

Performance in Service Marketing from Philosophy to Customer Relationship Management

■

Victor Danciu

Ph.D. Professor

Academy of Economic Studies, Bucharest

***Abstract.** The contribution of services to the development of every national economy is in the progress, they becoming the major contributor to the gross national product of most countries. In their turn, the customers become more demanding and powerful in their relationship with service providers. They ask for more and new relationship. The appropriate new marketing, known as Relationship Marketing, looks to engage the customer interactively in the many steps of creating value which is later shared between service provider and customer. This requires to focus on long-term customer relationship. In order to establish and maintain long-term relationship, the relationship marketing should understand customer expectations, know the customers, evaluate services process, obtain a proper service quality and adequately manage customers' relationships. The service customer's is placed on an expectation range to a five dimension scale and have two levels which may be analyzed into a model of service. A stimulus for relationship marketing performance may be the quality of service. The objective and subjective quality of service is essential for the service customer relationship management. In order to reach the goal of retaining actual customers, service companies should be prepared to spot customers who leave and then analyze and act on information they provide. Managers should make sure the entire organization understand the importance of keeping customers and encourage employees to pursue zero defections by trying incentives, planning, and budgeting to defections targets. Most important, managers use defections as a vehicle for continuously improving the quality and value of the service they provide to customer.*

Key words: relationship marketing; service customer expectations; molecular model of service; service quality; service customer relationship management.

■

1. Service marketing as part of the new relationship marketing

Services are a major component of every national economy and their contribution to the development is in progress. Services contribute an average of more than 60 percent to the gross national product of the industrial nations, but they are also rapidly moving to the forefront in many other nations as well, accounting for 69 percent

in Mexico, 66 percent in Argentina and South Africa, and about 50 percent in Thailand. Even in the least developed countries, services typically contribute at least 45 percent of GDP. Table 1 shows the importance of the service sector across the world.

Services across the world in 2002

Table 1

Country	Service as percentage of GDP	Percentage of workforce in services
United States	80	83
Belgium	75	73
Denmark	75	79
United Kingdom	73	74
Australia	72	73
France	71	71
Germany	71	63
The Nederland	70	73
Canada	69	74
Austria	69	67
Finland	69	76
Luxembourg	69	90
Sweden	69	63
Italy	67	67
Spain	68	64
Portugal	65	60
Greece	64	63
Kenya	63	n/a
Japan	62	65
Brazil	59	53

Romania	44,6 ¹⁾	-

¹⁾ 2003

Source: Czinkota, Ronkainen (2004), p. 472.

At the same time, customers are more demanding, expecting more value and benefits from the services they buy. The customers become more powerful in their relationship with service providers. This is a very strong indication for the service providers to recognize the leading part of the relationship they have with the customers. But the customers ask for new relationship, as the nature and the specific character require. This kind of relationship requires a new marketing, which is known as Relationship Marketing. The clear and characteristic feature of the Relationship Marketing is the cultivation of long-term mutual beneficial relationships with a defined customer group (McDonald, Wilson, 2001, p. 6). By contrast, to transactional marketing, the Relationship Marketing focuses on keeping the current customers and then to attract new consumers. At the same time, Relationship Marketing aims to understand, anticipate and satisfy customers.

The Relationship Marketing looks to engage the customer interactively in the many steps of creating value, looking for innovative ways to unlock new and meaningful benefits for the customer and then share the value so created between producer and consumer. The Relationship Marketing recognizes the key role customers have not only as purchasers, but in defining the value

they want. Previously, companies would be expected to identify and provide this value in what the company would consider a “product”. With Relationship Marketing, the customer helps the company provide the benefit bundle that consumer values. The value is created with the customers and not for them. Relationship Marketing requires that a company designs and aligns its business process, communications, technology and people in support of the value customers want. Relationship Marketing recognizes the value of customers over their purchasing lifetimes. In recognizing lifetime value, Relationship Marketing seeks to bond progressively more tightly with customers. Relationship Marketing seeks to build a chain of relationships within the organization to create the value customers want and between the organization and its main stakeholders (Gordon, 1998, pp. 8-9).

The above described characteristics of the Relationship Marketing suggest that the Relationship Marketing is defined by relationship, interactivity and long-term. This kind of marketing activity may be considered as relationship management which is creating, developing and maintaining a network in which service provider is part (Doole, Lancaster, Lowe, 2005, p. 279). Customer relationships do not simply exist; they must be established and earned.

