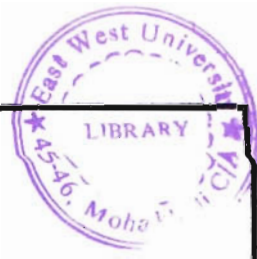




BUSINESS VALUE
OF
CUSTOMER SATISFACTION
AT
STANDARD CHARTERED BANK



PROJECT REPORT

BUS 498

BUSINESS VALUE
OF
CUSTOMER SATISFACTION
AT
STANDARD CHARTERED BANK

PREPARED BY:

REAZ-UL-HUQ

1998-1-10-040



SEPTEMBER 11, 2002

Report-43

September 11, 2002



Mr. S.S.M Sadrul Huda
Project Supervisor
Project Report (BUS 498)
East West University
45-46, Mohakhali C/A
Dhaka.

Dear Sir:

Here is the project paper on "Business Value of Customer Satisfaction at Standard Chartered Bank" that I had selected at the beginning of this semester.

It is a piece of good luck for me to prepare this project paper under your kind guidance since it gave me the opportunity to explore the different kinds of service standards and perception of the customers and their satisfaction level as far as Standard Chartered Bank is concerned. I have tried my best to compile the information for you as comprehensive as possible.

My grateful thanks to them who helped me with relevant data and information related to the services offered by Standard Chartered Bank. I have truly enjoyed this assignment and shall be pleased to provide any kind of further clarification on this project paper whenever necessary.

Thank you.

Cordially,

Reaz-ul-Huq
Id # 1998-1-10-040

Acknowledgement

This project paper would not have been possible to prepare without the kind cooperation of some very special people. First of all I would like to express my gratitude to my supervisor Mr. S.S.M Sadrul Huda for assisting me to prepare such a practical paper. I would also like to thank Dr. Syed Ferhat Anwar, Pro-Vice Chancellor, East West University for his kind and friendly guidance in carrying out the research part of this paper.

My heartiest thanks to Ms. Sharmila Manzoor, Personal Financial Consultant of Standard Chartered for providing me with relevant information, newsletter and friendly help.

TABLE OF CONTENTS

Contents	Page No.
<u>PART-I: INTRODUCTORY PART</u>	01-03
□ Objective.....	01
□ Methodology.....	01
□ Definition of Population.....	02
□ Sample Design & Technique.....	02
□ Data Collection Method.....	02
□ Type of Research to be undertaken.....	02
□ Data Sources.....	02
□ Sample Size Limitations.....	03
□ Information Limitations.....	03
□ Scope.....	03
<u>PART II: ORGANIZATIONAL PART</u>	04-08
□ Overview of Standard Chartered Bank.....	04
□ A Brief History of Standard Chartered.....	04
□ The Early Years.....	04
□ Expansion in Asia.....	05
□ Standard Chartered Today.....	06
□ Operation in Bangladesh.....	06
□ Branches of the Bank.....	06-08
□ Values.....	08
<u>PART III: PRODUCT & SERVICES</u>	
□ The Personal Banking of Standard Chartered.....	09
□ The Activities of Customer Service.....	10
□ Products.....	11-24
○ Asset.....	11-14
○ Liability.....	15-19
○ Remittance.....	20-21
○ Cash.....	21-22
○ Special Services.....	22-24
<u>PART IV: SERVICE LEVEL & CUSTOMER SATISFACTION</u>	
□ Introduction.....	25
□ The Process of Measuring the Satisfaction.....	25-26
□ General Opinion of the Customers.....	27



PART V: LITERATURE REVIEW

- Service Based Economy..... 28
- Services as Business Imperative in Manufacturing and IT..... 29-34
- The Service Marketing Triangle..... 34-38
- The Services Marketing Mix..... 38-44
- Global Feature..... 45-48
- Factors that influence customer expectations of Service..... 49-58
- Model of Customer Service Expectations..... 59-67
- Customer Perceptions..... 68-70
- Customer Satisfaction..... 71-73
- Strategies for influencing customer perceptions..... 74-76
- Relationship Marketing..... 77-83
- The Impact of Service Failure and Recovery..... 84
- Service Guarantees..... 85-101

PART VI

- The Analysis and The Findings of the Survey Results..... 102-122

PART VII: CONCLUDING PART

- Conclusion..... 123
- Recommendation..... 124

List of Graphs

- **Graph 01:**
Graphical Analysis of Customers’ experience at Standard Chartered regarding understanding & realization of their problems properly..... 104
- **Graph 02:**
Graphical Analysis of the Customers’ experience at Standard Chartered regarding quick problem solving ability..... 107
- **Graph 03:**
Graphical Analysis of friendliness and cooperation extended by the Customer service personnel of Standard Chartered..... 110
- **Graph 04:**
Graphical Analysis of the Customers’ perception regarding the bank’s Spread and link facility to the customer..... 112
- **Graph 05:**
Graphical Analysis of the Customers’ perception regarding the location Of the Bank..... 114

□ <u>Graph 06:</u>	Graphical Analysis of the Customers' perception regarding the ATM Service of the Bank.....	116
□ <u>Graph 07:</u>	Graphical Analysis of the Customers' regarding the Bank's Phone Link Service Utility.....	118
□ <u>Graph 08:</u>	Graphical Analysis of the Customers' overall satisfaction level	120
□ <u>Graph 09:</u>	Graphical Analysis of the Customers' perception regarding the ability Of the Bank to provide relevant product & service related information...	122

List of Figures:

□ <u>Figure 1.0:</u>	The Services Marketing Triangle.....	35
□ <u>Figure 2.0:</u>	Factors that influence desired service	49
□ <u>Figure 3.0:</u>	Factors that influence adequate Service.....	52
□ <u>Figure 4.0:</u>	Factors that influence desired and predicted service.....	54
□ <u>Figure 5.0:</u>	Nature & Determinants of Customer expectations of service.....	59
□ <u>Figure 6.0:</u>	Customer perceptions of quality and customer satisfaction.....	70
□ <u>Figure 7.0:</u>	The evidence of Service.....	74
□ <u>Figure 8.0:</u>	Customer goals of Relationship Marketing.....	79
□ <u>Figure 9.0:</u>	Underlying logic of customer retention benefits to the organization.....	83
□ <u>Figure 10.0:</u>	Causes behind service switching.....	86
□ <u>Figure 11.0:</u>	Characteristics of an effective service guarantee.....	90
□ <u>Figure 12.0:</u>	The Service Profit Chain.....	100



List of Tables:

- **Table 1.0:**
Services are different..... 32
- **Table 2.0:**
Expanded Marketing Mix for Services..... 40
- **Table 3.0:**
Ways Service Marketers can influence factors..... 62
- **Table 4.0:**
General Service Behaviors-Do's and Don'ts..... 73
- **Table 5.0:**
Example of Hard Customer Defined Standards..... 95
- **Table 6.0:**
Example of Soft Customer Defined Standards..... 96

Appendix

- Questionnaire..... 126-128
- Questionnaire Samples
- Coding
- Works Cited

EXECUTIVE SUMMARY

Standard Chartered is one of the oldest bank of the country with a wide spread service facilities all over the country. At present it holds the top most position among the multinational banks in the country. Beside consumer banking, Standard Chartered has emerged as sound corporate bank through its various products and services.

The Consumer Bank provides credit cards, personal loans, mortgages, deposit taking activity and wealth management services to individuals and medium sized businesses. The Wholesale Bank provides services to multinational, regional and domestic corporate and institutional clients in trade finance, cash management, custody, lending, foreign exchange, interest rate management and debt capital markets.

Standard Chartered offers premium retail banking services to individual customers with a large variety of deposit and loan products. Consumer banking business continuously meets the challenges of developing new products and services to match the specific requirements of customers. In Bangladesh Standard Chartered offers 24 hour service through its Moneylink ATM network and Phonelink Phone banking. To enhance customer convenience. Standard Chartered has pioneered off-site Moneylink ATMs in Dhaka and Chittagong and is in the process of building a network of off-site Moneylink ATMs in Bangladesh. The aim of the bank is to offer world class service on a 24-hour basis.

The prime focus of the bank is its customers. According to the top management, customers are the main stream of the business. The bank is always trying its level best to provide the best possible service to its valued customers. In order to do such thing, they are always coming up with new ideas and services so that the customers feel that the bank really cares about them. The bank is also trying to build up a relationship with the customers over a long period of time.

I have undertaken a research in order to find out the satisfaction level of the customers as far as the customer service department is concerned. The research was done on thirty customers of Dhanmondi Branch of Standard Chartered Bank, who frequently visit the bank for carrying out

their transactions. From the survey I have found that the customers are quite satisfied with the current level of service they are receiving from the bank. However, they always appreciate the innovative ideas that the bank quite often come up with. According to them, Standard Chartered is the best multinational bank, which not only has a sound system but it also cares about its customers to a great extent.



PART – 1

INTRODUCTORY PART

INTRODUCTION:

The report is a part of the completion of my graduation. I have chosen to write a report regarding the customer service department under the personal banking division in the Dhanmondi branch. The report is done based on the products and services offered by the bank and satisfaction level of the customers about the various services provided by the bank.

OBJECTIVE:

The objective of the report is to give a vivid idea about the product and services of the bank. The report also tries to show a glimpse of customer perception towards the services provided by the bank through its officials. The report also tries to rate and graphically represent the various service standards basing on the customer assumption about them.

METHODOLOGY:

The report is actually divided into two portions -

1. The descriptive part and
2. The analysis part.

The required information for the descriptive part has been collected by the following way:

- Discussing and briefing by the officials of the bank
- Reading of various journals, leaflets and publications of the bank
- Taking references from various books regarding service standards and marketing aspects.
- Searching the web-site of the bank

Definition of Population:

The customers of Dhanmondi Branch of Standard Chartered Bank are my population. The reason behind choosing Dhanmondi branch is that, it is one of the most crowded branch among all the branches of Standard Chartered. The rush during the banking hours is immense. I have conducted this research only in Dhanmondi Branch because of time and monetary constraint. Beside individual customers, I have also surveyed few corporate clients of the bank.

Sample Design and Technique:

Since I could not manage the listing of the customers of the bank, I undertook non-probabilistic sampling. I have used combination of convenience and judgmental method to represent the various groups of customers as much as possible.

Data Collection Method:

I have followed survey method by using questionnaire for the customers. I have undertaken convenience method while carrying out the survey. For customers I have surveyed only in the Dhanmondi Branch of the bank.

Type of Research to be undertaken:

The research is Quantitative. I have used survey method. The sample is non-probabilistic for all sorts of information. Though probability sampling ensures the representation of all the groups, yet the practical constraint of time and budgets clearly make a case for the use of non-probability sample. Although I have followed non-probability sampling, I have managed to represent the members from various groups like age, occupation, income..

Data Sources:

I have used both primary and secondary sources to collect the necessary information for this project report. I undertook pilot survey and literature review to gather the information. Through pilot interview I was able to find out the perception of the customers as far as the customer service department is concerned. Moreover, I have interviewed bank personnel in order to find out the products and services they offer to the customers and what sort of problems do they encounter while servicing the valued customers.

LIMITATIONS

Sample Size Limitations:

In determining the sample size for customers of Dhanmondi Branch of Standard Chartered Bank I did not have the population frame. The main constraint behind this was, Standard Chartered Bank did not provide me with the customer listing because of their corporate policy. So, I had no other option other than non-probabilistic sampling. Due to shortage of time I could not survey much people, which would have been more useful for the research.

Information Limitations:

Some of the customers did not cooperate with me while answering the questions. They were very busy and unwilling to express their true opinion.. Sometimes, they gave wrong and biased answers to some of the questions in order to avoid answering further queries. Some customers also had a negative attitude while answering the survey.

The rush of people was very high and the activities of the bank were huge. So it was not always possible to make convenient discussion with the customers.

SCOPE:

The scope of the report is limited only to the products and services (for the general people) provided by the customer service department. The report is done only on the perception of the customers of this bank and no comparison is made to any other foreign or local banks of the country. The service standard measured in this report only imply exclusively the general status of service of the personal banking without any association to any other bank.

PART – II

ORGANIZATIONAL PART

AN OVERVIEW OF STANDARD CHARTERED BANK:

Standard Chartered is the world's leading emerging markets bank. It employs 30,000 people in over 500 offices in more than 50 countries in the Asia Pacific Region, South Asia, the Middle East, Africa, United Kingdom and the Americas.

The Bank serves both Consumer and Wholesale banking customers. The Consumer Bank provides credit cards, personal loans, mortgages, deposit taking activity and wealth management services to individuals and medium sized businesses. The Wholesale Bank provides services to multinational, regional and domestic corporate and institutional clients in trade finance, cash management, custody, lending, foreign exchange, interest rate management and debt capital markets.

With nearly 150 years in the emerging markets the Bank has unmatched knowledge and understanding of its customers in its markets.

Standard Chartered recognizes its responsibilities lies to its staff and to the communities in which it operates

A BRIEF HISTORY OF STANDARD CHARTERED:

Standard Chartered is the world's leading emerging markets bank headquartered in London. Its businesses however, have always been overwhelmingly international. This is summary of the main events in the history of Standard Chartered and some of the organizations with which it merged.

THE EARLY YEARS:

Standard Chartered is named after two banks which merged in 1969. They were originally known as the Standard Bank of British South Africa and the Chartered Bank of India, Australia and China.

Of the two banks, the Chartered Bank is the older having been founded in 1853 following the grant of a Royal Charter from Queen Victoria. The moving force behind the Chartered Bank was a Scot, James Wilson, who made his fortune in London making hats. James Wilson went on to start *The Economist*, still one of the world's pre- eminent publications. Nine years later, in 1862, the Standard Bank was founded by a group of businessmen led by another Scot, John Paterson, who had immigrated to the Cape Province in South Africa and had become a successful merchant. Both banks were keen to capitalize on the huge expansion of trade between Europe, Asia and Africa and to reap the handsome profits to be made from financing that trade. The Chartered Bank opened its first branches in 1858 in Chennai and Mumbai. A branch opened in Shanghai that summer beginning Standard Chartered's unbroken presence in China. The following year the Chartered Bank opened a branch in Hong Kong and an agency was opened in Singapore. In 1861 the Singapore agency was upgraded to a branch which helped provide finance for the rapidly developing rubber and tin industries in Malaysia. In 1862 the Chartered Bank was authorized to issue bank notes in Hong Kong. Subsequently it was also authorized to issue bank notes in Singapore, a privilege it continued to exercise up until the end of the 19th Century. Over the following decades both the Standard Bank and the Chartered Bank printed bank notes in a variety of countries including China, South Africa, Zimbabwe, Malaysia and even during the siege of Marketing in South Africa. Today Standard Chartered is still one of the three banks which print Hong Kong's bank notes.

EXPANSION IN ASIA:

In Asia the Chartered Bank expanded opening offices including Myanmar in 1862, Pakistan and Indonesia in 1863, the Philippines in 1872, Malaysia in 1875, Japan in 1880 and Thailand in 1894. Some 34 years after the Chartered Bank appointed an agent in Sri Lanka it opened a branch in 1892 to take advantage of business from the tea and rubber industries. During 1904 a branch opened in Vietnam. Both the Chartered and the Standard Bank opened offices in New York and Hamburg in the early 1900s. The Chartered Bank gaining the first branch license to be issued to a foreign bank in New York.



STANDARD CHARTERED TODAY:

The new millennium has brought with it two of the largest acquisitions in the history of the bank with the purchase of Grindlays Bank from the ANZ Group and the acquisition of the Chase Consumer Banking operations in Hong Kong in 2000.

OPERATION IN BANGLADESH:

Standard Chartered Bank started its business in Bangladesh in 1948, opening its first branch in the port city of Chittagong. The bank increasingly invested in people, technology and premises as its business grew in relation to the country's thriving economy. At present the bank has 6 offices in Dhaka Chittagong and Sylhet, including the country's only offshore banking unit inside the Dhaka Export Processing Zone at Savar. After the acquisition of the Grindlays bank it has now its branches in Narayanganj, Bogra and Khulna.

Extensive knowledge of the market and essential expertise in a wide range of financial services underline our strength to build business opportunities for corporate and institutional clients at home and abroad. Continuous upgrading of technology and control systems has enabled the bank of offer new services, which include unique ATMs and Phone banking.

Standard Chartered's services in Bangladesh, ranges from Personal & Corporate Banking to Institutional Banking, Treasury and Custodial services.

BRANCHES OF THE BANK:

The Bank has 21 branches in total at the moment. Among them 15 belongs to the Standard Chartered Grindlays and rest 6 belongs to the Standard Chartered Bank. The distribution of these branches according to the respective bank and region is given below

STANDARD CHARTERED GRINDLAYS BANK		No. of Branches : 14
DHAKA		No. of Branches : 07
Dhaka Main	Hadi Mansion, 2 Dilkusha C/A Dhaka-1000	Tel: 9550181-90
Dhanmondi	House # 06, Road # 05, Dhanmondi R/A, Dhaka-1205	Tel: 8614240, 8613507
Kawran Bazar	53, Kawran Bazar, Dhaka-1215	Tel: 8112019, 8112009
Kakrail	109, Kakrail Road, Dhaka	Tel: 9350267-69
Gulshan	102, Gulshan Avenue, Dhaka-1212	Tel: 8821014, 8824221
Sheraton	Sheraton Office Complex, 1 Minto Road, Dhaka	Tel: 9343279
Uttara	House # 81 A, Road # 7, Sector # 4, Uttara, Dhaka-1230	Tel: 8916098, 8916170
CHITTAGONG		No. of Branches : 04
Chittagong Main	Sheikh Mujib Road, Agrabad, Chittagong	Tel: 711833-8, 714890-1
Station Road	Jiban Bima Corporation Shopping Center, 22/23 Station Road, Chittagong	Tel: 618962, 612826
Korbaniganj	Rajgaria Building, 121 Korbaniganj, Chittagong	Tel: 621208, 621173
Nasirabad	565/A CDA Avenue East Nasirabad, Chittagong	Tel: 635279, 624308
NARAYANGANJ		No. of Branch : 01
Narayanganj	26, Shaista Khan Road, Narayanganj.	Tel: 9716892, 9716808
KHULNA		No. of Branch : 01
Khulna	Jiban Bima Bhaban, KDA Avenue, Khulna	Tel: 721009, 721680
BOGRA		No. of Branch : 01
Bogra	Shatani House, Sherpur Road, Bogra-5800	Tel: 73907
STANDARD CHARTERED BANK		No. of Branches : 06
DHAKA		No. of Branches : 04
Dhaka Main	Alico Building, 18-20 Motijheel C/A, Dhaka-1000	Tel: 9561765
Dhanmondi	House # 37, Road # 2, Dhanmondi R/A Dhaka-1205	Tel: 9669096
Banani	14, Kamal Ataturk Avenue, Banani, Dhaka	Tel: 8821719
Savar	Zone Service Building DEPZ, Savar	Tel: 7701022

CHITTAGONG		No. of Branch : 01
Chittagong Main	33, Agrabad C/A Chittagong	Tel: 712391
SYLHET		No. of Branch : 01
Sylhet	1213, East Dargah Gate, Sylhet	Tel: 723646

VALUES:

Standard Chartered Bank has five values that it believes and applies in its working condition. The values are as follows:

1. Courageous
2. International
3. Responsive
4. Trustworthy
5. Creative



PART – III

PRODUCTS & SERVICES

THE PERSONAL BANKING OF STANDARD CHARTERED BANK:

The motto of the customer service department of the Standard Chartered Bank is to ensure customer delight through its 20 conveniently located equipped state of the art technology with on-line banking facility: competent and friendly staff to provide prompt and personalized services, 23 ATMs country wide and Phone banking offering round the clock services.

The customer friendly products with convenient features are all designed to meet the growing and changing needs of the customers. Various deposit products, borrowing facilities, ATM and credit cards, lockers, student files, fund Transfers, Utility payments through ATMs and instructions over telephones are just to name a few.

The Personal Banking of the Standard Chartered Bank can be separated into three sections. They are -

1. Customer Service
2. Remittance and
3. Cash

1. CUSTOMER SERVICE:

The primary job responsibility of this section is to provide the necessary information regarding the products and services offered by the bank. Beside this, this section is also responsible for meeting all sort of queries made by the valued customers of the bank. If the customers face any sort of

problem or seek information they simply contact the customer service department, which then provide the necessary feedback.

THE ACTIVITIES OF CUSTOMER SERVICE:

The main activities of this section can be written in the following points -

- Open current / savings / access/ call account for individuals
- Open current account for companies / partnership / sole proprietorship
- Open a fixed deposit
- Open NFCB account
- Open RFCB accounts
- Roll-over of Fixed deposit
- Encashment of Fixed deposit
- Close current / call / savings / access account for individuals
- Close current / call account for company / partnership / sole proprietorship
- Documentation required for account opening
- Miscellaneous account services like changing address, signature, stop the sending of account statement etc
- ATM CARD- issuance
- ATM CARD - to hot the lost cards
- ATM cards- damaged card replacement / new pin.
- ATM cards - captured card delivery
- ATM cards - pin mailer receipt & delivery
- ATM cards - Card receipt & delivery
- ATM Cards - Undelivered cards and pin mailers
- Cheque books request

- Stop cheques request
- Dormant accounts
- Unclaimed balances
- Receiving the request and issuing the bank certificates and balance statements.
- Filling the form and collecting necessary documents for cash line and sending them for approval
- Handling of hold mail and counter delivery
- Courier Controls.

THE OFFICIALS:

The staffs of the customer services are designed as follows

1. BSSM (Branch Sales and Service Manager)
2. STM (Sales Team Manager)
3. PFC (Personal Financial Consultants)
4. Interns

The customer service department of the standard chartered bank offers different types of products to the people. The products can be classified into two different categories from the perspective of the bank. They are -

PRODUCTS:

The products of the Standard Chartered Bank can be divided in to two categories. They are-

1. Asset:

- Personal Loan (PL)
- Cash line/Over Draw (CL/OD)
- PLANZ
- Fixed Loan

- Credit Card

2. Liability:

- Current Account (C/A)
- Savings Account (S/A)
- Access Account
- Short Term Deposit
- Fixed Deposit

1. ASSET

Personal Loan :

Personal loan for professionals is a loan facility specially designed for doctors, engineers, architects and other professionals to help them to start and grow their own business.

The security requirements:

The amount and type of security required will vary from case to case. Some common type of securities are Fixed Deposit Receipts, Saving certificates (Sanchaypatra), Wage Earners Development Bonds, Insurance Guarantees, ICB Unit certificates. Corporate Guarantees from certain employers etc. The portion of coverage applicable for each credit risk associated with the relevant proposal and as such, the security requirements will vary from individual. No cash collateral is required.

Repaying the loan:

The loan can be repaid in a fixed amount each month (in 12, 24, 36 or 48 installments). This monthly payment will cover both the interest and the loan amount. This allows to set aside a fixed portion of the monthly income and the amount is automatically charged from one's savings or current account with Standard Chartered Grindlays Bank. In order to avail the personal loan one has to open a savings or current account with the bank, unless he or already maintain such an account.

One can also repay the loan earlier than originally arranged; there is no penalty for such pre-payment. However the partial payment of the loan is not allowed.

Personal loan prerequisite at a glance:

Government service:

- ❑ Gross salary above Tk. 12000
- ❑ Posted in Dhaka or surrounding
- ❑ Maximum age 55 yrs
- ❑ Loan size: 8 times of Gross Salary. Min Tk. 75000 and maximum Tk.500000
- ❑ Loan already availed from office against Provident Fund etc. needs to be within Debt-Burden Ratio.
- ❑ Telephone at residence or at permanent address.
- ❑ Introduction required from the office.
- ❑ Guarantee required from a Govt. Official equivalent to Dept Secretary.
- ❑ Copy of salary slip required.

Private Service:

- ❑ Gross salary above Tk. 12000
- ❑ Total job experience: 2 years including 1 years with the present employer.
- ❑ Posted in Dhaka or surrounding
- ❑ Maximum age 55 years.
- ❑ Must be employed in a local corporate (reputed Pvt. Ltd. Company)
- ❑ Loan Size: 8 times of Gross Salary. Min. Tk. 50000 and maximum Tk.500000.
- ❑ Loan already availed from office against Provident Fund etc. needs to be within Debt-Burden Ratio.
- ❑ Telephone at residence or at permanent address.
- ❑ Introduction and Salary Assignment from employer.
- ❑ Either End of Service Benefits (e.g. PF) Assignment from employer or Guarantee required from a Govt. Official equivalent to Dept. Secretary.



Businessmen/ Self-Employed :

- ❑ Monthly income: above Tk. 12000 (income must be supported by of latest INCOME TAX return documents)
- ❑ Total experience: 3 years.
- ❑ At least 12 months satisfactory account relationship with any foreign bank in Dhaka.
- ❑ Loan Size: 8 times of Gross Salary. Min. Tk. 50000 and maximum Tk.500000.
- ❑ Telephone/mobile at residence or at permanent address.
- ❑ 2 Guarantees required: one from a Govt. Official equivalent to Dept. Secretary and another from a reputed businessman.

Some General Information:

- ❑ Only spouse is acceptable as joint applicant. In case of joint applicant all prerequisites must be met jointly.
- ❑ After sanction of loan a transactional (Savings or Current) Account needs to be opened with the Standard Chartered Bank where the salary of the loan applicants) will be credited regularly (if applicable).-In this account one will enjoy all facilities of a normal account holder.
- ❑ Repayment installments are taken by standing instruction on the account on a particular day of the month.
- ❑ The loan amount is disbursed in favor of the vendor or supplier by a payment order.
- ❑ No down payment is required.
- ❑ 2 copies of photograph. Bank statement required.
- ❑ **CASH LINE:**

Cash line is an overdraft or a fixed loan against one's Sanchay Patras, ICB Unit Certificates or fixed deposits, ensuring that one's emergency cash requirements are always met. One does not need to encash his/her securities prematurely and lose interest on them in case of sudden need for cash.

Some of the advantages of Cash line are given below -

- ❑ Cash Line is ready access to cash while one's fixed deposits, ICB Unit Certificates or Sanchay Partras are earning interest. With Cash Line, one can make long-term investments and still not worry about ready cash.
- ❑ Cash Line is provided on very attractive interest terms. The rate is one of the lowest in the market.
- ❑ The interest will be charged on the amount of money one actually draw from his/her account and only for the period in which he/she utilize it.
- ❑ One can access one's account (with cheque book or withdrawal vouchers) from any of the retail outlets in Dhaka, Chittagong and Sylhet during working hours of every working day and from any of the Moneylink ATMs in Dhaka, Chittagong and Sylhet 24 hours a day, every day of the year.
- ❑ The interest rate for the cash line is only 11%.

❑ **PLANZ:**

It is a type of unsecured loan. One can get an amount of loan which is more than what he/she keeps in custody. One can receive a loan, which is three times than the amount he keeps in bank's custody. The maximum amount that one can receive is Tk.50 lac.

❑ **FIXED LOAN:**

This loan is given against some lien. Usually the savings certificates are kept as lien. The amount that allocated as loan is determined by the management of the Bank. The fixed loan can be taken again after repaying it. That means fixed loan can be taken several times against the same lien after it is repaid. Usually fixed loan is allocated for the company.

❑ **CREDIT CARD:**

Some features of the credit card are as follows:

- ❑ Standard Chartered Grindlays Credit Card is accepted at more than 3000 outlets around the country. One can use this card for everyday purchases as well as for high value purchases.
- ❑ One has the convenience to pay as little as 5% of the outstanding on the Card amount or TK. 500 (the great among the two) every month.
- ❑ This Credit Card gives access to cash up to 50% of the credit limit. One can with draw this amount of cash from the ATMs or any of the branches of the bank.
- ❑ This Credit Card gives one free air accident insurance coverage up to Tk. 100000 (for silver card) or Tk. 500000 (for Gold Card). This coverage is also applicable for supplementary Cardholders.
- ❑ One can apply for Supplementary Card(s) for one's spouse, parents, sisters, brothers, friends or children over 18 years of age. All charges incurred on the Supplementary Card(s) are reported on the monthly statement. Beside, for the peace of one's mind he/she can assign monthly spending limit on each Supplementary Card.

