2. The Service Encounter

2.1 The service encounter triad

To effectively manage customers, organizations must be concerned with the entire experience a customer has with a company. While much of the value sought by customers is obtained directly from the consumption or use of goods or services they purchase (i.e., offers benefits that address a need), customers’ satisfaction is not limited to direct product benefits. Instead the customer’s buying experience covers the entire purchasing experience and is a mix of product and non-product benefits.

In many industries customers’ experience with a company’s customer service can significantly affect their overall opinion of the product. Companies producing superior products may negatively impact their products if they back these up with shoddy service. On the other hand, many companies compete not because their products are superior to their competitors’ but because they offer a higher level of customer service. In fact, many believe that customer service will eventually become the most significant benefit offered by a company because global competition (i.e., increase in similar products) makes it more difficult for a company’s product to offer unique advantages.

Customer service manifests itself in several ways, with the most common being a dedicated department to handle customer issues. Whether a company establishes a separate department or spreads the function among many departments, being responsive and offering reliable service is critical and in the future will be demanded by customers.

Most of the customer services are characterized by an encounter between a provider of product or services and a customer. From the service perspective, one of the unique characteristics or the service act is the active participation of the customer. Each of them has a role to play in an environment dominated by the service organization. The service triad, shown in figure 2.1 captures the relationship between the three parties in the service of attention for customer service and care.

While for-profit organizations have an interest in delivering the service act as efficiently as possible, nonprofit organizations might substitute effectiveness for efficiency, but under budgeting constraints. Some authors define efficiency as doing things right, while effectiveness is doing the right things. Formally, it is possible to say that efficiency is the rational use of resources; while effectiveness is the degree in which objectives are reached (Some authors argued that efficacy is the degree of objectives reached while effectiveness is the combination of efficacy and efficiency). Thus, a tradeoff between efficiency and effectiveness is necessary in order to maintain control in the delivery of the service act and in customer satisfaction.

To control service delivery, management imposes rules and procedures to the contact personnel to limit their autonomy and discretion when serving the customer. These same rules and procedures also are intended to limit the extent of service provided for the customer and the resulting lack of customization that might result in an unsatisfied customer. Finally, the interaction between customer and contact personnel has the element of perceived control by both parties. The contact people tries to control the behavior of the customer to make their own work more manageable; at the same time the customers attempt to gain control of the service encounter to derive the most benefit from it.
Ideally, the three parties gain much by working together to create a beneficial encounter. This relationship might not be functional, however, when one party dominates the interaction by focusing solely on his or her own control of the encounter. These conflicts can be in one of three ways:

- **Encounter dominated by the organization**: To be efficient and, perhaps, to follow a cost leadership strategy, an organization may standardize service delivery by imposing strict operating procedures and, thus severely limiting the discretion of the contact personnel. Customers are presented with a few standard service options from which to choose, and personalized service is not an option. Success is based on teaching customers what not to expect from their service, but frustration is the result of lack of autonomy of contact personnel.

- **Encounter dominated by the contact personnel**: In general, service personnel attempt to limit the scope of the service encounter to reduce their own stress in meeting demanding customers. When contact personnel are placed in an autonomous position, they may perceive themselves as having a significant degree over customers. The customer is expected to place considerable trust in the contact person’s judgment because of the provider’s perceived expertise.

- **Encounter dominated by customer**: The extreme of standardized and customized services represent opportunities for customers to control the encounter. For standardized services, self-service is an option that gives customers complete control over the limited service that is provided. The result can be very efficient and satisfying to the customer who needs or desires very little service. The contrary would be in the case of a much customized service, where all the organization’s resources may be needed, at great cost in efficiency but with a great degree of effectiveness, satisfying the specific and unique needs of the customer.

A satisfactory and effective service encounter should balance the need of control by all three participants in the service encounter process. The organization’s need for efficiency can be satisfied when contact personnel are trained properly and the customer’s expectations and role in the delivery process are communicated effectively. In the following sections a more detailed analysis in the different elements of the service encounter will be presented.

### 2.2 The service organization

The service organization establishes the environment for the service encounter. The interaction between customers and contact personnel occurs within the context of an organization’s culture as well as its physical surroundings. The following sections will discuss these two elements with more detail.

