CUSTOMER SERVICE IN A LIFE ASSURANCE COMPANY

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DECLARATION

I declare that "*Customer Service in a Life Assurance Company*" is my own work and that all sources that I have used or quoted have been indicated and acknowledged by means of complete references.

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Date

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ABSTRACT

Customer service has gained tremendous focus around the world. However, the general standard of customer service in South Africa is poor. The experiences of the average customer permeate all areas of commerce and industry. Thus, the need for improved customer service is acute. The life assurance industry is no exception.

This study attempts to evaluate the perceptions of policyholders with regard to the customer service provided to them by Old Mutual Life Assurance Company. The first part involves a literature study in order to develop a strategic approach, which could serve as a blueprint, or framework against which the customer service activities of the life assurance company may be evaluated. It became clear that the relationship marketing concept and the strategic approach to customer service could be used effectively to the life assurance industry. The strategic approach focused on the development of a service philosophy, evaluation of the present strategy, the development of the vision and mission statements and the formulation of objectives culminating in the formulation of the service triangle model. The elements of the service triangle model (strategy, customer, people and systems) were examined in detail. This was followed by an empirical study (survey conducted in the Durban Metropolitan Region) to determine the practical application of customer service principles.

It is emerged clearly that the customer service practices of the selected company are sufficiently customer oriented. The areas that warrant improvement are follow up customer service activities and the complex language used in the regular communication with policyholders to determine the changing needs of policyholders. Arising out of this study were various recommendations made in order to improve customer service activities of the life assurance company specifically. However, the recommendations may be valuable to all life assurance businesses striving towards customer orientation.

OPSOMMING

Kliëntediens trek wêreldwyd meer aandag. Die ervarings van die gemiddelde klant strek oor al die velde van handel en nywerheid en sluit die lewensversekeringsbedryf in. Die algemene standaard van kliëntediens in Suid-Afrika is egter swak. Verbeterde kliëntediens is dus 'n noodsaaklikheid.

Die studie evalueer die persepsies van uitkeerpolishouers met betrekking tot die kliëntediens wat deur Old Mutual Lewensversekeringsmaatskappy aan hulle gelewer word. In die eerste gedeelte word 'n literatuurstudie onderneem om 'n strategiese benadering te ontwikkel wat as 'n raamwerk kan dien om die kliëntediensaktiwiteite van die lewensversekeringsmaatskappy te evalueer. Dit het duidelik geword dat die verhoudingsbemarkingskonsep en die strategiese benadering tot kliëntediens suksesvol in die lewensversekeringsbedryf gebruik kan word. Die strategiese benadering tot kliëntediens fokus op die ontwikkeling van 'n kliëntediensfilosofie, evaluering van die bestaande kliëntediensstrategie, die ontwikkeling van visie- en missiestellings vir verbeterde kliëntediens en die daarstelling van doelwitte wat in die kliëntediensdriehoekmodel *(service triangle model)* neerslag vind. Die elemente van die kliëntediensdriehoekmodel, naamlik strategie, kliënte, mense en sisteme is in besonderhede ondersoek. Dit is gevolg deur 'n empiriese ondersoek wat in die Durbanse Metropolitaanse Gebied uitgevoer is om die praktiese toepassing van die kliëntediensbeginsels te toets.

Uit die empiriese studie het dit geblyk dat die kliëntedienspraktyke van die gekose onderneming voldoende klantgeoriënteerd is. Die aspekte wat verbeter kan word sluit in opvolg kliëntediensaktiwiteite en die komplekse gebruik van taal in die gereelde kommunikasie met polishouers. Verskeie aanbevelings vloei uit die studie voort wat die kliëntediensaktiwiteite van die lewensversekeringsmaatskappy verder kan verbeter. Die aanbevelings mag egter van waarde wees vir alle lewensversekeringsmaatskappye wat na 'n kliënte-oriëntasie streef.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Customer service is a process which provides time and place utilities for the customer. It involves pre- transaction, transaction and post-transactions considerations relating to the exchange process with the customer. Providing quality customer service involves understanding what the customer buys and determining how additional value can be added to the product or service being offered (Cant & Ricardo, 1998:3).

Since customer service in the life assurance industry is intangible and delivered by people, it is difficult. Many businesses believe that service quality is the only competitive advantage that is sustainable over the long term. However, South African businesses tend to perform poorly on the dimensions of service that are relatively important to customers, for example reliability in service delivery, but perform well on dimensions that are not important, for example tangibles (the physical appearance of facilities (Lamb, Hair, Mc Daniel, Boshoff & Terblanche, 2000:17).

Customer service became one of the key management issues since the 1980's within the financial services industry by adopting some form of customer service programme (Cant & Ricardo, 1998:1). This study examines the theoretical material pertaining to the strategic approach to customer service followed by an empirical study to evaluate the delivery of customer service to policyholders in a life assurance company. This chapter will examine:

- the defining of concepts;
- motivation of study;
- contributions of the study;

- the goal of the study;
- the objectives of study;
- research methodology; and
- summary and division of chapters.

1.2 DEFINING CONCEPTS

1.2.1 Life assurance company

This study pertains to customer service in a life assurance company, namely Old Mutual. The company markets policies pertaining to life assurance, disability, wealth, retirement savings and investment products to individuals and groups (Warren, 1995:11). Since endowment policies are the most popular form of investment in South Africa the study concentrates on the quality of customer service provided to endowment policyholders by the company.

1.2.2 Customer service

Customer service may be defined as a **total organisational** approach that makes the quality of service as perceived by the customer the primary focus of operating the business (Albrecht, 1990:24). It is necessary to expand this definition into task-oriented activities, other than proactive selling that involve interactions with customers in person, by telecommunications, or by mail. Thus customer service activities should be designed, performed, and communicated with two goals in mind, namely customer satisfaction and operational efficiency (Lovelock, 1996:491).

1.3 MOTIVATION

1.3.1 Background

1.3.1.1 Customer service in South Africa

During the past two decades customer service has gained increasing focus around the world (Cheales, 1994:10). Sadly, the general standard of customer service in South Africa is poor. According to an international survey evaluating the customer service practices of forty-six countries South Africa was rated forty-four (Lamb *et al.*, 2000:17). Furthermore, consumerism is now coming to the fore in South Africa, resulting in an increasing number of discerning and demanding customers (Pretorius, 1992:27). The experiences of the average customer permeate all areas of commerce and industry. Indeed, if anything, the need for superior customer service is acute (Aymes, 1993:42). The life assurance industry is no exception.

1.3.1.2 Life assurance

Life assurance involves the payment of a premium at regular periods for a stated sum that becomes payable at a given time to a beneficiary or beneficiaries at the death of the insured (Rosenberg, 1993:22). Life assurance may be defined as a contract of utmost good faith between and insurer and an individual (insured) whereby the insurer undertakes in return for the payment of a premium (monthly or yearly) to render to the insured a sum of money on the occurrence of a specified uncertain event. It is required at the time of conclusion of the contract, that an insurable interest be present (Fisher, 1995:297-298).

The life assurance industry is a major stakeholder on the Johannesburg Securities Exchange, with a market capitalisation of about one hundred and twenty five billion rands in 1997 (Basson & Feely, 1997:32-36). Life assurance is an abstract and complex service business. It focuses on future benefits that are difficult to prove

(Elfassy, 1991:1). Furthermore, it is practically impenetrable to the average customer due to the legal and actuarial language used in policies (Basson & Feely, 1997:32-36). The most popular form of assurance in South Africa is investing in endowment policies (Warren, 1995:11-13).

1.3.1.3 Endowment policies

Typically, endowment policies are used to provide a lump sum of money needed to achieve long and medium term goals. The way the endowment policy works is as follows (Warren, 1995:13):

- the policyholder pays a one-off lump sum investment or pays small regular premiums for a specific period of time;
- the life assurance company invests the funds received from all it's policyholders in shares on the stock exchange;
- the policyholders' accounts grow by the regular payment of premiums and the profits earned on investments made by the life assurance company;
- legislation requires that the minimum term of investment for an endowment policy may not be less than five years. Thus, the policyholder is guaranteed an average growth of a specific percentage (for example 4,8% per annum). Furthermore, the administrative costs are spread over the entire term of the policy; and
- from a tax perspective endowment policies are tax efficient since the proceeds paid to the policyholder are currently tax-free because the life assurance company pays tax on behalf of the policyholder during the term of the policyholder (Jutus, 1998:3).

Sales intermediaries market endowment policies. Life assurance agents represent about fifty percent of new premium income in the industry. The balance is shared between independent brokers, banking brokers and direct retailers (Pienaar, 1997:40). After the sale, the intermediaries are expected to provide a follow-up service to customers (Elfassy, 1991:1).

1.3.1.4 Changes in the marketing environment of endowment policies

Recently the marketing of endowment policies has changed. Sales intermediaries who called on prospects conducted a major portion of selling. Attitudes towards personal selling have changed. Customers are not willing to meet with sales intermediaries like they did in the past (Graham, 1995:18). Furthermore, life assurance companies have become more competitive and the customers have also become more demanding (McDonald, 1998:19). Customers are demanding greater flexibility, transparency and accountability. There is a revolution in the way customers are investing. Previously, once a customer had invested with an assurance company the customer had little option but to stay invested in the company despite the inadequate service or poor performance (Heystek, 1997:32).

Presently, the life assurance companies are losing business to competitors such as product businesses, which give investors access to a broad range of financial products from different companies. Further, product businesses are not subject to the commission regulation that applies to the life assurance industry. Such businesses are offering higher commissions to the brokers (Heystek, 1997:33) From a life assurance perspective, a more effective method of service delivery, with better-trained sales personnel will lead to improved levels of client satisfaction (Pienaar, 1997:40).

1.3.2 Awareness of problem

Presently, life assurance companies are undergoing many changes. Some of the changes pertaining to the study is as follows (Pienaar, 1997:2):

- the profiles of life assurance companies' customers are changing;
- the governmental regulatory structure pertaining to life assurance is being reviewed;

- the channels of distribution are diversifying;
- the products are becoming more streamlined and adaptable; and
- the endowment policyholders have an option to choose the linked investment route with an assurance policy. The linked investment route allows investors to switch to better performing funds and even opt for another financial adviser. The investor is empowered in a previously inconceivable business sector characterised by arrogance and rigidity (Heystek, 1997:32).

Recent research (Mathews, 1997:30) maintains that customers are advised to guard against sales personnel in the life assurance industry. Moreover, customers are not willing to interact with intermediaries like they did in the past (Graham, 1995:18). This problem has surfaced as a result of a significant number of intermediaries marketing inappropriate long- term investment products to exploit the financial needs of people. Intermediaries cede such products as security for loans (Van der Kooy, 1999:52) Furthermore, approximately four hundred and thirty five intermediaries (brokers, agents, and financial planners remunerated for selling long term policies for a life assurance company) from all the major life assurance companies have been found guilty of misconduct in the past three years (Heard, 2000:11).

It is interesting to note that in the United States of America, a life assurance sales representative is not allowed to practice unless he or she is a charted life underwriter, chartered financial consultant, or chartered financial planner. In contrast, South Africa has approximately sixty thousand (60 000) intermediaries around, with inadequate qualifications on investments, the stock exchange, unit trusts, investment portfolio performances and interest rates. Therefore, it's time for the life assurance industry in South Africa to address the question of qualification (Deans, 1994:66). According to recent research undertaken, life assurance companies should train intermediaries for at least twelve to eighteen months before the intermediaries are allowed to sell any life assurance products. Furthermore, in order to align South Africa's current disclosure requirements with the international standards and to regulate the financial services industry, the Insurance Amendment Bill, the Policyholder Protection Rules, the

Financial Advisory and Intermediary Services Bill is due to be passed and enacted in 2001 (Heard, 2000:11).

It is against this background that the Life Assurance service providers will have to evaluate the present customer service practices and set their sights on consistent customer service. Since customers are the sole judges of the quality of services rendered to them, this research will investigate their assessment of the service they receive (perceptions) with the service they desire (expectations).

1.3.3 Problem Statement

Insurance businesses conceive themselves as selling products, that is, documents that promise benefits to customers in the event of certain misfortune. As a result, the business personnel have extensive knowledge about their products and understand very little about their customers' problems lives and needs (Albrecht, 1992:7).

Most life assurance companies have had limited contact with customers, and instead have left agents or sales representatives to handle most of the customer interaction. Agents have also been responsible for making most of the decisions regarding market selection, prospecting, sales approaches and service (Berry, 1995:65). Consequently, there has been a progressive increase in the number of complaints about life assurers and their intermediaries since 1994. Approximately thirty three percent (33%) of complaints emanated from a lack of communication by the intermediaries (Van der Kooy, 1999:52). It is apparent that the customer service activities in life assurance companies worked well in an uncompetitive environment. However, with the increase in competition and changing needs of policyholders, it may not work well. Presently, assurance companies focus on product features and the business strong financial surplus, instead of placing emphasis on benefits (Berry, 1995:68).

The findings of a survey investigating the needs of policyholders identified the following areas warranting attention, namely (Heynes, 1990:132):

- greater knowledge on life assurance is required;
- the life assurance company should communicate with policyholders at various stages of their lives as their needs change;
- a thorough understanding of endowment policies is required;
- policyholders were not sure that the right product was purchased; and
- policyholders do not know what is covered in the fine print.

Furthermore, policyholders need more customer service when their policy maturity dates approaches. However, policyholders are given little guidance on the options available to them. Customers perceive that the life assurance companies become less interested in their customers although they have paid their premiums regularly over the years (Peters, 1994:15).

Viewed against the background it is apparent that life assurance companies need to focus on service excellence in order to gain a competitive advantage locally and globally. The business needs to be customer driven, since their ultimate success depends on satisfying the needs of their respective target markets. Therefore, it is appropriate that the customer service provided by a leader in the industry should be empirically probed. A study of this nature to date has not been undertaken in the Durban Metropolitan Region.

The study will provide answers to the following questions, namely:

- What are the customer service practices in a life assurance company?
- What are the shortcomings in the customer service activities of the company?
- To what extent can customer service be improved in order to benefit the customer and the company?

The reason for undertaking this study is to evaluate the current customer service practices in Life Assurance Company in Durban.

1.4 CONTRIBUTIONS OF THE STUDY

There are two main parties that will benefit from the findings of the study. Life assurance companies will be better equipped to apply customer-oriented marketing principles to their business operations. Customer- oriented businesses tend to be more profitable, have loyal customers that provide referrals culminating in increased sales, and exhibit better performance relative to competitors (Clutterbuck & Kernaghan, 1991:8-9). Consequently, customers will benefit from improved service quality and delivery by service providers who will be in a better position to satisfy their needs.

Life assurance companies could use the recommendations and possibly develop strategies to adopt appropriate customer service techniques. This could be in the form of reviewed incentive systems for personnel marketing endowment policies or even a mandatory customer service practice that will enable the businesses to achieve their objectives more easily. The research should evoke awareness among managers with regard to the opportunities and advantages of applying customer service and principles in their relevant businesses.

1.5 GOAL OF STUDY

The goal of the study is to evaluate the perceptions of endowment policyholders with regard to customer service provided to them by the Old Mutual Life Assurance Company (hereinafter referred to as the company).

1.6 THE OBJECTIVES OF THE STUDY

In order to achieve the overall goal of the study objectives are essential. The objectives of the study are as follows:

- to provide a broad overview of relationship marketing;
- to present a comprehensive framework of customer service and the importance of customer service culminating in the development of a customer service strategy;
- to examine the implementation of the customer service strategy (the service triangle model);
- to ascertain the extent to which the customer service principles are currently applied in the selected company; and
- to provide recommendations for improvements in customer service activities, specifically to the selected company and the industry in general.

1.7 RESEARCH METHODOLGY

The objective of the study is achieved through a twofold process, namely a literature study and empirical research.

1.7.1 Literature study

A literature study was undertaken with the objective of establishing, assembling and integrating theoretical material pertaining to the strategic approach to customer service principles. The theoretical framework was developed using textbooks, journal articles, newsletters, magazines and websites. From this theoretical framework the customer service principles and practices for a life assurance company was developed.

1.7.2 Empirical study

The study also entailed an empirical study by means of questionnaires administered among the workstations of policyholders in the Durban Metropolitan Region as depicted in Table 1.1.

Table 1.1 Study area and target population

Substructure	Number selected	Number volunteered
Outer West substructure	40	50
Inner West substructure	40	50
South Central substructure	40	50
South substructure	40	50
North Central substructure	50	70
North substructure	40	50
Total	**250**	**320**

1.7.2.1 The study area and target population

The research was conducted in the **Durban Metropolitan Region**. The study was perceived important to bridge the gaps identified in the literature study and to provide to guidelines for the customer service component in the marketing of endowment policies. The target population of this study comprised of existing Old Mutual endowment policyholders.

The researcher used the following sampling techniques:

- **systematic sampling:** In systematic sampling the entire population is numbered and the elements are drawn using the sampling interval. The main advantage of using the systematic sampling over the simple random sampling is that it is often simpler, less time consuming and less expensive (Mc Daniel &

Gates, 1996: 461-462).

- **stratified sampling** involves dividing the population (strata) on the basis of supplementary information. After dividing the population into strata, the researcher draws a random sample from each stratum. In stratified sampling, the researcher controls the relative size of each stratum thus fixing the proportion of different strata within the sample (Neuman, 1997:213).
- **the simple random sampling** technique is considered to be the purest form of probability sampling. The sample is selected in such a way that every element of the population has an equal probability of inclusion in the sample (Neuman, 1997:213)

The survey was conducted using three sampling techniques.

Firstly, the simple random sampling technique was employed. The researcher personally approached 25 businesses per substructure (strata) to provide at least two names of employees that are Old Mutual endowment policyholders (see table1.1). The researcher used a list of businesses from the metropolitan offices in the respective areas. **Secondly**, the systematic sampling technique was used. The businesses were numbered to facilitate selection of the sample. The sample was selected by choosing every fifth business in the street. The respective employers provided the names of policyholders that volunteered to participate in the research.

The **third** sampling technique employed was the stratified sampling technique. The researcher then classified the names of policyholders into substructures and coded them. **Finally,** the researcher used the random number table to generate a simple random sample of two hundred and fifty policyholders from a list of three hundred and twenty policyholders. A relatively larger number of names were included in the sample in the North Central area as more businesses are located in this area.

1.7.2.2 Construction of the questionnaire

A structured questionnaire was used. This was considered appropriate for the study as it consisted of a series of questions designed to elicit responses from respondents on customer service of the company. The questionnaire proved valuable in the attempt to obtain primary data from customers through the survey method. Structured questions (with the exception of the last question [6.14]) of a closed ended nature were used. Predetermined options were presented to respondents who were obliged to choose from the given alternatives. As many alternatives as possible were offered in view of the relatively large sample size.

The last question [6.14] was open ended in order to generate a variety of responses in terms of individual opinions and feelings. The intention was to elicit responses pertaining to customer service that would otherwise not have been obtained by means of structured questions.

1.7.2.3 The questionnaire

A total of 35 questions were posed to respondents. A copy of the questionnaire is included as Annexure "A". The questionnaire was divided into six sections. These sections included:

- the questionnaire commences with an assessment of the tangible dimension of service at a life assurance company (4 questions);
- the reliability dimension is examined especially with regard to the ability to deliver the promised service dependably and accurately (5 questions);
- the responsiveness of staff is examined by measuring the willingness of staff to help customers and provide prompt service (3 questions);
- the assurance dimension is examined by measuring the knowledge and courtesy of staff and their ability to inspire trust and confidence is examined (4 questions);

- the degree of empathy is examined by measuring the individualised attention the business provides its customers (5 questions);and
- the general perception of respondents towards service dimensions pertaining specifically to life assurance companies (14 questions). Question 6.14 was open ended, giving the respondents the opportunity to address any relevant aspects that were not covered in the preceding sections.

1.7.2.4 Piloting the questionnaire

A preliminary questionnaire was distributed to twenty-five respondents situated in the North Central and South Central areas in Durban. Prior arrangements were made to meet each respondent and the questionnaire was completed in the presence of the researcher. Immediate feedback was obtained with regard to:

- clarity of questions;
- understanding of questions;
- ambiguity;
- identification of semantic difficulties encountered when completing the questionnaire; and
- identification of other queries and confusing aspects.

As a result of the recommendations made by the pilot group, a few minor changes were made to the final questionnaire before administering it to the study population. However, the responses of this pilot group were not included in the data for making conclusions with regard to the study.

1.7.2.5 Administering the questionnaire

Each questionnaire was accompanied by a letter of introduction by the supervisor and researcher (Annexure B), which described the nature and purpose of the research and to encourage them to respond. Response was encouraged by the following means:

- the University letterhead was used to afford credibility to the survey;
- assuring respondents of absolute confidentiality;
- informing respondents that the researcher will call on them personally to clarify any problems that they may encounter; and
- results of the study would be made available to respondents and the life assurance company. This would ensure that the recommendations made could be implemented in order to improve the quality of customer service at the company.

1.7.2.6 The survey method

All questionnaires were to be completed by Old Mutual endowment policyholders. Policyholders ought to give a clear indication of the standard of customer service rendered to them by the above-mentioned company. The researcher distributed a total of **two hundred and fifty questionnaires** with a self-addressed postage paid envelope. Respondents were required to respond within fourteen days. However, a six-week allowance was provided for respondents to return questionnaires. Questionnaires were confidentially coded for control and follow up purposes.

Returns were monitored and respondents that had not responded by the end of three weeks were contacted telephonically in order to stress the importance of their responses to the study as well as its mutual benefit. It was encouraging to note the steady increase in the response rate following the telephonic reminders. At the end of six weeks 155 completed questionnaires were received. The response rate is sixty-two percent.

1.8 SUMMARY AND DIVISION OF CHAPTERS

If the Republic of South Africa is to become a global player in business, it cannot afford to be less competitive in any way, either through effective resource allocation, productivity or customer service. It is therefore vital to identify problem areas and take corrective action. However, it is generally accepted that a customer-oriented business promotes effectiveness (Addison, 1993:9-10).

Therefore, it is essential to explain the role that customer oriented principles play to provide superior service to clients for the long-term survival of the business. This study aims to determine empirically the quality of service provided by the company. Viewed against this background the study is divided into six chapters namely:

- chapter two: Relationship marketing;
- chapter three: Customer service strategic planning;
- chapter four: Implementing the customer service strategy;
- chapter five: Research Findings; and
- chapter six: Summary and recommendations.

1.8.1 Chapter two: Relationship marketing

Chapter two focuses on the relationship approach to marketing. The marketing mix was analyzed from the life assurance perspective. It became apparent that the relationship approach to marketing is not a new concept. It is rather a refocusing of the traditional marketing mix and the development and maintenance of long-term customer relationships. Therefore, in order to achieve success an integrated cross-functional approach to marketing, thus focusing on a shift from customer acquisition to customer retention is examined.

1.8.2 Chapter three: Customer service strategic planning

Chapter three provided an overview of the customer service strategic planning process. The major components of the customer service strategic planning process include:

- developing a service philosophy;
- evaluation of the present strategy and performance;
- the designing of the strategic vision and mission statements; and
- the formulation of objectives culminating in the development of the a strategy known as the customer service triangle model.

1.8.3 Chapter four: Implementing the customer service strategy

Chapter four examined the implementation of the customer service strategy. Therefore, the moment of truth and the service blueprinting aspects were examined followed by the two remaining elements of the triangle namely people and systems.

1.8.4 Chapter five: Research findings

Chapter five investigated the current customer service practices in a life assurance company by means of an empirical study. The results obtained from the survey yielded findings that provide a clear and specific indication of the customer service efforts currently pursued by the life assurance company selected.

1.8.5 Chapter six: Summary, conclusion and recommendations

Chapter six serves to provide an overview of the preceding chapters. The results of the empirical study are discussed, followed by recommendations to life assurance companies and suggestions for future research.

CHAPTER TWO

RELATIONSHIP MARKETING

2.1 INTRODUCTION

Two hundred years ago, the natural approach to the market was through relationship marketing (Cram, 1994:1). Small businesses through personal contact with customers, knew their needs very well. They produced products or services to the precise requirements of individual customers and found that the customers kept returning. In the 1960s, 1970s and the 1980s these individual relationships appeared to have been sacrificed in favour of economies of scale (Vavra, 1995:30).

As businesses grew, relationship building based on personal contacts became more difficult to achieve. Interest in the ability to know customers has come about due to the increasing rate of competition, where good quality products and service alone is inadequate for a company to gain competitive advantage. With the emergence of user-friendly customer databases, large businesses are striving to know more about their customers, recreating in a computer what small business managers derived through personal contact (Palmer, 1994:571-572). The data has been provided by customers through their purchases, their payments, servicing or by completing questionnaires (Stone & Woodcock, 1995:21-22).

The relationship approach to marketing is moving from a transactional focus to a relationship focus. According to Payne (1995:30) the key elements of such a relationship approach to marketing consists of three key elements:

- a move from functionally based marketing to cross-functionally based marketing;
- a shift from marketing activities emphasising customer acquisition to

customer retention activities; and

- a move from the traditional customer market to the supplier markets, the internal markets, referral markets, influence markets and the recruitment markets.

This chapter will examine the definition of relationship marketing, the development of customer retention up the loyalty ladder, the relationship marketing orientation culminating with a description of the broader view to relationship marketing.

2.2 DEFINITION OF RELATIONSHIP MARKETING

According to Pelton, Strutton & Lumpkin, (1997:118), a comprehensive definition of marketing states that: **relationship marketing is to establish, maintain and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met; and this is done by mutual exchange accompanied by fulfilment of promises.**

Key aspects of such an approach are not only getting customers and creating transactions but also maintaining and enhancing relationships with customers and other stakeholders. Further, it is the responsibility of the entire business to fulfil promises, since relationships are developed on trust and commitment (Pelton *et al.,* 1997:118).

2.3 THE DEVELOPMENT OF CUSTOMER RETENTION UP THE LOYALTY LADDER

Marketing is concerned with getting and keeping customers. In practice however, most business' marketing efforts focus on the acquiring of new customers rather than retaining existing customers. Whilst acquiring new customers are always welcome in any business it has to be realised that an existing customer provides a higher profit contribution and has the potential to grow in terms of the value and frequency of purchases (Christopher, 1992:9).

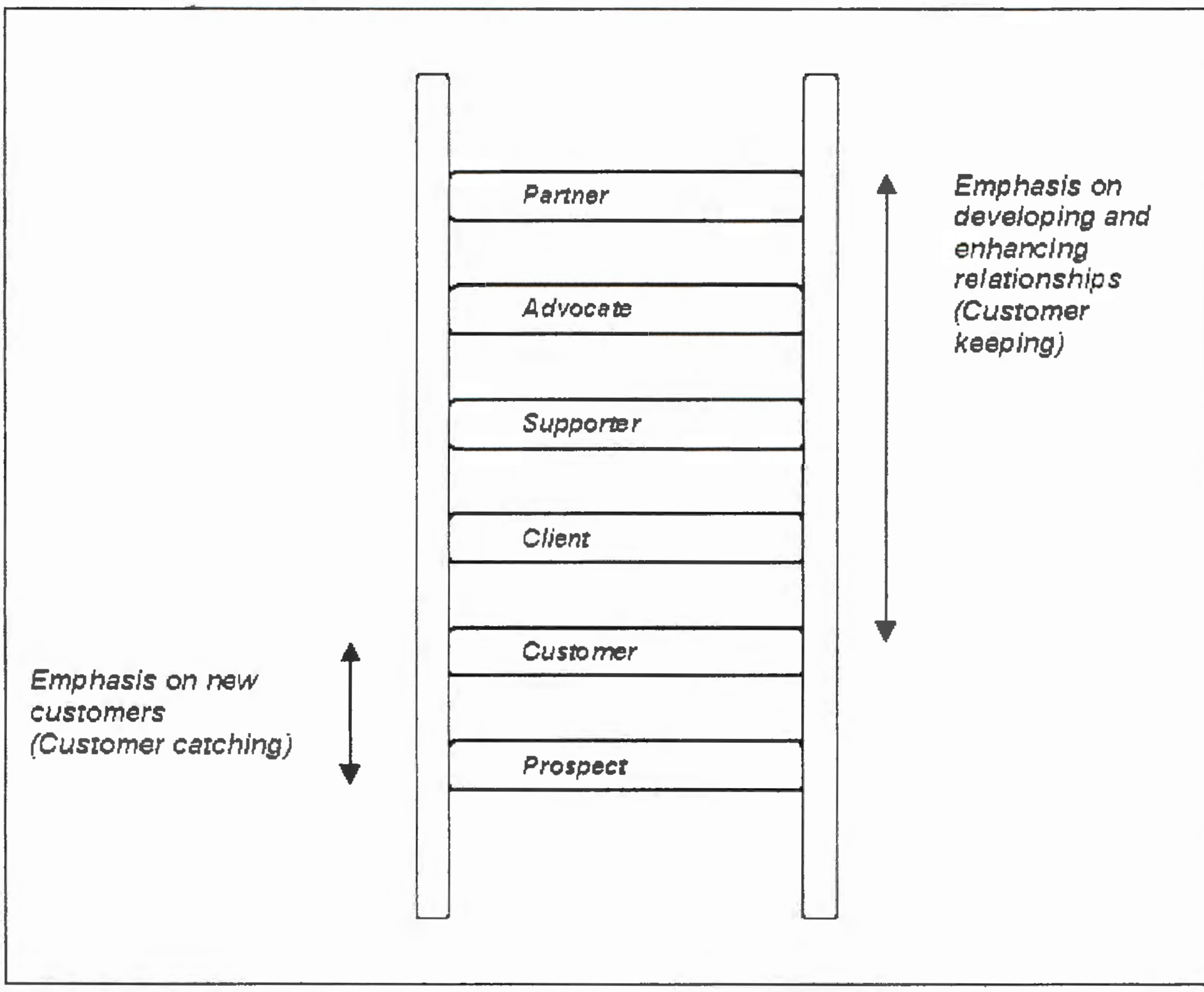
Relationship marketing strategies are not appropriate to all buyer-seller relationships. For example, sellers of generic products may find it difficult in a market where customers have no reason to remain loyal to one supplier when they routinely seek out a supplier with the lowest cost or most accessible. A relationship needs to be established when the customer relationship may be beneficial to the seller (Palmer, 1994:573). Futrell (1996:370) states that there are three levels of customer relationship marketing:

- **transaction selling**: an offering is sold and the customer is not contacted again.
- **relationship selling**: After the purchase the seller contacts the customer in order to determine whether the customer is satisfied and has future needs; and
- **partnering**: the seller works continually to improve the customer's operation.

People grow into loyal customers by stages. The process is accomplished over time by nurturing customers over time at each stage of growth. Each stage has a specific need. By recognising each stage and meeting the specific needs, a company has a greater chance of transforming buyers into loyal customers as illustrated in **figure 2.1** (Griffin, 1995:34).

According to Christopher, Payne & Ballantyne, (1991:21), many companies direct a greater part of their marketing activities at seeking new customers. Whilst gaining new customers is necessary for the development of all businesses, it is also necessary to ensure that ongoing marketing activity is also directed at existing customers. When companies place too much emphasis on marketing activities to new customers, companies can be subjected to the **leaking bucket effect,** where customers are being lost due to insufficient marketing activity generally and inadequate customer service specifically (Christopher *et al.,* 1991:21).

Figure 2.1 ***The relationship marketing ladder of customer loyalty.***



Source: Adapted from Payne (1995:34).

