

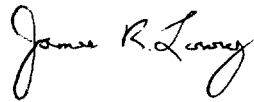
Customer Service and Customer Satisfaction  
Business Sense for Today and Tomorrow

An Honors Thesis (HNRS 499)

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## Purpose of Thesis

This thesis is an exploration into some of the issues of customer satisfaction and customer service. Such topics researched include barriers to customer satisfaction, qualities of service and five keys to customer satisfaction and service. Included with the research is a brief look at two companies, Saturn and Southwest Airlines, as well as three lists of customer service tips.

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# **Customer Service and Customer Satisfaction**

## *Business Sense for Today and Tomorrow*

Success in today's competitive environment requires both customer service and customer satisfaction. Often confused to be synonymous, customer service and customer satisfaction are two very distinct concepts that are interdependent. It is possible to perform well within the field of customer service without ever attaining customer satisfaction. Customer service is necessary to attain customer satisfaction. It does not, however, guarantee customer satisfaction.

Customer service has been defined a hundred different ways by a hundred different people. But all the definitions boil down to one principle: customer service is the way a company treats a customer. Customer service is doing all the things a company promises the customer in a way that creates customer value (Raphel 1995).

On the other hand, customer satisfaction is making customers so happy with the quality of the products and services received that they can't wait to tell someone about their experiences. Customer satisfaction means more than just fulfilling promises. Customer satisfaction is all about exceeding the promises and delighting the customers.

A comprehensive exploration of the concepts of customer service and customer satisfaction could literally fill volume upon volume of text. Instead, this paper examines several aspects of customer service and customer satisfaction. Each concept discussed, whether a component of service quality or a barrier to customer satisfaction, leads to a better understanding of the customer satisfaction that can be achieved through a customer-oriented business focus.

## Customer Service

Nailing down a definition for customer service is nearly an impossible task.

Every person who has had any sort of interaction with a company or organization has a different impression of what customer service is all about. For some, customer service is the attitude of the sales associate in a retail establishment. For others, customer service is the courtesy call they get from a manufacturer after purchasing a large appliance. Appendix A lists the top ten characteristics of service that customers seek from a company they do business with (Barsky 1995).

Customer service is an elusive concept, making it difficult, if not impossible, to design a customer service program without a clear picture of customer service attributes. In order to understand the attributes that compose the intangible concept of customer service, Texas A&M researcher, Dr. Leonard Berry, and his colleagues developed a list of five characteristics of service quality (Anderson 1997).

### **Service Quality**

Dr. Berry's model of service quality includes the five characteristics of reliability, assurance, tangibles, empathy and responsiveness. According to Dr. Berry, these attributes combine to create customer-pleasing service:

“Customer expectations of service organizations are loud and clear: look good, be responsive, be reassuring through courtesy and competence, be empathetic but, most of all, be reliable. Do what you said you would do. Keep the service promise” (Anderson 1998).

## ***Reliability***

Reliability is based on how well a product or service performs compared to the promises about the product or service (Hanan 1989). It is the combined effect of product and company dependability. Reliability means keeping the service promise: doing what was promised would be done to and for the customer.

To understand reliability, it is necessary to understand how a consumer forms a service promise. In the eyes of the consumer, the service promise has three distinct parts: organizational commitment, common expectations and personal promises (Anderson 1997).

The organizational commitment is the direct promise the company or organization makes to the consumer through such methods as advertisements, service guarantees, policies and other elements of the marketing mix. Organizational commitments may also be indirect, such as implied promises because of the information available or the actions of the company (Anderson 1997). Domino's Pizza used to be famous for the service delivery promise of "pizza in a half-hour, or it's free."

Common expectations are based on past experiences a customer may have had with the company or similar service providers. In their book, "Delivering Knock You Socks Off Service," Kristin Anderson and Ron Zemke provide a very good example of common expectations in regards to service promises:

"For example, many restaurants routinely post a sign warning that they 'cannot be responsible for items left in the cloak room.' However, when customers hand their items directly to an attendant, most assume that the belongings will be guarded. Having a staffed coat check rather than simple coat rack creates a common expectation of security" (Anderson 1997).

The third part of a service promise is the personal promises. Personal promises are those promises that are made by personnel instead of the company or organization. Some personal promises may be as simple as, "I'll be right with you" (Anderson 1997).