Types of card:

There are three types of card. They are -

1. Master card (Gold)
2. Master Card (Silver)
3. Visa (Silver)

All the cards are for local use only.

Charges on the Credit Card:

<u>Issuing Charges</u>	<u>Gold Card</u>	<u>Silver Card</u>
Entrants / Joining Fees	Free	Free
Annual Fee	Tk.3,000 per card	Tk.1,500 per card
Additional/Supplementary Cards	Tk.2,000 per card	Tk.1,000 per card
Card Replacement	Tk.1,000 per card	Tk. 500 per card

<u>General Charges:</u>		
Duplicate Statement	Tk.100 per statement	Tk.100 per statement
Late payment fee	Tk.500	Tk.350
Certificate Charge	Tk.100 per certificate	Tk.100 per certificate
Auto Debit reversal	Tk.500 per reversal	Tk.500 per reversal
Processing Fee	Free	Free
Cash Advance	Free	Free
Cash Advance made to International VISA or Master card	Tk.350 per authorization attempt	Tk.350 per authorization attempt
Limit Enhancement	Free	Free
PIN Replacement	Tk.500 per card	Tk.500 per card

2. Liability:

□ **CURRENT ACCOUNT:**

Features:

Minimum Balance Required	BDT 50,000
Interest Rate	No interest is paid
<u>Charges</u>	
Ledger Fees	Tk. 50 per month
Minimum Balance Fees	Tk. 50 per month
Closing Accounts	Tk.250
Closing of unsatisfactory accounts	Tk.500
Closing of account within 6 months of opening	Tk.500
Consolidated Charge (If more than 7 cheques are withdrawn in a week then this charge is applicable)	Tk.12.50 per cheque

□ **SAVINGS ACCOUNT:**

Features:

Minimum Balance Required	BDT 100,000
Interest Rate: The interest rate of the savings account varies with the amount deposited. The rates are given below:	
<u>Balance</u>	<u>Interest Rate</u>
Balance below Tk. 100,000.00	0.00%
Balance below Tk. 500,000.00	4.50%
Balance below Tk. 1,000,000.00	5.00%
Balance above Tk. 1,000,000.00	5.50%

<u>Charges</u>	
Ledger Fees	Tk. 300 half yearly
Minimum Balance Fees	Tk. 50 per month
Closing Accounts	Tk. 200
Closing of account within 3 months of opening	Tk. 500
Consolidated Charge (If more than 7 cheques are withdrawn in a week then this charge is applicable)	Tk. 12.50 per cheque

No interest would be added to the account if one withdraws twice or Tk. 10,000 from the account in a week.

□ **ACCESS ACCOUNT:**

It is a type of savings account but no strings attached to it. It is an unconventional and hassle-free account. Some of the special features of this account is given below -

Features

- No minimum balance required
- No cheque book is issued
- All the transaction are to be done through the ATM card
- No ledger fess is charged
- Competitive interest can be earned as savings account

Charges	
Annual Fee	Tk.150 per card
Card Replacement / lost card fee	Tk.500 per card

□ **SHORT TERM DEPOSIT (STD) :**

Features

Minimum Balance Required	BDT 250,000
Interest Rate: The interest rate varies with the amount deposited. Usually the interest rate remains within 4.00% to 6.00% on the basis of amount.	

□ **FIXED DEPOSIT:**

1. Local Currency -

The different features and the interest rates of the Fixed Deposit for the local currency are given in the following table -

Table: The features of FD (Local Currency)

Tenor	Minimum balance required	BDT 10 M & Below	BDT over 10M
3 Months	BDT 100,000	7.00%	7.50%
6 Months	BDT 100,000	7.50%	8.25%
12 Months and above	BDT 100,000	8.00%	8.50%

Note: The above deposit rates may be increased by 1.00% for priority/Wholesale clients at the discretion of the Management

2. Foreign Currency -

The different features and the interest rates of the Fixed Deposit for the local currency are given in the following table -

Table: The features of the FD(Foreign Currency)

Tenor	USD		GBP	
	NFCD	RFCD	NFCD	RFCD
1 months	1.19%	1.04%	3.04%	2.79%
3 months	1.30%	1.15%	3.10%	2.85%
6 months	1.50%	1.35%	3.25%	3.00%
12 months	2.06%	1.91%	3.67%	3.42%
Minimum amount required	USD	5,000.00		

**** The rates are based on the international market rates, which are available at the bank regularly.**

NOTE: RATES ARE SUBJECT TO CHANGE WITHOUT PRIOR NOTICE. ALL RATES QUOTED ON A PER ANNUM BASIS.

2. REMITTANCE:

The remittance department is concerned for the flow of money to different spots and the exchange of different convertible units of money like pay order, drafts, T.C. etc.

ACTIVITIES:

The things done in the remittance department can be listed in the following points -

- Issuing TC
- Refunding or give the change of TCs
- Changing the foreign currency to TAKA
- Receiving the application form for sanchay patra and sending them for issuing.
- Delivering the issued sanchay patra to the customer
- Receiving the interest coupons and the matured sanchay patra and sending them for encashment.
- Receiving the application form and issuing pay order, demand draft and telegraphic transfer.

- Receiving the application form for fund transfer.
- Issuing Bangladesh Bank cheque.
- Receiving the stop cheque application and stopping them.
- Receiving cheques, drafts and dividend slips for clearing, collection and transfer.
- Mailing the returned cheques to the customers
- Delivering the PRC (Proceed Realization Certificate)
- Filing the different documents

STAFFS:

The activities of the remittance department is looked after by the following people -

1. The Teller Officer
2. The Interns

3. CASH:

Cash is one of the most important place in the personal banking. The daily transaction of the customers is done through the cash. The people who have the banking relationship or having accounts with this bank perform their banking transaction like depositing money, withdrawing the cash etc through this cash portion of the personal banking department.

THE ACTIVITIES OF THE CASH:

The activities in the cash portion can be depicted as follows -

- Receive money from people and depositing it in the respective customer's account.
- Receiving cheque from the customers and delivering respective amount of cash to the valid person.
- Receiving the credit card bills from the customers

- ❑ Bringing cash from the Bangladesh Bank (Central Bank) when the cash reserve of the bank falls under the safe margin.
- ❑ Checking the daily transaction after the end of the transaction hour.

STAFFS:

The activities in the cash portion are done by the teller.

SPECIAL SERVICES:

Other than the direct service the bank also provide some special services to its customers. Off these services the followings are worth mentioning -

1. Phone Banking
2. ATM service
3. Locker service

1. Phone Banking Service:

Standard Chartered Bank is the first bank in the country to offer automated 24-hour Phone banking service. Our phone banking services include balance enquiry, fund transfer, change of TIN, chequebook request, statement request, foreign currency exchange rate etc., which are available through telephones from the comfort of home, office or car.

Other services available during the working hours include account opening information, remittance query, stop payment instruction, request for draft, renewal of fixed deposit, change of address etc. Phone link service is offered to all customers free of charge.

2. ATM Service:

Standard Chartered bank introduced the ATM service first in Bangladesh in 1994 with their only ATM machine in Banani Branch. Now the Bank has about 23 ATM machines in the country in collaboration with the Standard Chartered Grindlays Bank. Customer can get

service from the ATM machine by using the ATM card provided to each customer at the time of opening an account at free of cost. The yearly charge for the card is only TK. 150.

In a ATM machine the customer can avail the following types of services -

- Cash Withdrawals
- Cash Deposit
- Cheque Deposit
- Utility Payment
- Balance Inquiries
- Funds Transfer
- Mini Statements
- Statement requests
- Cheque book requisition

The ATM provides customer the 24 hours access to the banking service. Moneylink cards also offers discount facilities to the customers to some selected best hotels, restaurants, boutique health clinics and shopping centers in Bangladesh.

3. Locker Service:

The locker service of the bank allows you to keep your valuables in a safe and secure place and access them at convenient times. The service is open from 9 am to 5 pm. The service is unavailable on weekends and government holidays. The locker rooms are air-conditioned and one can operate it in complete privacy. There are strong security measures like round the clock security guard, strong heat-resisted steel lockers, sophisticated anti-burglary alarm system fire fighting and resistance equipments and protection against other weather conditions.

SIZE:

The Locker Sizes(Cubic ft) are as follows -

- Small Size 4.5" x 7" x 23.5"
- Medium Size 4.5" x 14" x 23.5"
- Large Size 7" x 14" x 23.5"

PART - IV

SERVICE LEVEL & CUSTOMER SATISFACTION

INTRODUCTION:

Standard Chartered bank is one of the leading bank in our country. More than half percent of the consumer market of our country is being dominated by this bank. For the satisfaction of the customer and to increase the service level the bank is initiating different types of new services and introducing high tech facilities to the people of our country. The bank can be quite represented as one of the premier innovator in the banking sector in our country.

After making so much effort and initiation it is really interesting to know how much it actually successful to gain the customer satisfaction and contentment. It is also required to know the customers are really enjoying the facilities the bank provides to them.

THE PROCESS OF MEASURING THE SATISFACTION:

The satisfaction is a construct that is we cannot directly measure the satisfaction. Satisfaction has a different meaning to different people. Thus, we must measure the satisfaction by using some indirect measurement to know the magnitude and direction of satisfaction. So, I have broken it down into various concepts i.e. it has a singular meaning to everyone to be rated to the extent customers are satisfied with the services, found from the qualitative research conducted on the customers. In the below the concepts are provided:-

1. The bankers can understand and realize customers' problem properly and accurately
2. The bankers can solve customers' problem quickly and promptly.
3. The bankers are very friendly and helpful to the customers.
4. The bank has wide spread service facility and link
5. Customers can receive service from very close to your house or business outlet

6. The ATM has increased the service level of this bank to great extent
7. The Phone link has increased the service level of this bank to great extent
8. How much (customers) satisfied with the overall service of the bank
9. The bankers provide sufficient information about their product and information necessary to the customers.

GENERAL OPINION OF THE CUSTOMERS

Off the banking service provided by various other foreign bank and local and private and public banks the customers can distinguish some unique quality and advantages for making and managing their banking relation with bank. The advantage that they feel while maintaining the banking relation with this bank are as follows -

1. The bank is more secured in terms of banking transaction and keeping money here
2. The bank has wide access and huge range of service offerings
3. The atmosphere of the bank is more attractive than other banks
4. The bank can provide them prompt service and
5. They bankers are very friendly to them.

According to them there are also some short comings -

1. The bank takes high charges for their services
2. Even sometimes they are not aware of various charges for the products and services provided by the bank.



PART - V

LITERATURE REVIEW

A Service-Based Economy

First, services marketing concepts and strategies have developed in response to the tremendous growth of service industries resulting in their increased importance to the world economies. As was noted, in 1996 the service sector represented 79 percent of total employment and at least 76 percent of the gross domestic product of the United States. Almost all of the absolute growth in numbers of jobs and the fastest growth rates in job information are in service industries.

Another indicator of the economic importance of services is that trade in services is growing worldwide. From the perspective of Bangladesh, service sector has immense contribution towards its economic development. In Bangladesh, under the service sector many firms, which includes shipping lines and financial institutions have done very hard work in order to prove that, through better service they can certainly change the entire scenario of the business world. If we look at the banks that are operating today, we can easily find out that beside the multinational banks quite a few local private banks are also doing fairly well. However, even six to seven years back the situation was quite different. At that point of time only the big multinationals were able to rule the service sector as far as the banking sector was concerned. In fact, they had reasons for doing so, because these banks always focused on the services they rendered to their valued clients. They implemented various means in order to improve the service level, which was convenient to the customers. According to them, customers means business and if they can not satisfy the customers then they will not be able to operate in the country. All these multinational banks had a long term vision which they implemented from the very beginning. They knew the importance of customer service and successfully they did everything and still trying to continue with that.

There is a growing market for services and increasing dominance of services in economies worldwide. Services are a dominant force in countries around the world as can be seen in the Global Feature. The tremendous growth and economic contributions of the service sector have drawn increasing attention to the issues and problems of service sector industries.

Service as a Business Imperative in Manufacturing and IT

Early in the development of the field of services marketing and management, most of the interest and impetus came from service industries such as banking and health care. As these traditional service industries continue to evolve and become more competitive, the need for effective services management and marketing strategies is still there. Now, however, manufacturing and technology industries such as automobiles, computers, and software are also recognizing the need to provide quality service in order to compete worldwide. These companies are also realizing that a large percentage of their revenues and profits are coming from services.

In most industries, providing quality service is no longer simply an option. The quick pace of developing technologies and increasing competition make it difficult to gain strategic competitive advantage through physical products alone. Plus, customers are more demanding. They not only expect excellent, high-quality goods; they also expect high levels of service along with them.

In a company brochure, IBM—the computer manufacturer—states that it is the largest service business in the world. Services are leading IBM's growth strategy. Through its Global Services division, IBM offers product support services, professional consulting services, and network computing services around the globe. These services are demanded by its customers; by providing them IBM expects to grow in revenues and profits and enhance its competitive advantage in the industry. As manufacturers and IT companies such as GE and IBM become more and more service-focused, the need for special concepts and approaches for managing and marketing services becomes even more apparent.

Deregulated Industries and Professional Service Needs

Specific demand for services marketing concepts has come from the deregulated industries and professional services as both of these groups have gone through rapid changes in the ways they do business. In the past several decades, many very large service industries including airlines, banking, telecommunications, and trucking have been deregulated by the U.S. government. Similar

deregulatory moves have taken place in many other countries as well. As a result, marketing decisions that used to be tightly controlled by the government are now partially, and in some cases totally, within the control of individual firms. For example, until 1978 all airline fares, routes, and commissions paid to travel agents were determined and monitored by the government. Now individual airlines are free to set their own pricing structures and determine which routes they will fly. Needless to say, deregulation created turmoil in the airline industry, accelerating the need for more sophisticated, customer-based, and competition-sensitive marketing. In the late 1990s and into the turn of the century, the electric utility industry in the United States will see many of these same changes. Market forces, regulatory and political forces, and technological forces are combining to change the face of competition and marketing in that industry.

Providers of professional services (such as dentists, lawyers, accountants, engineers, and architects) have also demanded new concepts and approaches for their businesses as these industries have become increasingly competitive and as professional standards have been modified to allow at least limited advertising. The challenges faced by Julia Brennan in our opening vignette are common across the professions. While traditionally the professions avoided even using the word marketing, they are now seeking better ways to understand and segment their customers, to ensure the delivery of quality services, and to strengthen their positions amidst a growing number of competitors.

New Technologies Spawn Need for Service Concepts

Because of the advances in information-based technologies, a multitude of new service concepts have exploded into the marketplace. Facsimile (fax) machines, voice mail, and cellular phones are examples of technology-based service concepts that have substituted for traditional ways of delivering similar services. Fax machines have substituted for mail and phone calls, voice mail can substitute for secretarial services, and cellular phones have made phone communication accessible from any location. Another explosive technology, the Internet, has made it possible for consumers to access many services through their computers and televisions. For example, amazon.com has essentially replaced and enhanced the services of traditional booksellers for many consumers. In all of these cases marketing has played a role in educating customers about the service concept and teaching them how to use it.

Sometimes, as in the case of Caller ID services (see the following Technology Spotlight), people need considerable education before they are willing to try new services. A prime example of initial consumer resistance to a new service concept is the case of the automated teller machine (ATM). While it is difficult to believe now, when ATMs were first introduced, a tremendous marketing effort was needed to communicate the benefits of the new service and to educate people in its use. People were skeptical of the computer technology itself (many bank customers had no experience at all with computers), and some feared that the machine would make an error, forget to record a deposit, or steal their bank card. People simply had to learn that what they had always viewed as a personal service delivered by a human bank teller could be delivered reliably through technology and that they, the consumers, were capable of learning to use the technology. Ongoing marketing research identified problems in the early machines and led to technical enhancements and ease-of-use improvements over time. Educating customers on how to use the new technologies and communicating the benefits they can derive from them are continuing challenges for service marketers.

Services Marketing Is Different

As the forces described above coincided, those involved realized that there was something different about marketing services and managing services. (There were issues and problems they hadn't faced in manufacturing and packaged-goods companies.) How can the firm ensure consistent product quality to the marketplace? As service businesses began to turn to marketing and decided to hire marketing people, they naturally recruited from the best marketers in the world—Procter & Gamble, General Foods, Kodak. People who moved from marketing in packaged-goods industries to marketing in health care, banking, and other service industries found their skills and experiences were not directly transferable. They faced issues and dilemmas in marketing services that their experiences in packaged goods and manufacturing had not prepared them for. These people realized the need for new concepts and approaches for marketing and managing service businesses.

TABLE 1.0 SERVICES ARE DIFFERENT

<u>Goods</u>	<u>Services</u>	<u>Resulting implications</u>
Tangible	Intangible	Services cannot be inventoried. Services cannot be patented. Services cannot be readily displayed or communicated. Pricing is difficult.
Standardized	Heterogeneous	Service delivery and customer satisfaction depend on employee actions. Service quality depends on many uncontrollable factors. There is no sure knowledge that the service delivered matches what was planned and promoted.
Production separate from consumption	Simultaneous production and consumption	Customers participate in and affect the transaction. Customers affect each other. Employees affect the service outcome. Decentralization may be essential. Mass production is difficult.
Nonperishable	Perishable	It is difficult to synchronize supply and demand with services. Services cannot be returned or resold.

Intangibility

The most basic, and universally cited, difference between goods and services is intangibility. Because services are performances or actions rather than objects, they cannot be seen, felt, tasted, or touched in the same manner that we can sense tangible goods. For example, health care services are actions (e.g., surgery, diagnosis, examination, treatment) performed by providers and directed toward patients and their families. These services cannot actually be seen or touched by the patient, although the patient may be able to see and touch certain tangible components of the service (e.g.,

equipment, hospital room). In fact, many services such as health care are difficult for the consumer to grasp even mentally. Even after a diagnosis or surgery has been completed the patient may not fully comprehend the service performed.

Resulting Marketing Implications Intangibility presents several marketing challenges: Services cannot be inventoried, and therefore fluctuations in demand are often difficult to manage. For example, there is tremendous demand for resort accommodations in Phoenix in February, but little demand in July. Yet resort owners have the same number of rooms to sell year-round. Services cannot be patented legally, and new service concepts can therefore easily be copied by competitors. Services cannot be readily displayed or easily communicated to customers, so quality may be difficult

Heterogeneity

Because services are performances, frequently produced by humans, no two services will be precisely alike. The employees delivering the service frequently are the service in the customer's eyes, and people may differ in their performance from day to day or even hour to hour.

Heterogeneity also results because no two customers are precisely alike; each will have unique demands or experience the service in a unique way. Thus, the heterogeneity connected with services is largely the result of human interaction (between and among employees and customers) and all of the vagaries that accompany it. For example, a tax accountant may provide a different service experience to two different customers on the same day depending on their individual needs and personalities and on whether the accountant is interviewing them when he or she is fresh in the morning or tired at the end of a long day of meetings.

Because services are heterogeneous across time, organizations, and people, ensuring consistent service quality is challenging. Quality actually depends on many factors that cannot be fully controlled by the service supplier, such as the ability of the consumer to articulate his or her needs, the ability and willingness of personnel to satisfy those needs, the presence (or absence) of other customers, and the level of demand for the service. Because of these complicating factors, the

service manager cannot always know for sure that the service is being delivered in a manner consistent with what was originally planned and promoted. Sometimes services may be provided by a third party, further increasing the potential heterogeneity of the offering. For example, a consulting organization may choose to subcontract certain elements of its total offering. From the customer's perspective, these subcontractors still represent the consulting organization, even though their actions cannot be totally predicted or controlled by the contractor.

Perishability

Perishability refers to the fact that services cannot be saved, stored, resold, or returned. A standing queue in a bank or in a restaurant, an hour of a lawyer's time, or telephone line capacity not used cannot be reclaimed and used or resold at a later time. This is in contrast to goods that can be stored in inventory or resold another day, or even returned if the consumer is unhappy. Wouldn't it be nice if a bad haircut could be returned or resold to another consumer? Perishability makes this an unlikely possibility for most services.

A primary issue that marketers face in relation to service perishability is the inability to inventory. Demand forecasting and creative planning for capacity utilization are therefore important and challenging decision areas. The fact that services cannot typically be returned or resold also implies a need for strong recovery strategies when things do go wrong. For example, while a bad haircut cannot be returned, the hairdresser can and should have strategies for recovering the customer's goodwill if and when such a problem occurs.

THE SERVICES MARKETING TRIANGLE

The services marketing triangle (Figure: 1.0) shows the three interlinked groups that work together to develop, promote, and deliver services. These key players are labeled on the points of the triangle: the company (or SBU or department or "management"), the customers, and the providers (whoever it is that actually delivers the service to customers). Between these three points on the

triangle, there are three types of marketing that must be successfully carried out for a service to succeed: external, internal, and interactive marketing. All these activities revolve around making and keeping promises to customers. For services, all three types of marketing activities are essential for building and maintaining relationships with customers. Each is now discussed in more detail.

External Marketing: Making Promises

Through its external marketing efforts, a company makes promises to its customers regarding what they can expect and how it will be delivered. Traditional marketing activities such as advertising, sales, special promotions, and pricing facilitate this type of marketing. But for services, other factors also communicate the promise to customers. The service employees, the design and decor of the facility, and the service

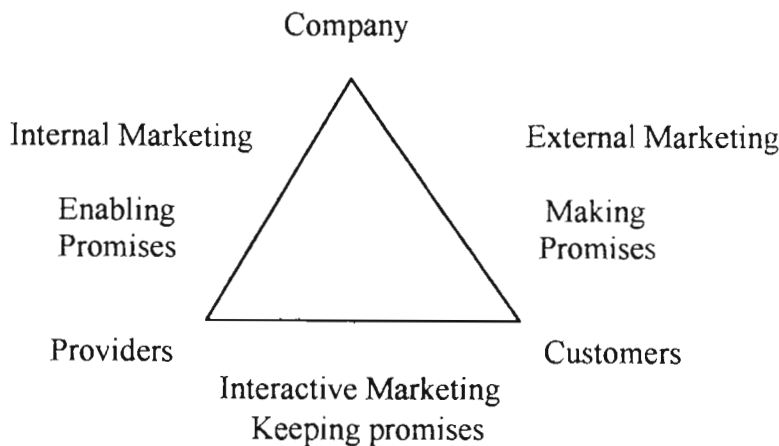


FIGURE 1.0: The services marketing triangle.

process itself also communicate and help to set customer expectations. Service guarantees and two-way communication (especially in situations where promises can be negotiated and expectations can be managed on an individual basis) are additional ways of communicating service promises. Unless consistent and realistic promises are set via all of these external communication vehicles, a customer relationship will be off to a shaky beginning. Further, if there is a tendency to over promise, the relationship may also be off to a weak beginning.



Interactive Marketing: Keeping Promises

External marketing is just the beginning for services marketers: Promises made must be kept. Keeping promises, or interactive marketing, is the second type of marketing activity captured by the triangle—and is the most critical from the customer's point of view. Service promises are most often kept or broken by the employees of the firm or by third-party providers, most often in real time. Sometimes service promises are even delivered through technology, as discussed a bit later. Interactive marketing occurs in the moment of truth when the customer interacts with the organization and the service is produced and consumed. Interestingly, promises are kept or broken and the reliability of service is tested every time the customer interacts with the organization.

Internal Marketing: Enabling Promises

A third form of marketing, internal marketing, takes place through the enabling of promises. In order for providers and service systems to deliver on the promises made, they must have the skills, abilities, tools, and motivation to deliver. In other words, they must be enabled. This essential services marketing activity has become known as internal marketing. Promises are easy to make, but unless providers are recruited, trained, provided with tools and appropriate internal systems, and rewarded for good service, the promises may not be kept. Internal marketing also hinges on the assumption that employee satisfaction and customer satisfaction are inextricably linked.

Aligning the Sides of the Triangle

In a triangle, all three sides are essential to complete the whole. For services all three marketing activities, represented by the sides of the triangle, are critical to success; without one of the sides in place, the triangle, or the total marketing effort, cannot be optimally supported. Each side represents significant challenges.

Standard Chartered Bank is an example of a company that has all sides of the triangle well aligned. With respect to external marketing, Standard Chartered is a master. They understand their

customers, do extensive market research (2,400 customer surveys per quarter), measure customer satisfaction daily (through their service quality indicator, or SQI), and listen to customers. Promises are communicated effectively to the marketplace through award-winning advertising messages and consistent statements by their people.

Interactive marketing—keeping promises—is at the heart of Standard Chartered Bank’s strategy. A shared goal within the company is that every one of these service encounters be flawless from the customer’s point of view. The employees that deliver Standard Chartered Bank’s promises directly (customer service advisor, front-line telephone people, personal financial consultants, direct sales executives) all know that 100 percent success in interactive marketing is the goal.

Standard Chartered Bank also knows that 100 percent success is not possible unless all of these providers are enabled to provide quality service through technology, rewards, support systems, and empowerment. Open communication with employees is another key to successfully rallying them around new initiatives and opportunities aimed at building business. As a result of its support and fair treatment of employees, employee loyalty at Standard Chartered is very high, and promises to customers can be kept.

Technology and the Services Marketing Triangle

With the impact of technology on all dimensions of service and service delivery, it has been suggested that the services triangle be expanded to explicitly include technology—turning the triangle into a pyramid. The pyramid suggests that interactive marketing can be the result of customers, providers, and technology (or some subset of the three) interacting in real time to produce the service. It also suggests that management has the responsibility to facilitate not only the delivery of service through human providers, but also the delivery through technology. Finally, the pyramid suggests that customers will, at times, interact only with technology and Company therefore will need skills, abilities, and motivation to receive services in that manner. Issues of customer satisfaction with technology-delivered services are also implied.

Returning to our Standard Chartered example, we see further clues to Standard Chartered Bank's success through their integration of technology into the services triangle. Through its BBS (Branch Banking System), a windows based customized software and Internet access, Standard Chartered is working with its customers to provide them access to their account information, any draft request or cheque book request, remittance facility and billing systems. In this way, Standard Chartered customers receive quality service, when they want it, and are able to customize the service on their own. Standard Chartered sees limitless possibilities for improving customer service and providing new services to customers via technology.

THE SERVICES MARKETING MIX

Another way to begin addressing the challenges of services marketing is to think creatively about the marketing mix—through an expanded marketing mix for services.

Traditional Marketing Mix

One of the most basic concepts in marketing is the marketing mix, defined as the elements an organization controls that can be used to satisfy or communicate with customers. The traditional marketing mix is composed of the four P's: product, price, place (distribution), and promotion. These elements appear as core decision variables in any marketing text or marketing plan. The notion of a mix implies that all of the variables are interrelated and depend on each other to some extent. Further, the marketing mix philosophy implies that there is an optimal mix of the four factors for a given market segment at a given point in time.

Key strategy decision areas for each of the four P's are captured in the first four columns in *Table 2.0*. Careful management of product, place, promotion, and price will clearly also be essential to the successful marketing of services. However, the strategies for the four P's require some modifications when applied to services. For example, traditionally promotion is thought of as involving decisions related to sales, advertising, sales promotions, and publicity. In services, these factors are also important, but because services are produced and consumed simultaneously, service

delivery people (such as clerks, ticket-takers, nurses, phone personnel) are involved in "real time" promotion of the service even if their jobs are typically defined in terms of the operational function they perform. Pricing also becomes very complex in services where "unit costs" needed to calculate prices may be difficult to determine, and where the customer frequently uses price as a cue to quality.

Expanded Mix for Services

Because services are usually produced and consumed simultaneously, customers are often present in the firm's factory, interact directly with the firm's personnel, and are actually part of the service production process. Also, because services are intangible customers will often be looking for any tangible cue to help them understand the nature of the service experience. These facts have led services marketers to conclude that they can use additional variables to communicate with and satisfy their customers. For example, in the hotel industry the design and decor of the hotel as well as the appearance and attitudes of its employees will influence customer perceptions and experiences.

