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Market orientation

A market-orientated organisation listens to its target market in an effort to meet the desired needs and create opportunities for new markets. The target market is made up of previous, existing and potential customers, all with their own perception of service.

Market research has become very detailed over the last few decades with improvements in computer analysis and data collection. Organisations can use technology to find out:

- what market share they have in a particular town
- the market share during a particular month
- an average selling price
- the rate of defects and returns
- details of specific marketing campaigns.

Customer service needs

A key responsibility for managers is to research, identify and assess customer needs during the planning process to ensure each customer category is addressed accordingly. The initial step in incorporating the needs of customers in planning processes is to identify the service needs of different customers.

The definition of a customer extends beyond the paying client. Below is a list of people who may receive service from you and may be your customer.

<table>
<thead>
<tr>
<th>Customers requiring goods and services</th>
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</thead>
<tbody>
<tr>
<td>• Board members</td>
</tr>
<tr>
<td>• Senior managers</td>
</tr>
<tr>
<td>• Co-workers, peers and frontline managers</td>
</tr>
<tr>
<td>• Members of the general public who make contact with the organisation, such as prospective purchasers</td>
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<tr>
<td>• Traditional customers and contacts</td>
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<td>• Potential funding bodies</td>
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<tr>
<td>• Investors</td>
</tr>
<tr>
<td>• Supervisors</td>
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<tr>
<td>• Suppliers of goods and services</td>
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<tr>
<td>• Contractors providing goods and services</td>
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</table>
Service needs: research customer requirements

A manager can use technology skills to conduct research and efficiently manage the customer relationship management systems, or train and delegate this responsibility to a team member.

Customer relationship management systems can be complex, or they can simply be basic data retrieved from the company’s point-of-sale (POS) system, which can gather useful data quickly. Trained sales or service personnel ask for the appropriate data from end users, which can be analysed and entered into an organisation’s KMS. Alternatively, the data can be reviewed by line managers to assess quality issues and customer requirements. Analysing the data to ensure customer needs are planned for requires a high level of reliance on the accuracy and relevance of the information, and marketing professionals are often used to create end-user profiles.
Customers demand a certain level of service that can either be explicit or implicit. Explicit demands usually involve cost, quality and time; for example, 'I want product X for $30 [cost] because it meets my requirements [quality]; and I want it by tomorrow [time]'. Implicit service qualities include characteristics such as perceived helpfulness and willingness, product knowledge and returns policies.

Most explicit, and some implicit, service levels are dictated under the *Competition and Consumer Act 2010* (Cth) and state/territory legislation. Product quality, including safety, is not only desirable, but also a legal requirement.

**Identify customer requirements**

You need to research what your customer base requires in relation to the products and services your organisation offers.

Customers expect to receive high-quality goods or service. Quality refers to the characteristics of a product, system, service or process that meet the requirements of customers and other interested parties. These characteristics are generally discussed in terms of the value offered to a customer. Quality, cost and time are three components that contribute to value. These are discussed below.

**Quality**

The quality of a product relates to its ability to satisfy the purpose for which it was made. Customers expect the quality to conform with safety legislation as well as being well made and meeting their needs. They expect accurate and clear descriptions and operating or assembly instructions to be available.

**Cost**

Customers expect the cost of the product or service to correspond with its quality. They expect reasonable and competitive prices, and correct pricing information and signage.

**Time**

Customers expect the product or service to be available when they need it and/or for it to be delivered on time. The value associated with a product, process, system or service relies on the organisation’s ability to meet the cost, time and quality specifications of the customer.
Review the plan

The plan should be reviewed against the original data to ensure the strategies meet the needs reported by the research. Managers can get caught up in the process of creating a document for presentation to senior managers and lose sight of the specific needs they are trying to address.

You can find more about developing a customer service plan at the Smallbusinessstown network website at: www.smbtn.com/books/gb51.pdf.

This website offers a light-hearted presentation with maxims and terminology used in the customer service environment to develop sound customer relations.

Example: effect of service complacency

A high-profile Japanese electronics company uses a state-of-the-art knowledge management system to collect, analyse and display customer service data to senior executives. Of particular concern is the waiting period of after-sales inquiries for end users. The system measures waiting times, parts ordered, the logistical processes and much more. A manager can tell where a spare part is and when it will be delivered anywhere in the Asia-Pacific region.