Figure 2.1 shows the **relationship marketing ladder of customer loyalty**. The stages are as follows: prospect, customer, client, supporter, advocate and partner respectively (Payne, 1995:33). This illustration maintains that there is an over-emphasis on the identification of the prospect followed by marketing activities to convert them into customers. By contrast, under emphasis is placed on generating repeat business. The objective of the relationship is to transform new customers into regularly purchasing clients, and then to progressively move them through being strong supporters of the business and it's product and finally to being active vocal advocates or partners serving as a referral source (Christopher *et al.*, 1991:22). These stages will subsequently be discussed.

2.3.1 Stage 1: Suspects to prospects.

Suspects are people who might possibly buy the product or service. When a suspect has a need for the product or service and has the ability to pay, the suspect becomes a prospect (Griffin, 1995:34). **Prospects** are individuals or groups who have heard of the marketer's product or services but have not yet purchased. At this stage the company needs to identify the disqualified prospects. Disqualified prospects are those prospects about whom the business has learned enough to know that they do not need or do not have the ability to buy the business' offering (Griffin, 1995:35).

2.3.2 Stage 2: Prospect to customer.

Once the individual or business has decided to purchase, the buyer is a **customer** and is described as the next link on the ladder. First-time customers are those who have purchased from the business at least once. At this stage the buyer can be the company's customer and still be a customer of a competitor. The buyer and seller are in the transaction phase, where the customer is likely to pay close attention to timeliness, accuracy and other facets of the offering provided. The customer will form a set of perceptions based on the buying experience. If the customer's perception falls below his or her expectations, the chance of a repurchase is much less (Griffin, 1995:35-39).

2.3.3 Stage 3: Customer to client.

When the customer purchases on two or more occasions or two different products from the seller such a customer becomes a client. A **client** is one who will transact with the business on a repeat basis, but may be neutral or even negative about the business.

For example, a financial institution can have clients with less positive views on the institution, which stay with the institution out of inertia rather than loyalty (Payne, Christopher, Clark & Peck, 1995:ix).

As soon as the buyer has reached the client stage, the business has the opportunity to recognise each customer as an individual and offer products, services and information tailored to their unique needs. Every interaction should be seen as an opportunity to add value in order to deepen the relationship. The customer will in turn respond with more information, and will become increasingly loyal to the business (Griffin, 1995:39-40).

2.3.4 Stage 4: Client to supporter.

It is only when the business can convert a client into a **supporter** that the strength of the relationship becomes apparent (Payne *et al.,* 1995:ix). At the supporter stage of the relationship, the buyer feels a real commitment to buy from the business (Griffin, 1995:40). The buyer purchases a variety of products or services from the marketer over time, selecting the marketer's brands over those of other competitors. Loyalty to the company is exhibited (Vavra, 1995:84). One of the benefits of the supporter stage is that the relationship has progressed in trust, dependability and accountability (Griffin, 1995:40). Moving customers up the ladder is not simple. Businesses need to know explicitly and in depth exactly what each customer is buying. Each customer's requirements differ. Therefore, businesses need to focus on how it can continue to offer additional satisfaction that will differentiate its offering (Payne, 1995:33).

2.3.5 Stage 5: Supporter to advocate.

When the supporters like being associated with the company, they may be persuaded to become **advocates**, in other words to actively recommend the business, thereby, playing an important role as a referral source. (Payne *et al.,*1995:ix). This is the most valued and sought -after level of bonding, where word of mouth advertising flourishes.

The bond at this level is strong. An element of risk has been added, because the original buyer's relationship with the company is now visible to other customers. Therefore, the business should promptly and professionally follow-up after a sale so that new customers feel valued and important as the advocates who recommended them (Griffin, 1995:41).

2.3.6 Stage 6: Advocate to partner.

The final step in the ladder is where the customer is now a **partner** and together seeks to identify further ways in which a mutual advantage can be gained from the relationship (Payne *et al.*, 1995:ix). Businesses should strive to develop a partnership with their customers so that both can acquire some economic benefits.

Some of the economic benefits of customer relationship marketing are (Jüttner & Wehrli, 1995:226):

- the marketing and transaction costs are reduced within the long term;
- the sales volume per customer is increased in relationships, for example, cross selling;
- having a core group of customers provides the company with a market for testing and introducing new products with reduced costs and lower costs;
- market research can be conducted more effectively because resource-based projects are replaced by continuous customer contact collection and processing; and
- relationship marketing facilitates mass customisation resulting in a combined advantage of large volume and differentiation.

In short, there is positive correlation between customer retention and profitability. Established customers tend to buy more, are more predictable and usually cost less to service than new customers. Furthermore, they are less price sensitive and may provide free word-of-mouth advertising and referrals. By increasing service quality and consequently customer satisfaction, a higher percentage of customers will be retained. It will therefore become difficult for competitors to increase their market share (Clark *et al.,* 1995:269).

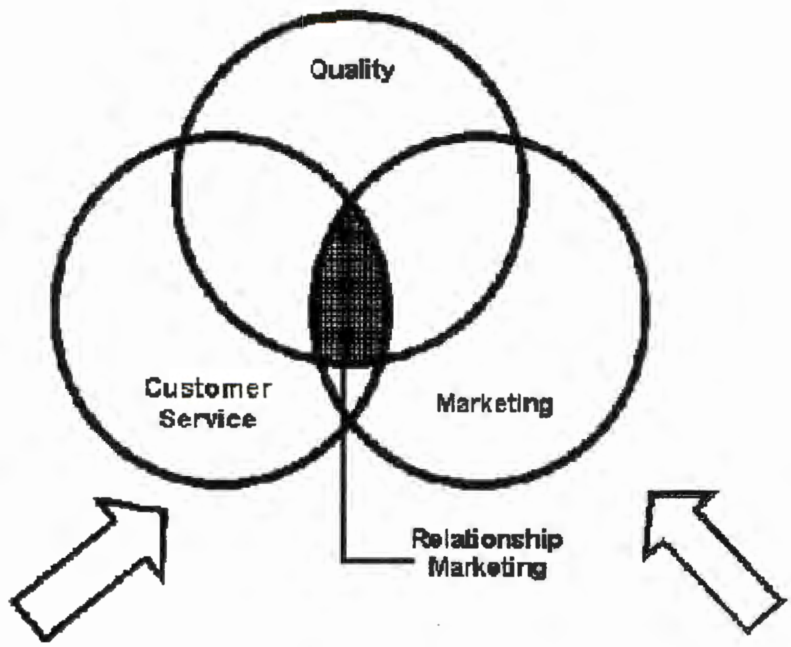
2.4 THE RELATIONSHIP MARKETING ORIENTATION

In the 1950s marketing interest was primarily concerned with **consumer goods.** In the 1960s attention was focused towards **industrial markets.** During the 1970s academic effort was placed on **societal marketing.** Thereafter, in the 1980s, attention started to be directed at the **services sector,** an area that had received comparatively little attention in view of its importance to the overall economy. Recent studies maintain that the 1990s will be an era of **relationship marketing** (Christopher *et al.,* 1991:8).

Marketing is concerned with exchange relationships between the company and its customers where quality and customer service are the key linkages in the relationship (Christopher *et al.,* 1991:4).

Traditionally, customer service and quality have been managed as separate functions. However, at the heart of the relationship approach to marketing is the company-wide integration of separate customer and total quality initiatives with the mainstream marketing strategy. In the relationship paradigm they are intertwined and managed as one (Payne *et al.,* 1995:vii). **Figure 2.2** shows that the linkages among quality, customer service and marketing should be exploited to achieve total customer satisfaction and long term customer relationships. The challenge to the business is to bring these critical areas into closer alignment (Christopher *et al.,* 1991:4). The greater the level of customer satisfaction the greater the likelihood of the customer staying with the business. The importance of retaining customers is that customer retention and profitability are directly related (Payne *et al.,* 1995:vii).

Figure 2.2: ***The relationship marketing orientation: bringing together customer service, quality and marketing***



Source: Adapted from Christopher *et al.,* (1991:4).

The focal point of relationship marketing is the integration of the three critical areas:

- customer service;
- marketing; and
- quality

2.4.1 The role of customer service

Customer service can be defined as a system organised to provide a continuing link between the time the order is placed and the offering is received with the objective of satisfying customer needs on a long term basis (Christopher, 1992:8). It is a process that provides time and place utilities for the customer that consists of pre-transaction, transaction and post-transaction considerations relating to the exchange process with the customer (Christopher *et al.*1991: 5).

In the age of product likeness any product advantage may be copied and little difference is made between products and companies. In these circumstances well managed customer relationships is the only alternative to gain a competitive advantage. In short, all businesses are providing service that should satisfy customer needs. This provision of service should be monitored (Anton, 1996:2-3). Providing quality customer service involves understanding what the customer buys and determining how additional value can be added to the product or service being offered. Customer service decisions should be made in a broadened marketing strategy. Marketing deals with the development of exchange relationships with customers and customer service should form a key interface of the marketing function (Christopher *et al.,* 1991:5-6).

2.4.2 The role of marketing

Marketing may be regarded as the process of conceiving, producing, pricing, promoting and distributing ideas, goods and services that satisfy the needs of individuals or organisations. It incorporates most exchange processes needed to distribute the goods and services. It also requires foresight to anticipate the changing environment and to modify the market offering in order to compete in the changing market (Vavra, 1995:24). Marketing is concerned with the dynamic interrelationships between the company's products and services, the customer's wants and the needs and activities of competitors. Therefore, the marketing frameworks consist of the marketing mix, market forces and the matching process (Christopher *et al.,* 1991:7).

The **traditional marketing mix** is a set of marketing programmes relating to the product, price, promotion and place. These mix elements represent the manageable components by which the terms, norms, behaviours and functional outcomes of marketing relationships can be developed over time. These programmes jointly support marketing strategies, which in turn are guided by business strategies. Ultimately, the marketing mix becomes the market offering (Pelton *et al.,* 1997:108-109). Marketing managers are expected to accurately recognise and analyse subtle uncontrollable environmental variables in order to plan a mix compatible to the environment (Zikmund & d' Amico, 1995:14-15).

Each element of the marketing mix is a collection of many sub activities that form a functional structure. For example, promotion includes advertising, personal selling, public relations and publicity (Christopher *et al.,* 1991:7-8). Furthermore, rarely are markets homogeneous with similar needs, requirements and preferences. Instead, there are a number of sub markets or segments, which share similar characteristics within the total market, but will differ considerably in those characteristics from other segments. Thus, marketing managers engage in research planning and designing specific marketing mix programmes for each segment (Christopher, 1992:31). Such a **functional organisational structure** uses specific technical disciplines and agencies that work closely with managers in these disciplines. However, this functional organisational structure may lead to a lack of co-ordination of all the initiatives designed to influence and manage customers. The lack of co-ordination is exacerbated by the fact that the functions other than marketing also have contact with the customers. In addition, third parties such as transport firms also interact with their customers. Failure to manage the customer relationship leads to customers being dissatisfied (Stone & Woodcock, 1995:15-16). In practice, however, **the 'Four Ps' model**, namely product, price, place and promotion do not really capture the full extent and inter-relationships between the elements (Christopher *et al.,* 1991:8).

Increasing competition and fast changing markets have meant that flexibility and co-ordination within the company have become as important as functional performance. Companies need an approach that organises the flow of work around business-wide processes that ultimately link with customer needs. The key players should be drawn together in multi-disciplinary teams or groups that seek to marshal resources to achieve market-based objectives. The functions should be seen as **pools of resources** from which the teams will seek expertise in order to achieve market -based objectives. In addition, there is a move towards a **cross-functional structure** linking end-to-end workflows with the needs and capabilities of both suppliers and customers (Payne *et al.,* 1995:5).

2.4. 3 The role of total quality management philosophy

The typical approach to quality is moving from one of final inspection of outputs to monitoring the variation in process. As quality management techniques expand from the factory floor to the purchasing department on one hand and distribution on the other, this highlights the need for clear communication and planning techniques. There is the role here for marketing, in liaison with operations and human resources managers, to get the quality planning cycle and communication processes right. From a relationship marketing perspective, quality must be perceived from the viewpoint of the customer (Christopher *et al.,* 1991:6-7).

The marketing paradigm proved a logical precursor to Total Quality Management (TQM) and has initiated a philosophy amongst managers that a company's relationship with its customers fosters market-share gain and customer retention. The relationship-marketing concept is characterised by a fundamental shift from customer voice to customer dialogue. Rather than just reacting to feedback from customers, it proactively initiates and maintains a participative exchange with customers. The concept of participation infers a high degree of co-ordination and co-operation between customers and their suppliers (Pelton *et al.*, 1997:13).

The fundamental principle of relationship marketing is that the greater the level of customer satisfaction with the relationship, not just the product or service, the greater the likelihood that the customer will stay with the company. The importance of retaining customers is that customer retention and profitability is directly related. At the heart of the relationship approach to marketing is the integration of customer service and total quality initiatives with the mainstream of marketing strategy: It is upon service and quality that relationships are built (Payne *et al.,* 1995:vii).

According to Payne *et al.,* (1995: viii) some of the most significant contrasts between the traditional approaches to marketing, also known as transactional approach and the emerging relational approach are presented in Table 2.1 below.

Table 2.1 The shift to relationship marketing

Transactional focus	***Relationship focus***
. Orientation to single sales	. Orientation to customer relation
. Discontinuous customer contact	. Continuous customer contact
. Focus of product features	. Focus on customer value
. Short time scale	. Long time scale
. Little emphasis on customer service	. High customer service emphasis
. Limited commitment to meeting customer expectations	. High commitment to meeting customer expectations
. Quality is the concern of production staff	. Quality is the concern of all staff

Source: Adapted from Payne *et al.,*(1995:24)

2.5 RELATIONSHIP MARKETING: A BROADER VIEW

This involves two major considerations: first at **macro level** impacting on a wide range of areas (customer markets, employee markets, supply markets, internal markets, referral markets and influence markets) and second at a **micro level** emphasising a move from a transaction focus to a relation focus (Christopher *et al.,* 1991:8).

Traditionally much of the emphasis has been seen from the perspective of managing relationships with external customers. However, the **goal of relationship marketing** is to facilitate and maintain long-term customer relationships. The objectives of all strategies should be enduring unique relationships with customers, (relationship customisation) which cannot be imitated by competitors, therefore, resulting in a sustainable advantage (Jüttner & Wehrli, 1995:224). Therefore, in order to improve value propositions in terms of product and customer service it is necessary to aim at a wider range of markets with an expanded marketing mix (Christopher, 1991:20).

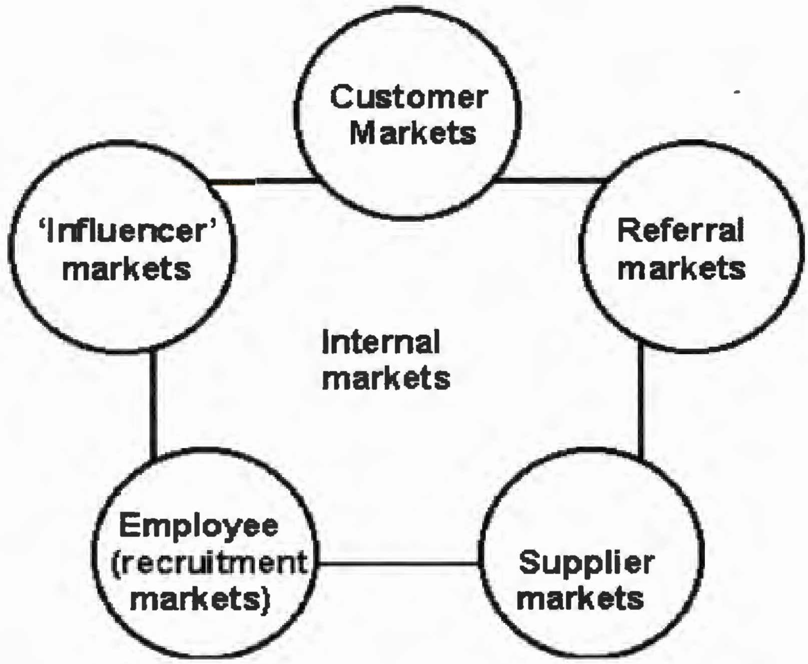
2.5.1 The wider range of markets

The six markets model depicted in **Figure 2.3** illustrates the broadened view of marketing. This suggests that businesses have a number of markets at which they need to direct marketing activities and for which they need to formulate marketing plans (Christopher *et al.,* 1991:20).

2.5.1.1 Customer markets

The customer was and remains the primary focus of marketing. The objective of relationship marketing is to turn new customers into regularly purchasing clients, and then to progressively develop them as strong supporters of the company and its offering. Gradually, they will become active and vocal advocates for the company, thus playing a pertinent role as a referral source. Customer service will have to play a pivotal role in order to develop customer loyalty (Christopher *et al.,* 1991:21).

Figure 2.3 The six markets model: a broadened view of marketing



Source: Adapted from Christopher *et al.* (1991:21).

2.5.1.2 Supplier markets

Supplier markets refer to the network of organisations that provide resources to which the marketing company adds further customer value. Companies that have built closer mutually beneficial relationships with suppliers have found that they have gained significant advantages, for example, improved quality, faster time- to- market, more innovative products and lower levels of inventory (Payne *et al.,* 1995:x).

2.5.1.3 Referral markets

One method of marketing is to get the companies' customers to promote the offerings. Referral markets are also known as intermediaries, connectors, multipliers, third party markets, agencies, networks and referrals (Christopher *et al.,* 1991:23-24). They communicate their experiences to others. Customers, who are totally satisfied, or were initially dissatisfied, and consequently had their problems resolved by the company will recommend the company to their friends and acquaintances (Stone & Woodcock, 1995:31). Referral markets can also be an effective source of new business. Referrals can also come from sources of the professional advice such as doctors, lawyers, bank managers and accountants. Building relationships with these sources of word- of-mouth recommendation should form an integral part of marketing strategy (Payne *et al.*, 1995:ix).

2.5.1.4 Influence markets

The influencers are a group of persons who exert an influence on the marketing task, for example, the government (Van der Walt, Strydom, Marx & Jooste, 1996:29). Influencers tend to vary according to the type of industry concerned (Payne, 1995:36).

2.5.1.5 Internal markets

Employees of the business are internal customers of the policies and processes of the business. Internal marketing includes (Stone & Woodstock, 1995:149):

- understanding the market, namely the type of staff, their needs and attitudes;
- setting objectives for the delivery of relationship marketing;
- creating policies to assist staff to deliver relationship marketing effectively;
- measuring results of marketing in terms of attitudes and delivered performance; and
- improving planning and implementation methods.

2.5.1.6 Employee markets

Employee markets form a focal point for relationship marketing because of the critical need to recruit and retain employees who will further the aims of the company in the marketplace. The aim should be to make the company attractive to people who share the company's values (Payne *et al.*, 1995:x).

2.5.2 The expanded marketing mix

According to Pelton *et al.,* (1997:110) customer satisfaction is the basis of all marketing mix decisions. The framework for the expanded marketing mix that includes the traditional four Ps of product, price, promotion and place, plus three additional elements of people, processes and the provision of customer service need to be considered. The key issue in consideration of whether or not a particular element should be included in a company's marketing mix should be based on whether it offers the customer some form of value satisfaction. The following three factors will help determine whether any element deserves separate existence (Christopher *et al.,* 1991: 11-12):

- **the level of expenditure spent on a given element of the marketing mix;**
- **the perceived level of elasticity in customer responsiveness; and**
- **the allocation of responsibilities.**

According to Christopher *et al.,* (1991:11-12) the expanded marketing mix consists of the following elements namely product, price, place, promotion, people, processes and customer service.

2.5.2.1 Product

Product refers to what the business offers to the prospective customer. The offering may be a good, service, or idea that offers a bundle of tangible and intangible attributes to satisfy customers. Planning and developing a product involves determining the characteristics and features customers want, selecting a brand name, designing a package, developing appropriate warranties and service plans and other decisions concerned with delivering the "right" product (Zikmund & d'Amico, 1995:11).

When it comes to satisfying customers, a product's intangible aspects are often more important than its tangible characteristics. The value exchange relationship is gauged on the basis of both tangible and intangible attributes (Pelton *et al.* 1997:89). For the marketer something becomes a product as soon as it leads to need satisfaction in a target market, resulting in different perceptions of the product concept. The perceptions include (Van der Walt *et al.*, 1996:172-173):

- the **formal product** as the physical object or service offered on the market;
- the **core product** is an the essential benefit or need satisfaction that a customer expects;
- the **augmented product** encompasses all benefits that the customer receive or experience in perceiving, using, obtaining and applying the formal product; and
- the **product image** includes all of the above and refers to how the product is perceived by the customer.

When marketing is based on a relational intent and geared towards the creation of good customer perceived value the product, as a prefabricated package of resources is not sufficient. In a relational context, a core benefit represents the technical solution achieved by a physical good or a service accompanied by additional services. The number of such services may vary. Managing the value creation in a relational context has to focus on resources such as people, technologies, knowledge, information, customer's time and the customer itself (Grönroos, 1997:417).

Usually the customer does not just buy a physical product or a tightly defined service. yes Customers buy a product, associated services as well as the entire relationship with the supplier. Customers base their buying decisions on their perceptions of the offering. Most customers' perceptions of the offering are affected by their perceptions of all elements in the offering. This is known as the halo effect. Therefore, it is important to identify all the elements of the offering. Marketers should seek to optimise these elements and ensure that they are delivered at the point of contact with the customer (Stone & Woodcock, 1995:20). The perceived value is subject to change, and is different from an objective value, because it is an emotional impression of the individual (Nilson, 1992:30).

Product mix decisions should be seen in terms of the development of a comprehensive range of products that add value to the customers' relationship with the business. For example, judged in isolation a bank may gain little short-term benefit from offering childrens' savings accounts, but it has the potential to gain valuable long-term benefit (Palmer, 1994:575).

2.5.2.2 Price

The financial dimensions of a relationship are the most fraught with risk since it has the greatest potential for quarrels and disagreements. Therefore, the pricing aspect of the relationship marketing mix is crucial since it determines value and profitability (Cram, 1994:149). Pricing decisions should be viewed as a tool for initiating and developing relationships. While pricing is often determined in terms of the product life cycle, an additional dimension can be gained by relating pricing decisions to the customer relationship ladder of loyalty (Palmer, 1994:575).

The customer will often use the price information in their evaluation of the perceived value of a product or service. It is however the perceived price that will determine whether a customer will buy or not. (Nilson, 1992:163). Price must be related in some way to the benefits, which the customers perceive they gain. When formulating prices three variables should be accounted for namely (Armistead & Clark, 1993:88-89),

- the value of the product,
- the cost of service and support to the customer, and
- the cost of providing the latter and the action taken by competitors.

In order to reduce the risk of problems in relationship pricing, the following three rules should be followed (Cram, 1994:160):

- develop customer-based prices;
- never use price as a promotional tool; and
- share the benefit with the company's long term customers.

According to Pelton *et al., (*1997:96-97) relationship oriented pricing may assume many forms namely volume, functional and promotional allowances. Volume pricing provides quantity discounts to channel members based on purchasing economies and rewards buyers for comparatively large purchases. Functional allowances involve reductions in the list price in exchange for the buyer's agreement to perform certain functions. Promotional allowances are considerations given to channel partners in exchange for the agreement to provide promotion to existing and prospective customers.

In many discussions between a salesperson and a prospective customer prices are the central point of negotiations. Two major opportunities exist for salespersons to enhance the possibilities of concluding a sale by skilfully handling price-related questions or concerns of prospects. Firstly, when **price is a barrier** to making the purchase, attention can be focused on the durability or on positive features of an initially high priced product. A sales representative may for example, compare the cost of operating an expensive Mercedes Benz for twelve years to the total cost of operating two less expensive cars in the same period. The salesperson may promote a cost savings rationale that might otherwise escape many buyers. Secondly, **professional skill** is required during negotiation over the terms of the sale, the payment of freight charges, trade-in allowances, discounts and other factors that can affect the total delivered price of an offering. (Coppet & Staples, 1994:39). Finally, every single relationship should be treated as an **investment** for the company. It should therefore be a guiding criterion for pricing policies (Jüttner & Wehrli, 1995:225).

2.5.2.3 Place

Place refers to the channel of distribution used to present, deliver and service the product for customers. The channel of distribution includes institutions, processes and relationships that facilitate the accomplishment of channel goals (Burnett, 1993:95). For successful relationships to develop, each party must have confidence that the other party is equally committed to adhere to ethical or morally correct norms (Pelton *et al.*, 1997:197). **Marketers should have knowledge about the channel member, for example (Futrell, 1994:133):**

- likes and dislikes of each channel member's customers;
- product lines and the variety each member offers;
- the frequency of stock replacement;
- policies concerning distribution, promotion and pricing; and
- the quantity purchased in the past.

Distribution systems generally focus on where the ultimate transaction takes place. When considering acquiring and retaining customers it is possible to arrange distribution along two lines. One method calls for separate distribution channels for getting and keeping customers. One channel is designed to entice, welcome and complete purchasing by new customers. The other serves the needs of repeat customers. In many cases one distribution unit with a layout of facilities separating new customers and repeat customers play both roles. For example, in a bank there is a counter where account services are rendered for new customers. In another corner the automatic teller centre is located for convenience minded customers (Payne *et al.*, 1995:275).

Accordingly, place may be **defined** as all those distribution, logistics and behavioural functions that regulate the flow of market offerings between exchange partners. The **goal of place** is to minimise the costs of these functions, while maximizing customer satisfaction and market coverage. The relationship perspective maintains that these tradeoffs are linked to other ingredients in the marketing mix because the overriding purpose of place is to maximize customer satisfaction (Pelton *et al.*1997: 106-107).

The distribution system should provide a delivery system that encourages customer contact or moments of truth (Jüttner &Wehrli, 1995:225). The **moment of truth** or customer encounters refers to any episode in which the customer comes into contact with any aspect of the business and forms an impression of the quality of service. A moment of truth is typically neither positive nor negative. It is the outcome of the moment of truth that counts. Managers should focus on learning the moments from truth or customer encounters and analyse each one from a standpoint of quality. They should improve those that need improving and develop ways to add value to all of them. The sum of all possible moments of truth customers experience both human and nonhuman becomes the company's service image (Albrecht, 1998:26-27). Distribution is a critical variable impacting on these moments of truth and has to be assessed for its value-generating potential. Exploiting this potential can result in either a reduction of barriers for relationship maintenance or an enhancement of future customer contacts (Juttner & Wehrli, 1995:225).

2.5.2.4 Promotion

A primary purpose of pricing techniques is to communicate a sense of equity to customers. The seller attempts to promote a sense of value. As such, price legitimacy serves as a suitable lead in the next element, promotion (Pelton *et al.,* 1997:99). Promotion is the means by which marketers communicate personally or impersonally to existing customers and prospective buyers. Advertising, personal selling, publicity and sales promotion are some of the forms of promotion aimed at informing, reminding or persuading potential buyers (Zikmund & d'Amico, 1995:13).

In order to develop relationships, promotion activities should be undertaken to retain customers once the sale has been made (Palmer, 1994:575). A business should anticipate that some customers would encounter problems after purchasing. If the business is not prepared to attempt correcting these difficulties, the buyer may choose not to repeat purchases or may cancel the financial arrangement negotiated at the time of sale. This may include cancelling a stop order or debit order for an endowment policy. Whether the customer or business is at fault, standby post purchase activities can be instrumental in retaining such customers. A department can be formed to encourage customers to initiate contact whenever the need arises for further information, or to clarify terms on a contract, or to point a problem, or to seek a remedy. Information telecommunication networks based on toll free numbers, response cards and service desks can facilitate such a process (Payne *et al.,* 1995:274).

The prime objective within the communication mix is to learn from the customer. Communication messages, therefore, do not focus primarily on the features of the offering, but address individual customer characteristics and preferences directly. The additional information gained in each new contact is collected and saved in a customer **information file** (Jüttner & Wehrli, 1995:225).

The promotional or communication mix can be divided into personal and non-personal techniques. **Personal selling** is especially important in marketing channels because the act of selling is a major function of all exchange partners. Personal selling may be defined as an interpersonal communication process by which the seller uncovers and satisfies the needs of a buyer, to the mutual benefit of both parties. **Non-personal selling** involves all other types of promotion. They include advertising, sales promotion, public relations and publicity (Pelton *et al.,* 1997:99). The largest single operating expense, often about eight to fifteen percent of sales is personal selling (Etzel *et al.,* 1997:462). Therefore, a professional salesperson needs to understand their customers, create and nurture a lasting relationship with them and know their own organisation (Coppet & Staples, 1994:7-8).

Advertising aims to reach a large audience with a short general message. An opportunity for feedback and adjustment is virtually non-existent. Personal selling tends to complement advertising in the form of explanations, feedback and adjustments especially with the introduction of a new product (Burnett, 1993:558). According to recent studies on the effectiveness of advertising, the most attentive audiences are recent buyers. Buyers turn to advertising in an attempt to enforce the wisdom of the purchase. This information seeking activity is a process of trying to reduce cognitive dissonance (Vavra, 1995:18-21).

Sales promotion may be defined as demand-stimulating methods designed to complement other promotional mix tools (Etzel, Walker & Stanton, 1997:497). Sales promotion methods directed at the ultimate customers include coupons, competitions, samples, special offers, exhibitions, demonstrations, and point of sale displays (Van der Walt *et al.,* 1996:370). For example, a contest may be used as an incentive to motivate the sales force, may play a part in company advertising, or may serve as a basis for a publicity campaign (Zikmund & d' Amico, 1995:471).

Publicity is the personal and impersonal stimulation of demand for a product or service by making its commercial news value available to the mass media such as radio, press and television. News reports are generally more believable than advertisements. Publicity is an economical means of promotion because the sponsor usually does not pay for the space or time of the news report (Van der Walt *et al.*, 1996:326).

Public relations refer to the activities involved in actively seeking to manage the nature of publicity an organisation receives. The purpose of public relations is to actively manage publicity in order to establish and maintain a positive corporate image or to ensure that the public understands a business's policy (Zikmund & d'Amico, 1995:394). According to recent studies marketers will be compelled to use public relations as part of their mix tactics to communicate with their target markets because eighty percent of the messages advertised go unnoticed (Van der Walt *et al.*, 1996:31).

For relational promotion to flourish, suppliers should form alliances in order to develop promotional co-operation and formulate consistent objectives. Five objectives are generally associated with relational promotion in marketing channels namely to, stimulate sales, differentiate offerings, share information, accentuate a market offering's value and stabilise seasonal demand (Pelton *et al.,* 1997: 102-103).

2.5.2.5 People

By conceptualising people as a separate element of the marketing mix attention will be directed on maximising the impact of their activities and motivating them to make the desired contribution. Ultimately, it is people who develop and achieve competitive advantages. An essential part of seeing people as part of the marketing mix is to recognise the different roles employees of an organisation play. They may be classified as (Christopher *et al.,* 1991:17-18):

- **contactors** that have frequent customer contact and are heavily involved with conventional marketing;
- **modifiers** who are people that are not directly involved with conventional marketing activities, but have frequent customer contact;
- **influences** that are involved with the conventional marketing mix elements and have no customer contact; or
- **isolateds** which functions in the various support functions. They enjoy infrequent direct customer contact and are not directly involved with conventional marketing activities of the business

In addition to the Four Ps, additional resources and activities are needed. For example, delivering, installing, updating, repairing, servicing and maintaining goods or equipment, billing, complaints handling and customer education are generally conducted by people that are not part of the marketing department. Nevertheless, their attitudes towards customers and the manner of executing their tasks are imperative to successful maintenance and enhancement of customer relationships (Pelton *et al.,* 1997:118). yes

People also include personnel directly involved and staff that are employed by contractors, sub contractors and support agencies. The executive's role is to set the direction and lead the people by sharing a vision motivating everyone to be committed and leading them in the implementation process. The skills for building those commitments are essentially constructing the vision, communicating interactively, collaborating in execution, demonstrating commitment and rewarding role models (Cram, 1994:227).