The service provider and customers work out bi- and multilateral activities to produce and provide value, especially through an interpersonal communication. In order to be created and maintained, the relations need time. The short relationships in which customer come and go, becoming lost, are generally more expensive in the service sector. The marketing budget for attracting customers to the service provider and stimulating potential customers to accept the companies’ promises is often very large. For this reason, the marketing for protection of the customer base becomes extremely important. It is more important to focus on establishing and maintaining long-term customer relationships.

Relationship Marketing must identify and solve specific issues, meaning understand customers’ expectations, know the customers, evaluate services process, obtain a proper service quality and adequately manage customers’ relationship.

2. Understanding customer expectations, the key for performance in service marketing

2.1. Dimensions of customer expectations

Understanding customer expectations is a prerequisite of delivery superior service. The range of customer expectations may be displayed in five dimensions of the services, each one identically important.

Reliability. Customers expect the services providers to have the ability to perform the desired service dependably, accurately and consistently. This involves keeping the service promise and the reputation.

Tangibles. The way the physical facilities, like equipment appearance of personnel and the communication materials, are used by customers to judge the service. Tangibles influence service quality perceptions by offering indirect clues about the nature and quality of the service itself, and indirectly, by the usage of physical aspects in the production of service. The customers expect all these to be like they are promised and have the quality they appreciate.

Responsiveness. The customers appreciate the willingness of services providers to provide the service promptly and efficiently. To be responsive to customers means help them keeping informed, buying and post buying, too.

Assurance. This is caused by the employees, knowledge, courtesy, competence and ability to convey trust and confidence in customers. Every customer believes the reability must be doubled by the trust.

Empathy. The customers want to be very well understood by services providers. Thus, they expect the provision of caring, individualized attention, speak to them in language they can understand and listen to them.

Assurance depends more on the outcome. The customers trust the providers who meet their expectations. The tangible, responsiveness, reliability, and empathy are the parts of the provision by services, but contribute to the outcome.

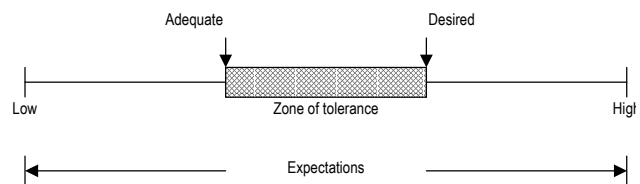
2.2. Modeling the customer expectations of services

Customers' service expectations have two levels: desired and adequate.

The *desired service level* is the service the customer hopes to receive. The adequate service level is that which the customer finds acceptable. It is in part based on the customer's assessment of what the service "will be", that is, the customer's "predicted service".

Separating the desired service level from the adequate service level is a *zone of tolerance*, as shown in Figure 1.

The zone of tolerance expands and contracts like an accordion, following the two expectations levels. It can vary from customer to customer and potentially from one situation to the next for the same customer. This is to say that customer expectations have their own dynamique. Because customers view reliability as the service "core", and tend to have higher expectations for it, they seem least willing to relax reliability expectations. Thus, the zone of tolerance for service reliability is likely to be smaller and the desired and adequate service levels are likely to be smaller.



Sursa: Parasumaran, Berry, Zeithamel (1991), p. 42.

Figure 1. A model of Service Level Expectations

If this is true, the opportunity a service provider to exceed customer expectations is greater with the process dimensions than with the outcome dimension. For this scenario may be credible, the factors that may cause the desired service level to rise are to be observed. The customer experience, the expectations of some affiliated party – the customer's customer or a superior – are important.

Customer's adequate service expectations seems to be influenced more by specific circumstances and are therefore more challengeable than their desired service expectations. The most important factors susceptible to influence customers' adequate service expectations are the number of service alternatives customers perceived and emergency and service failure situations (Parasumaran, Berry, Zeithamel, 1991, p. 43). If customers perceive that they have alternative suppliers from which to choose, their zone of tolerance is likely to be smaller than if they don't feel they have this flexibility. Emergency and service failure situations tend to raise customer's adequate service level temporally thereby narrowing the zone of tolerance.

2.3. Managerial implications of customer expectations of services

In order to find goods solutions, the managers of the firms providing services must take into consideration the impact the customers expectations have on their services.

First, *the service provider must demonstrate fair play*. This is to say that the company must "play" correctly, in its relationship with the customers. If so, it may be able to extend customers' zone of tolerance. This will require devoting far more attention to explaining its policy about the service and it is buying, and listening to customers and becoming more sensitive to their expectations and concerns.