Acknowledgment of the importance of these additional communication variables has led services marketers to adopt the concept of an expanded marketing mix for services shown in the three remaining columns in Table 1.0. In addition to the traditional four P's, the services marketing mix includes people, physical evidence, and process. People All human actors who play a part in service delivery and thus influence the buyer's perceptions; namely, the firm's personnel, the customer, and other customers in the service environment.

TABLE 2.0 EXPANDED MARKETING MIX FOR SERVICES

Product	Place	Promotion	Price
Physical good features	Channel type	Promotion blend	Flexibility
Quality level	Exposure	Salespeople	Price level
Accessories	Intermediaries	Number Selection	Terms
Packaging	Outlet locations	Training	Differentiation
Warranties	Transportation	Incentives	Discounts
Product lines	Storage	Advertising	Allowances
Branding	Managing channels	Targets Media types Types of ads Copy thrust Sales promotion Publicity	
People	Physical evidence	Process	
Employees Recruiting Training Motivation Rewards Teamwork	Facility design Equipment Signage Employee dress	Flow of activities Standardized Customized Number of steps Simple Complex	
Customers Education Training	Other tangibles Reports Business cards Statements Guarantees	Customer involvement	

All of the human actors participating in the delivery of a service provide cues to the customer regarding the nature of the service itself. How these people are dressed, their personal appearance, and their attitudes and behaviors all influence the customer's perceptions of the service. The service provider or contact person can be very important. In fact, for some services, such as consulting, counseling, teaching, and other professional relationship-based services, the provider is the service. In other cases the contact person may play what appears to be a relatively small part in service delivery, for instance, a telephone installer, an airline baggage handler, or an equipment delivery dispatcher.

In many service situations, customers themselves can also influence service delivery, thus affecting service quality and their own satisfaction. For example, a client of a consulting company can

influence the quality of service received by providing needed and timely information and by implementing recommendations provided by the consultant. Similarly, health care patients greatly affect the quality of service they receive when they either comply or don't comply with health regimens prescribed by the provider.

Customers not only influence their own service outcomes, but they can influence other customers as well. In a theater, at a ballgame, or in a classroom, customers can influence the quality of service received by others—either enhancing or detracting from other customers' experiences.

Given the strong influence they can have on service quality and service delivery, employees, the customer him/herself, and other customers are included within the people element of the services marketing mix.

Physical evidence is the environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service.

The physical evidence of service includes all of the tangible representations of the service such as brochures, letterhead, business cards, report formats, signage, and equipment. In some cases it includes the physical facility where the service is offered—the servicescape—for example, the retail bank branch facility. In other cases, such as telecommunication services, the physical facility may be irrelevant. In this case other tangibles such as billing statements and appearance of the repair truck may be important indicators of quality. Especially when consumers have little on which to judge the actual quality of service they will rely on these cues, just as they rely on the cues provided by the people and the service process. Physical evidence cues provide excellent opportunities for the firm to send consistent and strong messages regarding the organization's purpose, the intended market segments, and the nature of the service.

Process The actual procedures, mechanisms, and flow of activities by which the service is delivered—the service delivery and operating systems. The actual delivery steps the customer experiences, or the operational flow of the service, will also provide customers with evidence on which to judge the service. Some services are very complex, requiring the customer to follow a

complicated and extensive series of actions to complete the process. Highly bureaucratized services frequently follow this pattern, and the logic of the steps involved often escapes the customer.

Another distinguishing characteristic of the process that can provide evidence to the customer is whether the service follows a production-line/standardized approach or whether the process is an empowered/customized one. None of these characteristics of the service is inherently better or worse than another. Rather, the point is that these process characteristics are another form of evidence used by the consumer to judge service. For example, two successful airline companies, Southwest in the United States and Singapore Airlines, follow extremely different process models. Southwest is a no-frills (no food, no assigned seats), no exceptions, low-priced airline that offers frequent, relatively short-length domestic flights.

The consistent positioning using the services marketing mix reinforces the unique image in the customer's mind, giving Southwest Airlines its high-value position, which has resulted in a huge and committed following of satisfied customers.

The three new marketing mix elements (people, physical evidence, and process) are included in the marketing mix as separate elements because they are within the control of the firm and any or all of them may influence the customer's initial decision to purchase a service, as well as the customer's level of satisfaction and repurchase decisions.



Expected Service: Two Levels of Expectations

One of the findings of this study is that customers hold several different types of expectations about service. The first can be termed desired service and defined as the level of service the customer hopes to receive—the "wished for" level of performance. Desired service is a blend of what the customer believes "can be" and "should be." For example, consumers who sign up for a computer dating service expect to find compatible, attractive, interesting people to date, and perhaps even someone to marry. The expectation reflects the hopes and wishes of these consumers—without these hopes and wishes and the belief that they may be fulfilled, they would probably not purchase the dating service. In a similar way, you will engage the services of your college's placement office when you are ready to graduate. What are your expectations of the service? In all likelihood, you want the office to find you a job—the right job in the right geography for the right salary—because that is what you hope and wish for.

However, you probably also see that the economy may constrain the availability of ideal job openings in companies. And, not all companies you may be interested in have a relationship with your placement office. In this situation and in general, customers hope to achieve their service desires but recognize that this is not always possible. For this reason they hold another, lower-level expectation for the threshold of acceptable service. This lower expectation has been termed adequate service—the level of service the customer will accept. Many college graduates in the early 1990s, trained for high-level, highly skilled jobs, accepted entry-level positions at fast-food restaurants and mail-order retailers or internships for no pay. Their hopes and desires (i.e., their desired service expectations) were still high, but they recognized that they could not attain those desires in the market that existed at the time. Their standard of adequate service was much lower than that of their desired service: Some graduates accepted any job for which they could earn a salary, and others agreed to nonpaying, short-term positions as interns to gain experience. Adequate service represents the "minimum tolerable expectation," the bottom level of performance acceptable to the customer, and reflects the level of service customers believe they will get on the basis of their experience with services.

Levels of expectation are why two organizations in the same business can offer far different levels of service and still keep customers happy. It is why McDonalds can extend excellent industrialized service with few employees per customer and why an expensive restaurant with many tuxedoed waiters may be unable to do as well from the customer's point of view.

This quote illustrates that customers hold similar desired expectations across categories of service but that these categories are not as broad as whole industries. Among subcategories of restaurants are the following: expensive restaurants, fast-food restaurants, airport restaurants. A customer's desired service expectation for fast-food restaurants is quick, convenient, tasty food in a clean setting. The desired service expectation for an expensive restaurant, on the other hand, is elegant surroundings, gracious employees, candlelight, and fine food. In essence, desired service expectations seem to be the same for service providers within a subcategory that is defined by the customer.

The adequate service expectation level, however, is likely to vary for different firms within a category. Within banking sector, a customer may hold a higher expectation for Standard Chartered than for Janata Bank, having experienced consistent service at Standard Chartered over time and somewhat inconsistent service at Janata Bank. It is possible, therefore, that a customer can be more disappointed with service from Standard Chartered than from Janata Bank even though the level of service at Standard Chartered is higher than the level at Janata Bank.

The Zone of Tolerance

Services are heterogeneous in that performance may vary across providers, across employees from the same provider, and even within the same service employee. The extent to which customers recognize and are willing to accept this variation is called the zone of tolerance.

GLOBAL FEATURE

To better understand how consumers behave across cultures, the dimension of values and attitudes can be further subdivided into five universal values across cultures. These universal values are well

documented; they are based on a study using 72,215 employees working in 66 different national subsidiaries of IBM Corporation. The universal values, which collectively distinguish members of different cultures, include power distance, uncertainty avoidance, individualism-collectivism, masculinity-femininity, and Confucian dynamic or long-term orientation.⁸ We explain how Hofstede, the author of this research, defined each of these subdimensions and then describe one of many ways they might affect consumer expectations in services.

- Power distance involves the way the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. Part of power distance involves human inequality in areas such as prestige, wealth, power, and law. People from cultures high in power distance are comfortable with power hierarchy, discrimination, and tolerance of inequalities.
- Uncertainty avoidance is the extent to which the members of a culture feel threatened by uncertain or unknown situations. With high uncertainty avoidance, people like clear rules and explicit situations; with low uncertainty avoidance, people can accept uncertainty without discomfort and tolerate inexplicit rules.
- Individualism exists in societies where the ties between individuals are loose; everyone is expected to look after him- or herself and his or her immediate family. Collectivism, the opposite, exists in societies where people from birth onward are integrated into strong, cohesive groups that offer lifetime protection in exchange for loyalty. This subdimension can be summed up in three words: I versus we.
- Masculinity and femininity are the dominant sex role patterns in the vast majority of both traditional and modern societies. Masculine societies value assertiveness, performance, ambition, and independence, whereas feminine societies value nurturance, quality of life, service, and interdependence.
- The Confucian dynamic or long-term versus short-term orientation dimension refers to the way people look at the future. Long-term orientation emphasizes perseverance, ordering

relationships by status, thrift and a sense of shame. On the other hand, short-term orientation focuses on personal steadiness and stability, saving face, respect for tradition, and reciprocation of greetings, favors and gifts.

The impact of culture on consumer expectations can be illuminated using these five subdimensions of values and attitudes. In a recent study, for example, researchers found the following:

- Consumers low on power distance have high overall expectations of service and particularly expect responsive and reliable service.
- Individualistic consumers have high overall service quality expectations and expect empathy and assurance from the service provider.
- Consumers high on uncertainty avoidance and short-term-oriented consumers have high overall service quality expectations.

If service performance is outside the zone of tolerance at the top end where performance exceeds desired service—customers will be very pleased and probably quite surprised as well. You might consider the zone of tolerance as the range or window in which customers do not particularly notice service performance. When it falls outside the range (either very low or very high), the service gets the customer's attention in either a positive or negative way. As an example, consider the service a bank customer receives from the bank service counter when waiting to know some information. Most customers hold a range of acceptable times for this service encounter—probably some where between 5 and 10 minutes. If service consumes that period of time, customers probably do not pay much attention to the wait. If a customer enters the line and finds sufficient customer service personnel at their desks to serve him/her in the first two or three minutes, s/he may notice the service and judge it as excellent. On the other hand, if a customer has to wait in line for 15 minutes, he (and most likely all the other customers in the line) begins to grumble, looks at his watch. The longer the wait is outside the zone of tolerance, the more frustrated he becomes.

Customers' service expectations are characterized by a range of levels, bounded by desired and adequate service, rather than a single level. This tolerance zone, representing the difference between desired service and the level of service considered adequate, can expand and contract within a customer. An airline customer's zone of tolerance will narrow when he is running late and is concerned about making his plane.

A minute seems much longer, and his adequate service level increases. On the other hand, a customer who arrives at the airport early may have an expanding tolerance zone, making the wait in line far less noticeable than when he or she is pressed for time. This example shows that the marketer must understand not just the size and boundary levels for the zone of tolerance but also when and how the tolerance zone fluctuates within a given customer.

Different Customers Possess Different Zones of Tolerance. Another aspect of variability in the range of reasonable services is that different customers possess different tolerance zones. Some customers have narrow zones of tolerance, requiring a tighter range of service from providers, while other customers allow a greater range of service. For example, very busy customers would likely always be pressed for time and therefore desire short wait times in general and also hold a constrained range for the length of acceptable wait times. When it comes to meeting plumbers or repair personnel at their homes for appliance problems, customers who work outside the home have a more restricted window of acceptable time duration for that appointment than do customers who work in their homes or do not work at all.

An individual customer's zone of tolerance increases or decreases depending on a number of factors, including company-controlled factors such as price. A business insurance customer commented, "Price increases don't really drive up expectations. But my tolerance level will become more stringent/less flexible with an increase." A business equipment repair customer claimed, "My expectations are higher when I've paid for a maintenance agreement, because I've paid money up front."

Zones of Tolerance Vary for Service Dimensions Customers' tolerance zones also vary for different service attributes or dimensions. The more important the factor, the narrower the zone of tolerance

is likely to be. In general, customers are likely to be less tolerant about unreliable service (broken promises, service errors) than other service deficiencies, which means that they have higher expectations for this factor. In addition to higher expectations for the most important service dimensions and attributes, customers are likely to be less willing to relax these expectations than those for less important factors, making the zone of tolerance for the most important service dimension smaller and the desired and adequate service levels higher.

Zones of Tolerance Vary for First-Time and Recovery Service. While customers' expectations are higher for both the result of the service (the service outcome) and the way the service is delivered (the process) during recovery service, the opportunity for recovery is greater with the process dimensions because of lower expectations and a larger zone of tolerance. It is also possible that for service attributes that customers assess in categorical terms (i.e., either the service provider possesses the attribute or does not) the zone of tolerance could be zero (i.e., adequate and desired service will be at the same level).

The fluctuation in the individual customer's zone of tolerance is more a function of changes in the adequate service level, which moves readily up and down due to situational circumstances, than in the desired service level, which tends to move upward incrementally due to accumulated experiences. Desired service is relatively idiosyncratic and stable compared with adequate service, which moves up and down and in response to competition and other factors. Fluctuation in the zone of tolerance can be likened to an accordion's movement, but with most of the gyration coming from one side (the adequate service level) rather than the other (the desired service level).

In summary, customers have two different levels of expectations: desired service and adequate service. The desired service level is less subject to change than the adequate service level. A zone of tolerance separates these two levels. This zone of tolerance varies across customers and expands or contracts within the same customer.

FACTORS THAT INFLUENCE CUSTOMER EXPECTATIONS OF SERVICE

Because expectations play such a critical role in customer evaluation of services, marketers need and want to understand the factors that shape them. Marketers would also like to have control over these factors as well, but many of the forces that influence customer expectations are uncontrollable:

Service expectations are formed by many uncontrollable factors, from the experience of customers with other companies and their advertising to a customer's psychological state at the time of service delivery. Strictly speaking, what customers expect is as diverse as their education, values, and experience. The same advertisement that shouts "personal service" to one person tells another that the advertiser has promised more than it can possibly deliver.

Sources of Desired Service Expectations

As shown in *Figure: 2.0*, two of the largest influences on desired service level are personal needs and philosophies about service. Personal needs, those states or conditions

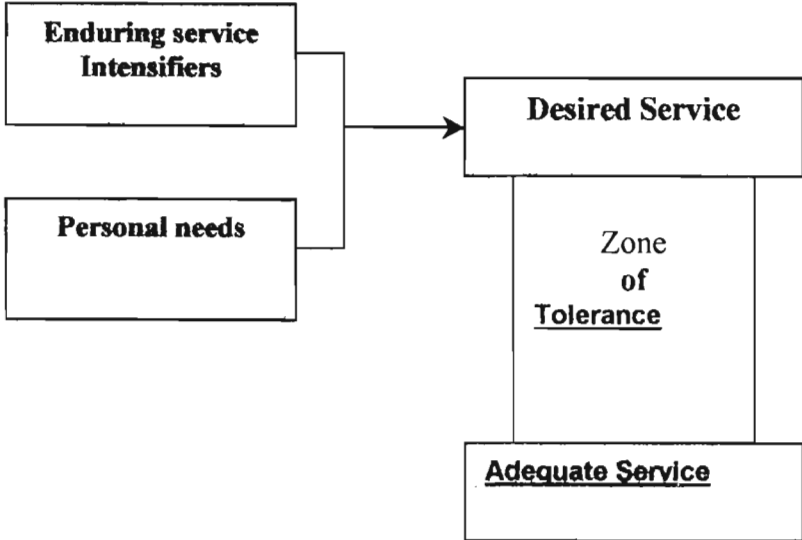


FIGURE: 2.0 Factors that influence desired service.

essential to the physical or psychological well-being of the customer, are pivotal factors that shape the level of desired service. Personal needs can fall into many categories, including physical, social, psychological, and functional. A fan who regularly goes to baseball games right from work, and is therefore thirsty and hungry, hopes and desires that the food and drink vendors will pass by his section frequently, whereas a fan who regularly has dinner elsewhere has a low or zero level of desired service from the vendors. A customer with high social and dependency needs may have relatively high expectations for a hotel's ancillary services, hoping, for example, that the hotel has a bar with live music and dancing.

Some customers are more demanding than others, having greater sensitivity to, and higher expectations of, service. **Enduring service intensifiers** are individual, stable factors that lead the customer to a heightened sensitivity to service. One of the most important of these factors can be called **derived service expectations**, which occur when customer expectations are driven by another person or group of people. A niece from a big family who is planning a 90th birthday party for a favorite aunt is representing the entire family in selecting a restaurant for a successful celebration. Her needs are driven in part by the derived expectations from the other family members. A parent choosing a vacation for the family, a spouse selecting a home-cleaning service, an employee choosing a rental office for the firm—all these customers' individual expectations are intensified because they experience derived expectations from other parties who will receive the service. In the context of business-to-business service, customer expectations are driven by the expectations of their own customers. The head of an information services department in an insurance company, who is the business customer of a large computer vendor, has expectations based on those of the insurance customers he serves: When the computer equipment is down, his customers complain. His need to keep the system up and running is not just his own expectation but is derived from the pressure of his customers.

Business-to-business customers may also derive their expectation from their managers and supervisors. Employees of a marketing research department may speed up project cycles (i.e., increase their expectations for speed of delivery) when pressured by their management to deliver the study results. Purchasing agents may increase demands for faster delivery at lower costs when company management is emphasizing cost reduction in the company.

Another enduring service intensifier is **personal service philosophy**—the customer's underlying generic attitude about the meaning of service and the proper conduct of service providers. If you have ever been a waitress or a waiter in a restaurant, you are likely to have standards for restaurant service that were shaped by your training and experience in that role. You might, for example, believe that waitresses should not keep customers waiting longer than 15 minutes to take their orders. Knowing the way a kitchen operates, you may be less tolerant of lukewarm food or errors in the order than others who have not held the role of waitperson. In general, customers who are themselves in service businesses or have worked for them in the past seem to have especially strong service philosophies. The focus group interviews discussed earlier in the chapter yielded two comments that illustrate personal service philosophies:

An automobile insurance customer: You expect to be treated the way you treat other people.

A business insurance customer: Your own basic philosophies and attitudes about how to do business carry over into what you expect from insurance companies.

To the extent that customers have personal philosophies about service provision, their expectations of service providers will be intensified. Personal service philosophies and derived service expectations elevate the level of desired service.

Sources of Adequate Service Expectations

A different set of determinants affect adequate service, the level of service the customer finds acceptable. In general, these influences are short term in nature and tend to fluctuate more than the somewhat stable factors that influence desired service. In this section we explain the five factors shown in **Figure: 3.0** that influence adequate service: *(1) transitory service intensifiers, (2) perceived service alternatives, (3) customer self-perceived service role, (4) situational factors, and (5) predicted service.*

The first set of elements, **transitory service intensifiers**, are temporary, usually short-term, individual factors that make a customer more aware of the need for service. Personal emergency situations in which service is urgently needed (such as an accident and the need for automobile insurance or a breakdown in office equipment during a busy period) raise the level of adequate service expectation, particularly the level of responsiveness required and considered acceptable.

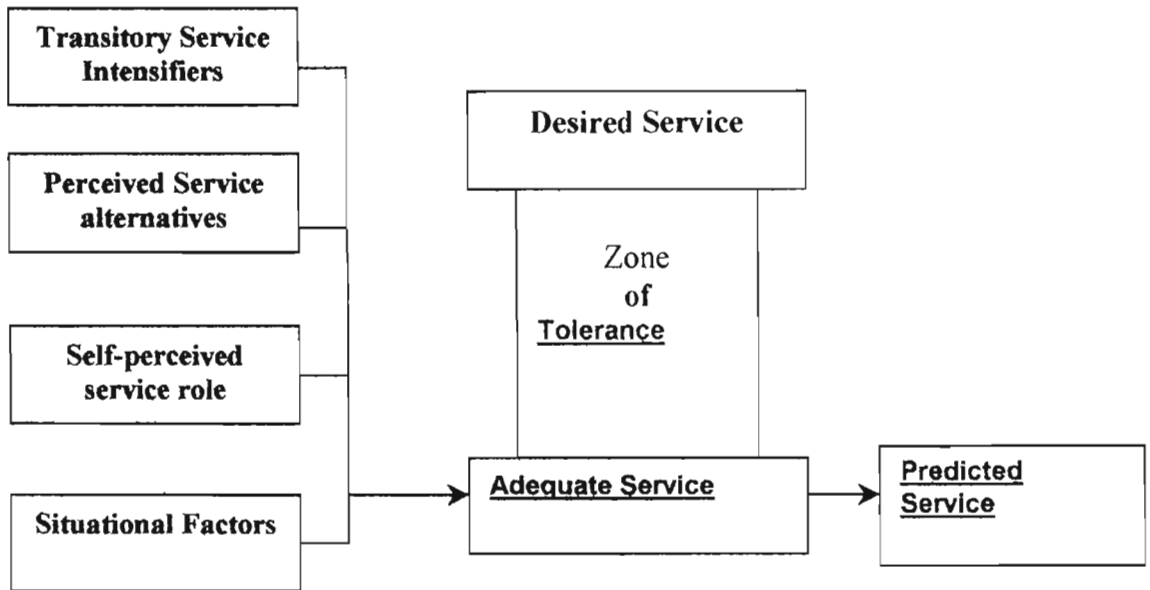


FIGURE: 3.0 Factors that influence adequate service.

A business equipment repair customer: I had calibration problems with the X-ray equipment. They should have come out and fixed it in a matter of hours because of the urgency.

Problems with the initial service can also lead to heightened expectations. Performing a service right the first time is very important, because customers value service reliability above all other dimensions. If the service fails in the recovery phase, fixing it right the second time (i.e., being reliable in service recovery) is even more critical than it was the first time. Automobile repair service provides a case in point. If a problem with your automobile's brakes sends you to a car repair provider, you expect the company to fix the brakes. If you experience further problems with the brakes after the repair (a situation that is not all that uncommon with car repair), your adequate service level will increase. In general, service recovery expectations are higher than initial service expectations.

Perceived service alternatives are other providers from whom the customer can obtain service. If customers have multiple service providers to choose from, or if they can provide the service for themselves (such as lawn care or personal grooming), their levels of adequate service are higher than those of customers who believe it is not possible to get better service elsewhere. An airline customer who lives in a very small town with a tiny airport, for example, has a reduced set of options in airline travel. This customer will be more tolerant of the service performance of the carriers in the town because few alternatives exist. She will accept the scheduling and lower levels of service more than the customer in a big city who has myriad flights and airlines to choose from. The influence of this factor was clearly articulated by a business insurance customer who said: "Sometimes you just don't have many options ... so you have to effectively settle for less" The customer's perception that service alternatives exist raises the level of adequate service and narrows the zone of tolerance.

It is important that service marketers fully understand the complete set of options that customers view as perceived alternatives. In the small town-small airport example just discussed, the set of alternatives from the customer's point of view is likely to include more than just other airlines—limousine service to a nearby large city, rail service, or driving. In general, service marketers must discover the alternatives the customer views as comparable, rather than those in the company's competitive set. For example, all the new technologies require that companies fully understand customer views of what entertainment options compete with each other.

A third factor affecting the level of adequate service is the **customer's self perceived service role**. We define this as customer perceptions of the degree to which customers exert an influence on the level of service they receive. In other words, customers' expectations are partly shaped by how well they believe they are performing their own roles in service delivery. One role of the customer is specifying the level of service expected. A customer who is very explicit with a waiter about how rare he wants his steak cooked in a restaurant will probably be more dissatisfied if the meat comes to the table overcooked than a customer who does not articulate the degree of doneness expected. The customer's active participation in the service also affects this factor. A customer who doesn't

show up for many of her allergy shots will probably be more lenient on the allergist when she experiences symptoms than one who conscientiously shows up for every shot.

A final way the customer defines his or her role is in assuming the responsibility for complaining when service is poor. A dissatisfied customer who complains will be less tolerant than one who does not voice his or her concerns. An automobile insurance customer acknowledged his responsibility in service provision this way: "You can't blame it all on the insurance agent. You need to be responsible too and let the agent know what exactly you want." A truck-leasing customer recognized her role by stating: "There are a lot of variables that can influence how you get treated, including how you deal with them."

Customers' zones of tolerance seem to expand when they sense they are not fulfilling their roles. When, on the other hand, customers believe they are doing their part in delivery, their expectations of adequate service are heightened. The comment of an automobile repair customer illustrates: "Service writers are not competent. I prepare my own itemized list of problems, take it to the service writer, and tell him or her: 'Fix these.'" Levels of adequate service are also influenced by **situational factors**, defined as service performance conditions that customers view as beyond the control of the

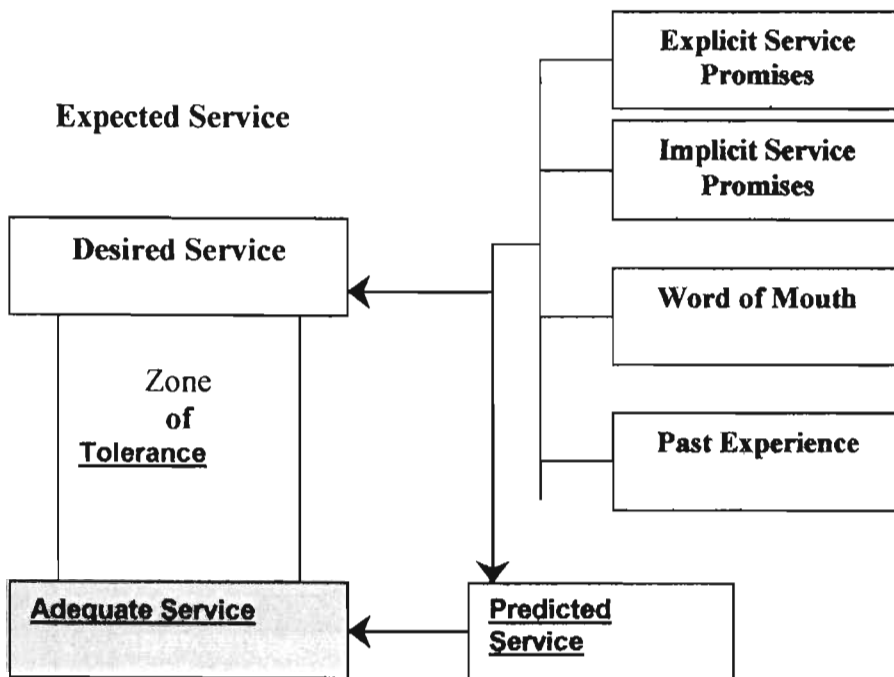


FIGURE: 4.0 Factors that influence desired and predicted service.

service provider. For example, where personal emergencies such as serious automobile accidents would likely intensify customer service expectations of insurance companies (because they are transitory service intensifiers), catastrophes that affect a large number of people at one time (tornadoes or earthquakes) may lower service expectations because customers recognize that insurers are inundated with demands for their services. Customers who recognize that these contingencies are not the fault of the service company may accept lower levels of adequate service given the context. In general, situational factors temporarily lower the level of adequate service, widening the zone of tolerance.

The final factor that influences adequate service is predicted service (*Figure 4.0*), the level of service customers believe they are likely to get. This type of service expectation can be viewed as predictions made by customers about what is likely to happen during an impending transaction or exchange. Predicted service performance implies some objective calculation of the probability of performance or estimate of anticipated service performance level. If customers predict good service, their levels of adequate service are likely to be higher than if they predict poor service. For example, full-time residents in a college town usually predict faster restaurant service during the summer months when students are not on campus. This will probably lead them to have higher standards for adequate service in restaurants during the summer than during school months. On the other hand, customers of telephone companies and utilities know that installation service from these firms will be difficult to obtain during the first few weeks of school when a myriad of students are setting up their apartments for the year. In this case, levels of adequate service decrease and zones of tolerance widen.