South Africa has tended to be an authoritarian-type of society and this is reflected in the manner in which much management behave towards their employees (Dorrain, 1996:91). An integrated approach to marketing and human resource management is therefore needed. Employees should be recognised as a valuable finite source and a potential for competitive advantage. Despite an advanced technology and carefully planned procedures relationship marketing depends on the final analysis on the quality and willingness of the people who implement it. Further, the organisational culture is the deep-seated unwritten system of shared values and norms, which has the greatest impact on employees' behaviour and attitudes (Clark, Peck, Payne & Christopher, 1995:270-271). Therefore, every person in all the various departments of a company must co-operate to ensure the fullest possible customer satisfaction with product quality and service excellence. This is crucial for economic survival and improving the competitive position of the business (Van der Walt *et al.,* 1996:27).

2.5.2.6 Processes

The relationship concept of marketing with a need for a cross- functional paradigm of marketing focusing on customers is essentially a process, rather than a function (Clark *et al.,* 1995:267). An ongoing relationship with customers requires internal collaboration among functions and departments that are responsible for the different elements of the offering. The whole chain of activities has to be co-ordinated and managed as one total process. A process management approach to the whole operation of the company has to be taken, where traditional departmental boundaries have to removed, and the workflow should be organised and managed as value- creating processes that enable relation building and management (Pelton *et al.,* 1997:119).

Process management involves the procedures, task schedules, mechanisms, activities and routines by which a product or service is delivered to the customer. Identification of process management as a separate marketing mix element is a prerequisite to product and service quality. Each element interacts with each other and the key issue is to integrate the various elements in a mutually supportive manner in order to gain the best possible match between the internal environment of the company and the external customer environment (Christopher *et al.* 1991:18-19).

2.5.2.7 Customer service

As business in general becomes more competitive, the need for competitive differentiation is sharpened, resulting in a search for superior performance on the core product and the supplementary services. Achieving such differentiation requires formalising and integrating customer service activities into an effective system (Lovelock, 1996:491). However, according to an international research project undertaken on customer service, South Africa was rated second last (see 1.~~2~~.1.1)
3

Therefore, effective relationship marketing, based on the choice of marketing mix elements that are mutually supportive and integrated together should be seen as crucial and managed as a central element of the marketing mix. Furthermore there are three additional reasons for customer service as a central focus of the marketing mix namely (Christopher *et al.,* 1991:15-16):

- changing customer expectations;
- the increased importance of customer service; and
- the need for a relationship strategy.

Studies also show that businesses rated high on the quality of their customer service (Belle & Zemke, 1992:ix):

- keep customers longer (at least fifty percent longer);
- have lower marketing costs (between twenty to forty percent lower);
- experience higher return on sales (seven to twelve percent higher); and
- have better net profits (seven to seventeen percent better).

Customer service comprises of three major components namely, pre-transaction service, transaction service and post-transaction service. The pre-transaction element of service refers to the systems, structures and environment which the business seeks to create before the sale takes place. The transaction components are those that the customer experiences during the sale process and the post transaction refers to the after-sales component (Christopher, 1992:8). The relationship marketing mix acknowledges the value of customer retention activities. Therefore, marketers should engage in aftermarketing activities after ~~they~~ customers have purchased a company's offering. Aftermarketing includes the following elements (Vavra, 1995:16-17):

- activities and efforts to keep customers satisfied;
- initiate activities to increase the likelihood that current customers will buy the company's offering on future purchase occasions;
- increase the likelihood that current customers will buy another of the company's complementary product or line; and
- repeatedly measure the extent to which customers are satisfied by the current offering, letting them know they are cared for and using the collected information in strategic planning.

The development and maintenance of a customer service culture has to start with the senior management team who must set the tone for the entire company. Thereafter, the responsibility should cascade down through the company, through the various levels of management, until it reaches everyone who is employed within its ranks. A useful method to ensure that it really happens is to mandate those that are in position of managing people to take up the challenge and set an example for the people that report to them (Dorrain, 1996:90).

2.6 SUMMARY

Relationship marketing is not a new concept. It is rather ~~it is~~ a refocusing of traditional marketing with greater emphasis being placed upon the development and maintenance of long term relationships. The relationship approach to marketing, whilst recognising the four marketing mix elements (product, price, place and product), reflects the need to create an integrated cross-functional focus of marketing, thus shifting from customer acquisition to customer retention and ensuring that the appropriate allocation of resources are directed at these key tasks.

The relationship-marketing paradigm embraces a business-wide perspective of marketing rather than a narrow functional focus. Since an ongoing relationship with customers requires internal collaboration among functions and departments a chain of activities has to be co-ordinated and managed as a process. It is vital therefore to expand the marketing mix to include people, processes and customer service.

To achieve success in the complex fast moving-place it is recognised that there are six key market areas (customer markets, internal markets, referral markets, influence markets, recruitment markets and supplier markets), which need to be considered in order to serve the customer satisfactorily. Since relationship marketing is a long-term process, long term planning is essential.

Chapter three will examine the long term planning of customer service aspect of relationship marketing followed by the implementation thereof in chapter four.

CHAPTER THREE

CUSTOMER SERVICE STRATEGIC PLANNING

3.1 INTRODUCTION

In chapter two the elements of the relationship marketing mix was examined. The primary purpose of any business is to meet customer needs. Furthermore, the customers of the 1990s are different from those of the previous decades due to the influence of major social, political and economic shifts. (Lynch, 1992:16). The customer service element of the marketing mix focuses on meeting customer's needs. Therefore, the mission of a business is to identify and fulfil customer's needs. To do so businesses must find out what are the needs of their customers, determine whether their needs are met and develop methods to serve them better (Rust, Zahorik & Keiningham, 1994: 9). To accomplish this task, customer service should be a fundamental and integral aspect of all businesses and should be given equal weight in strategic considerations about the business' future (Freemantle, 1992: xv). To fulfil this integral purpose of a business strategic planning of customer service is required.

The chapter focuses firstly on the definition, characteristics and dynamics of customer service. Thereafter the nature of customer-oriented businesses is briefly discussed. The subsequent section of the chapter deals with the application of the strategic planning approach to customer service. In the last part of the chapter the customer service strategy is formulated and the development of the service triangle model is highlighted.

3.2 A CUSTOMER

A customer is a person or persons that receive or purchase an offering. The customer can therefore be viewed as either external or internal to the business. The **external or paying** customer may be further divided into existing and potential customers, which is further subdivided into segments. Each segment in turn contains similar essential characteristics and is different from customers in other segments (Edvardsson Thomasson & Ovretveit, 1994:116).

At the outset it is necessary to **distinguish** between the concepts of customer and consumer. A **consumer** is a person who may or may not buy a product or service but who uses the products or services to satisfy a need. For example, a father and children may consume food and clothing selected and purchased by the mother. The father and children are consumers but the mother is the customer. A **customer** is an individual that makes a conscious decision to purchase a particular product or service among the various alternatives available on the market. For example, a parent may decide to purchase cheaper clothing in order to buy a motor vehicle. Customers may be consumers but not all consumers are customers. Prisoners for example, have to consume food and clothing but they have little say in what they consume. The **external** customer has the following **attributes** (Lynch, 1992:17):

- freedom of choice in the purchasing decisions;
- exercising that choice which results in selection of certain goods and the rejection of others; and
- involvement at the point of service delivery.

External customers can be further **classified** according to the **relationship** with the business. The relationship may be whole or partial. A customer involved in a whole relationship may for example, have all his or her insurance policies with one company, whilst a customer involved in a partial relationship has policies from at least two companies (Edvardsson *et al.*, 1994:115). The way in which new policyholders are treated on their initial contact with the company plays a significant role in determining **how loyal** the policyholder is to the company. By providing efficient, individualised service to new policyholders they may become loyal and remain loyal to the company by investing in other products of the company. Thus, a one-off purchaser or partial customer may become a whole customer thereby enhancing the reputation of the business (Cook, 1994:18).

Every person employed in a business has a customer. **Some customers are external and the others are internal to the organisation**. Managers and subordinates in a business **serve** either the external customer or the **customer contact personnel** who take care of the external or paying customer. This implies that co-operation and teamwork is required at all levels in the managerial hierarchy to provide good service to the paying or external customer (Albrecht, 1990:105-106). **For example**, with regard to life assurance business the first contact with the external customer or prospect is the agent or broker who receives a customer's application for an endowment policy. The sales representative forwards the application to the quality business clerk at the branch office. **The sales representative is the internal customer of the quality business clerk.** The quality business clerk then forwards it to the underwriter for approval. The clerk then forwards the **approved** application to the branch administrator. Thereafter the clerk forwards the approved application to he sales representative. The sales representative finally forwards the approved **document** to the external customer. Of significance, is the interaction between the clerk and the sales representative, the underwriter and the branch administrator (Addison, 1993:14).

X skip

3.3 CUSTOMER SERVICE

Customer service refers to the interrelationship between all persons interacting within the business and outside the business. It is not the job of a particular department to take care of customers, but it is an indispensable function of every department in a business. Every person in the business either serves an external customer or they serve someone who serves the external customer. They are therefore internal customers. Viewed against this background, customer service should be integrated into every process, every strategy and every action taken by every person who is part of the business. Businesses should operate in a multifaceted approach, where **all departments should participate to ensure customer retention and loyalty** (Moreo, 1996:5).

Customer service is a personal experience of customers, which is based on customer's pre-purchase expectations (Cook, 1994:24). The quality of a service encounter or experience is unique to the customer because it is an outcome of the interplay between the present service encounter and our past experience (Lynch, 1992:28). Therefore, customer service is also about perceptions. **Perceptions** are subjective and intangible in nature. The perception of service, which the customer receives, is dependent upon **expectations.** If the service received by the customer is **better** than their expectations it is regarded as good service. If the service received is **less** than their expectations it constitutes poor service (Cook, 1994:24).

3.3.1 Definition of customer service

Customer service is an organised system to provide a continuing link between the time that the order is placed and the offering is received with the objective of satisfying customer needs on a long-term basis (Christopher, 1992:8). It is necessary to expand this definition into three phases or activities used by a business to acquire and retain customers. These activities can take place prior to, during or after the actual transaction. The pre-transaction phase refers to the structures, systems and environment which the business seeks to create before the sale takes place. The transaction phase consists of customer experiences during the selling process and the post- transaction phase refers to the after sales context. The following actions can be distinguished during these phases (Christopher, 1992: 8):

- advertising, technical information, a written service policy and a flexible system to adapt to the needs of customers are characteristic of the pre-transaction phase;

- during the transaction phase personal contact activities such as the sales call, presentation and order placement as well as pre-delivery activities like document processing, inventory policy, order assembly and transportation are undertaken;
- .the post-transaction phase involves systems of delivery and post delivery activities, for example product performance, support services to customers and training of personnel.

3.3.2 Customer service characteristics

Customer service is the most intangible component of the marketing mix. Often, its value is in the perception of customers and the delivery is dependant on the people serving the customer (Peters, 1994: 25). Before developing any strategic thinking on customer service it is imperative that the characteristics, which affect the implementation, are understood and shared with employees at all levels in the company (Dorrain, 1996:39). Rust *et al.,* (1996:7) maintains that since the success of a business is vitally dependent on the services provided by the business, the distinction between goods and services is somewhat artificial. There are however five characteristics that differentiate services from goods namely intangibility, perishability, simultaneity, heterogeneity and non-ownership (Rust *et al.,* 1996:7).

3.3.2.1. Intangibility

Intangibility means that the buyers normally cannot see, feel, smell, hear and taste a service before they conclude the exchange agreement with the seller (Zikmund & d' Amico, 1995: 254). On the other hand prospective purchasers of tangible goods are able to examine the goods for physical integrity, aesthetic appearance, taste, and smell. The intangible characteristics which define services are for example reliability, personal care, attentiveness of staff and their friendliness can be verified only once a service has been purchased or consumed (Palmer, 1998:11). Due to the intangibility of customer service, customers may misunderstand the exact nature of the service. Therefore, strategies need to be formulated to stress symbolic clues or provide supplementary tangible evidence to indicate that promises about service quality will be kept. Symbols may be implemented with branding and through the promotion mix (Zikmund & d' Amico, 1995:254).

It is interesting to note that while service marketers seek to add tangible evidence to their offerings, pure goods marketers often seek to augment their products by adding intangible elements, such as after sales service and improved distribution (Palmer, 1994:4).

3.3.2.2 Perishability

Perishability of a service means that the customer's encounter with a business on any particular occasion does not last long. The moments spent with the customer are vital because the customer determines the attitude of the business towards customers (Dorrain, 1996:39). Services differ from goods in that they cannot be stored. When a producer of a service cannot sell all the offerings available in the current period it cannot be sold in a subsequent period. For example, an airline which offers seats on a seven o' clock flight cannot sell any empty seats once the aircraft has left. The service offer disappears once the aircraft has left. The service offer disappears and the spare seats cannot be stored to meet an increase in demand, which may occur at ten o'clock. Pricing and promotion are two of the marketing tools commonly adapted to tackle this characteristic (Palmer, 1998:15).

3.3.2.3 Simultaneity

Simultaneity implies that services are produced and consumed at the same time (du Plessis, Rousseau & Blem, 1995:258). Essentially, this inseparability demands personal contact between the buyers and the seller and can cause distribution problems (Zikmund & d' Amico, 1995:256). For example, both the producer and customer must communicate at a time and place that is mutually convenient so that the service benefits can be passed on to the customer. However, inseparability occurs whether the producer is human (for example a surgeon in the case of health services) or a machine (for example an automatic teller machine). The service of the machine or the surgeon can only be realised if the producer and the customer interact (Palmer, 1998:12-13).

3.3.2.4 Heterogeneity

Heterogeneity refers to the high potential variability in service delivery due to the different abilities of personnel during service production. Therefore, the quality of service performance varies from one business to another. Furthermore, in the same business one service encounter (moment of truth) differs from the other (du Plessis *et al.,* 1995:258). Services are performances, often involving the co-operation and skill of several personnel, and are unlikely to be the same every time. One way of reducing the perceived risk of variability for the life assurance businesses is to train customer contact personnel to address the individual customer needs (Rust *et al.,* 1996:9).

3.3.2.5 No ownership

No ownership or transfer from seller to buyer can take place with customer service. For example, a customer cannot assure a third party of satisfactory or good service. However, a customer can communicate his or her experience. In order to encourage customers to speak favourably about his or her service encounter with the business businesses should strive to create positive service experiences (Dorrain, 1996:41).

3.3.3 The dynamics of customer service

The ultimate goal of any business is to create a sound customer service system. (Connellan & Zemke, 1993: 31). A sound service system refers to a mutual relationship between customers and the business. Since the employees transact with the customer, the service provider that interacts with the customer represents the business. Therefore, it is vitally important to understand the dynamics of customer service. According to the Dynamic System Theory the **customer service dynamic is composed of three parts, namely input, feedback and reality** (Moreo, 1996:7).

3.3.3.1 Inputs

Inputs are resources, (money, time and people) that enable a business to carry out activities such as calling on customers, analysing markets, delivering goods and communicating with customers after they have purchased the offering from the business (Connellan & Zemke, 1993:31-33). Input also includes the **management philosophy** about the customer service system as well as the empowerment and support that management gives to the customer contact personnel (Moreo, 1996:8).

3.3.3.2 Feedback

Feedback **refers** to the information from the customers regarding the service effort or service goals of a business (Connellan & Zemke, 1993:31-33). When there is a gap between the service goals and the results from customer feedback, managers can adjust the inputs and activities within the system. The inputs should be reviewed when feedback informs managers that they are inadequate to support the activities required to meet customer expectations. However, if feedback indicates that the output is meeting the goals of the business but the customers are not satisfied, then the goals are inappropriate (Connellan & Zemke, 1993:35-37).

3.3.3.3 Reality

Reality refers to the customer's perception of the service. The reality on which the business should focus is that if the customer does not come back, the business will be disadvantaged. Any change in the either the input or feedback component of the system will have a direct impact on the entire customer service in the business (Moreo, 1996:90). Thus, the ultimate aim of a business is to respond promptly to changing customer needs by using a planned approach. Such a business is regarded as a customer-oriented business (Clutterbuck & Kernaghan, 1991:38).

3.4 CUSTOMER ORIENTED BUSINESS

The **ultimate goal** of a customer-oriented business is to keep the customers happy (Blem, 1995:13). It challenges **everyone in the business** to find ways of making and keeping customers as satisfied as possible. Businesses that are customer-oriented regard customer service as a **long-term investment** where the results can be felt after several years. For example, the business' activities are directed towards its customers, where managers and staff (Edvardsson *et al.,* 1994:118):

- **listen to the customer with great attention;**
- **understand and use customer needs, wishes and expectations as a basis for the company's activities;**
- **understand the logic of the customer's business;**
- **have an insight into the customers assessment criteria and act on them;**
- **determine why the customer gives priority to a certain supplier;**
- **make decisions and act on the basis of the customer's motives, needs and expectations; and**
- **avoid being guided only by internal limitations and conditions.**

The **reasons** customer- oriented businesses give for embarking on customer service management programmes vary. Some businesses regard it as a natural development of existing programmes; whilst others regard it as a means of creating or reinforcing corporate culture. Others start as a result of the loss of major customers (Clutterbuck & Kernaghan, 1991:8-9).

Cook (1994:19-20) maintains that some of the reasons businesses state for embarking on customer service programmes are to:

- **improve its image in the eyes of the customer;**
- **differentiate itself from the competition;**
- **minimise price sensitivity;**
- **improve profitability;**
- **increase customer satisfaction;**
- **achieve a maximum number of advocates who will sell on for the business;**
- **enhance its reputation as an employer;**
- **ensure offerings are delivered *'right first time';***
- **improve staff morale;**
- **increase productivity;**
- **reduce costs;**
- **encourage employee participation;**
- **create a reputation for being a caring, customer-oriented business;**
- **foster internal customer/supplier relationships; and**
- **bring about continuous improvements to the operation of the business.**

The above-mentioned reasons require long-term planning; hence the strategic approach to customer service will now be presented.

3.5 CUSTOMER SERVICE STRATEGIC PLANNING

Increasing global competition and changing markets requires flexible and co-ordinated management. Companies need a strategic approach that organises the flow of work around company wide processes that ultimately focus on customer needs. Multi-disciplinary teams or groups should be formed to marshal resources to achieve market

–based objectives. The group should be seen as a pool of resources from which the managers of the business will seek expertise in order to achieve market- based objectives. Essentially, a cross-functional structure is appropriate to link the flow of activities within the business (Payne *et al.,* 1995:5).

The classic approach to strategic planning is to focus on the following (Christopher, 1991:23; Dorrain, 1996: 52; Connellian & Zemke, 1993: 50-51)

- strategic service vision;
- mission;
- goals and objectives; and
- strategy with an implementation programme.

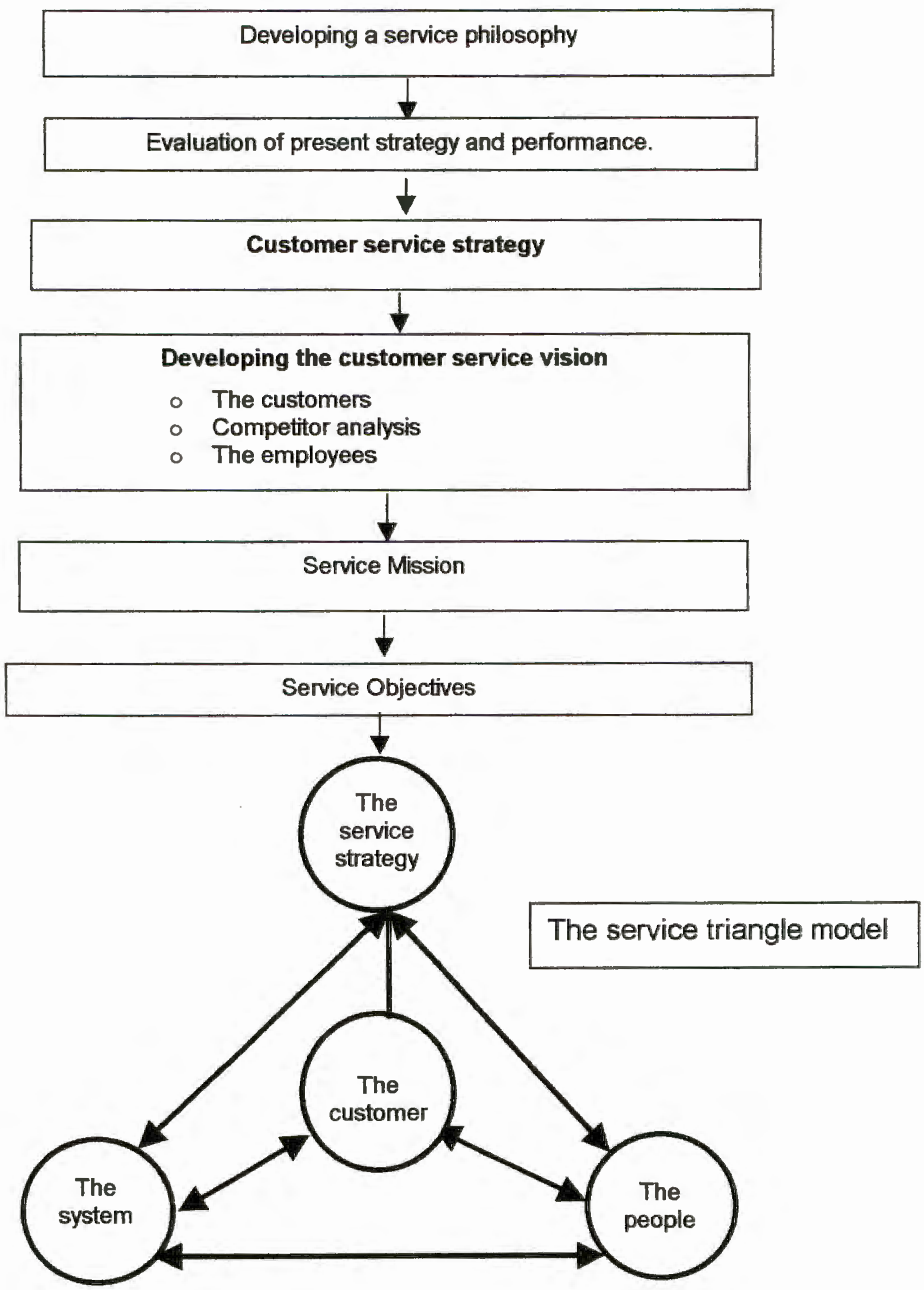
Essentially the approach requires an overall vision of what the role of service should be in the culture and shared values of the business followed by a definition of the service mission and precise service objectives. The strategy is the mechanisms by which these objectives will be achieved and the implementation programme is the step-by-step plan for putting the service package into action (Christopher, 1992:22).

The customer service strategic planning process is depicted in figure 3.1. A detailed description thereof will follow.

3.5.1. Developing a service philosophy

Customer service should be visible through the overriding commitment at the top of the organisation. The commitment of the top management team should be evident in the way they set their budgets, targets and the way they communicate with their customers. Top managements' commitment to customer service can be reinforced with clearly articulated visions and strategies for it, together with well developed corporate standards, which are implemented throughout the business and monitored frequently (Freemantle, 1993:67). Furthermore, a service strategy will only be considered a critical factor for the long-term survival of the business if senior management demonstrate their involvement in terms of time, effort, commitment, persistence and visibility on an ongoing basis (Cook, 1994:36).

Figure 3.1: Customer service strategic planning process



The managers of a customer-oriented business should strive to develop a service philosophy by undertaking the following activities (Christopher, 1992:83):

- have a strategy for customer service that is clearly developed and communicated to all employees;
- practise visible management;
- talk about service routinely;
- use customer-friendly service systems;
- balance their high-technological systems and methods with the personal touch;
- recruit, hire, train and promote personnel based on their ability to deliver service to internal and external customers;
- market service to their external customers;
- market service internally to their employees; and
- measure service and make the results available to the service personnel.

According to Albrecht (1990:24) customer service management may be **defined** as a total organisational approach that makes the quality of service, as perceived by the customer, the primary focus of the operation of the business. This is a very broad definition because all firms, be they manufacturers, retailers, restaurants, banks or government departments have a service component in their offerings. However, the extent of the service component varies from business to business, but everyone in the business ultimately has to play a role in service delivery (Blem, 1995:6). Thus, administrative clerks, supervisors, middle managers and executives have a service role although they never see the customers. Such personnel are expected to support the employees that serve the customer (Albrecht, 1990:105-106).

Therefore, customer service is really more than a business philosophy (Hartley & Starkey, 1996:223). The customer service management philosophy seeks to build a service culture that makes excellent service to the customer a recognised mission for everyone in the business. Ideally top management should initiate the customer orientation process by designing the service vision and mission statements. Thereafter the formulation of a strategy where service quality is the key to the operation of the business should be initiated. All employees of the business should support, understand and contribute to the service strategy formulation process (Dorrain, 1996: 52).

3.5.2 Evaluation of present strategy and performance

The first step in this process is to develop the tools of customer service management (Lynch, 1992:97). In the case of an existing business, present performance and strategy provide important inputs for strategic planning as a point of departure for annual strategic planning (Kroon, 1995:140). Before implementing a new customer service strategy a strategy team needs to identify clearly what the company's strategy had been in the past (Byars & Rue, 1997:132).

Therefore the present customer service strategy or a series of strategies as reflected by the businesses past actions and intentions should be identified. To evaluate how the past strategies have performed and to determine whether strategic changes are needed the company's performance record must be examined (Kroon, 1995: 140). Indicators of past performance include historical financial results in comparison to competitors, customer satisfaction measures, the level of repeat and new business as well as internal measures such as personnel loyalty and attrition rates in comparison to competitors and the industry average (Cook, 1994:41).

It is important to know where the business is at present, where it is going and how to bridge the gap. To prevent a planning gap from developing, a gap analysis should be undertaken.

3.5.2.1 Gap analysis

A **gap analysis** consists of a comparison of the actual results and the chosen strategy to determine the trend. If the **actual performance** has **not** led to the achievement of goals, the **mission and strategy** should be adjusted. The ideal is to develop a new strategy to **overcome the gap by replacing the existing strategy** with a new one (Kroon, 1995:140). One of the effective ways to review a strategy is to conduct a service audit. The objective of such an exercise is to examine the current level of service emanating from the business. The service audit therefore attempts to ascertain the level of service quality provided by the business. Ideally, an independent consultant should conduct the service audit at least once a year (Dorrain, 1996:58-59). The service audit follows a five-stage process namely (Christopher *et al.,* 1991:96):

- define the competitive arena;
- identify the key components of customer service as perceived by the customers themselves;
- establish the relative importance of these service components;
- identify the business's position on key service components relative to competition; and
- analyse the data to determine whether service performance matches customer service needs.

The data produced will provide the springboard for the remaining steps necessary to formulate a viable and comprehensive service strategy. A comprehensive service audit is likely to identify a number of specific issues. Some may be clear enough to call for immediate action as soon as they are brought to light. For example, a business may have learnt through the audit that a particular employee is not dealing with documentation correctly, that the packaging of one the business' product renders it difficult to store or handle, or that the new fee structure is completely misunderstood by customers (Blem, 1995:56). The key point to take cognisance of when evaluating customer service performance is that the measuring tool must be customer relevant and generated from customers through research. However, according an extensive multi market research there are ten basic dimensions that are in fact a reduction from ten service elements. The ten elements are (Christopher *et al.,* 1991:107-108):

- reliability;
- responsiveness;
- competence;
- access;
- courtesy;
- communication;
- credibility;
- security
- understanding or knowing the customer; and
- tangibles.

The data generated from the audit should be evaluated in order to identify two key issues, namely (Christopher, 1992:60):

- which dimensions of service warrant attention ; and
- how well the business is perceived to perform on those key dimensions .

The next step is to identify the gaps and establish the possible source of the problem (Blem, 1995:58). Finally the audit should serve a twofold purpose: firstly it should provide input for a short-term improvement programme and secondly it should serve as input for the longer-term strategic plan (Dorrain, 1996:58-59).

Three broad strategic positions emerge from the analysis. If the business perceives that it has a competitive advantage, the objective should be to stay ahead. If the business has achieved a service parity when compared to it's competitors it should aim to out service their competitors by performing better in the areas which customers value more. Should the business find itself in a competitive disadvantage with no competitive differentiators and no compelling reason for customers to continue buying from the business, the business needs to develop strategies to regain service parity (Quinn & Humble, 1996:250-251).

Once the gap between current reality and the desired future state becomes apparent management needs to develop a detailed action plan or strategy and assign resources to these areas (Quinn & Humble, 1996:252). In planning a strategy for improving the quality of service a full appraisal of the business environment needs to be undertaken. The various aspects of the internal business environment are subsequently discussed in more detail.

3.5.2.2 Appraisal of the internal business environment

An appraisal of the internal business environment should include aspects such as (Cook, 1994:43):

- a review of successes and failures of past initiatives and identification of the reasons for this;
- an assessment of the climate for change - be it volatile, receptive or satisfactory;
- identification of characteristics of current management style and their appropriateness;
- analysis of the size and structure of the business and its ability to meet customer needs;
- an assessment of the business performance in terms of the human resource and the attitude of employees towards the business;
- an assessment of the internal processes within the business and the effectiveness of each of the business functions;
- an evaluation of the degree of teamwork and communication within the business and inter-group relations and;
- an audit of the management information system.

On analysing the feedback from the appraisal managers should ask the following questions (Moreo, 1996: 8):

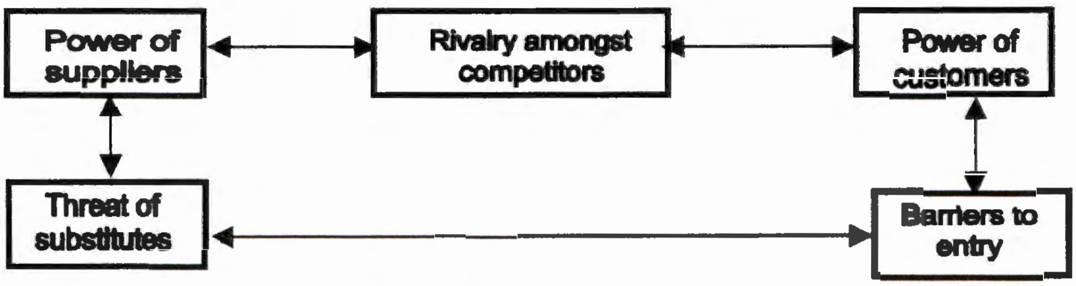
- do the customers view the business as having a positive image?
- do the customers get what they expect, need or want from the transactions with the business?
- what is the business producing as a result of the outputs?
- is the work environment a pleasant place to work?
- Is the business generating adequate income?
- what is missing?
- what is needed?
- what is the next step?

Having undertaken the appraisal the next step is to appraise the microenvironment that affects the performance of the business.

3.5.2.3 Appraisal of the microenvironment

The microenvironment examines the variables, which affect the performance of the business. It includes aspects such as the impact on the business of the size and structure of the industry in which the business operates, the competitive environment and the bargaining power of suppliers and customers (Cook, 1994: 42). A model for this purpose known as the 'Porter Five Competitive Forces' is represented as **Figure 3.2.**

Figure 3.2: Porter Five Competitive Forces Model



Source: Adapted from Cook (1994:42)

The model focuses on the competitive forces caused by intensity of competition between the players in the business sector, the bargaining power of the customers, the bargaining power of the suppliers, the entry of newcomers into the market, the threat of substitute products and services from businesses in other sectors (Armistead & Clark, 1993:23).