Second, *the firm must be reliable, by performing the service properly the first time*. Firms that do not provide the service core that customers are buying fail their customers in the most direct way. Managers should impose a "do it right the first time" value system in the firm by establishing reliability standards, teaching the "way" and

“how” of reliability in training sessions, forming “reliability terms” to evaluate specific services for ways to reduce failures.

Third, the *firms must manage its promises*. The services providers will have a better chance of meeting customer expectations when their promises reflect the service actually delivered rather than an idealized version of the service. The hotel room, water quality, for instance, contributes to the customers’ positive and negative assessment of the hotel’s service quality.

Fourth, *leverage the process dimensions* is to consider as managerial implication. Services firms that seek to exceed customer expectations, in order to enhance their quality image should capitalize on the best opportunity, if they focus on service delivery. It is during delivery, when customers directly experience provider’s service skills and “tone” that firms are best able to *augment* the service core of reliability in ways that are differentiating.

The leverage of process dimensions involves a wide span of actions designed to enhance the willingness and ability of employees to be effective servers. These include recruiting the most promising employees, providing them with ongoing training in interpersonal and problem-solving skills as well as technical skills; empowering employees to exercise judgment and creativity in responding to customers’ special needs; measuring employees capacity for excellent service, e.g. with product knowledge tests and the quality of service they actually deliver, e.g. mystery shopper research and rewarding the most excellent servers financially, non financially, and with career advancement.

Fifth, *managers must observe that developing genuine customer relationship is a primary, controllable means for service companies to enlarge customers’ zone of tolerance*. This is maybe the most dramatic managerial implication of the customer expectations. Customer relationship provides companies with a “goodwill” or credibility factor that encourages customer tolerance.

The possibilities for relationship-based service extend to virtually all services that customers use on an ongoing on periodic basis.

Any relationship service system is to be designed consistent with some requirements, as follows:

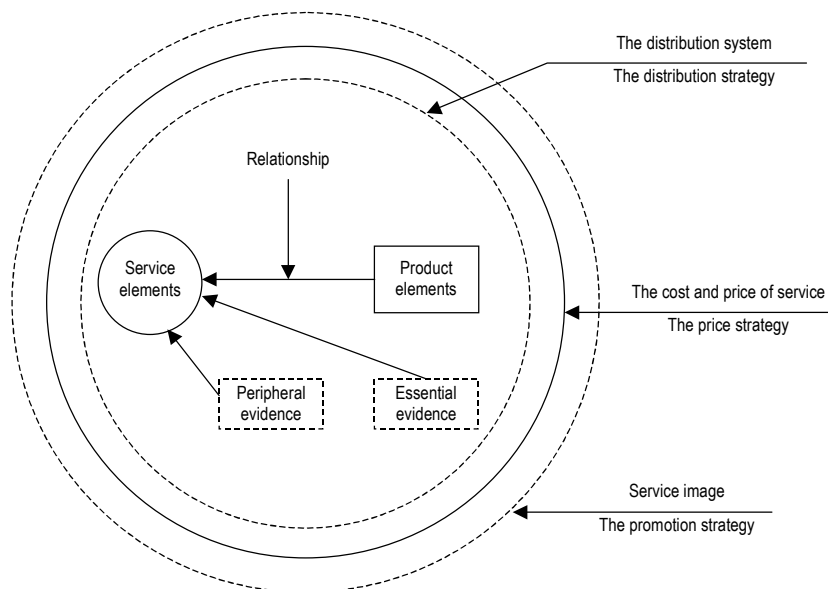
- Customers must have access to service when the need arises. Customers need to know, when they contact, how to make the contact, and then be able to actually make the contact.

- Communications between the company and the customers should be company-initiated as well as customers-initiated, that is to be flexible and quick.
- In addition to being able to tailor the service to the customers, the service providers must also be willing to do so. They must have the means, in every way: information, communication, services’ access, delivery.