#### 2.2.1 The culture

The underlying organizational culture helps to determine the value that customers place on the service. Several definitions of organizational culture have been proposed (Fitzsimmons y Fitzsimmons, 2002):

- Culture is a pattern of beliefs and expectations that is shared by the organization’s members and produces norms that powerfully shape the behavior of individuals or groups in organizations.
- Culture is the traditions and beliefs of an organization that distinguish it from other organizations and infuse a certain life into the structure.
- Organizational culture is a system of shared orientations that hold the unit together and give a distinctive identity.
The managers of the organization establish, whether purposely or unintentionally, a climate or culture that prescribes a norm of behavior or set of values to guide employee decision making. These values permit contact personnel to act with considerable autonomy, because their judgment is founded on a shared set of values. Giving the personnel the authority to make decisions regarding the service encounter and customer’s attention is defined by empowerment. Contact personnel are empowered to act without the traditional level of supervision (up to certain degree of actions) benefiting both the organization and the customer.

A new model of service organization is emerging with a structure that is described as inverted T. As shown in figure 2.2, the layers of supervision are drastically reduced because contact personnel are trained, motivated and supplied with timely, computer-based information that enables them to manage the service encounter at the point of delivery.

Some actions have to be taken in order to make this inverted T structure functional:

- To invest in people as much as, or more than, in machines.
- To use technology to support contact personnel rather than to monitor or replace them.
- To consider the recruitment and training of contact personnel as critical to the firm’s success.
- To link compensation performance for employees at all levels.

In this type of organization, the reduced middle management has a different role, not only the traditional supervisory role; instead, they become facilitators for the front-line or contact personnel.

How can an organization know if customers’ needs are met according to their perception? Many companies have started to use new channels to capture customer feedback. Technology has made available a wide range of customer service tools. They include support websites, the ability to have live chats with technical staff, databases tracking individual customer preferences, pattern of buying, payment methods etc., and tailoring products and service responses based on these advanced data.

Moreover, there are different levels of knowing customers. Often, customer service relies on demographics or customer data collection. Yet, customer and customer dynamics as a group are affected through modalities of experience. Hence it is important to know customers and to define the organizational culture that it is necessary to create.

### 2.2.2 The physical surroundings

Additionally to the organizational culture, the physical surroundings create the environment for the service. The physical environment or serviscape influences both customer and personnel behavior and should be designed with an image and feel that is congruent with the service concept. Figure 2.3 shows a typology of serviscapes according to who participates within the service environment and the complexity of the service.

Because of the absence of employees, the servicescape for a self-service operation plays a central role in guiding customer behavior through the use of signs and instructions and intuitive design of interfaces.
For remote services, on the other hand, satisfaction, motivation and operational efficiency of contact personnel are the primary objectives for the physical design since customer do not visit the site physically. But in the case of professional services such as those of lawyers or physicians, however, should project competence and authority. Interpersonal services are the most challenging since social interaction between participants should be facilitated by the servicescape.

A mix of environmental dimensions consisting of ambient conditions, space/function and signs and symbols define the servicescape. These dimensions include all the objective factors that can be controlled by the firm to enhance employee and customer actions and perceptions of the service.

- **Ambient conditions**: the background of the environment, such as temperature, color, lighting, noise, music and scent, affect customers and personnel senses and affect employee’s performance and satisfaction and customers comfort and temper.

- **Spatial layout and functionality**: the type and arrangement of furniture and equipment and the relationship among them create a visual and functional landscape for deliver of the service. This landscape can communicate order and efficiency or chaos and uncertainty for both personnel and customers. For self-service activities, for example the functionality or ease of use of equipment is important to allow customers to perform unattended activities.

- **Signs, symbols and artifacts**: Many items in the physical environment serve as explicit or implicit signals that communicate acceptable norms of behavior, either in form of rules or responsible acts. The quality of the floor covering, artwork, and furnishings can create an overall aesthetic impression of the visitor and a pleasant workplace the employee. Signs such as pictures, symbols such as tablecloth or carpeting, or artifacts such as antiques can influence the customer about the personnel, service quality and competence.

Finally, service delivery can be affected by the design of the facility, arising customer complaints and diminishing the perception of quality of service. In addition to the three dimensions mentioned above, the design and layout of the facility influence how the facility is used. Several factors influence design.