An organization that is striving to improve customer service policies should examine all three components of the service policy and determine how each affects the service currently being provided. Does the company follow through with the promises promoted in advertising? Are the actions of the firm in line with customer expectations? What are customer expectations of service? Answers to these questions could assist in determining a firm's ability to be a reliable service provider.

### ***Assurance***

Assurance is the knowledge and courtesy of the employees who work directly with the customers (Barsky 1995). An employee's actions assure customers that they are dealing with a well-trained, skillful employee who is competent and capable in the necessary procedures. The ability to provide the necessary assurances to the customer creates an opportunity to build trust.

A customer's decision to trust an employee is based on four factors collectively referred to as the reassurance factor (Anderson 1997). The four components of the reassurance factor are product knowledge, company knowledge, listening skills and problem-solving skills.

Product knowledge involves knowing the features, benefits, components and attributes of the product offerings. Product knowledge means that an employee is able to talk intelligently about a product without reading the box or product description card to

the customer. When purchasing an item, particularly a big-ticket item such as a new television or car, a customer wants to work with a sales associate who does more than reads the product description to them.

The second component, company knowledge, relates to an employee knowing company policy and procedure. Customers are more likely to trust an employee that knows the limits of their responsibilities, is familiar with company policy and can direct any concerns beyond their scope of knowledge to the right person.

Listening skills are essential in customer service. Customers expect personnel to listen to their needs and ask the appropriate questions in order to help guide the customer into a decision. Without listening to customers, personnel can jump to conclusions, create communication barriers or misguide the customer, all of which could lead to customer dissatisfaction.

Finally, personnel should possess problem-solving skills in order to reassure customers. Customers expect that employees will be able to identify needs the customer expresses to employees and provide solutions to the customer problems.

Problem-solving ability, listening to the customer and knowing company policy and procedure is particularly important when facing customer complaints. The inability to handle a customer complaint, or direct them to the right person, can be very frustrating and prevent a company from recovering any damage created by the problem. Appendix B outlines five steps for handling customer complaints, referred to as the five A's (*Guest Service* 1985).

## ***Tangibles***

From a company's point of view, customer service is difficult to measure. However, this is not always the case with consumers. As stated in the SuperAmerica Training Program, "From the customers' point of view, if they can see it, walk on it, hold it, hear it, step in it, smell it, carry it, step over it, touch it, use it, even taste it, if they can feel it or sense it, it's customer service" (Anderson 1997).

In every service encounter there are tangibles. The appearance of the physical facilities, equipment and personnel are just some examples of the tangibles on which customers may judge customer service. Tangibles can help convey the value of the service by giving the consumer something solid to judge. The ability to control the tangibles of service (decor, building condition, appearance of personnel) can help in promoting strong customer service.

Another way to improve customer service, particularly in a service-oriented company, is to give the customer something tangible that they can take with them. Examples of such tangibles are business cards, pamphlets, pens or calendars.

## ***Empathy***

The service quality attribute of empathy relates to a company's ability to provide personal understanding and support to the customer (Barsky 1995). An important aspect of empathy is to remember that customers want to be treated as individuals. No one likes to be treated as a number or a sales figure. Empathy is something that can only be delivered through person-to-person interaction. It's the human touch to customer service.

Empathy is often the most distinguishing attribute between the service provided by companies. With regards to empathy, it is helpful to remember that customers are like guests in our home. They are invited, but they don't have to come. There is almost always somewhere else they can go (*The Guest* 1993).

### ***Responsiveness***

The ability to provide prompt service is even more important today than ever before. Companies such as FedEx and LensCraft (glasses in an hour) have centered the entire business on the concept of timeliness. In the scope of timeliness, two issues stand out as being most influential on customer perceptions of service quality: deadlines and wait times.

Deadlines are similar to service promises. Deadlines are promises with the customer to have a service performed within a certain period of time. The inability to meet deadlines affects not only responsiveness, but reliability as well. Missing deadlines is detrimental to the trust built between customers and companies.

Waiting is a part of business these days. Customers wait to be seated at restaurants and serviced at banks. Often, there is very little a service representative can do to shorten wait time without compromising the service they are providing another customer. But a service representative can always take the time to at least make eye contact with a customer who is waiting on service.