In order to analyse the competitive environment, managers must first asses the strength of each one of the five competitive forces and then determine the collective impact of these forces in a given market. The competitive structure of an industry is unattractive, if rivalry among sellers is very strong, entry barriers are low, competition from substitutes is strong and both suppliers and customers exercise considerable bargaining leverage. A favourable or attractive industry exists when competitive forces are not collectively strong. In order to be successful managers should craft strategies that protect the business as much as possible from the five competitive forces in order to gain a competitive advantage (Thompson & Strickland, 1996:73-74).

Taking the example of the life assurance industry, when conducting an appraisal of the business environment using the Porter model it can be seen that the power of the customer is high. There is a large number of alternative methods of financial investment and the threat of substitutes is also high. However, because of the cost of investment, barriers to entering the market are also high. The bargaining power of suppliers is not attractive to investors and rivalry amongst existing competitors is intense. On this basis the service quality plan would need to address, amongst other issues, the need to benchmark competitors and comparable industries to meet the growing customer expectations (Cook, 1994:43).

The final step in the appraisal of the environment is to examine the key environmental changes. It is now appropriate to examine the key changes in the environment pertaining to customer service.

3.5.2.4 The key environmental changes

The marketing environment has changed over the last ten years and these changes have substantial implications for how the business should address the customer. Specifically certain **key environmental changes** can be identified (Christopher, 1992:2):

- change in customer expectations;
- power changes in the distribution channel;
- the emergence of the service sensitive customer; and
- the need to achieve a competitive advantage.

3.5.2.4.1 Changing customer expectations

The nature of customer expectations in South Africa has changed. Changes have been brought about by an increased exposure to international western lifestyles, greater customer choice, changing eating patterns, greater foreign travel, higher education standards and greater mobility. These influences have lead to a more sophisticated, more informed and demanding customer (Cook, 1994:16).

In an era marked by changing customer expectations the customer expects a fair price, a quality offering, efficient and courteous service and to be appreciated for transacting with the business. Most service deliveries involve a human encounter and how that encounter unfolds can determine whether the customers feel pleased, satisfied, annoyed or victimised. When customers feel that their needs have been satisfied and their experiences are pleasant, they feel that they have received value for money. In order to achieve this, the customer contact personnel should render personalised service by acknowledging the customer's presence and responding to the customer promptly, thereby letting the customer feel that their needs, wants and expectations are understood (Moreo, 1996:17-22). When customers begin to experience a better service their expectations rise. A business' ability to attract and retain new customers is a function not only of its offering but also the way it services existing customers and the reputation it creates in the marketplace (Cook, 1994:17).

3.5.2.4.2. Power changes in the distribution channel

There has been a gradual shift in the locus of power in most distribution channels away from the supplier and towards the buyer. This has occurred due to **firstly,** increasing competition resulting in alternative sources of supply and **secondly,** the bargaining power of the buyer has grown because of the increased concentration that has occurred in many markets. For example, two leading grocery retailers account for over twenty five per cent (25%) of all packaged food bought in Britain and the leading ten for almost seventy per cent (70%). This gives the major grocery retailers substantial bargaining power - specifically since most of the purchasing decisions are made centralised (Christopher, 1992:4).

3.5.2.4.3 The need to achieve a competitive advantage

During the last five years many changes have taken place in the service, retail, communication and financial sectors to alter the profile of traditional trading patterns. A business' ability to remain in business is based on its ability to retain it's customers. (Cook, 1994: 15). Businesses throughout the world find themselves engaging in business where it is easy to be either copied by a competitor or to copy a competing firm. Technological development has made transfer, product design, packaging, pricing and promotion areas that attract competitors within legal parameters (Dorrain, 1996: 33). Since competition has become more intense, many businesses have realised that they cannot compete on price alone. They have developed a strategy of providing superior customer care to differentiate their products and services. Service driven businesses charge approximately nine per cent more (9%) for services and products they provide. They grow twice as fast as the average business and have the potential to gain up to six per cent (6%) market share. Many businesses in the financial sector (banks, building societies and insurance brokers) have adopted the service approach. The ability of banks, building societies and insurance brokers to offer similar products at similar prices has led to increasing emphasis being placed on personal service (Cook, 1994:15).

Since service is an important buying consideration for customers it is the only competitive advantage that is sustainable in the long term (Lamb *et al.,* 2000: 17). It is important to note that customer service is intangible and difficult to copy as it is generally delivered by the personnel of the business (Dorrain, 1996:33). For example, life assurance products, which are driven by actuarial tables and interest rates, appear to be an offering with little opportunity for differentiation. A key to competitive advantage is the relationship of trust between the agent or broker and the buyer and the individualised service provided by the salesperson (Kay, 1993: 16). To improve the company's competitive position or **benchmark** a competitor in customer service the company's **strategists or a task team** need to examine the individuality of its service strategy and view it against the competitor (Peters, 1994:34).

3.5.2.4.4 The emergence of the service sensitive customer

As customers have become more sophisticated they have become more vocal in their opinions, thereby establishing many consumer organisations where customers vote with their feet. Consumers are now less prepared to put up with unfriendly and in-efficient service (Cook, 1994:16). According to Moreo (1996:1) in the next decade, South Africa will shift from a **resource based to a service based economy** due to the rise in tourism and the need to compete in international markets. In a sense all the preceding trends have contributed to the emergence of a customer that place service and quality, ahead of all other factors when it comes to making a purchase decision (Christopher, 1992:5). Therefore, when businesses offer the same products at similar prices, the determining factor in where the customer will decide to conduct business will be the quality of service delivered to the customer (Moreo, 1996:1).

Service quality refers to the individual customers' experience of service encounters that form the basis for their assessment of quality (Edvardsson *et al.,* 1994:77). Providing good service is not sufficient. **The quality of service has to be exceptional or superior or else it will be considered mediocre by the customer** (Moreo, 1996:1). Superior customer service may be defined as the correct implementation of customer service or customer care principles in such a way that the company is able to differentiate itself from its competitors. Through this the business attempts to put itself in a more advantageous position in the marketplace relative to the opposition. Thus customer service activities should be the central focus of the business where all personnel understand that the customer comes first, and act in terms of the benefits that can be brought to the customer through the jobs they do. It means appraising all employees of the core activities so as to exceed customers' expectations (Dorrain, 1996:42-43).

Having examined the impact of environmental variables on the business, the customer service vision of the business should be developed.

3.5.3 Developing the customer service vision

The strategic approach to customer service management has to start with the vision of what a customer-oriented business would look like (Clutterbuck & Kernaghan, 1991:28). A strategic vision provides a broad perspective of the business, namely: who is the business employees, what does the business do, what new actions does the business intend to pursue, what will the business become in five to ten years, and what type of long term market position the business plans to achieve (Thompson & Strickland, 1996: 23).

The vision of the **Old Mutual**: **Durban financial advisory service** is outlined as (Old Mutual Financial Advisory Consulting services):

- **"we create an environment and image unparalleled in the Financial Services field.**
- **"we are the most dedicated, skilled, enthusiastic and productive Team in the Old Mutual.**
- **"we, through our professional advice, quality service and care, fulfil our client's changing needs for financial security and wealth creation throughout their lives."**

One of the most important aspects of strategic planning is to decide on the direction the business should take in the foreseeable future. For example, which markets the business wishes to serve, how it proposes to serve them and what competitive advantage is likely to be gained (Dorrain, 1996:52-53). The service vision defines the distinctive characteristics that the business wishes to be renowned for in the markets it seeks to serve. Such characteristics will determine the value added to the core offering by the manner in which it is delivered to the customer. Typical **characteristics** would be (Lynch, 1992:97):

- **convenient** distribution network and delivery systems;
- **reliability** quality control and back-up systems; and
- **provide value for money with regard to** cost structures, product range and competitive advantage protection.

The service vision is gradually built up and enhanced by gathering information from **four** key sources namely (Clutterbuck & Kernaghan, 1991: 29-36):

- the customers themselves;
- competitor analysis;
- the employees; and
- benchmarking

3.5.3.1 The customers

Every customer has feelings about how he or she should be treated. Therefore, it is necessary to understand the customers of the business. A pertinent part of the information gathering exercise involves identifying the gap between the customer's perception of the ideal service, his or her expectations, and where the customer perceives the company and the competing business within the gap (Clutterbuck & Kernaghan, 1991:29).

Thereafter, the customer needs must be collated and classified to serve as primary input for the vision development process. The information may be classified into three categories as outlined below (Clutterbuck & Kernaghan (1991: 37):

- the hygiene factors of the service that may cause complaints from customers if they are absent or not handled correctly ;
- activities the business or competitors could do to improve customer service, but which would not provide significant and valuable differentiation for long; and
- doing things that competitors will find hard to imitate.

Having evaluated the customers' needs, it is essential to analyse the customers' perceptions and expectations of the business current performance (Walker, 1990: 9). In order to accomplish the latter market research of customers' needs and expectations can be undertaken in a variety of ways. Some of the ways are (Lynch, 1992:98):

- conduct **qualitative research** using focus groups to provide insights and perceptions of service quality;
- **interview** a representative sample of the customer population;
- forward **questionnaires** to customers either through the mail or make it available at the point of service delivery;
- maintain a **complaints/ compliments log** to record the stated likes and dislikes of customers; and
- the service provider should arrange **customer roundtables or a gathering of customers** to share views on customer service quality.

Having examined the input required from customers the next area to focus on analysing the competitors of the business.

3.5.3.2 Competitor analysis

Market research of competitor service quality strengths and weaknesses can take a number of forms (Lynch, 1992:98):

- inter-business comparisons carried out by external consultants;
- use of 'mystery shoppers' who experience the service provided by competitors and report back;
- analysis of press and trade news;
- internal surveys of staff experience and perceptions of competitors and;
- debriefing of employees who previously worked for competitors.

The next step is to determine who are the company's major competitors. Marketers use three factors to answer this question. Product class, product category and brand determine who the competitors are (Zikmund & d'Amico, 1995:80). Customer research should be undertaken to determine the performance of competitors in aspects such as value for money, reliability, courtesy and environment across a range of service providers with whom the customers do business. The real competitor is the business judged by the customers to offer the best customer service. Therefore, the business needs to analyse what the competitors are doing differently and better at the marketplace. A senior management committee or a task team should be formed to systematically collate the relevant data in order to identify the company's relative strengths and weaknesses (Walker, 1990:15-17).

The team needs to assess how well the strategy is followed through to its customers in practice. The following key points should be examined (Peters, 1994:34):

- **does the vision appear visionary? For example, does it look to the future or does it assume a continuance of the past?**
- **are the business philosophies an accurate reflection of the competitors' vision?**
- **is the service philosophy distinctive in any features and is it based on the available researched customer understanding?**
- **would customers be able to notice of the service attributes outlined in the strategy? Can the attributes be benchmarked?**
- **is there a theme for which customers recognise the company? If so, is the theme part of the company's strategy?**

As soon as the customer perception research and competitor analyses have been carried out the managers are in a position to plan for the short term and the long term (Walker, 1990:15-17).

3.5.3.3 The employees

In-house research on employee perceptions of the business service strengths and weaknesses is very useful. People behave according to their perceptions of the situation. Therefore, employees' perceptions of the service experience will influence the actual service delivery to the customer. Some of the techniques that can be used to determine employee perceptions are (Lynch, 1992:98):

- to gather staff from related activities to exchange views on the respective strengths and weaknesses of the service they provide to their fellow colleagues;
- conduct workshops of staff to identify service quality strengths and weaknesses, suggest possible solutions and devise action plans;
- activities should focus on a specific aspect of service;
- self-administered personal appraisals with regard to service performance should be undertaken; and
- detailed assessment of service quality with a specific unit should be undertaken.

The vision may be seen as platitudes as they have little meaning to the employees of a business. This limitation can be overcome by involving the employees in the creation of the vision and mission by (Cook, 1994:40):

- **communicating the mission and vision to all employees through discussions and explanation**;
- **establishing a representative body drawn from across the organisation to develop the service mission and vision with senior management;**
- **developing departmental missions and visions that complement the business's overall mission and vision;**
- **inviting each employee to develop a mission and vision for the**

business and to share their ideas with their managers;
- **reviewing the current vision and mission with employees; and**
- **reinforcing the current mission and vision through printed statements and posters, leaflets and booklets.**

With regard to the marketing of financial products the agent or the financial consultant maintains the relationship with the policyholder whilst the company facilitates the relationship. Clearly, such employees in the company have some insights in what pleases and upsets customers (Clutterbuck & Kernaghan, 1991:35).

Developing a company capable of delivering high quality service on a consistent and ongoing basis is the ultimate challenge of any customer-oriented business. One method to develop a practical vision is to identify what the business has to do exceptionally well to achieve the desired ends. An alternative to the latter is to support front -line personnel or financial consultants who are in contact with the customer. These personnel must be given total support of top management so that they are motivated to provide input to top management (Christopher, 1991:163). Top management should produce a statement of values by which the business wishes to operate. The values should be communicated effectively to everyone in the business in order to develop precise service objectives and systems. In an attempt to encourage participation of everyone in the business performance appraisals and reward systems should be based on these values (Walker, 1990: 19).

Top management will need to establish a system that is presented to everyone in the business encouraging feedback from customers. The vision should clearly communicate the expected behaviour from all employees towards the customers. Managers should explain to their respective subordinates the intention of the company outlining the benefits thereof. Not implementing the vision statement can have a reverse effect (Dorrain, 1996: 54-55). To compete effectively managers need to re-orientate the vision of the future by formulating a service strategy within its plans (Blem, 1995: 67).

The vision must not only be understandable to everyone in the business but it must also be measurable. Concrete standards of service quality make the vision real, whilst regular and extensive assessments make it meaningful (Bell & Zemke, 1992: 64). An effective method to set standards is to formulate benchmarks.

3.5.3.4 Benchmarking

A very effective method when setting standards or reviewing existing service standards is to use the **best practice benchmarking method**. Best practice benchmarking means to establish performance targets or standards based on comparing the specific business to similar industries or other industries. Best practice benchmarking is a **systematic appraisal** of the best practices of the businesses thereby allowing businesses to set targets or standards based on the best practices available in the business environment (Cook, 1994:129).

The value of best practice benchmarking is that it enables the business to break away from the standard mould within the industry in which the business competes and instead to identify the best practice, with a view to incorporating it in an innovative way in their own systems. However, the danger of a business comparing with a direct competitor is that all players in the market are perceived by the customer as the same. Thus, to achieve a competitive advantage a business needs to look outside the industry and adapt the best practice from whatever the external source to it's own industry (Christopher, 1992:64).

Most businesses measure quantifiable aspects such as speed of service, on time delivery, sales per employee and working progress. Each measure can be broken down into variables, which can be compared on a like for like basis. For example, speed in a life assurance business can be broken down into response time on the telephone, or the length of time to send an acknowledgement to the customer's request (Cook, 1994:130).

Using the information generated from the sources explained in the preceding sections the strategists should formulate a service vision for the business and the service mission of the business

3.5.4 Service mission

The service mission statement should be an expression of the vision, the culture and shared values of the business as well as defining the boundaries or scope of the business (Christopher, 1992: 23-24). Many companies have found that there are significant benefits to defining the customer service mission. The purpose of a service mission statement is to give a clear indication of the method the business intends to use to build a position of advantage through closer customer relationships (Christopher *et al.,* 1991: 161). Creating a mission should engender a common understanding of the principle task of the business. It allows employees to identify with the objectives of the business and establish a sense of purpose. A mission statement is normally no longer than a paragraph and is written in a language, which everyone can understand. (Cook, 1994: 36). A mission statement should answer the following questions (Palmer, 1994: 55):

- **what type of business is it?**
- **who is the customer?**
- **what is the value to the customer?**
- **what will the business be? and**
- **what should the business be?**

It can take the form of a specific business charter or company policy statement that outlines the unique business proposition of the company. The service mission statement should also spell out the target market, the type of service offered to the market and the distinctive means of approach which the company will use (Blem, 1995:67).

The mission statement of the Old Mutual Durban Financial Advisory Service is subsequently outlined:

- **"We are dedicated to determining and fulfilling our clients changing needs for financial security and wealth creation throughout their lives.**
- **"We remain the leading team by providing professional advice, quality service and care.**
- **"We achieve this through our hard earned expertise, accountability. enthusiasm, teamwork and we never compromise our standards, image and integrity.**
- **"Everyday, in some way, we are getting better and better, and each and everyone assumes personal responsibility to create an environment that makes all our staff proud to be members of the Flagship of Kwa-Zulu Natal."**

Both a mission statement and a vision need to be formulated at senior management level. Normally this process takes place at a specially convened meeting to arrive at a consensus as a team on both a mission and vision statements. It is useful for senior managers to have thought through the issues using a prepared questionnaire prior to the meeting, so that they are ready to state their points of view and to question those of their colleagues. To encourage participation the vision and mission statements should be written in a language that every person in the business understands (Cook, 1994:39). For a service mission statement to be effective, it must be a relevant and up to date statement of core corporate values, which allows geographically dispersed personnel within a business to share a sense of opportunity, direction, significance and achievement. The mission statement should be likened to **an invisible hand** which guides employees to work independently yet collectively towards achieving the business goal (Palmer, 1994: 55).

Missions define in general terms the direction a business seeks to move. They contain no quantifiable information that allows them to be operationalised. For this to happen, objectives need to be set (Palmer, 1994: 57). The subsequent phase of the strategic planning process is to convert managerial statements of the service mission and the business directional course into performance targets outcomes for a certain period of time. Objectives are targets management establishes for improving the overall position and competitive vitality of the business (Thompson & Strickland, 1996: 30). Having undertaken an audit of the current service position of the business senior management are then able to set objectives to improve the quality of service on a continuous basis (Cook, 1994:45).

3.5.5 Service objectives

Before formulating objectives managers need to address the following issues that can create barriers to customer service (Connellan & Zemke, 1993:13-16):

- inadequate communication between departments;
- employees not rewarded for quality service or quality effort;
- understaffing;
- inadequate computer systems;
- lack of inter-departmental support;
- inadequate training in people skills;
- low morale, inadequate team spirit, ineffective corporate policies and procedures.

Having addressed these barriers and developed means to overcome them the following questions should be considered are suggested (Christopher, 1992: 26):

- **how important is customer service when compared to the other elements in the marketing mix;**
- **which aspects of customer service contribute to the overall customer satisfaction and market share; and**
- **what dimensions of service do customers see as priorities when they**

make their choice of suppliers?

It is essential to establish long, medium and short-term service objectives that should be reviewed on a regular basis. For example, the **long-term** objective of a particular business is to distinguish itself from its competitors in the eyes of their customers by providing a consistently superior standard of service. Senior management may agree that such an objective will take five years to attain. On a **short-term** basis the first major objective in the attainment of the long-term objective could be the enhancement of an existing service to customers for one year. A **medium term** objective for year three may be the development of a *new* service, which can be provided to the customer (Cook, 1994:45).

The service objectives for example a life assurance business is for example as follows (Cook, 1994:45-46):

Long term service objectives include:

- to improve every process in order to provide a service which is constantly customer focused;
- to encourage close teamwork and co-operation among employees;
- to remove barriers that exist between customers and service providers and;
- to encourage employees to take pride in work thereby increasing job satisfaction.

Short term Service objectives include:

- to ensure that all employees of the business attend a quality service workshop;
- to establish service improvement teams in each department; and
- to produce benchmarks to measure customer satisfaction for each area of service provided to the customer.

The most important **criteria** that objectives should comply with are the following (Kroon, 1995:130-131):

- all objectives must be in writing in order to compel those that formulate them to think them out carefully;
- an objective must indicate a specific time by when the results will be achieved;
- objectives must be challenging to serve as motivation;
- wherever possible it must be quantitatively defined;
- objectives must be formulated in co-operation with those who must achieve them;
- an objective must be flexible in order to adapt to changing circumstances;
- clear understandable language must be used and;
- the people who are responsible for implementing objectives should participate in determining the objectives.

3.6 CUSTOMER SERVICE STRATEGY

A strategy is the pattern of actions a business employs to achieve its objectives (Thompson & Strickland, 1996: 20). In simple words, a service strategy outlines the manner in which the offering will be delivered to each customer segment (Lynch, 1992: 93). Not all customers require the same type or level of service. A very powerful device for achieving a more cost effective expenditure of the service per rand is to **firstly,** identify the extent to which different service groups with distinct service needs exist in the market. By understanding the service segmentation of the market we are better able to target service and design appropriate service packages (Christopher, 1992:31)

Secondly, quality and service should not be seen in isolation when developing a service strategy (Cook, 1994:58). Any service strategy has to provide for competitive quality and corporate quality. **Competitive** quality has an external focus on the marketplace. It is that part of the service quality system which influences the perceptions of external customers, influencing their choice of business in preference to another. In contrast, **corporate** quality has an internal focus. Whereas competitive quality determines the service quality differentiation of a business, corporate quality determines the service quality ethos. It shapes the perceptions of the internal customers that is employees, shareholders, regulators and suppliers. Some of the factors critical to corporate quality are (Lynch, 1992:93-95):

- management style;
- values;
- behaviour towards fellow employees; and
- the internal systems within the business.

Thirdly, another dimension to consider is whether the business is proactive or protective. This depends on whether the business is interested in being ahead of most of the competitors or does it choose to defend the present market position (Edvardsson *et al,* 1994:222). Therefore, the business has two options when deciding upon a service strategy (Blem, 1995:69):

- **to become a service leader in the sector; or**
- **select a specific area in which it could excel.**

Furthermore, it is necessary to determine whether a substantial segment of customers' needs are not satisfied, and then decide whether the business could fill the gap through a set of decisive actions. If the segment is substantial enough, the next step is to determine whether the effort will be beneficial to the business. If the effort appears to be beneficial to the business, then the strategy formulation process should be initiated (Blem, 1995:69).

3.6.1 The strategy formulation process

At the outset it is essential to clearly define the strategy. The strategy should embody the main intentions of the business in the area of customer service. It should answer the following questions (Blem, 1995:69-70):

- **how important are the customers to the business; and**
- **how should the personnel serve them?**

Having defined the strategy the factors influencing the setting process should be considered

3.6.1.1 The service strategy setting process

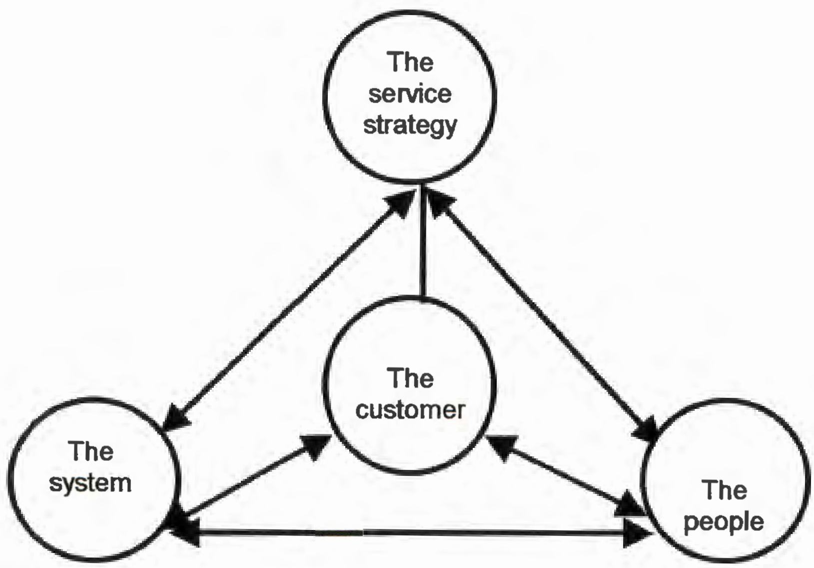
During the strategy setting process a range of decisions will need to be addressed. Some of the aspects are subsequently outlined (Armistead & Clark, 1993:19):

- decisions about the **scope** of the business activities;
- questions about **matching** of the business activities to the environment, that is, the social, political, economic and technological changes should be examined;
- decisions on the **direction** the business will move in the long term. How can a competitive advantage be achieved? How are the competitors likely to react? What are some of the anticipated changes in the industry in the future?
- questions about the **matching** of activities pertaining to the **resource capability** of the business. Managers need to assess whether any changes made in the strategy will affect the way the business delivers customer service and the allocation or reallocation of resources;
- questions pertaining to the **values, expectations and the goals** of those influencing strategy; and

- an assessment of the implications for **change** throughout the business.

3.6.1.2 The basis of the customer service strategy

Figure 3.3: The service triangle model



Source: Adapted from Dorrain (1996:55)

According to Dorrian (1996:55) the best way to illustrate the basis of a customer service strategy is to examine the popular service triangle concept, which places all components in perspective. The service triangle is a pictorial model depicting the importance of aligning the business' strategy, people, and systems around the needs of its customers. Business people have realized that the customer focus should be the cornerstone of any effort to improve the business way of doing things. Therefore, the customer is plotted at the centre of the service triangle as depicted in **Figure 3.3** (Albrecht, 1996:20). The service triangle pictorial model **represents** the three elements of the service strategy, people and systems that more or less revolve around the customer in a creative interplay. The model is different from the standard organizational charts of the traditional business operations. It represents a process rather than a structure that focuses on the customer as a basis of defining the business. The business exists to serve the needs of the people who serve the customer (Albrecht & Zemke, 1990:40). By positioning the customer in the centre of the triangle the three critical success factors for creating customer value can be interrelated. The three key factors are subsequently discussed (Albrecht, 1995:7).

3.6.1.2.1 Strategy

Stamatis (1997:44) states that **strategy** refers to **a clear well communicated statement of the business position and the goals on customer service.** If the vision, mission, core values and the key competitive concept are not clearly communicated in the business, all quality programmes will suffer from a lack of focus and direction. Therefore, the strategy element is positioned at the top of the service triangle model. To achieve the desired service quality, the business needs to be driven by the basic demands of the service strategy (Albrecht, 1996:20). In **Figure 3.3** there is a line connecting the customer circle to service strategy circle. This represents the critical importance of building the strategy around the core needs and motives of the customer. Conversely, the line that flows from the service strategy to the customer represents the process of communicating the strategy to the market. Therefore, the service strategy becomes the model for future decisions regarding the business operations (Albrecht & Zemke, 1990:41).

3.6.1.2.2 Systems

Systems mean the designing of an organisational structure, programmes, procedures and resources designed to encourage, deliver and assess quality service to the customer (Stamatis, 1997:44). According to **Figure 3.3** the system circle is dependent on the other circles. For example, the line connecting the peoples' circle with the systems circle suggests that all persons in the business from top management to front-line employees should work within the system. It is also interesting to note that the line from the systems circle to the customer circle show that the organisational systems within the business help to deliver service to the customer. Finally, the line that connects the strategy circle to the systems circle indicates that business systems should strive to be customer oriented. This means that the design and deployment of physical and administrative systems follow the definition of the service strategy. (Albrecht & Bradford, 1990:28).

3.6.1.2.3 People

People refer to employees in all positions in who will respond to the customers needs (Stamatis, 1997:44). Quality initiatives tend to tighten the organisational structure because it is administrative, analytical, mechanistic, and control oriented. Personnel or people remove these obstacles by humanising the structure (Albrecht, 1996:21). According to the Figure 3.3 the line linking the customer circle to the people circle represents the person-to-person contact that managers and employees have with customers. This is known as moments of truth. To maintain good moments of truth, and prevent it from regressing, the model also includes a line that links the service strategy circle to the people circle. It suggests that the people who deliver service (customer contact personnel) need to have a clearly defined philosophy from the managers of the business. Without a clearly defined service philosophy it is difficult for personnel to keep their attention on service quality. Furthermore, personnel need to be motivated to render quality service to customers. Personnel should not be discouraged to give quality service because of unnecessary administrative procedures, illogical task assignments, regressive work rules or physical facilities. It is important to co-ordinate all these components of service and work in harmony (Albrecht & Zemke, 1990: 42-43)

3.7 SUMMARY

Chapter three examined the formulation of the customer service strategy in a customer-oriented business. An important message of this chapter is that customer service strategic planning aims to assist the business to develop a customer service philosophy within the entire business in order to gain a long lasting competitive advantage. The strategic approach to customer service organises the flow of all activities to ultimately focus on satisfying the needs of the customers.

In this chapter the customer service component of the expanded marketing mix developed in chapter two was discussed followed by a description of a customer-oriented business. The core aspect of the chapter was subsequently examined, namely a sequential process of customer service strategy formulation. The strategy formulation process consists of the following steps or phases, namely:

- developing a service philosophy;
- evaluating the present strategy and performance of the business;
- developing the service vision statement;
- designing the service mission statement;
- formulating the customer service objectives; and finally
- formulating of the customer service strategy as illustrated by the customer service triangle model.

Chapter four will examine the **implementation** of the customer service strategy by examining the three remaining components (customer, people and systems) of the service triangle model.

CHAPTER FOUR

IMPLEMENTING THE CUSTOMER SERVICE STRATEGY

4.1 INTRODUCTION

In the previous chapter, the basic concepts of customer service and the importance of customer service strategic planning was described culminating in the service triangle model. The most important idea the service triangle conveys is the **combination** of the three organisational priorities and their impact on the customer's experience and perception of value. Thus, the service triangle is an effective communication tool in getting everyone in the business to think in terms of **total customer value** (Albrecht, 1995:9-10).

A business delivers a complete **customer value package** that is, a combination of tangibles, intangibles, experiences and outcomes designed to win the customer's approval and secure the right to survive and prosper in the marketplace in the long term. In other words a customer value package is a **combination of offerings and experiences that creates a total customer perception of value received.** The challenge to businesses is to compete effectively in the business environment and manage customer service encounters or moments of truth. Therefore, all activities within the business should be customer centred (Albrecht, 1992:13-14).

In this chapter the focus of attention will be on implementing the customer service strategy based on the service triangle model developed in chapter three. According to the service triangle model the customer is positioned at the centre of the triangle indicating that all activities in a business should be customer focused. Thus, it will be not be out of place to start this chapter on the moment of truth and service-blueprinting aspects of customer service. Thereafter the two remaining elements of the customer service triangle namely people and systems will be examined. The strategic approach to customer service requires regular monitoring. Therefore, a method to measure service performance is also examined in this chapter. Finally, the chapter concludes with the explanation of the servqual model followed by a practical application of the model in chapter five.

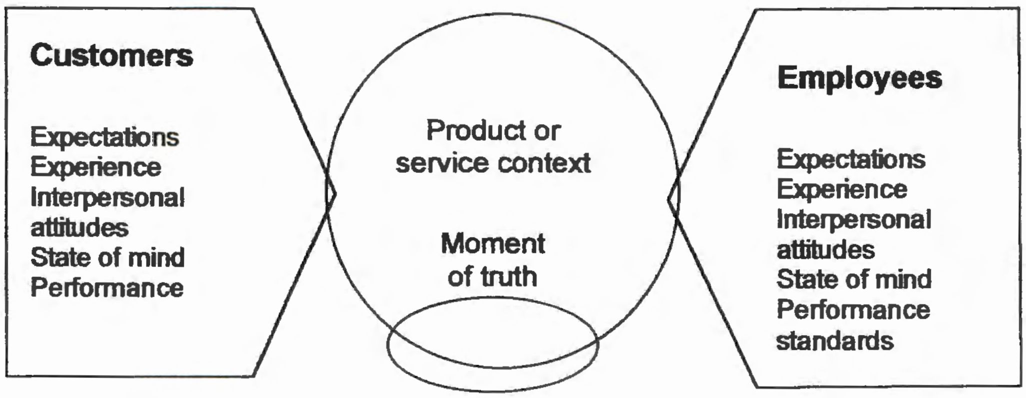
4.2 MOMENT OF TRUTH AND BLUEPRINTING

A moment of truth is any episode in which the customer comes into contact with any aspect of the business and forms an impression of the quality of service delivered to customers (Albrecht, 1990:12). Moments of truth or service encounters occur when the producer and customer interact and where the producer has the resources to provide benefits to the customer for a price (Palmer, 1998: 60-61). The nature of service encounters or moments of truth may be (Lynch, 1992:73):

- **face to face** where both the service provider and customer are in visible contact;
- **sightless** where the service provider and customer are in blind contact (for example a telephonic conversation); and
- **isolated** where the service provider is not present in any way at the point of service delivery (for example automated cash machines).