Predicted service is typically an estimate or calculation of the service a customer will receive in an individual transaction rather than in the overall relationship with a service provider. Where desired and adequate service expectations are global assessments comprising many individual service transactions, predicted service is almost always an estimate of what will happen in the next service encounter or transaction that the customer experiences. This is one of the reasons predicted service is viewed in this model as an influencer of adequate service.

Because predictions are about individual service encounters, they are likely to be more concrete and specific than the types of expectation levels customers hold for adequate service or desired service. For example, your predicted service expectations about the length of time you will spend in the waiting room the next time you visit your doctor will likely be expressed in terms of the number of minutes or hours you have sat in the waiting room this time.

Service Encounter Expectations versus Overall Service Expectations

Customers hold expectations of the quality of each service encounter, just as they hold expectations about the overall service quality of a firm. When the expectations are about individual service encounters, they are likely to be more specific and concrete (e.g., the number of minutes one must wait for a front-desk clerk) than the expectations about overall service quality (e.g., speedy service).

Sources of Both Desired and Predicted Service Expectations

When consumers are interested in purchasing services, they are likely to seek or take in information from several different sources. For example, they may call a store, ask a friend, or deliberately track newspaper advertisements to find the needed service at the lowest price. They may also receive service information by watching television or hearing an unsolicited comment from a colleague about a service that was performed well. In addition to these active and passive types of external search for information, consumers may conduct an internal search by reviewing the information held in memory about the service. This section discusses one internal and three external factors that influence both desired service and predicted service expectations: (1) explicit service promises, (2) implicit service promises, (3) word-of-mouth communications, and (4) past experience.

Explicit service promises are personal and non-personal statements about the service made by the organization to customers. The statements are personal when they are communicated by salespeople or service or repair personnel; they are non-personal when they come from advertising, brochures, and other written publications. Explicit service promises are one of the few influences on expectations that are completely in the control of the service provider.

Promising exactly what will ultimately be delivered would seem a logical and appropriate way to manage customer expectations and ensure that reality fits the promises. However, companies and the personnel who represent them often deliberately over promise to obtain business or inadvertently over promise by stating their best estimates about delivery of a service in the future. In addition to over promising, company representatives simply do not always know the appropriate promises to make because services are often customized and therefore not easily defined and repeated; the representative may not know how long or in what final form the service will be delivered.

All types of explicit service promises have a direct effect on desired service expectation. If the sales visit portrays a banking service that is available 24 hours a day, the customer's desires for that service (as well as the service of competitors) will be shaped by this promise. A hotel customer describes the impact of explicit promises on expectations: "They get you real pumped up with the beautiful ad. When you go in you expect the bells and whistles to go off. Usually they don't." A business equipment repair customer states: "When you buy a piece of equipment you expect to get a competitive advantage from it. Service is promised with the sale of the equipment." A particularly dangerous promise that many companies today make to their business customers is to provide a "total solution" to their business needs. This promise is very difficult to deliver.

Explicit service promises influence both the levels of desired service and predicted service: They shape what customers desire in general as well as what they predict will happen in the next service encounter from a particular service provider or in a certain service encounter.

Implicit service promises are service-related cues other than explicit promises that lead to inferences about what the service should and will be like. These quality cues are dominated by price and the tangibles associated with the service. In general, the higher the price and the more impressive the tangibles, the more a customer will expect from the service. Consider a customer who shops for insurance, finding two firms charging radically different prices. She may make the inference that the firm with the higher price should and will provide higher-quality service and

better coverage. Similarly, a customer who stays at a posh hotel is likely to desire and predict a higher standard of service than from a hotel with less impressive facilities.

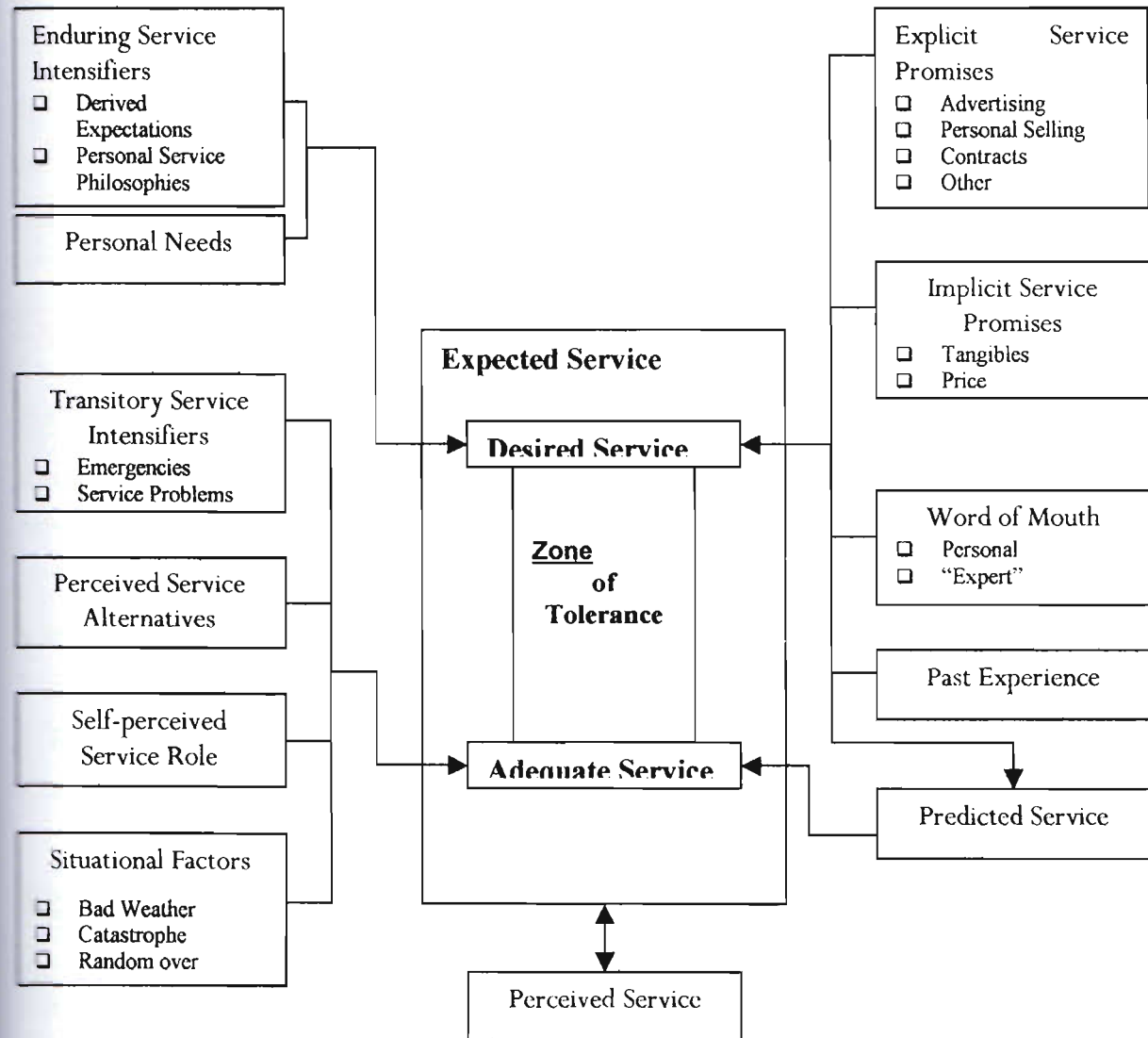
The importance of word-of-mouth communication in shaping expectations of service is well documented. These personal and sometimes non-personal statements made by parties other than the organization convey to customers what the service will be like and influence both predicted and desired service. Word-of-mouth communication carries particular weight as an information source because it is perceived as unbiased. Word of mouth tends to be very important in services that are difficult to evaluate before purchase and direct experience of them. Experts (including Consumer Reports, friends, and family) are also word-of-mouth sources that can affect the levels of desired and predicted service. In the words of one focus group participant: "What I hear from others about higher service levels in their companies can influence my expectation levels. ... I will check around to see why my company isn't providing the same level of service."

Past experience, the customer's previous exposure to service that is relevant to the focal service, is another force in shaping predictions and desires. The service relevant for prediction can be previous exposure to the focal firm's service. For example, you probably compare each stay in a particular hotel with all previous stays in that hotel. But past experience with the focal hotel is likely to be a very limited view of your past experience. You may also compare each stay with your experiences in other hotels and hotel chains. Customers also compare across industries: Hospital patients, for example, compare hospital stays against the standard of hotel visits. Cable service customers tend to compare cable service with the standards set by telephone service, one reason cable service is often judged to be poor. In a general sense, past experience may incorporate previous experience with the focal brand, typical performance of a favorite brand, experience with the brand last purchased or the top-selling brand, as well as the average performance a customer believes represents a group of similar brands.

A MODEL OF CUSTOMER SERVICE EXPECTATIONS

The full model of customer expectations and the forces that influence them is shown in *Figure 5.0*. At the center of the model is the detailed view of expectations showing the two levels, desired and adequate, and the zone of tolerance that separates them. The sources or antecedents of each type of expectation are shown along the sides of the model.

FIGURE: 5.0 Nature and determinants of customer expectations of service.



How might a manager of a service organization use this model to create, improve, or market services? First, managers need to know the pertinent expectation sources and their relative importance for a customer population, a customer segment, and perhaps even a particular customer. They need to know, for instance, the relative weight of word of mouth, explicit service promises, and implicit service promises in shaping desired service and predicted service. Some of these sources are more stable and permanent in their influence (e.g., enduring service intensifiers and personal needs) than the others, which fluctuate considerably over time (e.g., perceived service alternatives and situational factors).

The different sources vary in terms of their credibility as well as their potential to be influenced by the marketer. *Table 3.0* shows the breakdown of typically controllable and uncontrollable factors and offers suggestions about the ways services marketers can influence the factors.

CURRENT ISSUES INVOLVING CUSTOMER SERVICE EXPECTATIONS

The following issues represent current topics of particular interest to service marketers regarding customer expectations. In this section we discuss four of the most frequently asked questions about customer expectations:

- 1 What does a service marketer do if customer expectations are "unrealistic"?
- 2 How does a company exceed customer service expectations?
- 3 Do customer service expectations continually escalate?
- 4 How does a service company stay ahead of competition in meeting customer expectations?

What Does a Services Marketer Do if Customer Expectations Are "Unrealistic"?

One of the inhibitors to learning about customer expectations is management's and employee's fear of asking. This apprehension often stems from the belief that customer expectations will be extravagant and unrealistic, and that by asking about them a company will set itself up for even loftier expectation levels (i.e., "unrealistic" levels). Compelling evidence, shown in *Table 2.0*, suggests that customers' main expectations of service are quite simple and basic: "simply put,

customers expect service companies to do what they are supposed to do. They expect fundamentals, not fanciness; performance, not empty promises." Customers want service to be delivered as promised. Unfortunately, many service customers are disappointed and let down by companies' inability to provide this basic service expectation.

Asking customers about their expectations does not so much raise the levels of the expectations themselves but rather heightens the belief that the company will do something with the information that surfaces. Arguably the worst thing a company can do is show a strong interest in understanding what customers expect and then never act on the information. At a minimum, a company should acknowledge to customers that it has received and heard their input and that it will expend effort trying to address their issues. The company may not be able to—and indeed does not always have to deliver to expressed expectations. An alternative and appropriate response would be to let customers know the reasons desired service is not being provided at the present time and describe the efforts planned to address them.

TABLE: 3.0 WAYS SERVICES MARKETERS CAN INFLUENCE FACTORS

Controllable Factors	Possible influence strategies
Explicit service promises	<p>Make realistic and accurate promises that reflect the service actually delivered rather than an idealized version of the service.</p> <p>Ask contact people for feedback on the accuracy of promises made in advertising and personal selling.</p> <p>Avoid engaging in price or advertising wars with competitors because they take the focus off customers and escalate promises beyond the level at which they can be met.</p> <p>Formalize service promises through a service guarantee that focuses company employees on the promise and that provides feedback on the number of times promises are not fulfilled.</p>
Implicit service promises	<p>Ensure that service tangibles accurately reflect the type and level of service provided.</p> <p>Ensure that price premiums can be justified by higher levels of performance by the company on important customer attributes.</p>
Less controllable factors	Possible influence strategies
Enduring service intensifiers	<p>Use market research to determine sources of derived service expectations and their requirements. Focus advertising and marketing strategy on ways the service allows the focal customer to satisfy the requirements of the influencing customer.</p> <p>Use market research to profile personal service philosophies of customers and use this information in designing and delivering services.</p>
Personal needs	Educate customers on ways the service addresses their needs.
Transitory service intensifiers	Increase service delivery during peak periods or in emergencies.
Perceived service alternatives	Be fully aware of competitive offerings and, where possible and appropriate, match them.
Self-perceived service role	Educate customers to understand their roles and perform them better.
Word-of-mouth communications	<p>Simulate word of mouth in advertising by using testimonials and opinion leaders.</p> <p>Identify influencers and opinion leaders for the service and concentrate marketing efforts on them.</p> <p>Use incentives with existing customers to encourage them to say positive things about the service.</p>
Past experience	Use marketing research to profile customers' previous experience with similar services.
Situational factors	Use service guarantees to assure customers about service recovery regardless of the situational factors that occur.
Predicted service	Tell customers when service provision is higher than what can normally be expected so that predictions of future service encounters will not be inflated.

Another approach could be a campaign to educate customers about ways to use and improve the service they currently receive. Giving customers progress updates as service is improved to address their needs and desires is sensible because it allows the company to get credit for iterative efforts in service delivery.

Some observers recommend deliberately underpromising the service to increase the likelihood of meeting or exceeding customer expectations. While underpromising makes service expectations more realistic, thereby narrowing the gap between expectations and perceptions, it also may reduce the competitive appeal of the offer. Also, some research has indicated that underpromising may have the inadvertent effect of lowering customer perceptions of service, particularly in situations where customers have little experience with a service. In these situations, customer expectations may be self-fulfilling; that is, if the customer goes into the service experience expecting good service, he or she will focus on the aspects of service provision that are positive, and vice versa. Thus, a salesperson who pitches a customer with a realistic promise may lose the sale to another who inflates the offering. If the salesperson knows that no competitor can meet an inflated sales promise in an industry, he or she could point that fact out to the customer, thereby refuting the promise made by competitive salespeople.

The second option is for the provider to follow a sale with a "reality check" about service delivery. One of the authors of this textbook bought a new house from a builder. Typical sales promises were made about the quality of the home, some less than accurate, in order to make the sale. Before closing on the house, the buyer and builder conducted a final check on the house. At the front door, the builder turned to the buyer and pointed out that each new home has between 3,000 and 5,000 individual elements and that in his experience the typical new home had 100 to 150 defects. Armed with this "reality check," the buyer thought the 32 defects found in the house seemed minor. Consider the buyer's response in the absence of that reality check.

How Does a Company Exceed Customer Service Expectations?

Many companies today talk about exceeding customer expectations—delighting and surprising them by giving more than they expect. This philosophy raises the question:

Should a service provider try simply to meet customer expectations or to exceed them?

First, it is essential to recognize that exceeding customer expectations of the basics is virtually impossible. Honoring promises—having the reserved room available, meeting deadlines, showing up for meetings, delivering the core service—is what the company is supposed to do. Companies are supposed to be accurate and dependable and provide the service they promised to provide.

In virtually any service, developing a customer relationship is one approach for exceeding service expectations. The United States Automobile Association (USAA), a provider of insurance to military personnel and their dependents, illustrates how a large company that never interacts personally with its customers can surprise and delight them with its personalization of service and knowledge of the customer. Using a state-of-the-art imaging system, all USAA employees can access any customer's entire information file in seconds, giving them full knowledge of the customer's history and requirements and the status of the customer's recent interactions with the company. Expecting a lower level of personalization from an insurance company and from most any service interaction on the telephone, USAA's customers are surprised and impressed with the care and concern employees demonstrate.

Using a similar type of information technology, Ritz-Carlton Hotels, a winner of the Malcolm Baldrige Quality Award, provides highly personalized attention to its customers. The company trains each of its employees to note guest likes and dislikes and to record these into a computerized guest history profile. The company now has information on the preferences of more than 240,000 repeat Ritz-Carlton guests, resulting in more personalized service. The aim is not simply to meet expectations of guests but to provide them with a "memorable visit." The company uses the guest history information to exceed customers' expectations of the way they will be treated. When a repeat customer calls the hotel's central reservations number to book accommodations, the reservation agent can call up the individual's preference information. He or she then sends this information electronically to the particular hotel at which the reservation is made. The hotel outputs the data in a daily guest recognition and preference report that is circulated to employees.

Employees then greet the repeat guest personally at check-in and ensure that the guest's needs/preferences are anticipated and met.

Do Customer Service Expectations Continually Escalate?

Customer service expectations are dynamic. In the credit-card industry, as in many competitive service industries, battling companies seek to best each other and thereby raise the level of service above that of competing companies. Service expectations—in this case adequate service expectations—rise as quickly as service delivery or promises rise. In a highly competitive and rapidly changing industry, expectations can thus rise quickly. For this reason companies need to monitor adequate service expectations continually—the more turbulent the industry, the more frequent the monitoring needed.

Desired service expectations, on the other hand, are far more stable. Because they are driven by more enduring factors, such as personal needs and enduring service intensifiers, they tend to be high to begin with and remain high.

How Does a Service Company Stay Ahead of Competition in Meeting Customer Expectations?

The adequate service level reflects the minimum performance level expected by customers after they consider a variety of personal and external factors including the availability of service options from other providers. Companies whose service performance falls short of this level are clearly at a competitive disadvantage, with the disadvantage escalating as the gap widens. These companies' customers may well be "reluctant" customers, ready to take their business elsewhere the moment they perceive an alternative.

If they are to use service quality for competitive advantage, companies must perform above the adequate service level. This level, however, may signal only a temporary advantage. Customers' adequate service levels, which are less stable than desired service levels, will rise rapidly when

competitors promise and deliver a higher level of service. If a company's level of service is barely above the adequate service level to begin with, a competitor can quickly erode that advantage. Companies currently performing in the region of competitive advantage must stay alert to the need for service increases to meet or beat competition.

To develop a true customer franchise—immutable customer loyalty—companies must consistently exceed not only the adequate service level but also the desired service level. Exceptional service can intensify customers' loyalty to a point where they are impervious to competitive options.

How Does a Company Exceed Customer Service Expectations?

Many companies today talk about exceeding customer expectations—delighting and surprising them by giving more than they expect. This philosophy raises the question:

Should a service provider try simply to meet customer expectations or to exceed them?

First, it is essential to recognize that exceeding customer expectations of the basics is virtually impossible. Honoring promises—having the reserved room available, meeting deadlines, showing up for meetings, delivering the core service—is what the company is supposed to do. Companies are supposed to be accurate and dependable and provide the service they promised to provide.

In virtually any service, developing a customer relationship is one approach for exceeding service expectations. The United States Automobile Association (USAA), a provider of insurance to military personnel and their dependents, illustrates how a large company that never interacts personally with its customers can surprise and delight them with its personalization of service and knowledge of the customer. Using a state-of-the-art imaging system, all USAA employees can access any customer's entire information file in seconds, giving them full knowledge of the customer's history and requirements and the status of the customer's recent interactions with the company. Expecting a lower level of personalization from an insurance company and from most any service interaction on the telephone, USAA's customers are surprised and impressed with the care and concern employees demonstrate.

Using a similar type of information technology, Ritz-Carlton Hotels, a winner of the Malcolm Baldrige Quality Award, provides highly personalized attention to its customers. The company trains each of its employees to note guest likes and dislikes and to record these into a computerized guest history profile. The company now has information on the preferences of more than 240,000 repeat Ritz-Carlton guests, resulting in more personalized service. The aim is not simply to meet expectations of guests but to provide them with a "memorable visit." The company uses the guest history information to exceed customers' expectations of the way they will be treated. When a repeat customer calls the hotel's central reservations number to book accommodations, the reservation agent can call up the individual's preference information. He or she then sends this information electronically to the particular hotel at which the reservation is made. The hotel outputs the data in a daily guest recognition and preference report that is circulated to employees. Employees then greet the repeat guest personally at check-in and ensure that the guest's needs/preferences are anticipated and met.

How well does this approach work? According to surveys conducted for Ritz-Carlton by an independent research firm, 92 to 97 percent of the company's guests leave satisfied. A survey by Galiup Surveys found the Ritz-Carlton Hotel Company to be the first choice of its customers for the last two years, a 95 percent satisfaction rating, compared with a 57 percent satisfaction rating for the nearest competitor. And the Ritz-Carlton maintains a 10 percent performance gap over the next best competitor out of those hotels rated four or five stars by the Mobil Travel Guided.

Do Customer Service Expectations Continually Escalate?

Customer service expectations are dynamic. In the credit-card industry, as in many competitive service industries, battling companies seek to best each other and thereby raise the level of service above that of competing companies. Service expectations—in this case adequate service expectations—rise as quickly as service delivery or promises rise. In a highly competitive and rapidly changing industry, expectations can thus rise quickly. For this reason companies need to monitor adequate service expectations continually—the more turbulent the industry, the more frequent the monitoring needed.

Desired service expectations, on the other hand, are far more stable. Because they are driven by more enduring factors, such as personal needs and enduring service intensifiers, they tend to be high to begin with and remain high.

How Does a Service Company Stay Ahead of Competition in Meeting Customer Expectations?

The adequate service level reflects the minimum performance level expected by customers after they consider a variety of personal and external factors including the availability of service options from other providers. Companies whose service performance falls short of this level are clearly at a competitive disadvantage, with the disadvantage escalating as the gap widens. These companies' customers may well be "reluctant" customers, ready to take their business elsewhere the moment they perceive an alternative.

If they are to use service quality for competitive advantage, companies must perform above the adequate service level. This level, however, may signal only a temporary advantage. Customers' adequate service levels, which are less stable than desired service levels, will rise rapidly when competitors promise and deliver a higher level of service. If a company's level of service is barely above the adequate service level to begin with, a competitor can quickly erode that advantage. Companies currently performing in the region of competitive advantage must stay alert to the need for service increases to meet or beat competition.

To develop a true customer franchise—immutable customer loyalty—companies must consistently exceed not only the adequate service level but also the desired service level. Exceptional service can intensify customers' loyalty to a point where they are impervious to competitive options.

CUSTOMER PERCEPTIONS

Perceptions are always considered relative to expectations. Because expectations are dynamic, evaluations may also shift over time—from person to person and from culture to culture. What is considered quality service or the things that satisfy customers today may be different tomorrow.

Also keep in mind that the entire discussion of quality and satisfaction is based on customers' perceptions of the service—not some predetermined objective criteria of what service is or should be.

Customers perceive services in terms of the quality of the service and how satisfied they are overall with their experiences. These customer-oriented terms—quality and satisfaction—have been the focus of attention for executives and researchers alike over the last decade or more. Companies today recognize that they can compete more effectively by distinguishing themselves with respect to service quality and improved customer satisfaction.

Satisfaction versus Service Quality

Practitioners and writers in the popular press tend to use the terms satisfaction and quality interchangeably, but researchers have attempted to be more precise about the meanings and measurement of the two concepts, resulting in considerable debate. Consensus is growing that the two concepts are fundamentally different in terms of their underlying causes and outcomes. While they have certain things in common, **satisfaction** is generally viewed as a broader concept while **service quality assessment** focuses specifically on dimensions of service. Based on this view, **perceived service quality** is a component of customer satisfaction. *Figure 6.0* graphically illustrates the distinctions between the two concepts.

As shown in *Figure 6.0* service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service: reliability, responsiveness, assurance, empathy, tangibles. Satisfaction, on the other hand, is more inclusive: It is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factors. For example, service quality of a health club is judged on attributes such as whether equipment is available and in working order when needed, how responsive the staff are to customer needs, how skilled the trainers are, and whether the facility is well-maintained. Customer satisfaction with the health club is a broader concept that will certainly be influenced by perceptions of service quality but that will also include perceptions of product quality (e.g., quality of products sold in the pro shop), price of membership, personal factors such as the consumer's emotional state, and even

uncontrollable situational factors such as weather conditions and experiences driving to and from the health club.

Internal and External Customer Perceptions

When we refer to customer perceptions, we assume that the dimensions of service and the ways in which customers evaluate service are similar whether the customer is internal or external to the organization. By external customers we mean those individuals and businesses that buy goods and services from the organization. These are the people we usually think of when we use the word "customer." To illustrate, in a telecommunications setting, external customers include residential telephone users, business customers, and government at all levels. In this same setting, internal

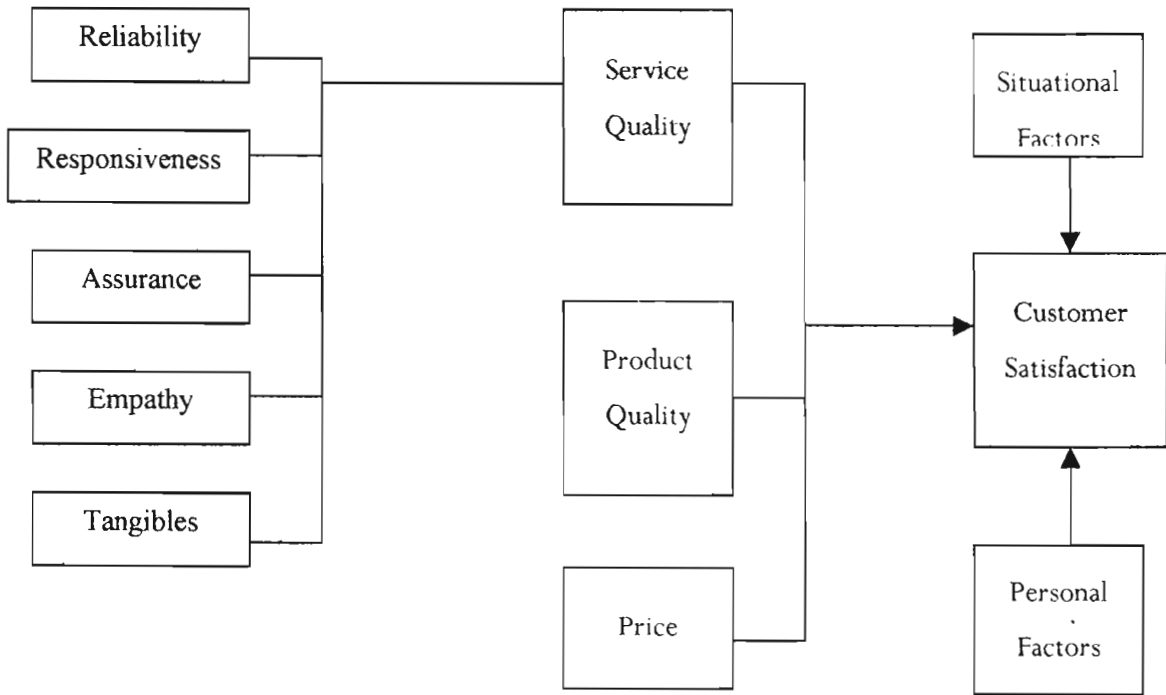


FIGURE: 6.0 Customer perceptions of quality and customer satisfaction.

customers are employees within the firm who, in their jobs, depend on others in the organization for internally provided goods and services. For example, a telephone repair person depends on services provided by dispatchers and vehicle maintenance crews to do her job effectively. For the dispatchers and the vehicle maintenance crew, the repair person is their internal customer. If they fail to provide quality service to the repair person, then it is more difficult for the repair person to

do the same for external customers. When we refer to customer perceptions and how customers evaluate services, you can assume that both internal and external customers are included and that the definitions, strategies, and approaches can apply to either group.

CUSTOMER SATISFACTION

Satisfaction is the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption-related fulfillment.

In less technical terms, we translate this definition to mean that satisfaction is the customers' evaluation of a product or service in terms of whether that product or service has met their needs and expectations. Failure to meet needs and expectations is assumed to result in dissatisfaction with the product or service.

