

Why Giving Away Services Inhibits Business Success.

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The Author

Charles William Ellerton, known to his friends and colleagues as Bill has more than 30 years experience in Customer **Service** environments. Bill worked in **Service** roles for Telecom Australia the predecessor of Telstra and was responsible for TECs **Service** business across South Eastern Australia. He led a number of **Service** groups for Digital, winning both local and international awards for his efforts. Bill has also been responsible for large **Service** teams at Compaq, Rockwell Automation and Siemens. In some cases turning around pretty ordinary **Service** teams and regularly making significant improvements to customer satisfaction ratings.

Bill is now the Managing Director of Mainstay Business Services a company dedicated to helping organisations build success. Bill is a passionate believer that providing excellent **Customer Service** and delivering premium **Services** is an important contributor to business success.

Introduction

We are often told that we now live in a **Services** economy.

It is certainly true that compared to previous generations we are more likely to eat out or buy take-away food, to have someone mow our lawn or perhaps have someone else do our washing and ironing.

The same sort of thing has happened in the business world over the last couple of decades. It is now quite common for companies to outsource activities that whilst important are not seen as 'core competencies'. Things like IT, payroll or building maintenance. Many new business empires have been built to deliver some of these outsourced **Services**. It is also the case that a large number of traditional product organisations have been able to reengineer their business models to take advantage of this relatively new paradigm. A question that Mainstay Business Services ask participants in **Customer Service** training programs is "What type of company is IBM?" The common response is that they are a computer i.e. a product company. Participants are often surprised to find out how much of IBM's revenues, like many other successful companies, actually come from delivering **Services**.

Yet many organisations, both traditional product companies as well as start-ups, seem to struggle when it comes to delivering **Service**.

Service departments are often seen as a burden on the business.

Why is this?

Customer Service versus Services

One of the major challenges faced by many product oriented organisations is the ability to answer this very simple question:

In the context of what we do as an organisation, what is the difference between Customer Service and a Service?

Prior to answering that question, lets examine the definition of the word Service.

Please skip the actual dictionary definition if you get bored easily.

The Maquarie Pocket Dictionary defines the word Service as:

n., adj., v., - viced, -vicing. – n.

1. an act of helpful activity. □ aid, assistance, help.
2. the supplying or supplier of any articles, activities, etc. □ aid, endowment, furnishing, maintenance, provision, supply
3. occupation or employment as a servant.
4. Mil. (pl) the armed forces.
5. the act of keeping a piece of machinery, esp. a motor vehicle, in operation. □ check up, overall, refit.
6. public religious worship □ chapel, church, divine Service, meeting, prayer meeting, preaching, worship.
7. Tennis etc. the act or manner of putting the ball in play. – adj.
8. of, pertaining to, or used by, servants, tradespeople, etc.
9. of or pertaining to the armed forces. – v.
10. to make fit for use. . □ doctor, fix, make whole, overhaul, reassemble, recondition, refit, repair, restore.
11. (of a male animal). □ be at stud, stand.
12. to meet interest and other payments on, as debt □ ransom, redeem.

The “pocket” dictionary has 12 definitions for the word Service. The “concise” Oxford dictionary has 14 definitions. This makes it one of the most complex and most difficult to understand words in the English language.

Complicating matters further, the word has evolved alongside words such as:

Servant: a person in the paid Service of another

Servitude: slavery □ bondage, chains, enslavement, thralldom

Serf: a person required to render Service to his lord □ bondservant, prisoner, slave

Serville: obsequious □ menial, parasitic, slavish, slimy, smarmy, sycophantic, toadyish

So there is confusion about what is meant when we use terms like **Service**, **Services** and **Customer Service**. **Services** are often appreciated but are just as frequently seen as something of little real value. Those delivering **Service** are generally paid less and are often seen as serville and less deserving of respect than other employees within product organisations in particular.

Making the distinction between **Customer Service** and a **Service** is therefore extremely difficult, particularly within complex product oriented organisations.

What then is the difference between Customer Service and a Service?