Managers and customer service staff are not aware of a particular vision for service quality within the organisation. As such, customers are not contacted while parts were on order, and long waiting periods are not monitored and chased up. State managers and sales representatives are getting ‘caught up’ in the end-user complaints as waiting periods, mixed with the lack of contact, create a difficult situation. The cost to the company in time and reputation is extensive.
Topic 2
Ensure delivery of quality products and services

Customers require timely provision and utility of products or services, as well as to be understood, made welcome and to feel comfortable when doing business with an organisation. An important question, therefore, is whether the organisation is capable of satisfying these needs. Delivering consistent quality, competitive prices and an ability to adapt to the needs and requirements of the client builds a positive, enduring customer relationship. Managing the consistent delivery of quality products and services requires intimate knowledge of customer needs, an ability to manage the service team’s performance, and the ability to assist when difficult situations occur.

In this topic you will learn how to:

2A   Deliver products and services to customer specifications within the organisation’s business plan
2B   Monitor team performance to consistently meet the organisation’s quality and delivery standards
2C   Help colleagues overcome difficulties in meeting customer service standards
**Example: Cognos business metrics tool**

IBM’s Cognos business metrics tool is an example of a scorecard system. It is used by several of the top 100 global companies as a means to measure performance and monitor key indicators in a ‘live’ computer-based environment. The system is an online analytical process that provides up-to-the-minute data from an organisation’s knowledge management system. From a recent white paper, the organisation notes:

‘Historically, companies have relied on financial metrics to support these decisions. But this approach is proving increasingly ineffective. Financial metrics only reveal the effect of decisions made in the past. In a complex and challenging economy, companies need forward looking, or “leading” metrics that are tied to the company’s value drivers. Leading metrics, like customer satisfaction, based on cause-and-effect relationships can alert companies to problems before they adversely affect the bottom line. For example: declining customer satisfaction can point to an eventual drop in overall revenue or a loss of market share.’

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**Example: a flexible approach to customer needs**

A leading Australian technology finance company provides a business technology rental solution through various Australian retailers. The company approaches its clients with an open, collaborative view to meeting requirements. Their business model involves direct dealings with end users as well as partnering with the technology retailers. To ensure their product is meeting the needs of both the end users and their business partners, the company develops several sales tools to demonstrate the repayment and tax benefits over time (for end users) and to assist sales people in recommending their product.

The ‘What’s in it for me?’ philosophy for the retailer also needs to be addressed. To maintain the interest and business of each retailer, the company creates several promotions throughout the year and awards significant financial incentives to the retailer and salespeople. This depth of customer interaction results in the organisation becoming the largest provider of consumer rental finance in Australia.
Industrial relations
Industrial relations legislation covers factors such as how employees must be remunerated for providing customer services; qualifications and licences employees must hold; reasonable working hours; and other employment conditions.

Example: Ensuring restaurant staff have accredited and up-to-date training in the responsible service of alcohol.

Codes of practice
Codes of practice are used for setting voluntary or compulsory industry requirements for the provision of specific products or services to customers.

Example: Understanding and applying the code of practice that outlines service standards for your industry.

Financial transactions
Legislation ensures that the financial transactions of customers are receipted and that electronic payment processes are secure.

Example: Ensuring receipts are issued to allow customers to check for possible pricing errors.

Work health and safety
Work health and safety legislation ensures that all employees and customers are in a safe or secure environment when customer services are being provided.

Example: Ensuring that an emergency plan is in place and the team practises for evacuation in the event of fire.

Meet standards
Once standards are implemented and legislative requirements identified, you need to conduct organisational learning and monitor team performance to ensure everyone understands and applies them in their work practices. Methods include:

- formal training: presented by managers or trainers
- informal training: such as peer-group meetings, role-modelling
- trial and review: to ensure standards and legislation are being adhered to
- opportunities for feedback and improvement: formal or informal.
Customer service issues can range from personality conflicts and disagreement over price through to physical threats and legal action. Managing staff in a customer service role requires knowledge of the various methods of conflict resolution and ways of applying them to the team through effective leadership, supervision, coaching and mentoring.