Customer satisfaction will be influenced by specific product or service features and by perceptions of quality as suggested by *Figure 6.0*. Satisfaction will also be influenced by customers' emotional responses, their attributions, and their perceptions of equity.

Product and Service Features Customer satisfaction with a product or service is influenced significantly by the customer's evaluation of product or service features. For a service such as a resort hotel, important features might include the pool area, access to golf facilities, restaurants, room comfort and privacy, helpfulness and courtesy of staff, room price, and so forth. In conducting satisfaction studies, most firms will determine through some means (often focus groups) what the important features and attributes are for their service and then measure perceptions of those features as well as overall service satisfaction. Research has shown that customers of services will make trade-offs among different service features (e.g., price level versus quality versus friendliness of personnel versus level of customization), depending on the type of service being evaluated and the criticality of the service.

Consumer Emotions Customers' emotions can also affect their perceptions of satisfaction with products and services. These emotions can be stable, pre-existing emotions—for example, mood state or life satisfaction. Think of times when you are at a very happy stage in your life (such as when you are on vacation), and your good, happy mood and positive frame of mind has influenced how you feel about the services you experience. Alternatively, when you are in a bad mood, your negative feelings may carry over into how you respond to services, causing you to overreact or respond negatively to any little problem.

Attributions for Service Success or Failure Attributions—the perceived causes of events—influence perceptions of satisfaction as well. When they have been surprised by an outcome (the service is either much better or much worse than expected), consumers tend to look for the reasons, and their assessments of the reasons can influence their satisfaction. For example, if a customer of a weight-loss organization fails to lose weight as hoped for, she will likely search for the causes—was it something she did, was the diet plan ineffective, or did circumstances simply not allow her to follow the diet regimen—before determining her level of satisfaction or dissatisfaction with the weight-loss company. For many services, customers at least take partial responsibility for how things turn out. Even when they don't take responsibility for the outcome, customer satisfaction may be influenced by other kinds of attributions.

TABLE: 4.0 GENERAL SERVICE BEHAVIORS—DO'S AND DON'TS

Theme	Do	Don't
Recovery	Acknowledge problem Explain causes Apologize Compensate/upgrade Lay out options Take responsibility	Ignore customer Blame customer Leave customer to "fend for him/herself" Downgrade Act as if nothing is wrong "Pass the buck"
Adaptability	Recognize the seriousness of the need Acknowledge Anticipate Attempt to accommodate Adjust the system Explain rules/policies Take responsibility	Ignore Promise, but fail to follow through Show unwillingness to try Embarrass the customer Laugh at the customer Avoid responsibility "Pass the buck"
Spontaneity	Take time Be attentive Anticipate needs Listen Provide information Show empathy	Exhibit impatience Ignore Yell/laugh/swear Steal from customers Discriminate
Coping	Listen Try to accommodate Explain Let go of the customer	Take customer's dissatisfaction personally Let customer's dissatisfaction affect others



The Evidence of Service

Because services are intangible, customers are searching for evidence of service in every interaction they have with an organization. *Figure 7.0* depicts the three major categories of evidence as experienced by the customer: people, process, and physical evidence. These categories together represent the service and provide the evidence that tangibilizes the offering. The new mix elements essentially are the evidence of service in each moment of truth.

All of these evidence elements, or a subset of them, are present in every service encounter a customer has with a service firm and are critically important in managing service encounter quality and creating customer satisfaction.

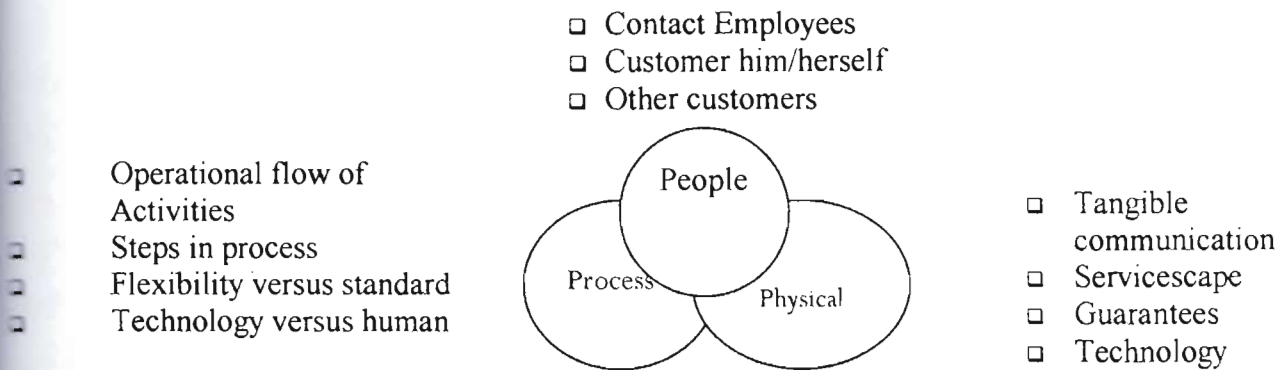


FIGURE: 7.0 The evidence of service (from the customer's point of view).

STRATEGIES FOR INFLUENCING CUSTOMER PERCEPTIONS

Measure and Manage Customer Satisfaction and Service Quality

A key strategy for customer focused firms is to measure and monitor customer satisfaction and service quality. Such measurements are needed to track trends, to diagnose problems, and to link to other customer-focused strategies. In the example provided earlier, Xerox has linked its measurement of customer satisfaction to strategies related to employee training, reward systems, internal process metrics, organizational structure, and leadership goals.

Aim for Customer Quality and Satisfaction in Every Service Encounter

Because every service encounter is potentially critical to customer retention, many firms aim for "zero defects," or 100 percent satisfaction. To achieve this requires, first, clear documentation of all of the points of contact between the organization and its customers. Development of understanding of customer expectations for each of these encounters is the next step, so that strategies can be built around meeting those expectations. Each of the four themes underlying satisfaction/dissatisfaction in service

are recovery, adaptability, spontaneity, and coping—suggests specific types of actions that would aid an organization aiming for zero defects.

Plan for Effective Recovery When service customers have been disappointed on the first try, "doing it very right the second time" is essential to maintaining customer loyalty. This implies a need for service process and system analysis to determine the root causes of failure so that a redesign can ensure higher reliability. However, because of the inherent variability of services, failures are inevitable even for the best of firms. Thus, organizations need recovery systems that allow employees to turn the failure around and leave the customer satisfied.

Facilitate Adaptability and Flexibility The existence of the encounter theme suggests a need to know when and how the system can be flexed, and when and how to explain to customers why a particular request cannot be granted. Knowledge of the service concept, the service delivery system and its operation, and the system standards enables employees to inform customers about what happened, what can be done, and why their needs or requests can or cannot be accommodated. Such knowledge and willingness to explain can leave a lasting positive impression on customers even when their specific requests cannot be met.

Encourage Spontaneity Memorable encounters occur for customers even when there is no system failure and no special request. While employee behaviors within this third theme would appear to be somewhat random and relatively uncontrollable, there are things that organizations can do to encourage positive spontaneous behaviors and discourage negative behaviors. Recruitment and se-

lection procedures can be used to hire employees with strong service orientation, whose natural tendency is to be service-minded. A strong service culture, employee empowerment, effective supervision and monitoring, and quick feedback to employees also will control to some extent the seeming randomness of these behaviors. Because of their extreme importance for service quality.

Help Employees Cope with Problem Customers The service encounters classified within the coping theme represent times when customers were the cause of their own dissatisfaction. Several management strategies are suggested by this last theme. First, managers and customers need to acknowledge that the customer isn't always right, nor will she always behave in acceptable ways. Contact employees who have been on the job any length of time know this, but frequently they are told that the "customer is king" and are not given the appropriate training and tools to deal with problem customers. Employees need appropriate coping and problem-solving skills to handle difficult customers as well as their own feelings in such situations. Another implication is the need for "training customers" so that they will know what to expect and know the appropriate behaviors in given situations.

Manage the Dimensions of Quality at the Encounter Level While the five dimensions of service quality—reliability, responsiveness, assurance, empathy, and tangibles—are generally applied to the overall quality of the firm, it is certainly possible to relate them to each individual encounter. If we think of each encounter in terms of these five themes, we can formulate strategies for ensuring satisfaction in the "moment of truth" that will add to the broad strategies around the four themes just discussed. Many of the strategies related to the four encounter themes will reinforce the quality dimensions directly. For example, strategies aimed at improving adaptability of service employees should enhance customer perceptions of responsiveness and empathy.

Manage the Evidence of Service to Reinforce Perceptions

The evidence of service—people, process, physical evidence—shown in *Figure 7.0* provides a framework for planning marketing strategies that address the expanded marketing mix elements for services. These new elements, or a subset of them, essentially tangibilize the service for the customer and thus represent important means for creating positive perceptions. Because of their

importance, the new elements need to be treated as strategic marketing variables, as are product, price, place, and promotion, the traditional mix elements.

RELATIONSHIP MARKETING

There has been a shift from a transactions to a relationship focus in marketing. Customers become partners and the firm must make long-term commitments to maintaining those relationships with quality, service and innovation.

Relationship marketing essentially represents a paradigm shift within marketing away from an acquisitions/transaction focus toward a retention/relationship focus. Relationship marketing (or relationship management) is a philosophy of doing business, a strategic orientation, that focuses on keeping and improving current customers, rather than on acquiring new customers. This philosophy assumes that consumers prefer to have an ongoing relationship with one organization than to switch continually among providers in their search for value. Building on this assumption and the fact that it is usually much cheaper to keep a current customer than to attract a new one, successful marketers are working on effective strategies for retaining customers. It has been suggested that firms frequently focus on attracting customers (the "first act"), but then pay little attention to what they should do to keep them (the "second act").

Historically, marketers have been more concerned with acquisition of customers, so a shift to a relationship strategy often represents changes in mind set, organizational culture, and employee reward systems. For example, the sales incentive systems in many organizations are set up to reward bringing in new customers. There are often fewer (or no) rewards for retaining current accounts. Thus, even when people see the logic of customer retention, the existing organizational systems may not support its implementation.

Goals of Relationship Marketing

The primary goal of relationship marketing is to build and maintain a base of committed customers who are profitable for the organization. To achieve this goal, the firm will focus on the attraction,

retention, and enhancement of customer relationships. First, the firm will seek to attract customers who are likely to become long-term relationship customers. Through market segmentation, the company can come to understand the best target markets for building lasting customer relationships. As the number of these relationships grows, the loyal customers themselves will frequently help to attract (through word of mouth) new customers with similar relationship potential.

Once they are attracted to begin a relationship with the company, customers will be more likely to stay in the relationship when they are consistently provided with quality products and services and good value over time. They are less likely to be pulled away by competitors if they feel the company understands their changing needs and seems willing to invest in the relationship by constantly improving and evolving its product and service mix.

Finally, the goal of customer enhancement suggests that loyal customers can be even better customers if they buy more products and services from the company over time. Loyal customers not only provide a solid base for the organization, they may represent growth potential. For example, A bank checking account customer becomes a better customer when she sets up a savings account, takes out a loan, and/or uses the financial advising services of the bank. And a corporate account becomes a better customer when it chooses to do 75 percent of its business with a particular supplier rather than splitting the business equally among three suppliers. In recent years, in fact, many companies have aspired to be the "exclusive supplier" of a particular product or service for their customers. Over time these enhanced relationships can increase market share and profits for the organization.

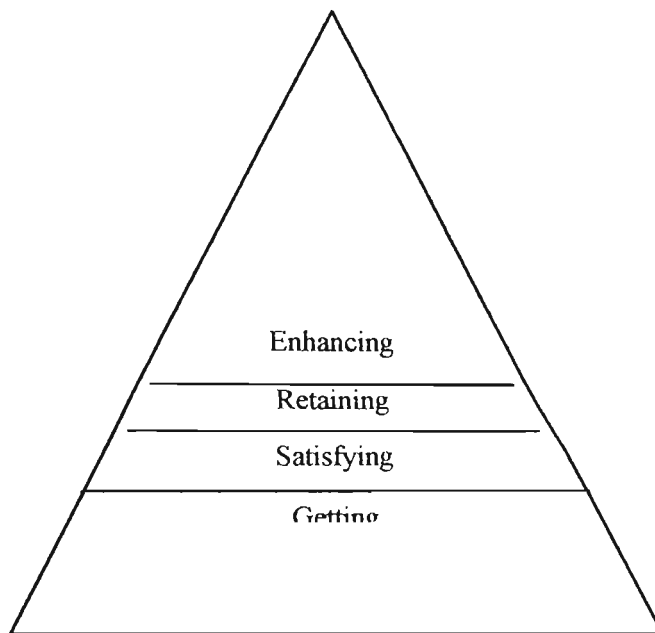


FIGURE: 8.0 Customer goals of relationship marketing: getting customers, satisfying customers, retaining customers, and enhancing customers.

Figure 8.0 illustrates the goals of relationship marketing graphically. The overriding goal is to move as many profitable customers up through the pyramid from being newly attracted customers through to being highly valued, enhanced customers.

Benefits of Customer/Firm Relationships

Both parties in the customer/firm relationship can benefit from customer retention. That is, it is not only in the best interest of the organization to build and maintain a loyal customer base, but customers themselves also benefit from long-term associations.

Benefits for Customers Assuming they have a choice, customers will remain loyal to a firm when they receive greater value relative to what they expect from competing firms. Perceived value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given. Value represents a trade-off for the consumer between the "give" and the "get" components. Consumers are more likely to stay in a relationship when the gets (quality,

satisfaction, specific benefits) exceed the gives (monetary and nonmonetary costs). When firms can consistently deliver value from the customer's point of view, clearly the customer benefits and has an incentive to stay in the relationship.

Beyond the specific inherent benefits of receiving service value, customers also benefit in other ways from long-term associations with firms. Sometimes it is these relationship benefits that keep customers loyal to a firm more than the attributes of the core service. For example, you may choose to stick with your current bank even when you learn of an attractive offer at a competing bank because (1) you feel comfortable in the relationship, (2) you know what to expect, (3) you have a good working relationship with your personal banker, and (4) you know you'll be taken care of even if you have an unusual request. Research has uncovered that customers experience in long-term service relationships including confidence benefits, social benefits, and special treatment benefits.

Confidence Benefits These benefits comprise feelings of trust or confidence in the provider, along with a sense of reduced anxiety and comfort in knowing what to expect. Across all of the services studied in the research just cited, confidence benefits were the most important to customers.

Human nature is such that most of us would prefer not to change service providers, particularly when we have a considerable investment in the relationship. If the service provider knows us, knows our preferences, and has tailored services to suit our needs over time, then changing providers would mean educating a new provider on all of these factors. The costs of switching are frequently high in terms of both dollar costs of transferring business and the psychological and time-related costs. In fact, one of the stressful and unsettling aspects of relocating to a new geographic area is the need to establish new relationships with service providers such as banks, schools, retailers, doctors, and hairdressers.

Most consumers (whether individuals or businesses) have many competing demands for their time and money and are continually searching for ways to balance and simplify decision making to improve the quality of their lives. When they can maintain a relationship with a service provider, they free up time for other concerns and priorities.

Social Benefits Over time, customers develop a sense of familiarity and even a social relationship with their service providers. These ties make it less likely that they will switch, even if they learn about a competitor that might have better quality or a lower price. A quote from the research just cited illustrates this as a customer describes her hair stylist: "I like him. . . . He's really funny and always has lots of good jokes. He's kind of like a friend now. . . . It's more fun to deal with somebody that you're used to. You enjoy doing business with them."

In some long-term customer/firm relationships a service provider may actually become part of the consumer's social support system. Hairdressers, as in the example just cited, often serve as personal confidantes. Less common examples include proprietors of local retail stores who become central figures in neighborhood networks; the health club or restaurant manager who knows her customers personally; the private school principal who knows an entire family and its special needs; or the river guide who befriends patrons on a long rafting trip. These types of personal relationships can develop for business-to-business customers as well as for end consumers of services. The social support benefits resulting from these relationships are important to the consumer's quality of life (personal and/or work life) above and beyond the technical benefits of the service provided.

Special Treatment Benefits Special treatment includes such things as getting the benefit of the doubt, being given a special deal or price, getting preferential treatment.

You should get the benefit of the doubt in many situations. For example, I always pay my VISA bill on time, before a service charge is assessed. One time my payment didn't quite arrive on time. When I called them, by looking at my past history, they realized that I always make an early payment. Therefore, they waived the service charge.

Interestingly, the special treatment benefits, -while important, were less important than the other types of benefits received in service relationships. While it is clearly the case that special treatment benefits can be critical for customer loyalty in some industries (think of frequent flyer benefits in the airline industry) they seem to be less important to customers overall.

Benefits for the Organizations: The benefits to an organization of maintaining and developing a loyal customer base are numerous. They can be linked directly to the firm's bottom line.

Increasing Purchases- Results of studies reported by Frederick Reichheld and W.Earl Sasser show that across industries customers tend to spend more each year with a particular relationship partner than they did in the preceding period.

As consumers get to know a firm and are satisfied with the quality of its services relative to that of its competitors, they will tend to give more of their business to the firm. And as customers mature (in terms of age, life cycle, growth of business), they frequently require more of a particular service.

Lower Costs- There are many startup costs associated with attracting new customers. They include advertising and other promotion costs, operating costs of setting up accounts and systems, and time costs of getting to know the customer. Sometimes these initial costs can outweigh the revenue expected from the new customer in the short term. A prime example occurs in the insurance industry. Typically the insurer doesn't recover its up-front selling costs until the third or fourth year of the relationship. Thus, from a profit point of view there would seem to be great incentive to keep new customers once the initial investment has been made.

Even ongoing relationship maintenance costs are likely to drop over time. For example, early in a relationship a customer is likely to have questions and to encounter problems as he or she learns to use the service. Once learning has taken place the customer will have fewer problems and questions (assuming the quality of service is maintained at a high level) and the service provider will incur fewer costs in serving the customer.

Free Advertising through Word of Mouth- When a product is complex and difficult to evaluate, and there is risk involved in the decision to buy it—as is the case with many services—consumers most often look to others for advice on which providers to consider. Satisfied, loyal customers are likely to provide a firm with strong word-of-mouth endorsements. This form of advertising can be more effective than any paid advertising the firm might use, and has the added benefit of reducing

the costs of attracting new customers. Further, customers that show up based on a referral tend to be better-quality customers (in terms of profitability, likelihood of being loyal) than are customers who are attracted by price promotions or a new advertising campaign.

Employee Retention- An indirect benefit of customer retention is employee retention. It is easier for a firm to retain employees when it has a stable base of satisfied customers. People like to work for companies whose customers are happy and loyal. Their jobs are more satisfying and they are able to spend more of their time fostering relationships than scrambling for new customers. In turn, customers are more satisfied and become even better customers—a positive upward spiral. Because employees stay with the firm longer, service quality improves and costs of turnover are reduced, adding further to profits. *Figure 9.0* illustrates the underlying logic of customer retention and its multiple benefits to the firm.

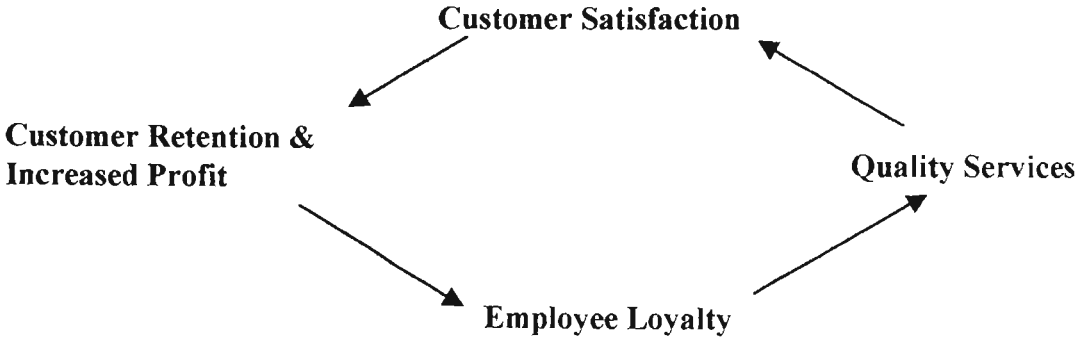


FIGURE: 9.0 Underlying logic of customer retention benefits to the organization Employee Loyalty

THE IMPACT OF SERVICE FAILURE AND RECOVERY

Service recovery refers to the actions taken by an organization in response to a service failure. Failures occur for all kinds of reasons—the service may be unavailable when promised, it may be delivered late or too slowly, the outcome may be incorrect or poorly executed, or employees may be rude or uncaring. All of these types of failures bring about negative feelings and responses from customers. Left unfixed, they can result in customers leaving, telling other customers about their negative experiences, and even challenging the organization through consumer rights organizations or legal channels.

Research has shown that resolving customer problems effectively has a strong impact on customer satisfaction, loyalty, and bottom-line performance. That is, customers who experience service failures, but are ultimately satisfied based on recovery efforts by the firm, will be more loyal than those whose problems are not resolved. That loyalty translates into profitability.

An effective service recovery strategy has multiple potential impacts. It can increase customer satisfaction and loyalty and generate positive word of mouth. A well-designed, well-documented service recovery strategy also provides information that can be used to improve service as part of a continuous improvement effort. By making adjustments to service processes, systems, and outcomes based on learning from service recovery experiences, companies increase the likelihood of "doing it right the first time." In turn, this reduces costs of failures and increases initial customer satisfaction.

There are tremendous downsides to having no service recovery or ineffective service recovery strategies. Poor recovery following a bad service experience can lead to customers who are so dissatisfied they become "terrorists," actively pursuing opportunities to openly criticize the company. Further, repeated service failures without an effective recovery strategy in place can aggravate even the best employees. The costs in employee morale and even lost employees can be huge, but often overlooked, costs of not having an effective service recovery strategy.

SERVICE GUARANTEES

A guarantee is a particular type of recovery tool. It is, according to the dictionary definition, "an assurance of the quality of or length of use to be expected from product offered for sale, often with a promise of reimbursement." While guarantees are relatively commonplace for manufactured products, they have only recently been used for services.

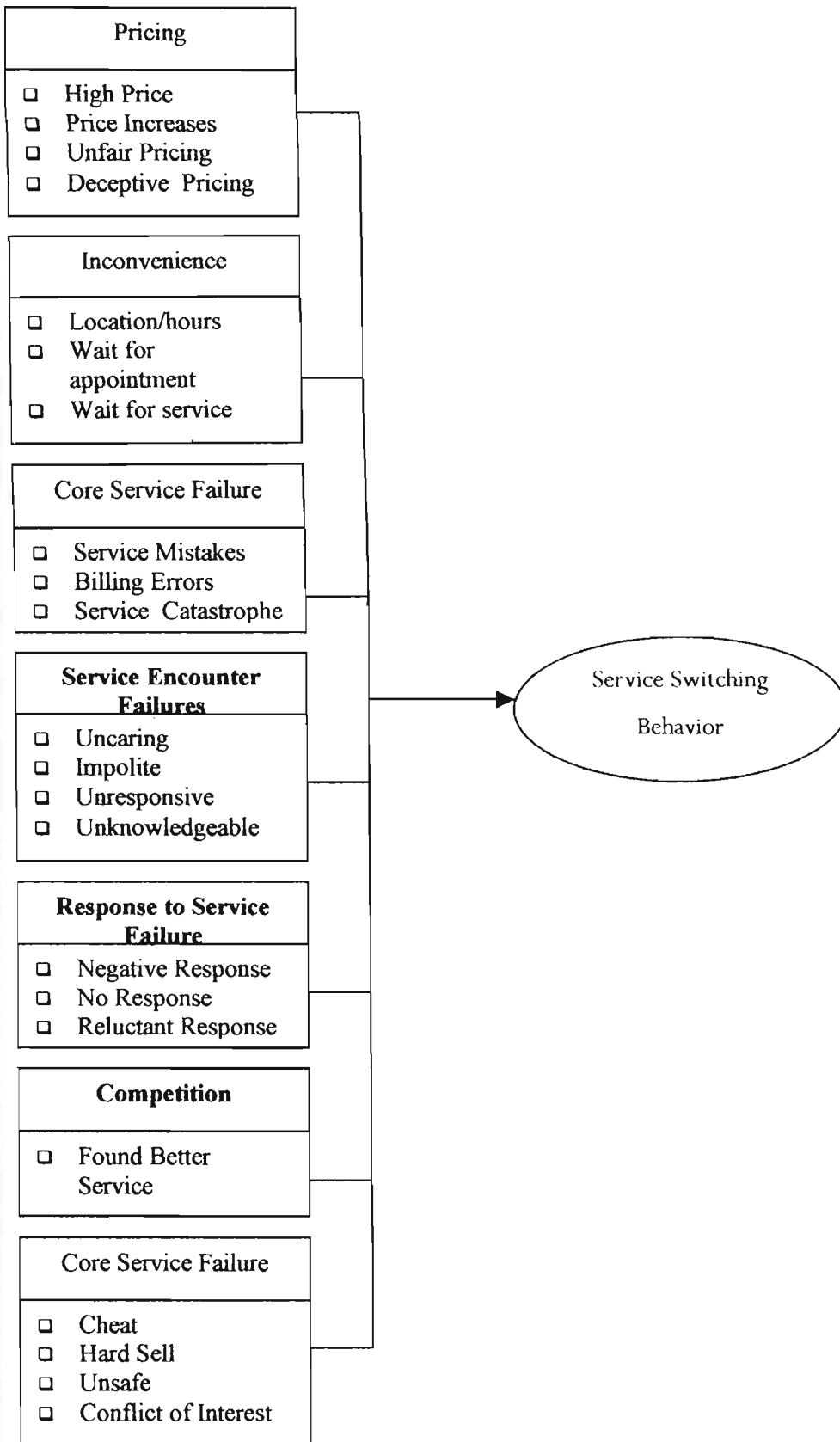


FIGURE: 10.0 Causes behind service switching.

Traditionally, many people believed that services simply could not be guaranteed given their intangible and variable nature. What would be guaranteed? With a product, the customer is guaranteed that it will perform as promised and if not, that it can be returned. With services, it is generally not possible to take returns nor to "undo" what has been performed. Again, this raised the question for many of what could be guaranteed, and how? The skepticism about service guarantees is being dispelled, however, as more and more companies find they can guarantee their services and that there are tremendous benefits for doing so.

Benefits of Service Guarantees

"Service organizations, in particular, are beginning to recognize that guarantees can serve not only as a marketing tool but as a means for defining, cultivating, and maintaining quality throughout an organization." As suggested by this quote, the benefits to the company of an effective service guarantee are numerous:

- A good guarantee forces the company to focus on its customers. To develop a meaningful guarantee, the company must know what is important to its customers—what they expect and value. In many cases "satisfaction" is guaranteed, but in order for the guarantee to work effectively, the company must clearly understand what satisfaction means for its customers (e.g., what they value and expect).
- An effective guarantee sets clear standards for the organisation. It prompts the company to clearly define what it expects of its employees and to communicate that to them. The guarantee provides employees with service-oriented goals that can quickly align employee behaviors around customer strategies. For example, Pizza Hut's guarantee that "If you're not satisfied with your pizza, let our restaurant know. We'll make it right or give you your money back" lets employees know exactly what they should do if a customer complains. It is also clear to employees that making it right for the customer is a important company goal.

- ❑ A good guarantee generates immediate and relevant feedback from customers. It provides an incentive for customers to complain and thereby provides more representative feedback to the company than simply relying on the relatively few customers who typically voice their concerns. The guarantee communicates to customers that they have the right to complain.
- ❑ When the guarantee is invoked there is an instant opportunity to recover, thus satisfying the customer and helping to retain his loyalty.
- ❑ Information generated through the guarantee can be tracked and integrated into continuous improvement efforts. A feedback link between customers and service operations decisions can be strengthened through the guarantee.
- ❑ Studies of the impact of service guarantees suggest that employee morale and loyalty can be enhanced as a result. A guarantee generates pride among employees. Through feedback from the guarantee, improvements can be made in the service that benefit customers, and indirectly employees.
- ❑ For customers, the guarantee reduces their sense of risk and builds confidence in the organization. Because services are intangible and often highly personal or ego involving, customers seek information and cues that will help reduce their sense of uncertainty. Guarantees have been shown to reduce risk and increase positive evaluation of the service prior to purchase.

