PART VII

CONCLUSION
Chapter 13: Conclusion

The purpose of this chapter is to outline the elements, which influence, restrict, and enhance customer satisfaction. The elements identified in the theoretical foundation will be reviewed and compared to the findings of the empirical research.

First the issues relating to the internal operations will be outlined. These issues contribute to the external performance of service companies. Secondly, the external value for service customers and their satisfaction will be reviewed from a strategic point of view. Finally, the relation to customer loyalty and profitability will be illuminated.

Researcher has identified internal services as the crucial element which influences the external performance of service companies. By internal services we interpret the various operations, professes, and activities which influence the behavior of service employees.

The relevance of optimizing the internal services is founded in the service marketing and management proposition. This proposition argues that external success is rooted in a well functioning organization.

It has been shown that the following issues are of importance for the optimization of internal services: Internal marketing, management and decision making styles, motivation and rewards systems. The main ideas behind each issue will be revised both from the theoretical and the empirical perspective.

The concept of internal marketing prescribes that the employees regard their colleagues as internal customers. This implies that every employee strives to satisfy their co-workers. One prerequisite is that the management facilities internal customers.
This implies that every employee strives to satisfy their co-workers. One prerequisite is that the management facilities internal marketing by expressing their strong interest in their subordinates. The purpose is to create a working environment, which supports the close cooperation between all members of an organization.

It has been argued that a favorable working environment has positive effect on employee’s job satisfaction. Consequently, their satisfaction stimulates employees to perform well in their service task.

In practice it appears that almost every manager in our sample of six service branches seems to fulfill the prerequisite of successful internal marketing. The manager’s interest in their subordinate provides valuable indications concerning their preferences for a favorable environment. As the managers evaluate the level of job satisfaction very high it is concluded that an effective internal marketing is prevailing.

Another issue which affects the internal services was recognized as the applied management style. The following distinctions appeared as useful. First there is the authority decision making style which is characterized by the manager’s preference to make decision on his own without consulting other members of the organization.

This decision making style which implies that the economic bottom-line is in focus without paying attention to the employees welfare.

Secondly, there is the consultative decision making style which implies that the managers take their subordinates opinion into account when making decisions. This kind of decision making style regards employee’s inputs and feedback as a source of inspiration which can be used to enhance the service delivery process, but in the end of the day the manager makes the final decision.
Finally, there is the group decision making style which is characterized by the manager’s preference to delegate tasks to subordinates who are actively involved in the actual decision making process.

The final decision is made upon a group consensus. Both the consultative and the group decision making styles correspond to a rather process oriented management style. This style requires that the manager motivate his subordinates to identify themselves an important asset of the organization.

This implies that manager empower and integrate their employees by coaching, supporting, and involving them in the delivery of services. Opposed to the result oriented management styles the process oriented style focuses on the softer elements of the organization.

Regarding decision making and management styles in practice, the empirical research shows that all these decision-making styles can be identified among the five selected service branches.

In banks there has been identified a tendency to pursue a rather authority decision making style which corresponds to a more result oriented management style. In contrast, the majority of managers in the restaurant and tour operator branch seem to prefer the consultative management style whereby these managers can be characterized as more process oriented.

Finally, significant in the hotel, tour operator, and grocery branches the managers are likely to execute a rather group decision making style which is in line with a process oriented management approach.

The final element which influences internal service is the relation between motivation and employee’s performance. In theory it has been argued that managers have to recognize employee’s needs and expectations in order to stimulate them the best possible manner. Several
different ways to motivate employees have been outlined. Special attention should be paid to respect employees and strengthen their self-esteem.

The key of employee motivation is to create an environment, which provides employees with the freedom to develop personal and professional skills. Both have been considered to increase the overall job satisfaction and performance.

This theoretical assumption has been proven in the empirical research. It has been shown that there is a positive correlation between job performance, motivation, and employee satisfaction. However, the empirical survey did not provide any proofs concerning the relation between the degree of employee satisfaction and the applied management approach.

In addition to internal services the external value has been identified as crucial for influencing customer satisfaction. When designing services a distinction between three levels of services has been done.

Core services relate to the basic customer benefit from the service transaction. The delivery of core services is supported by secondary and delighting services. As the core service is easy imitate the provision of secondary and delighting services is necessary in order to create and maintain a competitive advantage.

When developing those services various sources of inspiration can be considered: Front-line employees, customers, and competitions.

In practice it has been shown that only a minority of manages is able to recognize their core and secondary service attributes, only hotel manages succeeded in making this distinction.
The research reveals that all branches make use of all three sources of inspiration. The tour operator branch seems to focus on competitor’s service package whereas the remaining service branches receive equally inputs from employees, customers, and competitors when developing new service offers.

It is believed that the company’s ability to meet customer needs and expectations has a direct influence on the overall customer satisfaction. It is questionable whether those companies in the transport branch which emphasize their competitor’s service attributes are able to design their service package in accordance with customer’s requirements.

In the theoretical foundation the Conceptual Model of service Quality has been discussed. This model provides comprehensive insights to potential reasons for customer being dissatisfied with a service performance. By minimizing the various gaps it is possible to increase the probability of meeting customer expectations and thereby increasing the level of customer satisfaction.

The difference between management’s perception of customer needs and customers expectations represents gap 1. The empirical research that the service managers in general are convinced about their ability to meet customer’s needs and expectations and thereby satisfying the customers. From the management’s point of view it is estimated that the gap 1 is of limited size. This reinforces the overall impression that managers in all service branches are sure about having the appropriate sources to develop high quality service.

