



Book The Brave New Service Strategy

Aligning Customer Relationships, Market Strategies and Business Structures

Theresa Welsh and Barbara A. Gutek
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Recommendation

Barbara A. Gutek and Theresa Welsh believe that companies can improve their relationships with customers if they find the approach that best fits their business. The authors emphasize the difference between real relationships - ongoing, personal contacts between a customer and an individual service provider - and mere encounters - where the customer's relationship is with the company and a random variety of service employees. Many companies confuse the two, trying to turn encounters into relationships, and ending up with pseudo-relationships that alienate customers. Instead, realistically determine what you offer customers and what customers want, and then adjust your systems or policies accordingly. This excellent book provides executives and business owners with an insightful analytical framework for understanding customer relationships. While clear and well organized, it is sometimes repetitious - perhaps to be sure we all get the idea - but *BooksInShort* recommends it highly for the soundness of its concepts, if not the economy of its prose.

Take-Aways

- The customer service relationship is based on three components - the customer, the organization, and the provider.
- An encounter and a relationship are different; many companies confuse the two.
- In an encounter, a customer receives service from whoever is available.
- In a relationship, the customer and provider know each other and have contact on a continuing basis.
- You can set up an encounter system to provide fast, uniform customer service.
- An encounter system can be franchised; relationship businesses can't.
- Trying to make an encounter seem like a relationship can alienate customers.
- An encounter business should nurture tight links between the customer and the organization, and between the organization and the provider.
- In a pseudo-relationship, the customer knows the organization and the organization has information about the customer.
- To turn a pseudo-relationship into an enhanced relationship, build on this knowledge to create a strong customer-organizational link.

Summary

Customer COPS

Your business's customer service relationship is based on three components - the customer, the organization, and the provider of the service - creating the COPS model (Customer-Organization-Provider). The model takes a little explaining, in that these three elements form a triangle with the organization (O) at the top and the Customer (C) and Provider (P) at the bottom corners. You can structure your business to have tight or loose links between any two components (C-O, O-P and C-P) and to produce excellent service as a natural result of this structure.

“People have relationships with people. An organization is not a person.”

To design the structure that best fits your business, recognize the difference between the two basic ways that customers and providers interact. They either have an encounter or a relationship. In an encounter, the customer receives the service from whomever is available, such as a store clerk in a store or customer service telephone representative, whether or not the customer knows the organization itself (such as with an HMO or a discount broker like Charles Schwab) or the service person.

“For employees, there is more satisfaction in having relationships with customers (whom they get to know) than in interacting with strangers all day.”

In a relationship, the customer and provider know each other as individuals. They are either in regular contact with each other on a continuing basis or they expect to develop this type of contact (such as with a doctor or an accountant).

Decide whether you have an encounter business or a relationship business. In an encounter business, your customers deal with your organization and a random representative, rather than with a specific person. Conversely, in a relationship business, the customer will engage in repeated transactions with a particular provider.

“For employers, designing encounter systems can be challenging and creative and can result in fast, uniform and efficient services for customers.”

These different types of relationships produce very different results for customers, employees, employers and stockholders. When customers go to someone they know, they experience a bond they don't get from an organization. Employees also experience more satisfaction from close relationships with customers than from dealing with strangers, though sometimes problems can develop in keeping personal and professional boundaries separate.

Enhanced Encounters

On the other hand, encounter relationship systems can be very efficient and service-oriented. They can be set up to provide fast, uniform and efficient service, and can be duplicated and franchised, which is not possible with relationship businesses. Thus, there is a potential for making them even more profitable.

“Trying to make service personal when it is structured to be fast and impersonal does not work. Service businesses must instead build on the strengths of their particular structure, whether they offer service in encounters or relationships.”

Whichever structure you use, avoid trying to make an encounter structure seem like a relationship, which it isn't. That fiction creates a pseudo-relationship, which takes two forms. In the first form, you provide the customer with familiar procedures and surroundings, such as in a bank, but the customer works with varying tellers. The second is based on your extensive knowledge about a customer, perhaps held in a database, but does not involve a relationship. These pseudo-relationships can seem very phony and alienating to customers.

“Making an encounter look like a relationship can be alienating, building resentment and cynicism in both customers and providers and reducing potential profits.”

If you have an encounter business, don't focus on relationships. Instead, focus on creating strong encounters with low cost, fast, reliable service, customer convenience and professional management. This enhanced encounter will make your service popular and profitable.

Changing Service Businesses

The basic model for a service business has changed extensively. Traditionally, service businesses were based on relationships in which customers expected to see the same person again and again. For example, people would go to the village shoemaker to have their shoes made. By contrast, relationships with strangers were often unpredictable and unreliable, such as when people traveled and took their chances at a village inn.

“For customers, going to someone they know for service creates a bond that is absent when they get service from an organization where they see whoever is available.”

Then, with the industrial revolution, people moved into cities and products began to be mass-produced. People no longer bought from the person who made the goods, but from local, small, family-owned shops. Over the intervening century, with scientific management of production, the rise of superhighways, the birth of the suburbs and department stores, and the growing dependency on the automobile, came the beginning of the franchise business. In the United States, chain restaurants, such as McDonald's first began appearing along the highways. The McDonald's approach emphasized uniformity in service, and its success drew other franchises.