### **Summary of Customer Service...**

Customer service may seem like a difficult concept to grasp, but in actuality, it could be achieved in simple actions performed by every employee in a company. Such

things as welcoming a customer, smiling, making eye contact, thanking them and inviting them back can lead to better service quality.

## **Customer Satisfaction**

Customer satisfaction should be the ultimate objective of every business.

Customer satisfaction is not to supply, sell or service a customer, but to satisfy those needs that drive customers to do business (Hanan 1989). Eighty-six percent of senior executives from Fortune 500 companies consider customer satisfaction extremely important, ranking it higher than productivity and company reputation (Barsky 1995).

But what makes customer satisfaction so important? Why spend the time and resources necessary to attain customer satisfaction?

Customer satisfaction leads to customer retention, positive word-of-mouth and, ultimately, profitability. Jonathan Barsky explains it best in his book, “World-Class Customer Satisfaction:”

“By focusing on the customer, one is really concentrating on serving and satisfying the customer’s needs. Customer satisfaction creates customer retention, which in turn means profitability. It sounds like an easy answer, but it involves a commitment – commitment to shift service to the number one priority position.” (Barsky 1995)

Satisfying customers leads to repeat business. To satisfy a customer a company creates customer value, not just through the product, but in the way the customer is treated. Simple customer service measures, such as smiling, welcoming a customer, thanking them and inviting them to return, can make a customer feel valued and appreciated. When a customer feels respected, they are more likely to return.

Finally, when a company satisfies a customer, it creates a spokesperson for the company. A satisfied customer can be an agent of the company, promoting the products or services offered through personal reference. Positive word-of-mouth and personal references can influence the decision making process of potential customers. Research suggests that consumers put more confidence in the opinions of friends than they do in most corporate sponsored promotional activities (Hanan 1998).

### **The Evolution of Customer Satisfaction**

The study of customer satisfaction is a rather recent phenomenon. “Customer satisfaction” has become a buzzword within the world of business and is often talked about in regards to such issues as “competitive advantages” and “key success factors.” Three predominant factors have lead to the evolution of the philosophy of satisfying the customer to the fullest extent possible: rapid technological change, increasing global competition and more demanding customers (Naumann 1995).

Rapid technological changes, particularly in the field of telecommunications, have reshaped the way the world does business. The development of technologies like teleconferencing and the Internet have flattened the organizational structure, reducing the number of managers and creating more opportunities for employee empowerment.

There is also more opportunity for direct contact with the customer. Technological innovations, such as the fax machines and the World Wide Web, have allowed customers to order products directly from the company, often shortening order and cycle time.

The evolution of technology has blurred national borders, creating and strengthening the realm of global competition. The rate of growth of imports and exports between countries has been approximately twice the average rate of domestic economic growth (Naumann 1995). As import and export rates continue to grow, companies that do not compete globally will begin to feel the pressure of the companies that do compete globally. In order to be successful in such a competitive market, it will be necessary to offer the customer more than just a product. To prosper in this environment, the customer must be satisfied with product and the service provided.

The final factor leading to the emergence of customer satisfaction as a competitive advantage is the evolution of the customer. People are living longer and are more educated and knowledgeable than ever before. Today's customer has more product or service options while the products themselves are becoming more standardized. Today's customers expect a quality product with strong service at a competitive price.

### **Barriers to Attaining Customer Satisfaction**

No company sets out to dissatisfy a customer. Most organizations today acknowledge that customer satisfaction is at the very least a good way to do business. Nevertheless, companies often fall short of the expectations of the customer, creating customer dissatisfaction or displeasure. In order to improve a company's performance in regards to customer satisfaction, it is essential that an organization recognizes and understands the barriers that exist.

There are several barriers that a company must hurdle before it can achieve customer satisfaction. The two most notable are product and personnel barriers.

## ***Product Barriers***

Product barriers exist when a company fails to appreciate the expectations of the customer (Barsky 1995). The first step to satisfying the customer is understanding what the customer anticipates about the particular service or product. The road to customer satisfaction begins by understanding expectations.