You need to understand the organisation’s policies and procedures in regard to handling customer complaints, such as recording the complaint, behaving ethically and using appropriate communication, problem-solving and negotiation skills to resolve the issue.

Staff will often experience difficulties in the areas of customer contact and/or information management. Some of the more common difficulties related to customer contact and information management are listed below.

<table>
<thead>
<tr>
<th>Customer contact</th>
<th>Information management</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Handling customer complaints</td>
<td>• Product knowledge</td>
</tr>
<tr>
<td>• Addressing customer behaviour</td>
<td>• Record-keeping and management methods</td>
</tr>
<tr>
<td>• Relating to customer needs using empathy</td>
<td>• Understanding customer inquiries</td>
</tr>
<tr>
<td>• Relaying product knowledge</td>
<td>• Aligning products and services with needs</td>
</tr>
<tr>
<td>• Obtaining customer feedback</td>
<td></td>
</tr>
</tbody>
</table>

**Reduce customer contact difficulties**

Customer contact difficulties relate to an individual’s ability to communicate. Difficulties can arise when staff members are nervous, impolite, unsure, stubborn or are not committed to their customer service role. Communication can also be difficult if language, literacy, physical abilities or cultural habits prevent the accurate transfer of information. Barriers to effective communication may be reduced through understanding, knowledge and experience.

Pass on your tips and techniques for solving problems and dealing effectively with customer inquiries, complaints or difficulties, especially for customers with special needs. For example, it may be useful to provide information in the customer’s first language, use an interpreter, ensure the customer has their hearing aid turned on, repeat the complaint to clarify the issue, arrange for another member of staff to be present when resolving an issue, or go through promotional information with the customer so they understand more about the product or service.
Understanding customer inquiries

Before a situation can be resolved, the query needs to be clarified so all parties understand what is being asked for. This may involve paraphrasing the query, asking further questions, then rephrasing for confirmation. For example, sometimes a salesperson will offer the cheapest product or service line if they think the customer is being indecisive because of the cost. In many cases, the cheapest option may not be what the customer wants; asking a few questions can soon clarify this.

To match a product/service with a customer, the salesperson needs to find out what is driving the customer towards a decision; for example, it may be cost, aesthetics, safety, performance, social acceptance or after-sales service.

To train new staff, provide a range of situations to role-play, or ask them to shadow you or another experienced person to observe techniques to identify what the customer wants.

In complex contractual situations there are often specific terms and conditions written into the commercial relationship. You can ensure your staff and colleagues are aware of each specific situation via:

- regular or irregular meetings
- information circulars, such as emails, newsletters or blogs
- collaboration during contractual negotiations.

Aligning products and services with customer needs

Once client expectations are clarified, staff members need to use their knowledge of the products/services to determine what will meet the customer’s needs. This is a crucial aspect of customer service, because a customer may never return if they think the product was suggested to them because the organisation wanted to clear the products quickly or because the salesperson wanted a quick sale. This is where training in questioning, interpreting and paraphrasing is important. In addition, make sure staff members have access to brochures, price lists and catalogues.

Sharing knowledge is a crucial element in maintaining high customer service standards.
Commitment to ongoing improvement is a feature of the International Customer Service Standard (ICSS) model. Methods available to managers to make improvements within existing systems include developing effective databases for monitoring purposes, implementing a range of feedback mechanisms, training staff, and developing or amending current policies and procedures.

Using data from monitoring tools to monitor the achievement of targets and standards is relatively easy. The software will usually allow for the output of reports fitting the criteria you input.

More complex knowledge and performance management systems can allow real-time monitoring of performance measures. The organisation decides upon the limit to the areas that may be reported upon – usually a function of time, cost and commercial relevance. Information that can be captured and analysed with the use of a database is shown below.

A CRM database may include the following data:

- Sales performance
- Customer trends
- Customer margins (profitability of individual customers or segments)
- Customer alignment (product segmentation)
- Customer drift (changes in buying habits)
- Selling opportunities (cross-selling, up-selling or switch-selling)
Create an approach you could use to monitor the progress of your organisation’s service targets. If you are not currently working, carry out this exercise for an organisation you are familiar with. Make sure you identify the specific targets, the strategies you would use and your reason for each choice. Use this table. An example has been completed for you.