The Bottom Line: The bottom line for the company, is that an effective guarantee can affect profitability through building customer awareness and loyalty, through positive word of mouth, and through reduction in costs as service improvements are made and service recovery expenses are reduced. Indirectly, the guarantee can reduce costs of employee turnover through creating a more positive service culture.

A Cautionary Note Given all the positive benefits of service guarantees, a cautionary note is in order. Service guarantees are not appropriate for every company and certainly not in every service situation.

Types of Service Guarantees

Satisfaction versus Service Attribute Guarantees Service guarantees can be unconditional satisfaction guarantees or service attribute guarantees. Hampton Inn's guarantee is an unconditional satisfaction guarantee. In another context, Bain & Company, a management consulting firm, has offered some clients an unconditional guarantee for its services. If clients are unhappy, they don't pay for the services. Bank One Corporation offers an unconditional guarantee to return fees to any client that is dissatisfied with its trust services. Lands End, a catalog retailer, has abbreviated its guarantee to "Guaranteed. Period." Xerox guarantees it will completely satisfy its customers in terms of contract performance. Because of the size and customized nature of its contracts with customers, Xerox tailors aspects of the unconditional guarantee to the particular customer so that both parties are clear on what exactly constitutes "complete satisfaction" for that customer.

In other cases, firms offer guarantees of particular aspects of the service that are important to customers. Wells Fargo, for example, guarantees that customers will not wait longer than five minutes in a teller line. If they do, they are given \$5. FedEx guarantees package delivery by a certain time. In introducing a new seat design in first class, British Airways advertised "Comfort guaranteed or you get 25,000 miles" McDonald's advertised a guarantee that stated "Hot Food; Fast, Friendly Delivery;

Double-Check Drive-Thru Accuracy . . . We'll make it right, or your next meal is on us." Internet providers are also offering guarantees such as that provided by AT&T for its WorldNet Virtual Private Network Service. If the service is down for more than 10 minutes in one day, AT&T will refund 5 percent of the company's monthly connection charge. In all of these cases, the companies have guaranteed elements of the service that they know are important to customers.

External versus Internal Guarantees Interestingly, guarantees don't have to be just for external customers. Some companies are finding that internal service guarantees—one part of the organization guaranteeing its services to others—are effective ways of aligning internal service operations. For example at Embassy Suites, the housekeeping supplies department guarantees its internal customer, the housekeeping staff, that they can get supplies on the day requested. If not, the supply department pays \$5 to the housekeeper. At one direct-mail firm, the salesforce guarantees to give the production department all of the specifications needed to provide service to the external customer, or the offending salesperson will take the production department to lunch, will sing a song at their next department meeting, or input all of the specs into the computer him or herself.

Characteristics of Effective Guarantees No matter the type of guarantee, there are certain characteristics that make some more effective than others.

Unconditional

- The guarantee should make its promise unconditionally—no strings attached.

Meaningful

- It should guarantee elements of the service that are important to the customer.
- The payout should cover fully the customer's dissatisfaction.

Easy to Understand and Communicate

- For customers—they need to understand what to expect.
- For employees—they need to understand what to do.

Easy to invoke and collect

- There should not be a lot of hoops or red tape in the way of accessing or collecting on the guarantee.

FIGURE: 11.0 Characteristics of an effective service guarantee.

Characteristics of effective guarantees are shown in Figure 11.0. The guarantee should be unconditional—no strings attached. Some guarantees can appear as if they were written by the legal department (and often are), with all kinds of restrictions, proof required, and limitations. These are generally not effective. The guarantee should be meaningful. Guaranteeing what is obvious or expected is not meaningful to customers. For example, a water delivery company offered a guarantee to deliver water on the day promised, or a free jug of water would be provided next time. In that industry, delivery on the day scheduled was an expectation nearly always met by every competitor—thus the guarantee was not meaningful to the customer. It was a bit like guaranteeing four wheels on an automobile! The payout should also be meaningful. Customers expect to be reimbursed in a manner that fully compensates them for their dissatisfaction, their time, and even for the hassle involved. The guarantee should also be easy to understand and communicate to both customers and employees. Sometimes the wording is confusing, the guarantee language is verbose, or there are so many restrictions and conditions that neither customers or employees are certain what is being guaranteed. Similarly, the guarantee should be easy to invoke and easy to collect on. Requiring customers to write a letter and/or provide documented proof of service failure are common pitfalls that make invoking the guarantee time consuming and not worth it to the customer, particularly if the dollar value of the service is relatively low.

CUSTOMER-DEFINED SERVICE STANDARDS

The type of standards that close provider gap are customer-defined standards, operational goals and measures based on pivotal customer requirements that are visible to and measured by customers.

They are operations standards set to correspond to customer expectations and priorities rather than to company concerns such as productivity or efficiency. Take a typical operations standard such as inventory control. Most firms measure inventory control from the company's point of view.

However, the highly successful office supply retailer Office Depot captures every single service measurement related to inventory control from the customer's point of view. The company began with the question, "What does the customer see?" and answered, "The average number of stockouts per week." Office Depot then designed a customer-focused measurement system based on measures such as the number of complaints and compliments it received about inventory as well as a transaction-based survey with the customer about its performance in this area. These and other customer-defined standards allow for the translation of customer requirements into goals and guidelines for employee performance.

"Hard" Customer-Defined Standards

Two major types of customer-defined service standards can be distinguished. All of the Federal Express standards that comprise the SQI fall into the category of "hard" standards and measures: things that can be counted, timed, or observed through audits. Many of Federal Express's standards relate to on-time delivery and not making mistakes, and for good reason. Customer expectations of reliability—fulfillment of service promises—are high. A series of 35 studies across numerous industries from the Arthur D. Little management consulting firm found that the most frequently cited customer complaint was late product and service delivery (44 percent), followed by product and service quality mistakes (31 percent).

To address the need for reliability, companies can institute a "do it right the first time" and an "honor your promises" value system by establishing reliability standards. An example of a generic reliability standard that would be relevant to virtually any service company is "right first time," which means that the service performed is done correctly the first time according to the customer's assessment. If the service involves delivery of products, "right first time" to the customer might

mean that the shipment is accurate—that it contains all that the customer ordered and nothing that the customer did not order. If the service involves installation of equipment, "right first time" would likely mean that the equipment was installed correctly and was able to be used immediately by the customer. Another example of a reliability standard is "right on time," which means that the service is performed at the scheduled time. The company representative arrives when promised or the delivery is made at the time the customer expects it. In more complex services, such as disaster recovery or systems integration in computer service, "right on time" would likely mean that the service was completed by the promised date.

When it comes to providing service across cultures and continents, service providers need to recognize that customer-defined service standards often need to be adapted. In Spain, however, customers consider it rude for the waiter to bring the check to the table without being asked to do so. They feel rushed, a state they dislike during meals. While bringing the check to the table (whether sooner or later, requested or not) is an activity that restaurants need to incorporate as a customer-defined service standard, the parameters of the standard must be adapted to the culture.

Hard service standards for responsiveness are set to ensure the speed or promptness with which companies deliver products (within two working days), handle complaints (by sundown each day), answer questions (within two hours), and arrive for repair calls (within 30 minutes of estimated time). In addition to standard setting that specifies levels of response, companies must have well-staffed customer service departments. Responsiveness perceptions diminish when customers wait to get through to the company by telephone, are put on hold, or are dumped into a phone mail system.

Table 5.0 shows a sampling of the hard standards that have been established by service companies. This list is a small subset of all of these standards because we include only those that are customer defined—based on customers' requirements and perspectives. Because Federal Express has a relatively simple and standard set of services, it can translate most of its customers' requirements into hard standards and measures. Not all standards, however, are as easily quantifiable as those at FedEx.

"Soft" Customer-Defined Standards

All customer priorities cannot be counted, timed, or observed through audits. As Albert Einstein once said, "Not everything that counts can be counted, and not everything that can be counted, counts." For example, "understanding and knowing the customer" is not a customer priority for which a standard that counts, times, or observes employees can adequately capture. In contrast to hard measures, soft measures are those that must be documented using perceptual measures. We call the second category of customer-defined standards soft standards and measures because they are opinion-based measures that cannot be observed and must be collected by talking to customers, employees, or others. Soft standards provide direction, guidance, and feed back to employees in ways to achieve customer satisfaction and can be quantified by measuring customer perceptions and beliefs. These are especially important for person-to-person interactions such as the selling process and the delivery process for professional services.

Mini Maid Services, a firm that franchises home and office janitorial services, successfully built a business by developing a repertoire of 22 customer-defined soft standards for daily cleaning chores. The company sends out crews of four who perform these 22 tasks in an average time of 55 minutes for a fee ranging from approximately \$45 to \$55. Follow-up trailer calls survey customer perceptions of the effectiveness of these soft standards.

TABLE: 5.0 EXAMPLES OF HARD CUSTOMER-DEFINED STANDARDS

Company	Customer Priorities	Customer-defined standards
Honeywell (Home and Building Division)	Fast response; on-time delivery; order accuracy	Orders entered same day received; orders delivered when promised; order correct
Southern Pacific	19 key attributes	Operational measures to correspond with the 19 key attributes
Federal Express	On-time delivery	Number of packages right day late; Number of packages wrong day late; Number of missed pickups
Dun and Bradstreet Information Services	Fast turnaround on company Investigations	36-hour response time (previous standard: 7 days)
University Microfilms	Fast processing of theses	Theses processed in 60 days (previous average, 150 days)
Great Plains Software	Rapid response to technical Problems	Response time guaranteed at 1 or 3 hours (or get \$25 coupon)
Canadian Imperial Bank of Commerce	Accessibility	5-minute early opening and late closing
Aetna/U.S. Healthcare	Fast response; regular contact with customers	20-second average call answering; 95% same day problem resolution; 2-hour response time for requests; proactive service calls 3 times per year
Granite Rock	Getting the concrete when the crew is ready	On-time delivery
Lenscrafters (optical retailer)	Quick turnaround on glasses	Glasses in 1 hour
Texas Instruments (Defense Systems Electronics Group)	Compliance with commitments; more personal contact	On-time delivery; product compliance to requirements; number of customer visits

The Ritz-Carlton, winner of a Malcolm Baldrige Award, uses a set of "Gold Standards" to drive the service performance it wants. The soft standards established are included in *Table 6.0*.

When customer research is undertaken to find out what aspects of service need to be changed, requirements can sometimes be met using one-time fixes. One-time fixes are technology, policy, or procedure changes that, when instituted, address customer requirements. Performance standards do not typically need to be

TABLE: 6.0 EXAMPLES OF SOFT CUSTOMER-DEFINED STANDARDS

Company	Customer Priorities	Customer-defined standards
General Electric	Interpersonal skills of operators: Tone of voice Problem solving Summarizing actions Closing	Taking ownership of the call; following through with promises made; being courteous and knowledgeable; understanding the customer's question or request
Ritz-Carlton	Treat me with respect	"Gold Standards" Uniforms are to be immaculate Wear proper and safe footwear Wear name tag Adhere to grooming standards Notify supervisor immediately of hazards Use proper telephone etiquette Ask the caller, "May I place you on hold?" Do not screen calls Eliminate call transfers where possible
Nationwide Insurance	Responsiveness	Human voice on the line when customers report problems
L. L. Bean	Calming human voice; minimize customer anxiety	Tone of voice; other tasks not done (arranging gift boxes) while on the telephone with customers
BellSouth	Telephone responsiveness	Customers not put on hold or transferred; ability to answer questions; courteous and professional; caring and concern
American Express	Resolution of problems Treatment Courtesy of representative	Resolve problem at first contact (no transfers, other calls, or multiple contacts); communicate and give adequate instructions; take all the time necessary Listen; do everything possible to help; be appropriately reassuring (open and honest) Put card member at ease; be patient in explaining billing process; display sincere interest in helping card member; listen attentively; address card member by name; thank card member at end of call

developed for these dissatisfiers because the one-time change in technology, policy, or procedures accomplishes the desired change.

To illustrate policy and procedure changes in an international context, consider London's Central Middlesex Hospital. At one time almost everything about Central Middlesex, from the architectural design of the buildings to staff processes and activities, centered on the inpatient aspects of the business, despite the fact that 90 percent of the hospital's patients were outpatients. When the hospital became a self-governing trust under the British government's National Health Service reforms, plans were announced to convert it to a patient-focused hospital. The most important one-time fix was to reverse the emphasis from inpatients to outpatients. With the recognition for this change, the hospital was reorganized around 14 ambulatory centers such as rehabilitation services and a family care center that combined obstetrics, pediatrics, and gynecology.

THE CRITICAL IMPORTANCE OF SERVICE EMPLOYEES

An often-heard quote about service organizations goes like this: "In a service organization, if you're not serving the customer, you'd better be serving someone who is." People—front-line employees and those supporting them from behind the scenes—are critical to the success of any service organization. The importance of people in the marketing of services is captured in the people element of the services marketing mix, as all of the human actors "who play a part in service delivery and thus influence the buyer's perceptions; namely, the firm's personnel, the customer, and other customers in the service environment.

We focus on service employees because

- They are the service.
- They are the organization in the customer's eyes.
- They are marketers.

In many cases, the contact employee is the service—there is nothing else. For example, in most personal services (e.g., haircutting, physical trainers, child care, cleaning/maintenance, limousine services, counseling, legal services) the contact employee provides the entire service

singlehandedly. The offering is the employee. Thus, investing in the employee to improve the service parallels making a direct investment in the improvement of a manufactured product.

Even if the contact employee doesn't perform the service entirely, he or she may still personify the firm in the customer's eyes. All of the employees of a law firm or health clinic—from the professionals who provide the service to the receptionists and office staff—represent the firm to the client, and everything these individuals do or say can influence perceptions of the organization. Even off-duty employees, such as flight attendants or restaurant employees on a break, reflect on the organizations they represent. If they are unprofessional or make rude remarks about or to customers, customers' perceptions of the organization will suffer even though the employee is not on duty. This is why the Disney Corporation insists that its employees maintain "onstage" attitudes and behaviors whenever they are in front of the public and that they relax these behaviors only when they are truly behind the scenes or "backstage" in underground tunnels where guests can't see them in their off-duty times.

Because contact employees represent the organization and can directly influence customer satisfaction, they perform the role of marketers. They physically embody the product and are walking billboards from a promotional standpoint. Some may also perform more traditional selling roles. For example, more and more often bank tellers are being called on to cross-sell bank products, a departure from the traditional teller role of operations function only. A similar shift is occurring in telecommunications, where customer service personnel are asked to assist with marketing and sales activities through their direct access via computers to customers' purchase and service records.

Whether acknowledged or not, actively selling or not, service employees perform marketing functions. They can perform these functions well, to the organization's advantage, or poorly, to the organization's detriment. In this chapter we will examine strategies for ensuring that service employees perform their marketing functions well.



Employee Satisfaction, Customer Satisfaction, and Profits

There is concrete evidence that satisfied employees make for satisfied customers (and satisfied customers can, in turn, reinforce employees' sense of satisfaction in their jobs). Some have even gone so far as to suggest that unless service employees are happy in their jobs, customer satisfaction will be difficult to achieve.

Through their research with customers and employees in 28 different bank branches, Benjamin Schneider and David Bowen have shown that both a climate for service and a climate for employee well-being are highly correlated with overall customer perceptions of service quality. That is, both service climate and human resource management experiences that employees have within their organizations are reflected in how customers experience the service.

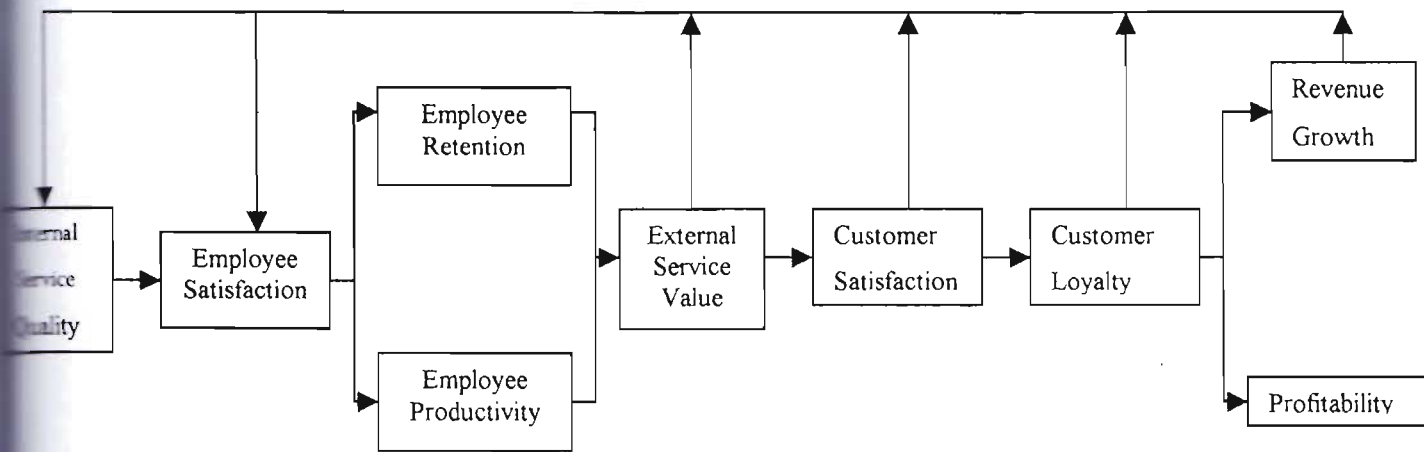
In a similar vein, Sears found customer satisfaction to be strongly related to employee turnover. In their stores with the highest customer satisfaction, employee turnover was 54 percent, whereas in stores with the lowest customer satisfaction, turnover was 83 percent. Studies by Ryder Truck demonstrated that when the company put pressure on employees through certain negative human resource practices, employees reacted with low motivation and dissatisfaction. Ultimately there is a connection between employee tension levels, poorer quality service, and negative customer reactions.

The underlying logic connecting employee satisfaction and loyalty to customer satisfaction and loyalty and ultimately profits, it is illustrated in greater detail by the service profit chain shown in *Figure 12.0*. Let us focus on employee issues. What the service profit chain suggests is that there are critical linkages among internal service quality; employee satisfaction/productivity; the value of services provided to the customer; and ultimately customer satisfaction, retention, and profits.

Service profit chain researchers are careful to point out that the model does not suggest causality. That is, employee satisfaction does not cause customer satisfaction; rather the two are interrelated and feed off each other. The model does imply that companies exhibiting high levels of success on the elements of the model will be more successful and profitable than those that do not. This is

come out in other research. Jeffrey Pfeffer of the Stanford Graduate School of Business reports that companies that manage people right will outperform companies that don't by 30 to 40 percent. Fortune magazine also determined that the publicly traded companies making their list of the "100 Best Companies to Work for in America" delivered higher average annual returns to shareholders than did companies making up the Russell 3000, a general index of companies similar to the Fortune sample.

FIGURE: 12.0 The service profit chain.



Service Quality Dimensions Are Driven by Employee Behaviors

All of the five dimensions of service quality (reliability, responsiveness, assurance, empathy, tangibles) can be influenced directly by service employees. Delivering the service as promised—reliability—is often totally within the control of front-line employees. Even in the case of automated services (such as ATMs, auto-mated ticketing machines, or self-serve and pay gasoline pumps), behind-the-scenes employees are critical for making sure all of the systems are working properly. When services fail or errors are made, employees are essential for setting things right and using their judgment to determine the best course of action for service recovery.

Front-line employees directly influence customer perceptions of responsiveness through their personal willingness to help and their promptness in serving customers. Consider the range of responses you receive from different retail store clerks when you need help finding a particular item of clothing. One employee may ignore your presence, while another offers to help you search and calls other stores to locate the item. One may help you immediately and efficiently, while another may move slowly in accommodating even the simplest request.

The assurance dimension of service quality is highly dependent on employees' ability to communicate their credibility and to inspire trust and confidence. The reputation of the organization will help, but in the end, individual employees with whom the customer interacts confirm and build trust in the organization or detract from its reputation and ultimately destroy trust. For startup or relatively unknown organizations, credibility, trust, and confidence will be tied totally to employee actions.

It is difficult to imagine how an organization would deliver "caring, individualized attention" to customers independent of its employees. Empathy implies that employees will pay attention, listen, adapt, and be flexible in delivering what individual customers need. Organizations that leave this quality dimension to chance are likely to find extreme variation on this dimension across employees and customer experiences. Employee appearance and dress are important aspects of the tangibles dimension of quality, along with many other factors that are independent of service employees (e.g., the service facility, decor, brochures, signage).

PART – VI

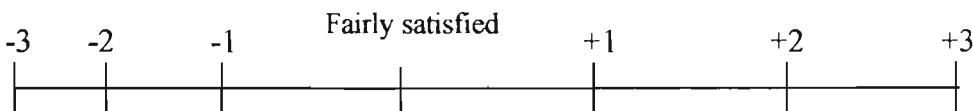
THE ANALYSIS & THE FINDINGS OF THE SURVEY RESULTS

The respondents expressed their answers in a 3 point grading scale. The attitude measurement scale is between -3 and +3. -3 indicate very poor and +3 implies very good which means higher satisfaction level.

A total of 30 respondents were interviewed for carrying out this survey. The respondents are all involved in transaction at the Dhanmondi Branch of Standard Chartered Bank.

Under the likert scale for attitude measurement purpose the following ratings were used:

1. Very Good = +3
 2. Good = +2
 3. Satisfactory = +1
 4. Fairly Satisfied = 0
 5. Below Average = -1
 6. Poor = -2
 7. Very Poor = -3
1. Please rate the following on the basis of your experience at Standard Chartered of their ability to understand and realize customers' problem properly and accurately:



Understand and Realize customers' problem

N	Valid	30
	Missing	0
Mean		1.70
Std. Error of Mean		0.31
Std. Deviation		1.68
Variance		2.84
Range		5
Minimum		-2
Maximum		3

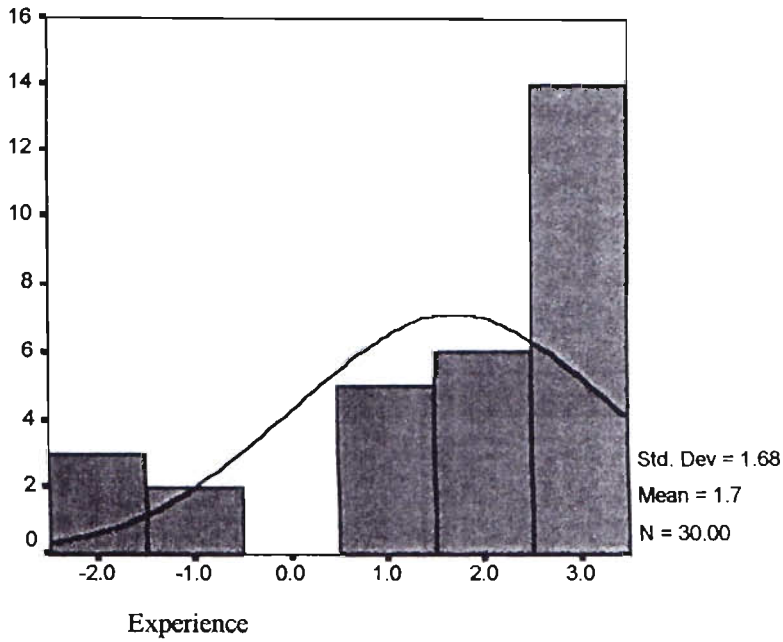
From the survey I have found out that the mean for this specific answer is 1.70 i.e. the customers are quite satisfied with the service they receive from the bank. The standard deviation is 0.31 which is the usual case for this purpose.

Understand and Realize customers' problem

	<u>Rating</u>	<u>Frequency</u>	<u>Percent</u>	<u>Valid Percent</u>	<u>Cumulative Percent</u>
Valid	-2	3	10.0	10.0	10.0
	-1	2	6.7	6.7	16.7
	1	5	16.7	16.7	33.3
	2	6	20.0	20.0	53.3
	3	14	46.7	46.7	100.0
	Total	30	100.0	100.0	

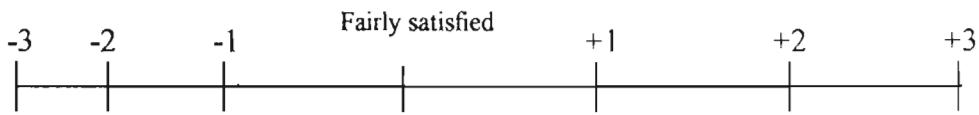
The above table signifies, the number of people who have selected poor, satisfactory or best category for this particular question.

- From the table it is evident that, (-2) i.e. Poor category has been selected by 3 people out of 30 respondents. The percentage of this is 10% also the cumulative percentage comes to 10%.
- Similarly, 2 respondents have marked (-1) i.e. below average for this specific question. 6.7% is the percentage and the cumulative percentage comes to 16.7%.
- 5 respondents have expressed their opinion as satisfactory i.e. (1) for this question. The cumulative percentage is 33.3%
- 6 respondents perceive to be the service as good i.e.(2); the percentage is 20% and cumulative percentage being 53.3%.
- The majority of the respondents, 14 of them regard the service as very good i.e.(3) and the percentage and cumulative percentage are 46.7% and 100% respectively.



Graph 01: Graphical Analysis of Customers' experience at Standard Chartered regarding understanding and realization of their problems properly.

2. Please rate the following on the basis of your experience at Standard Chartered of their ability to solve customers' problem quickly.:



To measure the ability of employees to solve the problem promptly and quickly we have used likert scale, so that we can track negative attitude as well.

The respondents expressed their answers in a 3 point grading scale. The attitude measurement scale is between -3 and +3. -3 indicate very poor and +3 implies very good which means higher satisfaction level.

A total of 30 respondents were interviewed for carrying out this survey. The respondents are all involved in transaction at the Dhanmondi Branch of Standard Chartered Bank.

Under the likert scale for attitude measurement purpose the following ratings were used:

1. Very Good = +3
2. Good = + 2
3. Satisfactory = +1
4. Fairly Satisfied = 0
5. Below Average = -1
6. Poor = -2
7. Very Poor = -3.

Rating on ability to solve problem quickly.

N	Valid	30
	Missing	0
Mean		1.90
Std. Error of Mean		.28
Std. Deviation		1.52
Variance		2.30
Range		6
Minimum		-3
Maximum		3

From the survey I have found out that the mean for this specific answer is 1.90 i.e. the customers are quite satisfied with the problem solving ability of the bank personnel.. The standard deviation is 1.52.

Rating on ability to solve problem quickly.

	Rating	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	-3	1	3.3	3.3	3.3
	-2	1	3.3	3.3	6.7
	-1	1	3.3	3.3	10.0
	1	4	13.3	13.3	23.3
	2	10	33.3	33.3	56.7
	3	13	43.3	43.3	100.0
	Total	30	100.0	100.0	

The above tables indicates, the number of people who have selected poor, satisfactory or best category for this particular question.

