

CUSTOMER SERVICE

SEVENTH
EDITION

Skills for Success





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CUSTOMER SERVICE

SKILLS FOR SUCCESS

Robert W. Lucas

Principal, Robert W. Lucas Enterprises



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CUSTOMER SERVICE: SKILLS FOR SUCCESS, SEVENTH EDITION

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PERSONAL BIOGRAPHY

ROBERT (BOB) W. LUCAS is an internationally known award-winning author and learning and performance expert who specializes in workplace performance-based training and consulting services. He is the principal of Robert W. Lucas Enterprises and owner of Success Skills Press.

For over four decades, Bob has shared his knowledge and expertise as a coach and consultant. He has facilitated training sessions for thousands of workplace professionals in a variety of industries from national and international organizations. He also taught for over 15 years as an adjunct professor in the Human Resource Development Master of Arts program at Webster University and regularly presents educational sessions to various local and national groups. In addition, Bob has led or served on the boards of the Central Florida Chapter of the Association for Talent Development, the Florida Safety Council, Leadership Seminole, and the Florida Authors and Publishers Association.

In recent years, Bob has dedicated much of his time to self-publishing books on a variety of skills topics and writing three blogs (Customer Service Skills, Creative Training, and Nonfiction Writing). His areas of expertise include customer service, creative training and management program development, presentation skills, interpersonal communication, adult learning, and diversity. Listed in *Who's Who in the World*, *Who's Who in America*, and *Who's Who in the South & Southeast*, he is an avid writer. In addition to this book, he has written and contributed to 37 books and has published over 1,000 articles. Some of his other titles are *Please Every Customer: Delivering Stellar Customer Service Across Cultures* and *How to Be Great Call Center Representative*.

Bob earned a Bachelor of Science degree in Law Enforcement from the University of Maryland, an M.A. degree with a focus in Human Resources Development from George Mason University in Fairfax, Virginia, and a second M.A. degree in Management and Leadership from Webster University in Orlando, Florida.



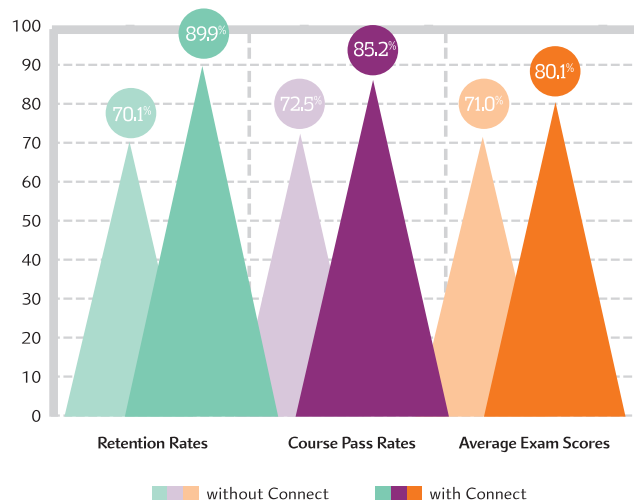
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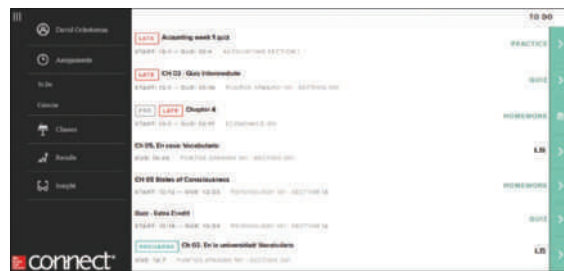


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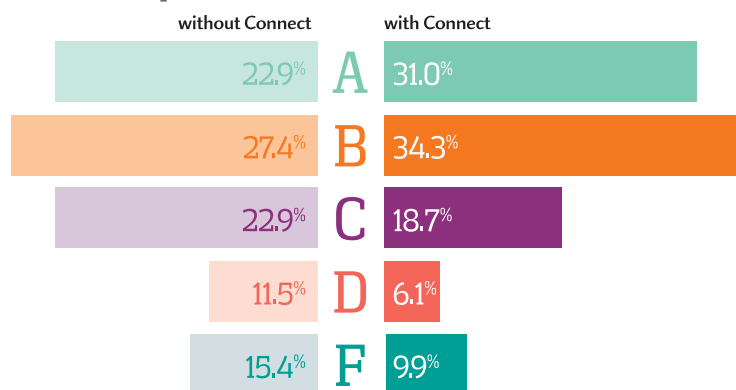
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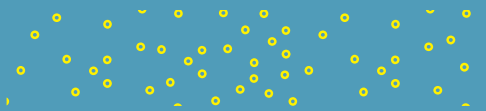
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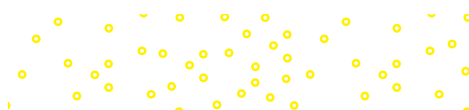
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New to This Edition

Every Chapter

- New *Customer Service* interviews with service
- Updated research and statistics throughout text
- New *Words to Live By* quotes at the end of the *Quick Preview* section of each chapter
- Updated and addition of *Trending Now* sections in many chapters

Chapter 1

- Interview by customer service industry professional
- New *In the Real World* chapter opening case study (Amazon.com)
- New *Think About It*
- Updated research and statistics throughout chapter
- New section *Key Developments That Impacted Customer Service Profession*
- Expanded definitions of service-related terminology
- New *Trending Now* segments added
- Updated discussion of *Global Economic Shifts* impacting customer service
- Additional *Work It Out* section
- Addition of section on *Shifts in Consumer Needs, Wants, and Expectations*
- Addition of suggestions for dealing more effectively with *Internal Customers*
- Additional *Customer Service Tips*
- Expanded discussion of small business trends and customer service
- Additional *Search It Out* resources

Chapter 2

- Updated *In the Real World* chapter opening case study (FedEx)
- New *Think About It*
- Updated research and statistics
- Inclusion of sample mission statements
- Additional *Trending Now* segments
- Expanded definitions related to service terminology
- New *Customer Service Success Tip* added
- Updated *11 Strategies for Promoting a Positive Service Culture* section
- Additional *Search It Out* resources
- Additional *Collaborative Learning Activity*

Chapter 3

- New *In the Real World* chapter opening case study (State Farm Insurance)
- New *Think About It*
- Addition of *Words to Live By* quote
- Expanded definitions related to service terminology
- Additional *Customer Service Tips*
- Additional *Trending Now* segments
- Updated research and statistics
- Expanded *Importance of Effective Communication* section
- Updated section on *Assertive vs. Aggressive Customer Service*
- Entire section on conflict moved to Chapter 7
- *Small Business Perspective* segment expanded and updated
- Additional *Search It Out* activity resources
- Additional resources to *Collaborative Learning Activity* section

Chapter 4

- Interview by customer service industry professional
- New *In the Real World* chapter opening case study (American Express)
- Updated *Think About It*
- Addition of *Words to Live By* quote
- Expanded definitions related to service terminology
- Additional *Customer Service Tips*
- Additional *Trending Now* segments
- Updated *Work It Out* segment
- Updated research and statistics
- Additional *Search It Out* activity resources

Chapter 5

- New *In the Real World* chapter opening case study (Nordstrom)
- New *Think About It*
- Addition of *Words to Live By* quote
- Expanded definitions related to service terminology
- Additional *Customer Service Tips*
- Additional *Trending Now* segments
- Additional *Search It Out* activity resources
- Additional resources to *Collaborative Learning Activities* section

Chapter 6

- Addition of *Words to Live By* quote
- Expanded *What Are Behavioral Styles?* section
- Expanded *Identifying Behavioral Styles* section
- Revised *Work It Out 6.1*
- Additional *Trending Now* segments
- Additional *Search It Out* activity resources

Chapter 7

- Interview by customer service industry professional
- Updated *In the Real World* chapter opening case study (Coca-Cola)
- Addition of *Words to Live By* quote
- Expanded definitions related to service terminology
- Updated section on *Demanding or Domineering Customers*
- Updated section on *Indecisive Customers*
- Updated section on *Dissatisfied or Angry Customers*
- Additional *Customer Service Tips*
- Expanded *Reasons for Customer Defection* section
- Expanded *Strategies for Preventing Dissatisfaction and Problem Solving* section
- Addition of *Conflict* sections from that moved from Chapter 4 of the sixth edition
- Addition of *Work It Out 7.8—Recovering from Policy Restrictions* activity
- Expanded *Disaster Planning Initiatives in the Service Recovery Process* section
- Additional *Search It Out* activity resources
- Additional resources to *Collaborative Learning Activities* section

Chapter 8

- New *In the Real World* chapter opening case study (Subway)
- New *Think About It*
- Addition of *Words to Live By* quote
- New *Work It Out 8.1—Encountering Diversity* added
- Expanded *Importance of Relationships* section
- Updated research and statistics
- Additional *Search It Out* activity resources

Chapter 9

- Updated *In the Real World* chapter opening case study (Microsoft)
- Updated *Think About It*
- Addition of *Words to Live By* quote
- Updated research and statistics
- Additional *Trending Now* segments
- Updated *The Customer Contact/Call Center or Help Desk* segment
- Enhanced *Traditional Call Center technology* segment
- Expanded definitions related to service terminology
- Updated *Social Media* section
- Additional *Customer Service Tips*
- Expanded *Technology Etiquette and Strategies*
- Expanded *The Telephone and Customer Service* segment
- Additional *Search It Out* activity resources

Chapter 10

- Interview by customer service industry professional
- Updated *In the Real World* chapter opening case study (COSTCO)

- New *Think About It*
- Addition of *Words to Live By* quote
- Expanded definitions related to service terminology
- Updated research and statistics
- Additional *Trending Now* segments
- Expanded information on ethics in customer service
- Updated section on *Channel Partners*
- Updated *Small Business Perspective* section
- Additional *Search It Out* activity resources
- Additional resources to *Collaborative Learning Activities* section

CHAPTER FEATURES



An Update on a Trusted Customer Service Textbook Resource

Welcome to a brand new look for the top-selling customer service textbook in the United States. This book has been the top-selling customer service textbook in the United States for over a decade and won the 2017 Textbook Excellence Award from the Textbook and Academic Authors Association (TAA). In this edition, we have updated, expanded, and reformatted much of the content.

Customer Service: Skills for Success addresses real-world customer service issues and provides a variety of revised resources, activities, examples, and tips from the author and active customer service professionals in the industry. We did this to help gain and hold readers' interest while providing additional insights into the concepts and skills related to customer service. The text begins with a macro view of the history of customer service and what the profession involves today. It also provides projections for the future, and then focuses on specific skills and related topics to aid service practitioners.

The seventh edition of *Customer Service: Skills for Success* contains 10 chapters divided into three parts, plus the Appendix, Glossary, and Bibliography. These parts focus on different aspects of customer service: (1) The Profession, (2) Skills for Success, and (3) Building and Maintaining Relationships. Along with valuable ideas, guidance, and perspectives, readers will also encounter interviews of real-world service providers who offer advice for current and aspiring service professionals. Readers will also discover tips for implementing proven customer service strategies, case study scenarios, and activities to help you apply concepts learned to real-world situations in order to challenge your thinking on the issues presented. For users of previous editions, you will note the addition of several new information elements and a tie-in to today's technology throughout the chapters. In the Instructor Resources in Connect, you will find various individual and small group activities, case studies, and other support material. These can be used to engage readers and enhance content found in the book.

Each chapter begins with behavioral-based **Learning Outcomes** to direct students' focus and to measure end-of-chapter success in grasping the concepts presented. Students will also find a **quote** from a famous person to prompt their thinking related to the chapter topic and text focus. Throughout the book, the abbreviation LO indicates the Learning Outcome that applies to that section.

As students explore the chapter material, they will find many helpful tools to enhance their learning experience and assist them in transferring their new knowledge to the workplace. Throughout the chapters, students are asked key questions in the form of a **Knowledge Check**. This allows students to consider what they have just read and test themselves to help ensure that they have grasped the concepts covered in each chapter.