<table>
<thead>
<tr>
<th>Service target</th>
<th>Strategies for monitoring progress</th>
<th>Reasons</th>
</tr>
</thead>
</table>
| 10 per cent increase in answered calls to reduce customer dissatisfaction | • CRM output comparing current calls answered against calls answered for the same period last year  
• Customer survey: sample of customers polled to determine satisfaction levels | • Data will provide quantitative year-on-year improvement results.  
• Qualitative response to back up service target objectives. |
Develop, procure and use resources effectively to provide quality products and services

In a management role you will be required to source the resources necessary to effect change of the customer service system. The internal factors that will prompt this include:

- decisions made as a result of customer feedback
- decisions made as a result of opportunity analysis
- other organisational policy or procedural changes.

Determine the resources

Providing quality products or services requires a balanced system of resources to produce the required outcomes. When change occurs, these resources go ‘out of balance’, which requires the organisation to acquire or remove resources to bring the system back into equilibrium.

Details of resources within an organisational context that may need to be adjusted in response to change are shown below.

<table>
<thead>
<tr>
<th><strong>Buildings and facilities</strong></th>
<th>A new manufacturing process plant or a new office location may be required.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equipment</strong></td>
<td>Upgrades to existing CRM systems often require new hardware to run the systems. Other equipment needs may be handheld communication devices for sales and service staff or a range of other smaller needs as highlighted by the analysis; sales staff may need vehicle upgrades.</td>
</tr>
<tr>
<td><strong>Finance</strong></td>
<td>Internal funds may need to be procured for a customer service improvement project; for example, additional staffing, an advertising campaign or staff training. For larger changes external finance may need to be sourced through debt or equity funding options.</td>
</tr>
</tbody>
</table>
**Procuring resources**

An effective budget itemises current and future customer service needs through the business plan. However, there may be times when additional funding for resources is needed. Securing organisational or external resources is a management skill that requires a high level of people skills, communication skills, commitment and focus. Traditional approaches to securing resources include:

- formal proposals – these need to detail the rationale behind the request, the specific resources required, associated costs, forecast improvements and a convincing executive summary
- internal request procedures (forms or documents)
- bidding (pitching to a specific provider).

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**Example: the importance of procuring appropriate resources to provide a quality product**

Technical crews at an airport are working on the approach radar system. They are required to meet specific standards during the routine maintenance of the equipment. Among the standards is the functional testing of the radar to meet detection criteria for aircraft within its scope.

Over a period of months, the testing process has identified that the 30-year-old equipment is becoming less reliable and is no longer a quality product. Accurate detection of aircraft will eventually become compromised if the system is not completely overhauled.

During a feasibility study into this option, the analysis team makes the decision that a new system will need to be installed at a high cost to the government. To effectively source, procure and implement this new system, a work group is formed to travel to Europe to investigate new technology and provide an extensive report to the departmental authority.

Eventually, a new system is purchased and installed, achieving the organisation’s goals. The process has required almost two years of extensive investigation and analysis prior to that time.

This demonstrates the importance of planning to ensure that improvements are well thought out and not made on an ad hoc basis.
The end result of customer feedback, data analysis and resource procurement is to achieve a better outcome for the organisation’s customers. Access to a continuous improvement process allows managers to identify areas where small adaptations to products, services or the customer service process may be necessary.

ISO standards recommend use of a continuous improvement model for customer services. There are many methods that you can use, including the five below.

**Lean manufacturing**

Lean manufacturing is a process that steadily eliminates wasteful work processes. Waste is defined as any process that does not directly or indirectly add value to the customer experience. This might include streamlining processes such as customer complaints, introducing online payment, improving delivery or providing more comprehensive product information.

**Six Sigma**

Six Sigma is a system of identifying and removing defects in a given process. In manufacturing, this refers to the production output. In customer service, it could mean reducing the number of customer complaints or other metric control measures, such as speed of answering calls, number of calls on hold or customer satisfaction responses.

**Total quality management (TQM)**

TQM is a strategy of embedding an organisation-wide awareness of quality in all business processes. This covers a range of customer services, such as providing accurate information, ensuring delivery is prompt, managing complaints fairly and in a timely manner, and providing relevant and correct product information to customers.
Consult and collaborate to achieve outcomes

In larger organisations, changes are rarely left to one individual to implement. If recommendations for process, product or service changes are made, consultation between personnel affected by the changes should occur. The consulting process ensures that relevant personnel are included in any change process and therefore have the opportunity to add value to any change.