In any service encounter the customer and the service provider carry his or her unique values and expectations. However, both parties are subject to the service context as illustrated in **figure 4.1** (Vavra, 1995:96).

Figure 4.1: Moment of truth model



Source: Adapted from Vavra (1995:96)

Figure 4.1 illustrates the diversity of inputs that go into any moment of truth. It is a fundamental fact that human beings assign meaning to the person and events they encounter. In other words, all the elements surrounding an interaction between two human beings have a profound effect on the people, the interaction itself and the outcome. For example, two persons discussing a corporate policy face to face in a business office are in a different context from one in which they are talking about their personal relationship on a sofa in front of a fireplace in a house. When these communication principles are applied to business encounters between the customers and the business it is called a **service context**. The service context or setting is the collective impact of all social, physical and psychological elements that happen during the moment of truth (Albrecht & Bradford, 1990:39).

A satisfying or productive moment of truth requires **congruence** among the three components namely the service context, the customer's frame of reference and the employee's frame of reference (Vavra, 1995:96). Congruence means that there should be some alignment of the customer's frame of reference with that of the service employee. A customer-oriented business strives to achieve productive or successful moments of truth on a **consistent basis.** Furthermore,

both the customer's frame of reference and the employee's frame of reference should be congruent with the **service context.** When there is a lack of congruence the satisfying nature of the moment of truth is rather endangered (Albrecht & Bradford, 1990:41). However, congruence is not very easy to achieve. For example, each party's frame of reference may be different. Consider the **examples** as indicated in Table 4.1 (Vavra, 1995:96).

Table 4.1: Examples of difference in frames of reference

	Customer	Employee
Expectations	I don't expect anything more than courtesy and helpfulness	The customers just can't be satisfied. They want everything.
Experience	Service has been good in the past.	Managers' wants satisfied customers but they need not give the store away.
Interpersonal attitudes	The salesperson does appear to be interested in my questions.	The customer already looks angry and I bet he will take it out on me.
State of mind	I am in a hurry and must purchase something quickly.	I have been on the floor without a break because two staff did not come in today.
Performance standards	The other stores I shop at hire professional staff that is articulate and charming.	I will be polite and responsive, but the customer is using the wrong terms for a few simple product features.

Source: Adapted from Vavra (1995:96)

The customer and service provider take part in many critical episodes where the customer forms his or her impression of service quality at these points of contact. Collectively, they add up to the total service image of the business (Albrecht & Bradford, 1990:12-13). In order to build a positive service image of the business the moment of truth approach is most suitable.

The moment of truth approach to service management focuses on creating customer **friendly systems** and a **work environment** that re-enforces the idea of putting the customer first. However, the moment of truth differs from business to business (Albrecht & Bradford, 1990:12-13). It is therefore advisable to identify all the moments of truth perceived by customers and effectively manage them (Rust *et al.,* 1996: 353). One way to identify the moments of truth in a business is for managers from all levels together with the respective employees to prepare a **sequential** list of the numerous moments of truth customers encounter within the business known as the **cycle of value** or **value cycle** (Albrecht & Bradford, 1990:32).

4.2.1 Cycle of value

A cycle of value is the continuous chain of events between **the customer** and **the business** (Connellan & Zemke, 1993; 78). Since the moments of truth are different in every business it is advisable to draw a diagram identifying the points of contact where customers will be able to pass judgement on the business (Blem, 1995:62).

The cycle of value stresses how every aspect of the customer service experience is related to every other aspect (Albrecht & Bradford, 1990:34). The moments of truth mapped in a logical sequence will allow the people employed in a particular business to identify those exact encounters for which individual personnel are responsible (Albrecht & Bradford, 1990:32). Furthermore, it is essential to identify the high impact service points that can give the business a competitive advantage. The **three** basic **steps** to identify the high impact service points are subsequently outlined (Connellan & Zemke, 1993:78).

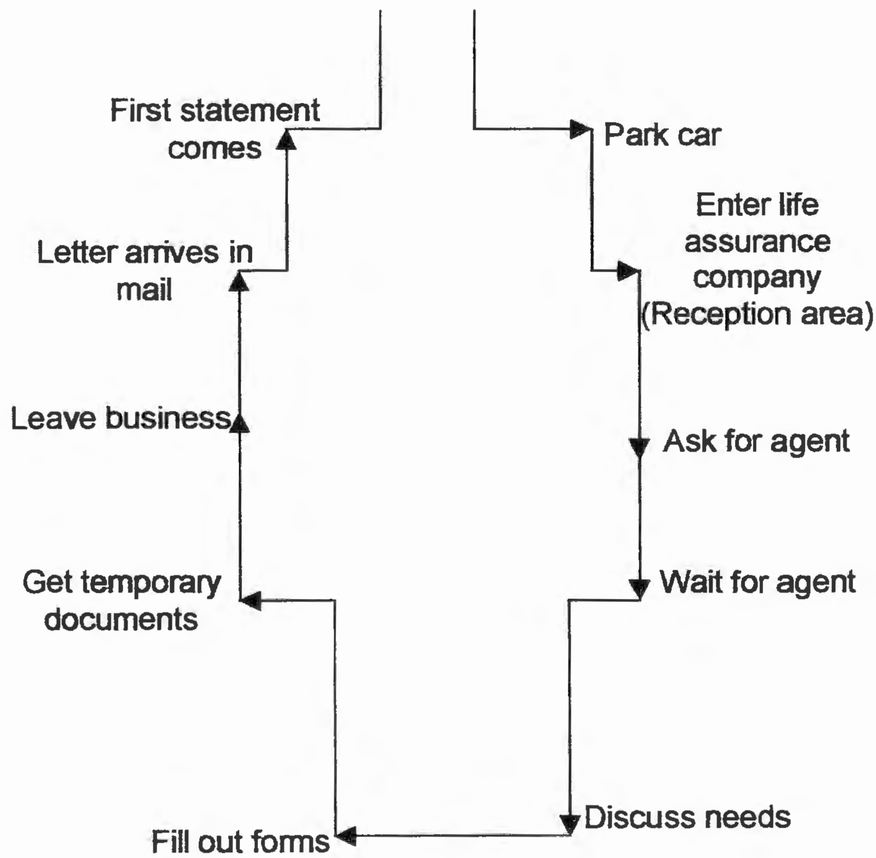
- **focusing** on the most **sensitive** customer transactions or encounters that generate the most praise from customers or problems raised by them;

- **capturing** the **key** points of customer contact during each of those transactions; and
- **separating** those contact points or moments of truth into **high** impact and **hardly noticeable** events.

Irrespective of the kind of value cycle the following **pertinent** facts should be emphasised in order to create **positive** moments of truth that can help create a customer oriented image of the business (Albrecht, 1995:14 -15):

- total value as perceived by the customer is **cumulative;**
- total value is the **weakest-link** that influences the contributions of all the other aspects that went well before it;
- some moments of truth are **value negative** to the customer, or at least do not add value to the customer;
- skilful **recovery** from mishaps is critical. For example, if one moment of truth goes wrong for the customer, something special should be done to make up for it;
- the **more** moments of truth involved in any one value cycle, the **less** the likelihood that everything will go well;
- the more **hand-offs** between people, departments and functions involved in any one value cycle, the less the likelihood of pleasing the customer; and
- if the personnel in the business do not fully **understand** the overall cycle and the parts thereof, it is possible that the customer experience may turn out to be anything but special.

Figure 4.2: The cycle of value when a customer visits a sales representative to purchase an endowment policy



Source: Adapted from Albrecht (1995:12)

The cycle of value depicted in **Figure 4.2 can identify** the positive service encounters and negative service outcomes when the customer visits a sales representative to purchase an endowment policy. The key to the strategic approach to customer service is consistent service delivery. Therefore, continuous monitoring and corrective action need to be taken. When negative service encounters occur the following methods are recommended (Lynch (1992:75):

- **listen** to customers complaints, but personal abuse should not be tolerated;
- **apologise** to the customer on behalf of the business;
- **resolve** the problem by initiating some action by using words such as **contact, phone, now and today**; and
- **empathise** with the customer by giving the customer individual attention.

The challenge to business managers is to create a linked system of carefully managed and controlled moments of truth (Christopher *et al.,* 1991:137). On examining the service cycle it is clear that the basic building block is no longer the employee's job description but rather on how the moment of truth is managed by the staff of the business. Evaluation is no longer based on satisfactory task performance; it is defined as the outcome of the moment of truth. Thus, the service cycle is an effective idea to help service personnel see how customers perceive the services rendered to them? Therefore, analysing and improving the cycles of service is a basic part of the service strategy implementation process (Albrecht, 1990:17).

On studying the essence of the moment of truth concept, the next aspect to be examined is how to manage the moment of truth. In order to implement the moment of truth strategy effectively an organisational structure is essential. However, to manage the service process it is vital to understand the structure of the process. A recommended approach to defining the service structure is to identify all the operations involved in delivering the service known as service blueprinting (Christopher, 1992:47).

4.2.2 Service blueprinting

A service blueprint is a flow diagram or system analysis that depicts the customer's experience in the cycle of service, side by side with the respective actions of the various departments that are involved in delivering the service. It depicts the various actions taken by the customer and the contributing department as well as how they feed into one another (Albrecht, 1992:222). Blueprinting helps to understand the totality of the service as a process, so that the stages that have a high statistical probability of generating problems can be identified, understood and possibly redesigned.

The blueprinting process divides the service system into three components namely (Shostack in Rust *et al.,* 1996:356):

- the **process** refer to the logical flow of **steps** in both the visible and supporting systems that are fundamental to its ability to deliver consistent service quality;
- **means** refer to the resources used to accomplish each of the tasks in the process. The resources are often illustrated as **symbols** in the blueprint to highlight choices that have been made to accomplish each task; and
- **evidence** refers to the set of clues that customers use to assess the quality of the business, for example, the appearance of the business letterhead, appearance of reception area and the professionalism of customer contact personnel.

Furthermore, the service blueprint should also focus on processes that deliver benefits that are effective for the customer and efficient for the business (Palmer, 1998:65). Having examined the components of a blueprint the next step is to design the service blueprint.

The designing or formulation of the service blueprint entails the following steps, namely:

- **planning the service blueprint;**
- **the basic elements of the service blueprint;**
- **the procedures involved in blueprinting; and**
- **designing the blueprint;**

4.2.2.1 Planning the service blueprint

There is no single best approach for generating a blueprint of a service. One approach is to make blueprinting a group exercise of people involved in the process. The ideal group size should be between three and eight participants in order to generate sufficient insights and allow each member to participate in the designing process. The analysis should start with a specific instance of a service encounter tracking precisely what happened during the service encounter. The **objective** is to depict how the system really works, rather than creating an idealised version of how it is supposed to work. Once the particular service incident is chosen for blueprinting the team needs to decide where to begin the process (Rust *et al.*, 1996:356). The next step is to study the basic elements of a customer service blueprint.

4.2.2.2 Basic elements of a customer service blueprint

A customer service blueprint has three basic elements namely (Vavra, 1995:103):

- all the main **functions** to produce and distribute the offering must be identified with the responsible **department or unit specified;**
- the interrelationships between functions should be depicted indicating the **timing and sequencing;** and

- the **accepted tolerances.** The degree of variation from the standard that can be tolerated without creating a negative impact on the customer's perception of quality should be specified for each function.

Having studied the elements of the customer service blueprint the design of the blueprint will now be presented.

4.2.2.3 Procedures involved in blueprinting

According to Shostack as stated in Christopher *et al.,* (1991:137) the following sequential steps are suggested when designing a service blueprint:

- **illustrate** with the aid of a diagram all the components of a service so that the service can be objectively seen;
- identify all the **failure points** that are likely to cause execution and consistency problems;
- set **execution standards** which is a critical part of the blueprint. Execution standards should include the main quality targets and define costs, performance criteria and tolerances for the completion of each service step; and finally
- identify all the **evidence** of the service that is provided to the customer. Every item that is visible to the customer represents an encounter point or moment of truth during which the interaction with the customer will occur.

As indicated above the first step in designing the blueprint is to illustrate diagrammatically all the components of a service so that the service can be objectively illustrated. Before designing the service blueprint it is essential to examine the **service outcome.** According to Vavra (1995:97) and Albrecht, (1995:24-25) an offering consists of four component levels namely:

- the fundamental product or service known as the **generic** product which is sold at a specified price;
- the **expected** product which has added to the generic product all the features customers want and expect;
- the **desired** product that customers know about and would like to have but don't necessarily expect. This is the level that brings with it additional unexpected services and benefits which help distinguish one business offering from others, for example after sales service; and
- the **unanticipated** product. This includes the features that go beyond the learned expectations and desires that customers bring to the experience of doing business. It may be a confidence-inspiring guarantee. However, the features at the desired or unanticipated levels add little value if the other features at the basic and expected levels is poorly done.

Having examined the service outcome the designing of the service blueprint will now be presented.

4.2.2.4 Designing the service blueprint

A **general** blueprint for the **overall** service process should be designed followed by filling in details on **subsidiary** blueprints. The blueprint should illustrate the logical sequence of steps and all the points at which the service can diverge into different directions depending on the decisions of the customers and managers or as dictated by the outcomes of the service process. The blueprint should indicate the **responsibility for each activity and the contact points** between the parties in the process (Rust *et al.*1996: 356).

The next step is to divide the blueprint into two zones namely (Palmer, 1998:66):

- a zone of **visibility.** This includes the processes that are visible to the customer and in which the customer is likely to take part; and
- a zone of **invisibility.** This includes the processes and interactions although necessary for the proper servicing of a customer may be hidden from the customer's view.

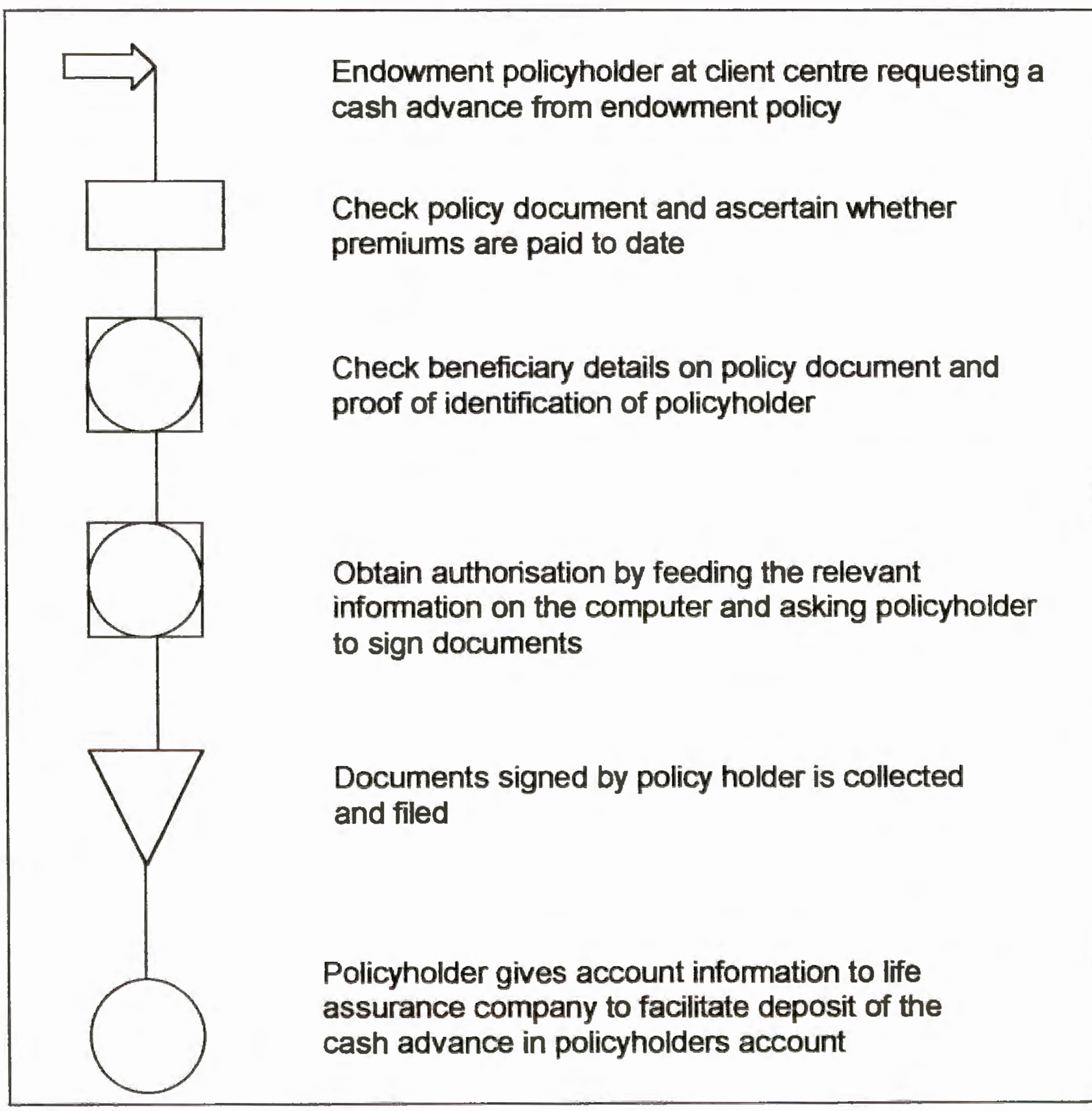
The exceptional value of the service blueprint is that it makes the zone of invisibility customer focused and shows exactly where the zone of invisibility and the zone of visibility intersect (Albrecht, 1992: 222).

Having divided the service blueprint into the two zones the next step is to identify the critical moments of truth or **fail points** that determine the customer's overall judgements or feeling about the marketer. Identifying the specific interaction points as **fail points** help managers focus their management and quality control attention on these steps that are likely to cause problems in the marketing process. With each step in the marketing process identified, the acceptability of divergence of the step can be specified. The step with some degree of flexibility may be identified with a **symbol** denoting **flexibility** such as a box with an attached fan shape (Vavra, 1995:102). Flexibility needs to be built into the system due to the effects of human judgement, random unpredictability or assignable causes (Christopher *et al.,* 1991:138). The reason for including flexibility into the service blueprint is to **empower employees** to adapt the rules to accommodate the needs of the customer (Albrecht, 1992:166).

4.2.2.5 Illustration of a service blueprint

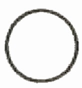
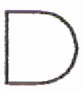
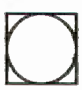
Illustrating a flow chart requires a basic toolkit of symbols to describe the **key** steps in any work process (Rust *et al,* 1996:362). The **flow chart** is really an **illustration** of the steps depicting the interaction between people, materials, equipment, information, methods and environment, within a particular process of linked processes. By mapping the steps, any inefficiency within the step or event is identified. An example of a service-blueprint or flow chart is presented in **Figure 4.3.** Figure 4.3 depicts the sequential process of obtaining a cash advance from a life assurance company Christopher *et al.,* 1991:139-140).

Figure 4.3: A service blueprint to obtain a cash advance



Source: Christopher *et al.,* 1991:138).

Table 4.2: Explanation of symbols on flow chart

Activity	Description
	**Inspection** A checking function
	**Operation** Indicates the main steps in a process. It involves the addition of information to a paper or a handling operation, such as stapling, folding, sorting, collating, assembling, filing and so on
	**Delay** This symbol means that there is a time delay in the process
	**Combined Activity** When two activities are performed at the same time, or at the same work station
	**Travel** Travelling occurs when something is moved from one place to another
	***Storage / filing*** This symbol is used when a form or document is filed or stored for a period of time

In essence a service blueprint consists of a **sequence of moments of truth** and the cycle of service as the customer experiences them. It portrays the interplay of the organisational units and functions and the moments of truth. The value of the service blueprint is the role it plays in analysing service quality at the organisational level. When the overall service blueprint and the subsidiary blueprints are designed by unit leaders and key personnel, it triggers comments and discussions about the quality of the process (Albrecht, 1990:173). A very useful tool that all employees in a business should use is keeping a **service diary**. Employees should record highlights and negative service outcomes in the diary. At a formal meeting unit leaders and staff should identify the possible areas of service delivery that needs urgent improvement and agree to rectify these areas. A programme for improvements should be implemented (Cook,1994:123). It is clear from the previous description that the service-blueprint is a vital tool to managing customer-centred business. According Vavra (1995:102) a service blueprint is effective as a:

- **planning** tool it depicts the service concept in concrete terms to facilitate marketing research and concept testing;
- **organising** tool the service blueprint assists managers in assembling appriotate resources for effective implementation of the service concept;
- **monitoring** device the service blueprint makes it possible to structure monitoring and feedback systems for all managerial levels; and
- **communication and training** tool it helps service providers relate their specific job to the service overall thereby fostering employee commitment to the customer.

Customer oriented businesses strive towards creating service **excellence.** One way of achieving excellence is through humanising the service triangle model. The human dimension of the service triangle model involves the people component.

4.3 PEOPLE

Stamatis (1997:32) maintains that **people in a service business** refer to employees in all positions who possess the capacity and desire to be responsive to customer needs. All the employees of a business will implement the customer service strategy by interacting with either the external customers directly, or personnel who serve them. Therefore, in order to ensure that all employees understand the strategy consultation with and feedback to management is essential (Dorrain, 1996:55). Furthermore, a suitable customer service culture is a necessity to ensure the implementation of the service strategy.

The people component of the service triangle model focuses on the following aspects namely:

- creating the right service culture;
- the total involvement of all employees;
- motivating employees;
- developing customer care skills for all employees; and
- designing a customer focused organisational structure.

4.3.1 Creating the right service culture

Successful businesses throughout the world state that the right corporate culture is crucial to achieving good quality service. **Corporate culture may be defined as the set of values, behaviours and ways of communicating which all individuals mutually accept in a business** (Harovitz & Panak, 1992:1-2).

Essentially, corporate culture is divided into two components, that is, **formal and informal values.** Formal values are those defined in the business mission statement, in the objectives, strategies and policies. Informal values are determined over time and demonstrate the true measure of the business intentions. By setting corporate culture ideals, employees, managers, suppliers, shareholders, competitors and customers know what the business really believes is important. Furthermore, it also determines the framework within which the key issues are decided and resources allocated (Blem, 1995:47).

This notion can be extended to the customer service element in that performance is linked to the motivation and attitudes that people have which is a reflection of the internal values. These values are in turn indicative of the customer service climate that exists within the business. Further, there is a direct relationship between how employees and managers feel about their own business, the values they share, and the satisfaction they have in their jobs and their approach to customers. Therefore it is vital that a positive customer service environment is established (Christopher, 1992:70).

To establish a positive culture of customer service within a business the employees need to be aware of the importance of developing and maintaining a high standard of service (Dorrain, 1996:104). A high standard of service can be achieved when a business has employees who are committed to quality in their own work and are willing to go out of their way to deliver that same quality to customers (Horovitz & Panak, 1992: 2). Stamatis (1997:11) states that a positive customer service climate may be developed by the taking the following **actions:**

- establish a **friendly atmosphere** among managers, subordinates and customers. Friendliness facilitates communication which encourages an exchange of ideas;
- channels **of communication** in the entire business should be open at all times which should be both top to bottom and bottom to up;
- encourage employees of the business to work through **mutual co-operation, consideration for others and openness**;
- base decisions on **quantifiable data** instead of opinion;
- **establish procedures** that are simple and non bureaucratic. Bureaucratic procedures are complicated and difficult to implement resulting in communication problems; and
- motivate employees to render quality service not because they are told to, but for **self worth.**

By initiating such action employees, managers, suppliers, shareholders, competitors and customers are showed what the business really believes is important in terms of customer service. It also determines the framework within which key issues are decided and resources allocated (Blem, 1995:4). However, with regard to any strategy introduced into the business it is the results that count. The investment in time, money and effort to create and maintain a culture of customer service should produce results. The results can for example be better sales, a higher degree of customer loyalty, better-motivated staff and above all improved profits. To achieve such a situation, a number of values may be necessary (Dorrain, 1996: 105-106).

Six basic driving values seem to have emerged in customer-centred businesses. The values of such businesses are namely (Albrecht, 1995:37-38):

- **the spirit of service** meaning the personal, individual and collective attitude that value caring, concern and generosity toward others;
- **shared fate** refers to the sense that personal and individual success is intertwined with that of the business and the co-workers;
- **co-determination** means that leaders and subordinates work together rather than the inventions of managers inflicted on subordinates;
- **mutuality** refers to the notion that if an employee is not serving the customer, then that employee is serving someone who serves a customer;
- **empowerment** means providing employees with the leadership that supports their growth and development, allows them to make mistakes and learn from them, and encourages them to take even greater responsibility; and
- **creative dissatisfaction** involves constantly being open to new ways of creating or delivering value for the customer.

4.3.2 The total involvement of all employees

High levels of customer service quality and production cannot be achieved without total commitment of all employees (Blem, 1995:88). To achieve total commitment from all employees in a business top management should initiate the strategy implementation process. While it is vital that top management initiates the process, their actions and attitudes alone will not guarantee implementation of the customer service strategy (Dorrain, 1996:90-91).

Top management needs to work through middle and first line managers in order to encourage total commitment at all levels within the organisational structure. Each manager is expected to examine his or her unit with respect to the overall customer service strategy and determine how the specific unit will contribute towards achieving the formulated objectives of the strategy. Each manager will need to take the following actions (Albrecht, 1996:43):

- define the real **role** of the unit in terms of the customers it serves;
- define and articulate a clear departmental or **unit mission**;
- train, develop and orientate the people of the unit for **creating** customer value, not just tasks;
- focus on the **systems** and **procedures** to create customer satisfaction and deliver quality services;
- **reward** personnel who contribute to the success of the business; and
- **translate** the strategy into meaningful actions for the people of the department or unit.

Therefore, lower level of managers need to inspire their subordinates to achieve the customer service initiatives developed. If subordinates feel that their managers are not leading the way, it is unlikely that they will be inspired to deliver the expected service (Dorrian, 1996:90-91). It is therefore critical that managers should be seen as visibly supporting the customer service initiative for employees to recognise its importance. Therefore, managers need to **lead by example** (Cook, 1994:50). Top and middle management should dedicate between forty to forty five percent of their time to coach and counsel subordinates on improving inter-relationships between their fellow workers in the business (Wellington, 1995:83). They need to play a **facilitating** role, where the manager acts as a coach to his or her subordinates. The **characteristics** of a coach or leader are subsequently presented (Cook, 1994:50):

- **are good listeners;**
- **delegate responsibility;**
- **encourage teamwork and good communication;**
- **require and recognise excellence;**
- **encourage problem solving;**
- **request and welcome feedback;**
- **constantly seek out ideas and improvements;**
- **engender trust;**
- **be open and honest with their relationships;**
- **lead training sessions; and**
- **participate in discussions with employees.**

In a typical business middle managers and first-line managers play three dominate roles namely: as translators, implementors and motivators (Horovitz & Panak, 1992:118-119):

- as **translators** managers translate top management's policies and aims into language which means something in an operational context for employees and first line managers:
- as **implementers** the managers are expected to put top management's ideas into action. To do so, they become resource allocators, prioritisers and task masters; and
- as **motivators** they are required to encourage employees to strive towards achieving the formulated customer service objectives.

Every employee in a business should understand that service to the customer is the most important contributor to the success of a business. Therefore, it is vital to explain the strategy to all employees and encourage them to participate. The strategy implementation programme can be communicated in two ways namely, cascading or cloning (Blem, 1995: 87-88):

- **cascading** begins with designing a detailed message containing implications for service standards. Each department is required to create standards and appropriate criteria against which the strategy is measured;
- **cloning** works from the opposite direction, namely, a single message is communicated to all departments in a business. The purpose of cloning is to ensure a single standard although strategies and tactics in each department will be different. Each department identifies its own key customers' specific needs and values. Thereafter, each department should implement specific supporting actions to satisfy the needs of the customers they serve.

Since all employees need to participate in customer service, the first step is to utilize the customer research data generated during the strategy formulation process is to **identify** the critical service issues. As soon as the managers understand what the issues are, they can be defined into measurable improvement **targets**. For example, a life assurance improvement target maybe to improve the retention rate of customers from seventy percent (70%) to eighty percent (80%) and to reduce the time taken to process customers' endowment policy proposals from eight working days to five working days (Christopher *et al.*, 1991:142).

It is advisable to form a task team from the different departments in the business to co-ordinate the activities pertaining to customer service (Blem, 1995:75). The task team should examine each step of the service delivery system and to identify the internal and external customer that is being served. Every activity in the delivery system must have a purpose to justify its continued existence (Christopher *et al.*, 1991:142). A leader or manager from the customer service task team should be appointed to coordinate and monitor the customer activities in all departments of the business. The leader should also meet with all managers to report on the performance of customer service activities (Blem, 1995:72). One way to ensure total involvement of all employees is to motivate them.

4.3.3 Motivating employees

Motivation concerns the choices that employees make between alternative forms of behaviour in order to attain personal goals. It is the task of management to equate the individual's personal goals with the business goal (Palmer, 1998:184). Dorrain (1996:114) states that maintaining customer-oriented personnel is probably the most difficult part of any customer service strategy.

If the managers of the business hope to foster high levels of and commitment from their employees, the first task is to evaluate the present motivational environment. The factors that influence the motivational environment are subsequently discussed are:

- **the overall morale of employees.** Morale is usually a good indication of strong commitment although it is possible for staff to have low morale and still do their jobs with a high degree of commitment. Conversely, it is possible for them to have a high level of morale yet not give their best to the job. However, the relationship between morale and commitment is strong (Blem, 1996:77).
- **the general energy level of employees.** A motivated employee will have high energy levels, will be enthusiastic, co-operate with others, will be willing to solve customers' problems and accept responsibility. Conversely, a lack of motivation in employees is expressed as apathy, indifference, poor performance and absenteeism (Cook, 1994:182); and

- **the quality of work life.** The quality of work life includes factors such as job satisfaction, job security, upward mobility, competent supervision, and a harmonious environment (Blem, 1995:77).

In many customer centred businesses quality of work life is in an essential element of the organizational performance measures. Thus, it is necessary to identify the critical parameters to assess and manage quality of work life. Just as the other aspects of business quality are measured, the **best practices** with each of the following outcomes criteria is evaluated (Albrecht, 1995:30-30):

- **meaningful work** refers to the fact that staff should be given an opportunity to perform in such a way that adds value is added to the business;
- **working conditions.** The design of every job should at least accommodate the person doing it in a reasonable and humane way;
- **pay and benefits** means that the total economic value derived from working should be fair-market compensation based on the value the job contributes and the amount of competition for it;
- **job security** means that employees know that one will have a job if he or she does a good job;
- **competent supervision** means that a manager should know how to lead, how to manage and what needs to be done to lead the team to accomplish the mission;
- **appreciation** refers to getting feedback from the leaders in the business that informs the employee that his or her contribution is recognized and valued;
- **being involved and informed** means getting news and perspectives from their managers about important things in the business organization, feeling they are part of the team, and knowing one's input will be heard and considered;

- **a chance to get ahead** means knowing that one has a role that is better, more rewarding, more enjoyable and that it pays better to if makes a good contribution in the current job;
- **opportunities to learn and grow** means having access to jobs, experiences and educational programmes that enable employees to broaden and deepen their qualifications and skills; and
- **justice and fair play** encompasses an overall working atmosphere that is honest and ethical, and in which people are respected for what they contribute, not their gender, ethnic or political status.