Every chapter opens with **In The Real World**. These candid snapshots offer a view into a variety of well-known businesses, industries, and organizations and are designed to provide insight into how customer service leads to success in a highly competitive global world. To support the scenarios, students are asked to do an Internet search on the featured organization and answer the questions provided in the **Thinking About It** section that follows.

Self-assessments listed as **Quick Previews** allow students to pretest their knowledge on a range of topics, and prime them to watch for specific content as they read the chapter. Answers to the questions are also provided at the end of each chapter.

Throughout the chapter, **Work It Out** activities challenge students' knowledge and provide an opportunity for individual and/or small group work on a specific topic or issue. The **Street Talk** tips are offered by customer service professionals currently working in various organizations and industries provide a glimpse of real-world insights into strategies and techniques that professionals are using every day in their interactions with customers to enhance their service delivery. Also threaded throughout every chapter, **Trending Now** highlights new and innovative strategies being put into practice in companies and industries to enhance the service experience for current and potential customers.

There are also number of activities in every chapter that encourage students to engage with common customer service problems. **Ethical Dilemmas** present a difficult scenario and ask readers how they might appropriately handle the situation. Potential solutions or best practices are provided at the end of each chapter. **Small Business Perspective** activities discuss situations that a small business may be faced with, and present students with information that makes for great in-class discussion.

At the end of each chapter is a **Summary** with **Review Questions**, which bring together the key elements and issues covered throughout the chapter. While the summaries encapsulate and reinforce key themes, the review questions test students' retention of the content and highlight areas for remedial study to promote mastery of the chapter topics. Students also are encouraged to use the Internet to research chapter-related skills and obtain a variety of customer service facts, figures, and related information to use in group activities, presentations, or discussions through **Search It Out** activities.

Collaborative Learning Activities encourage role-playing. In these activities students are given a variety of scenarios they can act out with an instructor or a peer in order to engage with real customer service issues, practice their skills, and reinforce their knowledge of the chapter topic, while **Face-to-Face** exercises provide students with a detailed background narrative of a specific employee and allow them to identify with that employee by using the information to determine how they might handle a similar customer service issue if faced with it on the job. Additionally, the **Planning to Serve** activities provide a roadmap for students to identify techniques and strategies from the book to provide superior customer service in their future.

The Reader Satisfaction Survey, found in the Instructor's resources in CONNECT, can be used to provide the author with feedback. This brief survey can be provided to students by the instructor. For completing the survey, students will receive a free publication (*Communicating One-To-One*) on interpersonal communication written by this book's author (Robert W. Lucas).

The Customer Service Text That Gives You More

ADDITIONAL RESOURCES

Author's Customer Service Skills blog There are hundreds of articles on various customer service-related topics to supplement information in this book on the author's blog that can be used as references or as discussion starters for classroom and online. To access the blog, please visit the instructor resources www.customerserviceskillsbook.com within Connect.

INSTRUCTOR RESOURCES

Instructor's Manual The Instructor's Manual outlines course materials, additional in-class activities, and support for classroom use of the text. It has been organized to give instructors not only a basic outline of the chapter, but to assist in all facets of instruction. For every question posed in the text, the IM provides a viable answer. The text page numbers provide easy reference for instructors. In addition, the Instructor's Manual guides instructors through the process of integrating supplementary materials into lessons and assignments. It also includes sample syllabi and video notes. Ultimately, this will be an instructor's greatest advantage in using all materials to reach all learners.

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Basis for Content

In the past, some students have commented that the content in this book is common sense. Certainly, that might be true if you have experience and education related to dealing with a variety of other people. However, my experience is that “common sense” is not so common for many people. If that were true, every service provider would be effective at offering stellar customer service to every one of his or her customers. When has that happened to you as a customer?

Since customer service spans all organizations and involves internal customers (employees) and those outside the organization, I encourage you to keep an open mind as you read the content in these pages. Objectively assess your current knowledge and skills against what you find. Do you have the knowledge and skills addressed herein? If you sincerely know all there is to know about customer service, then I applaud you. I am sure you will make a fine CEO for a service organization someday. In the meantime, I encourage you to think about what you find in the text, discuss ways to improve with your instructor and classmates, and make notes of potential areas for improvement as you go through the semester. Never forget that customer service is the pivotal role in any organization. Everyone from the CEO down to frontline employees must embrace positive customer service skills and work to gain and retain customers. Without customers, there is no need for any position in a company.

This book draws from my more than four-plus decades of real-world experience in customer service environments, management, and human resource development. My background includes positions serving as a frontline employee and managing or overseeing entire companies. I have worked in sales, retail management, and service functions for a number of organizations; owned and run all phases of operation and management for an online retail business for over 19 years; was a partner in a human resource performance consulting firm working with client organizations around the world; and taught at numerous colleges and universities from undergraduate through Master’s level for over two decades. Currently, I am an author, a presenter, and the principal of Robert W. Lucas Enterprises, where I consult, write, publish, and promote my own books through Success Skills Press. Part of my role involves negotiating and contracting with other businesses and organizations and providing a variety of services to them. I deal with customer issues and needs every day and know that the techniques described in this book will work because I, and other service professionals cited in the book, have used them effectively. While there are some research and theoretical sections in the chapters, much of the information is derived from personal experience, research, and reflections of actual customer service encounters experienced by others.

Whether you are new to the service profession and have no base of customer service knowledge, or are more experienced and wish to enhance your knowledge and skills, *Customer Service: Skills for Success* and accompanying ancillary materials can provide a catalyst for your success. I encourage you to visit CONNECT to access and review ancillary materials designed to assist you in your quest for customer service expertise.

I am confident that this book will assist you in reaching your goal to become a better service provider.

Bob Lucas

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Throughout the years, my wife, friend, and life partner, M.J., and my mother, Rosie, have sacrificed much as I have dedicated time and effort to developing tools such as this book to help others grow. Their support and love have been an invaluable asset in helping me reach my goals and are much appreciated.

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SEVENTH EDITION

CUSTOMER SERVICE

SKILLS FOR SUCCESS





Barbara Tanzer

Title/Position: *Small business owner, the TBS Group (travel agency, manufacturing, insurance agency, small business consulting)*

Total years' experience providing service to internal and external customers: 30+

Website: <http://www.OurCruiseAgent.com>

PART ONE

THE PROFESSION

1 The World of Customer Service

2 Contributing to the Service Culture

1 What are the personal qualities that you believe are essential for anyone working with customers in a service environment?

- Communication.** The ability to gather information from customers while being sensitive to their emotions, strengths, and weaknesses. Keep your voice low and speak clearly.
- Listening Skills.** Knowing when to stop the communication and listen without anticipation of your response.
- Patience.** Everyone is not comfortable identifying and sharing a problem. Use your skills in A and B above to help him or her have a successful conversation.

- Subject Matter Knowledge.** If you do not know how to speak intelligently about the concern or need of the customers, research and get back to them if needed—do not ad lib.

2 What do you see as the most rewarding part of working with customers? Why?

Problem solving, especially helping them come to a solution on their own. What seems overwhelming to many can often be resolved with another set of eyes and ears and years of experience. Start with a soft voice, really good listening skills, and note taking. Before you know it, there is a smile and relief. I love it!

3 What do you believe the biggest challenges are in working with customers?

Some of the biggest challenges are the customer's urgency and limited organizational resources readily available to resolve an issue.

4 What have you done or could you do to help overcome the challenges you indicated in order to deliver better customer service?

- a. In every situation, you have to gather the facts, be compassionate, and do all you can to resolve the issue.
- b. If you have an opportunity to identify the situation prior to your initial contact, you might be able to gather some facts prior to meeting with the customer.
- c. When that cannot happen, make sure you take good notes and provide the customer with YOUR contact information. This demonstrates your commitment to owning the problem and continuing communication while remaining reachable so that he or she does not have to start over for any follow-up communication.
- d. If you are going to contact him or her, choose a time and date to which the customer agrees and that is reasonable for you to be ready for that follow up.

5 What changes have you seen in the customer service profession since you took your first service provider position?

- a. Because of technology, customers have access to more information through the Internet. This can create challenges because they often come with unrealistic, preconceived ideas about compensation due when something goes wrong. For example, if a client is booked in a cruise stateroom that is in need of mechanical repair, he or she is not satisfied with just being moved to a comparable stateroom. He or she feels an upgrade or refund of the cruise is warranted. In effect, he or she is looking to receive benefits in excess of the inconvenience experienced, rather than simply being made whole.
- b. Customer service representatives—I have seen very angry customers leave with a smile when an experienced, well-trained CSR is involved. It is a beautiful thing.
- c. Inadequate service resources—Often, there is frustration and lack of resolution when a customer service department is understaffed or CSRs are undertrained. The results cannot be the same when employees are working under stress.
- d. Technology has helped and hurt customer service.
 - When there is a toll-free number to call customer service and you have to go through a menu of questions to identify the correct person to help you—this is not good service. The customer explains the situation and any follow up is often with a different CSR. If good notes were not included in the customer's file, he or she has to explain again to a new representative. I would rather see a direct number provided on the product documentation so that customers could directly contact the department representative who has the authority to implement a resolution.
 - The fact that technology allows help to be available 24/7/365 is a good thing. It is important that all customer service personnel be able to speak clearly,

exhibit good listening skills, and have product knowledge in order to effect an appropriate resolution.

6 What future issues do you see evolving in your industry/organization related to dealing with customers and why do you think these are important?

The ever-changing dynamics of all industries and a company's ability to stay on track with its objectives will be a future issue. For example, the insurance industry is unsettled. The coverage and premium available to you today could be gone tomorrow. Additionally, in travel, our world is challenged by unsettled and competing forces. Customers want to experience as much as they can. Often, without proper guidance from their agent, they are unaware of differences in the cultures and environments where they want to travel.

7 What advice related to customer service do you have for anyone seeking or continuing a career in a customer service environment?

I believe customer service is a challenging and rewarding career. You will not have the same questions, concerns, or results with each customer. This is not a "learn the task—do the job—get the optimum results" type of job. Your patience will be challenged every day. You are in a unique career that can impact so many. You get to improve their day, resolve their problem, and secure loyal customers for the company or organization. Unlike being a doctor/lawyer/engineer, you do not get to study, perfect, and apply what you have learned in line with the law or guidelines. In the customer service profession, you continue to learn every day from every situation and the knowledge you have is a database to draw upon. You have to know what solution applies to each situation.

Application to Customer Service

After reading Barbara's comments, think about how what she said relates to your organization and the customer service profession as a whole and respond to the following:

- a. Do you believe that the qualities and skills that Barbara described are applicable to both small and large businesses? Why or why not?
- b. In addition to the solutions to challenges that Barbara identified, what other strategies would you recommend for customer service professionals?
- c. In addition to the changes in the customer service profession mentioned by Barbara, what other changes have you experienced or read about and how do they impact service delivery in an organization?
- d. In addition to the advice that Barbara provides for people entering the customer service profession, what tips would you add?

Courtesy of Barbara Tanzer

The World of Customer Service

"Treat every customer as if they sign your paycheck, because they do."

—UNKNOWN

CHAPTER

1



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LEARNING OUTCOMES

After completing this chapter, you will be able to:

- 1-1 Define customer service.
- 1-2 Describe factors that have impacted the growth of the service sector in the United States.
- 1-3 Identify societal factors that have influenced customer service.
- 1-4 Recognize the changes in consumer behavior that are impacting service.

- 1-5 List the six major components of a customer-focused environment.
- 1-6 Explain how some companies are addressing the changes impacting the service sector.

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IN THE REAL WORLD (RETAIL)—AMAZON.COM INC.

Mission Statement: “Amazon’s vision is to be earth’s most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online.”

Source: Amazon Inc., Mission statement.

Jeff Bezos founded his company in 1994 as “Cadabra.com” and launched Amazon.com out of his garage in 1995. By 2016, Bezos boasted that the company was the fastest to ever reach the \$100 billion sales mark. Forbes magazine listed Bezos as the third richest person in the world on its 2017 list of wealthiest people in the world. In deciding on his business model, he observed predictions that online commerce would grow dramatically in coming years and then decided on five product lines that would sell well. Of the five, he focused on books since there is a universal demand for knowledge. As the company’s capabilities and reputation grew, so did its product line. Today, the online behemoth carries music CDs, DVDs, MP3s, electronics (e.g., Kindle e-readers, Fire tablet, Echo, and Fire TV), computer software, video games, furniture, toys, cosmetics, and many other commercial items.