“Relationships are the model for all types of service, but encounter businesses should not claim they have a relationship with their customers. Instead, they should focus on the strengths of encounters - low cost, fast and reliable service, convenience, and professional management - to create what we call enhanced encounters.”

By 1956, white-collar and service workers outnumbered blue-collar workers in the U.S., and by 1998, more than 75% of American workers held service jobs. The spread of franchises coupled with the technology revolution means, increasingly, that services are provided systematically by corporations, not personally by individuals. Even doctors and accountants are under pressure to become more efficient and less expensive. Services have become less personal and more like encounters, despite the ideal of having a relationship.

“Encounters exist to make cheaper, more efficient service available to large number of customers, and using automated processes accomplishes that.”

Customers are often dissatisfied with this because they still want the ideal of "personal" service. Companies want customers to think they are getting such service, but that ambition is unrealistic and rooted in the past. Instead, build your service business on the strength of your particular structure, whether it takes the form of encounters or relationships.

Assessing Your Service Structure

Different types of customer-provider relationships can work successfully with different types of customers. For example, if you have a specific computer support person for each department, a customer can develop a relationship with that person. But if a customer calls a hotline for help, each contact is just an encounter. Commonly, customers prefer an encounter for routine service, particularly when they don't need the provider to exercise judgment, such as a counter clerk at McDonald's. When a customer wants a closer, ongoing, trusting relationship, such as with a lawyer, he or she must be willing to pay more for it.

“Almost all service was once based on relationships, and the infrequent transactions between strangers were often less satisfactory than encounter service is today.”

As you assess your service structure, also consider:

- Whether there are tight links or loose links - Links among customers, companies and providers also vary. In an encounter, the company and the customer have tight links, but the provider does not. Conversely, in a relationship, links between the customer and the provider are tight.

- The degree of organizational control - Typically, an organization has more control in an encounter where the company determines how the work is done. The firm has less control when the customer is dealing with a skilled or professional employee.

“It is important that encounter businesses have standards. Encounter businesses are egalitarian by design; they must treat everyone the same, or they risk the wrath of customers.”

Typically, the relationship between organizational control and the tightness of the customer-provider link is inverse: the more organizational control, the looser the customer-provider link; the less organizational control, the tighter the customer-provider link.

As a manager, you will have more of a role in an encounter business, where you will design, implement, enforce and alter the service-delivery system. Primarily, though, an encounter-business manager primarily enforces or changes the system. For instance, in McDonald's, a key managerial role is maintaining uniformity. Managers need a feedback loop so encounter customers can react. Typically, dissatisfied customers don't complain, so managers need feedback that informs them (not just corporate headquarters).

Tight and Loose Links

The COP Model - which stands for customer-organization-provider - will help you think about how to structure your organization as you decide whether to have tight or loose links among the organization, customer and provider. You can apply this triangular model to any business that has two or more people. You can organize links in any business based on whether it uses encounters or relationships.

“It is the uniformity and predictability of the service that builds customer trust and makes the business profitable. But people still yearn for 'personal' service, and companies still want customers to think they're getting it.”

In the relationships model, tight links among all parties is ideal, but very few businesses have this characteristic. At the other extreme, where tight links unite the customer and provider, the organization exists basically to bring them together, such as a beauty salon where providers rent space. Where there are tight relationships between the customer and organization, and the customer and provider, the customer deals with the same representative each time. When there is a tight three-way relationship, the customer is linked to the company through a valued individual provider, such as a company's founder.

“Managing uniformity, a source of customer loyalty, is an important part of managing an encounter business.”

In the encounter model, the most dangerous condition is where all the links are loose - so employee turnover is high and customers don't repeat. Having loose links between the customer and the provider, and the customer and the organization, is also a weak situation. Generally, this happens when the company does a good job hiring and training employees, but doesn't have a strong image with customers.

The best situation features tight links between the customer and organization, and between the organization and provider, which means the customer knows and trusts the organization and the employees are loyal. In another common situation - where the only tight relationship is between the customer and the organization, such as when there is both high employee turnover and a high level of repeat business - the encounters may superficially resemble relationships. These arrangements are sometimes called "relationship marketing."

Pseudo-Relationships

However, these can either be pseudo-relationships or enhanced relationships, depending on how your company works on building tight links with your customers. Basically, in a pseudo-relationship, the customer knows the organization and the organization has information about the customer. For instance, the customer may have knowledge about major chains and, if satisfied, may keep returning due to brand loyalty. In turn, the organization may gain information by gathering data, but data itself doesn't make a relationship.

To create an enhanced relationship, create a strong customer-organizational link based on trust and customer satisfaction. For instance, Home Depot has on-site classes and well-paid (to prevent turn over) skilled employees who help customers. To build a tight

C-O link:

- Give the customer a set of desired expectations and fulfill them.
- Use information about customers to give them what they want quickly and economically.
- Don't promise anything you can't deliver - including a relationship.

Capitalize on the strengths of the encounter, which is anchored in providing good service at less cost. Don't try to bind customers to the provider, but to your organization, so you provide more customer satisfaction and increase profits at the same time

About the Authors

Barbara A. Gutek is a professor in the Department of Management and Policy at the Eller College of Business and Public Administration at the University of Arizona. She has been a consultant to companies and government agencies. She has written several books, including *Sex in the Workplace* and *The Dynamics of Service*. **Theresa Welsh** has written numerous articles for popular publications and worked as a writer and editor for more than 10 years.