Consultation processes can include:
- formal and informal meetings
- brainstorming sessions
- presentations to stakeholders of feedback received and recommendations made
- opportunities for question and answer sessions.

Decision-making processes

Once recommendations have been submitted and the consultation process has occurred, you will be required to make a decision to overcome identified problems. The decision process is a managerial skill that is transferable to all situations and contexts. The basic principle of good decision-making requires that you do the following:

1. Consider all available options.
2. Weigh the options against the associated risks.
3. Select the option that best achieves the objective.

You may like to read the book *Dealing with customer complaints* by Tom Williams, which broadly covers customer complaints handling and record management: Williams, T. 1996, *Dealing with customer complaints*, Gower Publishing, Surrey, UK.
Example: the importance of consultation with stakeholders

A Sydney-based retailer holds meetings with staff during a major cultural change program. These meetings involve hundreds of staff and are facilitated professionally to achieve collaborative approaches to organisational improvement. Ideas are taken seriously and analysed at various levels within the organisation.

Quality of customer service is a focus of the senior managers, and input from customer service representatives is regarded as essential and very useful.

The two-day meeting results in several recommendations for the improvement of the customer service process, including the creation of a lay-by system, which has traditionally been considered not important. The operations manager is asked to implement this procedure throughout all the Sydney-based stores as a trial for the next 12 months.

The trial is successful. Many new customers use the facility and profitability increases, as discounting is not generally entered into during a lay-by sale. The facility is rolled out around the country with great success.

Skills development

It is important for managers to reflect on their own performance in managing organisational systems to deliver a high standard of customer service. Seek learning opportunities to develop your skills and knowledge and use professional networks to maintain currency and industry knowledge.

Use self-management skills to regularly monitor and evaluate your effectiveness in:

- following policies, procedures, standards and legislation
- working with your customer service team
- preparing and editing informative material
- dealing with internal and external difficulties.
Complaints records

Complaints records are sensitive documents. Complaints regarding customer service may go to an ombudsman or be submitted as legal evidence. Records need to be clear, accurate and sufficient. They are also a useful element of the continuous improvement process.

Complaints records are often stored with the specific customer file on CRM systems. Search functions or pivot tables can be used to sort and analyse complaints data.

Customer service reports

In addition to the data that can be accessed via CRM systems, managers and staff may be required to generate status reports from time to time. In many organisations this takes the form of a monthly report to supervisors or senior managers.

A monthly report is usually a summary of the state of play within the section, department or organisation. Monthly reports are often submitted up the chain of command, with each level adding or summarising as required, until the board of directors receives a composite of all the reports via the chief executive officer or other senior manager.

As customer service is a high-profile feature of most organisations, reports should be considered a high priority; particularly service of customers and suppliers. It is important that reports be standardised to allow for easy interpretation and identification of trends of changes.
Alignment with existing systems

Organisations use their own systems to manage customer service information. Maintaining the integrity of a computer-based data system requires regular checks for functionality and security. For example, computer software may be used to match customer relationship management data with existing knowledge management information. This is known as bridging software or integration software.

Record maintenance within an existing system requires users to follow procedures and protocols. Managers must be aware of these requirements and act as role models for new and existing employees.

If you are unhappy with aspects of the system, do some research and set out your specific areas of discontent in the form of a recommendation.

Customer service information

There is usually a better way of doing something. Organisational learning is an outcome of the collective value of all the individuals’ knowledge within the business. Encourage staff to look for efficient and effective ways to support the customer service objectives of the organisation.

Using numerical information is an objective approach to interpreting and understanding customer service objectives. Examples where numerical data can be used for these purposes include:

- customer service response times
- the conversion rate from quotations to successful sales
- the number of times discounting is used to achieve a successful sale
- the number of returned purchases due to product specification failing to meet customers’ requirements
- demographic analysis of the customer base; for example, number of males versus females).
Practice task 10

Identify the customer service records that could be kept for a bicycle store. In this table, list the types of records and how they could be stored and managed.

<table>
<thead>
<tr>
<th>Type of data (records, reports, recommendations)</th>
<th>Method of management and storage</th>
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