Based in Seattle, Washington, and often referred to as Amazon, this mighty retail operation stands out among others for many reasons. As the world’s largest Internet retailer, the company dominates e-commerce through superior electronic and cloud computing sales and marketing. In recent years, it has moved into land-based retail ventures by opening brick-and-mortar bookstores. Amazon has now surpassed many publicly traded companies in market value. For example, in 2016, the company was ranked fourth in *Financial Times*’s Global 500 rankings. In doing so, it surpassed many well-known brands (e.g., Facebook, Johnson & Johnson, Exxon, Wells Fargo, and General Electric).

Since its inception, Amazon has continued to be a retail innovator by using strategies such as an associate program to

allow affiliates to place Amazon banner links on their own websites. These direct potential buyers who click them to Amazon.com. If the prospect purchases any item, the associate receives a sales commission. Additional success strategies have included the following:

1. Opening websites in numerous foreign countries
2. Opening retail sites for products such as, apparel, groceries, health and personal care, sporting goods, and kitchenware
3. Acquiring established catalog businesses (e.g., www.Abebooks.com, www.Zappos.com, www.audible.com, and www.Shopbop.com) to tap established business lines and customer bases
4. Establishing geographically dispersed fulfillment centers to speed up processing and shipping to customers
5. Patenting 1-Click checkout to allow customers to purchase an item with a single click on the website
6. Forming corporate relationships with retail giants such as Toys “R” Us and Target
7. Offering free shipping on orders over \$25.00
8. Setting up a textbook trade-in program for students
9. Introducing cloud technology that supports multiple consumer needs
10. Establishing its International Mobile App Distribution portal

These initiatives have been focused at driving up revenue while providing a seamless shopping experience for a diverse customer base with varying needs, wants, and expectations.

Learn more about Amazon by visiting www.amazon.com. You can scroll to its retail offerings at the bottom of its website and to its Leadership Principles that begin with “Customer Obsession” at the Jobs/Principles portions of the site, <https://www.amazon.jobs/principles>. You can also search the Internet for books, articles, and additional information.

Think About It

1. What have you heard or experienced related to Amazon's approach to customer service?
2. From a service perspective, how does this company differ from other online businesses that you have dealt with or heard of?
3. What do you believe to be this company's customer service-related strengths and weaknesses? Why do you feel this way?
4. What role do you think Jeff Bezos plays in the service culture of this organization? Explain your answer.
5. As a consumer, would you consider using Amazon's services in the future? Why or why not?

Quick Preview

Before reviewing the content of the chapter, respond to the following statements by placing a "T" for true or an "F" for false on the rules. Use any questions you miss as a checklist of material to which you will pay particular attention as you read the chapter. For those you get right, give yourself a pat on the back, but review the sections they address in order to learn additional details about the topics.

1. The concept of customer service evolved from the practice of selling wares in small general stores, off the back of wagons, or out of the home.
2. The migration from other occupations to the service industry is a recent trend and started in the late 1970s.

3. One reason for the shift from a manufacturing to a customer service-dominated society is more stringent government regulations.
4. As more women have entered the workforce, the demand for personal services has increased.
5. Advances in technology have created a need for more employees in manufacturing businesses.
6. Because of increasing income related to their employment, women often now have more disposable income as consumers than they did in the past.
7. As a result of deregulation in a variety of industries, competition has slowed.
8. Quality customer service organizations seek to actively recruit, select, and train qualified people.
9. Luckily, the worldwide recession had little impact on the service industry.
10. To determine whether delivery needs are being met, organizations must examine industry standards, customer expectations, capabilities, costs, and current and projected requirements.
11. There are two customer types with which service representatives must interact.
12. An organization's "culture" is what the customer experiences.

Answers to Quick Preview are located at the end of the chapter.

customer service The ability of knowledgeable, capable, and enthusiastic employees to deliver products and services to their internal and external customers in a manner that satisfies identified and unidentified needs and ultimately results in positive word-of-mouth publicity and return business.

service industry A term used to describe businesses and organizations that are engaged primarily in service delivery. *Service sector* is a more accurate term, since many organizations provide some form of service to their customers even though they are primarily engaged in research, development, and manufacture of products.

Words to Live By

"The Customers perception is your reality."

— SOURCE: KATE ZABRISKIE

LO 1-1 Defining Customer Service

CONCEPT Customer-focused organizations determine and meet the needs of their internal and external customers. Their focus is to treat everyone with respect and as if they were special.

There have been many attempts to define the term **customer service**. However, depending on an organization's focus, such as retailing, medical, dental, industry, manufacturing, or repair services, the goals of providing customer service may vary. In fact, we often use the term **service industry** as if it were a separate occupational field unto itself. In reality, most organizations provide some degree of customer service. For the purposes of this text, we will define *customer service* as the ability of knowledgeable,

capable, and enthusiastic employees to deliver **products** and services to their internal and external customers in a manner that satisfies their identified and unidentified needs and ultimately results in positive word-of-mouth publicity and return business. By doing these things, organizations can truly become **customer-focused organizations** (see Figure 1.1).

Many organizations specialize in providing only services. Examples of this category are as follows:

- Associations
- Banks and credit unions
- Consulting firms
- Internet service providers
- Utility companies
- Waste management services
- County tax collectors
- Call centers
- Brokerage firms
- Libraries
- Laundries
- Plumbing and electrical companies
- Transportation companies
- Medical or dental facilities

Other organizations provide both products and services. Examples are businesses such as car dealerships, bricks and mortar (physical buildings), online retail stores,

product Something produced or an output by an individual or organization. In the service environment, products are created to satisfy customer needs or wants.

customer-focused organization A company that spends energy and effort on satisfying internal and external customers by first identifying customer needs, and then establishing policies, procedures, and management and reward systems to support excellence in service delivery.

Some common characteristics for leading-edge customer-focused organizations are as follows:

- They have and support internal customers (e.g., peers, coworkers, bosses, subordinates, people from other areas of their organization) and/or external customers (e.g., vendors, suppliers, various telephone callers, walk-in customers, other organizations, others not from within the organization).
- Their focus is on determining and meeting the needs of customers while treating everyone with respect and as if he or she is special.
- Information, products, and services are easily accessible by customers.
- Policies are in place to allow employees to make decisions in order to serve customers better.
- Management and systems support and appropriately reward employee efforts to serve customers.
- Reevaluation and quantitative measurement of the way business is conducted is ongoing and results in necessary changes and upgrades to deliver timely quality service to the customer.
- Continual benchmarking or comparison with competitors and related organizations helps maintain an acute awareness and implementation of best service practices by the organization.
- The latest technology is used to connect with and provide service to customers, vendors, or suppliers and to support business operations.
- They build relationships through **customer relationship management (CRM)** programs.

FIGURE 1.1

Customer-Focused Organizations

customer relationship management (CRM) Concept of identifying customer needs: understanding and influencing customer behavior through ongoing communication strategies in an effort to acquire, retain, and satisfy the customer. The ultimate goal is customer loyalty.



Before distribution systems were modernized, peddlers went from house to house, particularly in rural areas, to deliver merchandise or services. Doctors often went to the sick person's home for patient visits. *How do these methods of delivery differ from those used today? Do you think the ones used today are better? Why or why not?*

internal customers People within the organization who either require support and service or provide information, products, and services to service providers who interact with external customers. Such customers include peers, coworkers, bosses, subordinates, and people from other areas of the organization.

external customers Those people outside the organization who purchase or lease products and services. This group includes vendors, suppliers, people on the telephone or Internet, and others not from the organization.

service sector Refers to organizations and individuals involved in delivering service as a primary product.

publishers, and manufacturers that have support services for their products, supermarkets, theaters, and restaurants.

Take a moment to consider all the organizations with which you have dealt with in the past or do so currently. Which one of them does not have a customer service component? Cannot think of one? That is because customer service is an intricate component of any business or organization. All companies and organizations (e.g. private, public, government or military) have **internal** or **external** customers, or both. No matter what type of organization you work in, it is crucial for you to remember that when dealing with customers, it is not about you. Your purpose and goal should be to assist customers in meeting their needs whenever possible. Be proactive and positive and strive to do the best you can by taking ownership of a customer contact situation. You have a vested interest to prevail since your success and that of your organization depend on it.

The term **service sector** as used by the Census Bureau and the Bureau of Labor Statistics in their reports and projections typically includes the following:

Transportation, communication, and utilities

Wholesale trade

Retail trade

Finance, insurance, and real estate

Other services (including businesses such as legal firms, barbershops and beauty salons, personal services, housekeeping, and accounting)

Federal government

State and local governments

In addition, there are people who are self-employed and provide various types of services to their customers and clients.

Customer Service Success Tip

Educate yourself on the service profession in general and your organization in particular by visiting service-related websites, joining customer service professional organizations (e.g., International Customer Service Association and National Customer Service Association), subscribing to blogs that focus on customer service topics, and reading trade magazines, articles, newsletters, and books (e.g., *CRM Magazine*, Alexander Communications Group, or www.customerservicemanager.com). Focus on trends, improvements, and enhancements being made by organizations that are similar to yours. Also, work to develop and expand knowledge and skills that add value to your organization.

THE CONCEPT OF CUSTOMER SERVICE

The concept or practice of customer service is not new throughout the world. Over the years, it has evolved from a meager beginning into a multibillion-dollar, worldwide endeavor. In the past when many people worked on farms, small artisans and business owners provided customer service to their neighbors. No multinational chain stores existed. Many small towns and villages had their own blacksmith, general store, feed store, boardinghouse (hotel), restaurant, tavern, barber/dentist, doctor, and similar service-oriented establishments owned and operated by people living in the town (often the place of business was also the residence of the owner). People bought materials at the general store to make their own repairs to clothing, equipment, and household items. Further, to supplement their income, many people made and sold or bartered products from their homes in what came to be known as **cottage industries**. For people living in more rural areas, peddlers with wagons of kitchenware, medicine, and other goods made their way from one location to another to serve their customers and distribute various products. As trains, wagons, carriages, and stagecoaches began to cross the United States, Europe, Asia, and other parts of the world, they carried vendors and supplies in addition to providing transportation. During that whole era, customer service differed from what it is today by the fact that the owners were also the chief executive officers (CEOs) and motivated frontline employees working face-to-face with their customers. They had a vested interest in providing good service and in succeeding.

cottage industries The term adopted in the early days of customer service when many people started small businesses in their homes or cottages and bartered products or services with neighbors.

Key Developments that Impacted the Customer Service Profession

There have been many elements of societal change that have set the stage for what we see in the customer service profession today. Some of those were innovative inventions while others involved entrepreneurial approaches to doing business.

- 1872 Montgomery Ward and Co. began operating its catalog business shipping products via the mail and railroad, primarily to farmers.
- 1875 Montgomery Ward instituted a “guaranteed-or-your-money-back” policy.
- 1876 Telephone was invented.
- 1877 Bell Telephone Company built the first telephone exchange (switchboard), and a primitive predecessor of the call center in the United States was born when it was installed in 1878 in Connecticut.
- 1885 German mechanical engineer Karl Benz invented first practical automobile.

