsible for listening to customers and communicating back to the provider about how well they are satisfying customer needs and opportunities for improvement.

- Marketing shapes the location and terms of the transaction, as well as the experience customers have after the product is delivered.

Marketing Creates Value for Customers

According to the influential economist and Harvard Business School professor Theodore Levitt, the purpose of all business is to "find and keep customers." Marketing is instrumental in helping businesses achieve this purpose and is much more than just advertising and selling products and collecting money. Marketing generates value by creating the connections between people and products, customers and companies.

How does this happen? Boiled down to its essence, the **role of marketing** is to *identify*, *satisfy*, and *retain customers*.

Before you can create anything of value, first you must **identify** a want or need that you can address, as well as the prospective customers who possess this want or need.

Next, you work to **satisfy** these customers by delivering a product or service that addresses these needs at the time customers want it. Key to customer satisfaction is making sure everyone feels they benefit from the exchange. Your customer is happy with the value they get for what they pay. You are happy with the payment you receive in exchange for what you provide.

Effective marketing doesn't stop there. It also needs to **retain** customers by creating new opportunities to win customer loyalty and business.

As you will learn in this module, marketing encompasses a variety of activities focused on accomplishing these objectives. How companies approach and conduct day-to-day marketing activities varies widely. For many large, highly visible companies, such as

Disney-ABC, Proctor & Gamble, Sony, and Toyota, marketing represents a major expenditure. Such companies rely on effective marketing for business success, and this dependence is reflected in their organizational strategies, budget, and operations. Conversely, for other organizations, particularly those in highly regulated or less competitive industries such as utilities, social services, medical care, or businesses providing one-of-a-kind products, marketing may be much less visible. It could even be as simple as a Web site or an informational brochure.

There is no one model that guarantees marketing success. Effective marketing may be very expensive, or it may cost next to nothing. What marketing must do in all cases is to help the organization identify, satisfy, and retain customers. Regardless of size or complexity, a marketing program is worth the costs only if it facilitates the organization's ability to reach its goals.

How Companies Approach Marketing

Company Orientation

When companies develop a marketing strategy, they make decisions about the direction that the company and their marketing efforts will take. Companies can focus on the customer, product, sales, or production. As the business environment has changed over time, so has the way that companies focus their marketing efforts.

The Marketing Concept

An organization adopts the marketing concept when it takes steps to know as much about the consumer as possible, coupled with a decision to base marketing, product, and even strategy decisions on this information. These organizations start with the customers' needs and work backward from there to create value, rather than starting with some other factor like production capacity or an innovative invention. They operate on the assumption that success depends on doing better than competitors at understanding, creating, delivering, and communicating value to their target customers.

The Product Concept

Both historically and currently, many businesses do not follow the marketing concept. For many years, companies such as Texas Instruments and Otis Elevator have followed a *product orientation*, in which the primary organizational focus is technology and innovation. All parts of these organizations invest heavily in building and showcasing impressive features and product advances, which are the areas in which these companies prefer to compete. This approach is also known as the *product concept*. Rather than focusing on a deep understanding of customer needs, these companies assume that a technically superior or less expensive product will sell itself. While this approach can be very profitable, there is a high risk of losing touch with what customers actually want. This leaves product-oriented companies vulnerable to more customer-oriented competitors.

The Sales Concept

Other companies follow a *sales orientation*. These businesses emphasize the sales process and try to make it as effective as possible. While companies in any industry may adopt the sales concept, multilevel-marketing companies such as Herbalife and Amway generally fall into this category. Many business-to-business companies with dedicated sales teams also fit this profile. These organizations assume that a good salesperson with the right tools and incentives is capable of selling almost anything. Sales and marketing techniques include aggressive sales methods, promotions, and other activities that support the sale. Often, this focus on the selling process may ignore the customer or view the customer as someone to be manipulated. These companies sell what they make, which isn't necessarily what customers want.

The Production Concept

Ford assembly line, 1913, Highland Park, Michigan

The *production concept* is followed by organizations that are striving for low-production costs, highly efficient processes, and mass distribution (which enables them to deliver low-cost goods at the best price). This approach came into popularity during the Industrial Revolution of the late 1800s, when businesses were beginning to exploit opportunities associated with automation and mass production. Production-oriented companies assume that customers care most about low-cost products being readily available and less about specific product features. Henry Ford's success with the groundbreaking assembly-line–built Model T is a classic

example of the production concept in action. Today this approach is still widely successful in developing countries seeking economic gains in the manufacturing sector.

Seeing the Whole Picture

Savvy businesses acknowledge the importance of product features, production, and sales, but they also realize that in today's business environment a marketing orientation will lead to the greatest success when businesses continuously collect information about customers' needs and competitors' capabilities; share the information across departments; and use the information to create a competitive advantage by increasing value for customers.

Value Proposition

What Is Value?

Marketing exists to help organizations understand, reach, and deliver value to their customers. In it's simplest form, **value** is the measure of the benefit gained from a product or service relative to the full cost of the item. In the process of the marketing exchange, value must be created.

$$\text{Value} = \text{benefit} - \text{cost}$$

Let's look at a simple example: If you and I decide to give each other a $5 bill at the same moment, is value created? I hand my $5 bill to you, and you hand yours to me. It is hard to say that either of us receives a benefit greater than the $5 bill we just received. There is no value in the exchange.

Now, imagine that you are passing by a machine that dispenses bus tickets. The machine is malfunctioning and will only accept $1 bills. The bus is about to arrive and a man in front of the machine asks if you would be willing to give him four $1 bills in exchange for a $5 bill. You could, of course, decide to make change for him (and give him five $1 bills), making this an "even exchange." But let's say you agree to his proposal of exchanging four $1 bills for a $5. In that moment a $1 bill is worth $1.25 to him. How does that make sense in the value equation? From his perspective, the ability to use the bus ticket dispenser *in that moment* adds value in the transaction.

Value is not simply a question of the financial costs and financial benefits. It includes perceptions of benefit that are different for every person. The marketer has to understand what is of greatest value to the target customer, and then use that information to develop a total offering that *creates value*.

Value Is More Than Price

You will notice that we did not express value as value = benefit – price. Price plays an important role in defining value, but it's not the only consideration. Let's look at a few typical examples:

- Two products have exactly the same ingredients, but a customer selects the higher-priced product because of the name brand

For the marketer, this means that the brand is *adding value* in the transaction.

- A customer shopping online selects a product but abandons the order before paying because there are too many steps in the purchase process

The inconvenience of filling in many forms, or concerns about providing personal information, can *add cost* (which will subtract from the value the customer perceives).

- An individual who is interested in a political cause commits to attending a meeting, but cancels when he realizes that he doesn't know anyone attending and that the meeting is on the other side of town.

For this person, the benefit of attending and participating is lower because of costs related to personal connection and convenience.

As you saw in these examples, the process of determining the value of an offering and then aligning it with the wants and needs of a target customer is challenging. As you continue through this section, think about what *you* value and how that impacts the buying decisions you make every day.

Value in a Competitive Marketplace

As if understanding individual perceptions of value weren't difficult enough, the presence of competitors further complicates perceptions of value. Customers instinctively make choices between competitive offerings based on *perceived value*.

Imagine that you are traveling to Seattle, Washington, with a group of six friends for a school event. You have the option to stay at a Marriott Courtyard Hotel that is located next to the event venue for $95 per night. If you pay the "additional person fee," you could share the room with one friend for a cost of $50 per night. However, one of your friends finds an AirBnB listing for an entire apartment that sleeps six people. Cost: $280 per night. That takes the price down to $40 per night, but the apartment is five miles away from the venue and, since there are seven of you, you would likely be sleeping on a couch or fighting for a bed. It has a more personal feel and a kitchen, but you will really be staying in someone else's place with your friends. It's an interesting dilemma. Regardless of which option you would really choose, consider the differences in the value of each and how the presence of both options generates unavoidable comparisons: the introduction of the AirBnb alternative has the effect of highlighting new shortcomings and benefits of the Marriott Courtyard hotel room.

Competition, Substitutes and Differentiation

Alternatives generally fall into two categories: competitors and substitutes. A **competitor** is providing the same offering but is accentuating different features and benefits. If, say, you are evaluating a Marriott Courtyard hotel room vs. a Hilton Hampton Inn hotel room, then you are looking at *competitive offerings*. Both offerings are hotel rooms provided by different companies. The service includes different features, and the price and location vary, the sum of which creates different perceptions of value for customers.

AirBnb is a service that allows individuals to rent out their homes, apartments, or a single room. AirBnb does not offer hotel rooms; it offers an alternative to, or substitute for, a hotel room. ***Substitute offerings*** are viewed by the user as alternatives. The substitution is not a perfect replication of the offering, which means that it will provide different value to customers.

Competitors and substitutes force the marketer to identify the aspects of the offering that provide unique value vis-à-vis the alternatives. We refer to this as differentiation. **Differentiation** is simply the process of identifying and optimizing the elements of an offering that provide unique value to customers. Sometimes organizations refer to this process as competitive differentiation, since it is very focused on optimizing value in the context of the competitive landscape.

Finally, organizations seek to create an advantage in the marketplace whereby an organization's offerings provide greater value because of a unique strategy, asset, or approach that the firm uses that other cannot easily copy. This is a **competitive advantage**. The American Marketing Association defines competitive advantage as "as total offer, vis-à-vis relevant competition, that is more attractive to customers. It exists when the competencies of a firm permit the firm to outperform its competitors." When a company can create greater value for customers than its competitors, it has a competitive advantage.

What Is a Value Proposition?

We have discussed the complexity of understanding customer perceptions of value. As the company seeks to understand and optimize the value of its offering, it also must communicate the core elements of value to potential customers. Marketers do this through a **value proposition**, defined as follows:

> *"A business or marketing statement that summarizes why a consumer should buy a product or use a service. This statement should convince a potential consumer that one particular product or service will add more value or better solve a problem than other similar offerings.*[1]*"*

It is difficult to create an effective value proposition because it requires the marketer to distill many different elements of value and differentiation into one simple statement that can be easily read and understood. Despite the challenge, it is very important to create an effective value proposition. The value proposition focuses marketing efforts on the unique benefit to customers. This helps focus the offering on the customer and, more specifically, on the unique value to the customer. Also, the value proposition is a message,

and the audience is the target customer. You want your value proposition to communicate, very succinctly, the promise of unique value in your offering.

A value proposition needs to very simply answer the question: Why should someone buy what you are offering? If you look closely at this question it contains three components:

- **Who?** The value proposition does not name the target buyer, but it must show clear value to the target buyer.
- **What?** The offering needs to be defined in the context of that buyer.
- **Why?** It must show that the offering is uniquely valuable to the buyer.

How Do You Create an Effective Value Proposition?

When creating or evaluating a value proposition, it is helpful to step away from the long lists of features and benefits and deep competitive analysis. Stick to the simple, and strive for focus and clarity. A value proposition should be clear, compelling, and differentiating.

- Clear: short and direct; immediately identifies both the offering and the value or benefit
- Compelling: conveys the benefit in a way that motivates the buyer to act
- Differentiating: sets the offering apart or differentiates it from other offerings

Marketing and Customer Relationships

Why Customers Matter

Marketing exists to help organizations understand, reach, and deliver value to their customers. For this reason, the customer is considered the cornerstone of marketing.

With this in mind, what is likely to happen when an organization doesn't understand or pay attention to what its customers want? What if an organization doesn't even really understand who its customers are?

One of the world's best-known brands, Coca-Cola, provides a high-profile example of misunderstanding customer "wants." In the following video, Roberto Goizueta—in his only on-camera interview on this topic—recounts the disastrous launch of New Coke in 1985 and describes the lessons the company learned. Goizueta was chairman, director, and chief executive officer of the Coca-Cola Company from August 1980 until his death in October 1997.

Customer Relationship Management: A Strategic Imperative

We have stated that the central purpose of marketing is to help organizations identify, satisfy, and retain their customers. These three activities lay the groundwork for what has become a strategic imperative in modern marketing: customer relationship management.

To a student of marketing in the digital age, the idea of relationship building between customers and companies may seem obvious and commonplace. It certainly is a natural outgrowth of the marketing concept, which orients entire organizations around understanding and addressing customer needs. But only in recent decades has technology made it possible for companies to capture and utilize information about their customers to such a great extent and in such meaningful ways. The Internet and digital social media have created new platforms for customers and product providers to find and communicate with one another. As a result, there are more tools now than ever before to help companies create, maintain, and manage customer relationships.

Maximizing Customer Lifetime Value

Central to these developments is the concept of customer lifetime value. Customer lifetime value predicts how much profit is associated with a customer during the course of their lifetime relationship with a company.[2] One-time customers usually have a relatively low customer lifetime value, while frequent, loyal, repeat-customers typically have a high customer lifetime value.

How do companies develop strong, ongoing relationships with customers who are likely to have a high customer lifetime value? Through marketing, of course.

Marketing applies a customer-oriented mindset and, through particular marketing activities, tries to make initial contact with customers and move them through various stages of the relationship—all with the goal of increasing lifetime customer value. These activities are summarized in the table below.

Relationship Stage	**Typical Marketing Activities**
Meeting and Getting Acquainted	• Find desirable target customers, including those likely to deliver a high customer lifetime value • Understand what these customers want • Build awareness and demand for what you offer • Capture new business
Providing a Satisfying Experience	• Measure and improve customer satisfaction • Track how customers' needs and wants evolve • Develop customer confidence, trust, and goodwill • Demonstrate and communicate competitive advantage • Monitor and counter competitive forces
Sustain a Committed Relationship	• Convert contacts into loyal repeat customers, rather than one-time customers • Anticipate and respond to evolving needs • Deepen relationships, expand reach of and reliance on what you offer

Another benefit of effective customer relationship management is that it reduces the cost of business and increases profitability. As a rule, winning a new customer's business takes significantly more time, effort, and marketing resources than it does to renew or expand business with an existing customer.

Customer Relationship As Competitive Advantage

As the global marketplace provides more and more choices for consumers, relationships can become a primary driver of why a customer chooses one company over others (or chooses none at all). When customers feel satisfaction with and affinity for a specific company or product, it simplifies their buying choices.

For example, why might a woman shopping for a cocktail dress choose to go to Nordstrom rather than Macy's or Dillard's, or pick from an army of online stores? Possibly because she prefers the selection of dresses at Nordstrom and the store's atmosphere. It's much more likely, though, that thanks to Nordstrom's practices, this shopper has a relationship with an attentive sales associate who has helped her find great outfits and accessories in the past. She also knows about the store's customer-friendly return policy, which might come in handy if she needs to return something.

A company like Nordstrom delivers such satisfactory experiences that its customers return again and again. A consistently positive customer experience matures into a relationship in which the customer becomes increasingly receptive to the company and its products. Over time, the customer relationship gives Nordstrom a competitive advantage over other traditional department stores and online retailers.

When Customers Become Your Best Marketing Tool

Customer testimonials and recommendations have always been powerful marketing tools. They often work to persuade new customers to give something a try. In today's digital media landscape there is unprecedented opportunity for companies to engage customers as credible advocates. When organizations invest in building strong customer relationships, these activities become particularly fruitful.

For example, service providers like restaurateurs, physical therapists, and dentists frequently ask regular patrons and patients to write reviews about their real-life experiences on popular recommendation sites like Yelp and Google+. Product providers do the same on sites like Amazon and CNET.com. Although companies risk getting a bad review, they usually gain more by harnessing the credible voices and authentic experiences of customers they have served. In this process they also gain invaluable feedback about what's working or not working for their customers. Using this input, they can retool their products or approach to better match what customers want and improve business over time.

Additionally, smart marketers know that when people take a public stance on a product or issue, they tend to become more committed to that position. Thus, customer relationship management can become a virtuous cycle. As customers have more exposure and positive interaction with a company and its products, they want to become more deeply engaged, and they are more likely to become vocal evangelists who share their opinions publicly. Customers become an active part of a marketing engine that generates new business and retains loyal customers for repeat business and increased customer lifetime value.

Influences on Consumer Decisions

What, Exactly, Influences a Purchasing Decision?

While the decision-making process itself appears quite standardized, no two people make a decision in exactly the same way. People have many beliefs and behavioral tendencies—some controllable, some beyond our control. How all these factors interact with each other ensures that each of us is unique in our consumer actions and choices.

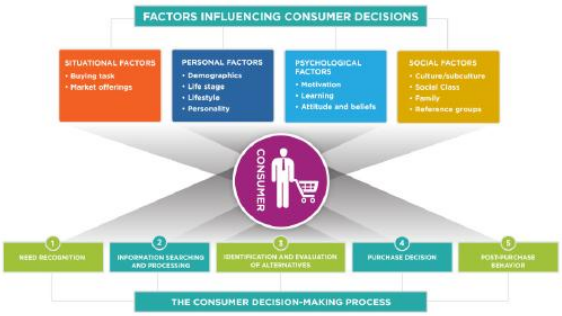
Although it isn't feasible for marketers to react to the complex, individual profiles of every single consumer, it is possible to identify factors that tend to influence most consumers in predictable ways.

The factors that influence the consumer problem-solving process are many and complex. For example, as groups, men and women express very different needs and behaviors regarding personal-care products. Families with young children tend to make different dining-out choices than single and married people with no children. A consumer with a lot of prior purchasing experience in a

product category might approach the decision differently from someone with no experience. As marketers gain a better understanding of these influencing factors, they can draw more accurate conclusions about consumer behavior.

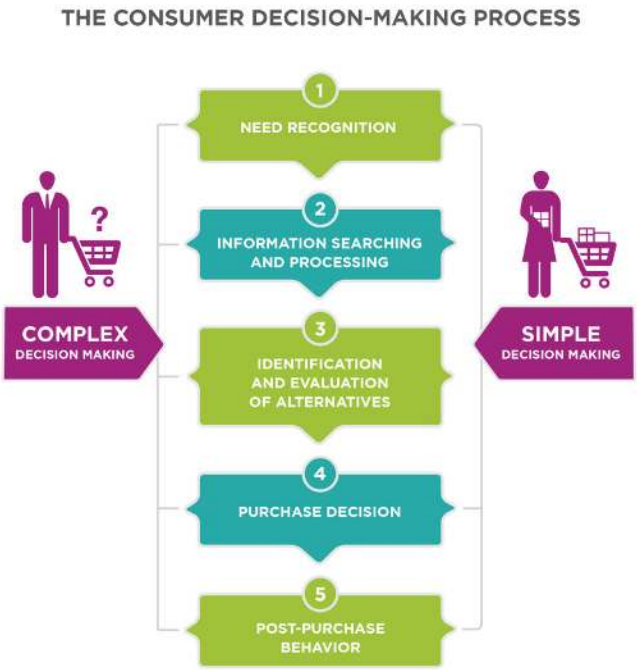
We can group these influencing factors into four sets, illustrated in the figure below:

- **Situational Factors** pertain to the consumer's level of involvement in a buying task and the market offerings that are available
- **Personal Factors** are individual characteristics and traits such as age, life stage, economic situation, and personality
- **Psychological Factors** relate to the consumer's motivation, learning, socialization, attitudes, and beliefs
- **Social Factors** pertain to the influence of culture, social class, family, and reference groups



Buying-Process Stages

Figure 1.1.1, below, outlines the process a consumer goes through in making a purchase decision. Once the process is started, a potential buyer can withdraw at any stage before making the actual purchase. This six-stage process represents the steps people undergo when they make a conscious effort to learn about the options and select a product–the first time they purchase a product, for instance, or when buying high-priced, long-lasting items they don't purchase frequently. This is called *complex decision making*.



For many products, the purchasing behavior is routine: you notice a need and you satisfy that need according to your habit of repurchasing the same brand or the cheapest brand or the most convenient alternative, depending on your personal assessment of trade-offs and value. In these situations, you have learned from your past experiences what will best satisfy your need, so you can bypass the second and third stages of the process. This is called *simple decision making*. However, if something changes appreciably (price, product, availability, services), then you may re-enter the full decision process and consider alternative brands.

The following section discusses each step of the consumer decision-making process.

Need Recognition

The first step of the consumer decision process is recognizing that there is a problem–or unmet need–and that this need warrants some action. Whether we act to resolve a particular problem depends upon two factors: (1) the magnitude of the difference between what we have and what we need, and (2) the importance of the problem. A man may desire a new Lexus and own a five-year-old Ford Focus. The discrepancy may be fairly large but relatively unimportant compared to the other problems he faces. Conversely, a woman may own a two-year-old car that is running well, but for various reasons she considers it extremely important to purchase another car this year. Consumers do not move on to the next step until they have confirmed that their specific needs are important enough to act on.

Information Search

After recognizing a need, the prospective consumer may seek information to help identify and evaluate alternative products, services, experiences, and outlets that will meet that need. Information may come from any number of sources: family and friends, search engines, Yelp reviews, personal observation, *Consumer Reports*, salespeople, product samples, and so forth. Which sources are most important depends on the individual and the type of purchase he or she is considering.

The information-search process can also identify new needs. As a tire shopper looks for information, she may decide that the tires are not the real problem, but instead she needs a new car. At this point, her newly perceived need may trigger a new information search.

Evaluation of Alternatives

As a consumer finds and processes information about the problem she is trying to solve, she identifies the alternative products, services, and outlets that are viable options. The next step is to evaluate these alternatives and make a choice, assuming a choice is possible that meets the consumer's financial and psychological requirements. Evaluation criteria vary from consumer to consumer and from purchase to purchase, just as the needs and information sources vary. One consumer may consider price most important while another puts more weight on quality or convenience.

Consider a situation in which you are buying a new vacuum cleaner. During your information search process, you identified five leading models in online reviews, as well as a set of evaluation criteria that are most important to you: 1) price, 2) suction power, 3) warranty, 4) weight, 5) noise level, and 6) ease of using attachments. After visiting Sears and Home Depot to check out all the options in person, you're torn between two models you short-listed. Finally you make the agonizing choice, and the salesperson heads to the warehouse to get one for you. He returns with bad news: The vacuum cleaner is out of stock, but a new shipment is expected in three days. Strangely relieved, you take that as a sign to go for the other model, which happens to be in stock. Although convenience wasn't on your original list of selection criteria, you need the vacuum cleaner before the party you're having the next day. You pick the number-two choice and never look back.

The Purchase Decision

After much searching and evaluating (or perhaps very little), consumers at some point have to decide whether they are going to buy. Anything marketers can do to simplify purchasing will be attractive to buyers. For example, in advertising, marketers might suggest the best size of product for a particular use or the right wine to drink with a particular food. Sometimes several decision situations can be combined and marketed as one package. For example, travel agents often package travel tours, and stores that sell appliances try to sell them with add-on warranties.

Postpurchase Behavior

All the behavior determinants and the steps of the buying process up to this point take place before or during the time a purchase is made. However, a consumer's feelings and evaluations after the sale are also significant to a marketer, because they can influence repeat sales and what the customer tells others about the product or brand.

Marketing is all about keeping the customer happy at every stage of the decision-making process, including postpurchase. It is normal for consumers to experience some postpurchase anxiety after any significant or nonroutine purchase. This anxiety reflects a phenomenon called *cognitive dissonance*. According to this theory, people strive for consistency among their cognitions (knowledge, attitudes, beliefs, and values). When there are inconsistencies, dissonance arises, which people try to eliminate.

Marketers may take specific steps to reduce postpurchase dissonance. One obvious way is to help ensure delivery of a quality solution that will satisfy customers. Another step is to develop advertising and new-customer communications that stress the many positive attributes or confirm the popularity of the product. Providing personal reinforcement has proven effective with big-ticket items such as automobiles and major appliances. Salespeople in these areas may send cards or even make personal calls in order to reassure customers about their purchase.

---

1. http://www.investopedia.com/terms/v/valueproposition.asp ↵
2. http://dictionary.cambridge.org/us/dictionary/english/customer-lifetime-value ↵

1.1: Role of Customers is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **13.2: Role of Customers** by Boundless (now LumenLearning) is licensed CC BY-SA 4.0. Original source: https://courses.lumenlearning.com/waymakerintromarketingxmasterfall2016.

1.2: Marketing and Customer Relationships

Learning Objectives

- Explain the importance of managing the customer relationship

Why Customers Matter

Marketing exists to help organizations understand, reach, and deliver value to their customers. For this reason, the customer is considered the cornerstone of marketing.

With this in mind, what is likely to happen when an organization doesn't understand or pay attention to what its customers want? What if an organization doesn't even really understand who its customers are?

One of the world's best-known brands, Coca-Cola, provides a high-profile example of misunderstanding customer "wants." In the following video, Roberto Goizueta—in his only on-camera interview on this topic—recounts the disastrous launch of New Coke in 1985 and describes the lessons the company learned. Goizueta was chairman, director, and chief executive officer of the Coca-Cola Company from August 1980 until his death in October 1997.

A link to an interactive elements can be found at the bottom of this page.

You can view the transcript for "All About New Coke" (opens in new window) or the text alternative for "All About New Coke" (opens in new window).

Customer Relationship Management: A Strategic Imperative

We have stated that the central purpose of marketing is to help organizations identify, satisfy, and retain their customers. These three activities lay the groundwork for what has become a strategic imperative in modern marketing: customer relationship management.

To a student of marketing in the digital age, the idea of relationship building between customers and companies may seem obvious and commonplace. It certainly is a natural outgrowth of the marketing concept, which orients entire organizations around understanding and addressing customer needs. But only in recent decades has technology made it possible for companies to capture and utilize information about their customers to such a great extent and in such meaningful ways. The Internet and digital social media have created new platforms for customers and product providers to find and communicate with one another. As a result, there are more tools now than ever before to help companies create, maintain, and manage customer relationships.

Maximizing Customer Lifetime Value

Central to these developments is the concept of customer lifetime value. Customer lifetime value predicts how much profit is associated with a customer during the course of their lifetime relationship with a company.[1] One-time customers usually have a relatively low customer lifetime value, while frequent, loyal, repeat-customers typically have a high customer lifetime value.

How do companies develop strong, ongoing relationships with customers who are likely to have a high customer lifetime value? Through marketing, of course.

Marketing applies a customer-oriented mindset and, through particular marketing activities, tries to make initial contact with customers and move them through various stages of the relationship—all with the goal of increasing lifetime customer value. These activities are summarized below.

Typical Marketing Activities during each Stage of the Customer Relationship

Stage 1: Meeting and Getting Acquainted

- Find desirable target customers, including those likely to deliver a high customer lifetime value
- Understand what these customers want
- Build awareness and demand for what you offer
- Capture new business

Stage 2: Providing a Satisfying Experience

- Measure and improve customer satisfaction
- Track how customers' needs and wants evolve
- Develop customer confidence, trust, and goodwill
- Demonstrate and communicate competitive advantage
- Monitor and counter competitive forces

Stage 3: Sustain a Committed Relationship

- Convert contacts into loyal repeat customers, rather than one-time customers
- Anticipate and respond to evolving needs
- Deepen relationships, expand reach of and reliance on what you offer

Another benefit of effective customer relationship management is that it reduces the cost of business and increases profitability. As a rule, winning a new customer's business takes significantly more time, effort, and marketing resources than it does to renew or expand business with an existing customer.

Customer Relationship As Competitive Advantage

As the global marketplace provides more and more choices for consumers, relationships can become a primary driver of why a customer chooses one company over others (or chooses none at all). When customers feel satisfaction with and affinity for a specific company or product, it simplifies their buying choices.

For example, why might a woman shopping for a cocktail dress choose to go to Nordstrom rather than Macy's or Dillard's, or pick from an army of online stores? Possibly because she prefers the selection of dresses at Nordstrom and the store's atmosphere. It's much more likely, though, that thanks to Nordstrom's practices, this shopper has a relationship with an attentive sales associate who has helped her find great outfits and accessories in the past. She also knows about the store's customer-friendly return policy, which might come in handy if she needs to return something.

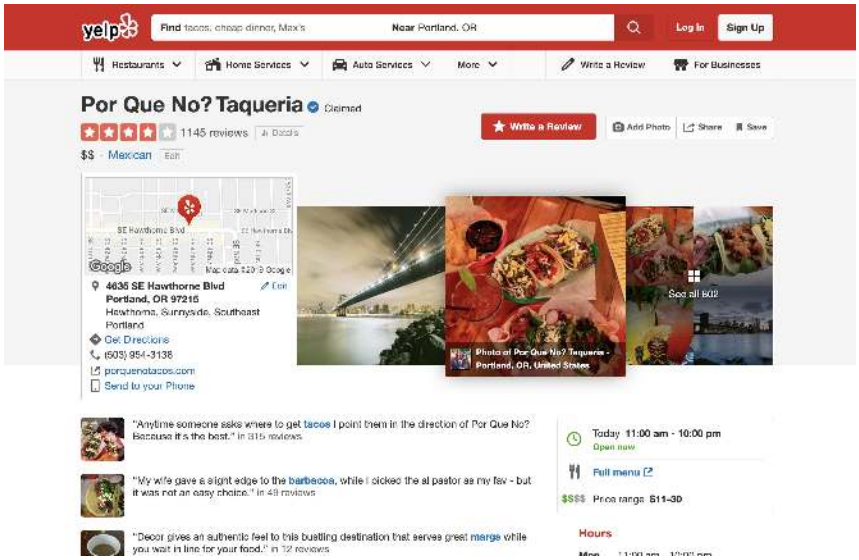
A company like Nordstrom delivers such satisfactory experiences that its customers return again and again. A consistently positive customer experience matures into a relationship in which the customer becomes increasingly receptive to the company and its products. Over time, the customer relationship gives Nordstrom a competitive advantage over other traditional department stores and online retailers.

When Customers Become Your Best Marketing Tool

Customer testimonials and recommendations have always been powerful marketing tools. They often work to persuade new customers to give something a try. In today's digital media landscape there is unprecedented opportunity for companies to engage customers as credible advocates. When organizations invest in building strong customer relationships, these activities become particularly fruitful.

For example, service providers like restaurateurs, physical therapists, and dentists frequently ask regular patrons and patients to write reviews about their real-life experiences on popular recommendation sites like Yelp and Google+. Product providers do the same on sites like Amazon and CNET.com. Although companies risk getting a bad review, they usually gain more by harnessing the credible voices and authentic experiences of customers they have served. In this process they also gain invaluable feedback about what's working or not working for their customers. Using this input, they can retool their products or approach to better match what customers want and improve business over time.

Copy and Paste
Image here.
Delete this
placeholder image



Additionally, smart marketers know that when people take a public stance on a product or issue, they tend to become more committed to that position. Thus, customer relationship management can become a virtuous cycle. As customers have more exposure and positive interaction with a company and its products, they want to become more deeply engaged, and they are more likely to become vocal evangelists who share their opinions publicly. Customers become an active part of a marketing engine that generates new business and retains loyal customers for repeat business and increased customer lifetime value.

? Practice Question

https://assessments.lumenlearning.co...essments/14478

---

1. "Definition: Customer Lifetime Value." Cambridge Dictionary. Accessed June 25, 2019. http://dictionary.cambridge.org/us/dictionary/english/customer-lifetime-value. ↵

Contributors and Attributions

CC licensed content, Original

- Marketing and Customer Relationships. **Authored by**: Lumen Learning. **License**: *CC BY: Attribution*
- Practice Question. **Authored by**: Robert Danielson. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

CC licensed content, Shared previously

- Lady on a Staircase. **Authored by**: torbakhopper. **Located at**: www.flickr.com/photos/gazeronly/10147130996/. **License**: *CC BY-ND: Attribution-NoDerivatives*

All rights reserved content

- Screen Shot of Yelp Review. **Provided by**: Yelp.com. **Located at**: https://www.yelp.com/biz/por-que-no-taqueria-portland. **License**: *All Rights Reserved*. **License Terms**: Fair Use
- All About New Coke - from The Excellence Files. **Provided by**: EnterpriseMediaVideo. **Located at**: https://youtu.be/BmQs8g9ytRA. **License**: *All Rights Reserved*. **License Terms**: Standard YouTube license

---

1.2: Marketing and Customer Relationships is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **28.6: Marketing and Customer Relationships** has no license indicated.

1.3: The Three Threads

LEARNING OBJECTIVES

1. Understand that providing customer value can have a tremendous positive impact on a firm's cash flow.
2. Understand that determining customer value is critical to the survival of any business. Customer relationship marketing software, which previously was available only to the largest firms, is now priced so that even small firms can extract their benefit.

In Chapter 1, customer value, cash flow, and digital technology and the e-environment were compared to various parts of the human body and overall health. This analogy was made because these themes are viewed as essential to the survival of any small business in the twenty-first century. Individually, these threads may not ensure survival, but taken together, the probability of surviving and prospering increases tremendously. Their importance is so great for a twenty-first century enterprise that they are not only embedded in each chapter but also highlighted in each chapter. Throughout the text, each chapter's topic will be reviewed through the prism of these three threads.

Focusing on Providing Value to the Customer

The entire thrust of this chapter has been on the topic of customer value. The essence of the argument presented in this chapter has been that any business that fails to provide perceived customer value is a business that will probably fail.

Value's Impact on Cash Flow

It is not that difficult to envision how the successful creation of customer value can significantly enhance a firm's cash flow (see Figure 2.7). Firms that are successful in correctly identifying the sources of value should be able to provide superior customer value. This may produce a direct relationship with their customers. These relationships produce a back-and-forth flow of information that should enable the business to further enhance its ability to provide customer value. A successful relationship enhances the probability of customer loyalty, hopefully building a strong enough relationship to produce a customer for life.

Customer loyalty can have several positive outcomes. Loyalty will result in increased sales from particular customers. This does more than generate additional revenue; as the business comes to better understand its loyal customers, the cost of serving those customers will decrease. Increased sales, with declining costs, translate into a significant boost in cash flow. Customer loyalty also has the benefit of generating positive word-of-mouth support for a business. Word-of-mouth advertising can be one of the most powerful forms of advertising and can be seen as a form of free advertising. It has been estimated that word-of-mouth advertising is the primary factor in 20–50 percent of all purchasing decisions. A study by the US office of consumer affairs (formally known as the Federal Trade Commission) indicated that satisfied customers are likely to tell five other customers about their positive experiences.James L. Heskitt, W. Earl Sasser, and Leonard A. Schlesinger, *The Service Profit Chain* (New York: Free Press, 1997): 88. It is particularly powerful in the case of first-time buyers or with expensive items and those items that require extensive research before purchase.Colette Weil, "Word-of-Mouth Marketing," *Home Care Magazine* 33, no. 1 (2010): 49. Positive word-of-mouth advertising coming from loyal customers can generate additional sales, which in turn enhances cash flow. The creation of superior customer value combined with an intelligent cost control system inevitably produces superior cash flow.

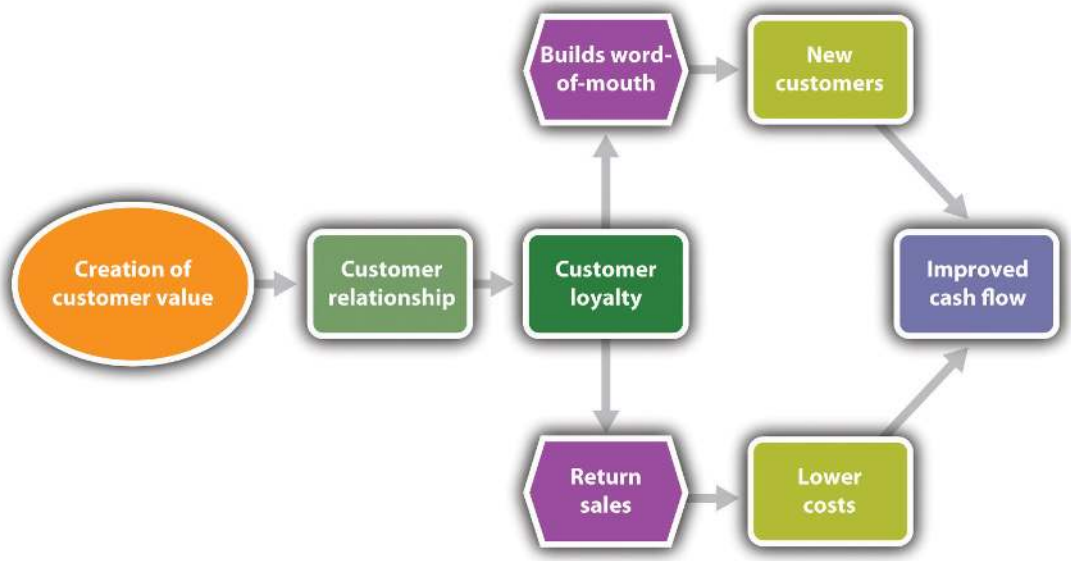


Figure 1.3.1: Superior Cash Flow as a Result of Superior Customer Value

Digital Technology and E-Environment Implications

In the last decade, firms desiring to better understand the customer's notion of perceived value relied on customer relationship management (CRM) software. **Customer relationship management** refers to a service approach that hopes to build a long-term and sustainable relationship with customers that has value for both the customer and the company. It is a generic term covering different software and browser applications that collect information about customers and organize it in a way that may be used effectively by management. This term will be referred to repeatedly throughout this text. CRM can assist small businesses with respect to customer value in the following ways:"CRM (Customer Relationship Management," *About.com*, accessed October 8, 2011, sbinfocanada.about.com/cs/marketing/g/crm.htm.

- It can assist in identifying and targeting the best customers of a business.
- It can help a company develop individualized relationships with customers, thus improving customer satisfaction.
- It can improve customer service, particularly with the best customers.
- It can help management and employees better understand customers and therefore deliver better value to them.

Although originally designed for large corporations with large budgets, CRM is now available to many firms in the small business environment. In addition to being expensive, original fees-first CRM packages were far too complex for small businesses.Maria Verlengia, "CRM for the Small Business, Part 1: When Is It Time to Invest?," *CRMBuyer*, February 16, 2010, accessed October 8, 2011, www.crmbuyer.com/story/69349.html. Now there are many CRM packages that are specifically dedicated to the small business environment.

To maximize the benefits of the CRM package, several factors should be considered. Small businesses should have a clear idea as to their requirements for the CRM solution. Some questions that should be considered are as follows:Maria Verlengia, "CRM for the Small Business, Part 2: Choosing the right CRM Tool," *CRMBuyer*, February 23, 2010, accessed October 8, 2011, www.crmbuyer.com/story/69402.html.

- Is our focus on increasing the number of customers?
- Are we attempting to improve our relationships with our customers?
- Will the CRM package help us with e-mail marketing?
- How are we seeking to more effectively use the Internet to communicate with our customers?
- Will we be able to integrate social media?

In some ways, integrating the CRM package may be easier in the small business than in large business because you can overcome some bureaucratic hurdles. However, you must always recognize that the successful implementation of any software package is highly dependent on your employees.Maria Verlengia, "CRM for the Small Business, Part 4: Getting the New System Up and Running," *CRMBuyer*, March 9, 2010, accessed October 8, 2011, www.crmbuyer.com/story/69502.html%22.