Expectations are the product quality, service level and/or satisfaction that a customer anticipates receiving from a product or service (Parasuraman 1994). Expectations become the standards by which a consumer judges a product or service. Consumer expectations can be analyzed by examining several characteristics of expectations. These characteristics include expectation creators, short-term versus long-term expectation creators and levels of expectations.

### ***Expectation Creators***

Two key components go into the formation of customer expectations: company-controlled expectation creators and uncontrollable expectation creators (Barsky 1995). Company-controlled expectation creators are any actions by the company that can be utilized by the customer to form a standard or expectation about the products or services of the company. Companies can coordinate certain actions to modify or create expectations by realizing what it is about products and services, the marketing mix, reputation and service quality that is most consequential to and remembered by customers (Barsky 1995).

Companies are ultimately responsible for the satisfaction/dissatisfaction that customers experience when the customers' expectations are based on the actions of the

company about the products and services offered. Suppose, for example, that a company promotes a new product, exaggerating the benefits to be achieved by purchasing this product. A customer who views the advertising will make expectations of this product. If the product fails to fulfill customer expectations, customer dissatisfaction will result. This lack of customer satisfaction is directly related to the exaggerated promises of the company.

Uncontrollable expectation creators are any information or action that can create an expectation of service or product quality that is not directly controlled by the company. Examples of uncontrollable expectation creators include word-of-mouth, actions by competitors and customer preferences (Barsky 1995).

Every company experiences some sort of uncontrollable expectation creators. Instead of trying to prevent negative expectations or influence positive expectations, a firm would be better off to allocate the resources necessary to understand these expectations and the factors that influence them. By understanding these expectation creators, a firm can better react to the consequences created by them, often incorporating information from the uncontrollable sources into efforts to manage the controllable creators.

#### *Short-term versus Long-term Expectation Creators*

Short-term expectation creators formulate the expectations associated with the present time frame. Short-term expectation creators are typically related to a recent interaction between the customer and the company. Examples of short-term expectation creators include, but are not limited to, the following: presentation of services or products, advertising and promotions, storefront, signage or packaging, decor, ambiance,

first impressions of customer service representatives and in-store merchandising (Barsky 1995). Short-term expectations are usually related to a customer's first encounter with a product, service or company.

Long-term expectation creators bring about expectations from a previous relationship or series of interactions with the company. Long-term expectation creators relate to a general trend of customer satisfaction from a series of interactions. Examples of long-term expectation creators include consistent delivery and quality, product or service innovation, marketing efforts and pricing policy variations (Barsky 1995). A customer must have had enough interactions with the company to determine such trends as consistency and product quality before forming long-term expectation.

Understanding customers' long-term and short-term expectations and expectation creators is crucial when developing the marketing mix. If a company's promotion exaggerates the attributes of a product or service, a customer will establish high expectations. A product that falls short of these expectations will create customer dissatisfaction. Expectation levels should be set high enough to draw in business, yet close enough to reflect the quality of the product or service that can consistently be delivered.

On the other hand, a customer who has experienced customer satisfaction in the past will often establish higher expectations for the next encounter. These higher expectations cannot be met in the same manner as the previous expectations were. For a firm to create customer satisfaction with a returning customer, the firm must increase product or service attributes to satisfy these higher expectations. This constant rise in standards leads to the need for continuous improvement. Continuous improvement

means constantly improving upon the product or service that the company is offering (Hanan 1989).

### *Levels of Expectations*

The expectations of customers exist at three very distinct levels: desired, adequate and predicted (Parasuraman 1994). Customers use these levels of expectations as a frame of reference for measuring the quality of the actual transaction with a company, product or service.

Desired or ideal levels of customer satisfaction are the levels of service that a customer believes can or should be provided. These expectations can be based on past experience with the company or experience with similar products, services and promotions.

Adequate levels of expectations represent the minimum level of service that a customer is willing to accept and qualify the experience as satisfactory. This level of service is acceptable to the customer, but creates minimal customer satisfaction. To constantly deliver the adequate levels of customer satisfaction will not lead to customer loyalty or possible repurchase. A product or service that only meets a customer's adequate expectations may not entice the customer to continue using the product or service.