(continued)

Key Developments *(Continued)*



- 1886 R.W. Sears Watch Company (the forerunner of Sears, Roebuck & Company) began selling watches via mail order. After several restructures, the catalog expanded to include a variety of clothing, household goods, appliances, and other products.
- 1913 The U.S. Postal Service began a parcel post delivery system, speeding delivery while reducing costs.
- 1913 Merchants Parcel Delivery (today's United Parcel Service [UPS]) started.
- 1913 Ford Motor Company began using the automobile assembly line that provided a steady stream of affordable cars to the world.
- 1925 The Air Mail Act was passed allowing the U.S. Post Office to contract with private airlines to deliver mail, thus improving delivery times and service.
- 1938 The Civil Aeronautics Act established the Civil Aeronautics Board that regulated airfares. That forced airlines to improve service in order to beat competition.
- 1952 Bell Laboratories began developing primitive versions of interactive voice technology that has led to a wide variety of speech recognition tools in cars, and on computers, wired telephones, smartphones, and other devices. Ultimately, it was incorporated into call center technology that has been used since the 1970s.
- 1960s Electronic mail was developed and by the 1970s morphed into the format we now recognize as e-mail.
- Mid-1960s Private automated branch exchanges (PABX) were used as a replacement for manually having to handle incoming calls into an organization.
- 1962 Walmart, Kmart, and Target opened stores and offered low prices and self-service, changing the way consumers in the United States viewed shopping.
- 1964 First personal computer (Programma 101) was introduced at the New York World's Fair.
- 1967 AT&T introduced toll-free (1-800) number calling services.
- 1968 Graphical user interface (GUI) invented by Douglas Englebart allows use of computer mouse, icons, and other technology elements to interact and perform tasks for users.
- 1971 FedEx started operations.
- 1978 The U.S. Congress passed the Airline Deregulation Act that allowed airlines to establish their own fares and routes and compete more aggressively.
- 1980 Tim Berners-Lee began work on a project that would result in the birth of the World Wide Web that really took hold in the 1990s and continues today.
- 1981 First mass-produced portable microprocessor-based computer was released.
- 1983 Mobile phones released by Motorola led the way for the mobile technology that is commonplace today.
- 1990s The number of companies with an online presence skyrocketed.
- 1993 Smartphones became available to the general public.
- 1997 Wireless Fidelity (Wi-Fi) standards were developed, which led to a wide array of wireless technology and increased access to organizations and customer service.
- 1997 SixDegrees.com social network was launched, followed by MySpace, Facebook, and other social media platforms. Many social networks are now being used by businesses as customer communication and service platforms.
- Early 2000s Software companies worked to develop and refine customer service technology with the result being modern-day CRM systems.
- 2000s Many companies began to outsource their customer call/care centers abroad.
- 2000s Companies began employing customer service applications (apps) and websites that allow customers to access service options remotely and participate in self-service options for orders and information.

When industry, manufacturing, and larger cities started to grow, the service industry really started to gain ground. In the late 1800s, societal and technological changes occurred that set the stage for what would become the customer service profession of today. In rural areas, the population grew and expanded westward, and service providers followed.

POST-WORLD WAR II SERVICE IN THE UNITED STATES

After World War II, the desire, and in some cases need, to obtain products and services started to grow throughout much of the world. In the United States, there was a continuing rise in the number of people in service occupations. According to an article published on www.minnpost.com,

Before World War II, the service sector grew because we got richer. Think about it: From domestic servants to waiters, blacksmiths to cobblers, and barbers to bankers, Americans have always been engaged in a variety of service activities. And, as the American economy grew and average incomes increase[d], Americans increased their demand for meals, repairs, grooming and financial services. Thus, more and more workers were *pulled* into the service sector by this increasing demand.¹

THE SHIFT TO SERVICE

Today, businesses have changed dramatically as the economy has shifted from a dependence on manufacturing to a focus on providing timely quality service. The age of the **service economy** has been alive and strong for some time now. Tied to this trend has been the development of international quality standards by which service effectiveness is measured in many multinational organizations. Organizations such as the International Council of Customer Service Organizations (www.iccso.org) work to help develop and promote service and professional excellence standards throughout the world. This is being done by setting internationally acceptable standards and certifications to create a global atmosphere of service. For example, quality standards, such as ISO 9000 and ISO 10002:2004, were developed and overseen by the International Organization for Standardization (www.iso.org). These are globally accepted guidelines for quality in the area of product and customer service excellence. They were designed to help enhance the customer experience in affiliated organizations. In addition, to help attract and maintain a more loyal customer base, many customer-centric organizations are stepping up their enthusiasm and support for such standards. To project a more service-oriented posture, they are adding executive-level positions such as chief customer officer (CCO), or similar presti-

service economy A term used to describe the trend in which businesses have shifted from primarily production and manufacturing to more service delivery. As part of this evolution, many organizations have developed specifically to provide services to customers.

KNOWLEDGE CHECK



1. Why is “service sector” a more appropriate term than “service industry” when describing customer service?
2. What are common characteristics of leading-edge customer-focused organizations?
3. How has the concept of customer service evolved since its origin?

FIGURE 1.2
From Pre–World War II
Occupations to Service
Occupations

| Typical Former Occupations | Typical Service Occupations |
|---------------------------------|----------------------------------|
| Farmer | Salesperson |
| Ranch worker | Insurance agent |
| Machinist | Food service |
| Engineer | Administrative assistant |
| Steelworker | Flight attendant |
| Homemaker | Call center representative (CSR) |
| Factory worker | Repair person |
| Miner | Travel professional |
| Tradesperson (e.g., watchmaker) | Child care provider |
| Railroad worker | Security guard |

gious titles, to their hierarchy. CCOs are responsible for all operational functions that influence or relate to customer relations and add a new dimension to the customer service career path.

As shown in Figure 1.2, since the end of World War II, people have moved from other occupations to join the rapidly growing ranks of service professionals.

LO 1-2 Growth of the Service Sector

CONCEPT Technology has affected jobs in the following ways: quantity of jobs created, distribution of jobs, and quality of jobs. The service sector is projected to have the largest job growth.

According to the U.S. Bureau of Labor Statistics, “Although customer service representatives are employed in nearly every industry, many work in telephone call centers, credit and insurance agencies, banks, and retail stores. About 1 in 5 worked part time in 2014. The median hourly wage for customer service representatives was \$15.25 in May 2015. Employment of customer service representatives is projected to grow 10 percent from 2014 to 2024, faster than the average for all occupations. Overall job opportunities should be good. Candidates with good customer-service skills and who have experience using

computer software applications should have the best job prospects.”² Other great news from recent summaries is that customer service representative and other types of service jobs are projected to have the most job growth between 2014 and 2024. For more statistics on customer service job opportunities by state, visit <http://www.bls.gov/oes/current/oes434051.htm#st>. Other Bureau of Labor Statistics predictions are that “Service-providing sectors are projected to capture 94.6 percent of all the jobs added between 2014 and 2024. Of these 9.3 million new service sector jobs, 3.8 million will be added to the health care and social assistance major sector.” Further, “The health care and social assistance major sector is expected to become the largest employing major sector during the projections decade, overtaking the state and local government major sector and the professional and business services major sector. Health care and social assistance is projected to increase its employment share from 12.0 percent in 2014 to 13.6 percent in 2024.”³ Among other factors, the latter increase is likely being fueled by the aging society and future need for medical care and assistance (see Figure 1.3).

Street Talk Adopt an internal client mentality

One company I used to work with instilled in me the mentality that my hiring managers were my internal candidates, thus making me treat them as a customer. This does not mean they walked all over me or got everything they wanted. Focusing on others in your organization as customers helps make you more responsive. I remember a manager who had a very detail-oriented spreadsheet that he wanted completed on a weekly basis . . . much to my chagrin and that of his other direct reports. One such manager asked me if it drove me crazy to always have to update the form. My response to him was, “He’s my manager and if he wants it, he will get it.”

COURTESY OF ANNE WILKINSON

EMPLOYMENT BY INDUSTRY SECTOR—SERVICE OCCUPATIONS

| | 2014 | 2024 |
|---|-------------|-------------|
| Service-providing occupations (total in thousands) | 110,646.9 | 129,904.6 |
| Utilities | 563.8 | 505.1 |
| Wholesale trade | 5,663.0 | 6,151.4 |
| Retail trade | 15,058.2 | 16,129.1 |
| Transportation and warehousing | 4,248.6 | 4,776.9 |
| Information | 3,118.3 | 2,712.6 |
| Financial activities | 8,105.1 | 8,486.7 |
| Professional and business services | 16,394.9 | 20,985.5 |
| Educational services; private | 2,762.5 | 3,756.1 |
| Health care and social assistance | 14,429.8 | 21,852.2 |
| Leisure and hospitality | 12,493.1 | 15,651.2 |
| Other services | 6,188.3 | 6,662.0 |
| Federal government | 2,730.0 | 2,345.6 |
| State and local government | 18,891.3 | 19,890.1 |

Source: Bureau of Labor Statistics Employment by Major Industry Sector,
<http://www.bls.gov/news.release/ecopro.t02.htm>.

FIGURE 1.3

Employment by Major
Industry Sector

The impact of these numbers can be seen as technology replaces many production line workers and increasing numbers of service jobs are created. This comes about because, as greater numbers and greater varieties of goods are produced, more service people, salespeople, managers, and other professionals are needed to design and market service delivery systems that support those products. Technology-related service jobs such as those of database administrators, computer support specialists, computer scientists, computer engineers, and systems analysts are expected to continue to grow at a rapid pace.

IMPACT OF THE ECONOMY

According to leading economists, today's economy is affecting jobs in three ways: (1) overall quantity of jobs created; (2) the distribution of jobs among industries, occupations, geographic areas, and organizations of different sizes; and (3) the quality of jobs, measured by wages, job security, and opportunities for development.

Quantity of Jobs Being Created

A variety of factors, including prevailing interest rates and consumer demand, typically cause companies to evaluate how many people they need and which jobs will be established or maintained. In addition, the advent of technology has brought with it the need for people with many new technical skills in the areas of computer hardware and software operation and maintenance. At the same time, technology has created an opportunity for organizations to transfer to automation tasks previously performed by employees.

According to the U.S. Department of Labor, the 30 detailed occupations that are projected to add the most new jobs by 2022 are expected to account for almost half of all new jobs (see Figure 1.4).

FIGURE 1.4 Employment and Wages of Occupations with the Largest Numeric Projected Growth in Jobs, Projected 2012–2022 (Numbers in Thousands)

| | Employment | | Projected Change, 2012–2022 | | | |
|---|------------|-----------|-----------------------------|----------------|--|------------------------------------|
| 2012 National Employment Matrix Title | 2012 | 2022 | Number | Percentage (%) | Median Annual Wage, May 2012 ⁴ \$ | Typical Education Needed for Entry |
| Total, all occupations | 145,355.8 | 160,983.7 | 15,628.0 | 10.8% | \$34,750 | — |
| Personal care aides | 1,190.6 | 1,771.4 | 580.8 | 48.8 | 19,910 | Less than high school |
| Registered nurses | 2,711.5 | 3,238.4 | 526.8 | 19.4 | 65,470 | Associate's degree |
| Retail salespersons | 4,447.0 | 4,881.7 | 434.7 | 9.8 | 21,110 | Less than high school |
| Home health aides | 875.1 | 1,299.3 | 424.2 | 48.5 | 20,820 | Less than high school |
| Combined food preparation and serving workers, including fast food | 2,969.3 | 3,391.2 | 421.9 | 14.2 | 18,260 | Less than high school |
| Nursing assistants | 1,479.8 | 1,792.0 | 312.2 | 21.1 | 24,420 | Postsecondary nondegree award |
| Secretaries and administrative assistants, except legal, medical, and executive | 2,324.4 | 2,632.3 | 307.8 | 13.2 | 32,410 | High school diploma or equivalent |
| Customer service representatives (CSRs) | 2,362.8 | 2,661.4 | 298.7 | 12.6 | 30,580 | High school diploma or equivalent |
| Janitors and cleaners, except maids and housekeeping cleaners | 2,324.0 | 2,604.0 | 280.0 | 12.1 | 22,320 | Less than high school |
| Construction laborers | 1,071.1 | 1,331.0 | 259.8 | 24.3 | 29,990 | Less than high school |
| General and operations managers | 1,972.7 | 2,216.8 | 244.1 | 12.4 | 95,440 | Bachelor's degree |
| Laborers and freight, stock, and material movers, hand | 2,197.3 | 2,439.2 | 241.9 | 11.0 | 23,890 | Less than high school |
| Carpenters | 901.2 | 1,119.4 | 218.2 | 24.2 | 39,940 | High school diploma or equivalent |
| Bookkeeping, accounting, and auditing clerks | 1,799.8 | 2,004.5 | 204.6 | 11.4 | 35,170 | High school diploma or equivalent |
| Heavy and tractor-trailer truck drivers | 1,701.5 | 1,894.1 | 192.6 | 11.3 | 38,200 | Postsecondary nondegree award |