Perhaps the greatest incentive for small businesses to adopt CRM packages is the advent of cloud computing. **Cloud computing**, also known as SaaS (software as a service), refers to the situation in which vendor software does not reside on the computer system of a small business.“Great Customer Relations Management Tools,” *St. Germane*, accessed June 1, 2012, http://www.stgermaine.ca/great-crm-customer-relationship-management-tools/. All aspects of the system, from maintenance to

backups, are the responsibility of the vendor. This minimizes the need for computing capability by the small business. Cloud computing can significantly reduce the course of acquiring and maintaining such computer programs.

KEY TAKEAWAYS

- Focusing on customer value improves customer loyalty, which improves cash flow.
- Customer loyalty can translate into positive word-of-mouth advertising, which increases sales and cash flow.
- Customer value can be improved through the correct use of CRM software.
- CRM software was formerly so complex and expensive that it was suitable for large corporations only. Now it can be used by the smallest of businesses to improve customer value.

EXERCISE

1. Assume you are managing a small business that is experiencing a very rapid increase in sales. Unfortunately, this increase in sales has been accompanied by an increase in customer complaints that your company is letting "things slip between the cracks." You recognize that the old way of interacting with customers is no longer sufficient. You have a sales force of ten, and you would like to supply each with access to a basic CRM package. Go online and identify several CRM packages that might be appropriate for your business. Specify each package's capabilities and cost. How would you go about selecting one of these packages? Write a report outlining the information you collected and the logic of your selection.

Disaster Watch

The failure to accurately understand a customer's notion of perceived value is the surest recipe for complete disaster. This may be a large requirement because in many cases customers may be quite unsure about their own notion of value or have difficulty in explicitly articulating that notion. One would think that larger firms—those with much greater resources—would be in a better position to clearly identify their customers' notion of value. This does not seem to be the case, however, with all large firms. Even they may stumble in attempting to develop products and services that they believe will meet their customers' concept of value. In this feature, several noticeable product failures are identified. Almost every failure came from a large corporation. This is because we are much more familiar with the failures of large corporations that invest considerable time and effort into the introduction of new products and services. There is far less press given to the failures of small businesses that misread or misunderstand their customers' notion of perceived value.

When Your Notion of Value Is Not the Same as Your Customer's

Perhaps the most famous company failure to adequately gauge customers' notion of value revolved around the introduction of New Coke. In 1985, Coca-Cola was under great pressure, losing market share to its major rival, Pepsi. In an effort to recapture market share, particularly among the younger segment of the market, Coca-Cola initiated one of the largest market research projects of its time. It conducted extensive taste tests throughout the nation and investigated the possibility of introducing a new formula for Coke. The results from the taste tests were positively skewed toward a sweeter version. There was some debate whether this should be an additional option to the Coke line of products or whether it should replace the standard formula for Coke. Although there were some negative indications about this new formula from focus groups, Coke decided to begin a major introduction of New Coke, but it was universally considered a major disaster. Public reaction, particularly in the South, was very negative toward New Coke. A lot of this negative reaction stemmed from the fact that Coke had become an iconic product in the nation, particularly in southern regions. Hundreds of thousands of people called and wrote to Coca-Cola expressing their dissatisfaction with this decision.Constance L. Hayes, *The Real Thing: Truth and Power at the Coca-Cola Company* (New York: Random House, 2004), 211. Coca-Cola failed to recognize the emotional and social components of value for a significant number of its customers.

Many firms fail to realize that they have established, in the eyes of customers, a very strong sense of how a particular company provides value. These companies may wish to diversify their product or service line while at the same time attempting to exploit their brand name. However, customers may perceive the companies as being so closely identified with the original product that any attempt at diversification may be difficult, if not guaranteed to be a failure. Some examples of this are as follows: Smith & Wesson, noted for handguns, attempted to sell a line of mountain bikes in 2002; Coors beer attempted to sell bottled water; and Colgate toothpaste tried to produce a line of products known as Colgate Kitchen Entrées."The Top 25 Biggest Product Flops of All Time," *Daily Finance*, accessed December 2, 2011, www.dailyfinance.com/photos/top-25-biggest-product-flops-of-all-time.

Companies may produce products that run directly counter to their customers' notion of perceived value. McDonald's produces value for its customers by offering fast food and a family-friendly environment. Several years ago, in an effort to capture a different segment of the market, McDonald's introduced the Arch Deluxe hamburger, which was supposedly designed for more adult tastes. Even with a $100 million marketing campaign, McDonald's was unable to "sell" this product to its customers.

One health management organization invested more than one third of $1 million on a computerized member information service. The intention was that this would be more efficient, thus providing greater benefit value to customers. Their mistake was not recognizing that members preferred conversing with human beings. Customers did not want to use a computerized system.Scott MacStravic, "Questions of Value in Healthcare," *Marketing Health Services* 17, no. 4 (1997): 50. Although customers of health-care organizations appreciate factors such as ease of access and reliability, they tend to view with greater importance and value the perceived expression of human compassion.

The dry cleaning business industry in the United States is extremely fragmented. The largest 50 firms control only 40 percent of the total industry's business. This translates into a simple fact: dry cleaning is still the domain of small business owners, with nearly 35,000 establishments throughout the United States. A decade ago, two firms wanted to change the structure of the industry. Both companies thought that they would be able to provide unique sources of value to customers. Mixell Technologies operates a franchise—Hanger's Cleaners—that focuses on environmentally responsible dry cleaning. Dry cleaning normally involves some fairly volatile chemicals. Hanger's Cleaners used a new process developed by Mixell Technology. The belief was that customers would respond to this much more environmentally friendly technology. Initially, the cost of this technology was two to three times the cost of normal dry cleaning equipment. One of the major investors in this firm was Ken Langone, a cofounder of Home Depot. In the same time frame, Tom Stemberg, the founder of Staples, was investing in a dry cleaning franchise called Zoots. Their focus on customer value was the ability to have employees pick up clothes for dry cleaning and drop off the clean clothes at the customer's home residence or work."An Analysis of the Competitiveness Strategies of Zoots," *Cebu Ecommerce Writing Consultancy*, accessed June 1, 2012, cebuecommerce.info/an-analysis -of-the-competitive-strategies-of-zoots-the-cleaner-cleaner/. Neither business prospered. Mixell has moved on to other applications of its technologies. Zoots has significantly reduced its number of outlets. The reality was that dry cleaning establishments produce low margins and require long hours and close identification with customers. Unfortunately for both businesses, even though they had an experienced executive staff, they failed to correctly identify the true sources of customer value.*Companydatabase.org*, accessed June 1, 2012, http://companydatabase.org/c/ recyclables-pick-up-service/products-services/zoots-corporation.html.

This page titled 1.3: The Three Threads is shared under a CC BY-NC-SA license and was authored, remixed, and/or curated by Anonymous.

- **2.5: The Three Threads** by Anonymous is licensed CC BY-NC-SA 3.0. Original source: https://2012books.lardbucket.org/books/modern-management-of-small-businesses/.

2: Analyze the customer in today's business environment

Learning Objectives

- Explain the importance of managing the customer relationship

Why Customers Matter

Marketing exists to help organizations understand, reach, and deliver value to their customers. For this reason, the customer is considered the cornerstone of marketing.

With this in mind, what is likely to happen when an organization doesn't understand or pay attention to what its customers want? What if an organization doesn't even really understand who its customers are?

One of the world's best-known brands, Coca-Cola, provides a high-profile example of misunderstanding customer "wants." In the following video, Roberto Goizueta—in his only on-camera interview on this topic—recounts the disastrous launch of New Coke in 1985 and describes the lessons the company learned. Goizueta was chairman, director, and chief executive officer of the Coca-Cola Company from August 1980 until his death in October 1997.

A link to an interactive elements can be found at the bottom of this page.

You can view the transcript for "All About New Coke" (opens in new window) or the text alternative for "All About New Coke" (opens in new window).

Customer Relationship Management: A Strategic Imperative

We have stated that the central purpose of marketing is to help organizations identify, satisfy, and retain their customers. These three activities lay the groundwork for what has become a strategic imperative in modern marketing: customer relationship management.

To a student of marketing in the digital age, the idea of relationship building between customers and companies may seem obvious and commonplace. It certainly is a natural outgrowth of the marketing concept, which orients entire organizations around understanding and addressing customer needs. But only in recent decades has technology made it possible for companies to capture and utilize information about their customers to such a great extent and in such meaningful ways. The Internet and digital social media have created new platforms for customers and product providers to find and communicate with one another. As a result, there are more tools now than ever before to help companies create, maintain, and manage customer relationships.

Maximizing Customer Lifetime Value

Central to these developments is the concept of customer lifetime value. Customer lifetime value predicts how much profit is associated with a customer during the course of their lifetime relationship with a company.[1] One-time customers usually have a relatively low customer lifetime value, while frequent, loyal, repeat-customers typically have a high customer lifetime value.

How do companies develop strong, ongoing relationships with customers who are likely to have a high customer lifetime value? Through marketing, of course.

Marketing applies a customer-oriented mindset and, through particular marketing activities, tries to make initial contact with customers and move them through various stages of the relationship—all with the goal of increasing lifetime customer value. These activities are summarized below.

Typical Marketing Activities during each Stage of the Customer Relationship

Stage 1: Meeting and Getting Acquainted

- Find desirable target customers, including those likely to deliver a high customer lifetime value
- Understand what these customers want
- Build awareness and demand for what you offer
- Capture new business

Stage 2: Providing a Satisfying Experience

- Measure and improve customer satisfaction
- Track how customers' needs and wants evolve
- Develop customer confidence, trust, and goodwill
- Demonstrate and communicate competitive advantage
- Monitor and counter competitive forces

Stage 3: Sustain a Committed Relationship

- Convert contacts into loyal repeat customers, rather than one-time customers
- Anticipate and respond to evolving needs
- Deepen relationships, expand reach of and reliance on what you offer

Another benefit of effective customer relationship management is that it reduces the cost of business and increases profitability. As a rule, winning a new customer's business takes significantly more time, effort, and marketing resources than it does to renew or expand business with an existing customer.

Customer Relationship As Competitive Advantage

As the global marketplace provides more and more choices for consumers, relationships can become a primary driver of why a customer chooses one company over others (or chooses none at all). When customers feel satisfaction with and affinity for a specific company or product, it simplifies their buying choices.

For example, why might a woman shopping for a cocktail dress choose to go to Nordstrom rather than Macy's or Dillard's, or pick from an army of online stores? Possibly because she prefers the selection of dresses at Nordstrom and the store's atmosphere. It's much more likely, though, that thanks to Nordstrom's practices, this shopper has a relationship with an attentive sales associate who has helped her find great outfits and accessories in the past. She also knows about the store's customer-friendly return policy, which might come in handy if she needs to return something.

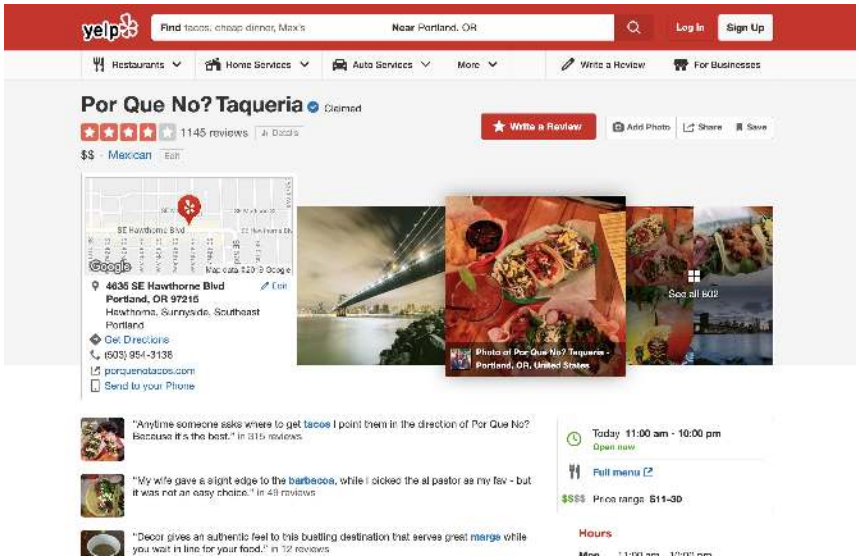
A company like Nordstrom delivers such satisfactory experiences that its customers return again and again. A consistently positive customer experience matures into a relationship in which the customer becomes increasingly receptive to the company and its products. Over time, the customer relationship gives Nordstrom a competitive advantage over other traditional department stores and online retailers.

When Customers Become Your Best Marketing Tool

Customer testimonials and recommendations have always been powerful marketing tools. They often work to persuade new customers to give something a try. In today's digital media landscape there is unprecedented opportunity for companies to engage customers as credible advocates. When organizations invest in building strong customer relationships, these activities become particularly fruitful.

For example, service providers like restaurateurs, physical therapists, and dentists frequently ask regular patrons and patients to write reviews about their real-life experiences on popular recommendation sites like Yelp and Google+. Product providers do the same on sites like Amazon and CNET.com. Although companies risk getting a bad review, they usually gain more by harnessing the credible voices and authentic experiences of customers they have served. In this process they also gain invaluable feedback about what's working or not working for their customers. Using this input, they can retool their products or approach to better match what customers want and improve business over time.

Copy and Paste
Image here.
Delete this
placeholder image



Additionally, smart marketers know that when people take a public stance on a product or issue, they tend to become more committed to that position. Thus, customer relationship management can become a virtuous cycle. As customers have more exposure and positive interaction with a company and its products, they want to become more deeply engaged, and they are more likely to become vocal evangelists who share their opinions publicly. Customers become an active part of a marketing engine that generates new business and retains loyal customers for repeat business and increased customer lifetime value.

? Practice Question

https://assessments.lumenlearning.co...essments/14478

---

1. "Definition: Customer Lifetime Value." Cambridge Dictionary. Accessed June 25, 2019. http://dictionary.cambridge.org/us/dictionary/english/customer-lifetime-value. ↵

Contributors and Attributions

CC licensed content, Original

- Marketing and Customer Relationships. **Authored by**: Lumen Learning. **License**: *CC BY: Attribution*
- Practice Question. **Authored by**: Robert Danielson. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

CC licensed content, Shared previously

- Lady on a Staircase. **Authored by**: torbakhopper. **Located at**: www.flickr.com/photos/gazeronly/10147130996/. **License**: *CC BY-ND: Attribution-NoDerivatives*

All rights reserved content

- Screen Shot of Yelp Review. **Provided by**: Yelp.com. **Located at**: https://www.yelp.com/biz/por-que-no-taqueria-portland. **License**: *All Rights Reserved*. **License Terms**: Fair Use
- All About New Coke - from The Excellence Files. **Provided by**: EnterpriseMediaVideo. **Located at**: https://youtu.be/BmQs8g9ytRA. **License**: *All Rights Reserved*. **License Terms**: Standard YouTube license

---

2: Analyze the customer in today's business environment is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **28.6: Marketing and Customer Relationships** has no license indicated.

2.1: The Customer

Learning Objectives

1. Explain the difference between a customer and a consumer.
2. Understand the relationship between the customer/consumer and the marketing mix.
3. Define the two types of customer markets.
4. Understand the factors that contribute to consumer behavior.
5. Describe the B2C and B2B buying processes.
6. Understand the differences between B2C and B2B buying behavior.
7. Define customer experience and explain its role in small business marketing.
8. Explain the importance of customer loyalty to small business.

It is very important in marketing to distinguish between the customer and the consumer. The **customer**, the person or the business that actually buys a product or a service, will determine whether a business succeeds or fails. It is that simple. It does not matter one iota if a business thinks its product or service is the greatest thing since sliced bread if no one wants to buy it. This is why customers play such a central role in marketing, with everything revolving around their needs, wants, and desires. We see the customer focus in the marketing concept, and we see it in the marketing mix.

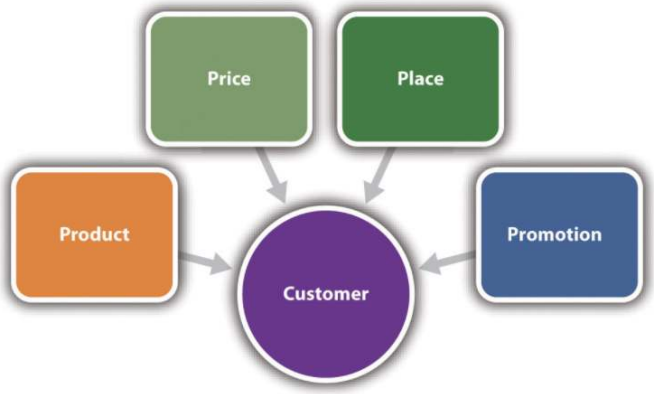


Figure 2.1.1: The Customer and the Marketing Mix

The marketing mix should follow the determination of customer needs, wants, and desires. However, there are instances in which a product is created before the target market is selected and before the rest of the marketing mix is designed. One well-known example is Ivory Soap. This product was created by accident. Air was allowed to work its way into the white soap mixture that was being cooked. The result was Ivory Soap, a new and extraordinarily successful product for Procter & Gamble."History of Ivory Soap," *Essortment.com*, accessed December 1, 2011, www.essortment.com/history-ivory-soap-21051.html. Most companies do not have this kind of luck, though, so a more deliberate approach to understanding the customer is critical to designing the right marketing mix.

The **consumer** is the person or the company that uses or consumes a product. For example, the customer of a dry cleaning service is the person who drops off clothes, picks them up, and pays for the service. The consumer is the person who wears the clothes. Another example is a food service that caters business events. The person who orders lunch on behalf of the company is the customer. The people who eat the lunch are the consumers. The person who selects the catering service could be either or both. It is common for the customer and the consumer to be the same person, but this should not be assumed for all instances. The challenge is deciding whether to market to the customer or the consumer—or perhaps both.

Customer Markets

There are two major types of customer markets: **business-to-business (B2B)** customers and **individual consumers or end users (business-to-consumer [B2C])**. B2B customers are organizations such as corporations; small businesses; government agencies; wholesalers; retailers; and nonprofit organizations, such as hospitals, universities, and museums. In terms of dollar volume, the

B2B market is where the action is. More dollars and products change hands in sales to business buyers than to individual consumers or end users.Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 182. The B2B market offers many opportunities for the small business. Examples of B2B products include office supplies and furniture, machinery, ingredients for food preparation, telephone and cell phone service, and delivery services such as FedEx or UPS.

The B2C market consists of people who buy for themselves, their households, friends, coworkers, or other non-business-related purposes. Examples of B2C products include cars, houses, clothing, food, telephone and cell phone service, cable television service, and medical services. Opportunities in this market are plentiful for small businesses. A walk down Main Street and a visit to the Internet are testaments to this fact.

Understanding the Customer

The better a small business understands its customers, the better off it will be. It is not easy, and it takes time, but knowing who the customers are, where they come from, what they like and dislike, and what makes them tick will be of immeasurable value in designing a successful marketing mix. Being intuitive can and does work…but not for everyone and not all the time. A more systematic and thorough approach to understanding the customer makes much more sense. The problem is that many if not most small businesses probably do not take the time to do what it takes to understand their customers. This is an important part of the reason why so many small businesses fail.

Video Clip 2.1.1:

Consumer Behavior Matters

Understanding a customer's behavior will increase sales.

Consumer Behavior

Consumer behavior—"how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants"Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 182.—is the result of a complex interplay of factors, none of which a small business can control. These factors can be grouped into four categories: **personal factors**, **social factors**, **psychological or individual factors**, and **situational factors**. It is important that small-business owners and managers learn what these factors are.

- **Personal factors.** Age, gender, race, ethnicity, occupation, income, and **life-cycle stage** (where an individual is with respect to passage through the different phases of life, e.g., single, married without children, empty nester, and widow or widower). For example, a 14-year-old girl will have different purchasing habits compared to a 40-year-old married career woman.

- **Social factors.** Culture, subculture, social class, family, and **reference groups** (any and all groups that have a direct [face-to-face] or indirect influence on a person's attitudes and behavior, e.g., family, friends, neighbors, professional groups [including online groups such as LinkedIn], coworkers, and social media such as Facebook and Twitter).Adapted from Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 155. For example, it is common for us to use the same brands of products that we grew up with, and friends (especially when we are younger) have a strong influence on what and where we buy. This reflects the powerful influence that family has on consumer behavior.
- **Psychological or individual factors.** Motivation, **perception** (how each person sees, hears, touches, and smells and then interprets the world around him or her), learning, attitudes, personality, and **self-concept** (how we see ourselves and how we would like others to see us). When shopping for a car, the "thud" sound of a door is perceived as high quality whereas a "tinny" sound is not.
- **Situational factors.** The reason for purchase, the time we have available to shop and buy, our mood (a person in a good mood will shop and buy differently compared to a person in a bad mood), and the **shopping environment** (e.g., loud or soft music, cluttered or neat merchandise displays, lighting quality, and friendly or rude help). A shopper might buy a higher quality box of candy as a gift for her best friend than she would buy for herself. A rude sales clerk might result in a shopper walking away without making a purchase.

These factors all work together to influence a five-stage buying-decision process (Table 2.1.1), the specific workings of which are unique to each individual. This is a generalized process. Not all consumers will go through each stage for every purchase, and some stages may take more time and effort than others depending on the type of purchase decision that is involved. Dana-Nicoleta Lascu and Kenneth E. Clow, *Essentials of Marketing* (Mason, OH: Atomic Dog Publishing, 2007), 112. Knowing and understanding the consumer decision process provides a small business with better tools for designing and implementing its marketing mix.

Table 2.1.1: Five Stages of the Consumer Buying Process

Stage		Description	Example
1.	**Problem recognition**	Buyer recognizes a problem or need.	Joanne's laptop just crashed, but she thinks it can be fixed. She needs it quickly.
2.	**Information search**	Buyer searches for extensive or limited information depending on the requirements of the situation. The sources may be personal (e.g., family or friends), commercial (e.g., advertising or websites), public (e.g., mass media or consumer rating organizations), or experiential (e.g., handling or examining the product).	Joanne is very knowledgeable about computers, but she cannot fix them. She needs to find out about the computer repair options in her area. She asks friends for recommendations, checks out the yellow pages, does a Google search, draws on her own experience, and asks her husband.
3.	**Evaluation of alternatives**	Buyer compares different brands, services, and retailers. There is no universal process that everyone uses.	Joanne knows that computer repair services are available at the nearby Circuit Place and Computer City stores. Unfortunately, she has had bad experiences at both. Her husband, David, recently took his laptop to a small computer repair shop in town that has been in business for less than a year. He was very pleased. Joanne checks out their website and is impressed by the very positive reviews. None of her friends could recommend anyone.
4.	**Purchase decision**	Buyer makes a choice.	Joanne decides to take her computer to the small repair shop in town.
5.	**Postpurchase behavior**	How the buyer feels about the purchase and what he or she does or does not do after the purchase.	Joanne's laptop was fixed quickly, and the cost was very reasonable. She feels very good about the experience, so she posts a glowing review on the company's website, recommends the shop to everyone she knows, and plans to go back should the need arise. Had she been unhappy with her experience, she would have posted a negative review on the company's website, told everyone she knows not to go there, and refuse to go there again. It is this latter scenario

Stage		Description	Example
			that should be every small business's nightmare.

Source: Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 168; Dana-Nicoleta Lascu and Kenneth E. Clow, *Essentials of Marketing* (Mason, OH: Atomic Dog Publishing, 2007), 112–17.

Business Buying Behavior

Understanding how businesses make their purchasing decisions is critical to small businesses that market to the business sector. Purchases by a business are more complicated than purchases by someone making a personal purchase (B2C). B2B purchases vary according to dollar amount, the people involved in the decision process, and the amount of time needed to make the decision, Dana-Nicoleta Lascu and Kenneth E. Clow, *Essentials of Marketing* (Mason, OH: Atomic Dog Publishing, 2007), 137. and they involve "a much more complex web of interactions between prospects and vendors in which the actual transaction represents only a small part of the entire purchase process."Bill Furlong, "How the Internet Is Transforming B2B Marketing," *BrandNewBusinesses.com*, accessed December 1, 2011, www.brandnewbusinesses.com/NewsletterAugust2008A1.aspx.

The individual or the group that makes the B2B buying decisions is referred to as the **buying center**. The buying center consists of "all those individuals and groups who participate in the purchasing decision-making process, who share some common goals and the risks arising from the decision."Frederick E. Webster Jr. and Yoram Wind, *Organizational Buying Behavior* (Upper Saddle River, NJ: Prentice-Hall, 1972), 2, as cited in Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 188. The buying center in a small business could be as small as one person versus the twenty or more people in the buying center of a large corporation. Regardless of the size of the buying center, however, there are seven distinct roles: initiator, gatekeeper, user, purchaser or buyer, decider, approver, and influencer.Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 188; Dana-Nicoleta Lascu and Kenneth E. Clow, *Essentials of Marketing* (Mason, OH: Atomic Dog Publishing, 2007), 139. One person could play multiple roles, there could be multiple people in a single role, and the roles could change over time and across different purchase situations.

1. **Initiator**. The person who requests that something be purchased.
2. **Gatekeeper**. The person responsible for the flow of information to the buying center. This could be the secretary or the receptionist that screens calls and prevents salespeople from accessing users or deciders. By having control over information, the gatekeeper has a major impact on the purchasing process.
3. **User**. The person in a company who uses a product or takes advantage of a service.
4. **Purchaser or buyer**. The person who makes the actual purchase.
5. **Decider**. The person who decides on product requirements, suppliers, or both.
6. **Approver**. The person who authorizes the proposed actions of the decider or the buyer.
7. **Influencer**. The person who influences the buying decision but does not necessarily use the product or the service. The influencer may assist in the preparation of product or service specifications, provide vendor ideas, and suggest criteria for evaluating vendors.

Identification of Needs, Establishment of Specifications, Identification ofSolutions, Identification of Vendors, Evaluation of Vendors, Vendor selection, Negotiation of Terms

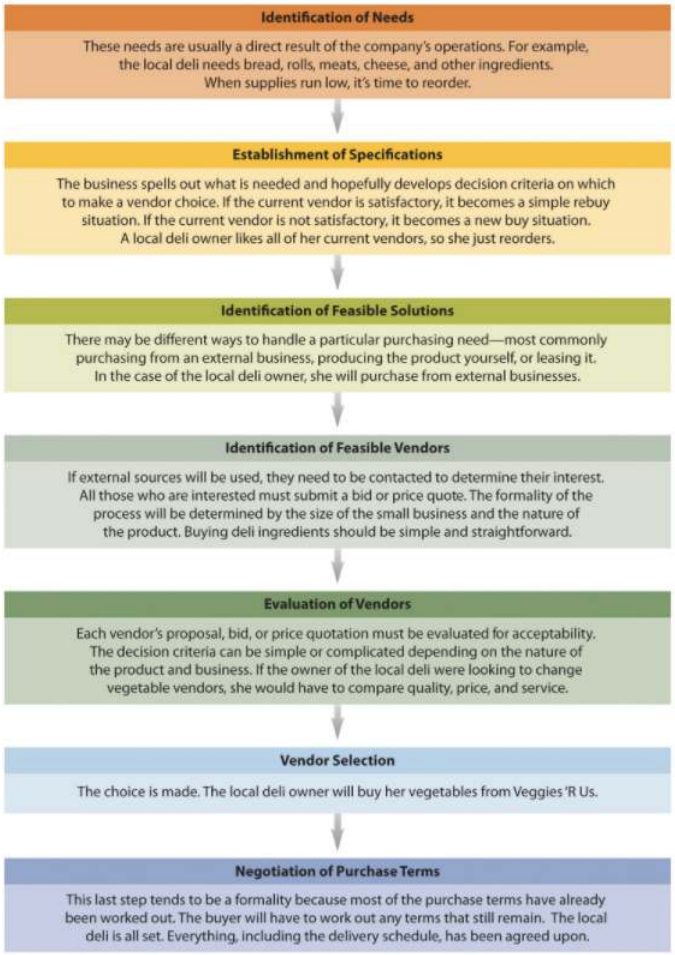


Figure 2.1.2: The *B2B Buying Process Adapted from Dana-Nicoleta Lascu and Kenneth E. Clow, Essentials of Marketing (Mason, OH: Atomic Dog Publishing, 2007), 148–55.*

The B2B purchasing process for any small business will be some variation of the process described in 2.1.2. The specifics of the process will depend on the nature of product, the simplicity of the decision to be made, and the number of people involved. Clearly the purchasing process for a single-person business will be much simpler than for a multiproduct business of 400 employee

The Customer Experience

> *Customer experience is one of the great frontiers for innovation.Jeneanne Rae, "The Importance of Great Customer Experiences…And the Best Ways to Deliver Them," Bloomberg BusinessWeek, November 27, 2006, accessed December 1, 2011, www.BusinessWeek.com/magazine/content/06_48/b4011429.htm?chan =search.*
>
> *Jeneanne Rae*

Customer experience refers to a customer's entire interaction with a company or an organization. The experience will range from positive to negative, and it begins when any potential customer has contact with any aspect of a business's persona—the company's marketing, all representations of the total brand, and what others say about the experience of working with the business.Fran ONeal, "'Customer Experience' for Small Business: When Does It Start?," *Small Business Growing*, August 23, 2010, accessed December 1, 2011, smallbusinessgrowing.com/2010/08/23/what-is-the-customer-experience-for-small -business.

Customer Experience in the B2C Market

Customers will experience multiple **touch points** (i.e., all the communication, human, and physical interactions that customers experience during their relationship life cycle with a small business)Eric Brown, "Engage Emotion and Shape the Customer Experience," *Small Business Answers*, December 14, 2010, accessed December 1, 2011, www.smallbusinessanswers.com/eric-brown/engage-emotion-and-shape-the -customer-ex.php. during their visit. In a retail situation, a customer will experience the store design and layout; the merchandise that is carried and how it is displayed; the colors, sounds, and scents in the store; the cleanliness of the store; the lighting; the music; the helpfulness of the staff; and the prices. In a business situation, a customer will experience the design and layout of the reception and office areas, the colors chosen for carpeting and furniture, the friendliness and helpfulness of the reception staff, and the demeanor of the person or people to be seen. The experience also occurs when a customer communicates with a company via telephone; e-mail; the company website; and Facebook, Twitter, or other social media.

The Role of Store Design in Customer Experience

Store design plays a very important role in a customer's experience. Check out the following three examples of small business store redesigns that have contributed to increased profitability:

1. Fine Wine & Good Spirits, Philadelphia

   www.retailcustomerexperience.com/slideshow.php?ssn=273

2. The Diamond Cellar, Dublin, Ohio

   www.retailcustomerexperience.com/slideshow.php?ssn=145

3. Roche Bros. Supermarkets

   www.retailcustomerexperience.com/slideshow.php?ssn=261

Good customer experiences "*from the perspective of the customer*…are useful (deliver value), usable (make it easy to find and engage with the value), and enjoyable (emotionally engaging so that people want to use them)."Harley Manning, "Customer Experience Defined," *Forrester's Blogs*, November 23, 2010, accessed December 1, 2011, blogs.forrester.com/harley_manning ?page=1&10-11-23-customer_experience_defined=. A customer experience can be a one-time occurrence with a particular company, but experiences are more likely to happen across many time frames.Harley Manning, "Customer Experience Defined," *Forrester's Blogs*, November 23, 2010, accessed December 1, 2011, blogs.forrester.com/harley_manning ?page=1&10-11-23-customer_experience_defined=. The experience begins at the point of need awareness and ends at need extinction. Lynn Hunsaker, *Innovating Superior Customer Experience* (Sunnyvale, CA: ClearAction, 2009), e-book, accessed December 1, 2011, www.clearaction.biz/innovation.

Exploring Consumer Behavior Online and Offline

Consumers are willing to pay more for products they can touch. "Touching" is an important part of the customer experience.

> *What does all this mean in the real world? At the very least, it suggests that your local bookstore—where you can reach out and ruffle a paperback's pages—may have more staying power than e-commerce experts might think.*

https://web.archive.org/web/20100912...releases/13380

B2C customer experiences also involve emotional connections. When small businesses make emotional connections with customers and prospects, there is a much greater chance to forge bonds that will lead to repeat and referral business. When a business does not make those emotional connections, a customer may go elsewhere or may work with the business for the moment—but never come back and not refer other customers or clients to the business."Grow Customers and Referrals!" *Small Business Growing*, accessed December 1, 2011, smallbusinessgrowing.com/grow-customers-and-referrals.

Many businesses may not appreciate that 50 percent of a customer's experience is about how a customer feels. Emotions can drive or destroy value.Colin Shaw, "Engage Your Customers Emotionally to Create Advocates," *CustomerThink*, September 17, 2007, accessed December 1, 2011, www.customerthink.com/article/engage_your_customers_emotionally. "Customers will gladly pay more for an experience that is not only functional but emotionally rewarding. Companies skilled at unlocking emotional issues and

building products and services around them can widen their profit margins…Great customer experiences are full of surprising 'wow' moments."Jeneanne Rae, "The Importance of Great Customer Experiences…And the Best Ways to Deliver Them," *Bloomberg BusinessWeek*, November 27, 2006, accessed December 1, 2011, www.BusinessWeek.com/magazine/content/06_48/b4011429.htm?chan =search.

Small businesses should learn and think about how to market a great B2C customer experience, not just a product or a service.Shaun Smith, "When Is a Store Not a Store—The Next Stage of the Retail Customer Experience," *shaunsmith+co Ltd*, March 29, 2010, accessed December 1, 2011, www.smithcoconsultancy.com/2010/03/when-is-a-store-not-a-store-%E2%80%93_-the-next-stage-of-the-retail-customer-experience. Design an experience that is emotionally engaging by mapping the customer's journeyColin Shaw, "Engage Your Customers Emotionally to Create Advocates," *CustomerThink*, September 17, 2007, accessed December 1, 2011, www.customerthink.com/article/engage_your_customers_emotionally.—and then think of ways to please, perhaps even delight, the customer along that journey. A history of sustained positive customer experiences will increase the chances that a business will be chosen over its competition.Jeneanne Rae, "The Importance of Great Customer Experiences…And the Best Ways to Deliver Them," *Bloomberg BusinessWeek*, November 27, 2006, accessed December 1, 2011, www.BusinessWeek.com/magazine/content/06_48/b4011429.htm?chan =search.

Meaningful, memorable, fun, unusual and unexpected experiences influence the way customers perceive you in general and feel about you in particular. These little details are so easy to overlook, so tempting to brush off as unimportant. But add a number of seemingly minor details together, and you end up with something of far more value than you would without them.

It's the little details that keep a customer coming back over and over, it's the little details that cause a customer to rationalize paying more because she feels she is getting more, it's the little details that keep people talking about you and recommending everyone they know to you.

Anyone can do the big things right; it's the little things that differentiate one business from another and that influence customers to choose one over the other. Often, small-business owners cut out the little details when times get tough, and this is a big mistake.Sydney Barrows, "6 Ways to Create a Memorable Customer Experience," *Entrepreneur*, May 19, 2010, accessed December 1, 2011, www.entrepreneur.com/article/206760.

There is, however, no one-size-fits-all design for customer experience in the B2C market. Small businesses vary in terms of the size, industry, and nature of the business, so customer experience planning and design will necessarily differ in accordance with these factors. The customer experience for a 1-person business will be very different from an experience with a 400-employee company.

Video Clip 2.1.2:

How to Hire the Right Customer Service Person For Your Small Business

Customer Experience in the B2B Market

Talk to customer experience executives in a B2B environment about emotional engagement and you will see their eyes roll. Ask them if they would consider designing retail stores with customized smell and music to reinforce the customer experience and you

will most likely be ushered out of their offices. Mention the iPod or MySpace experience and you will likely face a torrent of sighs and frowns.Lior Arussy, “Creating Customer Experience in B2B Relationships: Managing ‘Multiple Customers’ Is the Key,” *G-CEM*, accessed December 28, 2011, www.g-cem.org/eng/content_details.jsp?contentid=2203&subjectid=107.

Lior Arussy

Creating customer relationships in the B2B environment is radically different from the B2C environment because customers face different challenges, resources, and suppliers.Lior Arussy, “Creating Customer Experience in B2B Relationships: Managing ‘Multiple Customers’ Is the Key,” *G-CEM*, accessed December 28, 2011, www.g-cem.org/eng/content_details.jsp?contentid=2203&subjectid=107. In the B2B world, there will almost always be “multiple people across multiple functions who play major roles in evaluating, selecting, managing, paying for and using the products and services their company buys…So, unlike the B2C company, if you are a B2B supplier there will be a host of individual ‘customers’ in engineering, purchasing, quality, manufacturing, etc. with different needs and expectations whose individual experiences you must address to make any given sale.”Richard Tait, “What’s Different about the B2B Customer Experience,” *Winning Customer Experiences*, August 16, 2010, accessed December 1, 2011, winningcustomerexperiences.wordpress.com/2010/08/16/whats-different-about_-the-b2b-customer-experience. This is offset, however, by the fact that a B2B company probably has a substantially smaller number of potential customers in a given target market, so it is often possible to actually get to know them personally. Smart B2B firms can tailor their products or services specifically to deliver the experiences wanted by people they know directly.Richard Tait, “What’s Different about the B2B Customer Experience,” *Winning Customer Experiences*, August 16, 2010, accessed December 1, 2011, winningcustomerexperiences.wordpress.com/2010/08/16/whats-different-about -the-b2b-customer-experience.

Video Clip 2.1.3:

How Customer Experience Applies in the B2B Sector

Customer experience concerns are relevant in the B2B environment.

Despite the challenges, customer experience is relevant in the B2B environment. However, because “the buy decision-making processes in most companies are typically fully structured and quantitative criteria-based…the explicitly emotional experience laden sales pitch that drives consumer buying is not a fit in the B2B world.”Richard Tait, “What’s Different about the B2B Customer Experience,” *Winning Customer Experiences*, August 16, 2010, accessed December 1, 2011, winningcustomerexperiences.wordpress.com/2010/08/16/whats-different-about_-the-b2b-customer-experience. The products that often represent B2B business’s sole value proposition are rarely emotionally engaging or visually appealing. Think bolts, wires, copy paper, shredding machines, bread for a restaurant, and machinery. How engaging can these items be?

There are touch points in B2B processesAdapted from Pawan Singh, “The 9 Drivers of B2B Customer Centricity,” *Destination CRM.com*, December 11, 2010, accessed December 1, 2011, www.destinationcrm.com/Articles/Web-Exclusives/Viewpoints/The-9-

Drivers-of -B2B-Customer-Centricity-72672.aspx. before and after the sale (e.g., information gathering, website visits and inquiries, delivery of spare parts, service calls on machinery and office equipment, and telephone interactions) that can be identified and improved. However, the inherent differences between B2B and B2C environments must be clearly understood so that the B2C customer experience models do not become the paradigm for B2B customer experience designs. As is the case in the B2C market, there is no universal approach to customer experience in the B2B market. Small B2B companies also vary in terms of the products and the services offered and the size, industry, and nature of the business, so customer experience planning and design will necessarily differ in accordance with these factors.