The predicted level of expectations represents the satisfaction the customer expects to receive from a product or service (Barsky 1995). Predicted levels of expectations are usually based on a customer's previous experience with the product or service or a similar product or service. In order for customer satisfaction to entice a customer to return to a product or service, the level of satisfaction delivered should be at

the very least at the predicted level of expectations. Anything above the predicted level has the potential to increase customer loyalty.

#### *A Final Word on Product Barriers and Consumer Expectations*

If a company does not meet consumer expectations, product barriers prevent customer satisfaction. Removing the barriers requires a thorough understanding of the characteristics and attributes of consumer expectations. Being able to recognize and understand the expectation creators, long-term and short-term expectation creators and levels of expectations of a product or service can help a firm analyze its weaknesses in customer satisfaction. Focusing on these weaknesses and developing strategies to prevent other expectation shortcomings can increase customer satisfaction.

#### ***Personnel Barriers***

Customer satisfaction is not an isolated result of an impersonal transaction or interaction. A large part of customer satisfaction is based on the satisfaction that a customer receives in dealing with the people involved in the process. A clothing shop may have top of the line clothing that fits right, is at the right price and in the latest styles. However, if the sales associate who deals with a customer is rude, inattentive or lacks the right knowledge, a customer will be dissatisfied with the company.

Personnel barriers are very damaging to the development of customer satisfaction, essentially because a customer's whole image of a company may be based on one employee's attitude or ability. Personality or individual characteristics may limit or hamper customer satisfaction (Barsky 1995).

Overcoming personnel barriers can be achieved by instigating three particular plans or concepts: hiring, employee empowerment and the internal customer philosophy.

#### *Hiring – The Human Resource Department*

The first step in overcoming the personnel barrier is to rejuvenate the area of the company or organization that has the most impact on employees – the human resource department. Responsible for hiring and maintaining communications with employees, the human resource department is one of the most influential factors in the personalities and characteristics of the employees representing the firm.

Hiring a good, customer-oriented employee is the hardest function of the human resource department. Employing the right personalities, however, is one of the most important steps in overcoming the personnel barrier. Every company practices different procedures for recruiting and hiring potential employees. In his book, “World-Class Customer Satisfaction,” Jonathan Barsky offers two hints for hiring the right, customer-oriented employee: hire a “business partner,” and test the culture fit (Barsky 1995).

When hiring any employee, the human resource department should treat the hiring situation as if the company was searching for a business partner. When searching for a business partner, the company seeks out a person who “fits” the organization and will enhance the current operations. Similarly, hiring an employee should be the same process. By searching for an employee that will enhance the organization, a company will be searching for a strong representative of the company to the customers.

Every company has a set of values that are based on the company’s vision and culture. A good representative of the company recognizes and shares these values of the company. Walt Disney World, for example, is a family resort that treats the customers

like guests and promotes education and fun. Each candidate interviewing for a position within the company sits through a ten-minute introductory video to the company that explains the culture and mission of Walt Disney World. At this point in the presentation, those applicants who do not believe they fit the culture are invited to stop the interviewing process. Following the video, managers put remaining applicants to the culture test, seeking out those candidates who have values similar to Walt Disney World (Hiebeler 1998).

### *Empowerment*

In his book, "World-Class Customer Satisfaction," Jonathan Barsky quoted the executive of a leading hotel as having this to say in regards to employee empowerment:

"Rather than simply performing a function, like these chairs we're sitting in are doing, we have to ask more of our employees. Employees need to feel compassion for their work. They are motivated as much by their hearts and minds as by their pocketbooks. It's unjust to ask or expect employees to function like a chair. Each employee should feel the self-worth that comes from creating and being a part of a vision of serving customers." (Barsky 1995).

Empowerment, another buzzword in today's business world, is defined as delegating power and decision making ability to employees instead of strictly to managers. It is an action by the company that is based on trust between the company and employees because it gives authority and power directly to the employees.

Empowerment of employees is very important in striving to attain customer satisfaction. In a customer oriented company, the entire organization understands that satisfying the needs of the customers is the priority. In such an environment, employees who deal directly with the customer often are responsible for satisfying those needs the organization is capable of handling. Without empowered employees to meet the needs of

customers, cycle times can become longer as managers are contacted to approve employee actions, adding to customer frustration and taking away customer satisfaction (Finch 1994).