| | Employment | | Projected Change, 2012–2022 | | | |
|---|------------|---------|--------------------------------|-------------------|--|---|
| 2012 National Employment Matrix Title | 2012 | 2022 | Number | Percentage (%) | Median Annual Wage, May 2012 ⁴ \$ | Typical Education Needed for Entry |
| Medical secretaries | 525.6 | 714.9 | 189.2 | 36.0 | 31,350 | High school diploma or equivalent |
| Child care workers | 1,312.7 | 1,496.8 | 184.1 | 14.0 | 19,510 | High school diploma or equivalent |
| Office clerks, general | 2,983.5 | 3,167.6 | 184.1 | 6.2 | 27,470 | High school diploma or equivalent |
| Maids and housekeeping cleaners | 1,434.6 | 1,618.0 | 183.4 | 12.8 | 19,570 | Less than high school |
| Licensed practical and licensed vocational nurses | 738.4 | 921.3 | 182.9 | 24.8 | 41,540 | Postsecondary nondegree award |
| First-line supervisors of office and administrative support workers | 1,418.1 | 1,589.6 | 171.5 | 12.1 | 49,330 | High school diploma or equivalent |
| Elementary school teachers, except special education | 1,361.2 | 1,529.1 | 167.9 | 12.3 | 53,400 | Bachelor's degree |
| Accountants and auditors | 1,275.4 | 1,442.2 | 166.7 | 13.1 | 63,550 | Bachelor's degree |
| Medical assistants | 560.8 | 723.7 | 162.9 | 29.0 | 29,370 | Postsecondary nondegree award |
| Cooks, restaurant | 1,024.1 | 1,174.2 | 150.1 | 14.7 | 22,030 | Less than high school |
| Software developers, applica- tions | 613.0 | 752.9 | 139.9 | 22.8 | 90,060 | Bachelor's degree |
| Landscaping and grounds- keeping workers | 1,124.9 | 1,264.0 | 139.2 | 12.4 | 23,570 | Less than high school |
| Receptionists and information clerks | 1,006.7 | 1,142.6 | 135.9 | 13.5 | 25,990 | High school diploma or equivalent |
| Management analysts | 718.7 | 852.5 | 133.8 | 18.6 | 78,600 | Bachelor's degree |
| Sales representatives, whole- sale and manufacturing, except technical and scientific products | 1,480.7 | 1,612.8 | 132.0 | 8.9 | 54,230 | High school diploma or equivalent |

Source: Bureau of Labor Statistics, Monthly Labor Review, Occupational employment projections to 2022, December 2013, www.bls.gov.

Today, many employees work from their homes all or part of the time. Telecommuting, as this is called, is used frequently by companies in large cities, such as Los Angeles, to decrease travel time. *Do you think you would need different skills or abilities to telecommute? Why or why not?*



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telecommuting A trend seen in many congested metropolitan areas and government offices. To reduce traffic and pollution and save resources (e.g., rent, telephone, and technology systems), many organizations allow employees to set up home offices and from there electronically communicate and forward information to their corporate offices.

telework Similar to telecommuting (working from home rather than going to a designated workplace), this term applies to people who work in an office but also conduct work from a remote location.

broadband Internet access Refers to a very fast connection to the Internet that is made possible by technology that can communicate much more data or information than was possible with the old phone dial-up Internet connections. With broadband, users can download images, video clips, and music; send e-mail; and perform other functions at a much faster speed.

Skype Refers to a software application that is a division of Microsoft® and provides free or paid service that allows people to connect with other Skype subscribers via the Internet anywhere in the world with voice, videos, or text messages.

Distribution of Jobs

Two parallel trends in job development are occurring. The first comes about from the need for employees to be able to have regular access to personal and professional networks and to engage in collaborative exchanges. This trend means that more jobs are likely to develop in major metropolitan areas, where ease of interaction with peers and suppliers, high customer density, and access to the most current business practices exist. Training and technology resources are also available in these areas. Access to technology resources helps ensure continued learning and growth of employees. It also aids organizations in achieving their goals and objectives.

The second trend in job development arises from the ease of transmission and exchange of information by means of technology. It is called either **telework** or **telecommuting** and various other terms to describe it (e.g., e-work and work shifting). The practice does not include people who are self-employed. With enhanced phone technology, **broadband Internet access** facilitates more personal communication with customers, suppliers, distributors, and colleagues. With visual imaging and collaboration software like **Skype** and **GoToMeeting**, **instant messaging**, **social media**, e-mail, text chat, and other technology, employees can now work from their homes or satellite office locations worldwide. Government agencies, technology-focused organizations, and many companies with large staffs in major metropolitan areas that experience traffic congestion (e.g., Los Angeles, Boston, Chicago, and Washington, DC) have used telework and telecommuting for a number of years to eliminate the need for employees to travel to work each day. They also use the practices to reduce corporate overhead, such as office space and technology, utility, and equipment costs.

Small businesses are also using the telecommuting strategy as a way to hold down costs of hiring full-time employees. They are using a network of people from remote locations who have the specialized skills that are needed to provide service to customers. For example, the author of this book has run several small businesses and worked from a home office since 1999. During that time, he has often contracted with bookkeepers, webmasters, marketing and graphics associates, and product suppliers in other parts of the country. He stays connected with them almost exclusively through

technology. In fact, he only met a former webmaster one time face-to-face during a 10-year association. As a performance consultant, he typically saw his business partner one or two times a week and conducted a majority of their business via technology. Similarly, much of the contact he has had with publishers, editors, customers, and clients has been through technology.

Even though many organizations have experienced savings in terms of time and money and increases in productivity, some companies (e.g., Yahoo) have reversed their use of telecommuters and brought their employees back to the organizational worksite after indicating discontent with the results of the efforts to have people work independently. Some pundits think that the lack of success experienced by Yahoo might have been the result of a poorly instituted telecommuting policy rather than a shortcoming in the process itself.

From an industry perspective, workers employed in professional and business services, in financial activities, and in education and health services are among the most likely to work at home. Technology, such as the telephone, fax, smartphone, and computer, makes it possible to provide services from almost any remote location. For example, telephone sales and product support services can easily be handled from an employee's home if the right equipment is used and adequate employee selection and training are provided. To accomplish this, a customer calls a designated toll-free number and a switching device at the company dispatches the call to an employee working at home or even in another country. This is seamless to the customer, who receives the service needed and has no idea from where the call was answered. This also makes it easier for many companies to outsource some functions, thus saving money by relocating those jobs to geographical areas worldwide where wages and benefits may be less competitive.

instant messaging Refers to a form of Internet communication where users can transmit text messages or chat in real time via the Internet to one or more people. More advanced forms allow voice calling, video chat, and hyperlinks to various media.

social media Websites through which users come together as "communities" of friends, relatives, and like-minded individuals for social networking and microblogging (blogging) and to share ideas, content (e.g., videos or images), and personal and other information. Examples of social media include Facebook, Twitter, Tumblr, Instagram, Pinterest, LinkedIn, Google Plus, Dribbble, and Reddit.

Customer Service Success Tip

Make yourself indispensable to your employer by building a strong internal network of associates within the organization in order to reduce your chances of layoff during **downsizing**. This will help you share information and resources and add to your personal power base because you will have information that coworkers potentially do not have. Also, become thoroughly educated on the products and services that your organization provides and continually volunteer ideas and assistance to improve the organization.

downsizing Term applied to the situation in which employees are terminated or empty positions are left unfilled once someone leaves an organization.

Quality of Service Jobs

The last decade of the twentieth century saw increasing economic growth, low interest rates, and new job opportunities. Unemployment rates reached a historic low in 1999, and then rose dramatically as the worst recession (2007–2009) or downturn in the economy since the Great Depression occurred and resulted in unemployment rates of 6 to 14 percent or more in most areas of the United States and around the world. As many people continue to struggle to find meaningful employment, social and workplace demographics continue to shift and people move around in a more mobile society. A major result is that job security has been affected and it is likely that competition for desired prime service jobs will continue to become much more intense into the foreseeable future in many sectors. However, because of changing workplace demographics where more millennials are entering the workplace and boomers are retiring or moving into part-time positions, the future might not be so bleak after all.

networking The active process of building relationships and sharing resources.

Employees who do obtain and maintain the better customer service jobs that provide good working conditions, security, and benefits will be the ones who are better educated, trained, and prepared. They will also be the ones who understand and have tapped into the concept of professional **networking**. This is the active process of building relationships inside and outside the organization through meetings, interpersonal interactions (face-to-face or via technology), and activities that lead to sound relationships and sharing of resources. Practices such as joining and becoming actively involved in committees and boards of governors or directors for professional associations or groups that support your industry will prove to be invaluable. Additionally, creating and maintaining an ongoing professional social media presence is crucial in finding jobs and developing links to other service providers and workplace professionals. Many good books have been published on the subject of networking. The Internet—for example, Amazon (<http://amzn.to/2u3YSj6>) and Barnes & Noble (http://www.barnesandnoble.com/s/personal+networking_requestid=690621)—can provide such resources. Additionally, an abundance of technology (e.g., smartphones, wireless communication devices, and computers) can allow access, organization, and storing of information and provide a gateway to social networking sites like Facebook, Twitter, Google+, and LinkedIn. All of this will enhance the job search process and provide valuable information and opportunities for those attempting to prepare and position themselves for key jobs in the service sector.



WORK IT OUT 1.1

Improving Service Quality

Take a moment to list some of the changes related to service that you have personally witnessed in the business world during your lifetime. Are these changes for better or worse? Why do you believe this to be true? With these changes in mind, what do you—or would you—do to improve service quality as a customer service professional in your own chosen industry or position?

Customer Service Success Tip

Social media can be a powerful tool in your effort to find a new job. Unfortunately, some people fail to realize that, just as technology can be an asset, it can also be a detriment if users fail to act responsibly, post unprofessional-sounding comments that are laden with profanity, or post inappropriate comments about peers, supervisors, and their organizations. Many job recruiters and employers actively scour Facebook, LinkedIn, and other social networking sites to see what they can find about candidates and current employees. There are many stories on the Internet about people who were turned down or lost jobs because of their poor judgment in posting comments or images. Also, keep in mind that your customers also use social media and may see what you post.

KNOWLEDGE CHECK

1. What is customer service?
2. In what three ways is today's economy affecting jobs?

LO 1-3 Societal Factors Affecting Customer Service

CONCEPT Many factors caused the economic shift from manufacturing to service. Increased technology, globalization of the economy, deregulation, and many government programs are a few factors. You will read about these and others in the following paragraphs.

The economies of North America and many other geographic areas are being dramatically changed by the forces that are shaping the world. Shifts in consumer needs, wants and expectations, declining economic conditions in some areas, demographic shifts in population, constant technological change, globalization, deregulation of industries, geopolitical changes, increases in the number of white-collar workers, socioeconomic program development, and more women entering the workplace are some of the major shifts that continue to occur each year around the world.

You may wonder what factors have impacted the service industry. Some of the more important elements are identified in the following sections.

SHIFTS IN CONSUMER NEEDS, WANTS, AND EXPECTATIONS

Consumer behavior continues to shift. That is why car manufacturers, clothing designers, homebuilders, restaurants, and others continually change the appearance and functionality of their products and services. Organizations and service providers that effectively prepare for and predict coming needs, wants, and expectations can improve their profit margin. They can do so by reducing or eliminating waste and better preparing to serve their customer base. Companies that monitor societal changes, such as ones outlined in this chapter, are more adept and effective at preparing for their future. They are also less likely to fail when trends negatively impact all of society.

For years, economists have used **demand curves** to illustrate shifts in consumer behavior in a particular market. Through graphs, they can show trends or movements at different points and see upward or downward deviations in spending habits. Managers can use similar tools to monitor the purchase or use of particular products and service categories so that they can modify as necessary. This is particularly helpful for small business owners who normally have fewer resources than their larger chain competitors. By anticipating changes, they can move revenue or personnel to areas where more customer activity is likely to occur.