In order to develop a motivating climate, managers need to make all employees feel valued and provide scope for development. It is important to recognise the significance of the employee's task and clarify the employee's role with the overall purpose of the business (Cook, 1994:183). When employees work as a team, a sense of harmony develops which leads to a greater opportunity of superior customer service. Furthermore, if a business wants employees to serve customers, the business needs to take care of them first. The employees need to understand the economics of customer retention, defection and the impact of the financial welfare of the business (Dorrain, 1996:114).

One of the effective methods to motivate employees is to work from **both ends of the managerial hierarchy.** For example, top management can redesign the sales force with a product structure to be responsible for a range of products in a smaller regional territory. Such a change should be supported with the necessary resources and training. At the bottom level of the hierarchy, employees at the primary customer interface can work with their managers on defining and understanding their roles, responsibilities and interfaces, and identifying immediate changes that can be made within their departments. As changes from the top work down, change from the bottom gradually works up (Clutterbuck & Kernaghan, 1991:63). An alternative approach is the **bottom up approach** where all employees are invited to participate in discussions. (Blem, 1995:71). The objective of such discussions should be to empower employees to provide superior customer service

Of significance is that a demotivated employee will not serve customers with the right mental attitude. This will upset the customer service strategy implementation process (Wellington, 1995:107). Viewed against this background, managers should on a regular basis ensure that the employees develop basic customer care skills.

4.3.4 Developing customer care skills for all employees

To manage moments of truth effectively the people in a business need to develop a range of skills. According to Lynch (1992: 75) there are seven clusters of customer service skills, namely:

- **seeking** skills. These politely convey to the customer a need for a response;
- **defining** skills. These indicate in objective terms a course of action to meet the needs and expectations of the customer;
- **expressing** skills. These indicate reactions evoked by statements of a customer;
- **supportive** skills. These promote positive feelings or reduce the negative skills of the customer;
- **bridging** skills. These link different parts of an interaction with the customer;
- **pacing** skills. These control the rate at which other behaviours are brought into play in a customer interaction; and
- **spacing** skills. These define spatial relationships with the customer and provide a relationship with the customer as well as a context in which the customer experiences the other behaviours.

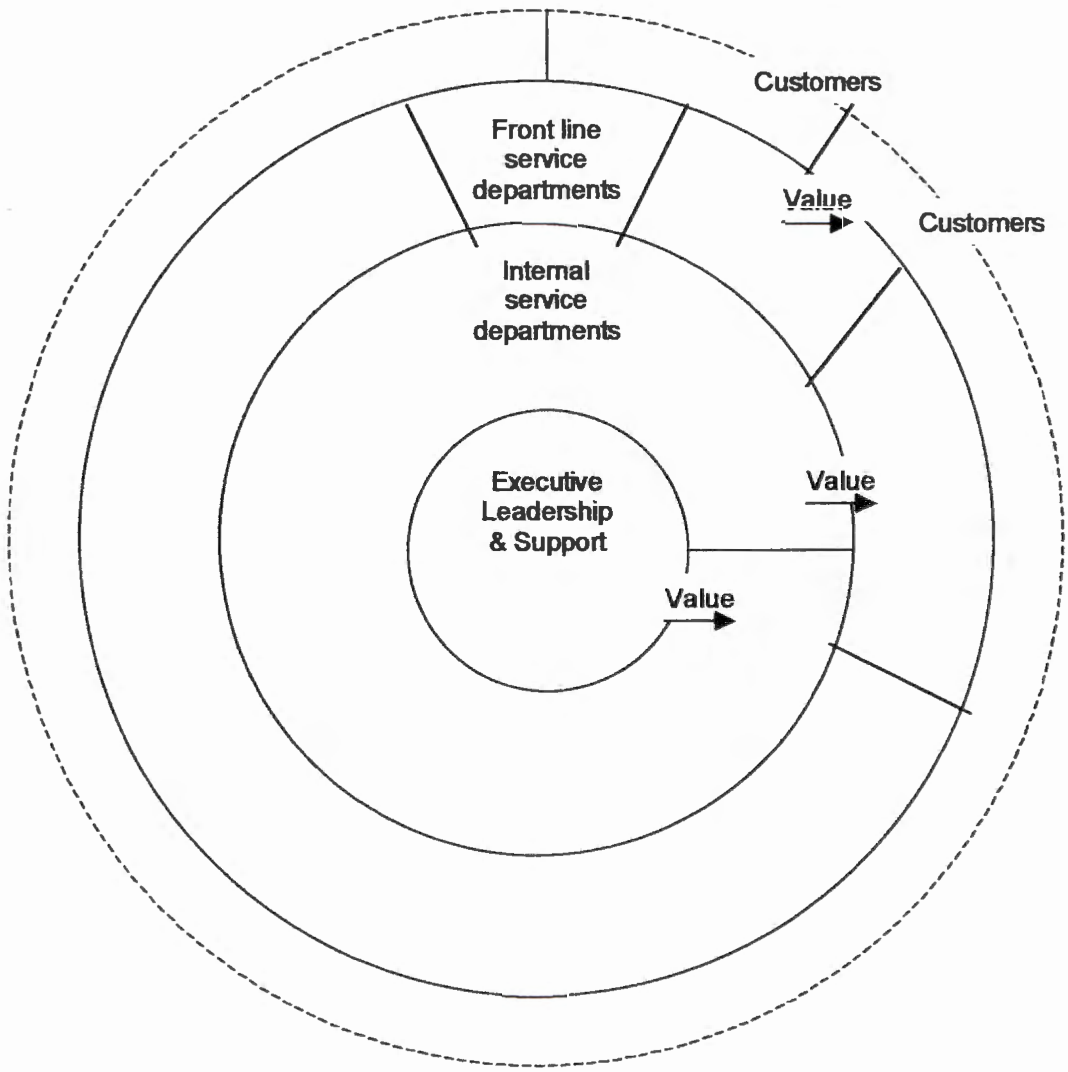
Many different people carry out customer service, in different ways across the entire business (Blem, 1995: 82). Customer service should therefore be integrated into every process, strategy and action by anyone who is part of the business (Moreo, 1996:5). Unless the importance of customer service is reflected in and underpinned by a suitable organisation structure, it will not play a crucial role in achieving success. Furthermore, customers and staff need to know who is responsible for every aspect of a transaction in which he or she is involved (Blem, 1995:82). The responsibility for customer service may be outlined using an organisational structure. **An organisational structure defines how employees see their responsibilities through formal channels** (Clutterbuck & Kernaghan, 1991:40).

4.3.5 Designing a customer focused organisational structure

There are several ways to structure customer service. Many businesses choose one or more of the following options (Blem, 1995:82):

- appoint a **director or senior executive** who reports to the chief executive;
- nominate an **existing department;**
- give the **chief executive or one of his assistants** the responsibility;
- co-ordinate customer service through **routine board or management committee;**
- establish a committee of **departmental heads; or**
- use an existing **customer service division.**

Figure 4.4: Customer centred organisation chart



Source: Adapted from Albrecht (1992:12)

Irrespective of the structure chosen the objective of the business is to have an operation that responds to the changing needs of the customer (Clutterbuck & Kernaghan, 1991:38). One practical method is to design an organisational chart depicting that the customer relationship is fundamental. **Figure 4.5** shows the business organisation as a cascade of **concentric circles,** each delivering value outward to its customers. The external or paying customer is represented on the **outside** circle. The **first inner** circle represents the **customer contact departments.** The **second inner circle**, inside the circle of front line departments represents the **support departments or internal service departments.** These are the personnel that help the customer contact departments to get their jobs done. At the very **centre** of the system of circles is the **management group** that provide the leadership for the business organisation. These leaders are required to enable and support the internal service departments and the customer contact departments (Albrecht, 1992:11).

Having described the people component of the service triangle model the next component to be examined is the customer service systems.

4.4 SYSTEMS

One of the sensitive aspects of organisational performance for most businesses is what happens **between** work units, departments and operating sites since it has a critical impact on customer perception, efficiency, productivity and the cost of doing business). Furthermore, as business organizations become more complex and diversified co-ordination and co-operation becomes a challenging task (Albrecht, 1995:41). Therefore a system for operating the business is essential.

4.4.1 Definition of systems

Systems may be defined as all the elements involved in the delivery of customer service. It includes the equipment and facilities, policies and procedures, methods and communication that the employees use to guide or influence the delivery of value. All systems in the business need to be connected to the service strategy and the people employed by the business. All the elements should focus on the customer and his or her experience because without the customer the business would not exist. Therefore, the business should strive to establish systems with the customer's perspective and experience as the primary design focus, taking into consideration the needs of the business as well (Albrecht, 1992:164).

When structuring the service delivery system, the first objective is to achieve a cost effective yet consistent output. The output being defined is the service level. It is only by looking in detail at each stage in the process whereby inputs are converted into service outcomes and particularly at the interfaces between those stages that the most cost effective delivery systems can be designed. The challenge is to integrate these processes and procedures to ensure a **consistent service level or service output** (Christopher *et al.,* 1991:136).

4.4.2 Setting customer service standards

The customer service standards should describe the manner in which the activities should be carried out. Ideally standards are best set in collaboration with the people who have to apply them on a regular basis. The participants should work through each critical activity or outcome to ensure that they **relevant, challenging, realistic and measurable** (Clutterbuck & Kernaghan, 1991:48). To achieve the latter standards can be compiled for each point of contact with customers and a **checklist** outlining the agreed standards can be prepared for all members per unit, division or department. Such standards should be part of the day-to-day operation of a team and become the norms of the business thus ensuring consistency (Cook, 1994:126).

If service performance is to be monitored then it should be against predetermined standards. Ultimately, the only standard to be achieved is to match customer expectations. Such conformity to customer expectations requires a **clear and objective understanding** of the customers' **requirements** and at the same time places an obligation upon the marketer to shape the expectations of the customers. In other words there must be a complete match between what the customer expects and what the business is willing to provide (Christopher *et al.*, 1992:53).

This can only be achieved when service is **consistent.** The aim of a customer oriented business is to improve the **quality** of services on a consistent basis by setting standards that meet and exceed customer expectations and then measure the standards of service provided. Thus, it is essential to set **quantifiable** and **qualitative** standards. For example, a life assurance business may set a quantifiable standard such as to process ninety five percent (95%) of applications within twenty-four hours. An example of a **qualitative** standard is for personnel of the business to be always courteous and polite to customers.

A precise specification of service standards also serves as a valuable term of reference function in communicating the standard of quality that customers can expect to receive. It also serves to communicate the standards that are expected of employees. Some examples of specific service standards are (Palmer, 1998:167):

- the **terms** of business as a basis for determining the level of service to be delivered to customers;
- customer **charters** state that in a general manner the standards of performance which the business aims to achieve in its dealings with customers;
- specific **guarantees** of service performance that are offered, especially in respect of service outcomes; and
- some businesses belong to a professional or trade association that adhere to the association's **code of conduct** into their service offering.

Having established the service standards, the next area of focus is the designing and implementation of a procedure to monitor service performance (Christopher *et al.,* 1991:92).

4.4.3 Procedure for customer service activities

A **procedure** encompasses a series of detailed steps to be followed in particular recurring situations. Many businesses rely on standard operating procedures to guide managers and employees through situations that occur repeatedly. Thus a procedure to monitor service performance should include the following (Stamatis, 1997:78):

- an **operating manual** outlining the policies and objectives that relates to specific aspects of the service system;
- a detailed description and flow charts of **activities** that gives details as to what, who, where and why the activity is carried out;
- a step by step description of how to carry out a task often known as **standard operating guides.** These guides should be revised and integrated into the overall documentation system; and
- sufficient **records** should be maintained to provide objective evidence that the service quality activities are being carried out.

In order to build a long-term relationship with customers, businesses should maintain records of their customers in a database system known as the **customer information file.** A customer information file should contain the identities and addresses of all present, past and potential customers. Such a customer information file can be used for a variety of practical activities namely (Vavra, 1995: 50-51):

- **segmenting** the customers according to purchase frequency, volume and use occasions;
- developing marketing programmes to suit the **individual needs** of customer segments;
- generating a **profile of customer types** to guide current marketing procedures and to stimulate the development of complementary new products;
- support customer service **operations** better by making information of the customer service file available to personnel that interact with customers; and
- **enhancing** the customer file with surveys and lifestyle databases.

Having described the procedures required, the dimensions of service quality will now be examined.

Service businesses need to define the service quality dimensions to be achieved by the business so that the customer service strategy may be implemented. A life assurance business is no exception. The following service quality dimensions will be subsequently discussed (Vavra, 1995: 275).

- tangibles;
- reliability;
- responsiveness;

- assurance;
- empathy;
- accessibility;
- competence;
- courtesy;
- communication;
- credibility; and
- understanding the customer

4.4.4 Dimensions of service quality

The service quality dimensions described below has been derived from research with customers four different kinds of service businesses namely, retail banking, credit cards, securities brokerage, and repair and maintenance (Schneider & Bowen, 1995:27).

4.4.4.1 Tangibles

Tangibles refer to the physical resources that surround the service (Albrecht, 1992:128). The physical resources include the physical décor and facilities, the appearance of personnel, and equipment (computer systems) used to provide the service and the layout of written correspondence (Schneider & Bowen, 1995:28). Such tangibles are directly observable by the customer and may influence the perceived quality of service (Rust *et al.,* 1996: 354). For example, if the reception area of a life assurance business does not appear neat and well maintained, a customer may doubt the performance of the business. Customer oriented businesses strive to achieve an immaculate appearance in every facet of the business and also ensure that their employees dress smartly (Freemantle, 1997: 58).

4.4.4.2 Reliability

Reliability refers to the ability to perform the promised service dependably, accurately and consistently. Services rendered as promised can be achieved by (Christopher, 1992: 27):

- firstly getting to know what customers do and don't expect and living up to these expectations for a period of time;
- the customer contact personnel should shape the customers' expectations to match what the business can offer to meet those expectations.
- accuracy in statements of account;
- keeping records accurately; and
- performing the service at the designated times.

4.4.4.3 Responsiveness

Responsiveness means the willingness or readiness of employees to help customers provide prompt service. For example, with regards to telephone communication, a standard answering time should apply to every telephone call to the business. Equally important is the attitude of the person answering the call (Freemantle, 1997:8). Responsiveness applied to the life assurance business is for example (Zeithaml, Parasuraman & Berry, 1990:21):

- the salesperson is willing to answer queries of a policyholder;
- all correspondence from customers is acknowledged by the business by mailing an acknowledgement of receipt within 14 days of receipt; and
- the customer contact person at the life assurance business returns the customer's telephone call on the same day.

4.4.4.4 Assurance

The assurance dimension focuses on the interactions the customer has with the personnel in a business. It refers to the ability of staff to convey trust, competence, confidence, courtesy and knowledge to customers (Albrecht, 1992:128). For example, when an employee tells a customer **"I can help you with that" and does so, the employee builds assurance** (Cheales, 1994:95).

4.4.4.5 Empathy

Empathy refers to the extent of individual care and personalised attention personnel show customers (Christopher, 1992:27). Customers want to feel that staff of the business understands their needs, wants and expectations. Empathy occurs when a person is not only listening, but also hearing and understanding another. Empathy makes customers feel important and shows that the business cares about them (Moreo, 1996:21).

4.4.4.6 Accessibility

Customers should have access to the people they want and need to consult with. Being accessible to customers shows that the business is committed to ensuring that contact with the business will be unhindered. Furthermore, the business hours of operation and location of support personnel or facilities should be accessible to customers (Armistead, 1993: 162).

4.4.4.7 Competence

Competence refers to employees of the business possessing the required skills and knowledge to delight customers and create a positive impression in the customer's mind. Competence can be improved by paying attention to issues such as (Dorrain, 1996:93):

- product or service knowledge;
- interpersonal skills;
- excellence in whatever one does; and
- taking pride in one's work. For example, does the customer brokerage firm have the research capacity to accurately track developments on the market (Zeithaml *et al.,* 1990:21).

4.4.4.8 Courtesy

Courtesy refers to the politeness, friendliness and consideration of customer contact personnel (Armistead, 1993:163). Employees are courteous when they treat the customer with respect, call customers by their names and always tell the truth to customers (Dorrain, 1996:98).

4.4.4.9 Communication

A crucial part of the service management process is the meeting of customer's expectations where communication between the service provider and the customer plays a major role (Christopher, 1992:76). Customers should be informed about the service in language they can understand (Armistead, 1993:163). There are a number of ways to establish a customer communication system. Some of the ways are for example, field visits by personnel, periodic mailing to customer accounts, advertising to explain service policies, development of a customer service manual and workshops with customers (Christopher, 1992:77).

4.4.4.10 Credibility

The service provider should have a reputation of honesty, trust and believability. For example, does the life assurance agent refrain from persuading customer to buy a policy (Zeithaml *et al.,* 1990:22). Customers prefer to deal with people they feel give them a good deal. In order to build credibility service providers should be (Dorrain, 1996: 96):

- sincere;
- keep promises;
- be straightforward and honest; and
- maintain a neat appearance.

4.4.4.11 Understanding the customers

Service providers should make sure that they understand customers' needs. The business representative should ascertain what the needs of customers by taking the following actions (Dorrain, 1996: 96):

- asking the customer the right questions about the issue at hand;
- listening to customer responses followed by giving the correct advice, stating the right alternatives and taking the appropriate action to ensure that the customer is delighted; and
- confirming understanding of customers' needs in order to take the correct action.

To engender employee commitment to standards, it is important for staff to be given an opportunity of setting standards that should be in harmony with customers' expectations. They should jointly agree on targets for attaining each standard. For example, to answer the telephone within three rings is a standard, which can be achieved by most staff nine out of ten times (Cook, 1994:125).

Having designed the service system and set standards to monitor them, the next step is to measure the performance of service by the system (Albrecht, 1992:93). In the previous chapter, service quality is defined as the ability of the business to meet or exceed customer expectations. Therefore, service quality is measured in terms of the extent to which performance as **perceived** by the customer exceeds or meets the expected levels of service. In other words it is the **customers' perceptions** of performance that count and as far as service quality is concerned the customers' perceptions are **reality** (Christopher *et al.,* 1991:89). Clearly service performance measurement is one of the pertinent aspects of customer service.

4.4.5 Performance measurement

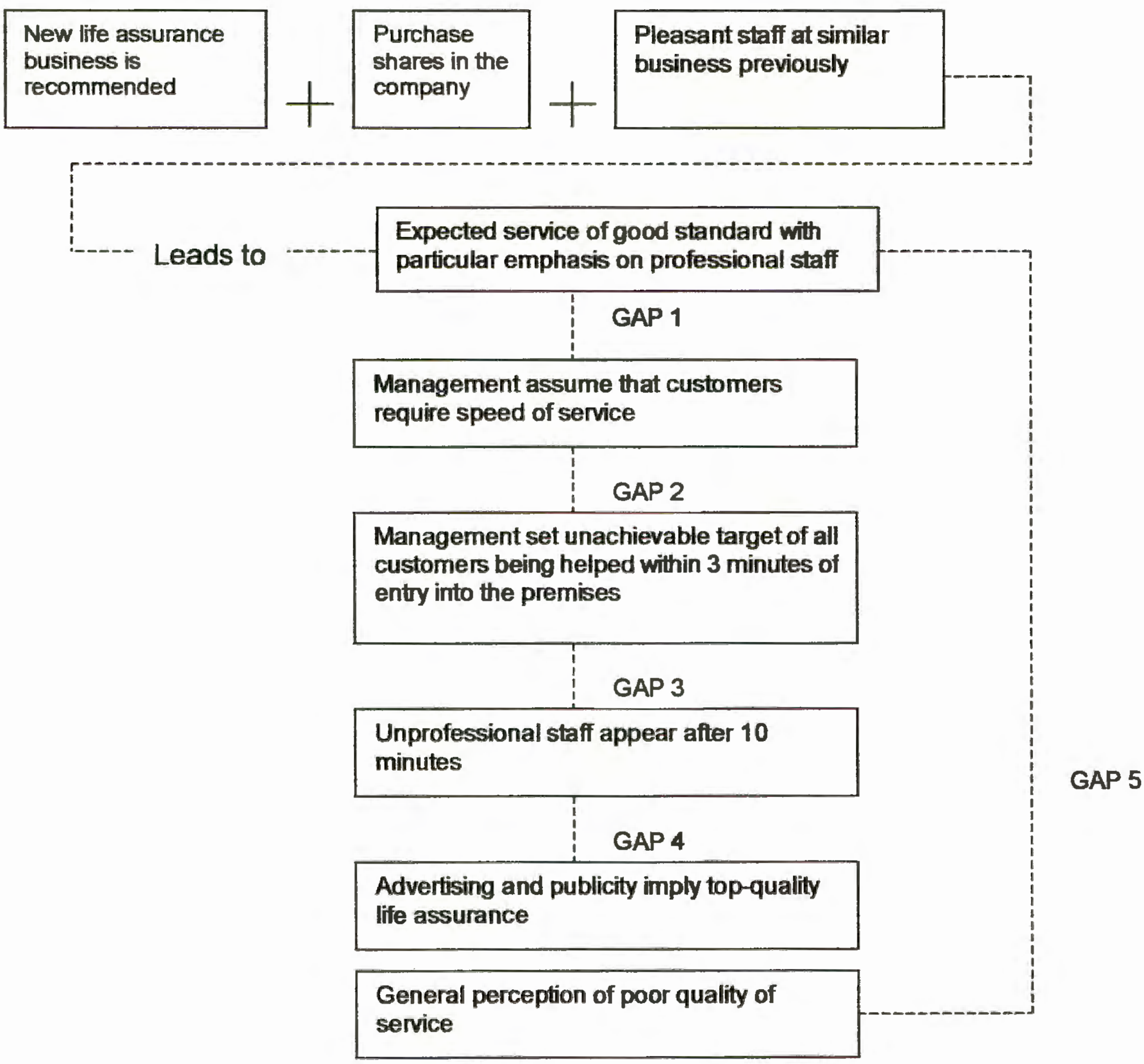
Therefore, the criteria for measurement should be such that the elements become the determinants of all future expectations (Stamatis, 1997:164).

There are a number of basic dimensions or measures of service that can be generalised across markets. These are reliability, responsiveness, assurance, empathy and tangibles. These five dimensions were derived from extensive multimarket research and are in fact a reduction from ten service elements known as the servqual model (Christopher *et al.,* 1991:107-108). **Figure 4.6** is known as the **servqual model.** The model states that the only factors that are relevant in determining service quality are those that customers perceive as important. The emphasis is on the **difference** between expectations and perceptions. The findings of this model have evolved from a set of qualitative marketing research procedures culminating in a **quantitative** technique for measuring service quality, which is known as **servqual** (Palmer, 1998:161).

4.5 THE SERVQUAL MODEL

The servqual dimensions by virtue of being derived through systematic analysis of customers' rating from **several service sectors** is a concise representation of the core criteria customers employ in evaluating service quality (Zeithaml *et al.*, 1990:26).

Figure 4.5: Hypothetical application of servqual



Source: Adapted from Palmer (1998:165).

It is applicable across a broad range of service industries and can easily be modified to take into account the **specific requirements** of the business. In effect it provides a skeleton for an investigator instrument, which can be adapted or added to as needed. The instrument is based on a generic **twenty two-item questionnaire, which** is designed to cover five broad dimensions of service quality (Palmer, 1998:161). Underlying the twenty-two items are five dimensions that are used by customers when evaluating service quality, regardless of the type of service (Nel, Pitt & Berthon, 1997:115).

Each dimension is recast into a **pair** of statements. One statement will measure expectations about businesses in **general within the service category** being investigated. The other statement will measure perception about a **particular business** whose quality is being assessed (Zeithaml *et al.,* 1990:24). The following is an example depicting the expectation statement and perception statement respectively (Boshoff, Mels & Nel, 1994:20):

Table 4.3: Example of the expectation statement and the perception statement

Expectation Statement							Perception Statement						
When commercial banks promise to do something by a certain time, they should do it							When my bank promises to do something by a certain time they do so.						
1	2	3	4	5	6	7	1	2	3	4	5	6	7
Strongly disagree						Strongly agree	Strongly disagree				Strongly agree		

Customers are asked to complete twenty-two statements for each section namely, expectations and perceptions. Respondents are asked to score in each instance on a **Likert scale from one (strongly disagree) to seven (strongly agree)** (Palmer, 1998:164).

Using statistical analysis on both the expectations and perceptions the service quality in totality is defined as a ratio:

Service quality = performance / expectations

Any ratio **less** than one is **inadequate** and any ratio **greater** than one suggests that the business is perceived as a **business delivering quality service.** In other words anything less than one hundred percent **(100%)** means that performance does not match expectations and a service quality **gap** exists (Christopher *et al.,* 1991:90).

4.5.1 Performance and expectations: closing the gap

When performance does not match expectations the business has to determine the possible causes. However, it is essential to firstly understand what the main influences are on both perceptions and expectations of performance (Christopher *et al.,* 1992:67). There are several **factors** that shape customers' expectations. They are as follows (Zeithaml *et.al.,* 1990:19):

- **word of mouth communications** occurs when customers choose a particular business based on the recommendations from their friends and neighbours;
- **personal needs of customers** might influence their expectations to a certain degree. For example, some customers expected credit card companies to provide them with maximum possible credit limits while other customers wished that credit card companies they transact with were more restrictive;
- **the extent of past experience** using a service could influence customers expectation levels. For example, customers may have lower expectations regarding a broker's friendliness and politeness but

appear to be more demanding with respect to the broker's technical competence and effectiveness: and

- **external communications** from service providers play a key role in shaping customers' expectations. For example, a bank print advertisement stating that it has the friendliest tellers in town.

Having examined the **key** factors that shape customers' expectations the next step is to seek an explanation for why performance and expectations may not always coincide.

4.5.1.1 Reasons for mismatch between expectations and performance

There are two possible corrective actions to be taken when there is a mismatch between customer expectations and service performance by a business. The strategists of the business should take the following steps (Christopher *et al.*, 1991:90):

- the **first step** is to explore why the perceived performance is low.; and
- the **second** is to check that the customer expectations have been properly managed.

However, potential service quality gaps may also arise due to the incorrect interpretations or assumptions of customer expectations (Christopher, 1992:68)

4.5.1.2 Service quality gaps

The servqual model identifies five gaps where there may be a shortfall between the expectation of service levels and the perception of actual service delivery (Zeithaml *et al.*, 1990:19). The servqual model is illustrated in Figure 4.5. The gaps identified are as follows (Palmer, 1998:164):

- **gap 1: Gap between customer expectations and management perceptions.** Managers may think that they know what customers want and proceed to deliver this when it fact customers expect something quite different;
- **gap 2: Gap between management perception and service quality perception.** Management may not set clear and achievable quality specifications;
- **gap 3: Gap between service quality specifications and service delivery.** Unforeseen problems or inadequate management can lead to the service provider failing to meet service quality specifications. This can be due to human error or mechanical breakdown of facilitating or support goods;
- **gap 4: Gap between service delivery and external communications.** There may be dissatisfaction with the service due to the excessively heightened expectations developed through the service provider's communication efforts. Dissatisfaction occurs when the actual delivery does not meet up to expectations held out in the business communication; and
- **gap 5: Gap between perceived service and expected service.** This gap occurs as a result of one or more of the previous gaps. The way in which customers perceive actual service delivery does not match up with their initial expectations.

Having identified the service quality gaps, the next step is to review the results of the measurements.

4.5.2 Reviewing progress

Reviewing the implementation of the strategy is crucial because the implementation of the customer service strategy is not a one of exercise. Reviewing changes in the business environment, evaluating performance and making adjustments are a normal part of the strategic management process (Thompson & Strickland, 1996:14).

The strategic management process from a service perspective is not a technical series of steps that produce a tightly specified outcome. It entails the customer's experience of the process he or she goes through to obtain the outcome. Although a customer comes to a business for an outcome, the process within which that outcome is delivered is equally important. Thus, customer centred businesses should pay equal attention to the process customers experience and the outcome expected. Therefore, such businesses measure both the process and the outcomes (Connellan & Zemke, 1993:41-43).

Employee opinion should provide the starting point for the review of the customer service strategy implemented in the business. The following questions need to be asked: (Cook, 1994:196):

- are the original service **objectives** still valid?
- how does the service **performance** to date measure against the success criteria?
- what are the tangible and intangible **successes** of the strategy?
- what are some of the **negative experiences**?
- what have been some of the major **barriers** in preventing the business reaching it's objective?
- have the **expectations of service quality changed?**
- how does the business's service standards compare to the **competition?**
- in which areas does significant **improvement** to service quality still need to be made? and
- what are the major **priorities** that need attention?

Having received input from the employees of the business the next step is to conduct a detailed examination of the business service delivery capabilities. The purpose of such an examination or audit is to identify areas in which the business mode of operation may be in conflict with the customer's value and to assess the degree to which resources need to be realigned in order to fulfil customers' expectations. The areas of audit should include the dimensions of the service triangle. Some of the pertinent areas to be audited are namely (Albrecht, 1992: 192):

- **adequacy** of the service **strategy**;
- the customer **friendliness** of systems;
- the **competence** of the employees in the business regarding customer care;
- the **commitment** and **support** provided by the **leaders** of the business;
- the degree to which the corporate culture is customer centred; and
- the extent of staff empowerment.

4.6 SUMMARY

A customer care strategy should assist a business to develop a long lasting competitive advantage and contribute towards the creation of a culture of customer care within the business. In this chapter the implementing of the customer service triangle model (customer service strategy) developed in chapter three was examined. Implementing the service triangle model is a process that turns plans into action assignments that are executed in a way to achieve the formulated service objectives.

The main idea that the service triangle conveys is the combination of the three organisational priorities and their impact on the customer's experience and perception of value. The three **key** organisational priorities are namely: customer focus, people, and supporting systems directing and supporting the customer service strategy.

Since all activities in the business should be customer focused the customer is positioned in the centre of the service triangle. Thus the moment of truth principles were examined followed by service blueprinting. Service blueprinting is a systematic analysis that depicts the customer's experience with the respective actions of all departments in a business.

People in the model illustrate the fact that every employee in the business contributes to the creating of positive service encounters. Therefore, every employee should understand the service strategy because ultimately, the employees of the business make the strategy a reality.

The designing of **systems** is essential to support the employees who deliver the kind of service the customer seeks.

The **customer service strategy** drives the entire customer oriented approach. Therefore, regular monitoring and evaluation of the service strategy is essential. In this chapter the **servqual model** was examined with emphasis on the difference between customer expectations and customer perceptions.

The strategic approach to customer service is a continuous process. It is therefore essential to review the strategy on a regular basis. It is apparent that steps outlined in chapter three should be undertaken after implementation of the customer service strategy.

The preceding chapters have developed a theoretical framework for an ideal customer oriented business. Chapter five will provide an empirical framework with regard to service quality. The servqual model will be adapted to evaluate the service quality in a life assurance company.

CHAPTER FIVE

RESEARCH METHODOLOGY AND FINDINGS

5.1 INTRODUCTION

Chapters one to four examined the theoretical framework of a customer-oriented business. In this chapter the servqual instrument examined in chapter four will be adapted for an empirical study in a life assurance company. The study focuses on customer service in a life assurance company with specific reference to the marketing of endowment policies. The ideal way to evaluate the customer service practices in a life assurance company is to evaluate the perceptions of the customers. According to Nel *et al.*, (1997:113) the servqual instrument (see 4.5) is a reliable and valid instrument to measure service quality in South African businesses. Findings of a field research based on the servqual model with regard to the endowment policyholders of Old Mutual Life Assurance Company will be described. Thus, the word **company** will be used to refer to Old Mutual Life Assurance Company. A detailed analysis of the findings will be presented with numerical tabulations and graphical representations.