Most importantly, because employee empowerment is a sign of trust on the part of management, it can lead to job satisfaction. Employees who are satisfied in their jobs and experience the respect of management are more likely to pass this respect onto the customers.

### *The Internal Customer Philosophy*

Employees treat customers similarly to the way that management treats them. If employees are treated with disrespect or aren't treated as valued members of the organization, their attitudes and actions towards the customers will reflect this. To overcome this barrier, the internal customer philosophy has evolved (Heskett 1997).

Internal customers are simply employees within the organization that rely on other employees for products, services or support in order to meet their needs (Naumann 1995). The internal customer philosophy means treating internal customers with the priorities and attention that would be given external customers.

The internal customer concept extends from upper management to front line workers. Every person in an organization who contributes to the work of someone else in the organization is responsible to a customer of some sort, whether they are internal or external. Research supports a strong correlation between the level of customer satisfaction a company gives the external organization and employee job satisfaction, a measurement of internal customer satisfaction (Heskett 1997).

## **Summary of Customer Satisfaction**

Overcoming the barriers to customer satisfaction is not an easy undertaking, but the benefits to customer satisfaction far outweigh the disadvantages of the effort necessary. The most important thing to remember in the quest for customer satisfaction is that it is an on-going responsibility. Even the most successful customer satisfaction firms are constantly looking for ways to improve, striving to stay afloat in a world of intense competition and ever-increasing customer expectations.

### **Five Keys to Customer Service and Satisfaction**

There is no proven formula for success in customer service and, ultimately, customer satisfaction. The correct combination of service attributes varies from industry to industry and organization to organization. But by examining those companies who have experienced success with customer service researchers have developed a list of hints, or keys, to customer service and satisfaction (Wiersema 1998).

### **Commitment**

Companies that have found success in customer service and satisfaction, such as the Walt Disney Company, Saturn, Land's End and L.L. Bean, have developed an organizational philosophy around the idea of customer service. These companies have made the customer the entire reason for operating the business. By making just such a commitment to the customer, a company earns a customer's respect, loyalty and confidence.

A commitment to the customer must extend throughout the organization. Every person operating within the company must understand that customer service is the key selling point and that success requires a personal, as well as a corporate, commitment.

### **Latest Information Technology**

Strong customer service companies employ the latest information technology at every level of the business (Wiersema 1998). There are three primary uses for this technology: customer interaction, customer understanding and activity tracking.

Information technology allows a company to provide more extensive ways for customers to interact with service representatives. Such innovations as the Internet and fax machines allow customers to contact service representatives more quickly and more frequently than ever before. Customer interaction of this sort allows a company to provide the necessary assurances, rewards and adjustments to customer complaints, questions and requests.

In order to satisfy the wants and needs of the customers, it is necessary to understand the customer. The latest in information technology allows a company to profile the customers. Such innovations as customer-loyalty cards to grocery stores allow a firm to know exactly who is buying what and when. By collecting and storing customer profiles, a firm can personalize the service given to the customers.

Finally, information technology permits a firm to track the activities of the company. After tracking activities a company can analyze the actions of the organization, identifying where mistakes were made or delays in service exist. Such information technology provides a company with a more comprehensive picture of the organization, empowering a company to take immediate action.

## **Company Culture**

Companies that prosper in the fields of customer service and customer satisfaction incorporate the customer commitment into all of the workings of the company, in particular, the company culture.

As Leon Gorman, president of L.L. Bean once said, customer service and satisfaction is a “day-in, day out, ongoing, never-ending, unremitting, persevering, compassionate type of activity” (Barsky 1995). Customer service and customer satisfaction is not something a company does. It is something a company is. It’s the way a company does business.

## **Personal Relationships**

Such companies as Nordstrom and Land’s End build personal relationships with the customers. Each customer who deals with these successful companies feels respected and valued as an individual. Personal relationships require the use of new information technology. But more importantly, personal contact before, during and after a transaction puts a human touch on a business transaction and creates a situation where the customer feels important to the company. Companies with strong personal relationships with customers are less likely to forget that it is the customers who are responsible for corporate prosperity.