Many of the shifts that are evident in today's business world are tied directly to the demographic shifts discussed in this chapter. For example, the aging population creates a need for a variety of services, such as medical care and assistance, vacation planning, transportation, recreational activities, and delivery services for purchases made. Younger consumers often seek out technology-based products, trendy clothing

demand curves Graphic representations of expected behavior in the real world that economists and business people can use to predict coming trends or shifts in consumer needs, wants, or expectations.

Trending NOW

Consumer desires drive organizational offerings and performance. That is why recent years have produced services not imagined in past decades for the service industry. The changes being introduced by many companies are designed to capture market share and stay a step ahead of competition. More importantly, companies are trying to anticipate and meet the ever-changing needs, wants, and expectations of consumers.

Some recent trends include ways of providing transportation for commuters to ease traffic congestion and take some of the cost and stress out of moving about a city. Many metropolitan

cities throughout the world have seen a growth in bicycle rental stations, car sharing, Uber drivers as an alternative to taxicabs, and toll roads in the center of major highways to allow faster commutes. Other shifts involve house swapping to lower the cost of vacations, UberEats that uses its people movers to deliver meals for restaurants, Google Express that has partnered with retailers (e.g., Walgreens, Costco Wholesale, PetSmart, and Whole Foods Market) to provide a quick-delivery service, and Amazon Restaurants that provides eatery-to-door delivery from restaurants to its prime subscribers. Amazon has also started opening retail bookstores.

and accessories, activities that involve group engagement and recreation, and entertainment. People who immigrate into a country often bring needs, wants, and expectations based on their background, beliefs, and values. In many cases, in addition to wanting to access products and services from their new culture to better understand and assimilate into society, many prefer a desire to access food, clothing, television/radio programming, and other products and services familiar to them.

GLOBAL ECONOMIC SHIFTS

Not since the 1980s have economic indicators (e.g., stock trades, home sales, purchases, international transactions, and construction) been in such turmoil worldwide. Many people have lost jobs, personal savings are dwindling, people are losing their homes, and spending is down greatly around the world. As the economy took a downward spiral in the latter part of the first decade of the twenty-first century, consumer confidence shifted, many organizations struggled to provide quality service levels with reduced staff, and budgets and revenue from products and services slipped for most organizations as consumers held onto precious cash. The problem was compounded by a worldwide recession from late 2007 to mid-2009. The negative impact on people and businesses are still being felt in many areas.

The latest log on this fire of economic change was the decision by citizens of the United Kingdom to exit the European Union in June 2016 in what was billed a BREXIT (British Exit). Assuming all the predicted consequences occur from the split, the impact of the break will be seen for years. An example of this occurred when financial markets worldwide plunged at the news and estimates of the economic and social impact are still being regularly recalculated. The move will have immediate economic implications in the United Kingdom and throughout the rest of the European communities in the European Union. Trade between partnering countries and restrictions on freedom of movement for citizens of the United Kingdom within the European community are possible outcomes of the change. That latter impact alone will potentially have some effect on businesses throughout the European Union that benefit from a flow of revenue from travelers. Ultimately, the economic repercussions could extend to the United States since EU members are a large market for U.S. businesses and consumers. Financial markets (e.g., banking and stocks) are also impacted by actions in Europe. Consumers often pull back on spending when there

are economic changes and uncertainty. That means that businesses see lost revenue and have to impose their own cuts in inventory, services, and employment-related areas. Ultimately, such reductions can have a negative impact on employee morale that is passed on to customers.

In addition to governmental policy and economic changes, new legislation impacting health care and taxes, job elimination in the government sector, and shifts in consumer spending can significantly affect many organizations, forcing downsizings and in many cases closures. This is especially true in small businesses that benefit in strong economies where consumers have more disposable income and are willing to make more purchases of products and services. In such instances, small businesses hire more people to serve customers, invest in equipment and space, and often increase product and service offerings. However, when the economic picture is not so positive, the opposite is true and many small business owners are forced to downsize or even close their doors.

Overall, consumers do business as never before. Large numbers of customers search and do their homework for products and services online and often use retail outlets as a showroom to physically examine things they are interested in potentially purchasing. The result is that sales in brick-and-mortar stores are down for many retailers and suppliers. Best Buy instituted a price-matching strategy in March 2013 to combat this shop-around practice. The company decided to match prices for all product categories against all local retail competitors and major online operations such as Apple.com, Dell.com, homedepot.com, Lowes.com, and other highly recognized retailers.

Another important factor related to the changes in the economic environment that have occurred in recent years is that many companies have made dramatic shifts in the way they do business and attempt to attract and hold customers. The approach to customer service in many instances is no longer “business as usual.” Instead of viewing it as something that should be done well, most organizations now see it as something that must be done.

Because of the financial meltdown that occurred during the high point of the recession, many organizations that have been household names for decades and had international presence have cut back severely on the size of their workforce and inventory and sold off, merged, or closed operations. This can easily be witnessed by walking into major mall department stores and looking at how much space they now have between

Growth of Small Businesses



- The 28 million small businesses in America account for 54% of all U.S. sales.
- Small businesses provide 55% of all jobs and 66% of all net new jobs since the 1970s.
- The 600,000 plus franchised small businesses in the U.S. account for 40% of all retail sales and provide jobs for some 8 million people.
- The small business sector in America occupies 30-50% of all commercial space, an estimated 20-34 billion square feet.

Furthermore, the small business sector is growing rapidly. While corporate America has been “downsizing,” the rate of small business “start-ups” has grown, and the rate for small business failures has declined.

- The number of small businesses in the United States has increased 49% since 1982.
- Since 1990, as big business eliminated 4 million jobs, small businesses added 8 million new jobs.

Source: U.S. Small Business Administration, Small Business Trends, Small Business, Big Impact!

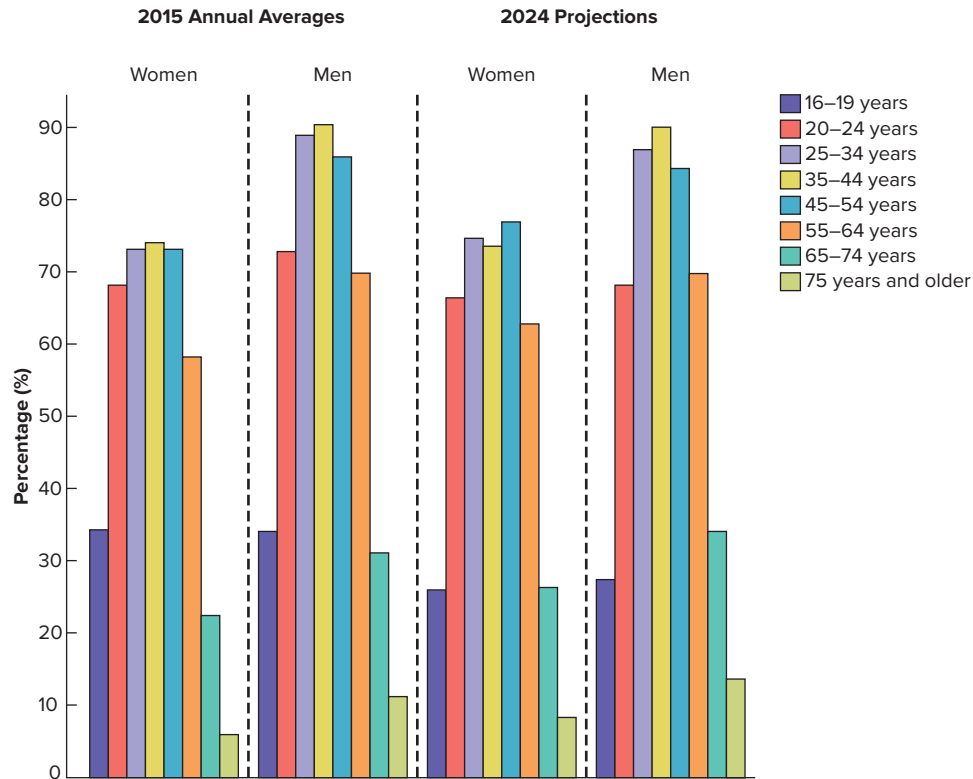
clothing racks. Organizations have also taken dramatic steps to attract and keep customers. Companies like Chrysler, General Motors, Citigroup, Goldman Sachs, and American Express received funds through the Emergency Economic Stabilization Act of 2008 from the U.S. federal government to remain financially solvent. In addition, companies struggled (and still do in many instances) to find a balance between profitability and providing quality service. For example, companies like Sears, Macy's, JCPenney, Best Buy, Dell, Borders Books, and other notable companies have continually juggled their retail and service policies since 2010 in an effort to remain competitive and stay in business. Some succeeded while others did not. All of this turmoil and change has had an adverse impact on the economy, the service industry, and ultimately employees and potential employees. Radio Shack, Borders Books, Blockbuster, and Circuit City have closed and other well-known organizations are likely to disappear in the near future. These include:

- Time Warner
- DirectTV
- Shutterfly
- Russell Stover
- HHGregg
- Hillshire Farm
- RIM (Blackberry)
- Eastman Kodak

SHIFTS IN THE POPULATION AND LABOR FORCE

There are a number of important factors impacting the future of the labor force in the United States. Today's labor force is older, more racially and ethnically diverse, and composed of more women than in the past. Additionally, it is expected to grow at a slightly slower rate than in previous decades. Figure 1.5 shows projections of labor force participation by sex and age.

“During the 1970s and 1980s, the labor force grew vigorously as women's labor force participation rates surged and the baby-boom generation entered the labor market. However, the dynamic demographic, economic, and social forces that once spurred the level, growth, and composition of the labor force have changed and are now damping labor force growth. The labor force participation rate of women, which peaked in 1999, has been on a declining trend. In addition, instead of entering the labor force, baby boomers are retiring in large numbers and exiting the workforce. In the first 12 years of the 21st century, the growth of the population has slowed and labor force participation rates generally have declined. As a result, labor force growth also has slowed. The Bureau of Labor Statistics (BLS) projects that the next 10 years will bring about an aging labor force that is growing slowly, a declining overall labor force participation rate, and more diversity in the racial and ethnic composition of the labor force. Overall, the U.S. labor force is projected to reach 163.5 million in 2022. The labor force is anticipated to grow by 8.5 million, an annual growth rate of 0.5 percent, over the 2012–2022 period. The growth in the labor force during 2012–2022 is projected to be smaller than in the previous 10-year period, 2002–2012, when the labor force grew by 10.1 million, a 0.7-percent annual growth rate.”⁵



Source: 2015 Current Population Survey and 2024 Employment Projections, U.S. Bureau of Labor Statistics Graph by the Women's Bureau, U.S. Department of Labour.

FIGURE 1.5

Labor Force Participation by Age and Sex, 2015–2024

According to U.S. Census data, “the U.S. population is projected to increase from 319 million to 417 million, between 2014 and 2060, reaching 400 million in 2051. By 2030, one in five Americans is projected to be 65 and over; by 2044, more than half of all Americans are projected to belong to a minority group (any group other than non-Hispanic White alone); and by 2060, nearly one in five of the nation’s total population is projected to be foreign born.”⁶

The upside of this growing, evolving, and aging population is that there will be a need for more consumer goods and services to provide for the needs and expectations of diverse customers. This will also lead to an expansion of jobs to fill the positions needed to produce products and serve customers.

An interesting side note to the aging issue in the United States is that even as experienced workers age out, there is a fairly steady stream of younger skilled workers coming in due to immigration. Unlike many other countries in Europe, Japan, Korea, and China, where some analysts project the age of those populations to range as high as 40 percent by 2060, the United States is not facing such a dire shortage of future employees. The result is that there will be a pool of workers to provide needed services.

For more information on the projected U.S. population, visit U.S. Census 2012 National Population Projections: Summary Tables (<http://www.census.gov/population/data/national/2012/summarytables.html>).