Since each service dimension is inter-related and interdependent on the overall perception of the service delivery the significant relationship between selected dimensions were determined. The findings of the statistically significant relationships are depicted in tables with interpretations thereof. However, it is essential to firstly determine the accuracy of the calculations before the detailed analysis. The reliability analysis is depicted in **Table 5.1** and discussed in section 5.2

5.2 ANALYSIS AND INTERPRETATION OF RESULTS

Table 5.1: Reliability analysis

Item-total	Statistics			
	MEAN IF	VAR. IF	ITEM-TOTAL	ALPHA IF
	DELETED	DELETED	CORREL.	DELETED
T1_1	59.3935	83.3701	0.4809	0.8222
T1_2	59.4774	84.1083	0.4398	0.8249
T1_3	59.2387	88.7284	0.3908	0.8263
T1_4	59.7032	89.3269	0.3448	0.8284
RL2_1	59.529	88.1599	0.4231	0.8248
RL2_2	59.3226	82.9083	0.6646	0.8126
RL2_3	59.4194	84.9204	0.6075	0.8163
RL2_4	60.5677	96.1951	-0.0126	0.8435
RL2_5	59.0452	87.0824	0.5491	0.8198
RS3_1	59.5226	90.6147	0.3664	0.8274
RS3_2	59.0516	88.283	0.5594	0.8207
RS3_3	59.271	88.1599	0.5272	0.8213
A4_1	59.5677	90.3509	0.37	0.8273
A4_2	61.1871	96.6206	-0.0263	0.8419
A4_3	59.2774	84.968	0.6484	0.815
A4_4	59.4323	86.5197	0.5436	0.8196
E5_1	59.3742	86.8201	0.5694	0.819
E5_2	60.8194	93.136	0.1627	0.8358
E5_3	59.5742	85.6617	0.4514	0.8235
E5_4	60.7161	98.0488	-0.1099	0.8474
E5_5	59.2839	86.802	0.5668	0.8191
Reliability statistics				
Mean = .19				48
Cronbach's Alpha = .83				29
Standardized Item Alpha = .83				55
VALID CASES: 155 MISSING CASES: 0				

The raw data from a total of **155 respondents** were coded and captured on a spreadsheet using the Microsoft Excel package. The data was analysed by an experienced research analyst using the **SPSS** (Statistical Package for Social Sciences) for Microsoft Word 2000. The analyses of respondents were aggregated in order to reflect the general position. However, before presenting a detailed analysis of the data it is imperative to assess the accuracy and precision of the scores. The **Cronbach alpha** is the most widely used test for this purpose.

To determine the Cronbach alpha co-efficient a reliability analysis was performed on the servqual dimensions namely:

- tangibles;
- reliability;
- responsiveness;
- assurance; and
- empathy.

Using the SPSS software package the Cronbach alpha co-efficient for the selected dimensions is reported in Table 5.1. According to **Table 5.1 the** Cronbach co-efficient alpha for the instrument (that is, the questionnaire) achieved alphas ranging from **0,819 to 0,8474 with a Cronbach alpha of 0,83.** According to Nel, Pitt & Berthon (1997:116) the generally acceptable reliability cut off point for the social sciences is a Cronbach alpha co-efficient of 0,7. Therefore, it is apparent that the generally acceptable cut–off point for the reliability has been achieved thereby indicating that the measuring instrument (questionnaire) is reliable.

The analysis and interpretation of results from the six sections of the questionnaire will be examined namely: tangibles, reliability, responsiveness, assurance, empathy and other aspects pertaining specifically to endowment policies. The findings emanating from the questionnaire (Annexure B) completed by respondents will now be presented.

5.2.1 Section 1: Tangibles

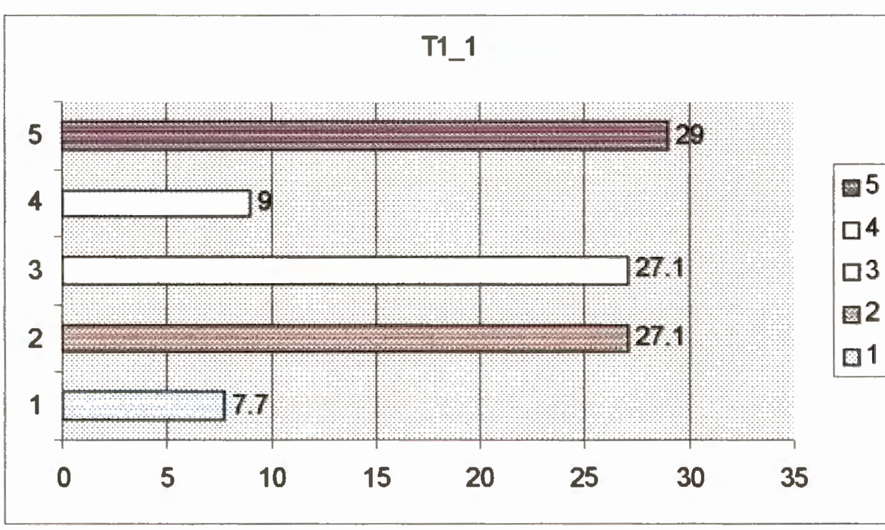
The objective of this section was to ascertain the perceptions of respondents regarding the tangible dimension of the offering. The dimensions measured were: the general appearance of the offices at the company, the physical facilities at the company, the appearance of staff at the company and the extent to which the materials associated with the service were visually appealing. Responses to these questions should provide some insight into how these tangible dimensions of the offering is perceived by respondents. The findings to this section are depicted graphically and subsequently discussed.

5.2.1.1 The general appearance of the offices at the company

1.1 How would you describe the general appearance of the offices at Old Mutual?

Outdated	**1**
Adequate	**2**
Modern	**3**
Sophisticated	**4**
Do not know	**5**

Figure 5.1: The general appearance of the offices



According to **figure 5.1** the majority of respondents **(29%)** indicated that they were **not** in a position to describe the general appearance of the offices. This finding is due to the nature of the product namely endowment policies, where the sales representative conducts most of the marketing activities at a location suitable for the customer. This may be for example at the customer's residence or at the workstation of the customer. However, **27,1%** of respondents stated that the general appearance was **adequate** whilst **27,1%** maintained that the general appearance was **modern**. Furthermore, **9%** of the respondents felt that the appearance was **outdated**. From the findings cited above it is apparent that the majority of the respondents **(61%)** have visited the offices at Old Mutual Life Assurance Company. It is interesting to note that **54,2%** of these respondents maintained that the general appearance of the offices was acceptable.

5.2.1.2 The physical facilities at the company

1.2 The physical facilities [e.g. building, signs, parking facilities and lighting] at Old Mutual are warm and inviting.

To no extent	**1**
To some extent	**2**
To a considerable extent	**3**
To a great extent	**4**
Do not know	**5**

Figure 5.2: The physical facilities at the company

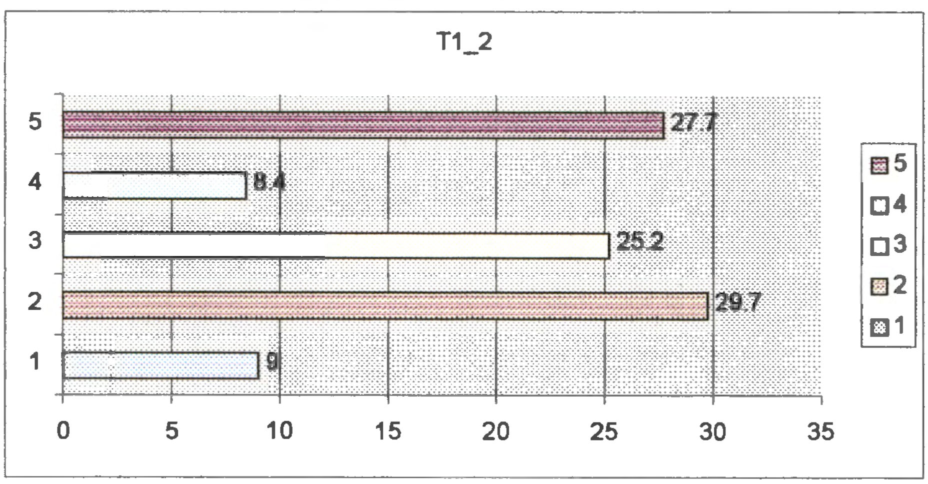


Figure 5.2 indicates that a major proportion of respondents **(29.7%)** stated that the physical facilities at the company are warm and inviting to **some** extent. Furthermore, a significant proportion of the respondents **(25,2%)** indicated that the physical facilities at the company are warm and inviting to a **considerable** extent. However, it is interesting to note that in keeping with the

previous observation **27,7%** of respondents could **not** express their views regarding the appearance of physical facilities at the company.

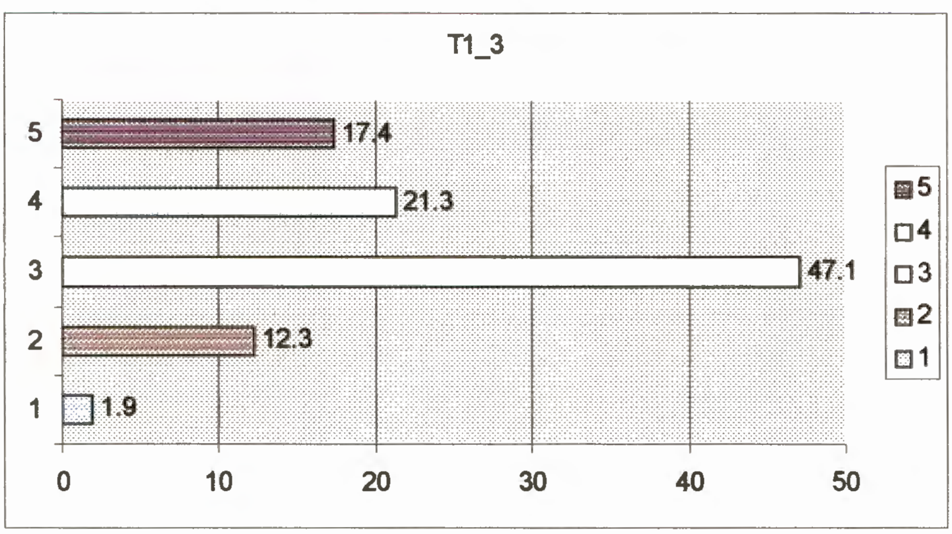
5.2.1.3 The appearance of staff at the company

1.3 Which one of the following words describes the appearance of staff at Old Mutual?

Untidy	**1**
Neat	**2**
Presentable	**3**
Very well groomed	**4**
Do not know	**5**

Figure 5.3 illustrates that a significant proportion of respondents **(47,1%)** maintained that the appearance of staff at the company was **presentable**. Furthermore, **21,3%** of respondents indicated that staff were **very well groomed.**

Figure 5.3 The appearance of staff at the company

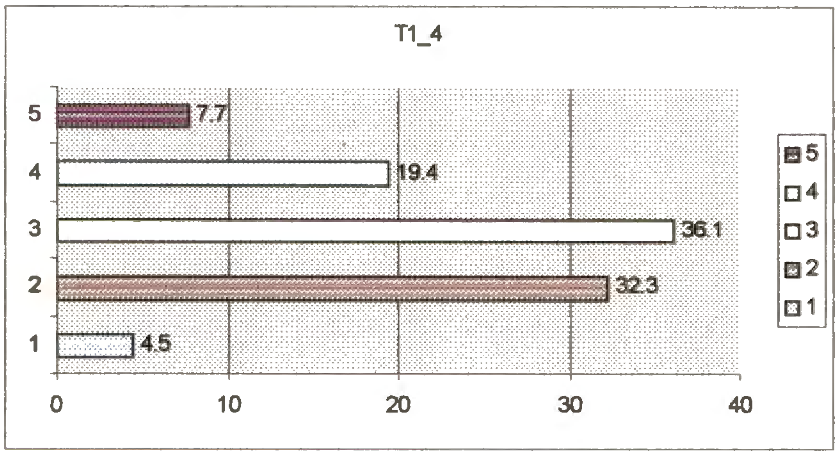


5.2.1.4 The materials associated with the service

1.4 To what extent are the materials [pamphlets, catalogues, and statements] associated with the service visually appealing to you?

Not at all	**1**
To some extent	**2**
To a considerable extent	**3**
To a great extent	**4**
Do not know	**5**

Figure 5.4: The materials associated with the service



According to **figure 5.4** the majority of respondents **(36,1%)** perceived that the materials (for example pamphlets, catalogues and statements) associated with the service were visually appealing to a **considerable** extent. However, **32,3%** of respondents indicated that materials were visually appealing to **some** extent. This finding indicates that the materials associated with the service are adequate. However, with the life assurance industry, these materials play a significant role as feedback from policyholders. Therefore, in order to gain a competitive advantage, the materials associated with the service should be updated on a regular basis.

5.2.2 Section 2: Reliability

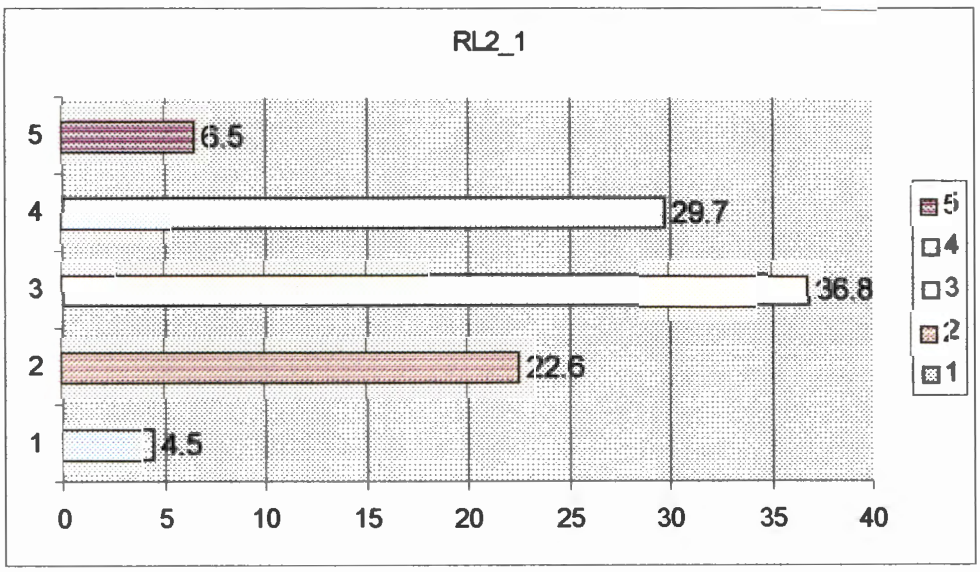
The objective of this section is to ascertain the degree of reliability of the company as perceived by the respondents using five questions. Reliability is an essential pre-requisite for the marketing of endowment policies since policyholders pay premiums for many years and large sums of money are invested. The findings of this section are reflected in the subsequent graphs and discussions.

5.2.2.1 The fulfilment of promises

2.1 When Old Mutual promises to do something at a specific time, they do so.

Never	**1**
Sometimes	**2**
Usually	**3**
Always	**4**
Do not know	**5**

Figure 5.5: The fulfilling of promises within a specified time



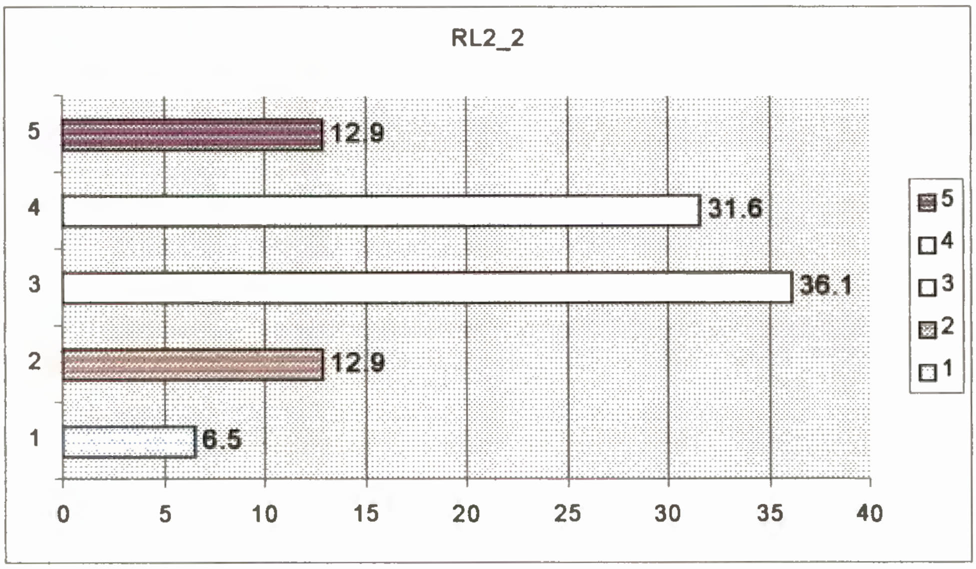
According to **figure 5.5** the majority of respondents **(36,8%)** indicated that when the company promises to do something at a specific time it **usually** does so. Furthermore, **29.7%** of respondents indicated that the company **always** keeps to its promises. Clearly, this finding indicates that the company has developed a reputation of trust, which is an important component of relationship marketing.

5.2.2.2 The willingness of staff to help customers promptly

2.2 When policyholders have a problem [e.g. an error in a statement regarding premiums] the staff of Old Mutual are willing to help customers promptly.

Never	**1**
To a minor extent	**2**
Usually	**3**
Always	**4**
Do not know	**5**

Figure 5.6: The promptness of service when customers have a problem



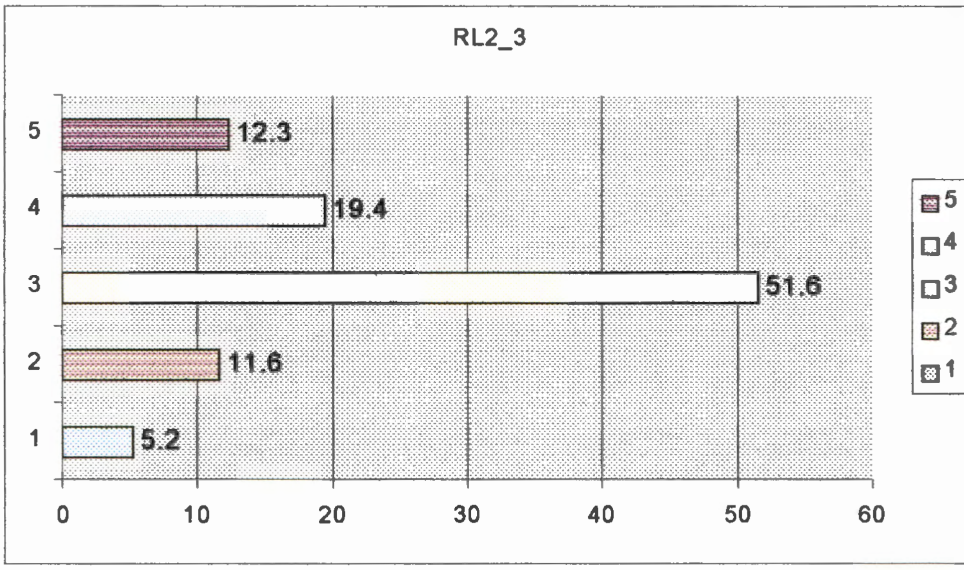
It emerged from **figure 5.6** that **36,1%** of respondents stated that the staff of the company are **usually** willing to help customers promptly, whilst **31,6%** of respondents indicated that the staff of the company is **always** willing to help customers promptly. A matter warranting some attention is that **12,9%** of the respondents maintained that the staff had helped respondents to a **minor** extent whist **6,5%** of the respondents stated that the employees were **never** willing to help customers promptly. This finding is crucial for word of mouth communications amongst potential customers thereby creating a negative image of the company.

5.2.2.3 The staff render services to the customer right the first time

2.3 The staff of Old Mutual render services to the customer *right* the first time.

Never	**1**
To a minor extent	**2**
Usually	**3**
Always	**4**
Do not know	**5**

Figure 5.7: The rendering of service to the customer right the first time



With reference to **figure 5.7** it is clear that a significant proportion of respondents **(51,6%)** indicated that services are **usually** rendered correctly the first time. Furthermore, **19,4%** of the respondents felt that staff **always** render services right the first time. Thus, it is evident that customers are satisfied with the services rendered.

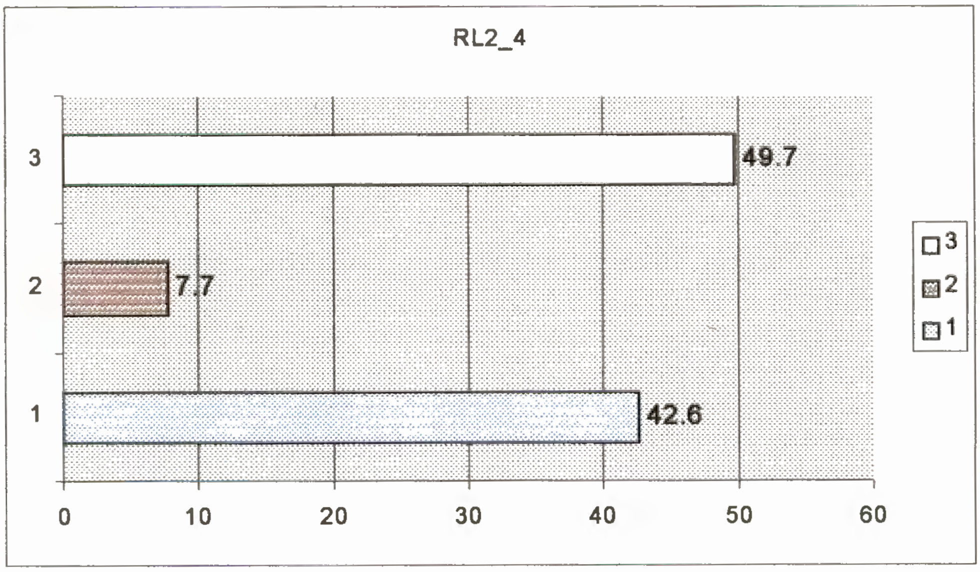
5.2.2.4 The maintenance of error free records

2.4 Does Old Mutual insist on error free records pertaining to policy information?

Yes	**1**
No	**2**
Not sure	**3**

Figure 5.8 suggests that the majority of respondents **(49,7%)** were **not sure** of the company maintaining error free records especially pertaining to policy information. Clearly this matter warrants immediate attention since maintenance of error free records is a crucial component with regards to endowment policies. It is therefore apparent that the company needs to design a system to keep records of their policies accurately and communicate this fact to the policyholders.

Figure 5.8: The maintenance of error free records with regard to policy information

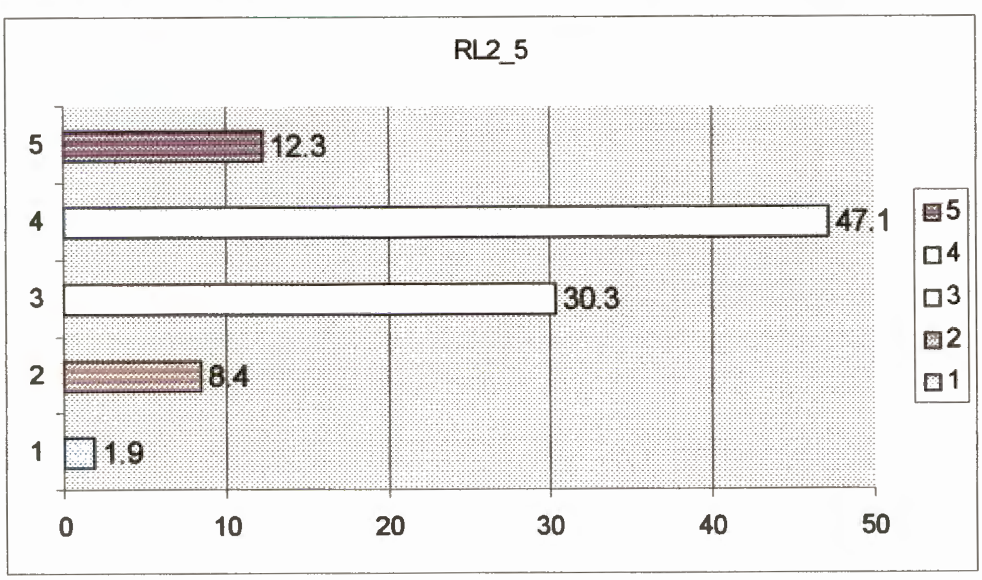


5.2.2.5 The fulfilment of promises made by the company

2.5 Do you think that Old Mutual fulfil the promises they make to customers?

Not at all	**1**
Rarely	**2**
Sometimes	**3**
To a large extent	**4**
Do not know	**5**

Figure 5.9: The fulfilment of promises made to customers



According to **figure 5.9** a greater majority of respondents **(47,1%)** were of the opinion that the company fulfils the promises they make to a **large** extent. However, **30,3%** of respondents indicated that the company **sometimes** fulfils the promises they make. Therefore, to achieve total customer satisfaction strategies should be developed in order to ensure that promises made by the personnel of the company are fulfilled.

5.2.3. Section 3: Responsiveness

The objective of this section was to ascertain the respondent's perspective on the degree of responsiveness of staff to render the required services to policyholders. It examines the extent to which the policy is explained to policyholders, the willingness of staff to help policyholders, and the degree to which staff respond to the queries of policyholders. The results are based on three questions posed to respondents and is depicted graphically and subsequently discussed.

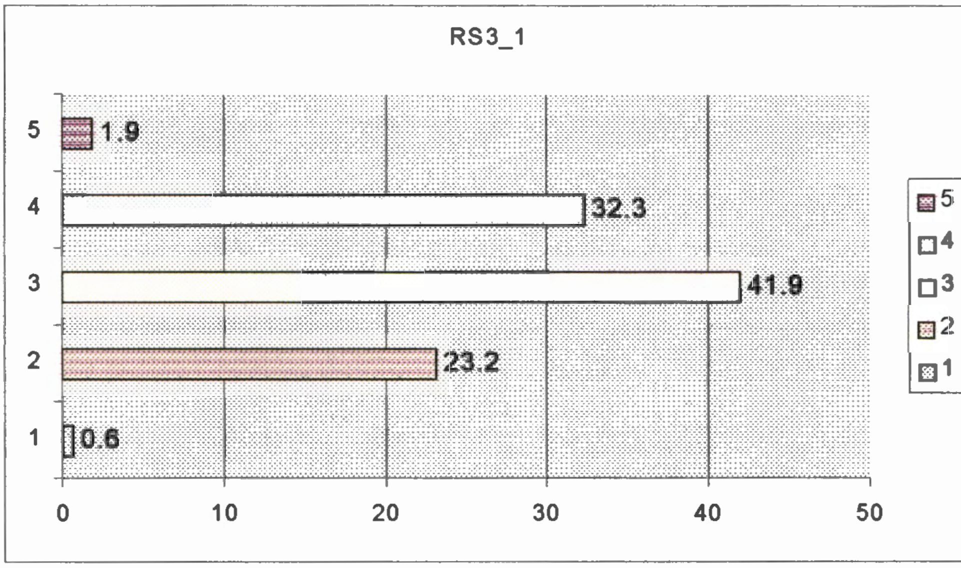
5.2.3.1 The explanation of the policy by the sales representative

3.1 To what extent did the sales representative of Old Mutual explain the policy.

No explanation	**1**
Very little explanation	**2**
Sufficient explanation	**3**
Full explanation	**4**
Do not know	**5**

According to **figure 5.10** the majority of respondents **(41,9%)** indicated that a **sufficient** explanation of the endowment policy was given by the sales representative. Furthermore, **32,3%** of respondents indicated that the sales representative gave a **full** explanation of the policy. This is an important aspect with regard to endowment policies since the product contains complex terms, which need to be understood by the policyholder.

Figure 5.10: The extent to which the sales representative explained the policy

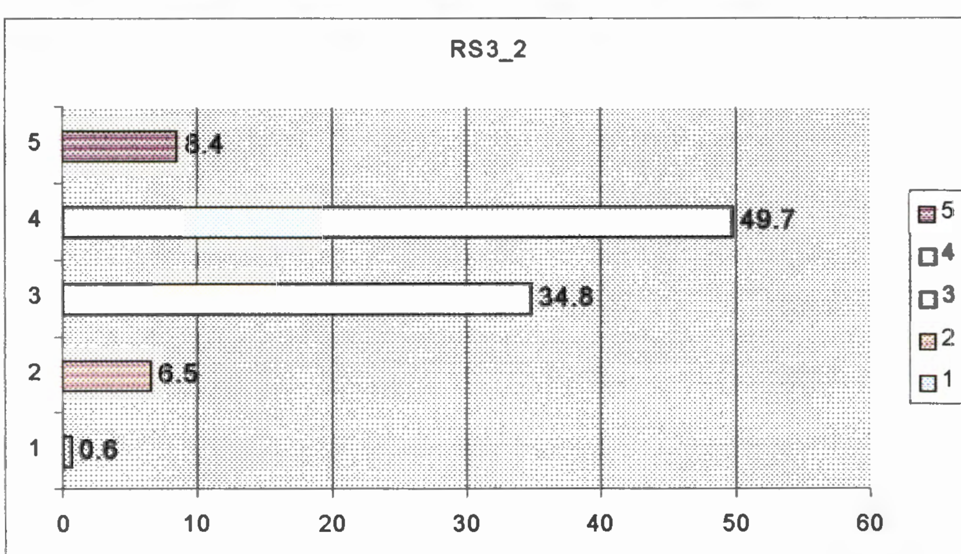


5.2.3.2 The willingness of staff to help policyholders

3.2 The staff of Old Mutual are willing to help policyholders.

Never	**1**
Rarely	**2**
Sometimes	**3**
Always	**4**
Do not know	**5**

Figure 5.11: The willingness of staff to help employees



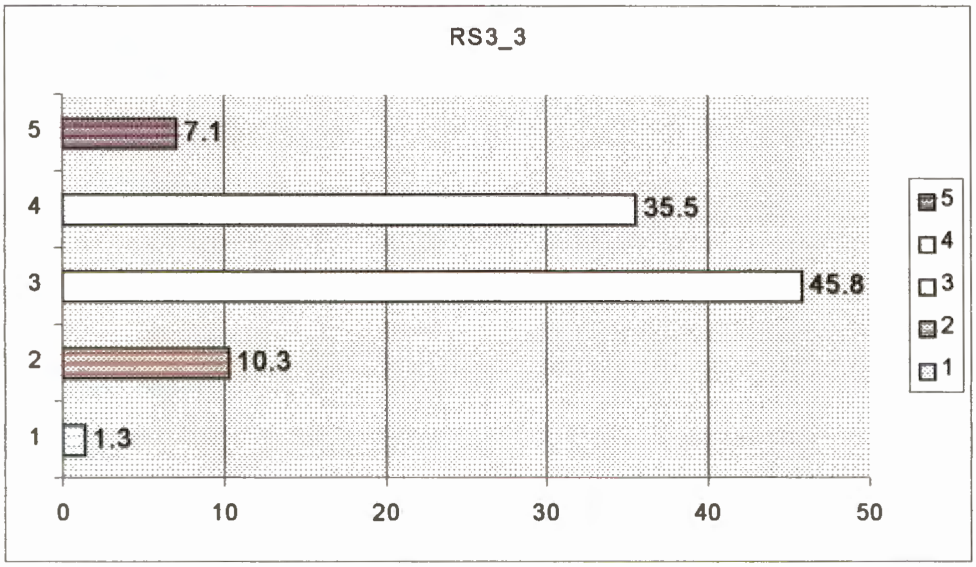
It is interesting to note that **figure 5.11** depicts that a greater proportion of respondents **(49,7%)** indicated that the staff of the company were **always** willing to help policyholders. However, **34,8%** of respondents indicated that employees were **sometimes** willing to help policyholders. Thus it is evident that the personnel in general assist policyholders.