Let's look at each separately:

CUSTOMER SERVICE

Regardless of the product or **Service** being delivered to customers they have certain expectations about how they will be dealt with. Customers have a right to expect organisations and individuals they deal with will:

- be easy to contact
- answer the phone promptly
- return phone calls and messages in a timely manner
- be easy to do business with
- keep commitments they have made
- be honest and act with integrity
- be courteous and respectful, polite, pleasant and even enjoyable to deal with
- be well trained, knowledgeable and professional
- value their business
- value the relationship if it is to be an ongoing one

Individuals and organisations that deliver well against the above criteria will generally be seen to be delivering good **Customer Service**. Provided everything else is equal, that is product, price and the cost of doing business are matched, customers will generally purchase from those organisations they perceive to be delivering the highest levels of **Customer Service**. In fact some customers are prepared to pay a premium to deal with such organisations. Customers will often remain more loyal to organisations that deliver high levels of **Customer Service** particularly if they perceive that they have a relationship with such an organisation.

An important part of delivering good **Customer Service** is meeting customer expectations. This of course includes meeting commitments. Whilst meeting expectations is undoubtedly a very important factor it is critical that organisations understand how customer expectations are set.

Many organisations that struggle to achieve acceptable levels of **Customer Satisfaction** do so because they fail to either set or properly manage customer expectations. They develop the mistaken belief that they can improve **Customer Satisfaction** by simply providing free **Services**.

SERVICES

There is no doubt that customers will change their product buying preference on the basis of an organisation providing free **Services** bundled with the product. But Customers who do so would just as likely change their buying preferences based on significant price discounts, free accessories, product upgrades or free products. They are getting something of value for nothing, so why wouldn't they take advantage of that.

All that really happens when organisations give away free **Services** are that customer expectations are raised and the inherent value of the **Service** is degraded in the marketplace.

An example of this can be found in what happened in the Australian computer hardware industry during the 1990's. Fierce competition between Laptop (Notebook) vendors and some product issues impacting sales resulted in one vendor raising the level of warranty offered on their Laptops from 12 months return to depot to 12 months onsite. Soon other vendors followed suit and over

time warranty rose to 3 years onsite with commitments to repair or provide a loan unit within 24 hours. The cost of providing these levels of warranty became prohibitive and the situation eventually cooled. Vendors also realised that some customers simply didn't want these higher levels of **Service** and those who really valued them were prepared to pay a fair price anyway. During this tumultuous period the **Customer Satisfaction** ratings of the vendors hardly changed despite all the supposedly free **Services** - the delivery cost of which was of course built into the product price as far as market conditions would allow.

One vendor was able to significantly improve **Customer Satisfaction** ratings from around the end of the decade but this was not achieved by giving away free **Services**. Rather by improving the standard and consistency of basic **Customer Service** i.e. meeting commitments given in relation to both warranty and contracted (i.e. purchased) **Services**.

So what do we really mean when we talk about Services?

Having discussed some of the factors that are important in delivering good **Customer Service** and pointing out that high levels of Customer Satisfaction are not achieved by giving **Services** away for free, we should attempt to define what we really mean when we talk about **Services**.

Perhaps one of the easiest ways of thinking about **Services** is that they are activities or deliverables that have a value but unlike Products do not have a physical presence. Many **Services** are delivered by people (i.e. labour), but this is not always the case.

There are clearly many types of **Services**, but in broad terms they can be divided into two categories. Those that are sold as stand alone offerings by individuals or organisations that often don't have what we might call tangible products to sell and those that are sold as an enhancement or complementary offering to a product.

Examples of stand alone Services include:

Travel – whether that be by air, rail, sea or any other mode. Customers purchase a **Service** and once that **Service** has been delivered have nothing physical to show for it other than having arrived safely at their destination.

Banking – banks have no physical products to offer and achieve their high profitability through the delivery of **Services**. One example is currency exchange where a bank will change money into another currency. In doing so they sell nothing physical yet customers are prepared to pay for the **Service** provided.

Telecommunications – no physical products change hands in most dealings with telecommunications carriers. Charges are often based around a combination of a network access fee together with a **Service** usage fee. In many cases **Service** providers give away the physical product i.e. mobile phones (cell phones) to encourage customers to use their network **Service**.

Examples of Services which are complementary to Products or other Services include:

Warranty and warranty upgrade Services – on televisions, computers, motor vehicles etc. Basic warranties are generally provided to meet statutory requirements and match market expectations. Warranty upgrades are frequently offered to enhance the value of the sale and lock the customer in from an ongoing **Service** perspective.