Since the size of the labor force is the most important factor related to the size and makeup of the available pool of workers, organizations that hire service representatives will have to make some adaptations related to the way they recruit and hire in order to obtain quality candidates for open positions. This may include seeking viable candidates from other geographic areas if qualified ones cannot be found locally.

Customer Service Success Tip

Knowledge is power. Learn as much about as many software packages and pieces of equipment used by your organization as possible. Stay abreast of emerging technology trends in your industry. Volunteer to attend training and to work on committees tasked with identifying and implementing new service technology in your organization and professional organizations to which you belong. Such efforts place you in competition for prized jobs and opportunities within the organization. They will also make you a valuable resource that is less expendable during potential downsizing.

INCREASED EFFICIENCY IN TECHNOLOGY

The development and increased sophistication of machines, telephones, service equipment, and computers have caused an increase in production and quality. Three results of this trend have been acquisition of equipment that enhances the service experience for customers, an increased need for service organizations to take care of the technology, and a decrease in manufacturing and blue-collar jobs. The downside of the rapid growth or automation and technology throughout the world is that manufacturing jobs, traditionally the basis of most economies for generations, is quickly going away. This creates real challenges from an economic standpoint since job loss leads to people not having primary and disposable sources of cash to pay their bills and make purchases. This leads to loss of service-related jobs.

One reason for the ongoing shift to replace manual labor with technology is that machines and equipment can work 24 hours, 7 days a week with few lapses in quality, with no need for breaks, and without increases in salary and benefits. They also potentially enhance the ease of service delivery and provide faster processing. For example, instead of having to direct customers to a cash register or central customer service desk in a store where they often required to stand in long lines to check out, individual sales representative can be given a portable data collection device that looks similar to an iPad screen and that they can carry with them. When a customer is ready to make a purchase, the sales representative simply scans the product bar code, takes the customer's credit card and swipes the magnetic strip through the device, and then has the customer sign the screen with his or her fingertip. If the customer desires a receipt, it can be sent to an e-mail address the customer enters into the device. When customers get to their computers, their receipt is waiting for them. The author of this book uses an alternative method to process book sales at the back of the room at his presentations. He uses a Wi-Fi-connected iPad or smartphone with a small portable scanner called the Square, which plugs into the top of the device. Inventory items are already entered into the iPad, so once the appropriate item is selected on the screen, the customer's credit card is scanned, he or she signs on the display screen, and the transaction is completed much the same as described above.

Another example of technology efficiency is that customers can now access information via a website with either a computer or a mobile device, place orders, print receipts, and track delivery schedules. They can do this from anywhere if there is a secure Wi-Fi Internet connection. If there is a question or problem, they can typically interact with a customer care or information technology specialist via a telephone or text chat. These options add convenience while meeting the needs, wants, and expectations of a diverse and technically savvy customer base.

All of this makes technology extremely attractive to profit-minded business and corporate shareholders and managers who are concerned with service delivery and

how it impacts sales. Similarly, service and nonprofit organizations are looking to available technology as a way to communicate with and provide services to their clients and members. Although technology can lead to the loss of some jobs, technological advances in the computer and telecommunications industry alone have created hundreds of service opportunities for people who install, monitor, and run the machines and automated services. Everything from point-of-sale transactions, toll-free numbers, and telemarketing or teleselling to shopping and service via the Internet, television, telephone, and mobile devices have evolved and continues to expand.

Statistics from Internet World Stats indicates that as of June 30, 2016, there were an estimated 7,340,094,096 people in the world. Of that number, 3,675,824,813 use the Internet. That is a 50.1 percent penetration level and a 918.3 percent growth rate since 2000.⁷ Of these totals, 91,245,000 households use the Internet at home, according to a 2012 U.S. Census survey.⁸

While many areas of the world have little or no effective Internet services, efforts are under way to help reduce that gap. The U.S. government passed the Recovery Act in 2009 with money allocated for expanding nationwide Internet access to rural areas and into schools, libraries, public safety offices, and other community buildings. Other governments have also invested in their own systems. Additionally, private businesses are investing in the growth of the Internet. SpaceX partnered with Fidelity and Google to raise money for a fleet of low Earth-orbit satellites to expand worldwide Internet service. Facebook and Google had already been working on strategies to help expand services. Google announced a plan to spend almost \$1 billion to create a network of satellites, balloons, and drones that could connect far-reaching areas of the world and provide Internet services.

An impact of expanded Internet access is that more people will have access to products and services via computers, smartphones, iPads, and similar devices. They can shop, search for information, and buy from the convenience of their home and other locations without ever visiting retail organizations. This means the need for fewer sales associates and other in-house service providers but opens the door for more customer care representatives, call centers, and technology support people.

Globalization of the Economy

Beginning in the 1960s, when worldwide trade barriers started to come down, a variety of factors have contributed to expanded international cooperation and competition. This trend has been termed **globalization**, with many companies focusing on **business-to-business (B2B)** initiatives, as well as individual consumers. Since the 1960s, advances in technology, communication, and transportation have opened new markets and allowed decentralized worldwide access for production, sales, and service. To

globalization The term applies to an ongoing trend of information, knowledge, and resource sharing around the world. As a result of a more mobile society and easier access to transportation and technology, more people are traveling and accessing products and services from international sources than ever before.

business-to-business (B2B) Refers to business-to-business customer service.

Trending NOW

Many organizations have discovered the power of using social media in their marketing and sales initiatives. Not only can they receive and give customer feedback quickly, but also they can send out information about pertinent products, services, and events and do it a lot cheaper than through traditional marketing and advertisement initiatives cost. Some organizations also use social media

to look for new employees. Major companies like Whole Foods and Nike (both with over 4 million Twitter followers), Walmart (with over 34 million Facebook fans), Starbucks, T-Mobile, and other multinational organizations have successfully tapped into the social media craze. In many cases, the companies have created separate Twitter accounts on which they engage customers.



For many customer service jobs, skill in using technology will increase your value as a source of information for current and future customers. *How can you keep abreast of changes in technology?*

offshoring Refers to the relocation of business services by an organization from one country to another (e.g., services, production, and manufacturing). The work may be kept in another entity of the organization that is located in another country or contracted (outsourced) to a third party. Typically, this is done to cut costs with cheaper worker salaries and/or tax savings.

outsourcing Refers to the practice of contracting with third-party companies or vendors outside the organization (often in another country) to deliver products and services to customers or to produce products.

insourcing The opposite of outsourcing, this occurs when organizations decide to have internal employees assume functions and perform work instead of contracting it out to third parties or outsourcing it.

survive and hold onto current market share while opening new gateways, U.S. firms need to hone the service skills of their employees, strengthen their quality, enhance their use of technology, and look for new ways of demonstrating that they can not only meet but also exceed the expectations of customers. All of this means more competition and the evolution of new rules and procedures that they have not been able to obtain in the past. Sometimes the deciding factor for the customer on whether to purchase a foreign or domestic product will be the service you provide.

At some point, many companies make staffing and/or production decisions based on bottom-line figures. When this happens, companies can, because of recent changes in the law, take their production or call center functions “off-shore” (**offshoring**) to other countries (Mexico, India, etc.). In doing so, companies often save money on costs such as production, wages, and benefits. This is becoming more and more common in technology-oriented companies. Unfortunately, in some industries (e.g., high-tech, manufacturing, and telecommunications), there are simply not enough qualified job candidates to fill positions. For that reason, businesses look to alternate sources overseas. One point to remember about offshoring is that while many politicians and citizens demean offshoring as detrimental to the economy, the reality is that it is just one of the strategic decisions that help to keep companies that participate in the practice profitable and can actually add to the economy by generating profits for investors. In turn, they might put some of that money into other companies and ventures, create alternative products and services to offer, and buy products that further stimulate the economy. These choices can lead to a need for

more service providers. Like any other corporate decision, there are pros and cons with the practice of offshoring.

In addition to offshoring, many organizations are also **outsourcing** job functions that have been traditionally handled internally (e.g., recruiting, payroll, benefits, training, marketing, manufacturing, and distribution) to third-party companies that specialize in these areas.

An advantage of outsourcing jobs, especially to other geographic locations where salaries are not as high, is that it can help keep costs low, increase profit margins, and aid companies in their efforts to be globally competitive. A major disadvantage is that the practice potentially takes jobs away from local workers.

According to research done by business and accounting firm BDO USA, manufacturing is leading the change overseas, as the most heavily outsourced function for more than 60 percent of U.S. technology firms. Research and development, distribution, and IT services and programming are the other company functions outsourced most frequently. In spite of supply chain interruptions that plagued the region over the past few years, Southeast Asia is the leading outsourcing destination for U.S. tech companies. The businesses are also moving parts of their operations to India, Eastern Europe, and Russia.⁹

Related to offshoring and outsourcing, **insourcing** is an interesting trend started in recent years after many countries suffered severe unemployment and drops in their

economies. With a glut of skilled employees available in the job market, organizations have been able to recruit highly talented candidates for relatively lower salaries and benefit packages. In some cases, this has negated the need for companies to seek cheaper alternatives overseas while bolstering their image in their home countries because they appear to be supporting local workers. While this has not reversed the offshoring or outsourcing initiatives of some major companies, it does hold potential promise for some skilled unemployed workers seeking new opportunities in the production and service industries on a local level.

DEREGULATION OF MANY INDUSTRIES

Over the years, the United States has witnessed the deregulation of a number of industries (e.g., airline, telephone, railroads, and the utility industries from the later 1970s to the early 2000s). **Deregulation** is the removal of government restrictions on an industry. The continuing deregulation of major U.S. public services has caused competition to flourish. However, deregulation has also brought major industry shakeups, sometimes leading to breakdowns in service quality in many companies and, in some instances, closure or restructuring of the company. An example of this was the breakup of AT&T (“Ma Bell”) into many smaller communication companies (“Baby Bells”) in 1984.

For more information on deregulation, check out the article “10 Effects of Deregulation” at <http://money.howstuffworks.com>.

These events have created opportunities for newly established companies to step in with improvements and innovations to close the gaps and better serve customers. For example, smaller low-cost carriers (e.g., Southwest Airlines and Jet Blue) came into existence and provided cheaper fares to cities not traditionally covered by larger carriers or where demand is not normally as great. They even challenged the traditional internationally known airlines (United, USAir, and Delta) on traditional routes to larger cities in the United States.

GEOPOLITICAL CHANGES

Events such as economic embargoes, political unrest, and conflicts and wars involving various countries have reduced U.S. business access and competition within some areas of the world (e.g., Vietnam, Iran, Iraq, Myanmar, and Venezuela) while companies from some countries have free access in those areas. These circumstances not only limit access to product, manufacturing, and distribution channels, but also reduce the markets to which U.S. businesses can offer products and services. In effect, every closed port or country border has a negative effect on some manufacturers and other businesses—for example, travel industry professionals, such as reservationists, air transport and manufacturing employees, cruise operators, tour guides, suppliers, and related service and retail businesses.

Other positive and negative historical changes have occurred that—like it or not—have affected the way companies do business and will continue to do so into the twenty-first century. The passage of the **North American Free Trade Agreement (NAFTA)**, which was a trade agreement between the United States, Canada, and Mexico that eliminated a number of trade and investment barriers between the three countries, made it easier for many U.S.-based companies to relocate and send jobs across borders (offshoring) in order to find less-expensive labor forces, increase profits, and avoid unions and federal taxes. Like many such political arrangements, there are pros and cons to this agreement that impact a number of industries. These

deregulation Occurs when governments remove legislative or regulatory guidelines that inhibit and control an industry (e.g., transportation, natural gas, and telecommunications).

North American Free Trade Agreement (NAFTA) A trade agreement entered into by the United States, Canada, and Mexico to help, among other things, eliminate barriers to trade, promote conditions of fair trade across borders, increase investment opportunities, and promote and protect intellectual property rights.

agreements were a subject of major political disagreement and campaigning in the 2016 U.S. presidential election.

Further events such as trade agreements with China and the thawing of relations with Vietnam and Myanmar in recent years have provided the potential for opening new political and economic doors. The shift in relations with Iran, Iraq, Afghanistan, and several other nations as the result of human rights violations, violence, terrorism, and military-related actions has created obstacles to international trade and commerce in a variety of ways in areas of the Middle East, Asia, and South America.