The greatest challenge in delighting B2B customers is adding unique and differentiating value that solves customer problems. When defining the customer experience, recognize that this value should extend to the entire customer and business life cycle—presale engagement, the sales process, and postsale interactions. Experiences at every stage of the customer life cycle should be customized to each individual customer.Lior Arussy, "Creating Customer Experience in B2B Relationships: Managing 'Multiple Customers' Is the Key," *G-CEM*, accessed December 28, 2011, www.g-cem.org/eng/content_details.jsp?contentid=2203&subjectid=107.

Video Link2.1.4:

Customer Experience Differentiation

Customer experience in the B2C and B2B environments.

Customer Loyalty

Customer loyalty is "all about attracting the right customers, getting them to buy, buy often, buy in higher quantities and bring [the business] even more customers.""What Is Customer Loyalty?," *Customer Loyalty Institute*, accessed December 1, 2011, www.customerloyalty.org/what-is-customer-loyalty. It involves an emotional commitment to a brand or a business ("We love doing business with your company."), an attitude component ("I feel better about this brand or this business."), and a behavior component ("I'll keep buying this brand or patronizing that business, regardless."). Attitudes are important because repeat purchases alone do not always mean that a customer is emotionally invested.Adapted from "Why Measure—What Is Loyalty?," *Mindshare Technologies*, accessed December 1, 2011, www.mshare.net/why/what-is-loyalty.html. Think about the thrill of buying car insurance. We may keep buying from the same company, but we rarely have an emotional commitment to that company. Emotional commitment is key in customer loyalty.

The benefits of loyal customers are numerous: Adapted from Rama Ramaswami, "Eight Reasons to Keep Your Customers Loyal," *Multichannel Merchant*, January 12, 2005, accessed December 1, 2011, multichannelmerchant.com/opsandfulfillment/advisor/Brandi-custloyal/.

- They buy more and are often willing to pay more. This creates a steadier cash flow for a business.
- Loyal customers will refer other customers to a company, saving the marketing and advertising costs of acquiring customers.
- They are more forgiving when you make mistakes—even serious ones—especially if you have a system in place that empowers employees to correct errors on the spot. Then loyal customers become even more loyal.

- A loyal customer's endorsement can outstrip the most extravagant marketing efforts. The word on the street is usually more powerful.
- Thriving companies with high customer loyalty usually have loyal employees who are genuinely engaged.
- Thriving companies with high customer and employee loyalty are generally known to outpace their competition in innovation.
- Loyal customers understand a company's processes and can offer suggestions for improvement.
- An increase in customer retention can boost a company's bottom-line profit by 25–100 percent, depending on **fixed costs**—costs that remain the same regardless of the amount of sales (e.g., rent).

Customer loyalty begins with the customer experience and is built over time through the collection of positive experiences.Jeffrey Gangemi, "Customer Loyalty: Dos and Don'ts," *BusinessWeek*, June 29, 2010, accessed December 1, 2011, www.BusinessWeek.com/smallbiz/tipsheet/06/29.htm. This will be true no matter the size, industry, and nature of the small business. Customers' experiences will influence how much they will buy, whether they switch to a competitor, and whether they will recommend the brand or the business to someone else.Bruce Temkin, "The Four Customer Experience Core Competencies," *Temkin Group*, June 2010, accessed December 1, 2011, experiencematters.files.wordpress.com/2010/06/1006_thefourcustomerexperiencecorecompetencies_v2.pdf. Small businesses cannot rely on the loyalty that comes from convenience (e.g., using the car dealer close to home for repairs instead of the one farther away that provides better service). Loyalty is about making a customer feel special. This is the dream of all small businesses—which is something that small businesses are particularly well suited to create. Because of their size, it is easier for small businesses to have closer relationships with their customers, create a more personal shopping environment, and, in general, create great customer experiences. Think back to Bob Brown of the Cheshire Package Store (Chapter 2). He prides himself on the kind of shopping environment and customer relationships that lead to loyalty.

Grounds for Loyalty

How do people make choices about which pharmacy to go to? Paul Gauvreau decided to find out by asking customers why they were shopping in one particular store.

- "I shop here because it's close to where I live." (The convenience shopper.)
- "I like the pharmacist, I trust him/her." (This customer has a good relationship with their pharmacist.)
- "The staff makes me feel like part of the family."
- "I feel like they care about my health."
- "The entire atmosphere in this store reminds me of home, where I felt welcome."
- "I don't feel like another number here or just another patient. They really care about me."

Paul concluded that this pharmacy succeeded in differentiating itself from the competition in a unique way: by how they made their customers feel—and this is what will generate the most intimate loyalty in a customer. Paul Gauvreau, "Making Customers Feel Special Brings Loyalty," *Pharmacy Post* 11, no. 10 (2003): 40.

Video Link Video Link2.1.5:

Listening to Customers Leads to Loyalty

All customers really want is for the companies they do business with to listen to them.

Video Link 2.1.6:

Is There a Right Kind of Customer Loyalty?

Behavioral, emotional, and profitable customer loyalty. What they are, and what companies can do to create and improve them.

Small businesses that are operating in the B2B sector might wonder whether there are major differences between B2B and B2C models of customer loyalty. Michael Lowenstein, vice president and senior consultant in customer loyalty management at Harris Interactive says that "except for the specific supplier decision criteria, which varies from situation to situation, there is [sic] more similarities than differences between B2C and B2B in what drives customer loyalty behavior."Michael Lowenstein, "Customer Loyalty Behavior in B2B vs. B2C Scenarios," *SearchCRM*, January 31, 2007, accessed December 1, 2011, searchcrm.techtarget.com/answer/Customer-loyalty-behavior-in-B2B-vs-B2C -scenarios. What can be concluded in either case is that achieving and retaining loyal customers should be an important goal for any company—small or large.

KEY TAKEAWAYS

- The customer and the consumer are not necessarily the same person…but they can be.
- The customer and the consumer should be the focus of the marketing mix.

- B2C and B2B are the two types of customer markets. The B2B market dwarfs the B2C market in terms of sales.
- It is critical for a small business to understand its customers.
- Customer experience is a person's entire interaction with a small business. It involves emotional connections to the business.
- There is no one-size-fits-all customer experience for a B2C or a B2B small business. The customer's journey should be mapped and changes made to improve the experience.
- There are big differences between the customer experiences for B2C and B2B businesses.
- There are multiple benefits to customer loyalty. It is important to small business success. A positive customer experience drives loyalty.

EXERCISES

1. Visit a small business that you patronize often. Plan to make a purchase. Describe your experience from the time you enter the store to the time you leave (the touch points) as specifically as possible. What surprised you the most? Were you disappointed at all? Please explain. What recommendations would you make to the owner? Do you plan on going back to this store?
2. Identify a small business to which you are loyal. Why are you loyal to that business? What in particular does the business do that you like? Have you told them?

This page titled 2.1: The Customer is shared under a CC BY-NC-SA license and was authored, remixed, and/or curated by Anonymous.

- **6.3: The Customer** by Anonymous is licensed CC BY-NC-SA 3.0. Original source: https://2012books.lardbucket.org/books/modern-management-of-small-businesses/.

CHAPTER OVERVIEW

3: Apply the activities for handling difficult customers

3.1: Identifying Your Customers
3.2: Dealing with Problems
3.3: Reading- Common Ethical Issues in Marketing

3: Apply the activities for handling difficult customers is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

3.1: Identifying Your Customers

Know who you're selling to

Every entrepreneur has, in the back of her mind, a mental picture of the prototypical customer. The question is whether this image is based in reality. Does this ideal customer exist? What if she does, but it turns out that she doesn't want to buy your product?

As you learn more about your market,you may need to be flexible and willing to change your image of both the customer and the product itself. Professor Kathleen Siders of Babson College says, "Entrepreneurs think they have divine intuition, which is fine if you're part of the audience you are trying to reach. But when you move outside that market, your gut instinct can let you down."

Basic market identification

Identifying your customer begins with formulating a value proposition. It's from here that the most important work starts. You have to be able to answer the question "To whom is this proposition of value?" The end user might be consumers, operations, or development. The proposition might be valuable to industry, education, or government. Companies intending to make a profit need to ask themselves,

- Will the proposition reduce costs?
- Will it improve efficiency?
- Will it add value to what's already out there?
- Will it eliminate waste?
- Will it serve as a replacement technology, or eliminate the need for something?
- What is the potential market value of the proposition to investors?

This line of questioning also has to address the scale of the market. Will it be a family-owned business or a lifestyle business with limited growth? Or does the team have an appetite to think bigger—regional, national or global?

Make it simple

Your value proposition should be easy to understand. If you have a hard time describing the benefits of your product to potential users, they probably won't figure it out for themselves.

Market segmentation

When trying to answer the question "To whom is this proposition of value?" it helps to simplify things by breaking the market down into components. There are three broad categories of customers who could buy your product: individuals, channels (covered later), and organizations. Each of these categories can be further broken down into smaller segments. This is called market segmentation—picking out the particular groups of people/organizations that benefit from your product, and selling to them. Individuals can be segmented by:

- Geography
- Income
- Age
- Interests
- Gender
- Nationality/ethnicity

Whereas organizations can be segmented by:

- Industry
- Size
- Function
- Level and type of individuals within the organization

Many segmentation schemes are combinations of the above lists. For example, let's say a venture developing an innovative digital storage product decides to sell only to organizations, not individuals. It segments its potential market by size of organization, size

of data storage requirements, and need for speed of retrieval. That leads to a focus on large financial institutions and large medical centers. Within those targeted organizations, the importance and cost of the purchase dictates that the venture focuses on selling only to “C-level” executives: the CIO, CFO, etc. Finally, as the technology is very new, the venture team chooses to target the executives that are technology enthusiasts—people who love new technology for its own sake, and are often willing to look at it in preliminary form.

Distribution

Inexperienced teams often neglect the question of distribution: How will the product get to the end user? We cover this in more detail in section 2.3, but for now, in order to develop a complete marketing plan your team must determine what the revenue scale and cost structure will be over a five-year period.

The second part of distribution is secondary expenses, or selling costs. What will it cost you to get the product to the end user? Relevant questions include: What distribution channels will you use? What threats or opportunities does this proposition offer to the industry? Will the product use a technology similar to one already in existence, or will it replace current technologies?

Awareness of the market is crucial to new businesses that want to convince investors that they have an opportunity worth funding. The only way to gather this information is through thorough market research.

Failure to research customers can be costly

Darlene Mann, serial entrepreneur and General Partner of Onset Ventures, has some wisdom to share with new entrepreneurs.

“In 1990, I was a director of product marketing at Verity, Inc., which made sophisticated software for document search and retrieval. We made the assumption that our product would be managed by high-caliber technicians at the companies that used it, but because of our software’s complexity, it was difficult to set up and maintain. We thought the product was important enough to our customers for them to justify using highly-skilled personnel to run it, but actually our customers felt they had scarce resources and that it was difficult to get people with the skills needed to use it. In fact, we had only one customer that successfully installed the software on their own: NASA’s Jet Propulsion Labs. A clear sign to us that maybe you did have to be a rocket scientist to use it.

Our solution was to reengineer the software to make it simpler to install and use. We did that, and the product was very successful, but the delay cost us a year and we lost significant repeat sales early on because we didn’t do our homework. Had we simply started by asking ourselves and our customers the questions we should have, we wouldn’t have wasted all that time and money.”

This page titled 3.1: Identifying Your Customers is shared under a CC BY-SA license and was authored, remixed, and/or curated by Wikipedia.

- **2.1: Identifying Your Customers** by Wikipedia is licensed CC BY-SA 4.0. Original source: https://en.wikibooks.org/wiki/Getting_Started_as_an_Entrepreneur.

3.2: Dealing with Problems

Learning Objectives

1. Describe standards and procedures for dealing with problems.
2. Describe the advantages of dealing with difficult issues as soon as they arise.
3. Describe the importance of establishing methods for revising major decisions.

Projects always experience unexpected problems that produce stress. Dealing with problems with competence is vital to maintaining a good relationship with clients.

Establish Standards and Procedures for Decisions

There are competing interests on projects, and the larger and more complex the project, the greater the number of issues and concerns that need to be addressed.

Competing Interests

It's 7:30 in the morning and the client called and wants you to have coffee in an hour with the new CEO, who flew in last night, to give him an update on the project. The concrete trucks were supposed to be on site at 7:00, but they have not arrived. A storm is predicted for tomorrow, and the concrete has to be in and covered before the storm hits. A news reporter called and said she has an unnamed source who claims that there is contamination of a nearby river coming from the project site.

On large, complex projects, hundreds of decisions are made every day. Most of the decisions focus on the day-to-day operation of the project. Early in the project, decisions focus on choosing between alternative options for accomplishing project goals and determining how the project will be executed. Later, the focus is typically on solving problems. The project team develops solutions to deal with the barriers that emerge and develops alternative plans to meet project goals. The authority to make decisions is typically established early in the project and identified in a responsibility matrix—a table of people and types of problems that might require decisions—as shown in Figure 4.5.

Figure 4.5 The Responsibility Matrix The responsibility matrix identifies roles and client involvement.

Title	Scope Statement	Work Breakdown Structure	Budget	Quality	Change Management Procedures	Change Approvals
Project Chartering Committee	X					
Client Representative	X	X	X	X	X	X
Project Manager	X	X	X		X	X
Technology Team		X		X		
Finance Team			X		X	
Schedule Coordination Team		X		X	X	

Decisions that influence the outcome of the project, such as a delay to the project completion date or an increase in the project costs, typically involve the client. Some clients prefer to make the final decision, with the project manager developing alternative

solutions with a cost-benefit analysis of each of the alternatives. Others prefer to be involved in discussions to better understand the barriers, developing alternative solutions and making decisions in a team environment. Understanding the client's decision-making preference and developing procedures and processes that support that preference is important to meeting client expectations.

Develop processes and methods that encourage both client and team members to identify issues and concerns early. Develop processes for dealing with these issues and concerns effectively. Define how and when decisions are made.

On projects with a low complexity level, the project manager and team leaders can make decisions informally, with short meetings or phone calls. Weekly or monthly staff meetings are appropriate for more complex decisions. Even though the decision-making process may be simpler on less complex projects, it is still important to understand the client's expectation for inclusion in the decision-making process and recording decisions and changes in project plans.

On more complex projects, the use of action item registers, weekly staff meetings, responsibility matrices, and other tools foster the decision making on a timely basis. For project teams operating in diverse locations, Internet-based tools for recording and tracking action items can provide a location for capturing issues and concerns.

Deal with Difficult Issues Early

Project managers typically have a high degree of confidence in their ability to deal with issues and concerns as they arise. The delivery of some equipment is delayed a week, causing changes in the project schedule, or the beta test of a software program identified far more problems than expected. The project manager knows the problems, the team developed a solution, and the project has a plan for recovering. The project will be back on track soon. Should the project manager inform the client? The answer seems like an easy yes, yet many project managers often believe there is no reason to bother the client with a problem they have under control.

Then the second delay occurs on the equipment delivery or the fixes for the beta test are more costly than expected. Now the problems have elevated to the point the clients should be informed. The greater the distance between the time of the event and the time the client knows about the events, the greater the client's frustration and mistrust. Including the client in the processes for analyzing project issues or concerns as well as the recovery planning enables the client to develop confidence that problems are being addressed. Including the client early in the process for dealing with problems enables the client to contribute with solutions and builds confidence that he or she is aware of critical issues on the project.

New Estimates Increase Cost Projections

On a large, complex project in South America, the project team was reestimating the project cost and schedule projections after the project design was complete. The team was also conducting a new risk analysis, and the results of the cost and schedule projections, together with the risk analysis, provided the client with better cash flow projections. Early in the process, the project team understood that the cost projections would significantly increase, and the final project cost would be significantly above the contingency set aside for the project.

The client looked for an early indication of the results of the analysis, and the project manager kept reporting it was too early to know. The project team debated how much contingency the project needed and how to inform the client. When the client was told the results of the cost projections, the response was a combination of frustration and anger. The project manager was removed from the project and a new project manager assigned.

The project manager should have dealt with the increased cost of the project early on. When first indications suggested that estimates were low and several items in the budget needed extra funds, the project manager should have had conversations with the client. Including one or more members of the client's team in the reevaluation effort would have kept the client informed of the progress regularly and built trust in the new numbers. The project team could have offered suggestions and contributed to possible solutions for addressing the concerns that were developing, as costs were higher than expected. Dealing openly and early with the client is critical to client satisfaction.

Provide Mechanisms for Revisiting Major Decisions and Issues

The project environment moves fast, and decisions are made and implemented to keep pace. Decisions made in the conceptual phase of the project seem less effective during the design phase. It is not that the decision was necessarily wrong; based on the data at the time, most decisions are understandable. With new information, it is sometimes important to revisit and change decisions made earlier in the project. As obvious as this sounds, many project teams are reluctant to challenge earlier decisions. Without a mechanism in place to revisit decisions, decisions may be seen as final. This sense of finality may slow down the decision-making process to make sure every decision is right. Delays in decisions can put activities behind schedule and affect the project completing on time.

Mechanisms for revisiting decisions are similar to project change orders. Similar to a change order, a request to revisit a decision must be initiated by someone on the team. The formality of methods used by the project to revisit a decision depends on the complexity profile of the project. On less complex projects, an informal discussion in project meetings can develop the awareness that a decision needs to be revisited. On more complex projects, the action item register and the weekly project meetings provide a venue for revisiting decisions.

Sometimes people asked that decisions be revisited because they did not like the decision that was made.

Revisiting Decisions

On an engineering project, the electrical design schedule was changed to support the completion of the activities on the critical path by a project milestone date. The change increased the number of hours needed to complete the work because of the change in work processes. The project manager accepted the costs of the change to achieve the milestone date, but the manager of the electrical engineering team objected because the change would cause their part of the job to exceed the budgeted amount. The project manager decided not to revisit the decision because no new information was available that would cause the decision to change.

Clients are often involved in major decisions on the project. For example, if the project invested another million dollars, the project could be completed a month early. The client will conduct the cost-benefit analysis and decide if the extra expense is worth the gain in time. Once this decision is made, the necessary changes are made in the execution plan and new goals are established through the change management process. Later, for reasons outside the control of the project, the project will not experience the time savings from the additional investment of funds. It is important to revisit the decision. A culture that encourages project team members to bring up the need for revisiting decisions and a mechanism that makes it easy to surface issues and concerns will increase the likelihood that these issues will come to the attention of the management team.

Vendor Decision Not Revisited

On a major pharmaceutical project in Ireland, a United States–based company was building a new plant to produce a new drug, and the priority was completing the plant to get the drug to the marketplace. The client was involved in the process to select major equipment, and after an expedited bidding process, an equipment vendor was selected for a critical piece of the plant equipment. Later, members of the project team learned that this vendor was overcommitted, and there was a high risk that the vendor would not be able to meet the schedule dates. Because it was the client's decision, the project leadership was not warned of the possible risk. Weeks later, the vendor began missing critical dates, and the leadership became aware of the risks.

Establishing a culture and a mechanism for revisiting project decisions is important for meeting client expectations.

Emergency Button

An experienced project manager came up with a clever idea to enable his clients to capture the attention of the project team. He gave the client's team a bright red index card and said, "This is your emergency button." The card was a symbol. It empowered the client with the ability to capture the complete attention of the project team. When the client presented the red button, the project manager instantly stopped current activities and focused on the client. The red button meant the project leadership focused on understanding the issue or concern presented by the client and developing project priorities to meet the client's concerns.

> Although the red button was rarely used, it gave a sense of power to the client and communicated that the client was important. One project manager used the “red button” on four projects, and on two of the projects the card was never used. On one project, the client used the card to get the project ready for a visit from the client’s boss, and on the fourth project, the client used the card often. Although the project manager believed the card was overused to get the total attention of the project leadership team, he never regretted providing the client with the card. The “red button” card provided them a method to distinguish the really important needs of the client.

Key Takeaways

- Determine who should be included in decisions for each category using a decision matrix
- Decide at what level of problem the client should be involved by discussing the threshold with the client. Involve the client early in the process to give them a chance to contribute to the solution before the problem gets worse.
- Decide what criteria to use to determine when a decision should be revisited. Additional information that is developed during the design and planning phase can require that decisions made during the conceptual phase need to be reconsidered.

Exercises

1. A table that displays who should be included in making different types of decisions is a decision _____.
2. A client should be involved in decisions _____ in the process of dealing with a problem.
3. Information that is developed in the planning phase can require reconsidering decisions that were made in the _____ phase.
4. Describe a responsibility matrix and how it is used.
5. Why is it important to inform a client early in the process of resolving a problem?
6. Why should earlier decisions be revisited?

Threshold for Client Involvement

- Consider a project with which you are familiar where the client was not included in making day-to-day decisions. Describe a type of problem that would be too small to take to the client for input and another problem that would be just large enough to require client involvement. If you were trying to communicate the reasons for your decision to another team member, describe the threshold that had to be crossed for the second problem to qualify for client involvement.

This page titled 3.2: Dealing with Problems is shared under a CC BY-NC-SA license and was authored, remixed, and/or curated by Anonymous.

- **4.3: Dealing with Problems** by Anonymous is licensed CC BY-NC-SA 4.0. Original source: https://2012books.lardbucket.org/books/beginning-project-management-v1.0/.

3.3: Reading- Common Ethical Issues in Marketing

Let's start by taking at look at a hypothetical business situation:

Examples

You're a member of the marketing team for a B2B company that sells software to restaurants. Your product is a point-of-sale system that manages orders, menus, and staff scheduling. While it generally works well, there are sometimes glitches that cause it to drop orders, and the system goes down more often than you would like. You are marketing the system to a major restaurant chain, and they've asked for a list of references from current customers. The marketing and sales teams sit around a table reviewing the current customer list trying to decide which references to provide. First, the team screens out those who have complained most vocally about the glitches with the product. There is one customer who told his account manager, "These thing happen with all systems," so the team thinks he would be a good reference. There's also a new customer who started using the system recently and hasn't yet experienced the system down time that other customers have. The team selects that restaurant, as well, and prepares to send the two names to the sales prospect.

Question

Is that ethical? Is it fair and honest to cherry-pick the customer references, selecting only the ones that are unlikely to share negative experiences about your product? To be sure, there's a range of customer feedback, and not all of it is positive. Are you expected to give a full picture of customers' experience—warts and all—so the restaurant chain will know exactly what it's buying?

Answer

In general, when prospective customers request customer references, they expect to receive favorable ones, and doing so is not a violation of their trust. It's a lot like a prospective employer's request for a job candidate's work references. When you're marketing yourself for a new job, you name the references who are most likely to report your talents and strengths—you don't include a crabby boss who never had good things to say about anyone.

The question becomes more challenging when the customer relationship is more complicated. In every case—even the simplest—it's a judgment call. Suppose your company compensates customers for providing references. A company might give some small thank-you gift to acknowledge that taking reference calls requires time, and that the company appreciates the client's support. Is that unethical? Possibly. On one hand, it's reasonable and desirable to express your appreciation to the customer, since part of maintaining the customer relationship is letting customers know that you value them and their time. On the other hand, there's a risk, especially if the gift is large, that the customer might be influenced or even induced to give your company or product a favorable review. There is a point where the compensation begins to distort the customer dialogue and relationship, and then it's clearly unethical—and if you're *inducing* a customer to alter their behavior in exchange for a gift, it's bribery.

Marketing professionals face regularly face questions of this kind. Where the organization appreciates a close partnership with a client, a thank-you gift may well be appropriate. The challenge is to choose one of the right size that expresses appreciation but

doesn't compromise the integrity of the client or the marketing organization.

Below is a list that shows how marketing professionals responded to a survey on the most difficult ethical issues they face.[1]

Most Difficult Ethical Issues Marketing Professionals Face

- 15% of marketing professionals say bribery is the most difficult ethical issue
  - Gifts from outside vendors, payment of questionable commissions, "money under the table"
- 14% of marketing professionals say fairness is the most difficult ethical issue
  - Unfairly placing company interests over family obligations, taking credit for the work of others, inducing customers to use services not needed, manipulation of others
- 12% of marketing professionals say honesty is the most difficult ethical issue
  - Lying to customers to obtain orders, misrepresenting services and capabilities
- 12% of marketing professionals say price is the most difficult ethical issue
  - Differential pricing, charging higher prices than firms with similar products while claiming superiority
- 11% of marketing professionals say product is the most difficult ethical issue
  - Product safety, product and brand infringement, exaggerated performance claims, products that do not benefit consumers
- 10% of marketing professionals say personnel is the most difficult ethical issue
  - Firing, hiring, employee evaluation
- 5% of marketing professionals say confidentiality is the most difficult ethical issue
  - Temptations to use or obtain classified, secret, or competitive information
- 4% of marketing professionals say advertising is the most difficult ethical issue
  - Crossing the line between exaggeration and misrepresentation, misleading customers
- 4% of marketing professionals say manipulation of data is the most difficult ethical issue
  - Falsifying figures or misusing statistics or information, distortion

Notice that many of the responses include watchwords like "questionable," "exaggerated," "distortion," and "crossing the line." In marketing, the greatest challenge is to influence the behavior of the target customer (by getting them to buy) without violating the customer's trust or acting unethically. With the rise of social media, customers are in a much better position to share frank evaluations of products and services publicly, and this gives marketers a new means of capturing unbiased customer feedback. (It also opens the door to the problem of "fake customer reviews," but that's another issue.)

---

1. Lawrence B. Chonko and Shelby D. Hunt, "Ethics and Marketing Management: An Empirical Examination," *Journalof Business Research*, Vol. 13, 1985, pp. 339–359. ↵

Contributors and Attributions

CC licensed content, Original

- Common Ethical Issues in Marketing. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

CC licensed content, Shared previously

- Table from Chapter 5: External Considerations in Marketing, in Core Concepts of Marketing. **Authored by**: John Burnett. **Located at**: http://www.saylor.org/site/wp-content/uploads/2012/11/Core-Concepts-of-Marketing.pdf. **License**: *CC BY: Attribution*
- Tablet POS. **Authored by**: Travelarz. **Provided by**: Wikimedia. **Located at**: https://commons.wikimedia.org/wiki/File:Tablet_POS_HORECA13.jpg. **License**: *CC BY-SA: Attribution-ShareAlike*

3.3: Reading- Common Ethical Issues in Marketing is shared under a CC BY license and was authored, remixed, and/or curated by LibreTexts.

- **5.23: Reading- Common Ethical Issues in Marketing** by Lumen Learning is licensed CC BY 4.0. Original source: https://courses.lumenlearning.com/waymakerintromarketingxmasterfall2016.

CHAPTER OVERVIEW

4: Examine the activities associated with developing and building customer relationships

4.1: Customer Service Skills
4.2: Knowing your customers
4.3: Reaching the Customer

4: Examine the activities associated with developing and building customer relationships is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

4.1: Customer Service Skills

Regardless of the role or she fills, all IT professionals who work in schools should be expected to demonstrate excellent customer service skills. “Customer service” is not a term commonly associated with education professionals, but they are skills needed for those who are providing technology support. Exactly what is meant by customer service also depends, but—in general—users and managers recognize those who can identify problems and can resolve them quickly and with a pleasant disposition as having good customer service skills.

Individuals identified as demonstrating good customer serviced skills typically have excellent knowledge of the systems or products they are supporting. In addition, they have the capacity to resolve problems in creative and flexible manners, especially when the standard methods prove ineffective. Together, these elements of customer service represent professional knowledge that can be applied efficiently and effectively.

In addition, those with good customer service skills have patient and empathetic personalities. This nature allows them to listen carefully so that they clearly and accurately understand the problem being presented and they recognize its importance. They also avoid the temptation to blame the use for problems with the computer. At the same time, a technician with good customer service skills will see problem solving and troubleshooting as an opportunity to teach the user strategies for avoiding similar problem and resolving them with independence if they arise.

Regardless of the role an IT professional plays in a school, good customer service skills are important. Improving these will increase the efficiency and effectiveness of IT support systems.

This page titled 4.1: Customer Service Skills is shared under a CC BY-NC-SA license and was authored, remixed, and/or curated by Gary Ackerman.

- **7.5: Customer Service Skills** is licensed CC BY-NC-SA 4.0. Original source: http://www.hackscience.net.

4.2: Knowing your customers

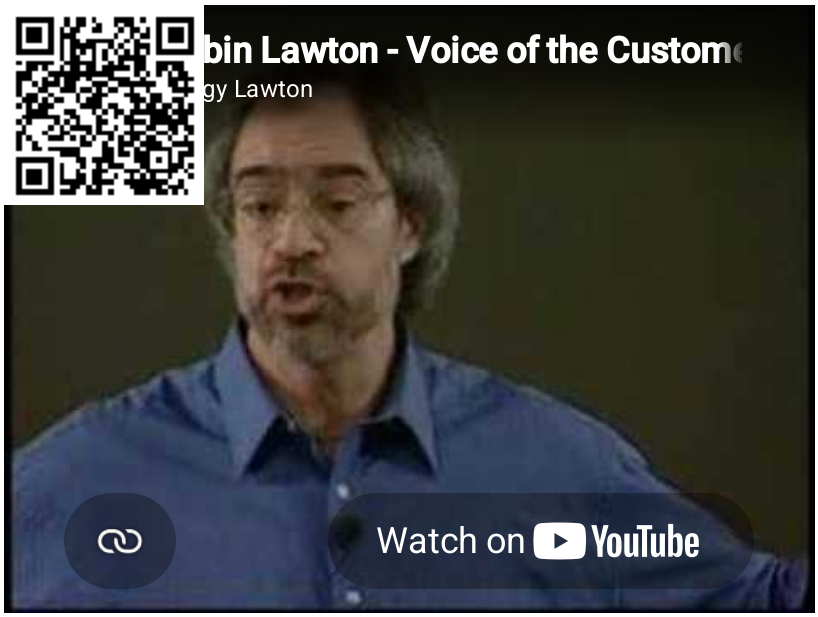
Learning Objectives

1. Understand that in order to provide customer value, firms must be able to listen to the voice of the customer.
2. Comprehend that businesses must attempt to identify those customers' needs that are not being met by competitors.
3. Understand that businesses should segment their customers to better meet their needs.
4. Understand that businesses should consider the lifetime value of their various customer segments.
5. Understand that although some businesses can create products and services based on their intuitive insights, others need to conduct careful analyses.
6. Comprehend that new product or service development requires that organizations support creativity and innovation.

The perceived value proposition offers a significant challenge to any business. It requires that a business have a fairly complete understanding of the customer's perception of benefits and costs. Although market segmentation may help a business better understand some segments of the market, the challenge is still getting to understand the customer. In many cases, customers themselves may have difficulty in clearly understanding what they perceive as the benefits and costs of any offer. How then is a business, particularly a small business, to identify this vital requirement? The simple answer is that a business must be open to every opportunity to listen to the **voice of the customer (VOC)**. This may involve actively talking to your customers on a one-to-one basis, as illustrated by Robert Brown, the small business owner highlighted at the beginning of this chapter. It may involve other methods of soliciting feedback from your customers, such as satisfaction surveys or using the company's website. Businesses may engage in market research projects to better understand their customers or evaluate proposed new products and services. Regardless of what mechanism is used, it should serve one purpose—to better understand the needs and wants of your customers.

Video Clip 4.2.1:

Robin Lawton—Voice of the Customer—What Do Customers Value?



International Management Technologies introduces Robin Lawton on the topic of "What Do Customers Value?"

Video Clip 4.2.2:

Robin Lawton—Voice of the Customer—Basis for Satisfaction Keynote

The customer-centered organization begins the transformation process by understanding how to uncover and understand the VOC.

Research

The chapter on"Marketing Basics" of this text will focus on the topic of marketing for small business. Naturally, it will include significant materials on the subject of market research. In this section, the focus will be on how a business may gain better insight into what constitutes the benefits and the costs for particular customers. It will take a broad view and leave the details of market research for "Marketing Basics".

Good research in the area of customer value simply means that one must stop talking to the customer—talking through displays, advertising, and/or a website. It means that one is always open to listening carefully to the VOC. Active listening in the service of better identifying customer value means that one is always open to the question of how your business can better solve the problems of particular customers.

If businesses are to become better listeners, what should they be listening for? What types of questions should they be asking their customers? Businesses should address the following questions when they attempt to make customer value the focus of their existence:

- What needs of our customers are we currently meeting?
- What needs of our customers are we currently failing to meet?
- Do our customers understand their own needs and are they aware of them?
- How are we going to identify those unmet customer needs?
- How are we going to listen to the VOC?
- How are we going to let the customer talk to us?
- What is the current value proposition that is desired by customers?
- How is the value proposition different for different customers?
- How—exactly—is our value proposition different from our competitors?
- Do I know why customers have left our business for our competitors?

Who Your Customer Is—and Is Not

At the beginning of this chapter, it was argued that your central focus must be the customer. One critical way that this might be achieved is by providing a customer with superior value. However, creating this value must be done in a way that assures that the business makes money. One way of doing this is by identifying and selecting those customers who will be profitable. Some have put forth the concept of **customer lifetime value**, a measure of the revenue generated by a customer, the cost generated for that particular customer, and the projected retention rate of that customer over his or her lifetime.Jack Schmid, “How Much Are Your Customers Worth?,” *Catalog Age* 18, no. 3 (2001): 63.Jonathon Lee and Lawrence Feick, “Cooperating Word-of-Mouth Affection Estimating Customer Lifetime Value,” *Journal of Database Marketing and Customer Strategy Management* 14 (2006): 29.

This concept is popular enough that there are lifetime value calculator templates available on the web. The Harvard Business School created the calculator used in Exercise 2.1. It looks at the cost of acquiring a customer and then computes the **net present**

value of the customer during his or her lifetime. Net present value discounts the value of future cash flows. It recognizes the time value of money. You can use one of two models: a simple model that examines a single product or a more complex model with additional variables. One of the great benefits in conducting customer lifetime value analysis is combining it with the notion of market segmentation. The use of market segmentation allows for recognizing that certain classes of customers may produce significantly different profits during their lifetimes. Not all customers are the same.

Let us look at a simple case of segmentation based on behavioral factors. Some customers make more frequent purchases; these loyal customers may generate a disproportionate contribution of a firm's overall profit. It has been estimated that only 15 percent of American customers have loyalty to a single retailer, yet these customers generate between 55 percent and 70 percent of retail sales."Loyalty Promotions," *Little & King Integrated Marketing Group*, accessed December 5, 2011, www.littleandking.com/white_papers/loyalty_promotions.pdf. Likewise, a lifetime-based economic analysis of different customer segments may show that certain groups of customers actually cost more than the revenues that they generate.

Having segmented your customers, you will probably find that some require more handholding during and after the sale. Some customer groups may need you to "tailor" your product or service to their needs."Determining Your Customer Perspective—Can You Satisfy These Customer Segments?," *Business901.com*, accessed October 8, 2011, business901.com/blog1/determining-your-customer-perspective-can-you-satisfy-these-customer-segments. As previously mentioned, market segmentation can be done along several dimensions. Today, some firms use data mining to determine the basis of segmentation, but that often requires extensive databases, software, and statisticians. One simple way to segment your customers is the customer value matrix that is well suited for small retail and service businesses. It uses just three variables: recency, frequency, and monetary value. Its data requirements are basic. It needs customer identification, the date of purchase, and the total amount of purchase. This enables one to easily calculate the average purchase amount of each customer. From this, you can create programs that reach out to particular segments.Claudio Marcus, "A Practical yet Meaningful Approach to Customer Segmentation," *Journal of Consumer Marketing* 15, no. 5 (1998): 494.

Video Clip 4.2.3:

Customer Lifetime Value

Jack Daly presents the "client for life" concept, featuring Continuity Programs BCL programs of customer loyalty outsourced service.

Video Clip 4.2.4:

Lifetime Customer Value

Patrick McTigue explains how critical the lifetime value of a customer is to your business. He covers some tips to integrate superb customer service into your business model.

What Your Gut Tells You

The role of market research was already discussed in this chapter. For many small businesses, particularly very small businesses, formal market research may pose a problem. In many small businesses, there may be a conflict between decision making made on a professional basis and decision making made on an instinctual basis.Malcolm Goodman, "The Pursuit of Value through Qualitative Market Research," *Qualitative Market Research: An International Journal* 2, no. 2 (1999): 111. Some small business owners will always decide based on a gut instinct. We can point to many instances in which gut instinct concerning the possible success in product paid off, whereas a formal market research evaluation might consider the product to be a nonstarter.

In 1975, California salesman Gary Dahl came up with the idea of the ideal pet—a pet that would require minimal care and cost to maintain. He developed the idea of the pet rock. This unlikely concept became a fad and a great success for Dahl. Ken Hakuta, also known as Dr. Fad, developed a toy known as the Wallwalker in 1983. It sold over 240 million units."What Are Wacky WallWalkers?," *DrFad.com*, accessed December 2, 2011, www.drfad.com/fad_facts/wallwalker.htm. These and other fad products, such as the Cabbage Patch dolls and Rubik's Cube, are so peculiar that one would be hard pressed to think of any marketing research that would have indicated that they would be viable, let alone major successes.

Sometimes it is an issue of having a product idea and knowing where the correct market for the product will be. Jill Litwin created *Peas a Pie Pizza*, which is a natural food pizza pie with vegetables baked in the crust. She knew that the best place to market her unique product would be in the San Francisco area with its appreciation of organic foods.Susan Smith Hendrickson, "Mining Her Peas and Carrots Wins Investors," *Mississippi Business Journal* 32, no. 21 (2010): S4.

This notion of going with one's gut instinct is not limited to fad products. Think of the birth of Apple Computer. The objective situation was dealing with a company whose two major executives were college dropouts. The business was operating out of the garage of the mother of one of these two executives. They were producing a product that up to that point had only a limited number of hobbyists as a market. None of this would add up to very attractive prospect for investment. You could easily envision a venture capitalist considering a possible investment asking for a market research study that would identify the target market(s) for its computers. None existed at the company's birth. Even today, there is a strong indication that Apple does not rely heavily on formal marketing research. As Steve Jobs put it,

It's not about pop culture, it's not about fooling people, and it's not about convincing people that they want something they don't. We figure out what we want. And I think we're pretty good at having the right discipline to think through whether a lot of other people are going to want it, too. That's what we get paid to do. So you can't go out and ask people, you know, what's the next big [thing.] There is a great quote by Henry Ford, right? He said, "If I had asked my customers what they wanted, they would've told

me ‘A faster horse.’”Alain Breillatt, “You Can’t Innovate Like Apple,” *Pragmatic Marketing* 6, no. 4, accessed October 8, 2011, www.pragmaticmarketing.com/publications/magazine/6/4/you_cant_innovate_like_apple.