- **The nature and object of the organization**: the nature and core service should dictate the parameters of its design.

- **Land availability and space requirements**: a good facility design must consider all the constraints that come with land and space such as costs, zoning requirements, area needed. Distance from customers, parking availability, are important for customer service and are other factors to be considered.

- **Flexibility**: organizations in a global world must be able to adapt to changes in the nature of demand, customer needs and quantity. Facilities must be flexible to accommodate changes in capabilities, technologies and customers’ needs without interrupting customer attention and service.
- **Aesthetic Factors**: aesthetic aspects have a marked effect on the consumer's perceptions and behaviors, but they also affect the employees and the service they provide, and as a result, customers perspective and satisfaction. Lack of attention to aesthetic factors during the design phase can lead to an unsatisfactory working environment and service.

In conclusion, the servicescape is designed to invoke social interaction between and among customers and employees. Because physical environment creates an emotional response and influences behaviors, the design of the service facility can intentionally form the behavior of the participants to support organizational and customer's goals.

### 2.3 Contact personnel

Customer contact personnel should have personality attributes that include flexibility, tolerance for ambiguity, empathy for customers, and an ability to monitor and change behavior on the basis of situational cues. In fact, some authors argue that empathy is more important than age, education training and intelligence. Since contact personnel must have certain non common characteristics, it becomes a priority for any customer service organization to have a selection and training processes that ensures high-quality personnel.

There are typical situations that generate conflict in a service encounter, and personnel must have the intrinsic capabilities, abilities and training that result in a successful encounter even under these situation. Figure 2.4 shows some of these situations.

<table>
<thead>
<tr>
<th>Unrealistic customer expectations</th>
<th>Unexpected service failure</th>
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<tbody>
<tr>
<td>Unreasonable demands</td>
<td>Unavailable service</td>
</tr>
<tr>
<td>Demands again policies</td>
<td>Show performance</td>
</tr>
<tr>
<td>Unacceptable treatment of employees</td>
<td>Unacceptable service</td>
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<tr>
<td>Breaking of societal norms</td>
<td></td>
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<td>Special needs customers</td>
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Fig. 2.4 Common difficulties with interaction between customers and contact personnel

Although there is no reliable test to measure a person's service orientation, a variety of interviewing techniques have proven to be useful. For instance, abstract questioning, situational vignette and role playing are useful tools to evaluating potential front-line employees.

Questions asked in the abstract interview are open-ended. They provide insights regarding an applicant's ability to relate the immediate service situation to information collected from past experiences. This technique can be used also to reveal a person's willingness to adapt. Carefully listening and probing by the interviewing guarantee a better selection of contact personnel. On the other hand, situational vignettes require the applicant to answer questions regarding a specific situation. They provide an opportunity to determine whether applicants are able to think before acting. Finally, role playing requires applicants to participate in a simulated situation and to react as if the environment and situations were real. It is often used in the final phase of recruitment and gives the opportunity to see the applicant acting under stress.
When employees perceive a strong service orientation, customers report a superior service. This relationship that develops between customer and contact personnel is shown in figure 2.5. The satisfaction mirror, as this figure was defined by its authors, shows how creating a customer service orientation has as a result superior service practices, and procedures that are observable by customers. It seems to fit employees’ views of the appropriate style for dealing with customers. Thus, even tough employees and customers view service from different perspectives; their perceptions of organizational effectiveness are positively related.

Customer service manifests itself in several ways, with the most common being a dedicated department to handle customer issues. Whether a company establishes a separate department or spreads the function among many departments, being responsive and offering reliable service is critical and in the future will be demanded by customers.

In many organizations, help desks are becoming the central area for customer service support. Being an integral part of the customer service function can be challenging, frustrating, and exciting all at once. An effective help desk can be at the heart of customer service departments and can mean a positive or negative experience from an end user perspective. The view of the help desk from both an internal and external customer standpoint can be the view of the entire company.

One of the core things the organization should focus when managing the help desk is the training for the contact personnel. Training should be specific to the goals of the group as well as the customer service functions you need.