Geopolitical event shifts such as these typically lead to more multinational mergers and partnerships and a need for better understanding of diversity-related issues by all employees and managers. To better adapt and succeed as changes around the world occur, all service providers must take responsibility for researching and educating themselves on world events and the cultures of others. Such actions can lead to better understanding and relationships with customers. Failure to do so can lead to breakdowns in customer communication and ultimately the loss of business. From a personal standpoint, this could also limit chances to travel internationally and secure meaningful employment in the service industry and be offered workplace opportunities such as training, pay, or enhanced benefits from an employer.

With increased ease of transportation and communication in today's business world, companies cannot afford to ignore international competitors. For years, North American firms viewed Japan as their chief economic and business rival. Now other countries have challenged and surpassed Japan (e.g., Taiwan, South Korea, Vietnam, Pakistan, China, and India) as global suppliers and have become firmly entrenched in the marketplace. An example of this was the introduction of the South Korea-made Kia car line into the U.S. market in the 1990s. Initially, many people did not view that company as a significant economic threat and the car was sometimes called the "poor person's automobile." Kias were even compared to the ill-fated Russian Yugo that was manufactured in Yugoslavia in the mid-1980s and introduced into the U.S. market. That brand quickly faded from existence due to its terrible quality and service support. To the surprise of many, Kia has turned its reputation around and has built a series of vehicles that now rival the quality of many U.S. and foreign manufacturers. Some of its models now win national awards and recognition from major car reviewers.

Another geopolitical event that has impacted many organizations was the formation of the European Union. This alliance of neighboring countries formed an economic market made up of 28 states that subscribe to a standardized system of laws that ensure free movement of people, goods, services, and capital. The majority of member states adopted the euro as a common currency and accepted it at a standard exchange rate. They also eliminated the requirement for a passport from the people of member countries traveling throughout the Union. The last step has positive economic implications because it encourages more use of travel-related services.

CHANGING VALUES

Values are internalized and a result of individual life experiences and societal mores. As the world changes so do individual values in some instances. Such changes can have an impact on what people view as valuable and important, what they want and desire, and how they approach relationships with others around them. For example, many people in the United States value such things as personal control, equality, individualism, action, and competition. People from other parts of the world might value traditionalism, group cohesiveness, societal ownership, and acceptance of hierarchy, status, and birthright.

Throughout the world, there has been a tremendous amount of dynamic change in recent decades due to economic instability, quickly expanding and enhanced technology, global mobility where people move quickly and frequently, and other factors outlined in this chapter. The result has been a gradual shift in what many consumers hold near and dear.

Because different societies view what is important from different perspectives, clashes can sometimes result when service providers encounter customers who have values that are different from their own. The important thing to remember in such situations is that neither the customer nor the provider has the “right” set of values; they are simply different and each must respect and honor those of the other party if a positive customer–provider relationship is to occur.

As a result of societal values, companies often change their approach to doing business. They focus on finding ways to attract and hold customers. This often includes shifting the way they do business, the products that they deliver, and their manner in which service is delivered. For example, instead of offering only telephone support for their company and website, they might integrate mobile apps, text chats, auto-response phone systems that provide information, and e-mail contact options. This approach can appeal to a broader range of customer preferences and values.

Because many consumers are now cost-conscious, are ecologically aware, and value sustainability, many automobile manufacturers are developing vehicles that are more energy efficient, use ecologically sensitive fuels and electric power systems, and cost less. Examples of this trend are the Chevrolet Volt, Toyota Prius, and Nissan Leaf. Another example involving service enhancement is a move by the fast-food chain McDonald’s. After seeing its market share slip to Subway, Wendy’s, and other competitors, executives met with franchisee owners to discuss ways to enhance and speed up slipping service time and efficiency. They had found that one in five complaints from customers involved “friendliness” of service providers. To address this and other issues, the organization decided to focus on customer service as the real driver for branding the organization and increasing sales. To counter negative consumer perceptions related to service, McDonald’s examined ways to increase staffing at crucial periods of the day. It also rolled out a “dual point” ordering system nationwide to select locations in order to personalize service. Under it, a customer places an order at the register and receives a receipt with a number. Once that number shows up on a screen indicating the order is complete, the customer picks it up at the other end of the counter from a “runner.” That person’s sole purpose is to hand out cups, condiments, and other items to customers and thank them for coming into the store, thus freeing up cashiers to take orders correctly. Some stores also deliver food to customer tables once they order and are seated.



WORK IT OUT 1.2

Personal Exposure to the Global Trend

To help you recognize the impact this global trend has on you and your family as consumers, think about all the products you own (e.g., car, clothing, microwave oven, television, portable electronic devices, game systems, computer). List five major products that you or your family members own, along with their country of origin (you can find this on the warranty plate along with the product's serial number, usually on the back or bottom of the product).

Trending NOW

Self-service kiosks are becoming standard in many business locations. In addition to traditional financial institution ATMs, customers can now order food in the lobby of some McDonald's locations, then pick up their food at the counter once it has been prepared instead of standing in line to deal with a cashier. In theaters, patrons can order their theater

tickets and bypass the long lines that are traditional during peak periods. Additionally, many supermarket and “big box” retailers are using kiosks to allow people with only a few items to use self-checkout and avoid waiting behind those customers with baskets full of products.

MORE WOMEN ENTERING THE WORKFORCE

The fact that more women are in the workplace means that many of their traditional roles in society have shifted, out of necessity or convenience, to service providers such as cleaners, cooks, and child care providers. The tasks previously handled by the stay-at-home wife and mother are now being handled by the employees of various service companies. In many cases, these more traditional tasks are being assumed by a stay-at-home spouse or partner.

The Department of Labor has published statistics showing that the number of women in the workforce will reach 92 million (48 percent of the workforce) by 2050¹⁰ in many different occupations. As women have become a larger part of the workforce, they have slowly seen their income levels rise compared to those of their male counterparts, but have not yet reached equality in workplace compensation. Even so, the direct impact of increasing income related to service is that many women often now have more disposable income as consumers than they did in the past. Also, many research studies on consumer buying habits find that women either make or heavily influence buying decisions in a home. As service providers, they are in a good position to recognize needs and recommend appropriate products and services, especially those related to the home and family.

For more information about women in business, visit the U.S. Department of Labor, Women's Bureau, Data & Statistics (https://www.dol.gov/wb/stats/latest_annual_data.htm#part).

A MORE RACIALLY AND ETHNICALLY DIVERSE POPULATION IS ENTERING THE WORKFORCE

As with the entrance of women into the workforce, the increase in numbers of people from different cultures entering the workforce will have a profound impact on the business environment. Members of this expanded worker category bring with them new ideas, values, expectations, needs, and levels of knowledge, experience, and ability. As consumers themselves, they also bring a better understanding of the needs of the various groups that they represent.

By 2022, the U.S. civilian labor force age 16 and over is expected to number 163.5 million. Among the major race and ethnicity groups, labor force participation rates according to race are projected to be whites, 61.7 percent; blacks, 59.8 percent; and Asians, 63.2 percent. People of Hispanic origin are expected to account for 31.2 million workers by 2022 because of their younger population, higher fertility rates, and increased immigration.¹¹

MORE OLDER WORKERS ENTERING THE WORKFORCE

Think about the last time you went to a fast-food restaurant or traditional restaurant, or a retail store like McDonald's, Wendy's, Burger King, Bob Evans, Walmart or Target. Did you notice the number of people serving and assisting you who seemed to be older than people you usually see in those roles? This evolving phenomenon is the result of a variety of social factors. The most significant factor is that the median age of people in the United States is rising because of the aging of the "baby-boom" generation (those born between 1946 and 1964).

From a workplace perspective, this means that more of the people in this age group will stay in the workplace or return after they leave (see Figure 1.6). This may be caused by pure economic necessity, since many people may have not prepared adequately for retirement and cannot be certain that the Social Security system will support them. Some

Ethical Dilemma 1.1



With all the competition for customer service jobs in your organization, you are concerned that you might not be able to get a promotion that you feel you deserve. You have heard that there are three other employees being considered for a job opening for which you want to apply. You know all three people and their work habits. Each has a "skeleton in the closet" related to performance issues in the past of which you are aware, but your supervisor is not. Your supervisor will be screening applicants soon.

1. Should you inform your supervisor of what you know to ensure that she makes an educated choice based on qualifications? Why or why not?
2. What could be the potential result of any action that you take about this issue?

See possible responses at the end of the chapter.

Customer Service Success Tip

Diversity is here to stay. Network with people from different cultures; visit ethnic restaurants; travel to other countries; read books and articles about different countries; learn a second language; and explore research on the Internet about different cultures, gender issues, age groups, religions, ability issues, and other factors that each person brings to the workplace. All this will help you more effectively interact with and maximize the potential of others while enhancing your opportunities for success as a customer service professional.

In 2020, baby boomers will be age 56 to 74 years, and this age group will be the largest age group in the workforce, comprising 25.2 percent. Other age groups comprise the remainder of the workforce in the following percentages:

- 45–54 years = 20.1
- 35–44 years = 21.4
- 25–24 years = 22.2
- 16–24 years = 11.2

FIGURE 1.6

2010–2020 Workforce
Percentage of Labor Force
by Age

people return to the workplace for social reasons—they miss the work and/or the opportunity to interact with others and feel useful. Whatever the reason for the desire or willingness of older workers to reenter the workforce, many organizations have realized that they often have an admirable work ethic. Also, since there are not enough entry-level people in the traditional pool of younger workers (because of lower birthrates during the 1970s), companies are actively recruiting older workers and those from other countries.

GROWTH OF E-COMMERCE

e-commerce Refers to the entire spectrum of companies that market products and services on the Internet and through other technology and the process of accessing them by consumers.

The past two decades have been witness to unimagined use of the personal computer and the Internet by the average person. As an example of the impact of **e-commerce**, the retail trade sector (e.g., motor vehicles and parts, furniture, electronics, food, sporting goods, and mail order houses) had sales of nearly \$1,209 billion in the second quarter of 2016. Nearly \$97.3 billion of that amount was in e-commerce sales.¹² Almost any product or service is available at the click of a mouse, press of a key, or voice command. Consumers regularly “surf the net” for values in products and services without ever leaving their homes or offices. For example, many people do business with others all over the world without ever meeting them face-to-face or even talking to them on the telephone. Entire business-to-business customer relationships occur every day between people who are strangers but who provide key products and services to their customers electronically (e.g., computer programmers, accountants, book editors, graphic artists, and website designers). This new way of accessing goods and services through technology has been termed e-commerce.

Armed with a password, site addresses, and credit cards, shoppers use this virtual marketplace to satisfy needs or wants that they likely did not know they had before logging onto their computer and connecting with the Internet. With so many options available for just a small investment of time, they can comparison-shop simply by changing screens. No wonder the twentieth century saw the establishment of more millionaires and billionaires than any of its predecessors.

The creators and owners of the most innovative sites and products can provide products, services, and information worldwide without ever physically coming into contact with a customer, and yet can amass huge reserves of money. Examples of these success stories and popularity are eBay (an online auction service), Craig’s List (an online listing of items for sales, services, personal announcements, local classifieds, and forums for jobs, housing, and events), Microsoft (software products), and Amazon.com (an online book and product seller and auction line), which have become household names and are used by millions of shoppers yearly.

Street Talk We all have customers

Even if you do not directly serve external customers, you always have them. You probably serve an internal client. It could be co-workers, a manager, another team, or even another division within your organization. Learn as much as you can about those customers and identify the service you actually provide to them. Learn how you fill their needs. That helps you better identify the skills you need to improve, the industry knowledge you need to have, and potentially other ways you can support these clients. Enhancing these skills will create a stronger value for you as a team member.

COURTESY OF BARRY NADLER

KNOWLEDGE CHECK



1. Of the 11 societal factors that have affected customer service, which do you think has the biggest impact? Why?
2. What other societal factors do you believe have affected the customer service sector? Why?