The Voice of the Customer—QFD

Quality function deployment (QFD) is an approach that is meant to take the VOC concept seriously and uses it to help design new products and services or improve existing ones. It is an approach that was initially developed in Japan for manufacturing applications. It seeks “to transform user demands into design quality, to deploy the functions forming quality, and to deploy methods for achieving the design quality into subsystems and component parts, and ultimately to specific elements.”Yoji Akao, *Quality Function Deployment: Integrating Customer Requirements into Product Design* (New York: Productivity Press, 1990), 17. To put it more clearly, QFD takes the desires of consumers and explores how well the individual activities of the business are meeting those desires. It also considers how company activities interact with each other and how well the company is meeting those customer desires with respect to the competition. It achieves all these ends through the means of a schematic; see Figure 4.2.1: , which is known as the house of quality. The schematic provides the backbone for the entire QFD process. A comprehensive design process may use several houses of quality, moving from the first house, which concentrates on the initial specification of customer desires, all the way down to developing a house that focuses on the specification for parts or processes. Any house is composed of several components:

- **Customer requirements (the *whats*).** Here you identify the elements desired by customers; this section also contains the relative importance of these needs as identified by customers.
- **Engineering characteristics (the *hows*).** This is the means by which an organization seeks to meet customer needs.
- **Relationship matrix.** This illustrates the correlations among customer requirements and engineering characteristics. The degree of the correlation may be represented by different symbols.
- **“Roof” of the house.** This section illustrates the correlations among the engineering characteristics and reveals synergies that might exist among the engineering characteristics.
- **Competitive assessment matrix.** This is used to evaluate the position of a business with respect to its competition.
- **“Basement.”** This section is used for assessing the engineering characteristics or setting target values. The “basement” enables participants to instantly see the relative benefits of the activities undertaken by a company in meeting consumer desires by multiplying the values in each cell by the weight of the “why” and then adding the values together.

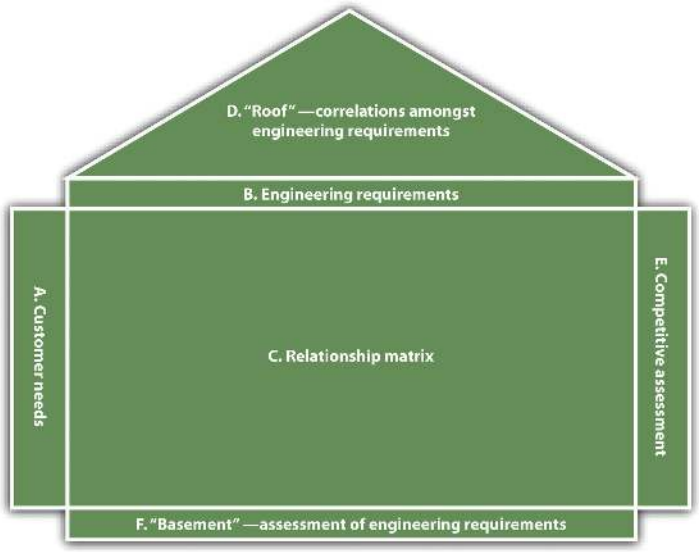
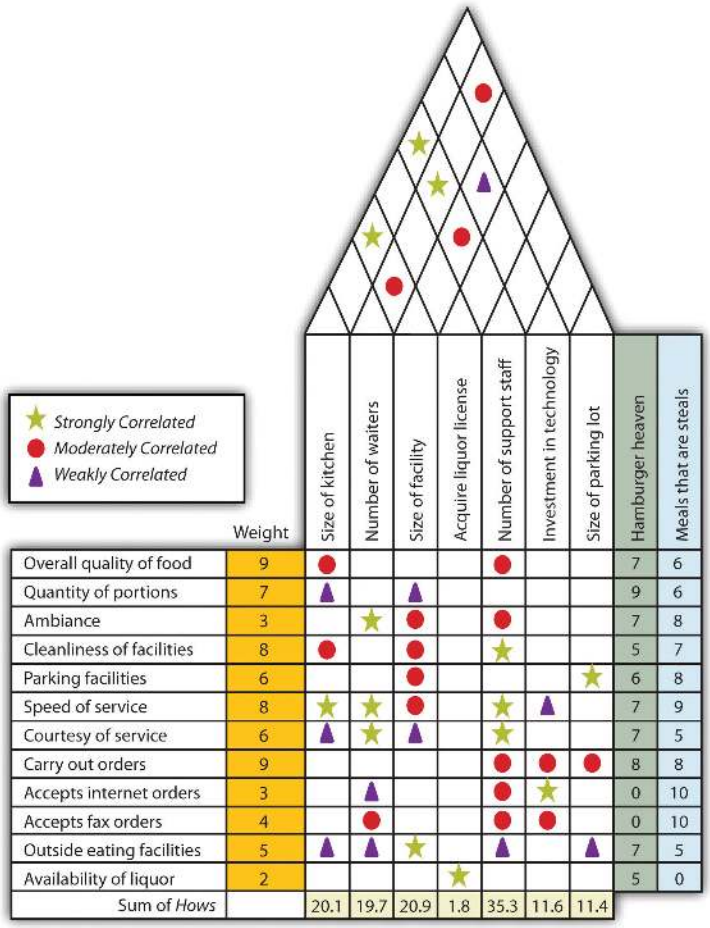


Figure 4.2.1: House of Quality

Although it might initially appear to be complex, QFD provides many benefits, including the following: (1) reduces time and effort during the design phase, (2) reduces alterations in design, (3) reduces the entire development time, (4) reduces the probability of inept design, (5) assists in team development, and (6) helps achieve common consensus.Gerson Tontini, “Deployment of Customer Needs in the QFD Using a Modified Kano Model,” *Journal of the Academy of Business and Economics* 2, no. 1 (2003).

Unfortunately, QFD is most often associated with manufacturing. Few realize that it has found wide acceptance in many other areas—software development, services, education, amusement parks, restaurants, and food services. (For examples of these applications of QFD, go to http://www.mazur.net/publishe.htm.) Further, company size should not be seen as a limitation to its possible application. The QFD approach, in a simplified form, can be easily and successfully used by any business regardless of its size.Glen Mazur, "QFD for Small Business: A Shortcut through the Maze of Matrices" (paper presented at the Sixth Symposium on Quality Function Deployment, Novi, MI, June 1994). Its visual nature makes it extremely easy to comprehend, and it can convey to all members of the business the relative importance of the elements and what they do to help meet customers' expectations. Figure 4.2.2: illustrates this by providing a simplified house of quality chart for a restaurant.

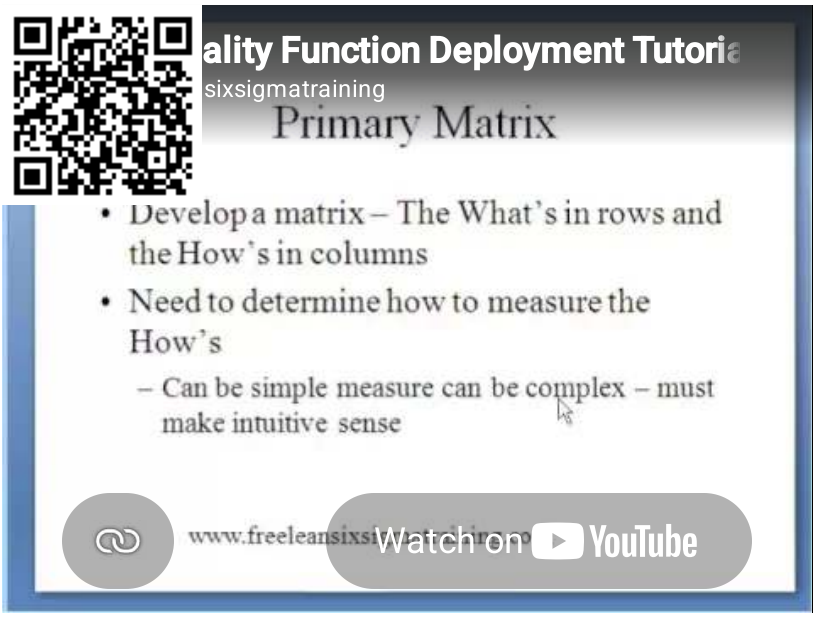


	Weight	Size of kitchen	Number of waiters	Size of facility	Acquire liquor license	Number of support staff	Investment in technology	Size of parking lot	Hamburger heaven	Meals that are steals
Overall quality of food	9	●				●			7	6
Quantity of portions	7	▲		▲					9	6
Ambiance	3		★	●		●			7	8
Cleanliness of facilities	8	●		●		★			5	7
Parking facilities	6			●				★	6	8
Speed of service	8	★	★	●		★	▲		7	9
Courtesy of service	6	▲	★	▲		★			7	5
Carry out orders	9					●	●	●	8	8
Accepts internet orders	3		▲			●	★		0	10
Accepts fax orders	4		●			●	●		0	10
Outside eating facilities	5	▲	▲	★		▲		▲	7	5
Availability of liquor	2				★				5	0
Sum of *Hows*		20.1	19.7	20.9	1.8	35.3	11.6	11.4		

Figure 4.2.2: Simplified House of Quality for a Restaurant

Video Clip 4.2.5:

Quality Function Deployment Tutorial



This gives a brief overview of QFD.

QFD Analysis and Excel

Some companies provide Excel-based software that can assist in conducting a QFD analysis. This shows a template in the QI Macros software to help structure your thinking, making sure nothing is left out. For more information and to download a 30-day trial of the QI Macros, including the QFD template, see www.qimacros.com/six-sigma-articles.html.

How to Become a Better Listener

Although some succeed by listening to their instincts—their inner voices—it is highly advisable to all businesses to be proactive in trying to listen to the VOC. Listening to the customer is the domain of market research. However, it should not be surprising that many small businesses have severe resource constraints that make it difficult for them to use complex and sophisticated marketing and market research approaches.David Carson, Stanley Cromie, Pauric McGowan, Jimmy Hill, *Marketing and Entrepreneurship in Small and Midsize Enterprises* (Hemel Hempstead, UK: Prentice-Hall, 1995), 108. To some extent, this is changing with the introduction of powerful, yet relatively low cost, web-based tools and social media. These will be discussed in greater detail in Section 2.4.2 "Digital Technology and E-Environment Implications" of this chapter. Another restriction that a small business may face in the area of marketing is that the owner's marketing skills and knowledge may not be very extensive. The owners of such firms may opt for several types of solutions. They may try to mimic the marketing techniques employed by larger organizations, drawing on what was just mentioned. They may opt for sophisticated but easy to use analytical tools, or they may just simply take marketing tools and techniques and apply them to the small business environment.Malcolm Goodman, "The Pursuit of Value through Qualitative Market Research," *Qualitative Market Research: An International Journal* 2, no. 2 (1999): 111.

The most basic and obvious way to listen to customers is by talking to them. All businesses should support programs in which employees talk to customers and then record what they have to say about the product or the service. It is important to centralize these observations.

Other ways of listening to customers are through comment cards and paper and online surveys. These approaches have their strengths and limitations (see Note 2.31 "Video Clip 2.11"). Regardless of these limitations, they do provide an insight into your customers. Another way one can gather information about customers is through loyalty programs. Loyalty programs are used by 81 percent of US households.Shallee Fitzgerald, "It's in the Cards," *Canadian Grocer* 118, no. 10 (2004/2005): 30. Social media options—see Section 2.4.2 "Digital Technology and E-Environment Implications"—offer a tremendous opportunity to not only listen to your customer but also engage in an active dialog that can build a sustainable relationship with customers.

Video Clip 4.2.6:

Listen to Your Customers and Express How Much You Care

This video details how easy and simple it is to show that you listen to your customers and care about them.

Video Clip 4.2.7:

Ask, Listen, and Retain Video #4: Listening and Analyzing What Your Customers Say?

This is the fourth in a series of videos on listening to customers. This video covers how to analyze any disengaged or disgruntled customers. Once a customer is identified, our process ensures that action is taken to reengage the customer by dealing with the concerns at hand. But most importantly, the process encourages the development of a relationship between the customer and branch level management.

Website

Cisco Website for Innovation

A web forum for small businesses to share information: communities.cisco.com/community/technology/collaboration/business/blog/tags/innovation.

Exercises

1. The Harvard Business School provides an online customer lifetime value calculator at hbsp.harvard.edu/multimedia/flashtools/cltv/index.html. You provide some key values, and it computes the net present value of customer purchases. Go to the site and use the following data. What impact does changing the customer retention have on the value of the customer?

Average spent per purchase	$250.00
Average number of purchases per period	4
Direct marketing cost per period per year	$30
Average gross margin	20%
Average retention rate	**25%, 35%, 50%, 70%, 80%, and 90%**
Annual discount rate	10%

2. Imagine you are planning to open a boutique clothing store in the downtown section of a major city in the United States. You are interested in using a QFD chart to help you design the store. Identify the customer requirements (*whats*) in the engineering characteristics (*hows*). You need not to conduct a full-blown QFD analysis but at least show the degree of relationship between customer requirements and engineering characteristics.
3. You are the owner of a children's clothing store in a prosperous suburban community. What methods and techniques might you use to become more adept at listening to the VOC? Outline specific programs that go beyond just talking to your customer that might enable you to better understand their notion of value.

This page titled 4.2: Knowing your customers is shared under a CC BY-NC-SA license and was authored, remixed, and/or curated by Anonymous.

- **2.3: Knowing your customers** by Anonymous is licensed CC BY-NC-SA 3.0. Original source: https://2012books.lardbucket.org/books/modern-management-of-small-businesses/.

4.3: Reaching the Customer

Reaching the Customer

Where to sell

You may have figured out who your customers are and what they like, but now you have to figure out how your product will get into their hands. That means determining where your customers buy items like yours, or how they would buy them if they could. Some of the options are:

- On the shelf of a store
- Online
- Through a distributor
- In a catalog
- Directly from a salesperson

In deciding among your options, consider how your customers will recognize the value of your product, whether the conditions will be favorable for purchasing, and what it will cost you. Direct sales methods enable you (or a salesperson working for you) to tailor the message to the individual customer and allow you to answer questions and get feedback during the sales process. But be aware: using one-on-one techniques are expensive. Catalogs and websites might be cheaper options, but they make connecting with individual customers more difficult. Your sales methods should be appropriate for the complexity of the product and the message you are trying to convey.

Products are easier to sell when consumers clearly recognize their benefits. Buyers may resist buying your product if you try to make them alter their habits. Greater convenience, lower cost, or higher quality can convince customers to change their buying behavior. In fact, some businesses are successful simply because they sell something in a different way (like Amazon.com and eBay). You should weigh the tradeoffs when you consider any distribution choice that requires the customer to think differently or take a risk.

Links in the chain

There might be many links between you and the ultimate customer. This means you will have more than one type of customer—such as a distributor or salesperson—that you have to think about. Your product has to create value for them, too.

Examples of these links in the chain include distributors, Value Added Resellers (VARs) and Value Added Distributors (VADs), Systems Integrators (SIs), Manufacturer's representatives, Original Equipment Manufacturers (OEMs), and strategic partners. See the glossary at the back of the book for more information on each of these middle men.

Every one of the above will want its own profits, so consider the benefits your products will gain from intermediaries. Understanding their incentives is the key to building the right relationships. You don't want the layers to make it harder to connect with your customer. Offer intermediaries a compelling value so they will be as aggressive selling your product as you would be. Find out how you can benefit from their customer relationships and market knowledge in return.

What to charge

The price of your product is, of course, extremely important. Price too high and few will buy, price too low and you lose money. Pricing is also a form of communication between you and your customer; price it wrong, and the customer might come away with a bad impression of you and your product. Consider the following factors in pricing your product:

Willingness to pay

Think about how many customers you will gain if you lower the price, or how many you will lose if you raise the price. Be careful about the distinction between "worth" and "willingness to pay." Just because people tell you that they think the product is worth $50 doesn't mean they'll actually buy it at that price.

Cost To make a profit, you must charge the customer more than it costs you to make the product. That's obvious. But also consider all of the mark-ups through the chain before the product gets to your customer. Salespeople, distributors, retail outlets, and all the other links in the chain need to make a profit too.

Competing products Consider what alternatives the customer has and how your price will influence his buying decision.

Sticker shock This is when someone looks at the price of a product and says, “No way I’d buy at that price!” Different markets have different sticker shock points (writing utensils vs. cars, for instance). Know your market’s sticker shock point.

Perfect for you or the customer?
The product is supposed to satisfy the customer. That means if the cost of making the product exceeds the price that your customers will pay for it, you must rework it. You may have to find alternative solutions to the problems you solved in the design phase. If that doesn’t work, consider what features are least important to the customer and cut costs by weakening or eliminating them. This process may be frustrating, but for a product to be viable in the market, the design and the price have to be desirable to the customer.

A low-risk distribution model for a start-up

Fluent Systems found an effective model for product distribution. The Fluent E-Team, originally formed at the University of Madison Wisconsin, devised the Wireless NH3 Monitor to help farmers apply ammonia nitrate fertilizer more efficiently to fields. The team relied on free product publicity provided by trade journal articles to pique the interest of end users. They then made the product available to consumers through a network of distributors. In the end, after less than a year of product sales, Fluent sold to Raven Industries for $1 million.

Fluent president Chad Sorenson says that in the product’s first season, a handful of fertilizer dealers were offered exclusive regional distributorship of the NH3 Monitor. In exchange, these distributors were required to purchase a minimum inventory of monitors. Sorenson says, “We had the luxury of selling a product not available anywhere else. If you create a product of value and you’re convinced that distributors will make money, you have some bargaining power, even though you’re a small producer. We wanted our distributors to have a vested interest in moving the product like we did. If we had distributed the units on a consignment basis, our distributors wouldn’t have had any stake, and we would have had to finance our own inventory.

Diversification = Survival

In 1999, former economics professor and entrepreneur Dick Sabot co-founded eZiba, an e-commerce company selling handcrafted products made by individuals in the developing world. After the dotcom bubble burst, eZiba was listed by Forrester Research as one of the companies that would not only survive but benefit from the Darwinian shakeout (along with amazon.com, Wal-Mart and e-Bay). Why the success? Sabot points to the fact that eZiba didn’t remain exclusively an e-commerce business for long. As soon as possible, the company diversified its channels, reaching the customer through an award-winning catalog and retail stores on top of the website. Says Sabot:

“EZiba was one of the first e-commerce businesses to recognize it needed to go multi-channel. We had to find ways to generate traffic, and the portal sites just weren’t doing the job. So we experimented with a catalog that would arouse people’s interest in eZiba and bring them to the website; the catalog worked well and became increasingly cost-effective. Then the opportunity to expand into brick and mortar stores presented itself, and we jumped on it. So we now view ourselves as a multi-channel retailer. There is an online side to the business, but there’s also the catalog—millions of copies of which are distributed every year to households all over the country. The catalog is the biggest driver of eyeballs to the website and the biggest driver of business overall, so we’re very much a multi-channel retailer.”

Having a company with social goals also went a long way in ensuring eZiba’s durability. “Our customers are very aware that not only are they are buying beautiful products at good prices, but when they buy one of these products they’re also having a positive impact on a low-income community,” says Sabot. “One of the reasons eZiba has been so successful is because it’s offering a positive and potentially quite large social rate of return on investment.”

Sabot says the future is bright for other companies with social aims. “I believe that as the buying public becomes more sophisticated, social responsibility will increase profitability because the public will vote with its dollars for products they view as socially responsible. So in terms of generating demand and a marketing message, I think being socially responsible as we move ahead is going to be a big plus.”

This page titled 4.3: Reaching the Customer is shared under a CC BY-SA license and was authored, remixed, and/or curated by Wikipedia.

- **2.3: Reaching the Customer** by Wikipedia is licensed CC BY-SA 4.0. Original source: https://en.wikibooks.org/wiki/Getting_Started_as_an_Entrepreneur.

CHAPTER OVERVIEW

5: Define the role of management and workers as it relates to customer service

5.1: Module 15- Customer Service Strategies

5.1.1: Why It Matters- Customer Service Strategies

5.1.2: Introduction to Customer Service Strategies

5.1.3: Customer Service

5.1.4: Customer Profiles

5.1.5: Offered Services

5.1.6: Personalized vs. Standardized Service

5.1.7: Introduction to the Customer Evaluation Process

5.1.8: Perception vs. Expectation

5.1.9: Service Quality Perceptions

5.1.10: Customer Expectations

5.1.11: Introduction to the Gap Model of Service Quality

5.1.12: Gap 1- Customer Expectation vs. Management Perception

5.1.13: Gap 2- Management Perception vs. Quality Specifications

5.1.14: Gap 3- Quality Specifications vs. Service Delivery

5.1.15: Gap 4- Service Delivery vs. External Communications

5.1.16: Gap 5- Actual Performance vs. Perceived Service Gap

5.1.17: Putting It Together- Customer Service Strategies

5.1.18: Discussion- Customer Service Strategies

5.2: Reading- Customer Relationship Management Systems

5.3: Self Check- Customer Relationship Management (CRM) Systems

5: Define the role of management and workers as it relates to customer service is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

SECTION OVERVIEW

5.1: Module 15- Customer Service Strategies

5.1.1: Why It Matters- Customer Service Strategies

5.1.2: Introduction to Customer Service Strategies

5.1.3: Customer Service

5.1.4: Customer Profiles

5.1.5: Offered Services

5.1.6: Personalized vs. Standardized Service

5.1.7: Introduction to the Customer Evaluation Process

5.1.8: Perception vs. Expectation

5.1.9: Service Quality Perceptions

5.1.10: Customer Expectations

5.1.11: Introduction to the Gap Model of Service Quality

5.1.12: Gap 1- Customer Expectation vs. Management Perception

5.1.13: Gap 2- Management Perception vs. Quality Specifications

5.1.14: Gap 3- Quality Specifications vs. Service Delivery

5.1.15: Gap 4- Service Delivery vs. External Communications

5.1.16: Gap 5- Actual Performance vs. Perceived Service Gap

5.1.17: Putting It Together- Customer Service Strategies

5.1.18: Discussion- Customer Service Strategies

5.1: Module 15- Customer Service Strategies is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

5.1.1: Why It Matters- Customer Service Strategies

Why learn about customer service strategies?

In this module you'll learn why customer service strategies are an integral part of making all aspects of retail operations successful. In fact, customer service is arguably the most important aspect of retail.

Walmart founder Sam Walton himself once said, "There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."

Walton's understanding of the importance of developing long-term, mutually beneficial relationships with customers by using critical strategies like profiling customer characteristics and excelling at service was critical in amassing millions of loyal shoppers over the past four decades. (Source: Entrepreneur – Sam Walton: Bargain Basement Billionaire.)

Contributors and Attributions

CC licensed content, Original

- Why It Matters: Customer Service Strategies. **Authored by**: Wade Hyde. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

CC licensed content, Shared previously

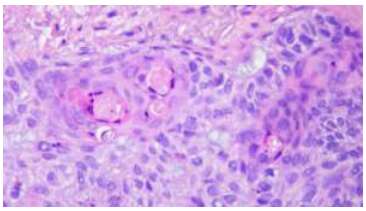
- Diverse people with shopping bags. **Authored by**: rawpixel.com. **Provided by**: rawpixel.com. **Located at**: https://pxhere.com/en/photo/1448533. **License**: *CC0: No Rights Reserved*

5.1.1: Why It Matters- Customer Service Strategies is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.1: Why It Matters- Customer Service Strategies** is licensed CC BY 4.0.

5.1.2: Introduction to Customer Service Strategies

What you'll learn to do: Identify how retailers can use excellent customer service as a differentiation tool



In biology, cells sometime differentiate by changing form from a relatively generalized state to a more specialized life form. Likewise, retailers have found success in differentiating themselves from other similar businesses by distinguishing themselves by providing unique service qualities from offering faster, timely product deliveries to emphasizing more reliable, dependable performance. (Source: dictionary.com.)

What are some ways that customer service can act like a differentiation tool?

Contributors and Attributions

CC licensed content, Original

- Introduction to Customer Service Strategies. **Authored by**: Wade Hyde. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

CC licensed content, Shared previously

- Basaloid squamous cell carcinoma Case 275 Biopsy. **Authored by**: Yale Rosen. **Provided by**: Flickr. **Located at**: https://flic.kr/p/fzPdGR. **License**: *CC BY-SA: Attribution-ShareAlike*

5.1.2: Introduction to Customer Service Strategies is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.2: Introduction to Customer Service Strategies** is licensed CC BY 4.0.

5.1.3: Customer Service

Learning Objectives

- Define customer service

cus·tom·er serv·ice

noun: customer service; plural noun: customer services

- the assistance and advice provided by a company to those people who buy or use its products or services.

Depending on who you ask, the definition of customer service varies widely depending on the understanding of the basic terms "customer" and "service." A quick Internet search reveals thousands of interpretations of this ubiquitous business terminology. For example, the American Marketing Association defines customer service as "a customer-oriented corporate philosophy that integrates and manages all of the elements of the customer interface within a predetermined cost-service mix." Meanwhile, the National Retail Federation often describes customer service as something that's **not** a skill but rather the result of learning and applying a combination of skills including planning, problem-solving, decision-making, critical thinking, and professionalism.[1]

Luxury automotive retailer Carl Sewell wrote in his bestselling book, *Customers for Life: How to Turn That One-Time Buyer Into a Lifetime Customer*, that customer service is simply asking what customers want and giving it to them.

Regardless of the definition, customer service is dependent on the act of meeting (and hopefully exceeding) the wants and needs of customers.

Practice Questions

https://assessments.lumenlearning.co...sessments/9312

1. CUSTOMER SERVICE 2 24 CUSTOMER SERVICE AND SALES FUNDAMENTALS nrf.com/foundation. ↵

Contributors and Attributions

CC licensed content, Original

- Customer Service. **Authored by**: Wade Hyde. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

5.1.3: Customer Service is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.3: Customer Service** is licensed CC BY 4.0.

5.1.4: Customer Profiles

Learning Objectives

- Discuss the value of customer profiles in retail customer service

What is a customer?

When asked, most people understand what a customer is since virtually everyone on the planet, at one time or another, has the experience of purchasing goods or services from somebody else. Whether you are buying socks at a clothing store, eating at a restaurant, or streaming an online movie, the customer is, in fact, the very essence of retail. Customers can be defined into two distinct groups: internal and external.

Internal Customers

Internal customers are all the employees, vendors, and other stakeholders of a business. This concept, attributed to quality management expert Joseph M. Juran, was introduced in the late 1980s. Previously only those individuals or organizations who purchased goods or services were considered customers. Today we view customers as those who shop in store, buy products, etc. as external customers. In retail, when we focus on "internal customers," we're examining the relationships with people who support our "external customers."

What is the motivation to take care of internal customers?

W. Marriott, of Marriott International, a corporation renowned for providing exceptional customer service, emphasizes taking good care of their employees because, "If you take care of them, they'll take care of your customers and the customers will keep coming back again and again." Not only is Marriott International currently the world's largest hotel company but it's also continuously mentioned as one of the best places to work in the world.

Diana Dosik, a principal for Boston Consulting Group, further emphasized the importance of focusing on internal customer service during her TED talk, "Why we need to treat our employees as thoughtfully as our customers."

Pay attention to what Dosik says about "getting you as a customer" and how a person's journey is important to companies. As you watch this video, take note of where she discusses the "pain points" of employees.

A link to an interactive elements can be found at the bottom of this page.

You can view the transcript for "Diana Dosik: Why we need to treat our employees as thoughtfully as our customers" (opens in new window).

External Customers

When we talk about external customers, we're focuses on the people who shop at our stores, purchase our goods and services online, and engage with our internal customers (our employees or vendors). What are some ways to focus on the external customer? Being able to answer five fundamental questions, the "5Ws," who, what, when, where, and why about any customer, is vital to providing excellent customer service.

The answers to the 5Ws create a profile of varying demographic, psychographic, and product usage characteristics. The "Who" question factors, for example, age, gender, income, race, religion, sexual orientation, education, location, marital, and familial status.

Likewise, the "Why" question may help determine the purpose of the purchase, such as a business buying a ream of paper for printing invoices or for parents buying the same paper for their children to draw pictures. The "When" question may address the time season, for example, that your external customers might seek your products and/or services. When you spend time answering the 5Ws, this research helps retailers identify ideal customers through a process called **market segmentation**, the grouping of prospective customers into groups, or segments, that have common needs and respond similarly to a marketing action. (Source: Investopedia.com.)

? practice questions

https://assessments.lumenlearning.co...sessments/9313

Contributors and Attributions

CC licensed content, Original

- Customer Profiles. **Authored by**: Wade Hyde. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

All rights reserved content

- Why we need to treat our employees as thoughtfully as our customers. **Authored by**: Diana Dosik. **Provided by**: TED. **Located at**: https://www.ted.com/talks/diana_dosik_why_we_need_to_treat_our_employees_as_thoughtfully_as_our_customers?utm_campaign=tedspread&utm_medium=referral&utm_source=tedcomshare. **License**: *All Rights Reserved*

5.1.4: Customer Profiles is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.4: Customer Profiles** is licensed CC BY 4.0.

5.1.5: Offered Services

Learning Objectives

- Categorize services offered by retailers as basic or luxury

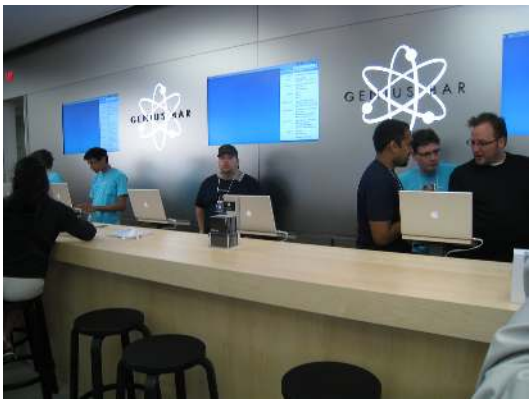
Customer service, including complimentary services offered, is one way that retailers differentiate themselves in a crowded marketplace. According to a 2011 survey conducted by Harris Interactive, 86% consumers indicated they would pay more for a better customer experience and 89% switched to a competitor following a poor customer experience.[1]

Looking forward, customer experience consulting firm, Walker, projects that by 2020 customer experience will become the key brand differentiator, outweighing both price and product.[2] And, unlike when companies compete on price – sometimes categorized as "a race to the bottom" – customer service can be a source of enduring brand and business value.

Example: Nordstrom

Nordstrom—a brand synonymous with customer service—is a case in point. Nordstrom has been cultivating customer service excellence for over 115 years and author Robert Spector has translated that experience and expertise into three, highly rated (4+/5 on Amazon) The Nordstrom Way books. As noted in the publishers write-up on *The Nordstrom Way to Customer Service Excellence*'s back cover: Nordstrom is "one of only five companies" to be ranked on Fortune's "Best Companies to Work For" and "Most Admired" list every year the surveys have been conducted. While bragging rights are great, revenue is what keeps a business in business. While 9/11 and the Great Recession took a toll on many retailers, Nordstrom's focus on both internal and external customers paid off. According to Wiley, Nordstrom never experienced a quarterly loss during the recent economic downturn.[3]

In a Shopify blog post, author Humayun Khan notes that one of the ways Nordstrom delivers exceptional service is by eliminating customer's "pain points." For example, rather than pointing a customer to a particular brand, product or department, a Nordstrom salesperson will walk you there.[4] That level of attention is the difference between basic and exceptional or luxury service.



Apple's Genius Bar, the free in-store technical services team available to troubleshoot Apple devices, is another example of exceptional customer service that serves as a market differentiator and builds brand loyalty. Luxury product – $1,000 for the current iPhone X, before factoring in cases and other accessories – luxury service.

Of course, not every consumer is a Nordstrom or Apple customer. Some customers just want—and they just want to pay for—the basics. McFIT, the largest fitness center chain in Europe,[5] serves that market with a just-the-essentials gym with a "Simply look good" tagline.[6] In order to keep membership fees low, there are no premium services such as fitness classes, saunas and swimming pools.[7] McFIT has also launched fitness studios at very low budget and premium price points, offering a range of fitness experiences.

While customer service level expertise and service offerings vary, it is important to understand that customers have expectations of a basic level of service. For example, accurate pricing and labeling are basic expectations. Having products in stock—in particular when a retailer's website indicates stock on hand—is a basic service expectation. Grocery stores with self-check options are outliers; in general, accurate billing/checking—including removal of any security devices—is a minimum customer expectation.

Understanding your customer's expectations, and how to meet (and exceed) them is key to understanding your customer's value proposition and deliver a relevant level of service.

? practice questions

https://assessments.lumenlearning.co...sessments/9314

---

1. http://www.oracle.com/us/products/applications/cust-exp-impact-report-epss-1560493.pdf ↵
2. https://www.superoffice.com/blog/customer-experience-statistics/ ↵
3. https://www.amazon.com/Nordstrom-Way-Customer-Service-Excellence/dp/1118076672/ref=pd_lpo_sbs_14_t_1?_encoding=UTF8&psc=1&refRID=W7JBC26B0BA74AXB6KFP ↵
4. https://www.shopify.com/retail/119531651-how-nordstrom-made-its-brand-synonymous-with-customer-service-and-how-you-can-too ↵
5. https://www.welltodoglobal.com/germanys-largest-fitness-operator-mcfit-launches-new-european-concept/ ↵
6. https://en.wikipedia.org/wiki/McFit ↵
7. https://www.whataventure.com/business-model-inspiration/basic-or-luxury ↵

Contributors and Attributions

CC licensed content, Original

- Offered Services. **Authored by**: Nina Burokas. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

Public domain content

- Genius Bar Image. **Authored by**: mastermaq. **Located at**: https://www.flickr.com/photos/mastermaq/2640396692. **License**: *CC BY: Attribution*

5.1.5: Offered Services is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.5: Offered Services** is licensed CC BY 4.0.

5.1.6: Personalized vs. Standardized Service

Learning Objectives

- Compare and contrast personalized and standardized service

Now that we discussed different customer profiles, let's turn to different types of customer service. During The Industrial Age, the advent of mass merchandising introduced the concept of ready-to-wear garments to the fashion industry. Before industrialization, clothing was handmade. Each dress, shirt, pant, or suit was individually measured, cut, and sewn by a tailor to fit one person. This process was both time-consuming and relatively expensive for most people. Shortly after the end of World War II, ready-to-wear, or "off-the-rack," clothing made in factories became very popular, in part, because clothing manufacturers could make standardized outfits that were affordable and did not require any timely alterations. Most Americans viewed the standardization of the apparel industry as an advancement in service. (Source: Design Quarterly.)

Service Standardization

A recent study from the Center for Leading Innovation & Cooperation suggests that standardizing services will continue to play an important role in further developing the service economy, which includes retail. By making similar services with different characteristics and structures comparable, service standardization promotes reliability, effectiveness, trust, and improved economic efficiency. The CLIC defines standardization as a process of unification, especially in terminology, capabilities of personnel, technology, and organizational processes. In essence, "standardization simplifies everyday life." (Source: CLIC – Service Standardization.)

Retailers often employ standardization strategies in store layouts, purchasing, labeling, branding, and a myriad of other operational activities. Retailers standardize customer service specifically to ensure uniform quality of treatment of all customers, both internal and external. Some examples of customer service standardization within the retail industry include:

- ensuring product availability,
- emphasizing customer courtesy,
- safeguarding branding consistency,
- practicing pricing accuracy,
- demonstrating promotional responsiveness,
- and enabling overall service efficiency. (Source: Customer Service Experts.)

Personalized Service

Ironically, many 21st century retailers might appear to be headed back in time, returning to the days of less service standardization and instead more personalized service. This, however, is not a business regression but instead another method of service differentiation. Personalization is a method of adding value to customer choice. In fact, personalization today often relies on technology to more effectively and efficiently implement a new range of services that would otherwise be impossible.

For example, the Container Store, a leading specialty retailer of storage and organization products in the United States, introduced a new "next generation" architectural design, merchandising strategy, and proprietary digital resources to its flagship store specifically to help customers accomplish their projects, maximize their space, and make the most of their homes on a personal basis. According to company officials, the technology components were chosen after many rounds of customer testing, which showed that customers' biggest hurdle in beginning a project was feeling overwhelmed. The store features 18 digital screens supporting customers as they shop, featuring everything from inspiration and tips, to an interactive design tool and even a new proprietary digital experience called The Organization Studio. This technology allows customers to upload a photo or video of their organizational challenge online, describe the challenge, and set an in-store appointment to meet with a store Organization Expert. The Organization Experts then present the personalized solution they developed for the customer free of charge and with no purchase commitment.

"We know that countless retailers are building digital tools and using them to innovate the shopping experience, but combining the human element with technology is when things really get powerful," said Val Richardson, Vice President of Real Estate at The

Container Store. “The Organization Studio offers the convenience of an online experience and marries it with a personalized in-store engagement that offers a curated solution created by a real person.” (Source: containerstore.com.)

? practice questions

https://assessments.lumenlearning.co...sessments/9315

Contributors and Attributions

CC licensed content, Original

- Personalized vs. Standardized Service. **Authored by**: Wade Hyde. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

5.1.6: Personalized vs. Standardized Service is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.6: Personalized vs. Standardized Service** is licensed CC BY 4.0.

5.1.7: Introduction to the Customer Evaluation Process

What you'll learn to do: explain the key components of the customer evaluation process

Customers are constantly deciding what to buy and where to buy it. In order to retain customers, businesses must ensure their customers are satisfied. What does it mean to have a satisfied customer? How can a business retain customers in our ever-changing market place? In this section, we'll examine the key components of the customer evaluation process.

Contributors and Attributions

CC licensed content, Original

- Introduction to the Customer Evaluation Process. **Authored by**: Wade Hyde. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

5.1.7: Introduction to the Customer Evaluation Process is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.7: Introduction to the Customer Evaluation Process** is licensed CC BY 4.0.

5.1.8: Perception vs. Expectation

Learning Objectives

- Define customer perception and customer expectation

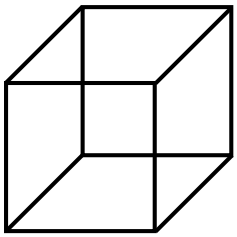
A person's perceptions, along with their beliefs, attitudes, and values can substantially influence his or her experience and involvement with products.

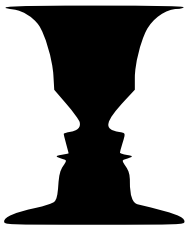
Perception

Perception can have various meanings but in marketing, it is often described as a process by which a consumer identifies, organizes, and interprets information to create meaning. A consumer will selectively perceive what they will ultimately classify as their needs and wants.

Perception is a psychological variable involved in the purchase decision process that is known to influence consumer behavior. Other variables included in this consumer process include: motivation, learning, attitude, personality, and lifestyle. All of these concepts are crucial in interpreting the consumer buying process and can also help guide marketing efforts.