Companies that lack the ability to build personal relationships with customers often discover that the problem stems from the attitude and actions of front-line associates. As mentioned before, customers often base their reactions to a company on the interactions with the front-line employees. Appendix C lists the “seven deadly sins of building consumer relationships (Hallmark 1998).

## **Never Idle**

Customer service and satisfaction is a job that requires constant innovation. The best companies are always looking towards the future, shaping and altering the present state of the company (in every area) to satisfy those needs of the future. Such companies as the Walt Disney Company are fanatical about moving forward, always looking for ways to improve.

## **A Peak at Some of the Best**

The following pages contain a brief look at two different service/satisfaction approaches that are employed at two different customer service/satisfaction companies, Saturn and Southwest Airlines. By examining such companies, it is possible to get a better grasp on the concepts behind the strategies that work. It is wise to note, however, that every industry and business faces different forces in and out of the organization. What works for one organization will not always work for another.

Saturn, a subsidiary of General Motors, has earned a reputation based on outstanding customer service. In 1997, for the second year in a row, Saturn earned the highest Strategic Vision's Dealer Total Quality Experience score, a measurement of customers' evaluations of sales and service experience with car dealerships (Washington 1997). Saturn's key to service/satisfaction success? Saturn practices a "focus on the customer" approach.

Southwest Airlines uses a different approach to customer service. Though customer satisfaction is the ultimate goal, Southwest Airlines focuses on the employee first in the belief that happy employees work to satisfy customers. By employing the

internal customer philosophy, Southwest has created a reputation of friendly, courteous and entertaining customer service.

# Saturn

*“A Different Kind of Car...  
A Different Kind of Company.”*

In the 1970s and early 1980s, American car companies that had experienced years of unparalleled success began to see profits moving from American car companies to strong competition from Japanese and German auto makers. No longer was American car manufacturing the best in the business. As American car companies scrambled to devise strategies to improve American car quality and save profits, one car company took it a step further.

Executives at General Motors had the insight to recognize that quality alone would not lead to financial success and took undertook the task of finding something that would. Named after the rocket that gave Americans the edge over Russians in the space race, General Motors developed the Saturn line of cars. The goal: to beat Japanese rivals by developing a small American car. The primary strategy: differentiate the company through extensive customer service (“Success At a Price” 1992).

According to the Saturn home page, the company mission is as follows:

“To market vehicles developed and manufactured in the United States that are world leaders in quality, cost and customer enthusiasm through the integration of people, technology and business systems, and to exchange knowledge, technology and experience through General Motors” (Saturn Home Page 1997).

The statement of shared values established by Saturn to stand with the mission statement states:

“We at Saturn are committed to being one of the world’s most successful car companies by adhering to the following values: commitment to customer enthusiasm, commitment to excel, teamwork, trust and respect

for the individual, and continuous improvement” (Saturn Home Page 1997).

The foundation of the General Motors subsidiary of Saturn, located in Spring Hill, Tennessee, is to satisfy the customer, making sure that every last detail meets the expectations of the Saturn customer. Saturn’s policies are straightforward and absolute: there is no haggling, discounts, rebates or commission selling and the customer is treated with intelligence and kindness (Peters 1995).

As Saturn’s corporate vice president of sales, service and marketing, Joe Kennedy, said, “Every salesperson, service representative, line mechanic, and branch manager has to work together to ensure that customers get what they want, when they want it” (Cohen 1996).

In 1993, Saturn received over 350 letters a week from satisfied Saturn owners, praising the quality of the service as much as the quality of the product (Washington 1993). It’s the Saturn philosophy of treating each and every customer special that has gotten this small division of General Motors such play in the news.

A good example of Saturn’s policies at work happened in 1995 to a woman in Wyoming. She was interested in buying a Saturn. The nearest Saturn dealership, however, was located in Salt Lake City, Utah. Faced with a situation like this, there was only one thing the dealership could do: fly a salesperson out to meet her, fly her to Salt Lake City and show her the car she was interested in. The salesperson not only made a sale, but also created a very satisfied customer (Cohen 1996).

# Southwest Airlines

## *A New Way to Fly*

Twenty-seven years ago, Rollin King and Herb Kelleher set out to develop a new kind of airline and a new way to fly. This airline was developed with one idea in mind: “If you get passengers to their destinations when they want to get there, on time, at the lowest possible fares, and make darn sure they have a good time doing it, people will fly your airline” (Southwest Airlines Home Page 1999).