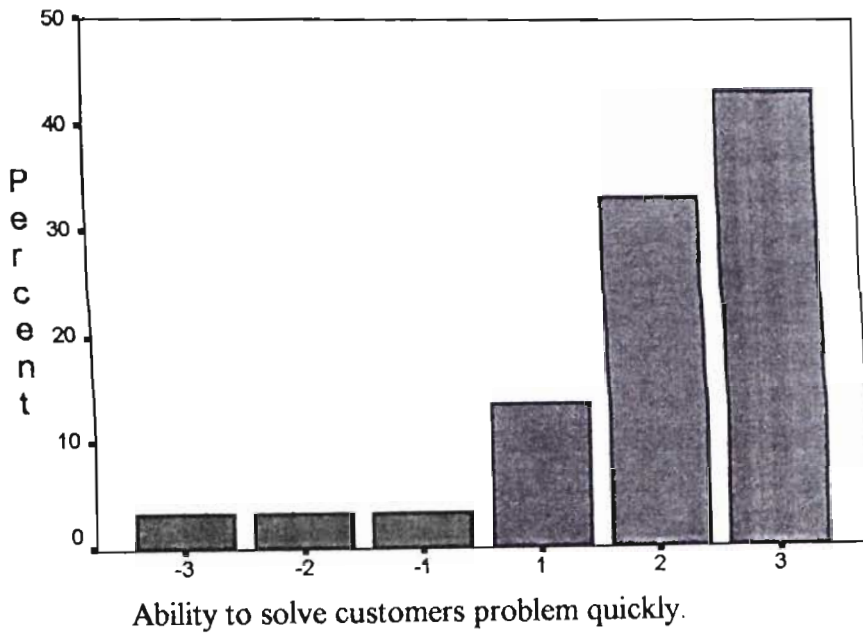
- Only 1 respondent has regarded the problem solving ability of the bank personnel as very poor i.e. (-3). It comes to 3.3% of the total sample size of 30 respondents.

- From the table it is evident that, (-2) i.e. Poor category has been selected by 1 person as well.. The percentage of this is 3.3% also the cumulative percentage comes to 6.7%.

- Similarly, 2 respondents have marked (-1) i.e. below average for this specific question. 6.7% is the percentage and the cumulative percentage comes to 16.7%.

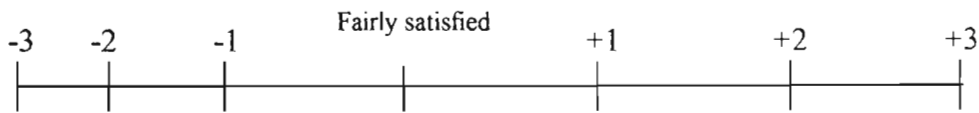
- 5 respondents have expressed their opinion as satisfactory i.e. (1) for this question. The cumulative percentage is 33.3%

- 6 respondents perceive to be the service as good i.e.(2); the percentage is 20% and cumulative percentage being 53.3%.
- The majority of the respondents, 14 of them regard the service as very good i.e.(3) and the percentage and cumulative percentage are 46.7% and 100% respectively.



Graph 02: Graphical Analysis of Customers' experience at Standard Chartered regarding quick problem solving ability.

3. Please rate the following on the basis of your experience at Standard Chartered of their friendliness and cooperation with the customers.



This question is under likert scale because I have defined 0 as fairly satisfied. In addition to this, I am also able to measure the negative attitude posed by the customers.. The respondents expressed their answers in a 3 point grading scale. The attitude measurement scale is between -3 and +3. -3 indicate very poor and +3 implies very good which means higher satisfaction level.

A total of 30 respondents were interviewed for carrying out this survey. The respondents are all involved in transaction at the Dhanmondi Branch of Standard Chartered Bank.

Friendliness and Cooperation with the customers

N	Valid	30
	Missing	0
Mean		1.87
Std. Deviation		1.33
Variance		1.77
Range		5
Minimum		-2
Maximum		3

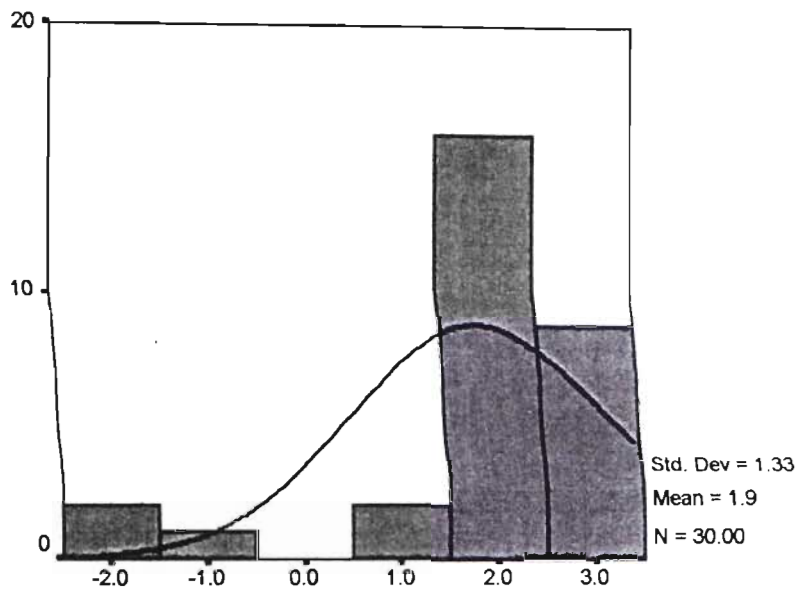
After conducting the survey I have found out that the mean for this specific answer is 1.87 i.e. the customers are very much satisfied with the problem solving ability of the bank personnel. The standard deviation is 1.33.

Friendliness and Cooperation with the customers

	Rating	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	-2	2	6.7	6.7	6.7
	-1	1	3.3	3.3	10.0
	1	2	6.7	6.7	16.7
	2	16	53.3	53.3	70.0
	3	9	30.0	30.0	100.0
	Total	30	100.0	100.0	

The above tables reflects, the number of people who have selected very poor, satisfactory or very good category for this particular question.

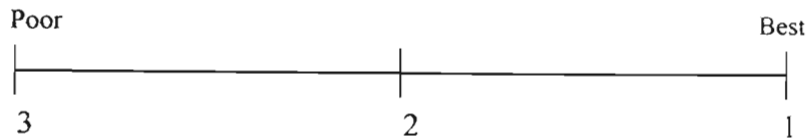
- From the table it is evident that, (-2) i.e. Poor category has been selected by 2 persons. The percentage of this is 6.7% also the cumulative percentage comes to 6.7%.
- Only 1 respondent has marked (-1) i.e. below average for this specific question. 3.3% is the percentage and the cumulative percentage comes to 10.0%.
- However 2 respondents have expressed their opinion as satisfactory i.e. (1) for this question. The cumulative percentage is 16.7%
- 16 respondents perceive that the customer service personnel are quite friendly and cooperative when it comes to dealing with the queries and expressed their opinion as good i.e.(2); the percentage is 53.3% and cumulative percentage being 70.0%.
- 9 out of 30 respondents have regarded the friendliness as very good i.e.(3) and the percentage and cumulative percentage are 30% and 100% respectively.



Friendliness and Cooperation

Graph 03: Graphical Analysis of friendliness and cooperation extended by the customer service personnel at Standard Chartered Bank.

4. Please the following on the basis of your perception about the banks spread service facility and link



To find out the perception of the customers regarding the spread service facility and link I have used semantic differential scale which is referred to as dichotomous scale. It means that we are getting the measurement of two extreme ends i.e. Poor and Best.

The respondents expressed their answers in a 3 point grading scale. The attitude measurement scale is between 3, 2 and 1. 3 implies to Poor spread service facility and link, 2 means moderate and 1 refers to the best spread service facility and link.

A total of 30 respondents were interviewed for carrying out this survey. The respondents are all involved in transaction at the Dhanmondi Branch of Standard Chartered Bank.

Under the semantic differential scale for attitude measurement purpose the following ratings were used:

1. Best = 1
2. Moderate = 2
3. Poor = 3

Spread Service Facility and Link

N	Valid	30
	Missing	0
Mean		1.73
Std. Deviation		0.69
Variance		0.48
Range		2
Minimum		1

The survey result gave me a mean of 1.73 for this specific question i.e. the customers are satisfied with the spread service facility and link provided by the bank. The standard deviation is 0.69.

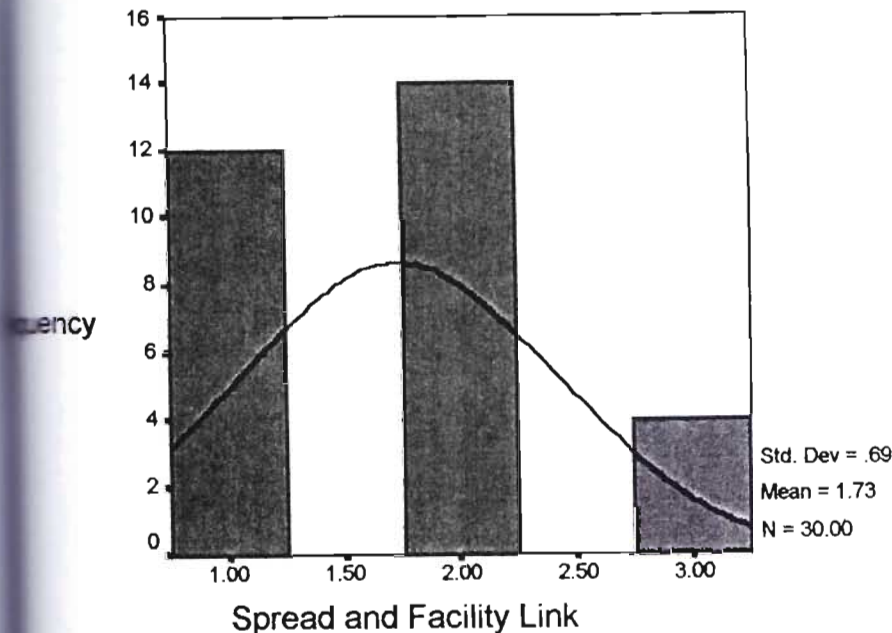


Spread Service Facility and Link

	Rating	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	12	40.0	40.0	40.0
	2	14	46.7	46.7	86.7
	3	4	13.3	13.3	100.0
	Total	30	100.0	100.0	

The tables shows, the number of people who have selected best, moderate or poor category for this particular question.

- From the table it is evident that, (1) i.e. best category has been identified by 12 respondents. The percentage of this is 40%.
- Moreover, 14 respondents think the spread and facility link is satisfactory for them for which they have marked (2) i.e. satisfactory for this specific question. 46.7% is the percentage and the cumulative percentage comes to 86.7%.
- However 4 respondents have expressed their opinion as poor i.e. (3) for this question. The percentage is only 13.3%



Graph 04: Graphical Analysis of the Customers' perception regarding the bank's spread and link facility to the customers.

5. Please choose the appropriate category on the basis of your convenience of receiving the banking services according to the location :

- Very close to the office/home.
- Close to the office/home.
- Far from office/home.
- Very far from home.

This question is under a nominal scale. The customer has to simply identify the locations according to his/her convenience. The average would be mode.

Convenience according to Location

N	Valid	30
	Missing	0
Mode		2
Range		3
Percentiles	2	1.00
	3	1.00

From the table we can see that the mode for this question comes to 2 i.e. the customers would like to receive the banking service at a close distant from their office or residence.

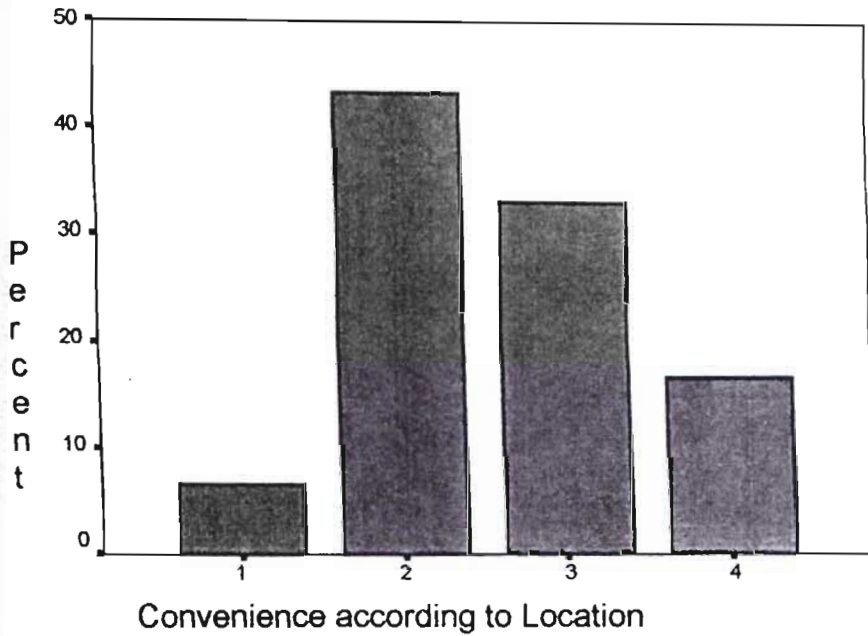
Convenience according to Location

		<u>Frequency</u>	<u>Percent</u>	<u>Valid Percent</u>	<u>Cumulative Percent</u>
Valid	1	2	6.7	6.7	6.7
	2	13	43.3	43.3	50.0
	3	10	33.3	33.3	83.3
	4	5	16.7	16.7	100.0
	Total	30	100.0	100.0	

The tables reflects, the number of people who have selected Very close to the office/home; Close to the office/home; Far from office/home and Very far from home. for this particular question.

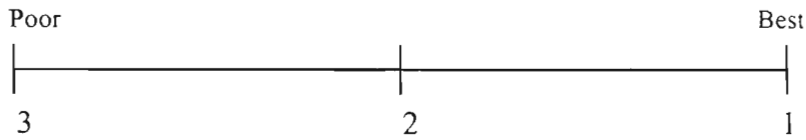
- ❑ From the table it is evident that, (1) i.e. very close to the office/home has been identified by 2 respondents. The percentage of this is 6.7%.
- ❑ On the other hand, 13 respondents think the location of the bank should be close to the office or home. For which they have marked (2). 43.3% is the percentage and the cumulative percentage comes to 50.0%.

- However 10 respondents have expressed their opinion for the location to be far from office or home.



Graph 05: Graphical Analysis of the Customers' perception regarding the location Of the Bank.

6. Please rate the ATM service of Standard Chartered on the basis of your perception :



The respondents expressed their answers in a 3 point grading scale. The attitude measurement scale is between 3, 2 and 1. 3 implies to Poor spread service facility and link, 2 means moderate and 1 refers to the best spread service facility and link.

A total of 30 respondents were interviewed for carrying out this survey. The respondents are all involved in transaction at the Dhanmondi Branch of Standard Chartered Bank.

Under the semantic differential scale for attitude measurement purpose the following ratings were used:

1. Best = 1
2. Moderate = 2
3. Poor = 3

ATM Service

N	Valid	30
	Missing	0
Mean		1.60
Std. Deviation		0.67
Variance		0.46
Range		2
Minimum		1

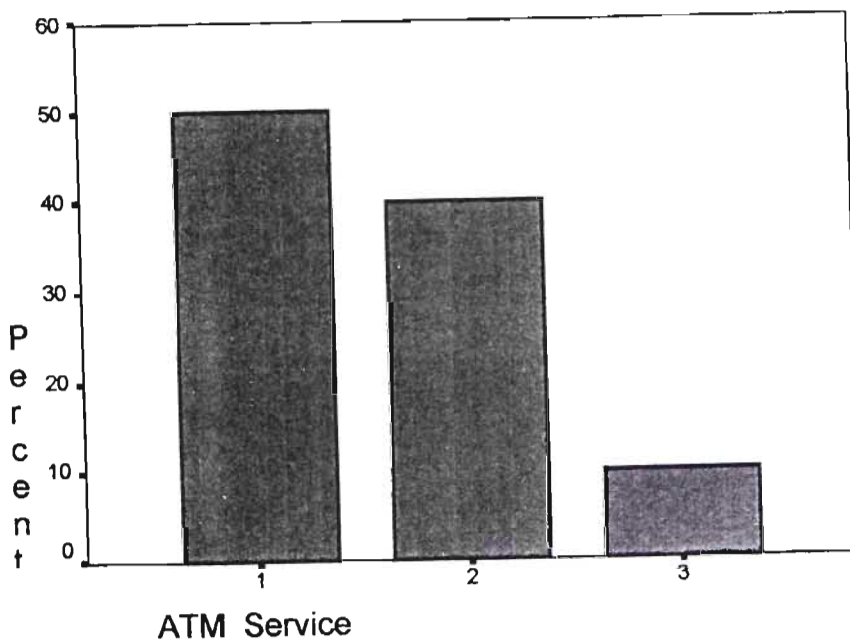
The survey result revealed a mean of 1.73 for this specific question i.e. the customers are satisfied with the ATM service facility rendered by the bank. The standard deviation is 0.67.

ATM Service

	<u>Rating</u>	<u>Frequency</u>	<u>Percent</u>	<u>Valid Percent</u>	<u>Cumulative Percent</u>
Valid	1	15	50.0	50.0	50.0
	2	12	40.0	40.0	90.0
	3	3	10.0	10.0	100.0
	Total	30	100.0	100.0	

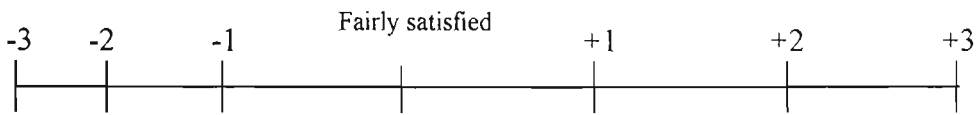
The tables refers to the number of people who have selected best, moderate or poor category for this particular question.

- From the table it is evident that, (1) i.e. best category has been identified by majority of the respondents, which is 15. The percentage of this is 50%.
- Moreover, 12 respondents think the ATM Service is satisfactory for them for which they have marked (2). 40.0% is the percentage and the cumulative percentage comes to 90.0%.
- However 3 respondents have expressed their views regarding the ATM Service as poor i.e. (3) for this question. The percentage is only 10.0%



Graph 06: Graphical Analysis of the Customers' perception regarding the ATM Service of the Bank.

7. Please rate the phone link service on the basis of your utility you derived from it.



This question is under Likert scale as I have defined 0 as fairly satisfied. Moreover, I am also able to measure the negative attitude posed by the customers. It uses the interval scale and the question would reveal the perception of the customers concerning the utility of the phone link service of the bank. The average would be mean for this case.

Phone Link Service Utility

N	Valid	30
	Missing	0
Mean		2.00
Std. Deviation		1.39
Variance		1.93
Range		5
Minimum		-2
Maximum		3

After conducting the survey I have found out that the mean for this specific answer is 2.00 i.e. the customers regard the problem solving ability of the bank personnel. The standard deviation is 1.39.

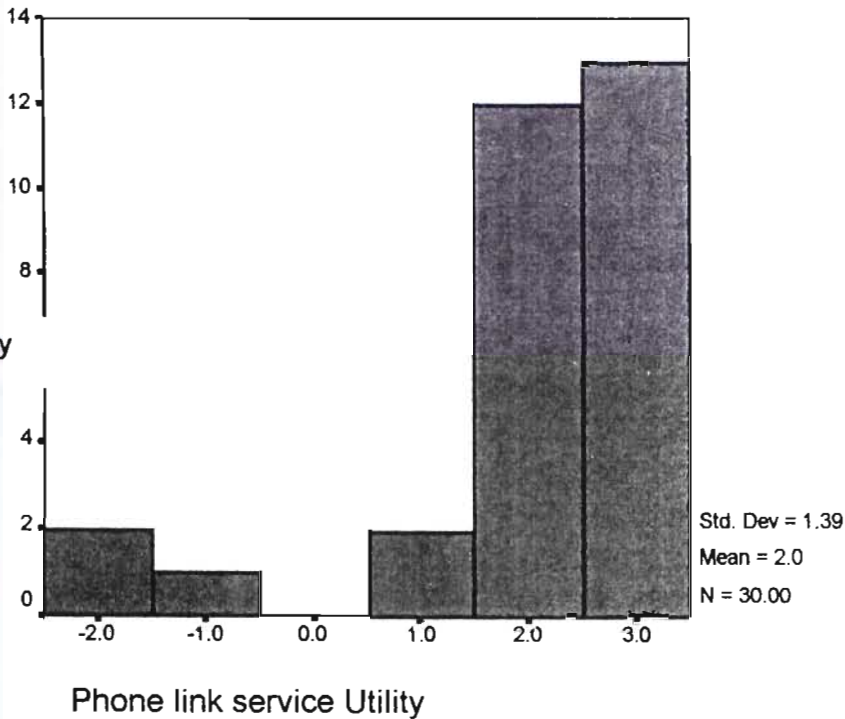
Phone Link Service Utility

	Rating	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	-2	2	6.7	6.7	6.7
	-1	1	3.3	3.3	10.0
	1	2	6.7	6.7	16.7
	2	12	40.0	40.0	56.7
	3	13	43.3	43.3	100.0
	Total	30	100.0	100.0	

The above tables reflects, the number of people who have selected very poor, satisfactory or very good category for this particular question.

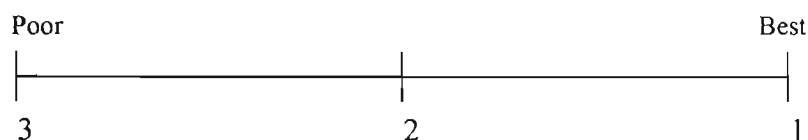
- From the table it is evident that, (-2) i.e. Poor category has been selected by 2 persons. The percentage of this is 6.7% also the cumulative percentage comes to 6.7%.
- Only 1 respondent has marked (-1) i.e. below average for this specific question. 3.3% is the percentage and the cumulative percentage comes to 10.0%.

- However 2 respondents have expressed their opinion as satisfactory i.e. (1) for this question. The cumulative percentage is 16.7%
- 12 respondents perceive that the phone link service utility is good i.e.(2); the percentage is 40.0% and cumulative percentage being 56.70%.
- 13 out of 30 respondents have regarded the phone link service utility as very good i.e.(3) and the percentage and cumulative percentage are 43.3% and 100% respectively.



Graph 07: Graphical Analysis of the Customers' perception regarding the bank's Phone Link Service Utility.

8. Please rate the following on the basis of your overall satisfaction level derived from the services of the bank.



The respondents expressed their answers in a 3 point grading scale. The attitude measurement scale is between 3, 2 and 1. 3 implies to Poor spread service facility and link, 2 means moderate and 1 refers to the best spread service facility and link.

A total of 30 respondents were interviewed for carrying out this survey. The respondents are all involved in transaction at the Dhanmondi Branch of Standard Chartered Bank.

Under the semantic differential scale for attitude measurement purpose the following ratings were used:

1. Best = 1
2. Moderate = 2
3. Poor = 3

Overall Satisfaction Level

N	Valid	30
	Missing	0
Mean		1.50
Std. Deviation		0.57
Variance		.33
Range		2
Minimum		1

The survey result revealed a mean of 1.50 for this specific question i.e. the customers are very much satisfied with the overall service facility rendered by the bank. The standard deviation is 0.57.

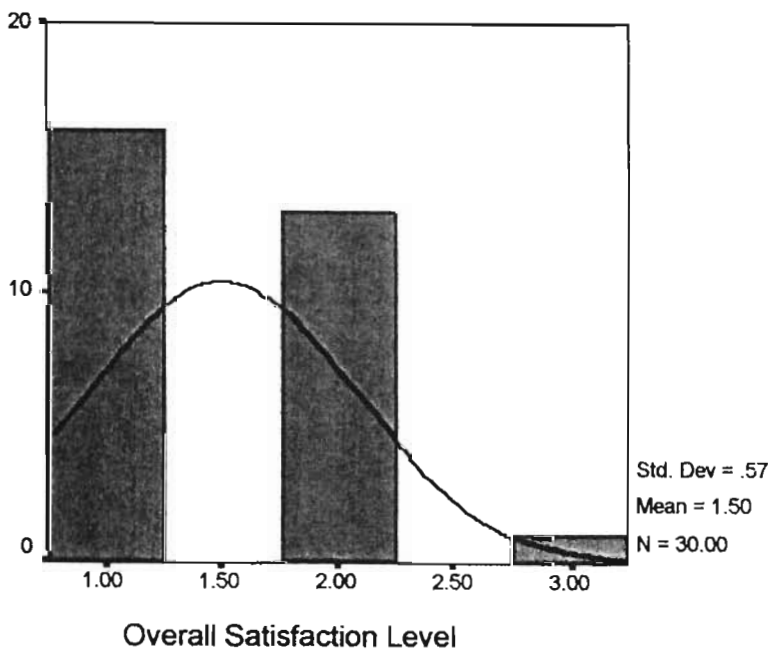


Overall Satisfaction Level

	Rating	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	16	53.3	53.3	53.3
	2	13	43.3	43.3	96.7
	3	1	3.3	3.3	100.0
	Total	30	100.0	100.0	

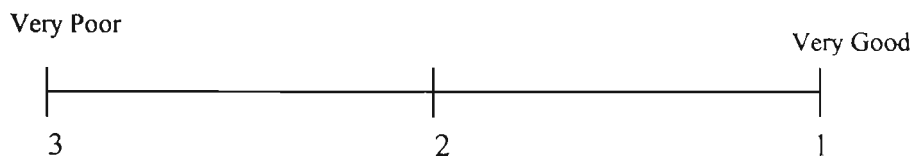
The tables refers to the number of people who have selected best, moderate or poor category for this particular question.

- From the table it is evident that, (1) i.e. best category has been identified by majority of the respondents, which is 16. They are having the highest degree of satisfaction from the overall services of the bank. The percentage of this is 53.3%.
- Moreover, 13 respondents seem to be satisfied with the current service of the bank for which they have marked (2). 43.3% is the percentage and the cumulative percentage comes to 96.7%.
- However only 1 respondent has poor satisfaction level i.e. (3) for this question. The percentage is only 3.3%



Graph 08: Graphical Analysis of the Customers' overall satisfaction level.

9. Please choose the appropriate point in the scale given below on the basis of the ability to provide you with the relevant information regarding products or services by the customer service personnel.



Relevant Product Information

N	Valid	30
	Missing	16
Mean		1.63
Std. Deviation		0.67
Variance		.45
Range		2
Minimum		1

The survey result revealed a mean of 1.63 for this specific question i.e. the customers are reasonably satisfied with the overall service facility rendered by the bank. The standard deviation is 0.67.

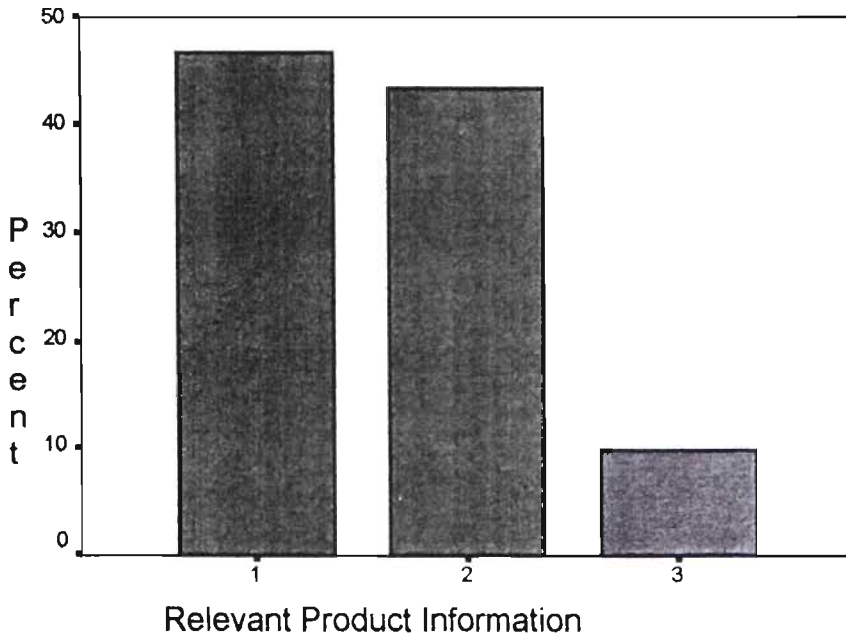
Relevant Product Information

	Rating	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	14	30.4	46.7	46.7
	2	13	28.3	43.3	90.0
	3	3	6.5	10.0	100.0
	Total	30	65.2	100.0	
Missing	System	16	34.8		
Total		46	100.0		

The tables refers to the number of people who have selected best, moderate or poor category for this particular question.