In order to understand the subjectivity of one's perception, we might consider optical illusions where one image can look like two things at once.





Necker Cube and Rubin Vase: These are two optical illusions that illustrate how perception may differ from reality. On the left, we see a cube when in fact it is a flat image on our screen. On the right, the vase actually resembles two faces looking at each other.

For example, some people may see an image as a candlestick while another may see the same image as two people facing one another. Another example in advertising is known as **Selective Perception,** which is the process by which individuals perceive what they want to from media messages and they may disregard the rest.

Seymor Smith, a prominent advertising researcher, found evidence for Selective Perception in advertising research in the early 1960s, and he defined it as "a procedure by which people let in, or screen out, advertising material they have an opportunity to see or hear. They do so because of their attitudes, beliefs, usage preferences and habits, conditioning, etc." People who like, buy, or are considering buying a brand are more likely to notice advertising than are those who are neutral toward the brand. This fact has repercussions within the field of advertising research because any post-advertising analysis that examines the differences in attitudes or buying behavior among those aware versus those unaware of advertising is flawed unless pre-existing differences are controlled for. In other words, understanding a person's preference for brands will influence their decisions.

Selective Perceptions are categorized under two types: a low level of perception, known as perceptual vigilance, and a higher level of perception, known as perceptual defense.

Customer Experience

In general, four main factors influence a consumers's experience, involvement, and satisfaction with a product:

- **Personal:** A person's perceptions, beliefs, attitudes, and values can substantially influence his or her experience and involvement with products. For example, certain cultures highly discourage women from exposing some of their body parts as part of their religious beliefs, which inevitably affects their consumption of clothing. Other examples of cultural influences include language, myths, customs, rituals, and laws. Consumers tend to be more involved with products that they believe can fill their own needs, which in turn are regarded as holding importance and relevance in their lives. Personal or individual factors can also serve as strong influences, including gender, age, income level or social class, ethnicity, and sexual orientation.
- **Object:** The degree of information that a consumers have about a product, including how well they can distinguish its characteristics, can also effect their experience, involvement, and satisfaction. Typically, the higher a consumer's product knowledge, the more involved with it he or she will be. Deeper knowledge about a product also translates into higher involvement because the consumer perceives it as more important, especially if some of that knowledge pertains to characteristics that hold personal meaning.
- **Situational:** Products that can easily conform to and enrich a consumer's lifestyle tend to be consumed with more frequency and involvement. For example, a busy working mother might rely heavily on her smart phone to keep her organized and effective in an effortless manner.
- **Social:** Social influence can deeply affect consumer behavior, especially as related to the products they consider and consume. A consumer's social network has a strong influence on the products he or she uses, since individuals tend to rely on the opinions and advice of friends and family. Other social influences can include opinion leaders and reference groups.

Consumer Involvement

Consumer involvement tends to vary dramatically depending on the type of product and its relationship to the consumer. In general, consumer involvement tends to be higher for products that are very expensive (e.g., a home, a car) or are considered highly significant in the consumer's life (e.g., a newborn baby product).

Marketing strategy should take into account the level of involvement that a consumer has with a specific product, as this also dictates the type of information that the consumer needs to process in order to make a purchase decision.

The following levels of information processing are required, which can help dictate the marketing approach that should be used:

- Low-Involvement purchases tend to be made by habitual decisions (e.g., dish washing liquid, toothbrush). These require minimal information processing.
- Moderate-Involvement purchases tend to be made by simple decisions (e.g., orange juice, snacks). These often may require some evaluation of alternatives.
- High-Involvement purchases tend to be made by lengthy or more involved decisions (e.g., a car or a house). These are usually considered highly important to consumers and require extensive information processing.

Print advertising is considered high-involvement because newspapers and magazines provide information that can be processed clearly and can help shape attitudes and influence decisions. Television advertising is considered low-involvement because it presents information that is considered passive.

The four main types of buying behavior in consumer marketing depend on the level of consumer involvement:

High involvement & significant differences between brands (complex buying behavior):

- Example: Houses, kitchen renovation
- One-time sale

- Consumers need evaluation and pre-sale learning
- Selling activities are key

Low involvement & significant differences between brands (variety-seeking buying behavior):

- Example: Retail food stuff
- Consumers have added buying triggers
- Consumers want free samples, special deals

High involvement & few differences between brands (dissonance-reducing buying behavior):

- Example: Consumer electronics, top-line sport equipment
- Decision making is difficult both pre- and post-purchase

Low involvement & few differences between brands (habitual buying behavior):

- Example: Food, personal care products
- Brand familiarity and promotion with convenience is key
- Consumers look for price/sales promotions

? practice questions

https://assessments.lumenlearning.co...sessments/9316

Contributors and Attributions

CC licensed content, Shared previously

- Boundless Marketing. **Provided by**: Boundless. **Located at**: https://courses.lumenlearning.com/boundless-marketing/. **License**: *CC BY-SA: Attribution-ShareAlike*

5.1.8: Perception vs. Expectation is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.8: Perception vs. Expectation** is licensed CC BY 4.0.

5.1.9: Service Quality Perceptions

Learning Objectives

- Describe the main characteristics that affect service quality perceptions

Post-Purchase Behavior

Post-purchase behavior is when the customer assesses whether he is satisfied or dissatisfied with a purchase.

Post-purchase behavior is the final stage in the consumer decision process when the customer assesses whether he is satisfied or dissatisfied with a purchase. How the customer feels about a purchase will significantly influence whether he will purchase the product again or consider other products within the brand repertoire. A customer will also be able to influence the purchase decision of others because he will likely feel compelled to share his feelings about the purchase.

Cognitive dissonance, another form of buyer's remorse, is common at this stage. This is when the customer may experience feelings of post-purchase psychological tension or anxiety. For example, the customer might feel compelled to question whether he has made the right decision. They may also be exposed to advertising for a competitive product or brand which could put into question the product that they have chosen. A customer may also have a change of heart and decide that he no longer has a need for this particular product.

Some companies now opt to engage their consumers with post-purchase communications in an effort to influence their feelings about their purchase and future purchases. Offering money back guarantees also serve to extend and enrich post-purchase communications between the company and its consumers. Other examples include VIP invitations to become part of a club or special and select group of consumers who buy a particular product. Another example is when customers are asked for their contact information at the point of purchase so they can be targeted later with a follow-up call that surveys the product's performance and consumer satisfaction. This approach could help influence or alleviate feelings of cognitive dissonance or "buyer's remorse" following a product purchase.

Digital Surveys

Digital surveys, also referred to as online questionnaires, are research tools that ask consumers questions in a virtual environment. These surveys are a type of Online Research Method (ORM). Many of these ORMs are related to older research methodologies that have been re-invented and re-imagined to work with new technologies and the on-the-go conditions of a digital environment.

With the increasing use of the Internet, online questionnaires have become a popular way of collecting information. However, the online research field remains relatively new and continues to evolve. With the growth of social media, new levels of complexity and opportunity have been created for using digital surveys to conduct market research.

Advantages of Digital Surveys

- The administrator has greater flexibility in displaying questions. Questions can be displayed with check boxes, pull down menus, pop up menus, help screens, or submenus.
- An online forum allows responses to be received from more subjects and from anywhere in the world.
- This method is also cheaper to use, because there are fewer costs incurred from buying paper, printing materials or paying postage.
- Since data is collected into a central database, the time for analysis is substantially reduced.
- It is easier to correct errors on an online questionnaire, since the administrator does not have to reprint and redistribute all the questionnaires.

Disadvantages of Digital Surveys

- Not everyone has access to the Internet, so the response rate is limited.
- Many people are not receptive to completing questionnaires online.
- Studies indicate that the demographic that responds to online questionnaire invitations are generally younger people.

practice questions

https://assessments.lumenlearning.co...sessments/9317

Contributors and Attributions

CC licensed content, Shared previously

- Boundless Marketing. **Provided by**: Boundless. **Located at**: https://courses.lumenlearning.com/boundless-marketing/. **License**: *CC BY-SA: Attribution-ShareAlike*

5.1.9: Service Quality Perceptions is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.9: Service Quality Perceptions** is licensed CC BY 4.0.

5.1.10: Customer Expectations

Learning Objectives

- Explain the role of customer expectations in determining the value of service perceived

Successful businesses work proactively to obtain information from their customers to ensure they are meeting their needs.

Customer Feedback

Service quality generally refers to a customer's comparison of service expectations as it relates to a company's performance. A business with a high level of service quality is likely capable of meeting customer needs while also remaining economically competitive in their respective industry. Successful businesses who remain competitive and relevant in the marketplace work proactively to obtain information from their current or potential customer base so they can ensure they are meeting their needs.

No amount of discussing with professionals, friends, or colleagues will ever replace the information that a company can receive from a real customer.

The following questions are crucial when obtaining customer feedback:

- What does the customer like?
- What do they dislike?
- How can things be improved?
- Are their needs and expectations being met?
- How much will they pay for something?
- Is convenience important?
- Should items be packaged together?
- Is after-sales service critical?

Customer feedback can be collected by:

- **Asking consumers directly:** This tactic comes across particularly effective during the point-of-purchase at a retail store because consumers are being probed on their experiences while they are shopping.
- **Questionnaires:** Distribute one-page questionnaires that ask some key questions and encourage customers to fill them out. These can be mailed out as pre-paid postcards or emailed to consumers who give their permission to be contacted.
- **Focus groups:** This involves gathering a number of customers, sitting them down, and discussing a range of issues relevant to a company's business. The advantage of using this method over a questionnaire is that it will yield more detailed information and feedback, rather than "tick the box" style responses from a questionnaire. In-person focus groups and one-on-one interviews are helpful tools that provide explanation of product or consumer-related issues because you are going to the main source directly.
- **Telephone:** Some surveys can be conducted via phone. These yield a more private conversation exchange between the customer and the service provider.
- **Virtual online communities or private consumer panels:** Technology has made it increasingly easier for companies to obtain feedback from their customers. With the explosion of technology in the marketplace and the consumer's everyday life, many companies are now building their own proprietary online panels of consumers which give them unencumbered access to their target market on an ongoing basis. In exchange for their honest opinions and feedback, customers are incentivized for their time. Community blogs and forums also enable customers to provide detailed explanations of both negative as well as positive experiences with a company.

Instant feedback

Recently, many organizations have implemented feedback loops that allow them to capture feedback at the point of experience. For example, National Express, one of the UK's leading travel companies, has invited passengers to send text messages while riding the bus. This has been shown to be useful, as it allows companies to improve their customer service before the customer defects, thus making it far more likely that the customer will return next time.

? practice questions

https://assessments.lumenlearning.co...sessments/9318

Problem Resolution Through Excellent Customer Service

Ultimately, the best method of resolving simple problems – often before they arise – is through the delivery of excellent customer service. By ensuring a close relationship with the customer, knowing their wants and needs and avoiding any misunderstandings, a company is able to ensure that problems of a non-technical nature are minimized, often before they even arise. Any problems that do arise can be resolved with an attentive approach to the customer, ensuring that all will be done to solve the problem as soon as possible. When the customer knows that they are valued in such a way, they tend to be much more forgiving and patient with the company.

Customer Support

Customer support is a range of customer services to assist customers in making cost effective and correct use of a product. It includes assistance in planning, installation, training, troubleshooting, maintenance, upgrading, and disposal of a product. Through effective and attentive customer support, any potential problems that the customer has with a product or service can be resolved quickly and cleanly.

Automation

Customer support automation involves the building of a knowledge base of known issues and their resolutions to support incidents with delivery mechanisms, often by expert systems. A service automation platform includes a suite of support solutions including proactive support, assisted support, and self support. Automation of service organizations aim to achieve, for example, lower mean time to repair (MTTR). With automated support, service organizations can make their services available to their customers 24 hours a day and seven days a week, by monitoring alarms, identifying problems at an early stage, and resolving issues before they become problems.

Customer Support: AT&T Mobility provides technical support for some of its mobile phones through device support centers.

Automated assisted support enables remote access to sites that need instant problem solving. By automating the collection of information of devices and applications coexisting with the supported application, problems can be quickly detected and fixed.

Automated self support, automates the self support process, freeing users from self-help diagnostics and troubleshooting from online libraries or knowledge bases. Support automation solutions can be integrated with customer relationship management (CRM) systems and network management systems (NMS). They can also provide full customer reports to management by tallying problems and incidents that were solved mechanically to ensure compliance with industry regulations.

Tech Support

Tech support refers to a range of services by which companies provide assistance to users of technology products such as mobile phones, televisions, computers, software products, or other electronic or mechanical goods.

In general, technical support services attempt to help the user solve specific problems with a product—rather than providing training, customization, or other support services. Most companies offer technical support for the products they sell, generally for

free. Others provide a fee for technical support or a fee for premium support services (no waiting in line or talking to a machine, for example).

Contributors and Attributions

CC licensed content, Shared previously

- Boundless Marketing. **Provided by**: Boundless. **Located at**: https://courses.lumenlearning.com/boundless-marketing/. **License**: *CC BY-SA: Attribution-ShareAlike*

5.1.10: Customer Expectations is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.10: Customer Expectations** is licensed CC BY 4.0.

5.1.11: Introduction to the Gap Model of Service Quality

What you'll learn to do: Discuss the gap model of service quality

In the London Underground, "Mind the Gap" signage is ubiquitous, warning passengers of the gap between the platform and the train's entry/exit stairs. In the retail environment, the danger zone is the gap between customer service expectations and customer perceptions of service. In order to effectively manage the customer experience, retailers need to have that same front and center focus on minding the gap. The framework used to identify and address potential service gaps is the Gap Model of Service Quality, also referred to as the 5 Gap Model. As the second reference indicates, the model involves 5 different gaps.

Originally proposed in a 1985 Journal of Marketing article titled "A Conceptual Model of Service Quality and Its Implications for Further Research," the Gap Model of Service Quality is framework for analyzing common customer satisfaction issues. In the following sections, we will drill down into each gap individually, identifying root causes and actions to address customer satisfaction issues and close the corresponding service gap.

In the Gap Model of Service Quality, the first gap is the gap of knowledge, reflecting the difference between customer expectations and management's understanding of those expectations. That is, management doesn't know what customers expect. Common reasons for this disconnect include and ineffective transfer and analysis of available information. For example, this gap might occur if management fails to solicit and factor in information and insights from front-line employees, field personnel and customer surveys. In a big data world where customers have free access to rating platforms and the inclination to share their experiences, this gap is sometimes referred to as a "listening" rather than information gap. That is, in many cases, the information is there. The key challenge is prioritizing information sources, making sense of and acting on the available information.

Contributors and Attributions

CC licensed content, Original

- Introduction to the Gap Model of Service Quality. **Authored by**: Nina Burokas. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

5.1.11: Introduction to the Gap Model of Service Quality is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.11: Introduction to the Gap Model of Service Quality** is licensed CC BY 4.0.

5.1.12: Gap 1- Customer Expectation vs. Management Perception

Learning Objectives

- Outline how a retailer can close the customer expectations and management perceptions gap

Gap between consumer expectation and management perception: This gap arises when the management or service provider does not correctly perceive what the customer wants or needs. For instance – hotel administrators may think guests want better food or in-house restaurant facilities, but guests may be more concerned with the responsiveness of the staff or the cleanliness of their rooms.

Factors that affect the size of the knowledge gap include:

- Market research: Before introducing a new product or service into the market, a company must conduct market research to understand whether there would be any demand for the product, and what features should be incorporated. The better this process is conducted, the smaller the knowledge gap will be. There are methods of ensuring that customer desires are taken on board. These include comprehensive studies, gauging satisfaction after individual transactions (surveys immediately after a purchase is made), customer panels and interviews, and through customer complaints.
- Communication channels: The fewer the layers between management and customer contact personnel, the more likely that customer preferences will be incorporated into higher-level decision making on the product.

? practice questions

https://assessments.lumenlearning.co...sessments/9319

Contributors and Attributions

CC licensed content, Original

- Customer Expectation vs. Management Perception. **Authored by**: Wade Hyde. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

CC licensed content, Shared previously

- Gap 1. **Provided by**: Boundless. **Located at**: https://courses.lumenlearning.com/boundless-marketing/chapter/service-quality/. **License**: *CC BY-SA: Attribution-ShareAlike*

5.1.12: Gap 1- Customer Expectation vs. Management Perception is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.12: Gap 1- Customer Expectation vs. Management Perception** is licensed CC BY 4.0.

5.1.13: Gap 2- Management Perception vs. Quality Specifications

Learning Objectives

- Outline how a retailer can close the management perceptions and quality specs gap

Gap between management perception and service quality specification: This is when the management or service provider might correctly perceive what the customer wants, but may not set a performance standard. An example here would be that hospital administrators may tell the nurse to respond to a request 'fast', but may not specify 'how fast'.

The second gap in the service quality framework in the policy gap, reflecting the difference between management's perception of customer expectations and actual customer service specifications. In this scenario, management may have an accurate understanding of customer expectations but that understanding hasn't been effectively implemented as operating policy. Specificity is the key here. For example, an expectation that voicemails will answered in a timely manner is open to interpretation. Does "timely" mean within 24 hours? Does "timely" within the hour?

What if service personnel are already working with customers?

For clarity and operational effectiveness, policies should be developed with the SMART goal-setting acronym is mind.

SMART stands for the following:

- Specific
- Measurable
- Actionable
- Relevant
- Timely

Note, however, that situational factors can complicate matters. Policy that is actionable when things go according to plan may not work when staff calls in sick or if there is an unexpected influx of customers or a power outage or [fill in the blank]. SMART goals can work well in most situations. Hiring employees who are able – and empowered – to improvise to achieve the overall customer satisfaction objective is best.

Consider whether you should factor in Nordstrom's Rule #1: "Use best judgment in all situations."[1] It's not appropriate for all circumstances, but if so, by all means factor in a personal judgement override.

In order to address the policy-practice gap, companies should clarify, train on, measure and reward performance relative to customer service standards.

To be specific, think about the following when you are creating policies:

- Articulate service levels and business (i.e., budget) assumptions
- Develop, communicate, and train to specific customer service standards
- Factor service level performance into evaluations for all related personnel
- Measure performance and adjust resources as required to meet service level objectives
- Monitor industry service level standards and update policy as appropriate

? practice questions

https://assessments.lumenlearning.co...sessments/9320

1. https://www.shopify.com/retail/119531651-how-nordstrom-made-its-brand-synonymous-with-customer-service-and-how-you-can-too ↵

Contributors and Attributions

CC licensed content, Original

- Management Perception vs. Quality Specifications. **Authored by**: Nina Burokas. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

CC licensed content, Shared previously

- Introduction to Gap 2. **Provided by**: Boundless. **Located at**: https://courses.lumenlearning.com/boundless-marketing/chapter/service-quality/. **License**: *CC BY-SA: Attribution-ShareAlike*

5.1.13: Gap 2- Management Perception vs. Quality Specifications is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.13: Gap 2- Management Perception vs. Quality Specifications** is licensed CC BY 4.0.

5.1.14: Gap 3- Quality Specifications vs. Service Delivery

Learning Objectives

- Outline how a retailer can close the quality specs and service delivery gap

Gap between service quality specification and service delivery: This gap may arise in situations pertaining to the service personnel. It could happen due to poor training, incapability or unwillingness to meet the set service standard. An example would be when a doctor's office has very specific standards of hygiene communicated but the hired staff may have been poorly trained on the need to follow these strict protocols.

The third gap in the model is the performance gap, reflecting the difference between service quality specification and service delivery. Given that service is largely a function of human rather than robotic resources, resources versus robotics – at least to date – service quality may be affected by a range of factors including training, aptitude, attitude and heath and cultural factors. The interactive nature of the customer service situation is a factor as well, with customer changes, special requests and the attitude and communication skills they bring to the situation impacting a service representative's ability to deliver to an established standard.

In a performance gap situation, the issue is generally not the lack of specific service policies but a failure to consistently and reliably meet those service expectations. In order to close this gap, companies should review financial and operating assumptions to ensure that service specifications are achievable. Human Resources-related activities from job analysis and job descriptions to candidate screening, selection, training and evaluation should be reviewed to ensure new employees are capable of and willing to meet service position demands. Developing a well-structured onboarding process, providing product/service training and cultivating a customer-centric team environment can help new service employees get up to speed with a minimum of stress. Indeed, onboarding is a topic onto itself, contributing to productivity, engagement and retention. And, speaking of retention, one critical way to mind the performance gap is to recognize and reward top performers. To summarize:

Validate service quality expectations and align people, processes and culture to support those goals.

? practice questions

https://assessments.lumenlearning.co...sessments/9321

Contributors and Attributions

CC licensed content, Original

- Quality Specifications vs. Service Delivery. **Authored by**: Nina Burokas. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

CC licensed content, Shared previously

- Introduction to Gap 3. **Provided by**: Boundless. **Located at**: https://courses.lumenlearning.com/boundless-marketing/chapter/service-quality/. **License**: *CC BY-SA: Attribution-ShareAlike*

5.1.14: Gap 3- Quality Specifications vs. Service Delivery is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.14: Gap 3- Quality Specifications vs. Service Delivery** is licensed CC BY 4.0.

5.1.15: Gap 4- Service Delivery vs. External Communications

Learning Objectives

- Outline how a retailer can close the service delivery and communications gap

Gap between service delivery and external communication: Consumer expectations are highly influenced by statements made by company representatives and advertisements. The gap arises when these assumed expectations are not fulfilled at the time of delivery of the service. For example – a hospital printed on its brochure may have clean and furnished rooms but in reality, it may be poorly maintained – in this case, the patient's expectations are not met.

The fourth gap in the model is the communication gap, reflecting the difference between the level of service promised and what is received. Consumer expectations are shaped by a range of communications including promotional advertising, website copy and photographs and statements made by company representatives. This gap is commonly due to over-promising or, at the extreme, false advertising (i.e., bait and switch). The classic "under promise and over deliver" advice is a way to avoid this gap. For perspective on this point, read marketing guru Tom Peter's Under Promise, Over Deliver rant. Key takeaway: Quality, responsiveness and price are all important elements. What's most important, however, is keeping your word. That will keep customers satisfied, and ensure that you keep your customers.

Specific actions to close this gap:

- Review communications across all touch-points, including digital (email, website, social media and partner sites), print, and on-premise materials, to ensure accuracy and consistency
- Implement a "reality check" review and approval process for new campaigns and updates.
- Conduct mock customer interactions and listen in and provide coaching on point-of-contact conversations to ensure services are being represented realistically
- Incorporate employee input and customer reviews to make advertising real. Similarly, incorporating actual employees and customers in advertising puts a real face on the business.

? practice questions

https://assessments.lumenlearning.co...sessments/9322

Contributors and Attributions

CC licensed content, Original

- Gap 4: Service Delivery vs. External Communications. **Authored by**: Nina Burokas. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

CC licensed content, Shared previously

- Introduction to Gap 4. **Provided by**: Boundless. **Located at**: https://courses.lumenlearning.com/boundless-marketing/chapter/service-quality/. **License**: *CC BY-SA: Attribution-ShareAlike*

5.1.15: Gap 4- Service Delivery vs. External Communications is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.15: Gap 4- Service Delivery vs. External Communications** is licensed CC BY 4.0.

5.1.16: Gap 5- Actual Performance vs. Perceived Service Gap

Learning Objectives

- Outline how a retailer can close the actual performance and perceived service gap

Gap between expected service and experienced service: This gap arises when the consumer misinterprets the service quality. The physician may keep visiting the patient to show and ensure care, but the patient may interpret this as an indication that something is really wrong.

The fifth or Customer gap represents the overall difference between the customer's expectations for and perception of the level of service received. This gap can occur due to service issues from gaps 1–4 or can reflect an error in the customer's judgement of the service received. The customer's perception is influenced by a range of factors including personal experience and needs, advertising and word of mouth. For example, a customer may have experienced excellent service during a meal but incorrect charges on the bill or boisterous diners at the next table may taint the experience and leave the customer dissatisfied overall. The key point to recognize is that the fifth gap can't be closed directly; in order to close the customer gap, a retailer needs to close gaps 1–4. Obtaining customer feedback is the key to identifying the root cause(s)—that is, the underlying service gap(s)—and, ultimately, closing the Customer gap.

? practice questions

https://assessments.lumenlearning.co...sessments/9323

Contributors and Attributions

CC licensed content, Original

- Gap 5: Actual Performance vs. Perceived Service Gap. **Authored by**: Nina Burokas. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

CC licensed content, Shared previously

- Introduction to Gap 5. **Provided by**: Boundless. **Located at**: https://courses.lumenlearning.com/boundless-marketing/chapter/service-quality/. **License**: *CC BY-SA: Attribution-ShareAlike*

5.1.16: Gap 5- Actual Performance vs. Perceived Service Gap is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.16: Gap 5- Actual Performance vs. Perceived Service Gap** is licensed CC BY 4.0.

5.1.17: Putting It Together- Customer Service Strategies

An integral part of making all aspects of retail operations successful is customer service. In this module, we discussed customer service as a differentiation tool, as a relationship with customers both internally and externally, and as a method of gathering data to improve the customer's experience. Understanding your customer's expectations and how to meet (and exceed) them is key to understanding your customer's value proposition and to delivering a relevant level of service.

When we consider how a person's perceptions, beliefs, attitudes, and values can substantially influence his or her experience and involvement with our products, we can reflect on how to better serve our customers. It's important to note that consumer involvement in this process tends to vary dramatically depending on the type of product and its relationship to the consumer. The key challenge is prioritizing information sources, making sense of and acting on the available information. We also learned about the Gap Model of Service Quality "5 Gap Model," and now you're ready to identify root causes and actions to address customer satisfaction issues and close the corresponding service gap.

A quote from Maya Angelou, an American author, sums it up best: "People will forget what you said, people will forget what you did, but people will never forget how you made them feel."

Contributors and Attributions

Lumen Learning authored content

- Customer Service Strategies . **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

5.1.17: Putting It Together- Customer Service Strategies is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.17: Putting It Together- Customer Service Strategies** is licensed CC BY 4.0.

5.1.18: Discussion- Customer Service Strategies

Part 1

Your task is to write a short paragraph (no more than 300 words) discussing one strategy to close the gap between customer expectations and the your store's reality of one of the following:

- Product
- Product Delivery
- Product Promotion
- Customer Service

Use either a real or imaginary business scenario to help illustrate your strategy.

Part 2

For each discussion forum, students need to create an initial post, then look over the discussion posts of your other classmates and give at least two (2) thoughtful responses to two (2) different classmates (one per classmate), totaling a minimum of three (3) posts for forum, including your initial post.

You need to write more than just a few words like: "I agree" or "Sounds good" or "Well said." You must write several sentences that are thoughtful and suitable for a proper discussion. It is also fitting to ask questions or politely challenge your classmates if you like. When in doubt, just remember: this is a "discussion," not a series of opinion blogs.

Grading Rubric

Your participation in this discussion will be graded using the following rubric. Please review and keep it in mind as you prepare your assignment.

Grading Rubric

Criteria	Not Evident	Developing	Exemplary	Points
Submit initial response	**0 pts** No response	**2 pts** Response does not fully address the prompt	**5 pts** Response thoughtfully addresses the prompt and invites response from peers.	5 pts
Respond to at least two peers	**0 pts** No response to peers	**2 pts** Responded to only one peer	**5 pts** Responded to at least two peers	5 pts
			Total:	**10 pts**

Contributors and Attributions

CC licensed content, Original

- Discussion: Customer Service Strategies. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*
- Revision and adaptation. **Authored by**: Jameson Gurley. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

5.1.18: Discussion- Customer Service Strategies is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **15.18: Discussion- Customer Service Strategies** is licensed CC BY 4.0.

5.2: Reading- Customer Relationship Management Systems

Marketing Information and Customer Relationship Management (CRM)

Earlier in this course, we cited the American Marketing Association's definition of customer relationship management: "a discipline in marketing combining database and computer technology with customer service and marketing communications." The AMA's definition goes on to describe the ultimate goal of customer relationship management as the ability to provide "meaningful one-on-one communications with the customer by applying customer data (demographic, industry, buying history, etc.) to every communications vehicle."[1] Because customer relationship management (CRM) relies on customer data—and specifically the effective use of internal data—it's important to discuss CRM systems in the context of marketing information and research.

CRM systems are powerful software systems that serve several essential functions for marketing, sales, and account management. Organizations use them to:

- Capture internal data about customers and customer interactions and house these data in a central location
- Provide business users with access to customer data in order to inform a variety of customer touch points and interactions
- Conduct data analysis and generate insights about how to better meet the needs of target segments and individual customers
- Deliver a marketing mix tailored to the needs and interests of these target segments and individual customers

Leading providers of CRM systems include Salesforce.com, Oracle (Siebel), and Microsoft, among others. These large, many-faceted systems include several components. Databases and data warehouses provide information infrastructure for storing and accessing customer information. Contact management capabilities allow organizations to track a variety of customer interactions, including how each customer or prospective customer relationship is progressing over time. CRM packages also include sophisticated analytical tools to help marketing and sales analysts examine the data and find patterns and correlations that help them better anticipate and address customer needs (with the goal of strengthening each customer relationship).

Does this analytical process sound familiar? It should. Marketing analysts working with CRM data follow the same basic process outlined previously for general marketing research activities: Identify a problem; develop a plan for the information and analysis needed to solve the problem; conduct research; analyze and report findings; and take action based on the results. The primary difference from traditional marketing research projects is that the CRM inquiries may be more self-contained because of the breadth of marketing information and tools these systems provide.

The CRM system is especially effective at helping to surface a marketing problem, and it can provide the internal data needed for an analysis, which, in turn, is used to solve the problem. CRM systems are designed to capture data across the customer life cycle, starting with the initial contact point and progressing through each conversation and interaction that moves a prospective customer toward a purchasing decision. CRM systems also capture sales and spending data, and they enable analysts to project future spending patterns and lifetime value based on broader patterns in the customer data. These systems may also incorporate data about customer satisfaction and support, with accompanying insights into what is driving satisfaction ratings and customers' perceptions of the company. In addition to bringing together disparate customer data, CRM systems can recommend an analytical approach and provide research tools to complete the analysis. Many CRM systems have mechanisms for reporting results, orchestrating plans for taking action on the results, and even evaluating the effectiveness of those actions.

Adidas and Salesforce

Consider the following example of how sports company adidas is using Salesforce.com (a CRM provider) to improve its ability to engage customers and design better products. Notice the company's emphasis on *connecting* the customers—with products, services, and other people—and why that's such a key part of what the CRM system provides.

A link to an interactive elements can be found at the bottom of this page.

---

1. www.ama.org/resources/Pages/Dictionary.aspx?dLetter=C ↵

Contributors and Attributions

CC licensed content, Original

- Marketing Information and Customer Relationship Management. **Authored by**: Lumen Learning. **License**: *CC BY: Attribution*

CC licensed content, Shared previously

- Customer and Computer Cables. **Provided by**: Pixabay. **Located at**: pixabay.com/en/ball-about-cable-lan-connected-563972/. **License**: *CC0: No Rights Reserved*

All rights reserved content

- adidas is a Trailblazer. **Provided by**: Salesforce. **Located at**: https://youtu.be/OCj-L0vC42s. **License**: *All Rights Reserved*. **License Terms**: Standard YouTube license

---

5.2: Reading- Customer Relationship Management Systems is shared under a CC BY license and was authored, remixed, and/or curated by LibreTexts.

- **6.12: Reading- Customer Relationship Management Systems** by Lumen Learning is licensed CC BY 4.0. Original source: https://courses.lumenlearning.com/waymakerintromarketingxmasterfall2016.

5.3: Self Check- Customer Relationship Management (CRM) Systems

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does **not** count toward your grade in the class, and you can retake it an unlimited number of times.

Use this quiz to check your understanding and decide whether to (1) study the previous section further or (2) move on to the next section.

https://assessments.lumenlearning.com/assessments/778

Contributors and Attributions

CC licensed content, Original

- Customer Relationship Management (CRM) Systems. **Provided by**: Lumen Learning. **License**: *CC BY: Attribution*

5.3: Self Check- Customer Relationship Management (CRM) Systems is shared under a CC BY license and was authored, remixed, and/or curated by LibreTexts.

- **6.13: Self Check- Customer Relationship Management (CRM) Systems** by Lumen Learning is licensed CC BY 4.0. Original source: https://courses.lumenlearning.com/waymakerintromarketingxmasterfall2016.

CHAPTER OVERVIEW

6: Examine the importance of communication skills to be successful in customer service

6.1: Identifying and Analyzing Customer Value
6.2: Negotiations
6.3: Negotiation

6: Examine the importance of communication skills to be successful in customer service is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

6.1: Identifying and Analyzing Customer Value

A fundamental goal in the 3-Circle growth strategy process is to learn about customer value; first, estimating customer judgments from our own perspective, and then, obtaining customers' actual perceptions of value, importance, and beliefs about our firm and the competitive firm. There are a few key lessons in two separate areas that we will discuss here: executive estimates and actual customer self-reports.

Executive Estimates of Customer Value

For several reasons, it is initially very important for the executive team to provide their own estimates of customer value before getting feedback from customers. We use the term "customers" (as opposed to "consumers") to provide a general reference that would cover both business-to-consumer and business-to-business markets. It is important to note, however, that the term is not meant to refer only to current customers. Generally speaking, there is value in sampling current customers, potential customers who have never tried your offering, and especially customers who have tried your offering but whose business you have lost. First, it forces you and the team to think through the kinds of questions you will eventually ask of customers and how you might ask them. Second, in requiring the team to come to a consensus about expected customer evaluations, it may create conversations that have never really been explored before—vital conversations around the core value issues of the business. Finally, these estimates provide a foundation against which to compare actual customer beliefs that you obtain later. After you have conversations with customers, you may find that your team was right on the mark in anticipating customer perceptions. Alternatively, you may reveal areas in which your expectations were very different from what customers said. It is critical to note that in these differences exist potentially enormous growth opportunities. So, in this way, surprise is a good thing because it will help motivate the subsequent actions to close the gaps.

The first thing that must be done is to *estimate a list of customer reasons for choice.* You got some exposure to this in Chapter 3 (recall the "service station A versus service station B" exercise). The way to do the exercise is to sit down for a 5- to 10-minute time frame and write down as many reasons you can think of why people would purchase your brand over the competitors. Then repeat the exercise, thinking of why customers might choose the competitive brand over yours. A key here is to pretend: *step into the shoes of your customers.*

Ultimately, reasons why people make choices will be stated as either attributes or benefits. To illustrate, consider that the president of a regional bank defined a project around the following context statement: "My goal is to figure out how *my bank* can grow by creating more value for and attracting *new small business loan and deposit clients* relative to their *current banks*."

Note that in a given region, there are many banking players, so market share is spread out over a variety of competitors. As such, this executive and his team felt it best to define the competitor as the "current bank" and to allow the target competitor to vary as needed. In the preliminary estimation of the reasons for choosing one bank over another for loan and deposit business, the bank's president surveyed nine different regional managers reporting to him, who, together, defined the following list:

- Timely service response
- High trust of bank and banker
- Knowledgeable employees
- Straight talk and sound advice
- Strong, stable, and secure bank
- Fair and open pricing
- Commitment to community service and involvement
- Decisions made locally
- Products and services offered
- Convenient locations

This is a very good list that covers both the numerator of the value ratio (i.e., benefits such as timeliness of service, trust, and security of the bank) and the denominator (i.e., fair and open pricing). As we will see, subsequent conversations with customers helped the team refine the list and statement of reasons. There are a couple of important pieces of advice here as you explore the reasons:

- *Break down reasons and attributes to concrete and actionable items.* In one major study, we found that parents would often state "quality of academics" in describing why they would choose a particular school over another. With some probing, we learned that the most significant subdimension of quality in this context was not the currency or sophistication of the curriculum or the textbooks used, or even the projects used. Instead, it was the *teacher's ability to communicate effectively* with the parents about the child's progress and the ability to respond to individual needs. Brainstorming ways to help teachers develop communication skills is straightforward. In contrast guessing how to improve "quality of academics" is not. So the advice here is to probe your initial list for actionable items. The acid test is to ask, "If the customers rated us poorly on this attribute, would we know what to do?"
- *Try to keep reasons and attributes simple.* Be careful not to use technical terms in describing reasons and attributes. The bank example demonstrates effective, customer-driven language. When executives take a first crack at this, however, they often use familiar jargon (e.g., technical features of an automobile like height of the suspension rather than consumer perceptions of ease of handling). Further, try to keep reasons simple and one-dimensional. For example, the bank president in our example would find it more precise to break the pricing dimension down into "fair pricing" and "open pricing." Because these are different dimensions, a customer could believe that pricing is fair but not open, for example. As such, estimating both together can be confusing.

Given a list of attributes and benefits, we would next have our executive team estimate customer perceptions of the *importance of those attributes*, as well as customer *beliefs about our brand and the competitive brand* on each dimension. Although, as we know, growth projects can be defined in almost any context (e.g., internal company projects, personal projects, projects for charities), for simplicity in our description of the process in these chapters, we refer to the company unit of analysis as "the firm" and the two alternative choices as "our brand" and the "competitive brand."

- *Estimate importance of each attribute/benefit to customers.* "Importance" captures the evaluation, value, or weight people place on the dimensions of a given attribute or benefit. As described in Fishbein and Ajzen (1975), among the classic models, importance has been captured in different ways. Fishbein's (1963) original model held that beliefs about objects are weighted by "evaluations" of the attributes, that is, both the belief that an airplane was noisy or roomy and then the positive or negative evaluations of whether noisiness or roominess were good or bad. Edwards's (1954) classic model of subjective expected utility defined attributes more as outcomes. The theory suggested that an individual's attitude was a function of the probability that choosing that alternative would lead to a given outcome, and the value or utility the individual placed on the outcome. A third framework, instrumentality value, held that a person's evaluation of an object on each attribute would be weighted by the value importance, defined as the degree of satisfaction or dissatisfaction the person would experience if he or she obtained that object and its outcomes. To keep the task simple and fast, we have the executives we work with—and, later their customers—use a simple categorizing exercise in looking at importance. We ask them to rate attributes as low, medium, or high in importance. But the catch is they may not say that everything is important; we ask for discrimination. All attributes and benefits may seem to all be important—and, being the top 10, they most likely are—but it is still possible to discriminate the more from the less important in the list.
- *Estimate customer beliefs about our brand and competitive brand.* To understand how to think about beliefs, it is important to understand the insights needed to effectively judge competitive positions. There are two relevant reference points:
  - *Ask how we do relative to the customers' expectations.* There is a long line of research in customer satisfaction that defines satisfaction as a customer judgment of how the firm performs compared to *what the customer expects*. (Oliver (1977, 1980)). This notion of a relative judgment is very important. A lot of satisfaction research fails to take this into account. So if we find that customers rate us as 5.8 on a 7-point satisfaction scale, what do we know? Not much. It is much more informative to know whether customers believe we are below, above, or equal to their expectations.
  - *Ask how we do relative to the competitor.* In the late 1980s, management in AT&T's Allegheny region were consistent winners of the firm's internal satisfaction rewards, regularly scoring 98% in customer satisfaction. In contrast, the New York City region was consistently scoring in a percentage range around the mid-70s. Yet the Allegheny management team was eventually replaced while the New York team thrived, producing good business results. How could this be? Turns out the Allegheny region had tougher competition than did the New York region. In New York, AT&T was the dominant player. In Allegheny, competition was tougher. Allegheny produced high customer satisfaction scores because their current customers liked them, but customers liked competitors *even more* in many cases. In contrast, the New York team was able to produce positive sales and business results even though many of their customers were unhappy.Kordupleski (2003), pp. xvii–xviii.