Repair and reconditioning Services – on all types of consumer goods, IT equipment and industrial devices etc. These types of **Services** can be either ad-hoc i.e. based on single transactions or sold as some form of **Service** contract.

All of these **Services** whether stand alone or complementary to Products or other **Services** have an inherent value in and of their own. As such customers are generally prepared to pay for them.

Organisations that give away Services without good cause are throwing away money and inhibiting success.

Giving away **Services**:

- devalues the **Services** in the marketplace making it more difficult to sell them thus undermining potential revenue streams
- unnecessarily raises customer expectations making it ever more difficult to deliver high levels of customer satisfaction
- adds costs onto products to cover the delivery cost of the **Services**, thus increasing product prices and making it more difficult to compete in the product space
- undermines the overall profitability of organisations

Rather than giving away Services organisations would quite often be far better off giving away their products and locking customers into ongoing Service agreements with the associated annuity revenue streams.

To help organisations and individuals better understand the difference between **Customer Service** and **Services**, **Mainstay Business Services** have coined the term '**Prodictes**'. This term is used in some of Mainstay's publications and training modules.

More About Setting Customer Expectations

Having pointed to the importance of meeting customer expectations in terms of delivering good **Customer Service** and high levels of Customer Satisfaction, it should be noted that this applies equally to the delivery of products and **Services (Prodictes)**.

Customers who buy a product based upon a set of specifications naturally expect that product to meet those specifications. The specification is a major part of what drives the customer expectation about the product.

Customers who buy a **Service** naturally anticipate that the **Service** will meet their expectations. Unfortunately there is often no formal “specification” and many organisations fail to even attempt to set the customers expectation. The result is that organisations either over deliver against the customers expectation, which can be costly or they fail to meet expectations and end up with unhappy customers.

Despite the fact that many organisations avoid doing it; setting customer expectations need not be difficult or complex. **Mainstay Business Services** offers a range of **Services** designed to help organisations create or reset customer expectations.

Providing a copy of an organisations **Service** terms and conditions when selling either products or **Services** is one way to set expectations. If done poorly this can end up being a less than customer sensitive approach, but there are many very good ways to do this.

Many stand alone **Service** offerings can provide technical specifications. So for example an Internet Service Provider can provide **Service** bandwidth and download limits as part of the **Service** contract.

Service Contracts and **Service** Level Agreements are amongst the most effective means of setting customer expectations where circumstances allow.

There are even more subtle approaches as well. By simply offering a **Produce** i.e. a chargeable higher level of **Service** to a customer, such as a priced warranty upgrade, an implicit message is given that the standard level of **Service** is lower than the upgrade being offered and an expectation is therefore set.

Mainstay Business Services is also able to help organisations develop a range of **Produce** or **Service** offerings to suit particular markets.

Summary:

There is a big difference between **Customer Service** and **Services**.

Organisations that confuse the two will struggle to improve **Customer Satisfaction** and will continue to see **Service** as a cost burden on the business.

Organisations that give away Services without good cause are quite simply foolish.

Organisations that 'get it' not only stand a much better chance of improving **Customer Satisfaction** over time they will invariably improve their bottom line.

Mainstay Business Services can help organisations deliver excellent Customer Service and develop world class Services. Mainstay's Programs and Services include:

- Customer **Service** Reviews
- Developing Customer **Service** Charters
- Conducting Customer **Service** Surveys
- Developing **Service** (Produce) Offerings
- Delivering Customised Customer **Service** Training
- Implementing **Service** Profit Chain Programs
- Mapping **Service** flows and assisting with the implementation of **Service** tools
- Helping to building a **Service** culture

Service Creed:

We never charge for delivering excellent **Customer Service**. Our customers have a right to expect us to deliver quality **Customer Service** each and every time that they engage with us.

We are also very proud of the range of **Services (Prodices)** that we offer to our customers. The prices we charge for our **Services (Prodices)** are structured to recognise the cost of delivery and the inherent value that they provide to our customers.

Whether we are delivering **Services, Prodices or Products** our commitment to delivering excellent **Customer Service** whilst charging a fair and reasonable price for all of our offerings remains as strong.

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Mainstay Business Services

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