Having presented the Conceptual Model of Service Quality which outlines various reasons for potential service failures in an overall manner it is valuable to examine the criteria behind. It has been argued that service quality can be made more operational by introducing five service dimensions: Tangibles, Reliability, responsiveness, Assurance, and Empathy. Based on these dimensions the customers are able to evaluate the service encounter.

The empirical research reveals that managers have different opinions about their strengths and weaknesses concerning each service quality dimension. All hotels stress to have their strengths in
their tangibles, assurance and empathy which refer to the appropriate physical surrounding and inventory, the extraordinary competence and the courtesy of the hotel employees.

In contrast some hotel managers see their weaknesses concerning responsiveness which refers to the problems founded in the cultural differences of hotel guests.

Restaurant managers estimated to have their strengths concerning tangibles, responsiveness, and assurance. These strengths relate to the decorative interior, accessibility, and the employees’ service-minded attitude. On the other hand many restaurant managers are aware of that some of their employees lack professional competence which is regarded as a weakness.

All tour operators evaluate their main strengths along with their reliability. They spend effort in building up trust to their customers, which results in an increased creditability and an improved reputation.

In the bank sector all manages see their tangibles, reliability, and empathy as their main strengths. Tangibles in banks relate to a luxurious interior, which creates a trustworthy atmosphere. The strength concerning reliability is seen in their trustworthiness, accuracy, and consistency in the delivery of service.

The strength in relation to empathy refers to their friendly and polite front-line employees and to their ability to understand customer needs and expectations. Concerning responsiveness and assurance the weaknesses in the bank sector are seen in restrictive opening hours which is evaluated as a barrier when serving customers.

Moreover, some bank managers claim that the skills of employees are a weakness, which is mainly due to the complexity of bank businesses. This complexity makes it difficult for all bank employees to develop a specialized expertise.
Delivering services is a complex process, despite the strive for “zero defection” it is impossible for the service providers to avoid service failures to happen. In the theoretical part of this thesis is has been outlined that service recovery is a valuable tool to achieve customer satisfaction. Service recovery aims to compensate a service failure and thereby turning dissatisfied customers into satisfied ones.

A prerequisite for effective service recovery is that the service provider gets feedback from the customer about the reason behind his dissatisfaction. In order for the service companies to receive these information it is necessary to posses complaint procedures which motive the customers to complain.

In cases where dissatisfied customers defect without complaining, the companies need to implement mechanisms which monitor customer defection. These mechanisms enable the service companies to detect the reasons behind defection, and thereby provide them with the opportunity to recovery potential service failures.

The empirical survey shows that the vast majority of the service managers treat customer complaints seriously. The managers point out that the complaints can be used in two distinctive ways. First of all a direct reaction to a service failure takes place, and hereby turning one specific dissatisfied customer into a satisfied one. Secondary, mangers see complaints as sources of information and use them to enhance further service delivers.

Moreover, the research reveals that service branches which have a low customer contact and provide a low involvement service, such as restaurants, bank and telecommunications, have less possibility to register customer defections.

The lack of registration implies that the service companies do not receive the reasons behind the dissatisfaction from the tacit customers. In the remaining branches in our
sample, hotels, banks and tour operators, there seems to be a clear tendency to register customer defections.

Due to the close interaction between the companies and their customers, these service managers have access to information about their customers; these service managers have access to information about their customers.

The general reason behind the companies intense focus on customer satisfaction is that customer satisfaction leads to customer retention. It has been denoted that loyal customers provides the largest revenue to the service companies, as the costs of serving regular customers are lower than the ones of attracting and serving new customers.

The long term relationship between the service provider and their customers is considered in the concept of relationship marketing, which focuses on customer keeping instead of customer catching.

The empirical research discloses that banks and tour operators have a tendency to emphasize building of long term relationships to their customers, hence, it is concluded that service companies in these branches tend to pursue relationship marketing.

This conclusion is founded in the overall impression that bank and tour operators managers puts a lot of efforts in stimulating customers to repeat their service purchase, by providing them with special care and attention.

Concerning the two remaining branches, hotels and restaurants, the research displays that on consistent marketing approach seems to be preferred. The managers indicate contradicting responses concerning their readiness to accept short-term losses when satisfying the customers and their provision of special care and attention to loyal customers.
Hence it is difficult to recognize a clear tendency in the choice of a specific marketing approach. However, the research disclose that some hotels and restaurants try to achieve satisfied customers and profitability by building long term relations to their customers, whereas other companies take a more transaction based route when satisfying the customers.

In this research study, customer satisfaction has been taken into account which is a very important element for the success of any business. Our study can practically be used by service sectors in creating customer satisfaction.

a) I suggest that by making customers feel satisfied, by establishing good relationship with customers through efficient customer services would lead toward brand loyalty and simply by keeping the price fairness of services compatible a firm can establish long term profitable relationship with customers.

b) Our findings can be practically implemented on service firms and apart from that those business which give due importance to relational marketing. We suggest managers of such firms to have belief in “best customer services and price fairness” for success and growth of business or in making customer satisfied.

c) Our framework suggest the central importance of customer satisfaction in various service sector that how it should be created among customers and how to get benefits out of it. That would practically help out service companies for making customer satisfied, happy and loyal by making customer feel valued.