Two lessons are relevant here: (a) New York could be even more successful once they sorted out their satisfaction problems, but, more broadly, (b) Allegheny could only improve sales results by providing more value for customers than competitors did. *Competitor comparisons are at the core of customer judgment.*

Actual Consumer Interviews

The gathering of insights from customers is a critical step in developing growth strategy. It is not as difficult as it seems. Here are a few rules to guide the effort.

Rule 1: Just do it, even if it is only a small sample. For a start, interview 5 to 10 customers. Ironically, there is often initial resistance among executives to talk to customers about issues of value. The most common counterarguments are either "we already know what customers want" or "what will we be able to tell by talking to only a few customers?" The resistance is natural and logical. But this is one time when you need to suspend belief. In addition, it is not that difficult and costs very little. What do you ask? Essentially, you can ask the same basic questions that the members of the executive team just answered—(a) how important is each of the attributes and benefits on the list, and (b) how do customers evaluate our offer and the competitors' offers on those dimensions? When you are asking the right questions, you will find insight, even though such a sample is too small to make inferences about the larger population (see next paragraph). Open-ended interviews with customers—whether on the phone or in person—are thought provoking and may identify some obvious problems that require immediate exploration or even quick fixes. More generally, they will uncover issues that require deeper study and that even a small number of customers will really appreciate.

Rule 2: Don't get too carried away with your conclusions from small samples. So what happens once you actually sit down with a few customers? You obtain new insights that contrast, and may even contradict, your previous beliefs. In other words, you will learn. You also find that customers are appreciative. And you may see opportunities to make some short-term moves that will correct problems and improve your value. So we find a surprising aggressiveness among executives to act on this small-sample feedback because it tends to be powerful and energizing. Take care, though. It is not a good idea to make major investment decisions based on feedback from 1 or 5 or 10 customers. These initial interviews often, at best, provide you with a structure for further refining your hypotheses about the value customers seek from your organization. If well selected, insights from this small sample will (a) potentially have some immediate implications for fixing problems of which you were unaware, (b) identify longer-term growth opportunities to explore, and (c) provide the basis for further study with larger samples. We caution against running too far with the inputs from a small number of qualitative interviews without testing those conclusions on larger samples, however (unless those customers selected for the survey account for a significant portion of your company's revenue). The primary mandate is that those who you interview or survey are representative of the customer segment you have selected for the project.

Returning to our bank example, recall that the regional managers (RMs) for the bank estimated the following four attributes at the top of the list for small-business customers:

- Timely service response
- High trust of bank and banker
- Knowledgeable employees
- Straight talk and sound advice

In fact, the president conducted individual, in-depth exploratory interviews with a diverse group of seven small-business employees who had just started doing business with the bank during the previous 9 months (all from different industries). Interestingly, as a group, the small sample of business people framed the value they were looking for somewhat differently than the RMs. The small-business customers felt that the bank's unique value was tied to (a) the knowledge of its staff and their willingness to advise (as opposed to simply sharing knowledge), (b) the fact that the bank was locally owned and cared about its community, and (c) the *team approach* the bank used in providing service. There were two surprises. First, the importance of local community involvement was greater than the RMs expected. Second, the "team approach" did not even make the RMs' top-10 list of attributes but was of central importance to customers!

Now, why is the team approach important? Here is where we need to think deeply. There are a variety of research approaches that are used for understanding deeper customer motivations for purchase and consumption behaviors that consumers may have a difficult time articulating. For excellent discussions of projective research techniques, see Wilkie (1994); Churchill (1999); and Madison (2005). Gerry Zaltman's well-known work in the use of metaphor in studying consumer motivations is the topic of a

recent book Zaltman and Zaltman (2008). For insight into laddering, see Reynolds and Gutman (1988); Reynolds (2006); and Wansink (2003). In the 3-Circle growth strategy process, *laddering* research is undertaken as a systematic effort to drill down into the needs and values that truly drive customer decision making. Laddering is a research method that might be described as "root-cause analysis" with customers. The method seeks to uncover the underlying values or reasons why certain attributes are important and influence decision making by asking, "why is that important?" in a sequence of questions. As an illustration, a team from the Infiniti automobile brand used laddering on 25 attributes of a new car design to "identify the core value embodied by or most closely associated with each feature."Schroder (2009, October 23), p. 28. Figure 6.1.1 shows the aggregate ladder that emerged when consumers were asked why they felt the "around view monitor" with video on all sides of the car was important. Based on the research across all the attributes, the strategy and planning teams were able to prioritize new features according to the core values of the target market and make feature rollout recommendations based on the laddering research. The Infiniti EX35 is the first model to have the around-view-monitor (AVM) feature.

In the banking case, laddering with the customer respondents revealed they were driven by both time and profitability (not surprising for small businesses!). Figure 6.1.2 provides the laddering results for the three top attributes, as identified by our bank president. Note that the bank's team approach creates value for small-business customers by leveraging the knowledge of many people (less likely to miss something), and also by creating a more efficient process. The truth is we could push this ladder further —with a couple more "whys"—we would likely find out that an efficient process is important because there are so many other things that a small-business person has on the plate, and that time is one of their most precious commodities.

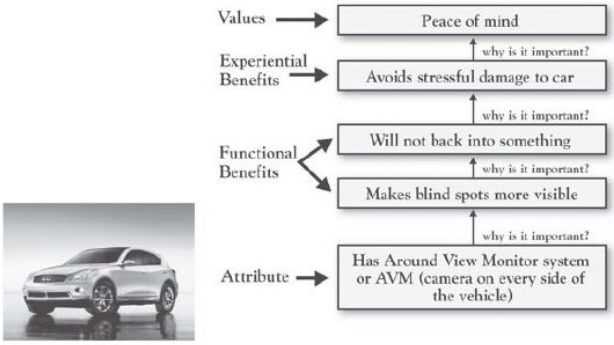


Figure 6.1.1: Ladder for Infiniti M35 Design: Around View Monitor

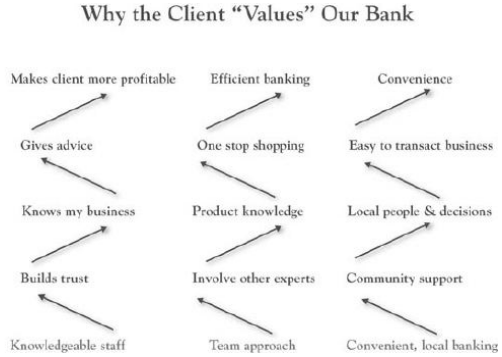


Figure 6.1.2: Ladders for Small Business Bank Customers

It is important to note that the deeper values that you reach via laddering and other qualitative research techniques tend to reveal a lot about how we are hardwired as human beings. Across different countries and industries, the following types of values often emerge in laddering studies and other studies of values:

- Accomplishment
- Belonging
- Self-fulfillment
- Self-esteem
- Family

- Satisfaction
- Security, peace of mind
- Control

To illustrate, Figure 6.1.3 presents a ladder from a 3-Circle growth strategy study conducted by a research supplier that sells research services to brand managers in particular consumer-package-goods categories. Although a totally different context and a different attribute than the Infiniti (in this case, simply vendor familiarity), the end value is the same: peace of mind.

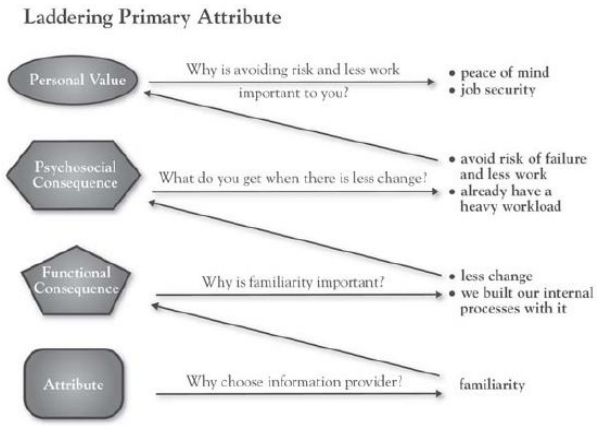


Figure 6.1.3: Ladder for Customer of Research Services

This page titled 6.1: Identifying and Analyzing Customer Value is shared under a CC BY-NC-SA license and was authored, remixed, and/or curated by Anonymous.

- **4.3: Identifying and Analyzing Customer Value** by Anonymous is licensed CC BY-NC-SA 4.0.

6.2: Negotiations

Learning Objectives

- Be able to apply the five phases of negotiation to your work or personal life.
- Learn negotiation strategies for use at work or in your personal life.

A common way that parties deal with conflict is via negotiation. Negotiation is a process whereby two or more parties work toward an agreement. There are five phases of negotiation, which are described in the following section.

The Five Phases of Negotiation

Figure 1: The Five Phases of Negotiation

Phase 1: Investigation

The first step in negotiation is the **investigation**, or information gathering stage. This is a key stage that is often ignored. Surprisingly, the first place to begin is with yourself: What are your goals for the negotiation? What do you want to achieve? What would you concede? What would you absolutely not concede? Leigh Steinberg, the most powerful agent in sports (he was the role model for Tom Cruise's character in Jerry Maguire), puts it this way: "You need the clearest possible view of your goals. And you need to be brutally honest with yourself about your priorities."[1] Knowing your goals during the investigation phase can relate back to our earlier discussion on emotional intelligence and self-awareness. Going into the negotiation with your own emotions and thoughts in check will likely make it a more successful negotiation.

During the negotiation, you'll inevitably be faced with making choices. It's best to know what you want, so that in the heat of the moment you're able to make the best decision. For example, if you'll be negotiating for a new job, ask yourself, "What do I value most? Is it the salary level? Working with coworkers whom I like? Working at a prestigious company? Working in a certain geographic area? Do I want a company that will groom me for future positions or do I want to change jobs often in pursuit of new challenges?"

Phase 2: Determine Your BATNA

One important part of the investigation and planning phase is to determine your **BATNA**, which is an acronym that stands for the "best alternative to a negotiated agreement." Roger Fisher and William Ury coined this phrase in their book *Getting to Yes:*

Negotiating without Giving In.

Thinking through your BATNA is important to helping you decide whether to accept an offer you receive during the negotiation. You need to know what your alternatives are. If you have various alternatives, you can look at the proposed deal more critically. Could you get a better outcome than the proposed deal? Your BATNA will help you reject an unfavorable deal. On the other hand, if the deal is better than another outcome you could get (that is, better than your BATNA), then you should accept it.

Think about it in common sense terms: When you know your opponent is desperate for a deal, you can demand much more. If it looks like they have a lot of other options outside the negotiation, you'll be more likely to make concessions.

As Fisher and Ury said, "The reason you negotiate is to produce something better than the results you can obtain without negotiating. What are those results? What is that alternative? What is your BATNA—your Best Alternative To a Negotiated Agreement? That is the standard against which any proposed agreement should be measured."[2]

The party with the best BATNA has the best negotiating position, so try to improve your BATNA whenever possible by exploring possible alternatives.[3]

Going back to the example of your new job negotiation, consider your options to the offer you receive. If your pay is lower than what you want, what alternatives do you have? A job with another company? Looking for another job? Going back to school? While you're thinking about your BATNA, take some time to think about the other party's BATNA. Do they have an employee who could readily replace you?

Once you've gotten a clear understanding of your own goals, investigate the person you'll be negotiating with. What does that person (or company) want? Put yourself in the other party's shoes. What alternatives could they have? For example, in the job negotiations, the other side wants a good employee at a fair price. That may lead you to do research on salary levels: What is the pay rate for the position you're seeking? What is the culture of the company?

Greenpeace's goals are to safeguard the environment by getting large companies and organizations to adopt more environmentally friendly practices such as using fewer plastic components. Part of the background research Greenpeace engages in involves uncovering facts. For instance, medical device makers are using harmful PVCs as a tubing material because PVCs are inexpensive. But are there alternatives to PVCs that are also cost effective? Greenpeace's research found that yes, there are.[4] Knowing this lets Greenpeace counter those arguments and puts Greenpeace in a stronger position to achieve its goals.

Phase 3: Presentation

The third phase of negotiation is **presentation**. In this phase, you assemble the information you've gathered in a way that supports your position. In a job hiring or salary negotiation situation, for instance, you can present facts that show what you've contributed to the organization in the past (or in a previous position), which in turn demonstrates your value. Perhaps you created a blog that brought attention to your company or got donations or funding for a charity. Perhaps you're a team player who brings out the best in a group.

Figure 2: All phases of the negotiation process are important. The presentation is the one that normally receives the most attention, but the work done before that point is equally important. © 2010 Jupiterimages Corporation

Phase 4: Bargaining

During the **bargaining** phase, each party discusses their goals and seeks to get an agreement. A natural part of this process is making **concessions**, namely, giving up one thing to get something else in return. Making a concession is not a sign of weakness—parties expect to give up some of their goals. Rather, concessions demonstrate cooperativeness and help move the negotiation toward its conclusion. Making concessions is particularly important in tense union-management disputes, which can get bogged down by old issues. Making a concession shows forward movement and process, and it allays concerns about rigidity or closed-mindedness. What would a typical concession be? Concessions are often in the areas of money, time, resources, responsibilities, or autonomy. When negotiating for the purchase of products, for example, you might agree to pay a higher price in exchange for getting the products sooner. Alternatively, you could ask to pay a lower price in exchange for giving the manufacturer more time or flexibility in when they deliver the product.

One key to the bargaining phase is to ask questions. Don't simply take a statement such as "We can't do that" at face value. Rather, try to find out why the party has that constraint. Let's take a look at an example. Say that you're a retailer and you want to buy patio furniture from a manufacturer. You want to have the sets in time for spring sales. During the negotiations, your goal is to get the lowest price with the earliest delivery date. The manufacturer, of course, wants to get the highest price with the longest lead time before delivery. As negotiations stall, you evaluate your options to decide what's more important: a slightly lower price or a slightly longer delivery date? You do a quick calculation. The manufacturer has offered to deliver the products by April 30, but you know that some of your customers make their patio furniture selection early in the spring, and missing those early sales could cost you $1 million. So you suggest that you can accept the April 30 delivery date if the manufacturer will agree to drop the price by $1 million.

"I appreciate the offer," the manufacturer replies, "but I can't accommodate such a large price cut." Instead of leaving it at that, you ask, "I'm surprised that a two-month delivery would be so costly to you. Tell me more about your manufacturing process so that I can understand why you can't manufacture the products in that time frame."

"*Manufacturing* the products in that time frame is not the problem," the manufacturer replies, "but getting them *shipped* from Asia is what's expensive for us."

When you hear that, a light bulb goes off. You know that your firm has favorable contracts with shipping companies because of the high volume of business the firm gives them. You make the following counteroffer: "Why don't we agree that my company will arrange and pay for the shipper, and you agree to have the products ready to ship on March 30 for $10.5 million instead of $11

million?" The manufacturer accepts the offer—the biggest expense and constraint (the shipping) has been lifted. You, in turn, have saved money as well.[5]

Phase 5: Closure

Closure is an important part of negotiations. At the close of a negotiation, you and the other party have either come to an agreement on the terms, or one party has decided that the final offer is unacceptable and therefore must be walked away from. Most negotiators assume that if their best offer has been rejected, there's nothing left to do. You made your best offer and that's the best you can do. The savviest of negotiators, however, see the rejection as an opportunity to learn. "What would it have taken for us to reach an agreement?"

Recently, a CEO had been in negotiations with a customer. After learning the customer decided to go with the competition, the CEO decided to inquire as to why negotiations had fallen through. With nothing left to lose, the CEO placed a call to the prospect's vice president and asked why the offer had been rejected, explaining that the answer would help improve future offerings. Surprisingly, the VP explained the deal was given to the competitor because, despite charging more, the competitor offered after-sales service on the product. The CEO was taken by surprise, originally assuming that the VP was most interested in obtaining the lowest price possible. In order accommodate a very low price, various extras such as after-sales service had been cut from the offer. Having learned that the VP was seeking service, not the lowest cost, the CEO said, "Knowing what I know now, I'm confident that I could have beaten the competitor's bid. Would you accept a revised offer?" The VP agreed, and a week later the CEO had a signed contract.[6]

Sometimes at the end of negotiations, it's clear why a deal was not reached. But if you're confused about why a deal did not happen, consider making a follow-up call. Even though you may not win the deal back in the end, you might learn something that's useful for future negotiations. What's more, the other party may be more willing to disclose the information if they don't think you're in a "selling" mode.

Should you negotiate for a higher salary?

Yes! According to a survey conducted by CareerBuilder.com, 58 percent of hiring managers say they leave some negotiating room when extending initial job offers. The survey also found that many of the hiring managers agree to a candidate's request for a higher salary. "Salary negotiation has become a growing opportunity in the job acquisition process," says Bill Hawkins, president and CEO of the Hawkins Company, a full-service executive search firm with offices in Los Angeles and Atlanta. "Candidates who fail to make a counteroffer could forfeit significant income."

Source: Adapted from information in Reed-Woodard, M. (2007, April). Taking money off the table. *Black Enterprise*, *37*(9), 60–61.

Negotiation Strategies

Distributive Approach

The **distributive view** of negotiation is the traditional fixed-pie approach. That is, negotiators see the situation as a pie that they have to divide between them. Each tries to get more of the pie and "win." For example, managers may compete over shares of a budget. If marketing gets a 10 percent increase in its budget, another department such as R&D will need to decrease its budget by 10 percent to offset the marketing increase. Focusing on a fixed pie is a common mistake in negotiation, because this view limits the creative solutions possible.

Integrative Approach

A newer, more creative approach to negotiation is called the **integrative approach**. In this approach, both parties look for ways to integrate their goals under a larger umbrella. That is, they look for ways to *expand* the pie, so that each party gets more. This is also called a win–win approach. The first step of the integrative approach is to enter the negotiation from a cooperative rather than an adversarial stance. The second step is all about listening. Listening develops trust as each party learns what the other wants and everyone involved arrives at a mutual understanding. Then, all parties can explore ways to achieve the individual goals. The general idea is, "If we put our heads together, we can find a solution that addresses everybody's needs." Unfortunately, integrative outcomes are not the norm. A summary of thirty-two experiments on negotiations found that although they could have resulted in

integrated outcomes, only 20 percent did so.[7] One key factor related to finding integrated solutions is the experience of the negotiators who were able to reach them.[8]

Seven steps to negotiating a higher salary

- Step 1: *Overcome your fear*.
  - The first step is to overcome your fears. Many people don't even begin a salary negotiation. We may be afraid of angering the boss or think that because we are doing a good job, we'll automatically be rewarded. But just because you're doing a good job doesn't mean you'll automatically get a raise. Why? If you don't ask for one, the boss may believe you're satisfied with what you're getting. So why should he pay you more? Imagine going into a car dealership and being absolutely delighted with a car choice. The sticker price is $19,000. Would you pay the dealer $23,000 just because you really like the car? Of course not. You probably wouldn't even offer $19,000. If the car was up for auction, however, and another bidder offered $20,000, you'd likely increase your offer, too.
  - That's what salary negotiation is like. Your boss may be thrilled with you but at the same time is running a business. There's no reason to pay an employee more if you seem satisfied with your current salary.
- Step 2: *Get the facts.*
  - Before you enter into the negotiation, do some background research. What are other companies paying people in your position? Check sites such as Payscale.com, Salary.com, and Salaryexpert.com to get a feel for the market. Look at surveys conducted by your professional organization.
- Step 3: *Build your case.*
  - How important are you to the organization? How have you contributed? Perhaps you contributed by increasing sales, winning over angry customers, getting feuding team members to cooperate, and so on. Make a list of your contributions. Be sure to focus on the contributions that your boss values most. Is it getting recognition for the department? Easing workload? If another employer has shown interest in you, mention that as a fact. However, don't use this as a threat unless you're prepared to take the other offer. Mentioning interest from another employer gets the boss to think, "If I don't give this raise, I may lose the employee." (By the way, if you don't feel you have a strong case for your raise, perhaps this isn't the time to ask for one.)
- Step 4: *Know what you want.*
  - Set your target salary goal based on your research and the norms of what your organization will pay. Now ask yourself, if you don't get this figure, would you quit? If not, are there other alternatives besides a salary increase that you'd consider? For example, would you accept a higher title? More vacation time? Paid training to learn a new skill? Flexible hours?
- Step 5: *Begin assertively.*
  - Start the discussion on a strong but friendly tone. "I think I'm worth more than I'm being paid." List the ways you've contributed to the company.
- Step 6: *Don't make the first offer.*
  - Let your boss name the figure. You can do this by asking, "How much of a raise could you approve?" However, if the boss insists that you name a figure, ask for the most that you can reasonably expect to get. You want to be reasonable, but you need to allow room to make a concession. Your boss will assume your opening number was high and will offer you less, so asking for the actual figure you want may leave you feeling disappointed.
  - If the boss opens with, "The salary range for this position is $66,000 to 78,000," ask for the high end. If your goal was higher than that range, challenge the range by explaining how you are an exception and why you deserve more.
- Step 7: *Listen more than talk.*
  - You'll learn more by listening rather than talking. The more you listen, the better the boss will feel about you—people tend to like and trust people who listen to them.
  - If you can't get a raise now, get your boss to agree to one in a few months if you meet agreed-upon objectives.

Sources: Adapted from information in Brodow, E. (2006). *Negotiation boot camp.* New York: Currency/Doubleday; Nemko, M. (2007, December 31). The general way to get a raise. *US News & World Report, 57*.

Avoiding Common Mistakes in Negotiations

Failing to Negotiate/Accepting the First Offer

You may have heard that women typically make less money than men. Researchers have established that about one-third of the gender differences observed in the salaries of men and women can be traced back to differences in starting salaries, with women making less, on average, when they start their jobs.[9] Some people are taught to feel that negotiation is a conflict situation, and these individuals may tend to avoid negotiations to avoid conflict. Research shows that this negotiation avoidance is especially prevalent among women. For example, one study looked at students from Carnegie-Mellon who were getting their first job after earning a master's degree. The study found that only 7 percent of the women negotiated their offer, while men negotiated 57 percent of the time.[10] The result had profound consequences. Researchers calculate that people who routinely negotiate salary increases will earn over $1 million more by retirement than people who accept an initial offer every time without asking for more.[11] The good news is that it appears that it is possible to increase negotiation efforts and confidence by training people to use effective negotiation skills.[12]

Letting Your Ego Get in the Way

Thinking only about yourself is a common mistake, as we saw in the opening case. People from the United States tend to fall into a self-serving bias in which they overinflate their own worth and discount the worth of others. This can be a disadvantage during negotiations. Instead, think about why the other person would want to accept the deal. People aren't likely to accept a deal that doesn't offer any benefit to them. Help them meet their own goals while you achieve yours. Integrative outcomes depend on having good listening skills, and if you are thinking only about your own needs, you may miss out on important opportunities. Remember that a good business relationship can only be created and maintained if both parties get a fair deal.

Having Unrealistic Expectations

Susan Podziba, a professor of mediation at Harvard and MIT, plays broker for some of the toughest negotiations around, from public policy to marital disputes. She takes an integrative approach in the negotiations, identifying goals that are large enough to encompass both sides. As she puts it, "We are never going to be able to sit at a table with the goal of creating peace and harmony between fishermen and conservationists. But we can establish goals big enough to include the key interests of each party and resolve the specific impasse we are currently facing. Setting reasonable goals at the outset that address each party's concerns will decrease the tension in the room, and will improve the chances of reaching an agreement."[13] Those who set unreasonable expectations are more likely to fail.

Getting Overly Emotional

Negotiations, by their very nature, are emotional. The findings regarding the outcomes of expressing anger during negotiations are mixed. Some researchers have found that those who express anger negotiate worse deals than those who do not,[14] and that during online negotiations, those parties who encountered anger were more likely to compete than those who did not.[15] In a study of online negotiations, words such as *despise*, *disgusted*, *furious*, and *hate* were related to a reduced chance of reaching an agreement.[16] However, this finding may depend on individual personalities. Research has also shown that those with more power may be more effective when displaying anger. The weaker party may perceive the anger as potentially signaling that the deal is falling apart and may concede items to help move things along.[17] This holds for online negotiations as well. In a study of 355 eBay disputes in which mediation was requested by one or both of the parties, similar results were found. Overall, anger hurts the mediation process unless one of the parties was perceived as much more powerful than the other party, in which case anger hastened a deal.[18] Another aspect of getting overly emotional is forgetting that facial expressions are universal across cultures, and when your words and facial expressions don't match, you are less likely to be trusted.[19]

Letting Past Negative Outcomes Affect the Present Ones

Research shows that negotiators who had previously experienced ineffective negotiations were more likely to have failed negotiations in the future. Those who were unable to negotiate some type of deal in previous negotiation situations tended to have lower outcomes than those who had successfully negotiated deals in the past.[20] The key to remember is that there is a tendency to

let the past repeat itself. Being aware of this tendency allows you to overcome it. Be vigilant to examine the issues at hand and not to be overly swayed by past experiences, especially while you are starting out as a negotiator and have limited experiences.

Tips for negotiation success

- *Focus on agreement first*. If you reach an impasse during negotiations, sometimes the best recourse is to agree that you disagree on those topics and then focus only on the ones that you can reach an agreement on. Summarize what you've agreed on, so that everyone feels like they're agreeing, and leave out the points you don't agree on. Then take up those issues again in a different context, such as over dinner or coffee. Dealing with those issues separately may help the negotiation process.
- *Be patient*. If you don't have a deadline by which an agreement needs to be reached, use that flexibility to your advantage. The other party may be forced by circumstances to agree to your terms, so if you can be patient you may be able to get the best deal.
- *Whose reality?* During negotiations, each side is presenting their case—their version of reality. Whose version of reality will prevail? Leigh Steinberg offers this example from the NFL, when he was negotiating the salary of Warren Moon. Moon was forty-one years old. That was a fact. Did that mean he was hanging on by a thread and lucky to be employed in the first place? "Should he be grateful for any money that the team pays him?" Steinberg posed, "Or is he a quarterback who was among the league leaders in completions and attempts last year? Is he a team leader who took a previously moribund group of players, united them, and helped them have the best record that they've had in recent years?" All those facts are true, and negotiation brings the relevant facts to the forefront and argues their merit.
- *Deadlines*. Research shows that negotiators are more likely to strike a deal by making more concessions and thinking more creatively as deadlines loom than at any other time in the negotiation process.
- *Be comfortable with silence*. After you have made an offer, allow the other party to respond. Many people become uncomfortable with silence and feel they need to say something. Wait and listen instead.

Sources: Adapted from information in Stuhlmacher, A. F., Gillespie, T. L., & Champagne, M. V. (1998). The impact of time pressure in negotiation: A meta-analysis. *International Journal of Conflict Management*, 9, 97–116; Webber, A. (1998, October). How to get them to show you the money. *Fast Company*. Retrieved November 13, 2008, from http://www.fastcompany.com/magazine/19/showmoney.html.

When All Else Fails: Third-Party Negotiations

Alternative Dispute Resolution

Alternative Dispute Resolution (ADR) includes mediation, arbitration, and other ways of resolving conflicts with the help of a specially trained, neutral third party without the need for a formal trial or hearing.[21] Many companies find this effective in dealing with challenging problems. For example, Eastman Kodak Company added an alternative dispute resolution panel of internal employees to help them handle cases of perceived discrimination and hopefully stop a conflict from escalating.[22]

Mediation

In **mediation**, an outside third party (the mediator) enters the situation with the goal of assisting the parties in reaching an agreement. The mediator can facilitate, suggest, and recommend. The mediator works with both parties to reach a solution but does not represent either side. Rather, the mediator's role is to help the parties share feelings, air and verify facts, exchange perceptions, and work toward agreements. Susan Podziba, a mediation expert, has helped get groups that sometimes have a hard time seeing the other side's point of view to open up and talk to one another. Her work includes such groups as pro-choice and pro-life advocates, individuals from Israel and Palestine, as well as fishermen and environmentalists. According to the US Equal Employment Opportunity Commission, "Mediation gives the parties the opportunity to discuss the issues raised in the charge, clear up misunderstandings, determine the underlying interests or concerns, find areas of agreement and, ultimately, to incorporate those areas of agreements into resolutions. A mediator does not resolve the charge or impose a decision on the parties. Instead, the mediator helps the parties to agree on a mutually acceptable resolution. The mediation process is strictly confidential."[23] One of the advantages of mediation is that the mediator helps the parties design their own solutions, including resolving issues that are important to both parties, not just the ones under specific dispute. Interestingly, sometimes mediation solves a conflict even if no resolution is reached. Here's a quote from Avis Ridley-Thomas, the founder and administrator of the Los Angeles City Attorney's

Dispute Resolution Program, who explains, “Even if there is no agreement reached in mediation, people are happy that they engaged in the process. It often opens up the possibility for resolution in ways that people had not anticipated.”[24] An independent survey showed 96 percent of all respondents and 91 percent of all charging parties who used mediation would use it again if offered.[25]

You know it's time for a mediator when...

- *The parties are unable to find a solution themselves.*
- *Personal differences are standing in the way of a successful solution.*
- *The parties have stopped talking with one another.*
- *Obtaining a quick resolution is important.*

Sources: Adapted from information in Crawley, J. (1994). *Constructive conflict management.* San Diego: Pfeiffer; Mache, K. (1990). *Handbook of dispute resolution: Alternative dispute resolution in action.* London: Routledge.

Arbitration

In contrast to mediation, in which parties work with the mediator to arrive at a solution, in **arbitration** the parties submit the dispute to the third-party arbitrator. It is the arbitrator who makes the final decision. The arbitrator is a neutral third party, but the decision made by the arbitrator is final (the decision is called the “award”). Awards are made in writing and are binding to the parties involved in the case.[26] Arbitration is often used in union-management grievance conflicts.

Figure 3: As a last resort, judges resolve conflicts. Source: http://upload.wikimedia.org/wikipedi...Front_Dusk.jpg.

Arbitration-Mediation

It is common to see mediation followed by arbitration. An alternative technique is to follow the arbitration with mediation. The format of this conflict resolution approach is to have both sides formally make their cases before an arbitrator. The arbitrator then makes a decision and places it in a sealed envelope. Following this, the two parties work through mediation. If they are unable to reach an agreement on their own, the arbitration decisions become binding. Researchers using this technique found that it led to voluntary agreements between the two parties 71 percent of the time versus 50 percent for mediation followed by arbitration.[27]

Key Takeaways

- Negotiation consists of five phases that include investigation, determining your BATNA, presentation, bargaining, and closure.
- Different negotiation strategies include the distributive approach (fixed-pie approach) and the integrative approach (expanding-the-pie approach).
- Research shows that some common mistakes made during negotiations include accepting the first offer made, letting egos get in the way, having unrealistic expectations, getting overly emotional, and letting past negative outcomes affect the present ones.
- Third-party negotiators are sometimes needed when two sides cannot agree.

Exercises

1. What are the negotiation phases and what goes on during each of them?
2. When negotiating, is establishing a BATNA important? Why or why not?
3. What are the third-party conflict resolution options available?

References

1. [1] Webber, A. (1998, October). How to get them to show you the money. *Fast Company*, 198. Retrieved November 14, 2008, fromwww.fastcompany.com/magaz...showmoney.html.
2. Fisher, R., & Ury, W. (1981). Getting to yes: *Negotiating agreement without giving in*. New York: Penguin Books.
3. Pinkley, R. L. (1995). Impact of knowledge regarding alternatives to settlement in dyadic negotiations: Whose knowledge counts? *Journal of Applied Psychology*, 80, 403–17.
4. Layne, A. (1999, November). Conflict resolution at Greenpeace? *Fast Company.* Retrieved November 14, 2008, from www.fastcompany.com/articles/...rick_hind.html.
5. Adapted from Malhotra, D., & Bazerman, M. H. (2007, September). Investigative negotiation. *Harvard Business Review*, 85, 72.
6. Malhotra, D., & Bazerman, M. H. (2007, September). Investigative negotiation. *Harvard Business Review*, 85, 72.
7. Thompson, L., & Hrebec, D. (1996). Lose-lose agreements in interdependent decision making. *Psychological Bulletin*, 120, 396–409.
8. Thompson, L. (1990). Negotiation behavior and outcomes: Empirical evidence and theoretical issues. *Psychological Bulletin*, 108, 515–32.
9. Gerhart, B. (1990). Gender differences in current and starting salaries: The role of performance, college major, and job title. *Industrial and Labor Relations Review*, 43, 418–33.
10. CNN. (2003, August 21). Interview with Linda Babcock. Retrieved November 14, 2008, from transcripts.cnn.com/TRANSCRIP.../21/se.04.html.
11. Babcock, L., & Lascheve, S. (2003). *Women don't ask: Negotiation and the gender divide.* Princeton, NJ: Princeton University Press.
12. Stevens, C. K., Bavetta, A. G., & Gist, M. E. (1993). Gender differences in the acquisition of salary negotiation skills: The role of goals, self-efficacy, and perceived control. *Journal of Applied Psychology*, 78, 723–35.
13. Rothenberger, C. (2008, September 11). Negotiation 201: Refine your skills. *Fast Company*. Retrieved January 11, 2008, fromwww.fastcompany.com/artic...b_podziba.html.
14. Kopelman, S., Rosette, A. S., & Thompson, L. (2006). The three faces of Eve: An examination of the strategic display of positive, negative, and neutral emotions in negotiations. *Organizational behavior and human decision processes*, 99, 81–101.
15. Friedman, R., Anderson, C., Brett, J., Olekalns, M., Goates, N., & Lisco, C. C. (2004). The positive and negative effects of anger on dispute resolution: Evidence from electronically mediated disputes. *Journal of Applied Psychology*, 89, 369–76.
16. Brett, J. M., Olekalns, M., Friedman, R., Goates, N., Anderson, C., & Lisco, C. C. (2007). Sticks and stones: Language, face, and online dispute resolution. *Academy of Management Journal*, 50, 85–99.
17. Van Kleef, G. A., & Cote, S. (2007). Expressing anger in conflict: When it helps and when it hurts. *Journal of Applied Psychology*, 92, 1557–69.
18. Friedman, R., Anderson, C., Brett, J., Olekalns, M., Goates, N., & Lisco, C. C. (2004). The positive and negative effects of anger on dispute resolution: Evidence from electronically mediated disputes. *Journal of Applied Psychology*, 89, 369–76.

19. Hill, D. (2007). *Emotionomics: Winning hearts and minds.* Edina, MN: Adams Business & Professional; Holloway, L. (2007, December). Mixed signals: Are you saying one thing, while your face says otherwise? *Entrepreneur*, 35, 49.
20. O'Connor, K. M., Arnold, J. A., & Burris, E. R. (2005). Negotiators' bargaining histories and their effects on future negotiation performance. *Journal of Applied Psychology*, 90, 350–62.
21. New York State Unified Court System. (2008, October 28). Alternative dispute resolution. Retrieved November 14, 2008, fromwww.courts.state.ny.us/ip/adr/index.shtml.
22. Deutsch, C. H. (2004, August 24). Race remains a difficult issue for many workers at Kodak. *New York Times*.
23. The US Equal Employment Opportunity Commission. (2007, December 4). *Mediation*. Retrieved November 13, 2008, from http://www.eeoc.gov/employees/mediation.cfm.
24. Layne, A. (1999, November). Conflict resolution at Greenpeace? *Fast Company*. Retrieved November 11, 2008, from www.fastcompany.com/articles/...rick_hind.html.
25. Layne, A. (1999, November). Conflict resolution at Greenpeace? *Fast Company.* Retrieved November 11, 2008, fromwww.fastcompany.com/artic...rick_hind.html.
26. American Arbitration Association. (2007). Arbitration and mediation. Retrieved November 11, 2008, from www.adr.org/arb_med.
27. Conlon, D. E., Moon, H., & Ng, K. Y. (2002). Putting the cart before the horse: The benefits of arbitrating before mediating. *Journal of Applied Psychology*, 87, 978–84.

This page titled 6.2: Negotiations is shared under a CC BY-NC-SA license and was authored, remixed, and/or curated by Anonymous.

- **9.5: Negotiations** by Anonymous is licensed CC BY-NC-SA 3.0. Original source: https://2012books.lardbucket.org/books/beginning-human-relations/.

6.3: Negotiation

We frequently engage in negotiations as we go about our daily activities, often without being consciously aware that we are doing so. Negotiation can be simple, e.g., two friends deciding on a place to eat dinner, or complex, e.g., governments of several nations trying to establish import and export quotas across multiple industries. When a formal proceeding is started in the court system, **alternative dispute resolution (ADR)**, or ways of solving an issue with the intent to avoid **litigation**, may be employed. Negotiation is often the first step used in ADR. While there are other forms of alternative dispute resolution, negotiation is considered to be the simplest because it does not require outside parties. An article in the **Organization Behavior and Human Decision Processes** defined **negotiation** as the "process by which parties with nonidentical preferences allocate resources through interpersonal activity and joint decision making." Analyzing the various components of this definition is helpful in understanding the theories and practices involved in negotiation as a form of dispute settlement.

Negotiation Types and Objectives

Per the above definition, negotiation becomes necessary when two parties hold "non-identical" preferences. This statement seems fairly obvious, since 100% agreement would indicate that there is not any need for negotiation. From this basic starting point, there are several ways of thinking about negotiation, including how many parties are involved. For example, if two small business owners find themselves in a disagreement over property lines, they will frequently engage in **dyadic negotiation**. Put simply, dyadic negotiation involves two individuals interacting with one another in an attempt to resolve a dispute. If a third neighbor overhears the dispute and believes one or both of them are wrong with regard to the property line, then **group negotiation** could ensue. Group negotiation involves more than two individuals or parties, and by its very nature, it is often more complex, time-consuming, and challenging to resolve.