3. The molecular model of service, a stimulus for marketing performance

For performance in services marketing, the starting point is focused investigation of services. A molecular approach, as a product/service combination, has a considerable merit for visualizing the complex character of a service. The molecular modeling is a flexible, easily used tool which can help the marketer better understands any market entity. First, it allows full consideration of service elements as well as product elements. Second, it offers a framework for identifying and visualizing all the parts of any complex market entity. Finally, it suggests the behavioral hypothesis that rearrangement or alteration of any element, whether by design or accident, will change overall entity (Donnelly, Williams, 1985, p. 221). This latter hypothesis has significant implications for both the planning and management of complex market entities. Thus, scientific analysis can be applied in marketing to build models and to show structure and relationship. Figure 2 shows the molecular model of service. All product and service elements have been identified and bond between elements have been described and drawn. The peripheral and essential evidence associated with each service element has been described. Finally, the remaining elements of the marketing equation have been added. They are shown as encompassing, or ringing, the entity, reflecting both their relationship to entity, and the order in which the marketer should logically deal with them.

First, service provider should consider the company’s distribution system. Services can be difficult to distribute, since service uniformity is difficult to create and maintain. Second, the company must consider the cost and set a proper price. Again, services present a problem. Finally, the provider must consider the promotion of service, focusing on a distinctive image.



Source: Donnelly and Williams (1985), p. 224

Figure 2. Molecular model of the service

As the model of Figure 2 shows, services are often accompanied by physical objects which cannot be categorized as true products elements. These objects or pieces of “evidence” play critical role of verifying either the existence or the completion of a service. A true product element never requires evidence. It is its own evidence.

These are two kinds of *service evidence*. *Peripheral evidence* is actually possessed as part of purchase, and it has little or no independent value. A debit card is useless without the funds that it represents. The admission ticket to a theatre, bus or plane serves to confirm the service, it is not a surrogate for service. *Essential evidence*, unlike peripheral evidence, cannot be possessed by the consumer. Nevertheless, it may be so dominant in its impact on service purchase and use that it must be considered virtually an element in its own right. To the customer who purchase a credit contract (peripheral evidence), the bank that “facilitate” the service has a strong impact on service perception and even purchase. Because of its importance, essential evidence may be shown in the molecular model as a quasi/product element.

Whether peripheral or essential, service evidence is at the heart of service image, advertising and promotions. Evidence must be as carefully designed and managed as a service itself, for it is evidence that provides the clues and confirmations that consumer seeks and needs in order to formulate a specific mental “reality” for the service. The management of service goes beyond what is commonly thought of “packaging”. It extends to the control and design of all tangible evidence that the consumer might associate with the service. Tangible

evidence may be people. As essential evidence of a service, people perform it. The environment in which the service is performed is another example of potentially essential evidence. Of course, evidence management can include many other items. What is important is that every tangible clue be considered for these entire have an impact on the service.

4. Service quality as support for performance in marketing

The service quality has a particular meaning for the buyer’s decision. Thus, the service provider must identify and understand what quality means for the service customer. In the 20th century, Gasvin (1984, 1987), Parasumaran, Berry, Zeithamel, (1985, 1986, 1991) suggested the multidimensional character of the service quality.

The reliability involves consistency of performance and dependability, i.e. the firm performs the service right the first time, accuracy in billing, keeping records correctly, and performing the service at designated time.

The responsiveness concerns the willingness or rediness of employees to provide service. It involves timeliness of service, i.e. mailing a transaction ship immediately, calling the customer back quickly, giving prompt service, e.g. setting up appointments quickly.

The competence depends upon possession of the required skills and knowledge to perform the service, i.e. knowledge and skill of the contact personnel knowledge and skill of operational support personnel, research capability of the organization.

The access consists in the approachability and ease of contact, i.e. the service is easily accessible by telephone (free lines no holding), the waiting time to receive service is not extensive e.g. at a bank the convenient location of service facility.

The courtesy is in relation with politeness, respect, consideration and friendliness of contact personnel, clean and neat appearance of public contact personnel.

The communication means keeping customers informed in language they can understand and listening to them. It may mean that the company has to adjust its language for different consumers, increasing the level of sophistication with a well-educated customer and speaking simply and plainly with a novice, i.e. explaining the trade-offs between service and cost, assuring the customer that a problem will be handled.

The credibility is the result of the trustworthiness, believability, honesty and having the customer best interests at heart. Contributing to the credibility and company name and reputation, personal characteristics of the contact personnel, and the degree of hard sell involved in interactions with the customer.

The security is viewed as the freedom from danger, risk or doubt, i.e. physical safety while using service, financial security and confidentiality.