As a both customer service oriented and technically oriented group, the help desk needs to fulfill both needs. Through cross-training, it is possible to achieve both skills. If the group currently isn't technically oriented, the organization has to make arrangements for the service representative to train in other areas of the organization that know the different aspects of the service and technology. This cross training will help them to understand what their function is, what they can and cannot do, and learn common tasks, or solve common problems. Through cross-training, the organization can reduce the amount of work overall through solving things the first time. Cross training, in addition, reduces the downtime for employees and customers supported.

Keeping the team happy will help with productivity and performance levels. Working at customer service might be a stressful experience, burnout is common, and employees need motivation to keep providing the excellent levels of support you want to provide. There are many ways to motivate and reward employee performance other than simply cash awards. A simple pat on the back and recognition is often both wanted and needed by employees who work in customer care environments.

- **Traveling Award** - One way to recognize employees is to use a trophy or plaque and have it travel from employee to employee each week for the "Employee of the Week".

- **Gift Certificates** - Gift certificates for dinner or to a store are great recognition gifts.

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Fig. 2.5 The satisfaction mirror
From Fitzsimmons & Fitzsimmons (2002)
- **Time off** - An afternoon or even an entire day off to employees who excel at their positions can be an award for them to look forward to.

- **Award Certificate** - A simple award certificate can go a long way in making employees feel appreciated.

Justifying the number of positions for the support center is a complex matter requiring measurement of data, surveys, and other techniques that may not be readily available. If the organization is starting a help desk, it may not be able to generate this data, but if currently a help desk exists, and it is considered to be understaffed, here are some suggestions as to how to generate the data need to support that position.

- **Call Volume** - Measured in number of calls per a certain time period, e.g. calls per hour, per minute, etc. If running an electronic web based help desk, emails per hour or chat sessions per hour will work.

- **Average Time Per Call** - the average amount of time spent on each call.

- **Time to Answer** - the amount of time a person has to hold before reaching a representative.

- **Dropped Calls** - the number of calls that hang up before reaching a customer care representative.

Finally, the organization has to stress out the need of training reinforcing such aspects as communication skills and other interpersonal skills that are necessary to comply with customer requirements and avoid possible situations that might compromise the organization.

### 2.4 The Customer

As mentioned before, good customer service is all about bringing customers back. Every contact with the organization is an event of some importance to the customer. For most organizations understanding customers is the key to success while not understanding them is a recipe for failure.

Harris (2010) affirms that every customer comes into satisfaction through the following five basic needs;

- **Service**: customers expect what they think is appropriate for the level of purchase.
- **Price**: customers pay for what they want, not only what they need.
- **Quality**: products and services to be durable, reliable and functional
- **Action**: customers expect response to their claims and requests.
- **Appreciation**: customers need to know that their business is appreciated.

A customer can be defined in different manners, but in general a customer is the person or entity to which the organization provides something that generates in some type of transactions. In general a customer is:

- A person who buys, especially on a regular basis; a person with whom one must deal.
- Is a person or organization that will benefit from the goods and services offered by the organization.
- Is sole provider of every business—the revenue stream that pays for everything else.

To understand and classify customers it is necessary to define their attributes or characteristics. These attributes can be categorized as demographic, psychographic and firmographic information.
Customers can be defined according to different perspectives. On one side, it is necessary to recognize the importance of both internal and external customers:

- **External Customers**: customers that are outside the boundaries of the organization and are willing to pay for the services of products provided.
- **Internal Customers**: People who work with the organization but that require services and products internally provided to efficiently and effectively conduct their activities.

In addition, customers can be classified according to how often they use a particular service or product:

- **Existing Customers** – Consists of customers who have purchased or otherwise used an organization’s goods or services, typically within a designated period of time.
- **Former Customers** – This group consists of those who have formerly had relations with the marketing organization typically through a previous purchase.
- **Potential Customers** – The third category of customers includes those who have yet to purchase but possess what the marketer believes are the requirements to eventually become Existing Customers.