- From the table we can see that, (1) i.e. very good has been selected by majority of the respondents, which is 14. They are having the highest degree of satisfaction from the services provided by the customer service personnel regarding relevant product or service information of the bank. The percentage of this is 46.7%.
- 13 respondents seem to be satisfied with the current service of the bank for which they have marked (2). 43.3% is the percentage.

- However only 3 respondents have very poor satisfaction level i.e. (3) for this question. The percentage is only 10.0%



Graph 09: Graphical Analysis of the Customers' perception regarding the bank's Ability to provide relevant product and service related information.



PART – VII

CONCLUDING PART

CONCLUSION & RECOMMENDATION:

Standard Chartered is the one of the leading multinational bank in the world with its operation in more than 50 countries in the Asia Pacific Region, South Asia, the Middle East, Africa, United Kingdom and the Americas.

Extensive knowledge of the market and essential expertise in a wide range of financial services underline the strength of the bank to build business opportunities for corporate and institutional clients at home and abroad. Continuous upgrading of technology and control systems has enabled the bank of offer new services, which include unique ATMs and Phone banking.

The bank is considered as the leading innovative bank in providing different products and services to its customers. But the market is getting competitive with the inclusion of giant multinational banks like HSBC. CITI Corp is also introducing consumer banking very soon in the country. These banks are planning to provide the service to the people at a low cost to capture the market. Moreover some of the local private banks are also intimating the modern banking facilities like ATM service, credit card etc provided by the giant foreign banks of the world.

The valued customers of the bank have termed the service as the key ingredient behind the success of Standard Chartered. According to the customers the bank provides unique services which they feel very convenient to deal with.

However, sometimes due to heavy rush the customers are not able to communicate with the bank officials regarding various matters. They feel that the bank should enlarge their service counters and have some more officials to service them. They also think that the ATM booths could be increased as well in order to provide better customer service.

Moreover, the bank should be more lenient while charging customers on various accounts. The customers quite often wonder about the mystery bank charges after receiving the bank statement. They have urged the top management to let them know about the changes that are done from earlier on instead of just finding it out in one fine morning. This sometimes causes lot of inconvenience to the customers. Beside this, the bank should have a local monthly newsletter, where the bank could inform the valued customers regarding recent changes and new product announcements. By doing this the bank could certainly enhance its image and create a bond with the customers which would be beneficial for a long period of time.

So in order to cope with the competition and survive as a leader in the market, the bank needs to continuous improvement of its service in every category. And it also has to innovative in terms of offering new products to the people of this country.



PART – VIII

APPENDIX

Questionnaire For the Customers of Standard Chartered Bank.

Dear sir/ madam, I am a student of East West University and conducting a research to find out the satisfaction level of the customers of Standard Chartered Bank. I need your valuable response in this matter. The information will be considered as confidential and the information will be used solely for study purpose. I am not selling anything to you. This study may be monitored (and recorded) for quality purpose. I would appreciate your time. May I include your opinions?

Name of the Respondent: _____

Address: _____

Contact No.: _____

Sex: Male _____ Female _____

Age group: Under 30 _____, 30-40 _____, 40-50 _____, 50-60 _____,
Over 60 _____

Marital Status: Single _____, Married _____

Income: _____

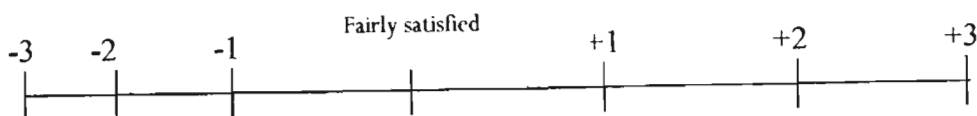
Number living in Home: Alone _____, 2-4 people _____, 5-7 people _____,
8 people or more _____

Home: Rent _____, Own _____

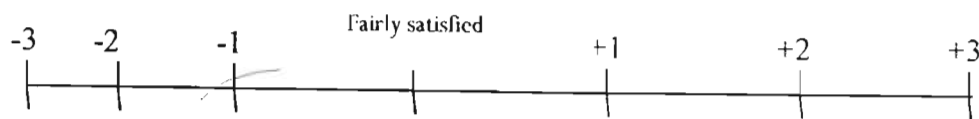
Education: _____

What is your Occupation?

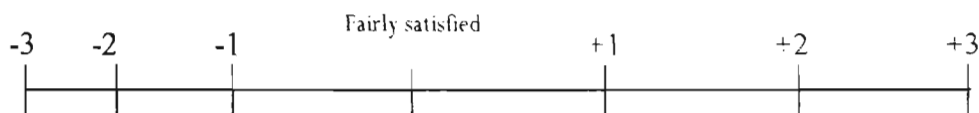
1. Please rate the following on the basis of your experience at Standard Chartered of their ability to understand and realize customers' problem properly and accurately:



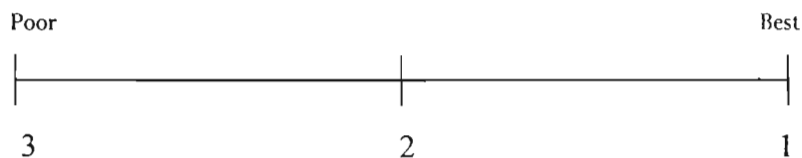
2. Please rate the following on the basis of your experience at Standard Chartered of their ability to solve customers' problem quickly and promptly:



3. Please rate the following on the basis of your experience at Standard Chartered of their friendliness and helpful to the customers.



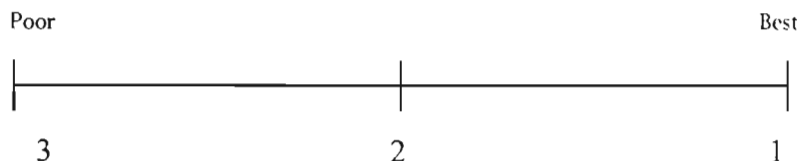
4. Please rate the following on the basis of your perception about the banks spread service facility and link



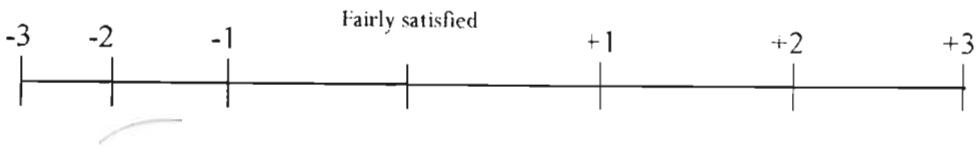
5. Please choose the appropriate category on the basis of your convenience of receiving the banking services according to the location :

- Very close to the office/home.
- Close to the office/home.
- Far from office/home.
- Very far from home.

6. Please rate the ATM service of Standard Chartered on the basis of your perception :



7. Please rate the phone link service on the basis of your utility you derived from it.



8. Please rate the following on the basis of your overall satisfaction level derived from the services of the bank.



9. Please choose the appropriate point in the scale given below on the basis of the ability to provide you with the relevant information regarding products or services by the customer service personnel.



Thank you very much for your time in answering this survey

Questionnaire for the customers of Standard Chartered Bank.

Dear sir/ madam, I am a student of East West University and conducting a research to find out the satisfaction level of the customers of Standard Chartered Bank. I need your valuable response in this matter. The information will be considered as confidential and the information will be used solely for study purpose. I am not selling anything to you. This study may be monitored (and recorded) for quality purpose. I would appreciate your time. May I include your opinions?

Name of the Respondent: _____

Address: _____

Contact No.: _____

Sex: Male _____ Female _____

Age group: Under 30 _____, 30-40 _____, 40-50 _____, 50-60 _____,
Over 60 _____

Marital Status: Single _____, Married _____

Income: _____

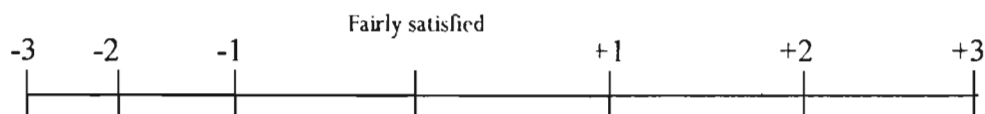
Number living in Home: Alone _____, 2-4 people _____, 5-7 people _____,
8 people or more _____

Home: Rent _____, Own _____

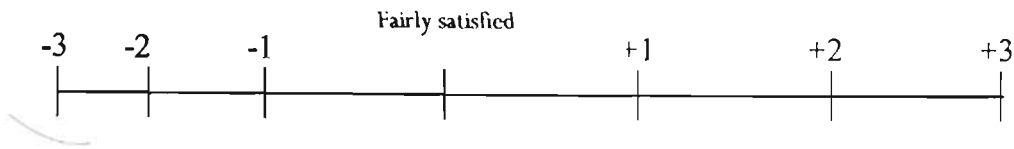
Education: _____

What is your Occupation?

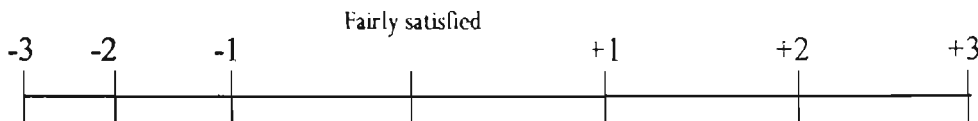
1. Please rate the following on the basis of your experience at Standard Chartered of their ability to understand and realize customers' problem properly and accurately:



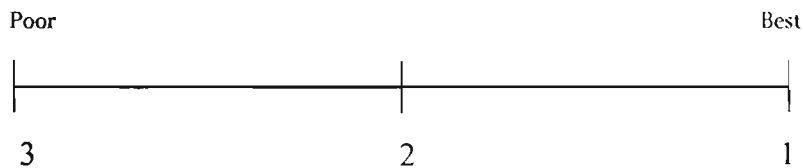
2. Please rate the following on the basis of your experience at Standard Chartered of their ability to solve customers' problem quickly and promptly:



3. Please rate the following on the basis of your experience at Standard Chartered of their friendliness and helpful to the customers.



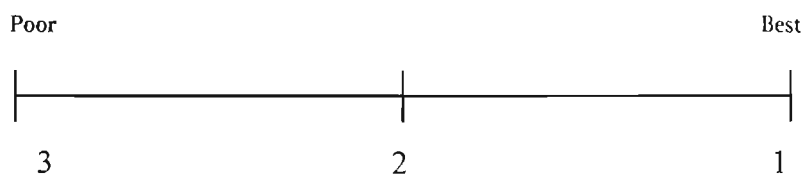
4. Please rate the following on the basis of your perception about the banks' spread service facility and link



5. Please choose the appropriate category on the basis of your convenience of receiving the banking services according to the location :

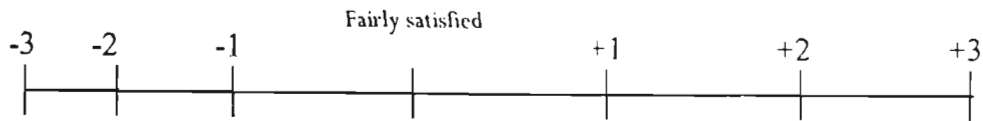
- Very close to the office/home.
- Close to the office/home.
- Far from office/home.
- Very far from home.

6. Please rate the ATM service of Standard Chartered on the basis of your perception :





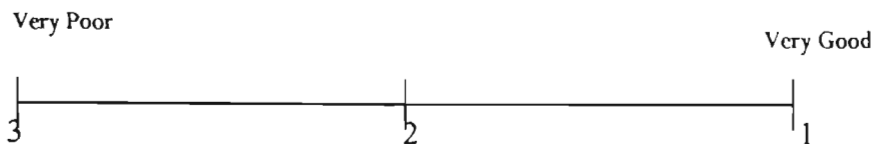
7. Please rate the phone link service on the basis of your utility you derived from it.



8. Please rate the following on the basis of your overall satisfaction level derived from the services of the bank.



9. Please choose the appropriate point in the scale given below on the basis of the ability to provide you with the relevant information regarding products or services by the customer service personnel.



Thank you very much for your time in answering this survey

Questionnaire for the customers of Standard Chartered Bank.

Dear sir/ madam, I am a student of East West University and conducting a research to find out the satisfaction level of the customers of Standard Chartered Bank. I need your valuable response in this matter. The information will be considered as confidential and the information will be used solely for study purpose. I am not selling anything to you. This study may be monitored (and recorded) for quality purpose. I would appreciate your time. May I include your opinions?

Name of the Respondent: _____

Address: _____

Contact No.: _____

Sex: Male _____ Female _____

Age group: Under 30 _____, 30-40 _____, 40-50 _____, 50-60 _____,
Over 60 _____

Marital Status: Single _____, Married _____

Income: _____

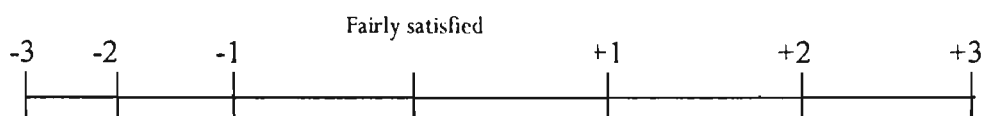
Number living in Home: Alone _____, 2-4 people _____, 5-7 people _____,
8 people or more _____

Home: Rent _____, Own _____

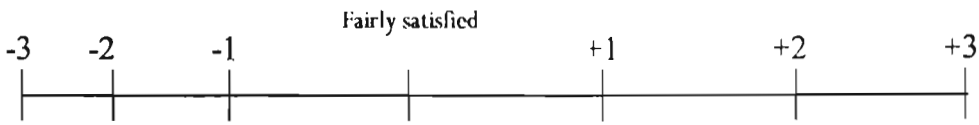
Education: _____

What is your Occupation?

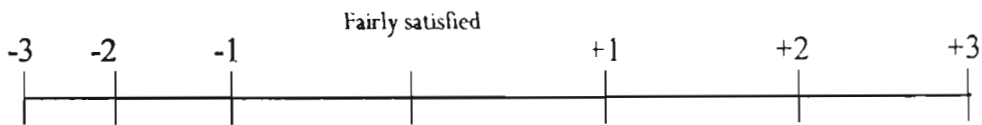
1. Please rate the following on the basis of your experience at Standard Chartered of their ability to understand and realize customers' problem properly and accurately:



2. Please rate the following on the basis of your experience at Standard Chartered of their ability to solve customers' problem quickly and promptly:



3. Please rate the following on the basis of your experience at Standard Chartered of their friendliness and helpful to the customers.



4. Please rate the following on the basis of your perception about the banks spread service facility and link



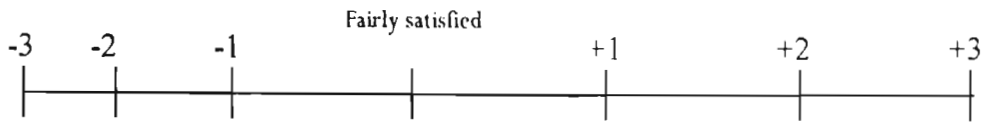
5. Please choose the appropriate category on the basis of your convenience of receiving the banking services according to the location :

- Very close to the office/home.
- Close to the office/home.
- Far from office/home.
- Very far from home.

6. Please rate the ATM service of Standard Chartered on the basis of your perception :



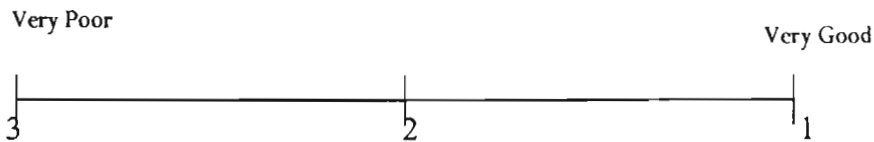
7. Please rate the phone link service on the basis of your utility you derived from it.



8. Please rate the following on the basis of your overall satisfaction level derived from the services of the bank.



9. Please choose the appropriate point in the scale given below on the basis of the ability to provide you with the relevant information regarding products or services by the customer service personnel.



Thank you very much for your time in answering this survey

Questionnaire for the customers of Standard Chartered Bank.

Dear sir/ madam, I am a student of East West University and conducting a research to find out the satisfaction level of the customers of Standard Chartered Bank. I need your valuable response in this matter. The information will be considered as confidential and the information will be used solely for study purpose. I am not selling anything to you. This study may be monitored (and recorded) for quality purpose. I would appreciate your time. May I include your opinions?

Name of the Respondent: _____

Address: _____

Contact No.: _____

Sex: Male _____ Female _____

Age group: Under 30 _____, 30-40 _____, 40-50 _____, 50-60 _____,
Over 60 _____

Marital Status: Single _____, Married _____

Income: _____

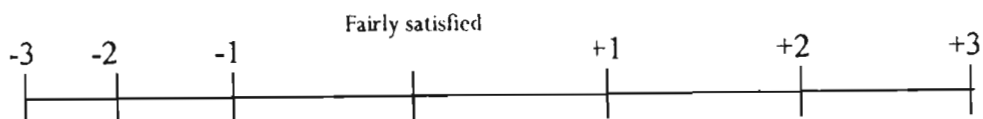
Number living in Home: Alone _____, 2-4 people _____, 5-7 people _____,
8 people or more _____

Home: Rent _____, Own _____

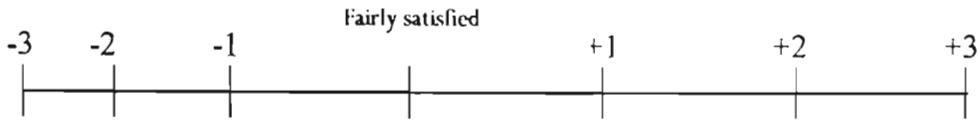
Education: _____

What is your Occupation?

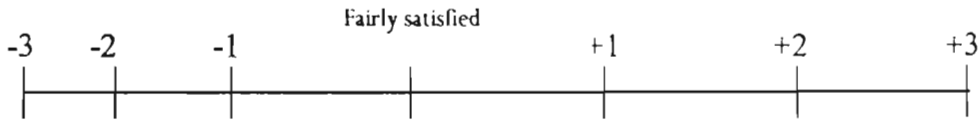
1. Please rate the following on the basis of your experience at Standard Chartered of their ability to understand and realize customers' problem properly and accurately:



2. Please rate the following on the basis of your experience at Standard Chartered of their ability to solve customers' problem quickly and promptly:



3. Please rate the following on the basis of your experience at Standard Chartered of their friendliness and helpful to the customers.



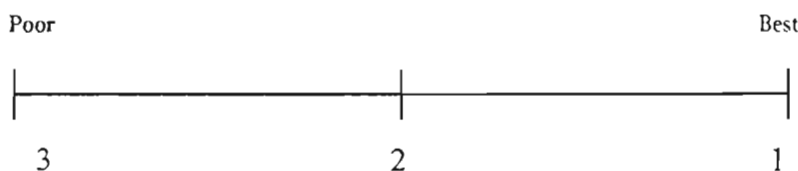
4. Please rate the following on the basis of your perception about the banks spread service facility and link



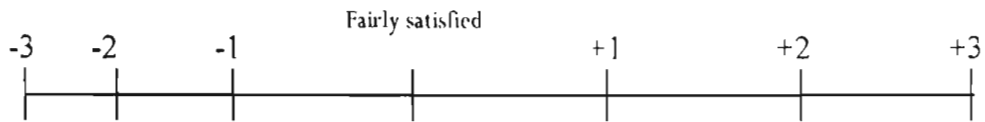
5. Please choose the appropriate category on the basis of your convenience of receiving the banking services according to the location :

- Very close to the office/home.
- Close to the office/home.
- Far from office/home.
- Very far from home.

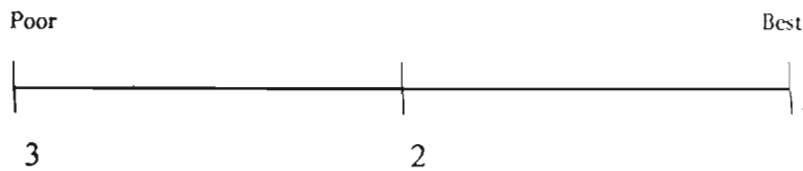
6. Please rate the ATM service of Standard Chartered on the basis of your perception :



7. Please rate the phone link service on the basis of your utility you derived from it.



8. Please rate the following on the basis of your overall satisfaction level derived from the services of the bank.



9. Please choose the appropriate point in the scale given below on the basis of the ability to provide you with the relevant information regarding products or services by the customer service personnel.



Thank you very much for your time in answering this survey

Questionnaire for the customers of Standard Chartered Bank.

Dear sir/ madam, I am a student of East West University and conducting a research to find out the satisfaction level of the customers of Standard Chartered Bank. I need your valuable response in this matter. The information will be considered as confidential and the information will be used solely for study purpose. I am not selling anything to you. This study may be monitored (and recorded) for quality purpose. I would appreciate your time. May I include your opinions?

Name of the Respondent: _____

Address: _____

Contact No.: _____

Sex: Male _____ Female _____

Age group: Under 30 _____, 30-40 _____, 40-50 _____, 50-60 _____,
Over 60 _____

Marital Status: Single _____, Married _____

Income: _____

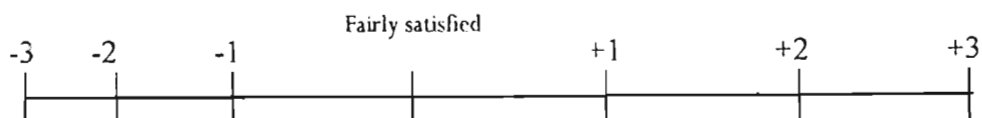
Number living in Home: Alone _____, 2-4 people _____, 5-7 people _____,
8 people or more _____

Home: Rent _____, Own _____

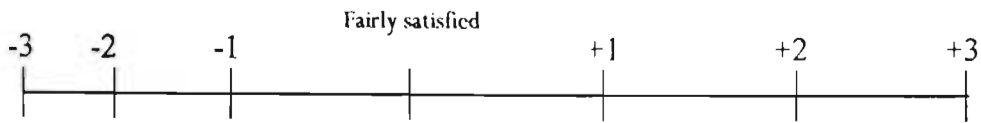
Education: _____

What is your Occupation?

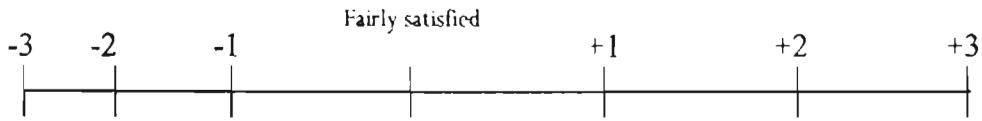
1. Please rate the following on the basis of your experience at Standard Chartered of their ability to understand and realize customers' problem properly and accurately:



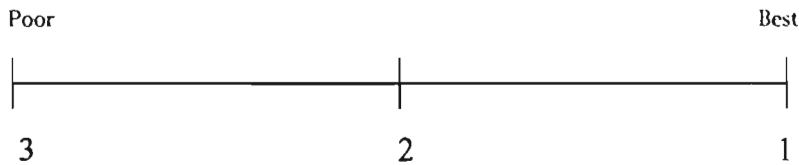
2. Please rate the following on the basis of your experience at Standard Chartered of their ability to solve customers' problem quickly and promptly:



3. Please rate the following on the basis of your experience at Standard Chartered of their friendliness and helpful to the customers.



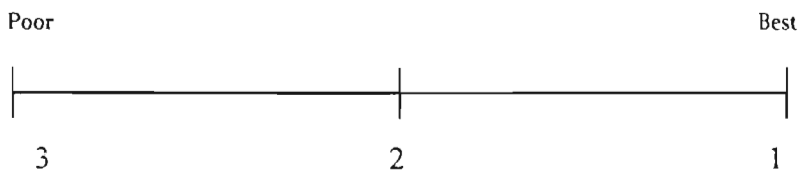
4. Please rate the following on the basis of your perception about the banks spread service facility and link



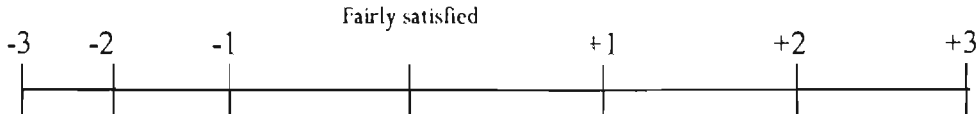
5. Please choose the appropriate category on the basis of your convenience of receiving the banking services according to the location :

- Very close to the office/home.
- Close to the office/home.
- Far from office/home.
- Very far from home.

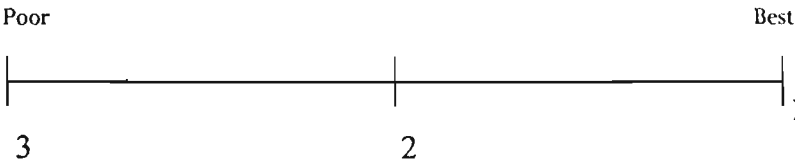
6. Please rate the ATM service of Standard Chartered on the basis of your perception :



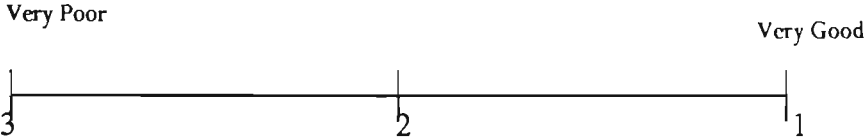
7. Please rate the phone link service on the basis of your utility you derived from it.



8. Please rate the following on the basis of your overall satisfaction level derived from the services of the bank.



9. Please choose the appropriate point in the scale given below on the basis of the ability to provide you with the relevant information regarding products or services by the customer service personnel.



Thank you very much for your time in answering this survey

Respondent	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9
1	3	-3	3	1	2	1	3	1	1
2	3	3	3	1	2	2	2	1	2
3	3	2	-3	3	3	1	3	2	1
4	3	2	1	2	1	2	1	1	1
5	3	1	3	1	2	1	2	2	1
6	3	1	2	1	2	1	1	1	1
7	3	2	3	2	3	2	3	1	1
8	3	2	3	1	2	3	1	2	1
9	3	3	2	1	2	2	2	1	1
10	2	3	2	2	1	1	2	1	2
11	3	3	3	1	3	2	3	1	1
12	-2	3	3	1	2	3	1	2	1
13	-2	2	3	2	3	2	3	2	1
14	-1	3	2	1	3	1	3	1	2
15	2	2	3	2	2	1	3	2	2
16	3	3	-2	1	4	2	-2	1	1
17	2	2	-2	2	3	2	-2	2	1
18	3	3	3	3	3	1	3	1	2
19	2	2	2	2	3	2	3	3	1
20	3	3	2	2	4	1	2	1	2
21	2	-2	1	2	2	2	1	2	1
22	3	-1	-1	1	2	1	-1	1	3
23	2	2	2	2	2	1	2	1	2
24	3	2	2	1	4	1	3	2	1
25	-2	3	2	2	2	2	2	1	2
26	-1	3	3	1	3	1	3	1	3
27	3	1	2	1	3	2	2	2	1
28	3	3	2	1	4	1	3	1	3
29	3	3	3	1	2	3	2	1	1
30	3	1	2	2	4	1	3	1	2



Works Cited

- Gates, Roger and McDaniel, Carl. *Contemporary Marketing Research*. 4th ed. Copyright© 1999 by South-Western College Publishing, Cincinnati, Ohio.
- *SPSS for Windows*, Release 8.0, Copyright© SPSS Inc., 1989-1997.
- www.standardcharteredbd.com
- Zeithaml, Valarie A. and Bitner Jo Mary, *Services Marketing: Integrating customer focus across the firm*, 2nd ed. Copyright© 2000 by McGraw Hill Companies, Inc.