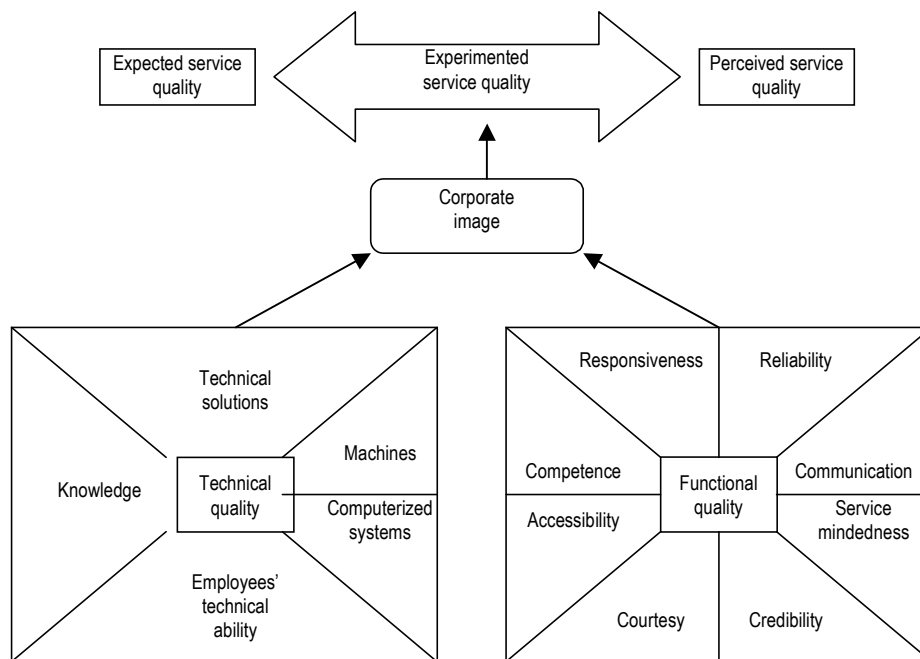
Understanding and knowing the customer are important in terms of customer perceptions and satisfaction. This means to make the effort to understand the customer's needs,

i.e. learning the customers' specific requirements, providing individualized attention and recognizing the regular customer.

The tangibles, as element of service quality, are the physical facilities, appearance of personnel, tools or equipment used to provide the service, physical representations of the service, e.g. plastic card or bank statement, other customers in the service facility.

As it is stated above, the customers of a service firm do not perceive the results of the service production process only, i.e. what they have got when the buyer-seller interactions are over or the called *technical quality of the service*. They also perceive how the end result is transformed during the buyer-seller interactions, i.e. the so called *functional quality of the service*. The technical or objective quality of the service depends on the tangibles and on the conformance to the established standards and requirements. The functional or subjective quality of the service is the final perceived outcome as a result of the termination of the buyer-seller interactions. As is indicated in Figure 3, the objective and subjective aspects of the service quality are in close relation with the factors which may exercise influences over it.

As Gronroos (1998, pp. 10-13) suggested, the customers perceived good service quality using six criteria, as follows: professionalism and skills, attitudes and behavior, reliability and trustworthiness, recovery (correction, ability), reputation and credibility.



Source: Adapted from Block and Zeithame (1985), p. 42

Figure 3. A model of service quality

The customer makes use of three assessments in order to judge the service quality, i.e. the expected quality, the

experimented quality and the perceived quality, which are displayed in Figure 4, as a service quality process model.

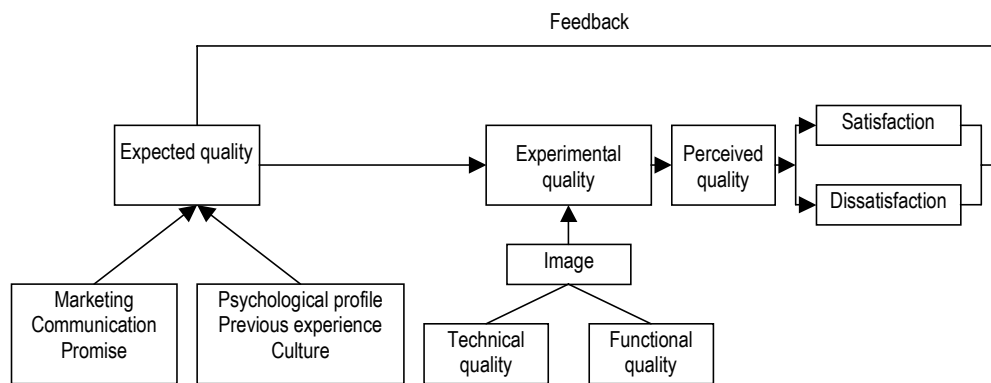


Figure 4. A service quality process model (A process model of service quality)