On the other hand, customers’ attitudes toward shopping (goods or services) are guided by their expectations and motivations. Thus, it is important to understand the different types, goals, and attitudes of the customers. In addition to the customer classification presented in the previous section (existing, former, and potential customers) Gregory Stone (in Fitzsimmons y Fitzsimmons, 2002) developed a typology for the shopping customer:

- **The economizing customer**: this customer wants to economize the value obtained for his or her expenditures of time, effort, and money. This customer is a demanding customer who looks for value that will test the competitive strength of the organization in the market. Loss of this customer serves as an early warning of potential competitive threats.
- **The ethical customer**: this customer feels a moral obligation to patronize socially responsible firms.
- **The personalizing customer**: this customer wants interpersonal gratification, such as recognition and conversation, from the service experience.
- **The convenience customer**: this customer has no interest in shopping; convenience is the secret to attracting him or her. They are willing to pay extra for a personalized or hassle-free service.

According to several studies, customers who selected a determined organization made the decision based on several factors:

- Amount of time involved
- Customer’s control of the situation
- Efficiency of the process
- Amount of human contact involved
- Risk involved
- Amount of effort involved
- Customer’s need to depend on others.

Thus, it is important that the constant drive to satisfy customers is not only a concern for those responsible for carrying out marketing tasks; satisfying customers is a concern of everyone in the entire organization.
Whether someone’s job involves direct contact with customers (e.g., salespeople, delivery drivers, telephone customer service representatives) or indirect contact (e.g., production, accounting), all members of an organization must appreciate the role customers play in helping the organization meets its goals. To ensure everyone understands the customer’s role, many organizations continually mention a “customer is most important” message in department meetings, organizational communication (e.g., internal emails, website postings), and corporate training programs. To emphasize the importance of customers, the message often contains examples of how customers impact the company. These examples include:

- **Source of Information and Ideas:** Satisfying the needs of customers requires organizations maintain close contact with them. Organizations can get close to customers by conducting marketing research (e.g., surveys) and other feedback methods (e.g., website comments forms) that encourage customers to share their thoughts and feelings. With this information marketers are able to learn what people think of their present marketing efforts and receive suggestions for making improvements. For instance, research and feedback methods can offer marketers insight into new products and services sought by their customers.

- **Affects Activities Throughout Organization:** For most organizations customers not only affect decisions made by the marketing team but they are the key driver for decisions made throughout the organization. For example, customer’s reaction to the design of a product may affect the type of raw materials used in the product manufacturing process. With customers impacting such a significant portion of a company, creating an environment geared to locating, understanding and satisfying customers is imperative.

- **Needed to Sustain the Organization:** Finally, customers are the reason an organization is in business. Without customers or the potential to attract customers, a company is not viable. Consequently, customers are not only key to revenue and profits they are a key to creating and maintaining jobs within the organization.

Finally, figure 2.6 shows that the service provider could be a machine or a human being, a machine serving another machine, or a human being serving a machine. In this era, the substitution of human service providers by technology is becoming common. This, it is necessary to be aware that new concepts are becoming part of daily customer service and are an important input for their perception of the service or product.

<table>
<thead>
<tr>
<th>Customer</th>
<th>Service provider</th>
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<tbody>
<tr>
<td>Human</td>
<td>Machine</td>
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<td></td>
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<tr>
<td>Careful employee selection</td>
<td>Intuitive user interface</td>
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<tr>
<td>Good interpersonal skills</td>
<td>Customer verification</td>
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<tr>
<td>Agreeable environment</td>
<td>Transaction security</td>
</tr>
<tr>
<td>Good support technology</td>
<td>Easy access</td>
</tr>
<tr>
<td>Employees engendering trust</td>
<td>Access to human, if needed</td>
</tr>
<tr>
<td>Easy access</td>
<td>Hardware and software compatibility</td>
</tr>
<tr>
<td>Fast response</td>
<td>Tracking capability</td>
</tr>
<tr>
<td>Transaction verification</td>
<td>Automatic verification</td>
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<tr>
<td>Remote monitoring</td>
<td>Transaction record</td>
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<td></td>
<td>Transaction security</td>
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<td></td>
<td>Failsafe</td>
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Fig. 2.6 Success factors influencing various types of service encounters
From Fitzsimmons y Fitzsimmons, (2002)

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obtained directly from the consumption or use of goods or services they purchase (i.e., offers benefits that address a need), customers’ satisfaction is not limited to direct product benefits. Instead the customer’s buying experience covers the entire purchasing experience and is a mix of product and non-product benefits.

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