While dyadic and group negotiations may involve different dynamics, one of the most important aspects of any negotiation, regardless of the quantity of negotiators, is the objective. Negotiation experts recognize two major goals of negotiation: relational and outcome. **Relational goals** are focused on building, maintaining, or repairing a partnership, connection, or rapport with another party. **Outcome goals**, on the other hand, concentrate on achieving certain end results. The goal of any negotiation is influenced by numerous factors, such as whether or not there will be contact with the other party in the future. For example, when a business negotiates with a supply company that it intends to do business with in the foreseeable future, it will try to focus on "win-win" solutions that provide the most value for each party. In contrast, if an interaction is of a one-time nature, that same company might approach a supplier with a "win-lose" mentality, viewing its objective as maximizing its own value at the expense of the other party's value. This approach is referred to as **zero-sum negotiation**, and it is considered to be a "hard" negotiating style. Zero-sum negotiation is based on the notion that there is a "fixed pie," and the larger the slice that one party receives, the smaller the slice the other party will receive. Win-win approaches to negotiation are sometimes referred to as **integrative**, while win-lose approaches are called **distributive**.

Figure 6.3.1: Certain negotiation styles adopt a mindset in which the extent of one's win is proportional to the other's loss. (Credit: Sebastian Voortman/ pexels/ License: CC0)

Negotiation Style

Everyone has a different way of approaching negotiation, depending on the circumstance and the person's personality. However, the **Thomas-Kilmann Conflict Mode Instrument (TKI)** is a questionnaire that provides a systematic framework for categorizing five broad negotiation styles. It is closely associated with work done by conflict resolution experts Dean Pruitt and Jeffrey Rubin. These styles are often considered in terms of the level of self-interest, instead of how other negotiators feel. These five general negotiation styles include:

- **Forcing**. If a party has high concern for itself, and low concern for the other party, it may adopt a competitive approach that only takes into account the outcomes it desires. This negotiation style is most prone to zero-sum thinking. For example, a car dealership that tries to give each customer as little as possible for his or her trade-in vehicle would be applying a forcing negotiation approach. While the party using the forcing approach is only considering its own self-interests, this negotiating style often undermines the party's long-term success. For example, in the car dealership example, if a customer feels she has not received a fair trade-in value after the sale, she may leave negative reviews and will not refer her friends and family to that dealership and will not return to it when the time comes to buy another car.
- **Collaborating**. If a party has high concern and care for both itself and the other party, it will often employ a collaborative negotiation that seeks to maximum the gain for both. In this negotiating style, parties recognize that acting in their mutual interests may create greater value and synergies.
- **Compromising**. A compromising approach to negotiation will take place when parties share some concerns for both themselves and the other party. While it is not always possible to collaborate, parties can often find certain points that are more important to one versus the other, and in that way, find ways to isolate what is most important to each party.
- **Avoiding**. When a party has low concern for itself and for the other party, it will often try to avoid negotiation completely.
- **Yielding**. Finally, when a party has low self-concern for itself and high concern for the other party, it will yield to demands that may not be in its own best interest. As with avoidance techniques, it is important to ask why the party has low self-concern. It may be due to an unfair power differential between the two parties that has caused the weaker party to feel it is futile to represent its own interests. This example illustrates why negotiation is often fraught with ethical issues.

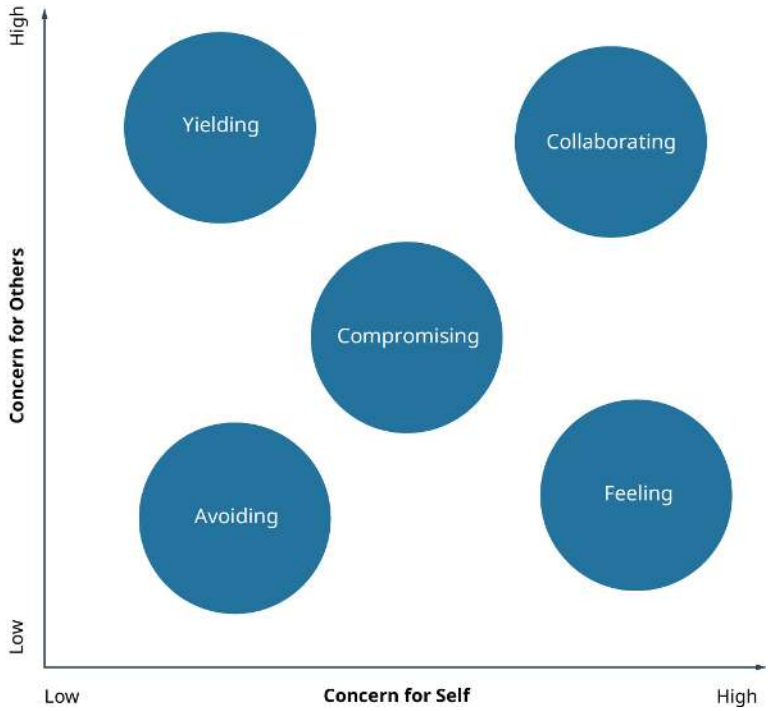


Figure 6.3.2: Concern for self vs. others leads to the differences in negotiating styles. (Modification of art by BNED/Rubin Credit: CC BY NC SA)

Negotiation Styles in Practice

Apple's response to its treatment of warranties in China, i.e., giving one-year warranties instead of two-year warranties as required by law, serves as an example of how negotiation may be used. While Apple products continued to be successful and popular in China, the issue rankled its customers, and Chinese celebrities joined the movement to address the concern. Chinese consumers felt that Apple was arrogant and didn't value its customers or the customers' feedback. In response, Tim Cook issued a public apology in which he expressed regret over the misunderstanding, saying, "We are aware that insufficient communications during this process has led to the perception that Apple is arrogant and disregards, or pays little attention to, consumer feedback. We express our sincere apologies for any concern or misunderstanding arising therefrom." Apple then listed four ways it intended to resolve the matter. By exhibiting humility and concern for its customers, Apple was able to diffuse a contentious situation that might have resulted in costly litigation.

Negotiation Laws

Negotiations are covered by a medley of federal and state laws, such as the **Federal Arbitration Act** and **Uniform Arbitration Act**. The Federal Arbitration Act (FAA) is a national policy that favors arbitration and enforces situations in which parties have contractually agreed to participate in arbitration. Parties who have decided to be subject to binding arbitration relinquish their constitutional right to settle their dispute in court. It is the FAA that allows parties to confirm their awards, as will be discussed in the following chapters. When considering negotiation laws, it is important to keep in mind that each state has laws with their own definitions and nuances. While the purpose of the Uniform Arbitration Act in the United States was to provide a uniform approach to the way states handle arbitration, it has only been adopted in some form by about 35 states.

Contributors and Attributions

- The OpenStax name, OpenStax logo, OpenStax book covers, OpenStax CNX name, and OpenStax CNX logo are not subject to the creative commons license and may not be reproduced without the prior and express written consent of Rice University. For questions regarding this license, please contact support@openstax.org. Download for free at https://openstax.org/details/books/b...w-i-essentials.

This page titled 6.3: Negotiation is shared under a CC BY-NC-SA license and was authored, remixed, and/or curated by OpenStax.

- **2.2: Negotiation** is licensed CC BY-NC-SA 4.0. Original source: https://openstax.org/details/books/principles-finance.

CHAPTER OVERVIEW

7: Explore future trends of customer service

7.1: Defining the Context- Overview
7.2: Customer relationship management(Summary)
7.3: Loyalty and Customer Relationships
7.4: The Power of Relationship Selling

7: Explore future trends of customer service is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

7.1: Defining the Context- Overview

In developing growth strategy—as in juggling (!)—first, you need a frame that serves a purpose like the juggler's box. The difference is that the frame for growth strategy is not imaginary. Instead, it is a very real combination of the statement of a particular company unit (product, service, brand, product/service line, etc.), the customer segment, and the competitor. In fact, the generic way that we define a growth strategy project is by stating a project goal in the following way:

> *"My goal is to grow **COMPANY UNIT** by creating more value for **CUSTOMER SEGMENT** than **COMPETITOR** does."*

This definition provides a means of building the frame for the growth strategy for a particular business unit. Some simple examples of project contexts, reflected from past projects, are the following:

- My goal is to figure out how **McDONALD'S** can grow by creating more value for **BREAKFAST CUSTOMERS** than **STARBUCKS** does.
- My goal is to figure out how **HARRAH'S CASINO** can grow by creating more value for the **HIGH NET WORTH GAMBLER** than **EMPRESS CASINO** does.
- My goal is to figure out how **ORBITZ** can grow by creating more value for **HIGH FREQUENCY TRAVELERS** than **EXPEDIA.COM** does.

This statement first requires a precise statement of each element. It puts the three dimensions of the 3-Circle project in a particular action-oriented context, focused on company growth, customer value, and a competitor. While the previous statements look fairly simple in hindsight, in reality, they are often difficult to develop. This is not because it is difficult to find things to put in the blanks. On the contrary, it is because there are often way too many things that we *could* put in the blanks!

Why a Focused Project Context Is Necessary

Stephen Johnson is a photographer wishing to build a growth strategy for his newly opened shop. Stephen's project definition states a goal of "seeking to grow *Johnson Photography* by creating more value for *customers* than *Frederick Pictures* (the local competitor)." There is a very clear problem with this statement. "Customers" is ill-defined. Once Stephen started exploring customers' value definitions and perceptions, he would find very big differences between different types of customers. For example, primary school administrators who need to choose a photographer for school pictures will have very different criteria for value (e.g., moderate quality, volume, price) and very different awareness levels than will young couples or families in the market for weddings, who would likely put more emphasis on very high quality, responsive service, and related services (e.g., video, websites), along with a greater willingness to pay. In addition, depending on the segment chosen for study, different competitors emerge. If we tried to do a growth strategy project without distinguishing between potentially different customers, we would find a confusing mass of answers because different people will define value differently and will have different competitors in mind. As a result, it is best to be as specific as possible in defining project contexts, even if that means giving up some breadth in the analysis. As we will see, the returns provided by greater depth are more than worth the depth given up.

Often, defining the context for a 3-Circle project is an excellent opportunity to look more fundamentally at your business, asking the following basic questions:

- What is the *company* "unit of analysis"?
- Who (what *customer segments*) do we serve?
- With whom do we *compete*?

The project context statement is an integrative statement that brings together these three elements. As noted later, the order of determination may well depend on the particular business problem that needs to be solved. The goal is to define the boundaries of the project in the form of a simple declarative statement that can be easily communicated to others. The best way to illustrate the subtlety—and, sometimes, frustration!—in leading to these simple statements is reflected in a series of principles. These principles provide the organizing framework for the chapter. The first principle is about chickens and eggs.

Chicken or Egg Does Not Matter

It would seem that there would be an optimal "starting point" for defining the project context statement. However, there is no single answer. If there is one natural, central defining construct in the process, it is customer decision making. This means that important

issues spring from the way the customer approaches the decision—for example, what attributes, features, and benefits are important, what competitive options are considered and not considered, and so on. For the most part, the relevant dimensions of the context all spring from how the customers tend to view and make the decision. Early discussions with customers help define (a) the particular unit of analysis about which they make decisions—such as selection of one brand over another, or selection of complementary products and services at the same time, and (b) the competitive options that they consider.

That said, while an understanding of the customer segment and how customers likely choose between competitive options will somehow always be reflected in the analysis, it may not always be the first step. So what should come first in defining your initial project: the company unit, the customer segment, or the competitor? We believe that to answer this, you first need to consider your business problem. It may be that you have been observing a *segment of customers* get larger over time, representing a great opportunity, but you have been unable to build sales in that segment as quickly as you like. If so, the customer segment may be the anchor for the project. With the customer segment in mind, you then explore (a) what the relevant *company unit* (e.g., product or service line, brand, even division) is with which you can create value for this segment and (b) which *competitor(s)* you want to include in the analysis. On the other hand, maybe you have had a new competitor preying on your mind, perhaps one that is beginning to eat away at your sales. As such, a project may be motivated by a desire to develop a deeper understanding of a particular competitor. Once you anchor on a competitor, then think through the particular *company unit* with whom they compete and the most relevant *customer segment* you both serve. Finally, you may start with the *company unit*—once defined—for example, perhaps you have carried around the broader problem of how to grow the business unit. This one is broader by definition, in that it could conceivably involve different segments and competitors, so may require a bit more search and analysis in its development.

Without a particular business problem in mind, we will start with the company unit of analysis, noting that there is a common thread across all three areas to help define the basic dimensions of the project—that common thread is *customer choice*.

Define the Company Unit of Analysis So It Is Actionable

This is usually straightforward, so we will spend little time here. If the company is small and interacts with customers with a single product, it may be that the unit of analysis is just the company itself. Alternatively, the project may be organized around a particular product line. Consider the following project context statement from Medline, an Illinois-based manufacturer of hospital clothing and supplies: “How Medline can grow *our fashion scrubs business* by creating more value for hospital employees in a color by discipline program than a local scrub store?” In this case, the company unit is a newer line of scrubs that is targeted to hospitals who have adopted a color-by-discipline program in which the hospital employees role can be identified by the color they wear. This project was undertaken by the product manager responsible for the line who was exploring the potential for an online retail store presence.

The key criterion in defining context will almost always be a function of customer choice. There are many dimensions on which the company unit can be defined. It could be defined by an individual brand or an umbrella brand (covering multiple brands). It could be defined by an individual product or service or by a line of products or services. It is less likely to be a broad business unit, though, because what is critical is that the unit of analysis be some unit around which we can define customer choice; that is, the company unit must be the subject of choice. In short, *we need to define the company as a unit of analysis where the dimensions of value on which customers compare our offering to competitors’ can be identified.* As an example, we can define the reasons why customers might choose between Medline’s online store and a local bricks-and-mortar retail store; such factors would include time savings, ability to control shopping time frame, pricing, ability to try on goods, ability to physically inspect the products, immediacy of purchase, and so on. In contrast, it would be difficult to frame a project around Medline’s multidivision product line against that of a similar competitor. Why? Because people do not evaluate whether to choose one Medline division over another (or even over competitors). In contrast, evaluating a narrower product line or category provides a concrete starting point for a project. The general comparison of Dell versus Apple for the purposes of developing growth strategy is relevant only within particular product or service lines. Otherwise, it would be a general analysis of brand meaning, which, while useful for understanding brand equity, falls short of useful growth strategy development for particular areas of the firm.

Think About Customer Segments

Most companies (whether they know it or not) serve multiple customer segments. That is, different customers purchase the company’s products or services for different reasons. If we can recognize and understand those different reasons, it is possible to change our marketing mix, custom-tailoring it to different segments to generate a better share of each segment’s sales than if we

had a “one size fits all” offering. A hypothetical example is presented in Figure 7.1.1, illustrating how a bottled-water company might substantially increase its total contribution by recognizing that there are different segments of consumers. Treating all consumers the same (with a single product, i.e., the “undifferentiated” case), the company offers one product at a price of $1.00 and a margin of $0.50. However, through a little research, the company learns that different customers have different purchase motivations. It turns out that 70% of the market is price driven, and enjoys paying $1.00 for the current product. The other 30%, however, is concerned with health. The latter segment would like a product that is vitamin-fortified, and is willing to pay more for it. The calculations appear in the Appendix to this chapter, but the conclusion is that the firm’s total contribution increases from $75 previously (selling just the single product) to $115 when two products are offered. This is because the healthy segment will buy more of a product that better meets their needs, and their willingness to pay $1.50 provides a higher margin on each bottle sold (see the “differentiated” scenario on the right in Figure 7.1.1). In sum, there is an economic logic to market segmentation—firms engage in the practice because it increases profitability.

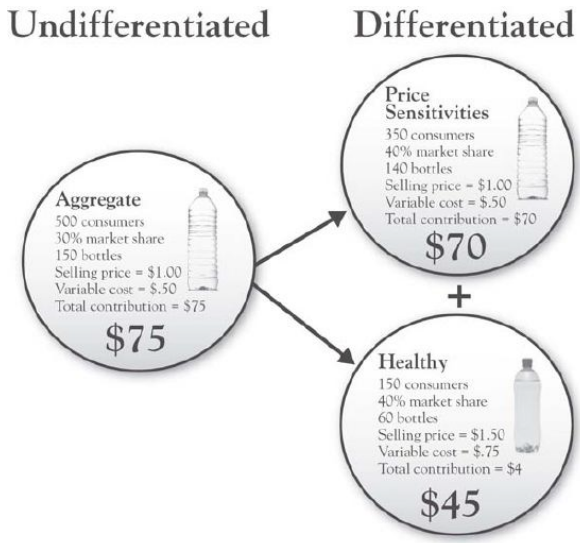


Figure 7.1.1: Increased Profitability Potential for Differentiating Between Market Segments

There are hundreds of textbooks and trade books that provide insight into “how” markets can be segmented. There are many different ways to segment the market, but there is a basic logic that is common across approaches:(Sarvary and Elberse (2006)).

- Identify different types of benefits that customers seek from your product
- Group customers together based on the benefits they seek
- Use other descriptors to describe the segments—for example, demographics like age, income, firm size, and location

Segmentation Is About Reasons

An important way to think about market segments is to consider how different people might decide to buy a product or service for different reasons. Some people buy for price alone, for example. In contrast, others are willing to pay a high price for convenience.

The following exercise can be used to explore the reasons for customer choice in the market you are looking to study. Let us take the example of gasoline service stations. What segments might exist in this market? One way of addressing this would be to speak with those who have fairly extensive experience in the market (e.g., service station operators, executives). While their knowledge of the market may not be perfect—and they will have varying opinions—they will have insights that will help you move forward. In addition, you might have conversations with 5 to 10 customers—even just people you know—as almost all consumers have experience in this service category. But the goal of these discussions is to identify the general needs (e.g., the reasons why people need the service in the first place) and then the reasons why a customer chooses one service station over another. This exercise can be framed as a simple question: why did you choose service station A over service station B? (You will also be able to ask some people why they have chosen B over A in the past, for many people likely have patronized both service stations.) Let us say the reasons that emerge in this analysis include the following:

- Prices good; saves me money
- Fast service; saves me time

- Needed milk; they have a big product assortment
- I know and like the people there; relationship
- Convenient location on my way to work; close to my house
- Very neat; well maintained

Now, looking at these reasons, two things become clear: (a) different people are likely to emphasize different reasons for choosing a service station (*people segments*), and (b) there are likely to be times when the same person might make a choice for different reasons (*situation segments*). People segments are easiest to think about, as we group different people into reason-based segments. So, for example, consider Figure 7.1.2 in which—based on preliminary research and conversations with customers—we identify three segments that place different weights on the reasons we listed previously. (These segments are based upon Mobil's classic market segmentation research; see Sullivan (1995).)

The segments are largely defined by different needs. The first segment tends to seek low gas prices first and foremost, and other concerns are secondary. The second segment seeks food product assortment and variety. The third segment is happy to pay higher prices because they value consistently patronizing a service station where expectations are regularly met and there is value in the relationship built with the staff. This is the basis for market segmentation: Different people choose certain products for different reasons.

	Segment descriptions		
	Price driven: always searching for the lowest price in the market	**On-the-go snackers:** frequent stops for snacks and food items in addition to gas	**Loyalists:** very loyal to a particular service station; considered a "regular"
	How important is each reason to each segment? (L = low importance, M = moderate, H = high)		
• Prices good/saves me money	H	M	L
• Fast service/saves me time	M	H	H
• Needed milk/they have a big product assortment	L	H	M
• I know and like the people there/relationship	M	M	H
• Convenient location on my way to work	M	L	M
• Close to my house	L	L	M
• Very neat, well maintained	L	M	H

Figure 7.1.2: Describing Customer Segments for Service Stations

Defining the Project With a Segment Focus

The point of exploring customer segments in your market is that, most of the time, it is best to keep a project focused on one segment. The clearer a picture you have of the particular customers you are seeking to grow business with, the deeper and more insightful your project will be. For example, Harley-Davidson management could define a project as having the goal of "growing sales by creating more value for *heavy weight motorcycle riders* than does Honda." The challenge with this customer definition is that it is very broad, encompassing many different types of customers who purchase motorcycles for very different reasons. Envisioning growth among customers requires a very close look at who they are and "why they buy." Based on research summarized in Winer, (Winer (2002)) there are, in fact, at least six different customer segments of Harley purchasers, ranging from "tour gliders" (about 14% of Harley purchasers) to the much larger "dream rider" segment, which accounts for 40% of Harley's market. The tour gliders use their bikes for long trips for recreation and relaxation, tend to buy more expensive bikes, and spend twice as much on accessories as the dream riders, who tend to ride many fewer miles—mostly local—and appear to be "outlaw wannabes." If a growth strategy project mixed these two segments, it would be difficult to sort out value—the tour gliders seek bike comfort for long trips, while the dream riders seek shine and glitz in a less expensive bike that makes them a "hog." The individual preferences of each segment would be blurred if we tried to do a project that lumped them together. In addition, these different segments may each have different competitive brands in mind when they choose their motorcycles. That leads us to the next principle.

Choose Competitors That Are Relevant to Target Customers

There are a variety of strategic considerations in selecting a competitor or competitors for your growth strategy project. But two general rules capture the most important issues:

1. Identify competitors that your target customer gives serious consideration to when choosing a product or service in this category.

2. Out of that set, select a competitor that is strategically relevant to you—that is, one that currently affects your business or will affect it in the future in terms of market share and profit potential.

Identifying the competitors that your customer considers is actually pretty straightforward—it just takes a few conversations with customers, asking the question, "When you thought about buying a product or service in this category, what were all the options you considered?" But you will also need to keep in mind a broad field of vision for identifying your competitors. You may think of your competitor as the firm that is most like you or that is your biggest potential threat in terms of market share and profitability. Your customer may have other ideas. A systematic way to think about potential competitors is captured in Figure 7.1.3, which depicts concentric circles representing competition at different levels. If our target brand for assessment is Diet Coke, for example, we can argue that its closest direct "form" competitor is Diet Pepsi—the two are of the same exact product form, and each is a national brand. Yet we know that Diet Coke competes at other levels with other brands and options. At the product category level, there are many other soda products that the consumer might consider, including national, regional, and local brands. At an even broader level, it is conceivable that, at times, a consumer may choose between having a Diet Coke and a cup of coffee (or another beverage that is not soda). Finally, the budget level of competition may include all things that might compete for that $1.50 spent on a Diet Coke. It might be a bag of potato chips or pretzels, a comic book, or a candy bar.

This brings us to the point concerning selecting competitors based on strategic relevance. The general guidance here assumes that strategic relevance relates to degree of current or future impact of a competitor. This might take one of several forms: (a) selecting a large, fierce competitor, (b) selecting a competitor who has been gradually creeping up, or (c) selecting a competitor out on the horizon who might have an interest in the market. Again, your decision here should be based on current strategic priorities—from what type of analysis do you stand to gain the most? Which competitor (large current threat, future threat, distant future threat on the horizon) represents the most relevant analysis for you today?

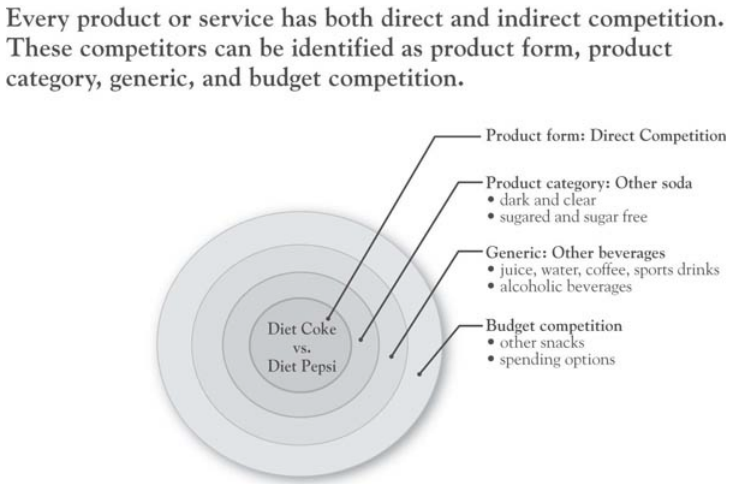


Figure 7.1.3: Levels of Competition

Multiple Customer Segments, Multiple Competitors

There will no doubt be multiple customer segments that you will identify as important, as well as multiple competitors. As we noted earlier in the chapter, though, it is important that any given project have a focus on one of each. As an example, Sarah is a brand manager with Procter & Gamble, and she is considering a 3-Circle project in which she is exploring the goal of "growing the Pampers brand by creating more value for customer segment than competitor."

In truth, there are many interesting combinations of customer segments and competitors that Pampers might study here. The first basic distinction in customer segments might be between retailers and consumers. If Sarah chose retailers—in an effort to improve value in the interest of securing valuable shelf space in stores—there in fact would be subsegments to consider: traditional high-low grocery stores, everyday low-price chains, mass merchandisers, and so on. Within consumer segments, there are many ways that the market might be segmented: by benefits (time-constrained moms vs. price-constrained moms), geography (cold climate vs. warm climate; see Figure 7.1.4), or other demographics. The marketplace is complex, and it is important not to gloss over that complexity. What this means is that we are almost always best served by identifying an initial project around the market segment

and competitor combination of greatest interest, and then later replicating it on other combinations. There are two reasons why this narrow starting point is important. First, as we will see, one gets deeper insight when the analysis is focused on a particular customer segment and competitor combination than if customer segments and competitors are “aggregated.” To illustrate, consider the answers we get from customers on the question, “Overall, does Pampers meet, exceed, or fall below your expectations on the following dimensions: fair price, readily available at the store, and easy to change the baby?” Answers on the three dimensions may differ significantly for different consumer segments. If we lumped all segments together, we would likely be mixing consumers with quite different beliefs and importance ratings. Note the same argument holds if our analysis is to focus on *retailers* as customers. Buyers and other decision makers within conventional grocery stores will likely place very different levels of importance and beliefs on product attributes than buyers from mass merchandisers.

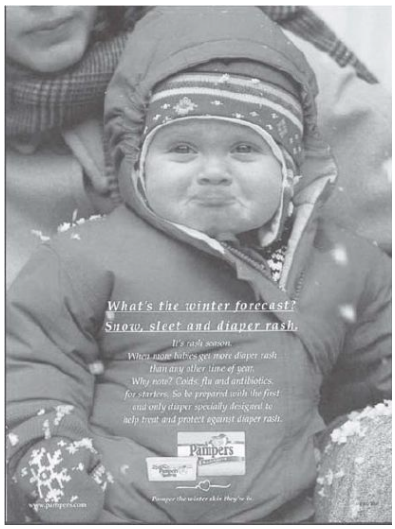


Figure 7.1.4: Pampers Cold Climate Diaper Ad

So to the extent you can, analyze market segments separately. In fact, if you have the resources to conduct analysis on different customer-segment-competitor combinations, it provides for a very powerful comparison and contrast of such analyses. Finding commonalities between them—say, common dimensions of Area A—would reflect strong evidence of brand equity. The lack of such commonalities would indicate concerns about brand equity and the bases of customer choice.

Stay Open to Broader Applications

The most frequent application of the 3-Circle model has been in competitive market situations in which the firm is seeking to grow its business for particular customer segments in the face of competition. However, application is limited only by our ability to envision the potential choice of anyone who we might define as a “customer.” As a result, the framework can be broadly applied to almost any leadership situation. For example, the human resources department has internal customers who choose between its services and outside headhunters. The marketing research department has internal customers who choose between its services and going ahead on a decision without research. We have frontline employees who choose whether to buy in to a new operating process or not. We have employees who choose whether to commit to a new business vision or not. The more we can understand and respect the value that each of these parties seeks and is driven by in these decisions, the more likely it is we can figure out how to create and substantively build that value.

As an illustration, consider a vice president or general manager tasked with determining whether or not we even need the 3-person market research department that the organization has had for 20 years. When economic times are challenging, the goal should not simply be to slash. The goal should be to determine where we can do the needed work both more effectively and efficiently. This requires understanding the value created by the market research department for its customers (and, down the chain, the perspective of those customers on how the group contributes to the value created for the firm’s end customers). A project context could be usefully stated as follows: “My goal is to determine whether outsourcing market research provides superior value for internal research users than does the current market research department.”

We might define internal research users more specifically (e.g., new product development teams or teams involved in mergers and acquisitions), as again, needs will vary depending on the customer. However, what is important here is that this analysis digs more

deeply into the value sought by the research users in the organization rather than simply seeking to find justification for budget dollars. We will find that the search for, and understanding of, that value provides a basis for making decisions that will enhance the organization's profitability in the longer term by *better aligning resources with the firm's real needs.*

This page titled 7.1: Defining the Context- Overview is shared under a CC BY-NC-SA license and was authored, remixed, and/or curated by Anonymous.

- **3.2: Defining the Context- Overview** by Anonymous is licensed CC BY-NC-SA 4.0.

7.2: Customer relationship management(Summary)

Customer relationship management is the cornerstone of your interactions with customers. Digital technology makes the process of discovering key insights seamless, effective and very useful, but CRM cannot be restricted to only digital channels as customer interactions happen offline too. There are many benefits to implementing a CRM strategy from reduced customer service costs to happier customers, and quicker, more tailored, and effective communications.

Naturally, understanding customers is the biggest outcome of CRM and this understanding leads to meeting their needs much more effectively, which in turn has direct bottom-line benefits for the brand.

There are many facets to CRM that you should consider before deciding how you will approach it. The key ones are:

- Brand touchpoints: How do customers interact with the brand, and vice versa?
- The tools you need for your business: Operational CRM, analytical CRM, collaborative
- CRM and sales force automation are the main categories.
- What channels are available to you to communicate with your clients?
- Implementations: CRM can be implemented for sales, marketing and customer support and service fulfilment.
- What are the steps you need to take within your organisation to ensure a successful CRM strategy?
- What cost are you looking at and what return on investment are you expecting?
- Your long-term aims: CRM is never a short-term solution.
- What are your data capabilities and needs: Are you gathering the correct data, storing it correctly, updating it constantly and then analysing it for insights?

7.2: Customer relationship management(Summary) is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

- **14.S: Customer relationship management(Summary)** by Rob Stokes is licensed CC BY-NC-SA 3.0. Original source: https://web.archive.org/web/20220213162812/https://www.redandyellow.co.za/wp-content/uploads/2021/11/RedYellow_eMarketing_Textbook_6thEdition.pdf.

7.3: Loyalty and Customer Relationships

Industry Conversation: Ben Day, Director of Sales and Marketing, Blackcomb Springs Suites by Clique

What are the benefits of exceptional customer service?

"In hospitality, word of mouth is incredibly powerful tool to drive increased sales and profitability — even more so with the number of review sites online. Positive customer service leads to repeat business and lots of referrals. For team members, there is a natural euphoria when you make someone else's day."

Figure 9.10 Customer loyalty cards are very common in the hotel industry.
They are often paired with credit cards.

With competition between tourism destinations and businesses continuing to grow, organizations are increasingly focusing on retaining existing customers, which is often less expensive than attracting new ones. This focus forces tourism businesses to look at the customer relationship over the long term, or the customer lifetime value (CLV) cycle, rather than at single transactions only.

It has been proven that it is much less expensive for a company to retain an existing customer than acquire a new one (Beaujean, Davidson & Madge, 2006). Ultimately, successful organizations will strive to build a base of loyal customers who will provide repeat business and may influence other potential customers. Building positive relationships with loyal customers requires planning and diligence for all customer touch points. This may include (Lovelock & Wirtz, 2007):

1. Managing service encounters: training staff to provide personal service to customers
2. Providing customer incentives: inducing customers to frequent the business
3. Providing special service options: offering enhanced services or extra offerings to loyal customers
4. Developing pricing strategies to encourage long-term use: offering repeat customers special prices or rate
5. Maintaining a customer database: keeping an up-to-date set of records on customer purchase history, preferences, demographics, and so on.
6. Communicating with customers: reaching individual customers through direct or specialized media, using non-mass media approaches

Loyalty programs pull together several of these elements to help a business identify, maintain contact with, and reward frequent customers.

Examples of Outstanding Service

If one uses the definition of quality in service as "meeting or exceeding customer expectations" (Kapiki, 2012), then the following examples certainly fit the description. These embody a concept known as a moment of truth (Beaujean, Davidson & Madge, 2006) when a customer's interaction with a front-line employee makes a critical difference in his or her perception of that company or destination. The characteristics of employees that are best able to create these moments include self-empowerment and self-regulation, a positive outlook, awareness of their feelings and the feelings of others, and the ability to curb fear and anxiety while being able to access a desire to help others. These past winners of the WorldHost customer service award demonstrate this concept in action (WorldHost, n.d.):

Tamara Turcotte of the Sidney Airport Travelodge was nominated after she came into work on her day off after hearing that hundreds of travellers had been stranded after a bomb threat led to the cancellation of ferry trips from nearby Swartz Bay. Reporting for duty, she helped coordinate accommodations for these travellers, looking beyond the hotel (which was full) to the homes of coworkers and friends. Her compassion and swift actions helped turn a negative experience for these guests into a moment of truth about visiting British Columbia.

Agazzi Abbay received word that JetsGo, a small airline and his employer, had suddenly gone out of business, and he was out of a job. Concerned for the passengers that would be stranded by this abrupt end for the airline, he went to the airport to give them the opportunity to share their frustration. Even though he was unable to help their situation, he was able to demonstrate empathy and provide a listening ear as the only former JetsGo employee available across Canada.

Andrea Chan, a guest services supervisor at the Holiday Inn and Suites in Vancouver, received a call from a hotel guest who said she was ill. Concerned because the caller sounded disoriented, Andrea recommended a visit to the hospital. To be sure her guest was safe, Andrea accompanied her to the emergency room and stayed with her until her health and safety were assured — working well beyond the hours of her shift, and returning home the next morning. By treating every guest like family, Andrea created a lasting impression about Holiday Inn and its customer service value.

This page titled 7.3: Loyalty and Customer Relationships is shared under a CC BY license and was authored, remixed, and/or curated by Morgan Westcott & Wendy Anderson et al. (BCcampus) .

- **9.4: Loyalty and Customer Relationships** by Morgan Westcott & Wendy Anderson et al. is licensed CC BY 4.0. Original source: https://opentextbc.ca/introtourism2e.

7.4: The Power of Relationship Selling

Learning Objectives

- Understand why relationships are so important in selling.
- Explain how relationships bring value through consultative selling.
- Identify who wins in the win-win-win relationship model.
- Explain how networking builds relationships and businesses.

It was 4:00 p.m. on Christmas Eve and Ray Rizzo's father, in town for the annual family get-together, had forgotten to bring his suit. What made the situation even more challenging was that Ray's father is rather portly with a forty-eight-inch waist and even broader shoulders, a build that requires a fifty-three-short jacket. Ray and his father rushed to Mitchells, a local clothing store in Connecticut, and asked Jack Mitchell, the owner, for his help. It was hard to imagine that Ray's father would possibly be able to get a suit or even a sport jacket tailored to fit in time for the family gathering. After all, it was Christmas Eve, and the store would be closing in an hour. Jack didn't hesitate and immediately enlisted Domenic, the head tailor, and before 6 o'clock that evening, the largest pair of pants and jacket in the store were tailored to fit Ray's father perfectly. Needless to say, Ray is a customer for life.Jack Mitchell, *Hug Your Customers: The Proven Way to Personalize Sales and Achieve Astounding Results* (New York: Hyperion, 2003), 22.

This situation is what Jack Mitchell calls a hug. If you go shopping for clothes at Mitchells or Richards in Connecticut, you will get hugged. Maybe not literally, but you will most definitely get "hugged" figuratively. Jack Mitchell, the CEO of Mitchells/Richards and author of *Hug Your Customers: The Proven Way to Personalize Sales and Achieve Astounding Results*, says, "Hugging is a way of thinking about customers. To us, hugging is a softer word for passion and relationships. It's a way of getting close to your customers and truly understanding them."Jack Mitchell, *Hug Your Customers: The Proven Way to Personalize Sales and Achieve Astounding Results* (New York: Hyperion, 2003), 28.

From Personal to Problem Solving

Think about your best friend. You know her so well that you can just about finish each other's sentences. You know her favorite flavor and brand of ice cream, and you can sense when she is having a bad day. You text and talk to her all the time; you even go out of your way to surprise her sometimes with a gift that you know she will like. You have a great relationship with her.

Now think about the last time you went into your favorite restaurant. Was it the same kind of experience? Did the host greet you by name and seat you at your favorite table? Did the waitperson remember that you like to drink raspberry-flavored iced tea? Was your fish served with the sauce on the side, just the way you like it? Were you delighted with a new flavor of cappuccino after dinner? When these things happen, the people at the restaurant make you feel special; after all, you are the reason they are there. When you have a relationship like this with the people at the restaurant, you are more inclined to return to the restaurant again and again. If these things don't happen, it is easier for you to choose a different restaurant the next time you go out.

The bottom line is that to be successful in selling, any kind of selling, you have to make selling personal. People do business with people, not with companies. Even in the business-to-business (B2B) selling channel, it is people who are making decisions on behalf of the company for which they work. Every sale starts with a relationship. If your relationship is strong, there is a higher likelihood of a sale and a loyal repeat customer. That means you have to get to know your customer on a one-to-one basis to understand what he wants, what he needs, and what resources he has. This concept is called relationship selling (or consultative selling).Claire Sykes, "Relationship Selling," *Surface Fabrication* 12, no. 1 (January–February 2006): 58. It is defined by working personally with your customer to understand his needs, put his needs first, and provide consultation to help him make the best decision for himself or his business.

You might be thinking that selling is about the product or service, not about relationships. But that's not true. You may have heard someone say, "He's just a pushy salesman," or you may have experienced someone trying to give you the "hard sell." The fact is that selling has evolved dramatically over the past thirty years. Business is more competitive. The use of technology and the expanded number of product and service offerings have developed a need for consultative selling in more industries than ever before. It used to be that salespeople wanted to simply make a sale, which meant that the sale began and ended with the transaction.

But now, it's not enough to just make the sale. In today's competitive world, it's how you think about the customer that matters.Jack Mitchell, *Hug Your Customers: The Proven Way to Personalize Sales and Achieve Astounding Results* (New York: Hyperion, 2003), 16. It's the difference between giving the customer what she needs rather than what you want to sell her.Jack Mitchell, *Hug Your Customers: The Proven Way to Personalize Sales and Achieve Astounding Results* (New York: Hyperion, 2003), 20. The fact is that the sale is just one small part of the relationship. The real essence of selling is in the relationship.Jeffrey Gitomer, "The Difference between an Account and a Relationship," *Long Island Business News*, August 3, 2007, http://libn.com/blog/2007/08/03/the-difference-between-an-account-and-a-relationship/ (accessed June 29, 2009).