Today, this “new way to fly” is the fifth largest major airline in America, flying over 50 million passengers to 52 cities. By being the “fun” airlines, Southwest continues to attain the primary goal of the company: to service the customers of Southwest Airlines. According to company publications, “the mission of Southwest Airlines is dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride and Company spirit” (Southwest Airlines Home Page 1999).

Southwest promotes lower ticket prices in exchange for “no frills,” yet fun, flying. Instead of a lunch, passengers get a bag of peanuts, humorously labeled “frills” (Hiebeler 1998). When passengers board a Southwest plane, they know exactly what to expect. According to Kathy Pettit, director of customers for Southwest Airlines, customers get “a good, clean, safe, on-time, efficient product, delivered with a smile.”

Southwest’s success is best described by Fred Wiersema in his book, “Customer Service: Extraordinary Results at Southwest Airlines, Charles Schwab, Lands’ End, American Express, Staples, and USAA.”

“What do you call an airline that serves peanuts for breakfast, lunch, and dinner, has bunny-costumed flight attendants popping out of overhead

compartments, and announces that those wishing to smoke should ‘file out to our lounge on the wing, where you can enjoy our feature film *Gone With the Wind?* A rip-roaring success, that’s what” (Wiersema 1998).

### ***Customer Service, Southwest Style...***

The success that Southwest Airlines has had in the fields of customer service and satisfaction is not based so much on a customer focus as much as a focus on the employee. Southwest Airlines practices what has been referred to as the internal customer philosophy, a belief that treating workers well creates happy workers. And, according to President and Chief Executive Officer Herb Kelleher, workers who are happy are workers who take good care of the customers (Wiersema 1998).

The following is a breakdown of practices by Southwest Airlines that represent the use of the internal customer philosophy (Wiersema 1998):

- Southwest is a “family” place. Birthdays, anniversaries, births and marriages are celebrated. “Thank you” is said often and those employees that exhibit Southwest values could be honored in the “Star of the Month” reward through the company publication, *Spirit* magazine.
- The Culture Committee was established to reinforce the Southwest “attitude” of the airline underdog.
- Southwest believes strongly in employee empowerment and company support. Southwest Airlines management makes a commitment to the employees that, no matter what, if employees do what they believe to be the right thing to do, the company will support them. Employees are never criticized for leaning too far in the direction of a customer.
- Southwest Airlines encourages the employees to be themselves and individualistic in their customer service approach.

## *Appendix A*

### **Customers' Top Ten Service Characteristics**

SOURCE: Barsky 1995

1. Employee Attitude
2. Receiving an explanation of how a problem happened.
3. Being called back when promised
4. Being contacted promptly when a problem is resolved
5. Being allowed to talk to someone in authority
6. Being told how long it will take to solve a problem
7. Being given useful alternatives if a problem can not be solved
8. Providing sufficient information to act on alternatives
9. Being told about ways to prevent a future problem
10. Being given progress reports if a problem can't be solved immediately

## Appendix B

### **Five Steps to Dealing With Customer Complaints**

These steps are referred to as the “Five A’s” (*Guest Service* 1985).

1. **Away** - Remove the complainer away from the front guest area. This not only allows the complainer to have a private audience, but it prevents other customers from overhearing.
2. **Agree** - Whether or not the customer is right, agree with them and agree that something should be done.
3. **Apologize** - Admit that the problem should not have happened. Apologize to the customer that the problem did occur. Even if it isn't a problem that the employee created or could have prevented, the employee should apologize on behalf of the company.
4. **Ask** - At this point, the employee should ask the guest how the problem should be solved.
5. **Act** - After collecting all of the information, act on the complaint to rectify the situation.

## Appendix C

### **“Seven Deadly Sins” of Building Customer Relationships**

SOURCE: Hallmark 1998

1. Chewing gum
2. Pointing
3. Making “other things” a priority over a customer
  - Other associates
  - Telephone conversations
  - Stocking displays
4. Manager in back room always in back room instead of on the sales floor
5. Concentrating on cashier training vs. product training
6. Saving payroll vs. driving sales
7. Not having a trained, knowledgeable associate available for customers

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