5. Service Customer Relationship Management

Attracting and maintaining the customers are the primary goals for the professional management and marketing. Maintaining and increasing the customer base into the service provider’s portfolio is aimed to intensify the efforts for the lost customers’ replacement. Service customer management should take into account the relationship character of the service marketing. The focus on retaining actual customers is the first objective, goal of the service relationship marketing. In order to reach this goal, service companies should be prepared to spot customers who leave and then analyze and act on information they provide. In other words, the service customer relationship management should pay attention to the specific things that are causing customers to leave.

Defections analysis is an important way to identify the number, the rate and, more important, the reasons for leaving. Customers who leave can provide a view of the business that is unavailable to those in the inside. This may be used as an early warning signal, to learn from defectors why they left the service company and to use that information to improve the business (Reichfeld, Strasser, 1990, p. 109).

Unlike conventional market research, feedback from defecting customers tends to be concrete things like attitudes or satisfaction, which are changeable and subjective. Defections analysis involves specific relevant questions about why customer has defected. The information obtained by this kind of research is useful in a variety of ways. It may be a clue that the

competition is under pricing the company services. This information can also help service companies decide which service quality investments will be profitable. Achieving service quality doesn’t mean slavishly keeping all customers at any cost. If particular customers don’t stay and become profitable, service companies should not invest in attracting them. Conversely, much of the information used to find defectors can point to common traits among customers who stay longer. The service company can use defection rates to clarify the characteristics of the market it wants to pursue and target its marketing efforts. More, having the entire company focused on keeping profitable customers is important for management performance.

Trying to retain all the profitable customers is an elementary objective. Managing towards zero defections is revolutionary. It requires careful definition of defection, information systems that can measure results over time in comparison with competitors, and a clear understanding of the microeconomics of defection. Ultimately, defections should be a fundamental component of incentive systems. Managers should know the company’s defection rate, what happens to profits when the rate moves up and down, and why defections occur. They should make sure the entire organization understand the importance of keeping customers and encourage employees to pursue zero defections by trying incentives, planning, and budgeting to defections targets. Most important, managers should use defections as a vehicle for continuously improving the quality and value of the services they provide to customers.

References

- Czinkota, M., Ronkainen, I. (2004). *International Marketing*, Thomson Southwestern
- Danciu, V. (2005). *Marketing Internațional. Provocări și tendințe la începutul mileniului trei*, Editura Economică, București
- Doole, Isobel, Lancaster, P., Lowe, R. (2005). *Understanding and Managing the Customers*, Pearson Education Ltd., Harlow, England
- Gordon, I. (1998). *Relationship Marketing*, John Wiley and Sons, Canada Ltd, Toronto
- Gronroos, Ch., „Relationship Approach to Marketing in Service Context: The Marketing in Organizational Behavior Interface”, *Journal of Business Research*, 20, 1990, Elsevier Science Publishing Co., Inc., New York
- Gummerson, J. (1987). *The New Marketing – Developing Longterm Interactive Relationship*, Long Range Planning, vol. 20, no. 1, UK
- Hollensen, S. (2004). *Global Marketing; a decision oriented approach*, Pearson Education Ltd., Essex, England
- Johnson, G., Scholes, K., Whittington, R. (2005). *Exploring Corporate Strategy*, FT Prentice Hall, Pearson Education Ltd., Essex, England
- Keegan, W., Schlegelmilch, B., Stottinger, B. (2002). *Globales Marketing – Management*, Oldenbourg Verlag, Munchen, Wien
- McDonald, M., Wilson, H. (2002). *The New Marketing. Transforming the Corporate Future*, Butterworth – Heinemann, Oxford (UK)
- Parasumaran, A., Berry, L., Zeithamel, V., „Understanding Customer Expectations of Service”, *Sloan Management Review*, 1991, Spring
- Reichfeld, F., Sasser, J.E., „Zero Defections: Quality Comes to Services”, *Harvard Business Review*, September-October, 1990
- Rushton, A., Carson, D., „The Marketing of Services: Managing the Intangibles”, *European Journal of Marketing*, vol. 9, no. 3, 1985
- Shostack, L., *How to Design a Service*, in Donnelly J., William George (1985), *Marketing of Services*, Proceeding Series, AMA, Spring