The salesperson has a new role in most companies. The days of the salesperson as "product pusher" are just about gone. Customers in B2B and business-to-consumer (B2C) environments want and demand more. Consider the evolution of some major industries. Many of the leading hotel chains keep your preferences in a database so that their front desk sales team can recognize you personally at check-in and provide the queen-sized bed in a nonsmoking room on the quiet side of the property that you prefer. Restaurants work hard to learn, remember, and greet you by your name, maintain your favorite table, wine, and entrée, and prepare to anticipate your every need. Airlines have tools to recognize you and the fact that you like an aisle seat as far forward as possible in the plane.Jim Sullivan and Phil Roberts, *Service That Sells! The Art of Profitable Hospitality* (Denver: Pencom Press, 1991), 151. All these tactics are steeped in the theory that customers make choices on the relationship they have with brands. In each one of these situations, the salesperson is the difference that sets a brand apart at the **moment of truth**, the moment the customer comes in contact with the brand.Howard Lax, "Fun, Fun, Fun in a Customer Experience Way," *Banking Strategies* 84, no. 6 (November–December 2008): 64. Some brands understand how important each moment of truth is when creating relationships with customers. For example, Southwest Airlines makes their Web site easy to use, has humans answer the phone, and has flight and ground attendants that make it a pleasure to travel with them.

Power Selling: Lessons in Selling from Successful Brands

Boot Camp

Johnson Controls, manufacturer of heating and air conditioning systems, thinks that consultative selling is so important that it holds a Basic Boot Camp for the company's territory managers at its headquarters in Norman, Oklahoma, that focuses on leveraging relationships in selling. The classroom-style "boot camp" includes interactive exercises, product training, and business support training. The company's commitment to consultative selling doesn't end there. Participants who score at least an 85 percent on their final grade for the Basic Boot Camp and spend six months out in the field can qualify to attend the elite Special Operations Training, which is by invitation only."Johnson Controls Runs Boot Camp," *Heating & Refrigeration News* 233, no. 6 (April 14, 2008).

Relationships are so important in selling that one study surveyed one hundred top B2B salespeople and found that they attribute 79 percent of their success to their relationships with customers.Tom Reilly, "Relationship Selling at Its Best," *Industrial Distribution* 25, no. 9 (September 2006): 29. It is the relationship with a customer that allows you to bridge the gap between a customer's problem and the solution. The relationship is the framework for consultative selling; it's what allows you to have an open, honest dialogue, ask the right questions, understand your customer's needs, and go beyond advising to helping your customer make the decision that's right for her.Demmie Hicks, "The Power of Consultative Selling," *Rough Notes* 151, no. 7 (July 2008): 701.

Common Ground

Selling relationships start as personal relationships. Making a personal connection is vital in the two to ten minutes of a customer encounter or meeting.Cathy Berch, "Consultative Selling: Ask, Don't Tell," *Community Banker* 18, no. 4 (April 2009): 261. Think about the last time you bought a new cell phone. Chances are, if the person didn't establish rapport with you from the start, you probably walked away and bought the phone from a different salesperson, maybe even at a different store. The relationship includes a sincere bond that goes beyond business and includes common interests and goals.Tom Reilly, "Relationship Selling at Its Best," *Industrial Distribution* 25, no. 9 (September 2006): 29. If you are selling medical imaging equipment to hospitals, you want to build relationships with the administrators, doctors, and nurses who will be using your equipment in each hospital. When you build a relationship starting with what's important to each person individually, it's easier to expand that relationship to sharing information and problem solving from a business perspective. As Bob Fitta, a manufacturer's rep for several tool companies said

about Paul Robichaud, owner of Robi Tools, “I got to know him as a business person and a real person, and that relationship has endured.”Brad Perriello, “Relationship—Selling at its Best,” *Industrial Distribution* 97, no. 9 (September 2008): 34.

But consultative selling is more than simply building rapport. In fact, consultative selling goes beyond the product or service you are selling; it even goes beyond the selling process. It is the “X factor,” the intangible element that makes a customer choose your product or service even when the competition is priced lower. Consultative selling is about *your* personal involvement and sincere focus on problem solving that goes beyond selling to true partnership with the customer.

Consultative selling doesn’t start and stop at specific times during the relationship. In fact, it defines the relationship before the sale, during the sale, and after the sale.Cathy Berch, “Don’t Wing It,” *Community Banker* 18, no. 2 (February 2009): 18. You will learn about the seven steps of the selling process in Chapter 7 through Chapter 13 and how building long-term relationships and consultative selling are the basis of each step. The concept of building professional relationships is apparent in this example: If you are selling insurance, consider the fact that your customer may eventually buy a home, have a family, or purchase a second property. So the relationship you develop when you sell him car insurance as a young single man could and should be nurtured and developed over time to provide solutions that answer his needs as his lifestyle changes. Having this long-term view of customer relationships is called focusing on **lifetime value**. It means that you consider not just one transaction with a customer, but also the help and insight you can provide throughout the entire time frame during which you do business with him. So, although you may only provide him with basic car insurance now, over the course of more than twenty-five years that you do business with him, you may ultimately sell him thousands of dollars of insurance and investment products that meet his changing needs. But that won’t happen if you don’t continue your relationship and keep in touch, focusing on topics and events that are important to him. If you focus only on the immediate sale, you will miss a lot of business, not to mention future referrals.

There are several elements that can be included in the calculation of the lifetime value of a customer. However, a simple formula is

$$\text{dollar value of purchase} \times \text{gross profit percent} \times \text{number of purchases.}$$

For example, if a customer shopped at a retailer and spent $75 on one purchase that had a gross profit of 30 percent, the lifetime value of that customer would be $22.50, calculated as

$$\$75 \times 30\% \times 1 = \$22.50.$$

If the customer made five purchases for $75 each over the course of the time she shopped with the retailer (let’s say five years), at a gross profit of 30 percent, the lifetime value of the customer would be $112.50, calculated as

$$\$75 \times 30\% \times 5 = \$112.50.$$

Michael Gray, “How Do You Determine Customer Lifetime Value?” Profit Advisors, May 20, 1999, http://www.profitadvisors.com/busfaq/lifetime.shtml (accessed November 30, 2009).

So you can see that the concept of retaining a customer for more than one purchase can provide financial benefits. In addition, working with the same customer over the course of time provides an opportunity to learn more about the customer’s needs and provide solutions that better meet those needs.

CRM Tools Help You Manage Relationships

With so many demands on your time as a salesperson, sometimes it’s easy to lose track of some customers and not follow up, which means that you may only be developing short-term relationships. Or you might unintentionally let your relationship with a customer “lapse into laziness,” which means that you let the relationship run on autopilot, relying on your established relationship to keep the business going. In this case, there’s usually no pressing reason to change; you might think that as long as the customer is happy, everything is OK. But it’s best to avoid complacency because the world is constantly changing. While you are enjoying a comfortable, easy relationship, there are probably new business challenges that you should be learning about from your customer. Or worse, you may open the door to a competitor because you weren’t bringing new and relevant ideas to your customer and he began to think of you more as a nice guy than a resource for advice and new ideas.Claire Sykes, “Relationship Selling,” *Surface Fabrication* 12, no. 1 (January–February 2006): 58.

Many companies use **customer relationship management (CRM)** tools, which are technology solutions that organize all of a customer’s interactions with a company in one place. In other words, CRM is a customer database that holds all the information

regarding a transaction (e.g., date; products purchased; salesperson who sold the products; and name, address, and contact information of the customer). In addition, it captures all communication the customer has had with the company, including calls made to the company call center, posts and reviews made to the company Web site, and the details of each sales call made by a salesperson. Some CRM tools are extremely sophisticated and help the salesperson and the company to manage relationships with prospects and customers. Other CRM tools are simpler and are focused on helping the salesperson manage her relationship with prospects and customers.SearchCRM.com, "CRM (Customer Relationship Management)," searchcrm.techtarget.com/definition/CRM (accessed November 30, 2009).

A CRM tool works in a variety of ways. Here are a few examples. A construction contractor calls a toll-free number for a plumbing supply company after seeing an ad in a trade journal. The prospect inquiry is sent via e-mail to the appropriate salesperson. The salesperson reviews the CRM system to see if there have been any previous contacts with the customer and if there is any information about the customer and his business. Then he returns the prospect's phone call and sets up a date to meet him to learn more about his business needs. The salesperson makes a note in the CRM system about the phone call and the date of the meeting and sets a follow-up reminder for himself for the meeting and for three days after the meeting. When the salesperson meets with the prospect, he learns that the prospect has five developments that he manages. The salesperson makes a note in the CRM system so everyone from the company who comes in contact with the prospect, such as other salespeople or customer service, know this information about the prospect.

CRM tools can be extremely helpful in managing customer relationships, especially where there are multiple people in the company who come in contact with prospects and customers. CRM tools also make it easier to understand the lifetime value of a customer since all purchases, inquiries, and other contacts are included in the system. It is the information that is gathered in a CRM system that helps a salesperson better understand customer behavior, communication patterns, and short- as well as long-term needs. For example, many companies offer loyalty programs as a tactic to increase sales but also to gather information about customer preferences to offer more relevant messages and offers. CRM tools are used to manage loyalty programs, such as Best Buy Rewards Zone, Southwest Airlines Rapid Rewards, and the Safeway card for their different local grocery chains. This information is then used for marketing and selling purposes. Best Buy can identify all the recent purchasers of Hewlett-Packard (HP) printers and send them an e-mail for HP ink cartridges. CRM tools are used to manage customer relationships in other ways. For example, Starbucks uses Salesforce.com, a widely used CRM tool, to power their MyStarbucksIdea Web site. The Web site is a collaboration and feedback tool that engages customers in providing ideas to the company. To manage the relationships with customers online, Starbucks uses a CRM tool. This allows Starbucks to provide personal feedback to each customer on all the ideas they submit.

Face Time

So you might think that customer relationships are easy to maintain with text messaging, e-mail, and other technology-based methods of communication. After all, that's how you communicate with your friends. But while technology can enhance an established relationship because it allows you to provide information and insight at a moment's notice, the fact is that most significant customer relationships, especially in B2B selling, require face-to-face communication.Susi Geiger and Darach Turley, "The Perceived Impact of Information Technology on Salespeople's Relational Competencies," *Journal of Marketing Management* 22, no. 7 (August 2006): 827.

In this world of high-tech instant communication, some relationships can easily become "low-touch," or missing the human element. Meeting with and entertaining customers is an important part of the selling process. It helps you get to know customers in an environment outside the office, in a casual or social place such as a restaurant, sporting event, or concert. These can be excellent opportunities for you and your customer to "let your hair down," relax, and enjoy each other's company. Many sales positions include an entertainment budget for this reason. Taking someone out to eat is not the only part of a selling relationship, but it's an important part of building and developing a connection. One sales manager said that he can tell when one of his salespeople is struggling simply by reviewing his expense reports. He looks for activities that take place outside business hours because those are the activities that build relationships. In fact, according to one study, 71 percent of top-achieving salespeople use entertainment as a way to get closer to their customers.Tom Reilly, "Relationship Selling at Its Best," *Industrial Distribution* 25, no. 9 (September 2006): 29.

Fore Relationships

What makes golf a good way to build a business relationship? During eighteen holes of golf, the typical golfer actually hits the ball for only two and a half minutes during a four-plus hour round of golf.“How to Use Golf as a Business Tool,” video, BNET, www.bnet.com/2422-13722_23-323018.html (accessed July 27, 2009).

Speaker and author Suzanne Woo describes the secrets of using golf to build business relationships.

www.bnet.com/2422-13722_23-323018.html

Source: BNET

R-commerce

You’ve probably heard of e-commerce, selling products and services on the Internet, and m-commerce, selling products and services via mobile devices such as cell phones and smart phones. But you probably haven’t heard of **r-commerce**, a term that refers to relationship marketing, which establishes and builds mutually beneficial relationships.

Terry L. Brock, an international marketing coach and syndicated columnist, says salespeople have the opportunity to make the difference in their relationships with the little things. Sending a thank-you note after a meeting, forwarding an article or video on a topic you discussed, remembering the names of your customer’s children, even providing a personal suggestion for a vacation spot are all examples of little things that can set you apart from every other salesperson. You might think that these “little things” aren’t important when you get into the big world of business. But Harvey Mackay, renowned author, speaker, and business owner, says it best: “Little things mean a lot? Not true. Little things mean everything.”Terry L. Brock, “Relationship-Building Skills Pay Off for Your Bottom Line,” *Philadelphia Business Journal*, June 12–18, 2009, 25. Developing your own r-commerce strategy can help set you apart in sales. It’s expected that you will make phone calls and follow up; it’s the extra personal touch that makes your customer feel special and helps establish a strong relationship.

It’s the Little Things

Here’s an idea for a small activity that can turn into big opportunity along the way: every day take fifteen minutes at the beginning of the day to write three notes or e-mails—one to a customer, one to a prospect, and one to a friend just to say hi, follow up, or send an article of interest. At the end of the week, you will have made 15 contacts and 750 by the end of the year. What a great way to build relationships by doing the little things that make you stand out.Andrea Nierenberg, “Eight Ways to Say ‘Thank You’ to Customers,” Manage Smarter, February 6, 2009, www.crystal-d.com/eight-key-ways-to-say-thank-you-to-customers (accessed July 3, 2009).

Trust Me

“The check is in the mail.” “The doctor will see you in ten minutes.” “I’ll call you tomorrow.” How many times have you heard these promises, or ones like them? When people make promises that they don’t keep, you lose trust in them. It’s unlikely that you will trust a person who doesn’t deliver on what he or she says.

Trust is a critical element in every relationship. Think again about your best friend. Is she someone you can trust? If you tell her something in confidence, does she keep it to herself? If you need her for any reason, will she be there for you? Chances are, you answered “yes,” which is why she is your best friend. You believe that she will do what she says she will do, and probably more.

You can see why trust is so important in selling. If your customer doesn’t believe that you will actually do what you say you are going to do, you do not have a future in selling. Trust is built on open and honest communication. Trust is about building partnerships. Salespeople build trust by following up on their promises. They are accessible (many times 24/7), and they work to help their customers succeed. Customers trust you when they believe you have *their* best interest at heart, not your personal motivation. According to Tom Reilly, author of the book *Value Added Selling*, “Consultative selling is less about technique and more about trust.” Trust is what gives a relationship value. It is the cornerstone of selling. Trust creates value. In fact, one B2B customer described his salesperson by saying he was like an employee of the company. Another described her salesperson in terms of problem ownership by saying, “When we have a problem, he has a problem.”Tom Reilly, “Relationship Selling at Its Best,” *Industrial Distribution* 25, no. 9 (September 2006): 29. Trust is equally important in B2C selling. For example, at Zen Lifestyle, a

salon in Edinburgh, United Kingdom, the approach to customers is described as soft sell with a focus on educating customers and providing information. Customers are encouraged to try products in the smallest size to determine whether they like the product. It is only after they have liked it that larger and more economical sizes are suggested. “This helps develop a relationship between customers and therapist built on trust, which in turn will generate future sales from recommendations,” according to salon owner Fiona Macarthur.Annette Hanford, “Best Sellers Tell All,” *Health & Beauty Salon* 25, no. 12 (December 2003): 50. In every business, these are all powerful testaments to great salespeople.

Power Player: Lessons in Selling from Successful Salespeople - Sign of Trust

Imagine not even bringing in product samples or literature with you on your first sales call with a customer. That’s what Susan Marcus Beohm, a sales manager for a handheld dental instrument manufacturer suggests. “I don’t go in as a salesperson—I go in looking to see how I can help them. Not bringing my goods and wares with me says, ‘I’m here to find out what you need,’ and it makes an impact.” When salespeople are too eager to start talking about features and benefits before they listen to the customer, they make it more difficult to establish trust.“A Foundation Built on Trust,” Selling Power Sales Management eNewsletter, August 8, 2001, http://www.sellingpower.com/content/newsletter/issue.php?pc=146 (accessed March 16, 2010).

People buy from people they trust. Consider the fact that customers put their trust in salespeople with their money and, in the case of business-to-business selling, with their business and ultimately their reputation. Customers actually become dependent on you, and their buying decisions are actually based on the fact that they trust you and believe what you say. Thus, the relationship can be even more important than the product.Brian Tracy, “Teaming Up with Your Customers,” *Agency Sales* 34, no. 2 (February 2004): 59. It is said that you can give a customer the option to buy a product from a salesperson she knows or buy the same product for 10 percent less from someone she doesn’t know, and in almost every case she will buy from the salesperson she knows.“Building Trust,” Selling Power Presentations Newsletter, February 25, 2002, http://www.sellingpower.com/content/newsletter/issue.php?pc=186 (accessed March 16, 2010).

Trust is such an important topic that sales guru Jeffrey Gitomer has written a book dedicated to the topic of gaining and giving trust titled *Jeffrey Gitomer’s Little Teal Book of Trust: How to Earn It, Grow It, and Keep It to Become a Trusted Advisor in Sales, Business, and Life*. The following video provides the highlights.

Jeffrey Gitomer on Trust

Learn the two important questions that can give you insight on trust. Source: Buy Gitomer, Inc.

Underpromise and Overdeliver

One of the tenets of selling is establishing trust and setting expectations. The best salespeople underpromise and overdeliver. In other words, they say they will do something by a certain day, and then not only do they do it, but they deliver it one day early. Here’s a way to think about the power of this approach: if you order a new pair of jeans online and the estimated date of delivery is Tuesday, but you receive them on Monday, you are delighted. You are pleased that they came early. However, if the jeans were promised for Tuesday delivery, but they arrived on Wednesday, you would be disappointed and probably would not trust that Web

site for timely delivery in the future. You can imagine how this strategy builds trust with customers—not only can you rely on the salesperson to do what she said, but she never lets you down and even delivers earlier than promised sometimes. That's how trust is built between salesperson and customer, and the relationship goes to the next level: partnership.

When Times Are Tough

No one likes to deliver bad news. But it's not always good news that you will have to tell a customer. The best antidote for bad news is a good relationship. If you have nurtured your relationship with the customer and built trust, it is much easier to deliver bad news. When it's time to deliver bad news, like a delayed delivery, a cost increase, or a discontinued product line, don't put it off. Use the same practices that you use to build your relationships: open, honest, and timely communication.

As soon as you learn about information that may be bad news for your customer, contact her by phone to discuss the situation: "I realize we set Thursday as the installation date for phase one, but there have been some delays in development. Can we reschedule it for next Tuesday? I'm confident that everything will be complete by then. I apologize for any inconvenience. Let's talk about any challenges this may cause on your end. I have some ideas about how we might work around them." The sincerity in your voice and the dialogue you have with the customer can help avoid turning bad news into a serious problem. Because you have always made a point of underpromising and overdelivering, there is a high likelihood that your customer will respond positively to your ownership of the problem and solution-based conversation. It's always best to include a realistic solution to the problem and, if you don't have a solution, let the customer know exactly when you will get back to her with an update.

The Good News about Bad News

Here are tips for five ways to deliver bad news the right way. Source: Sally Cordova, McKee Consulting, LLC

Win-Win-Win: The Ultimate Relationship

If you do volunteer work for an organization such as Autism Speaks, you get involved because you believe in raising awareness of autism to increase funds for research for the cure. Those who have autism and their families benefit from your involvement. This is win #1. You also benefit because you gain the satisfaction of helping people. This is win #2. You help build the strength of the organization, in this case, Autism Speaks. The more people that are involved, the more people they can reach with their message, and the more money they can raise to reach their goal of curing autism. This is win #3.

The above example is an illustration of the **win-win-win** concept in relationships. In other words, in the ultimate relationship, all parties have something to give and something to gain. This same win-win-win occurs in successful selling relationships. Your customer wins because he gets your advice and expertise to help him find a product or service that meets his needs. You win because you have enhanced your relationship and made a sale; and your company wins because the relationship, the sale, and the repeat sales help it achieve its goals.

Although the win-win-win may sound like a simple concept, it is a critical one to keep in mind in any business position, especially in selling. This art of collaboration actually results in more business with your existing customers because you have become a partner in solving their problems, and it brings you new business in the form of referrals. The win-win-win also plays a significant role in the negotiating process (covered in Chapter 12). The best business relationships and negotiations are based on the win-win-

win model, not the win-lose model in which one party loses so that the other can win.Stephen R. Covey, “Win-Win Strategies,” *Training* 45, no. 1 (January 2008): 56.

A Seat at the Table

The seat at the table is given to those salespeople who deliver value, not sell products or services. They develop the relationship to assist customers in implementing their business strategies.J. D. Williams, Robert Everett, and Elizabeth Rogol, “Will the Human Factors of Relationship Selling Survive in the Twenty-First Century?” *International Journal of Commerce & Management* 19, no. 2 (2009): 158. Customers want value in the form of strategic thinking around issues that are important to them and their company goals. As a result, your goal as a salesperson should be to help your customers create demand, secure a competitive advantage, and identify a new niche. When you deliver this kind of value, your customers will no longer see you as a salesperson; they will see you as a “business person who sells.” It’s this kind of thinking and value creation that earn you a seat at the table. The seat at the table also helps you expand your business because you will be integrated into your customer’s business. That allows you to deliver your core products or services and be a part of developing the new opportunities. It helps cement the relationship and establishes a partnership that delivers value for all involved.Marc Miller, “A Seat at the Table,” *American Salesman* 54, no. 5 (May 2009): 9.

Every salesperson wants “a seat at the table”; she wants to be a part of the decision-making process. That is the epitome of consultative selling: you are included in the process from the beginning. You want to be included as a valued partner with your business-to-business customers to discuss their company’s strategic questions like “How will we grow our business in the next three years while technology is driving down the average selling price of our product?” “How can we extend our relationship with our customers beyond our contract period?” or “How can we expand to new markets and minimize our risk?” These are not traditional sales questions; they are strategic issues that companies wrestle with. When you are a true partner with your customers, you will be given a seat at the table when direction-setting issues are discussed. This allows you to participate fully as a trusted advisor and asset to the customer and to help shape the strategy of the company. It changes your relationship with the contact and the company from salesperson to partner. Although it may seem like a lofty goal, consider this: If you want to have a seat at the table, not only will you need to solve your customer’s problems and anticipate her needs, but according to Tim Conner, sales trainer and author, you will also need to be a creative problem creator. That means that you will be in constant pursuit of identifying problems that your customer didn’t even know she had. In other words, it means that you have to think *ahead* of your customer, not just along with her.Tim Conner, “Sales Strategies of Six-Figure Salespeople,” TimConnor.com, www.timconnor.com/articles_sales.html (accessed June 29, 2009).

Videp 7.4.1: This video features Jeffrey Gitomer discussing the value of providing value to customers. Source: Buy Gitomer, Inc.

Networking: Relationships That Work for You

You probably use Facebook frequently to keep in touch with your friends. If you want to know who took a particular course with a particular professor, you can ask your friends on Facebook. If none of your friends took the course, one of their friends may have taken it and could give you some insight about the course and the professor. Whether you realize it or not, you are networking.

Networking is the art of building alliances or mutually beneficial relationships.“What Is Networking?” The Riley Guide, www.rileyguide.com/network.html#netprep (accessed July 3, 2009). In fact, networking is all about relationships and exchange. In

the example above, while you are looking for feedback on a class from someone you know, someone else may be considering seeing a movie and wants to know if you've seen it and if you thought it was good. This is a value exchange. Although networking isn't exactly quid pro quo (something for something), it does include the element of exchange: if someone is looking for something, someone else can provide the information. What makes the network function is the fact that people in the network at some point have a need and at some point may be able to help someone else with his need. Said another way, networking is based on mutual generosity.Meredith Levinson, "How to Network: 12 Tips for Shy People," *CIO*, December 11, 2007, www.cio.com/article/164300/How_to_Network_Tips_for_Shy_People?page=1 (accessed July 3, 2009).

Networking is an important part of the business world and an even more vital part of sales. It's no longer a question of "if" you should network; it's a requirement to stay competitive because it's virtually impossible to do your job alone. Just as in social networking, professional networking allows you to leverage the people you know to expand your relationship to people you don't know. Building strong relationships with customers is an excellent way to build your network. Satisfied customers will refer you to other people who might become potential customers.

It's best to always be networking rather than networking only when you want something. It makes it easier to network and expand your relationships when you're not asking for something. It also gives you the opportunity to help someone else first, which can go a long way when you need help in the future.

Networking Tips of the Trade

Today, networking can be done in person as well as online. Don't limit yourself to just one method. Networking is best done both in person and online to be truly effective. Here are a few tips for networking *in person*.

Start with People You Know

Make a list of all the people you know, starting with your current customers, family, friends, friends' family, and others. Include people such as your hair stylist, car mechanic, and others. Get to know everyone in your extended network as each can be a lead for a potential sale or even a job.Meredith Levinson, "How to Network: 12 Tips for Shy People," *CIO*, December 11, 2007, www.cio.com/article/164300/How_to_Network_Tips_for_Shy_People?page=1 (accessed July 3, 2009).

Join and Get Involved in Professional Organizations

If you want to meet people who are in the same business or profession as you, professional organizations such as Sales & Marketing Executives International, Advertising Club of New York, Home Builder's Association, and so on are the best places to be. Joining is good, but getting involved in one of the committees is even better. It helps demonstrate your skills and knowledge to the other people in the organization. Since most professional organizations are made up of volunteers, it's usually easy to be invited to participate on a committee.Kim Richmond, *Brand You*, 3rd ed. (Upper Saddle River, NJ: Pearson Prentice Hall, 2008), 176.

Attend Industry Events

Make an effort to attend industry or other professional events. Arrive early and work the room. If you come with someone, be sure to branch out to meet and mingle with other people. Set a time and a place to meet the person with whom you came so you can both maximize your networking. According to Peter Handel, the chairman and CEO of Dale Carnegie & Associates, a smile can be your greatest asset when networking in person. He suggests always asking questions of the people you meet; it helps keep conversation going and gives you more insight into their background and how you might work together in the future. But the other side of asking questions is listening; that's how you will learn. And always have your business cards handy. Give out your business card to those you talk to, and don't forget to get their business cards, too.Meredith Levinson, "How to Network: 12 Tips for Shy People," *CIO*, December 11, 2007, www.cio.com/article/164300/How_to_Network_Tips_for_Shy_People?page=1 (accessed July 3, 2009).

Keep in Touch

Many people think that networking is just about collecting business cards. Networking is so much more than that. Networking is about creating mutually beneficial relationships. It's best to use one of the basic practices for building relationships when networking: keeping in touch. That means dropping an e-mail to someone with whom you have networked just to find out how their big project is going, how their twins' birthday celebration went, or even just to say hi. Go beyond the e-mail by inviting someone to lunch. It's the perfect way to build a relationship, share common ground, and learn more about the person.Donna

Rosato, "Networking for People Who Hate to Network," *CNNMoney.com*, April 3, 2009, http://money.cnn.com/2009/04/02/news/economy/networking_jobs.moneymag/index.htm (accessed July 3, 2009). Many people are gung ho about networking and meeting people, but rarely keep in touch. It almost defeats the purpose of networking if you don't keep in touch.

Online Professional Social Networking

Online professional social networking can be an equally powerful tool to build your contacts. But just like networking in person, you can't be passive and expect to expand your network. Consider a situation that Austin Hill, Internet entrepreneur and founder of the angel investment firm Brudder Ventures, encountered when his firm was trying to get access to someone in a specific department at a vendor. It was a large company, and he kept getting the runaround. But after going onto LinkedIn and getting introductions to the right people, within two days they were able to start doing business with the company.Lisa LaMotta, "How to Network Like a Pro Online," *Forbes*, August 9, 2007, http://www.forbes.com/2007/08/09/google-microsoft-walmart-ent-tech-cx_ll_0809networking.html (accessed July 3, 2009).

Create a Profile on the Major Professional Social Networks

LinkedIn, Ryze, ZoomInfo, and Plaxo are all online professional social networks that have a substantial number of members. You can also use Facebook MySpace, and Twitter to create profiles, peruse job boards, and join the conversation.

✔ Join *The Power of Selling* Group on LinkedIn

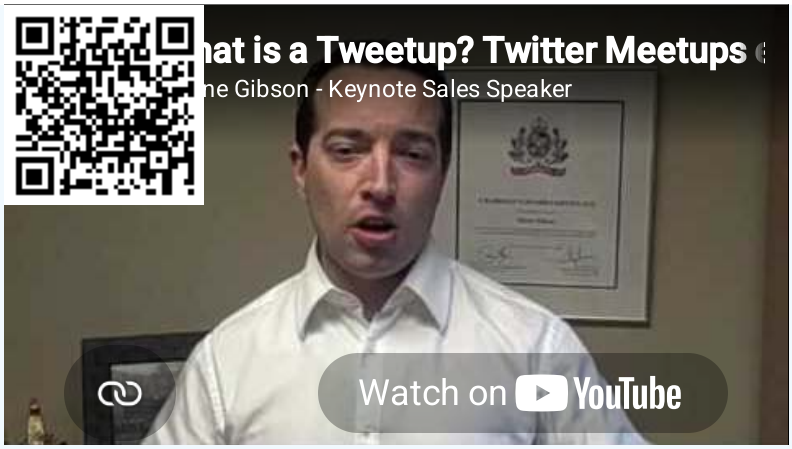
You can join the conversation about careers in sales created for this course on LinkedIn. Visit http://www.linkedin.com and go to http://www.linkedin.com/groups?gid=2566050&trk=myg_ugrp_ovr. Or go to "Search Groups," search for "The Power of Selling," select it from the groups that are displayed, and click on "Join Group." Once you've joined the group, you can connect with sales professionals and other students across the country. You will be able to listen to the conversation, ask questions, and start or join discussions. This group is an excellent way to network and find people who work at companies that you may want to work at.

Start your professional networking now and network with sales professionals that want to help you.

- LinkedIn: http://www.linkedin.com/home
- *The Power of Selling* Group: http://www.linkedin.com/groups?gid=2566050&trk=myg_ugrp_ovr

Connect to People You Know, Then Network Personally

The number of connections you have is not a badge of honor. Take the time to connect to all the people you know, and network within their networks. If you only add people for the sake of having a lot of connections, you won't know who can really help you in your network. When you do make a connection, make it personal; don't just send a group invitation to join your network. It's always best to keep in mind that the foundation of your network is relationships.Clare Dight, "How to Network Online," *Times Online*, February 21, 2008, http://business.timesonline.co.uk/tol/business/career_and_jobs/graduate_management/article3402745.ece (accessed July 3, 2009).



Video 7.4.1: How to use Twitter and Twitter-related Web sties to network before and after a professional conference. Source: Mig Pascual

Be Proactive

Ask for introductions to people with whom you want to network and ask your boss, colleagues, and customers to write recommendations for you. It's a good idea to use the features included on the professional social networking sites such as groups, discussions, and "Answers" on LinkedIn, which allows you to ask questions of your network.Lisa LaMotta, "How to Network Like a Pro Online," *Forbes*, August 9, 2007, http://www.forbes.com/2007/08/09/google-microsoft-walmart-ent-tech-cx_ll_0809networking.html (accessed July 3, 2009).

Mind Your Manners

Just a word of caution about professional social networking: Be professional in all of your communications. You are participating in a professional forum so be aware that everything you "say" and do reflects on you and your company.

Key Takeaways

- **Consultative selling** is the process by which you get to know a customer personally, understand her needs, and put her needs first in the relationship.
- Relationships are vital to success in most selling situations. When you understand what the customer wants and needs, you can provide solutions to help your customer meet his goals.
- **Lifetime value** is a term that refers to the amount of business that you do with a single customer over the course of the relationship. When you have a long-term view of your relationships with customers, you have an opportunity to realize even greater success.
- **R-commerce**, or establishing and developing relationships with customers, focuses on the "little things" you can do to take advantage of opportunities and set yourself apart.
- Trust is the cornerstone of every relationship. If you don't have trust, you don't have a relationship.
- A solid relationship is essential, especially when delivering bad news. Always be honest and timely with customers when you have to communicate news that might not be what they want to hear. They will respect you and trust you for it.
- The **win-win-win** is when all parties in a relationship win: your customer, you, and your company or organization.
- **Networking**, the art of building mutually beneficial relationships, is an indispensable business tool.

Exercise 7.4.1

1. Identify a situation in which a salesperson has developed a relationship with you. Do you trust her more since you know her better? Identify at least one way she puts your needs first in the relationship.
2. Name a situation in which a salesperson provided you with information to make your purchasing decision. Did you trust him to provide this information? Why did you trust him?
3. Think about a situation in which a salesperson underpromised and overdelivered. How did your perception of the salesperson and the company change because of your experience?

4. Go to http://www.linkedin.com and create your profile. Then use the search box to search groups and search for “The Power of Selling.” Click on the “Members” tab and search for members that you want to connect with and add them to your professional network. Click on the “Discussions” tab to begin or join into a discussion.
5. Research professional organizations that might be of interest to you that have a chapter on campus or in your local community. What is the mission of each organization? What events are scheduled soon? How can you become a student member of the organization?

This page titled 7.4: The Power of Relationship Selling is shared under a CC BY-NC-SA license and was authored, remixed, and/or curated by Anonymous.

- **3.2: The Power of Relationship Selling** by Anonymous is licensed CC BY-NC-SA 3.0. Original source: https://2012books.lardbucket.org/books/powerful-selling.

CHAPTER OVERVIEW

8: Explore future trends of customer service

8: Explore future trends of customer service is shared under a not declared license and was authored, remixed, and/or curated by LibreTexts.

Index

A

alternative dispute resolution (ADR)
6.3: Negotiation
approver
2.1: The Customer
Avoiding
6.3: Negotiation

B

bargaining
6.2: Negotiations
BATNA
6.2: Negotiations
buying center
2.1: The Customer

C

Collaborating
6.3: Negotiation
Compromising
6.3: Negotiation
consumer
2.1: The Customer
customer
2.1: The Customer
customer relationship management (CRM)
7.4: The Power of Relationship Selling

D

decider
2.1: The Customer
distributive
6.3: Negotiation
dyadic negotiation
6.3: Negotiation

F

face time
7.4: The Power of Relationship Selling
Federal Arbitration Act
6.3: Negotiation
fixed costs
2.1: The Customer
Forcing
6.3: Negotiation

G

gatekeeper
2.1: The Customer
group negotiation
6.3: Negotiation

I

influencer
2.1: The Customer
initiator
2.1: The Customer
integrative
6.3: Negotiation

L

litigation
6.3: Negotiation

N

negotiation
6.2: Negotiations
6.3: Negotiation

O

Organization Behavior and Human Decision Processes
6.3: Negotiation
Outcome goals
6.3: Negotiation

P

perception
2.1: The Customer
personal factors
2.1: The Customer
psychological or individual factors
2.1: The Customer
purchaser or buyer
2.1: The Customer

R

reference groups
2.1: The Customer
Relational goals
6.3: Negotiation

S

shopping environment
2.1: The Customer
situational factors
2.1: The Customer
social factors
2.1: The Customer

T

touch points
2.1: The Customer

U

Uniform Arbitration Act
6.3: Negotiation
user
2.1: The Customer

Y

Yielding
6.3: Negotiation

Glossary

Sample Word 1 | Sample Definition 1

Detailed Licensing

Overview

Title: BMT 1650: Customer Service (Perry & Benbow, 2021)

Webpages: 56

Applicable Restrictions: Noncommercial

All licenses found:

- Undeclared: 71.4% (40 pages)
- CC BY-NC-SA 4.0: 17.9% (10 pages)
- CC BY 4.0: 7.1% (4 pages)
- CC BY-SA 4.0: 3.6% (2 pages)

By Page

- BMT 1650: Customer Service (Perry & Benbow, 2021) - *Undeclared*
  - Front Matter - *Undeclared*
    - TitlePage - *Undeclared*
    - InfoPage - *Undeclared*
    - Table of Contents - *Undeclared*
    - Licensing - *Undeclared*
  - 1: Examine the role of customer service - *Undeclared*
    - 1.1: Role of Customers - *Undeclared*
    - 1.2: Marketing and Customer Relationships - *Undeclared*
    - 1.3: The Three Threads - *CC BY-NC-SA 4.0*
  - 2: Analyze the customer in today's business environment - *Undeclared*
    - 2.1: The Customer - *CC BY-NC-SA 4.0*
  - 3: Apply the activities for handling difficult customers - *Undeclared*
    - 3.1: Identifying Your Customers - *CC BY-SA 4.0*
    - 3.2: Dealing with Problems - *CC BY-NC-SA 4.0*
    - 3.3: Reading- Common Ethical Issues in Marketing - *CC BY 4.0*
  - 4: Examine the activities associated with developing and building customer relationships - *Undeclared*
    - 4.1: Customer Service Skills - *CC BY-NC-SA 4.0*
    - 4.2: Knowing your customers - *CC BY-NC-SA 4.0*
    - 4.3: Reaching the Customer - *CC BY-SA 4.0*
  - 5: Define the role of management and workers as it relates to customer service - *Undeclared*
    - 5.1: Module 15- Customer Service Strategies - *Undeclared*
      - 5.1.1: Why It Matters- Customer Service Strategies - *Undeclared*
      - 5.1.2: Introduction to Customer Service Strategies - *Undeclared*
      - 5.1.3: Customer Service - *Undeclared*
      - 5.1.4: Customer Profiles - *Undeclared*
      - 5.1.5: Offered Services - *Undeclared*
      - 5.1.6: Personalized vs. Standardized Service - *Undeclared*
      - 5.1.7: Introduction to the Customer Evaluation Process - *Undeclared*
      - 5.1.8: Perception vs. Expectation - *Undeclared*
      - 5.1.9: Service Quality Perceptions - *Undeclared*
      - 5.1.10: Customer Expectations - *Undeclared*
      - 5.1.11: Introduction to the Gap Model of Service Quality - *Undeclared*
      - 5.1.12: Gap 1- Customer Expectation vs. Management Perception - *Undeclared*
      - 5.1.13: Gap 2- Management Perception vs. Quality Specifications - *Undeclared*
      - 5.1.14: Gap 3- Quality Specifications vs. Service Delivery - *Undeclared*
      - 5.1.15: Gap 4- Service Delivery vs. External Communications - *Undeclared*
      - 5.1.16: Gap 5- Actual Performance vs. Perceived Service Gap - *Undeclared*
      - 5.1.17: Putting It Together- Customer Service Strategies - *Undeclared*
      - 5.1.18: Discussion- Customer Service Strategies - *Undeclared*
    - 5.2: Reading- Customer Relationship Management Systems - *CC BY 4.0*
    - 5.3: Self Check- Customer Relationship Management (CRM) Systems - *CC BY 4.0*
  - 6: Examine the importance of communication skills to be successful in customer service - *Undeclared*

- 6.1: Identifying and Analyzing Customer Value - *CC BY-NC-SA 4.0*
- 6.2: Negotiations - *CC BY-NC-SA 4.0*
- 6.3: Negotiation - *CC BY-NC-SA 4.0*

- 7: Explore future trends of customer service - *Undeclared*
  - 7.1: Defining the Context- Overview - *CC BY-NC-SA 4.0*
  - 7.2: Customer relationship management(Summary) - *Undeclared*
  - 7.3: Loyalty and Customer Relationships - *CC BY 4.0*
  - 7.4: The Power of Relationship Selling - *CC BY-NC-SA 4.0*
- 8: Explore future trends of customer service - *Undeclared*
- Back Matter - *Undeclared*
  - Index - *Undeclared*
  - Glossary - *Undeclared*
  - Detailed Licensing - *Undeclared*