5.2.3.3 The response of staff to the requests and queries of policyholders

3.3 The staff at Old Mutual respond to the requests and queries of policyholders.

Never	**1**
Seldom	**2**
Usually	**3**
Always	**4**
Do not know	**5**

Figure 5.12: The responsiveness of staff to requests and queries of policyholders



It is apparent from **figure 5.12** that the majority of the respondents **(45,8%)** indicated that staff **usually** respond promptly to queries and requests of policyholders. Furthermore, **35,5%** of respondents indicated that staff **always** responds to the queries and requests of policyholders. It is evident that staff of the company have the necessary knowledge and customer care skills to respond to the requests and queries of policyholders.

5.2.4 Section 4: Assurance

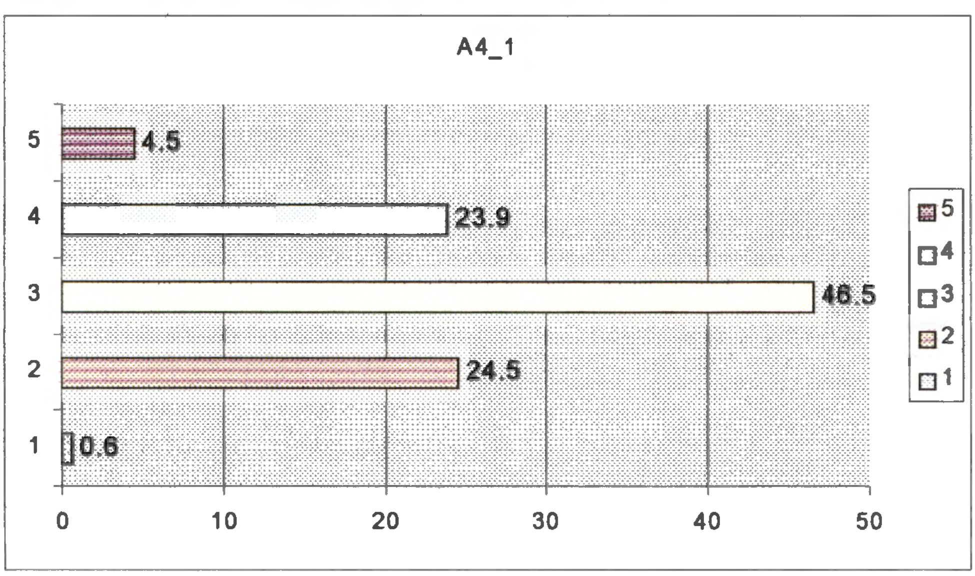
This section is dedicated to the employee component of service delivery. The objective was to obtain an overall perspective of the extent of the knowledge of employees with regards to the product. An investigation was also done with regard to the courtesy of employees and their ability to inspire trust and confidence in policyholders. Four questions were posed and the findings are illustrated graphically and subsequently discussed.

5.2.4.1 The instilling of confidence in customers

4.1 To what extent did the employees of Old Mutual instil confidence in you regarding the policy?

To no extent	1
To a little extent	2
To a considerable extent	3
To a large extent	4
Not sure	5

Figure 5.13: The extent to which employees of the company instil confidence in customers with regards to the policy



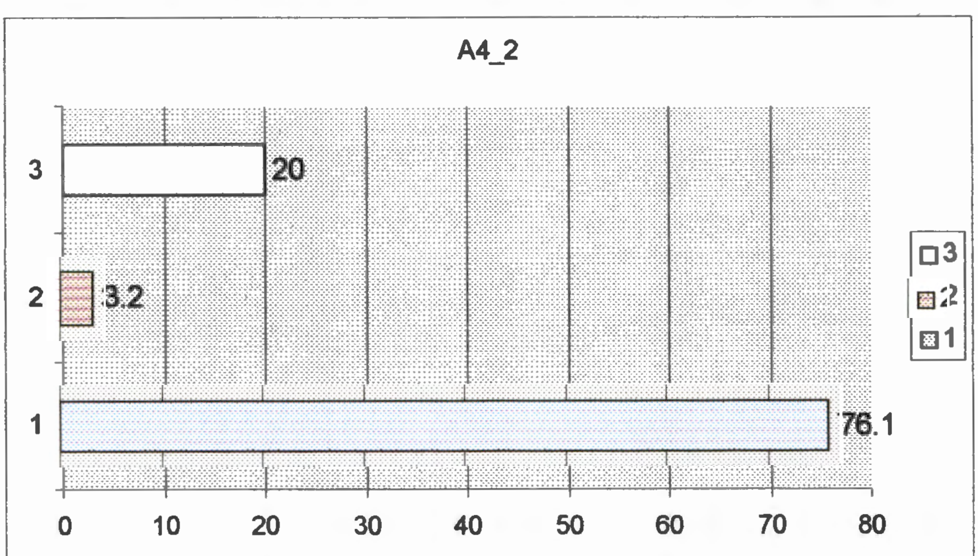
It is apparent from **figure 5.13** that **46,5%** of the respondents indicated that the employees of the company instilled confidence in them with regard to the policy to a **considerable** extent. Furthermore, **23,9%** of respondents stated that employees instilled confidence in them to a **large** extent. However, **24,5%** of respondents indicated that employees instilled confidence to a **little** extent. Thus, it is evident that the employees did instil confidence on policyholders. However, since a significant proportion **(24,5%)** of the respondents maintained that employees instilled **little** confidence in them, training programmes need to be designed to empower employees on the relevant areas.

5.2.4.2 The degree of security felt by the policyholders

4.2 As an endowment policyholder, do you feel secure investing (e.g. paying monthly premiums) in Old Mutual?

Yes	**1**
No	**2**
Uncertain	**3**

Figure 5.14: The degree of security felt by policyholders of the company



According to **figure 5.14** the majority of policyholders' **(76,1%)** felt **secure** investing in the company. Since policyholders feel secure investing in the company there is a possibility that they would increase their investments in the company.

5.2.4.3 The welcome accorded to policyholders

4.3 Does Old Mutual personnel make policyholders feel welcome?

Never	**1**
Occasionally	**2**
Usually	**3**
Always	**4**
Do not know	**5**

Figure 5.15: The extent to which personnel of the company make policyholders feel welcome

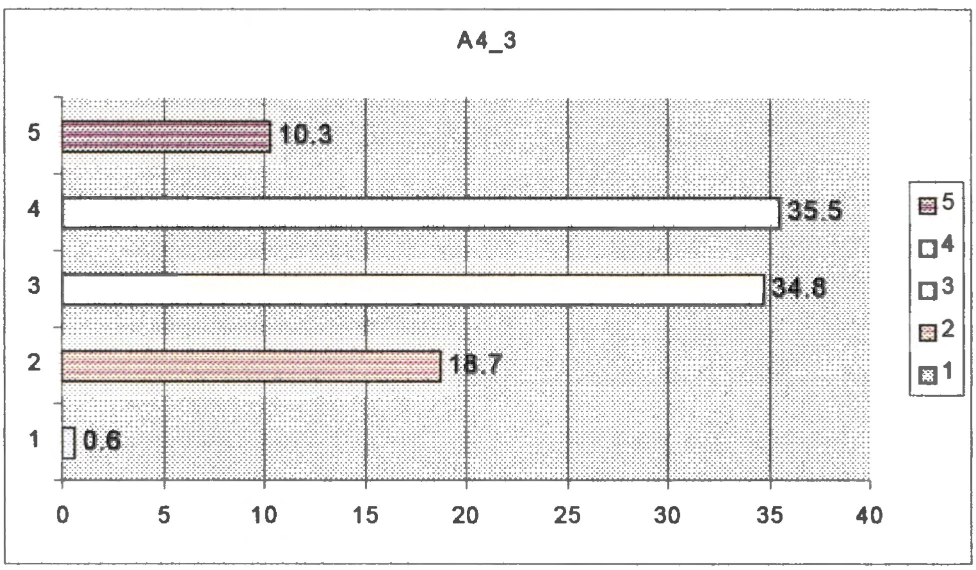


Figure 5.15 clearly illustrates that a significant proportion of respondents **(35,5%)** maintained that the personnel of the company **always** made them feel welcome. Furthermore, **34,8%** of the respondents indicated that the personnel **usually** make the policyholders feel welcome. Of concern, is that **18,7%** stated that personnel **occasionally** make them feel welcome. This issue needs to be addressed because if a policyholder is not always welcomed, then the policyholder will avoid communicating with the company. Furthermore, these policyholders will inform existing policyholders and even new customers or prospective customers, thereby creating a poor image of

the company. This may have an impact on future investments of such policyholders.

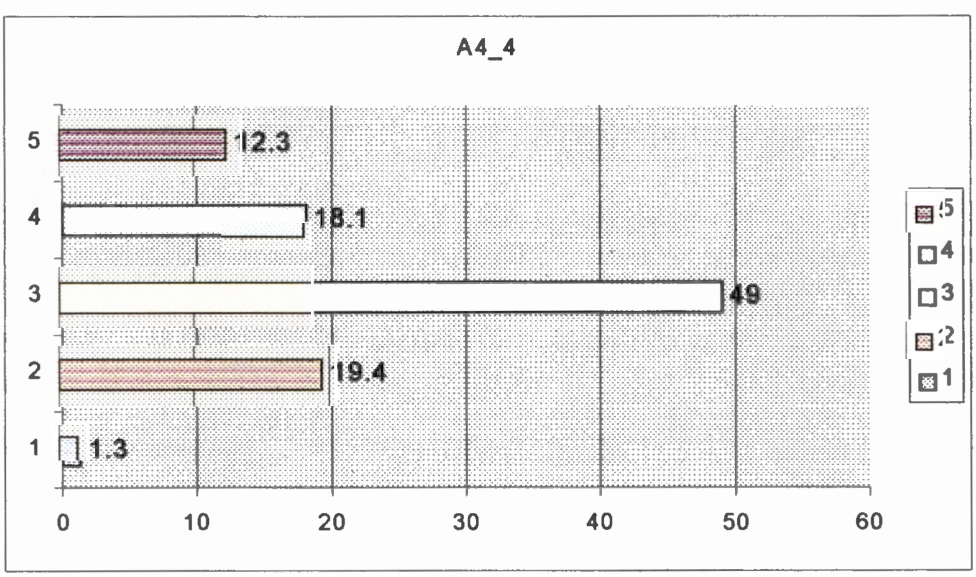
5.2.4.4 The knowledge of staff to advise policyholders

4.4 In your opinion, to what extent does staff of Old Mutual have the knowledge to advise policyholders on financial matters.

No knowledge	1
Limited knowledge	2
Considerable knowledge	3
Extensive knowledge	4
Uncertain	5

It emerged from **figure 5.16** that the majority of respondents **(49,0%)** maintained that personnel have a **considerable** knowledge of financial matters whilst **18,1%** of respondents indicated that the personnel of the company have an **extensive** knowledge on financial matters. A matter that warrants some attention is that **(19,4%)** of respondents indicated that the staff of the company have a **limited** knowledge of financial matters.

Figure 5.16: The knowledge of staff to advise policyholders on financial matters



5.2.5 Empathy

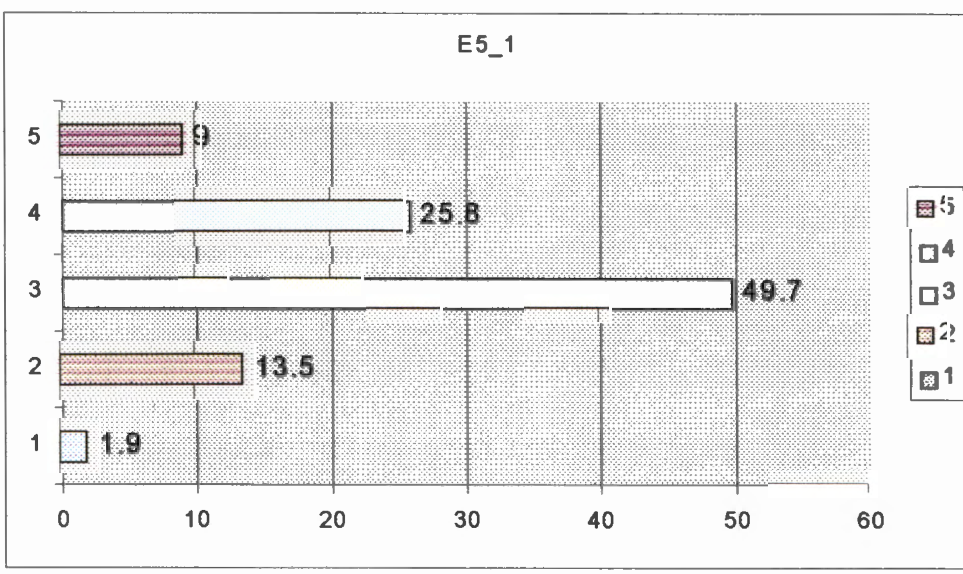
This section also focuses on the employee component of the service delivery. Employees at all levels play a vital role when serving customers on an individual basis. The objective of this section is to ascertain the degrees of care and individual attention policyholders receive. Five questions were posed to respondents. The findings of this section is illustrated graphically and subsequently discussed.

5.2.5.1 Individual attention to policyholders

5.1 The staff of Old Mutual give policyholders individual attention.

Not at all	**1**
Seldom	**2**
Usually	**3**
Always	**4**
Do not know	**5**

Figure 5.17: Individual attention given to policyholders by the staff of the company



According to **figure 5.17** the major proportion **of** the respondents **(49,7%)** are of the opinion that the personnel of the company **usually** give policyholders individual attention. Furthermore, **25,8%** of respondents indicated that the personnel of the company **always** give policyholders individual attention whilst **13,5%** of respondents indicated that the personnel **seldom** give policyholders individual attention. It is apparent that in general policyholders are given individual attention. However, the company should envisage a method to ensure that all policyholders get individual attention since the endowment policy is an individualised product that contains confidential information.

5.2.5.2 Business operating hours

5.2 The operating hours at Old Mutual is convenient for policyholders.

Agree	**1**
Disagree	**2**
Uncertain	**3**

Figure 5.18: The business operating hours at the company for policyholders

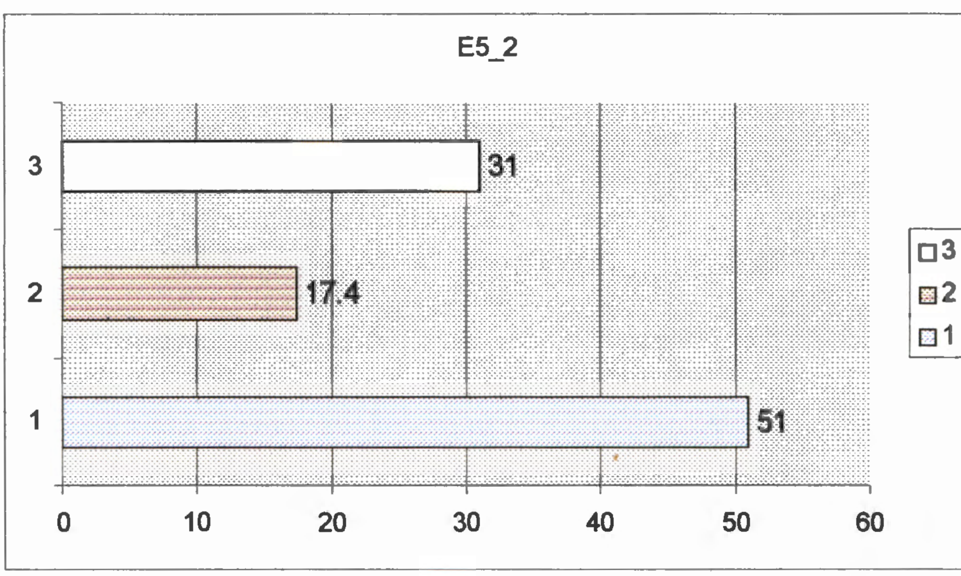


Figure 5.18 illustrates that **51,0%** of the respondents indicated that the business operating hours were **convenient** to policyholders, whilst **17,4%** of respondents indicated that the operating hours were **not** convenient to policyholders. Of significance is that **31,6%** of respondents were **uncertain** about the operating hours of the business. This is a crucial aspect of service delivery since policyholders need to consult with the personnel handling their

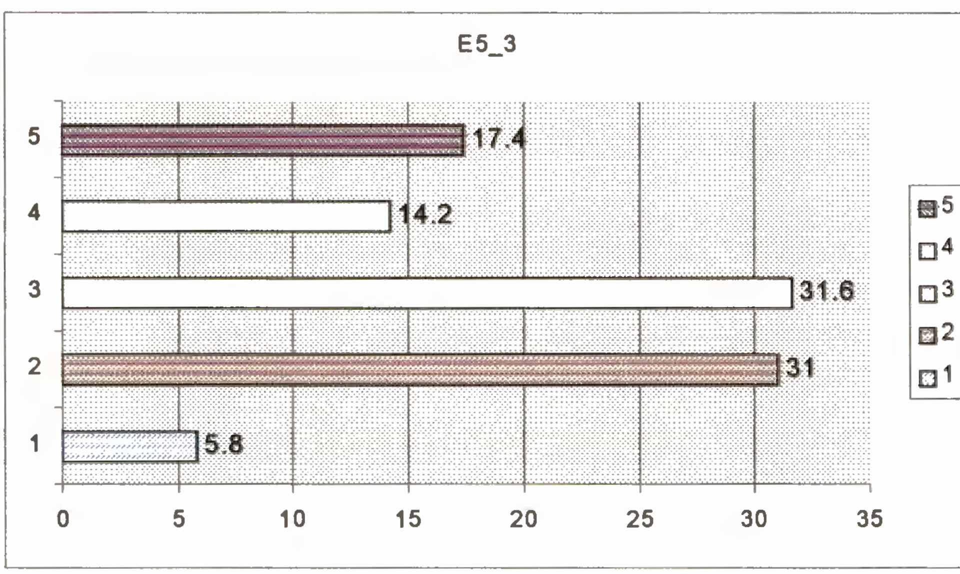
policies from time to time. Furthermore, in order to ensure a long term relationship with the policyholder customer access and contact is essential.

5.2.5.3 Adaptation of policies to suit the needs of policyholders

5.3 To what extent does the staff of Old Mutual adapt the policies to suit the needs of the policyholders.

To no extent	**1**
To some extent	**2**
To a considerable extent	**3**
To a great extent	**4**
Do not know	**5**

Figure 5.19: The adaptation of policies by the staff to suit the needs of the policyholders



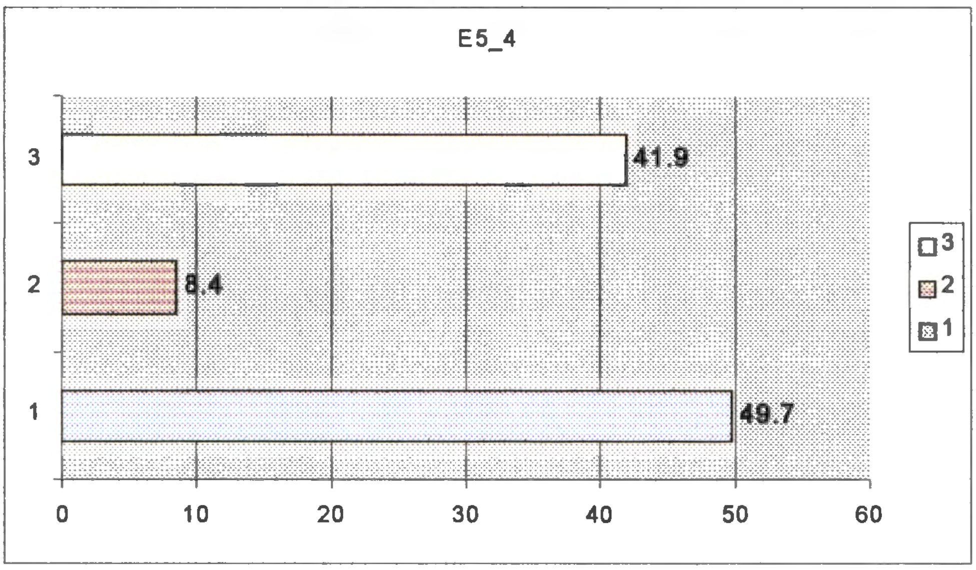
According to **Figure 5.19** the majority of the respondents **(31,6%)** indicated that the endowment policy suited the needs of policyholders to a **considerable** extent, whilst **31,0%** of respondents stated that the policies suited the needs of policyholders to **some** extent. However, only **14,2%** maintained that the policies suited the needs of policyholders to a **great** extent. Thus, it would appear that greater emphasis should be placed on adapting policies to suit the needs of policyholders by customising the product. Therefore, management should endeavour to review the present structure of the endowment policy in order to suit the needs of policyholders.

5.2.5.4 The policyholders best interest

5.4 Old Mutual has the policyholders best interests at heart.

Yes	**1**
No	**2**
Uncertain	**3**

Figure 5.20: The company has the policyholders best interest at heart



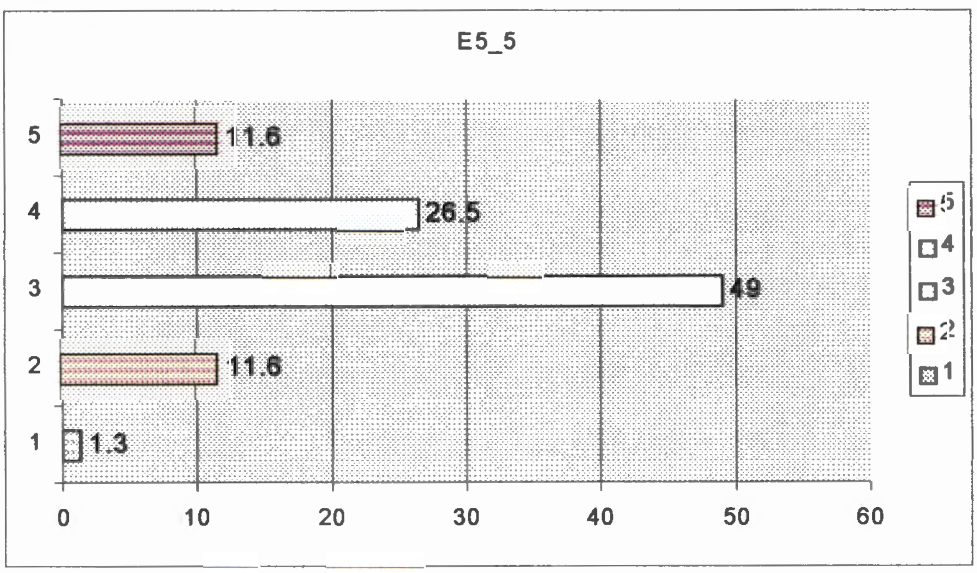
A significant proportion of respondents **(49,7%)** are of the opinion that the company **has** the policyholders best interests at heart. However, **41,9%** of the respondents indicated that they are uncertain. Therefore, managers of the business need to review the issue of customers' interests in order to build a greater degree of empathy amongst customers.

5.2.5.5 The specific needs of policyholders

5.5 The staff of Old Mutual understand the specific needs of policyholders

Make no attempt to understand	**1**
Make a little effort to understand	**2**
Make some attempt to understand	**3**
Understand the specific needs fully	**4**
Do not know	**5**

Figure 5.21: The extent to which the staff of the company understand the needs of policyholders



The majority of respondents **(49%)** indicated that the staff of the company make **some** effort to understand the specific needs of policyholders. Understanding the needs of customers is one of the primary activities of marketing. Thus, it is clear that greater emphasis should be placed on understanding the needs of the policyholders in order to achieve service excellence.

5.2.5 Section 6: Other

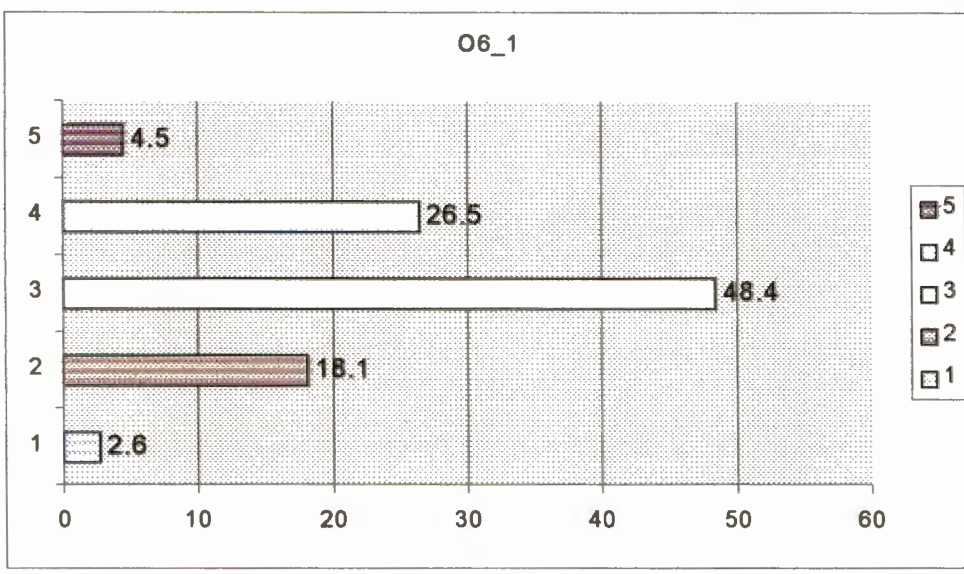
This section is dedicated to aspects specifically pertaining to the product and company being evaluated. Fourteen questions were posed in the section of which one question (6.14) is an open-ended question. The findings of this section are depicted graphically and subsequently discussed.

5.2.5.1 The policy explanation given by staff of Old Mutual

6.1 The staff of Old Mutual give policyholders a full explanation on the policy options, the calculation of premiums, the benefits of the policy and the date of maturity.

No explanation	**1**
Very little explanation	**2**
Sufficient explanation	**3**
Detailed explanation	**4**
Do not know	**5**

Figure 5.22: The extent of explanation on the policy given by the staff of the company



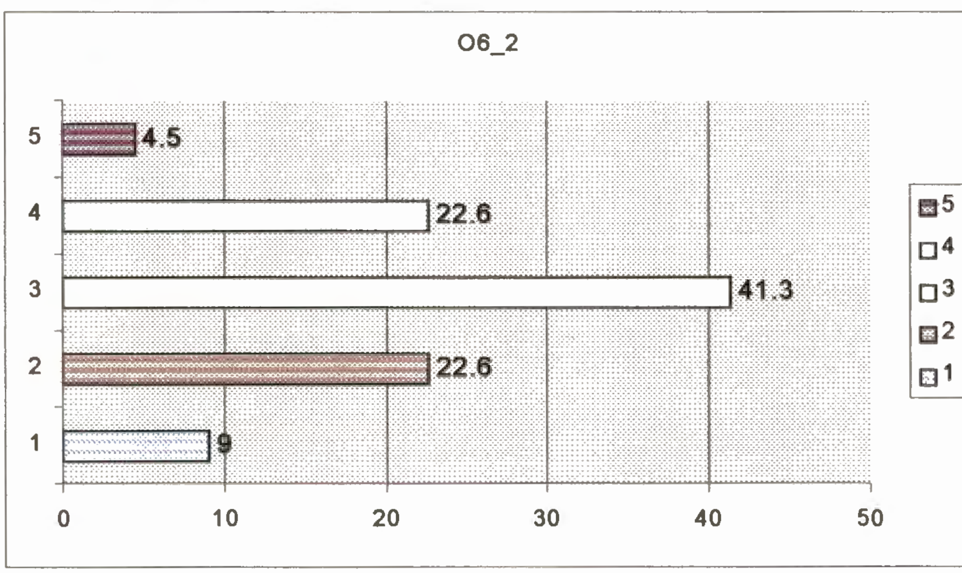
It emerged that the majority of respondents **(48,4%)** indicated that the staff of the company give policyholders **sufficient** explanation on issues such as policy options, the calculation of premiums, the benefits of the policy and the date of maturity. Since a policyholder invests in the company for many years it is essential for the company to follow up after the purchase. Therefore, the company needs to develop a follow up system to endowment policyholders in order to provide information to policyholders on an ongoing basis. Furthermore, an endowment policy is a form of investment that has various options that policyholders may need to exercise, especially if there has been a change to the disposable income of the policyholder.

5.2.6.2 Communication with employees

6.2 Old Mutual employees communicate with policyholders regularly on, for example, premium options, policy options, demutualisation, and the changing trends on the market.

Never	**1**
Very little	**2**
Usually	**3**
Always	**4**
Do not know	**5**

Figure 5.23: The company's employees communicate with policyholders on a regular basis



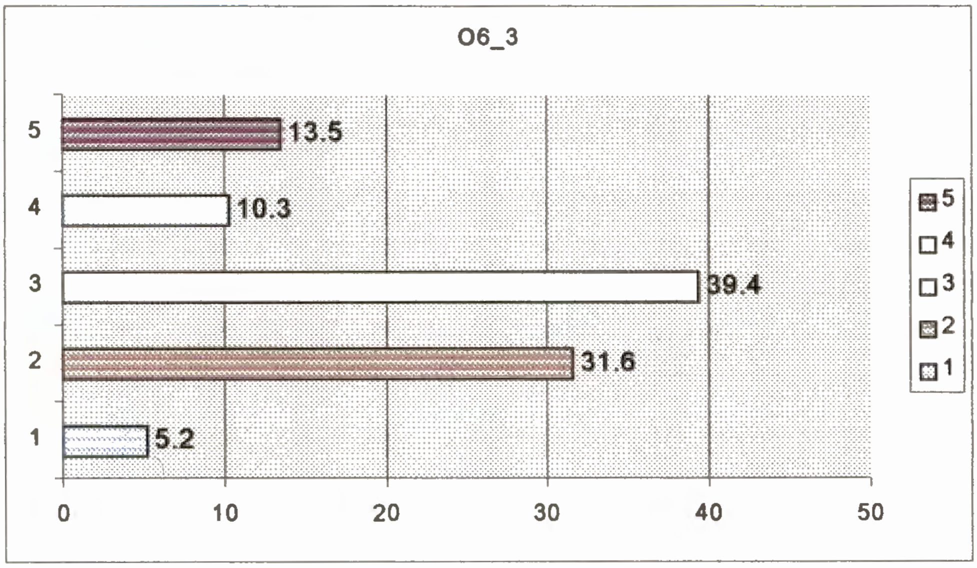
According to **Figure 5.23** a greater proportion of respondents **(41,3%)** indicated that the company's employees **usually** communicate with policyholders regularly whilst **22,6%** of the respondents felt that there is very **little** communication from the employees of the company. However, **22,6%** of respondents stated that the employees of the company **always** communicate with policyholders.

5.2.6.3 Professional advice to their policyholders

6.3 Are the Old Mutual personnel in a position to give professional financial advice to their policyholders?

Not at all	**1**
To a some extent	**2**
To a considerable extent	**3**
To a great extent	**4**
Uncertain	**5**

Figure 5.24: The ability of the company's personnel to give professional advice to their respective policyholders



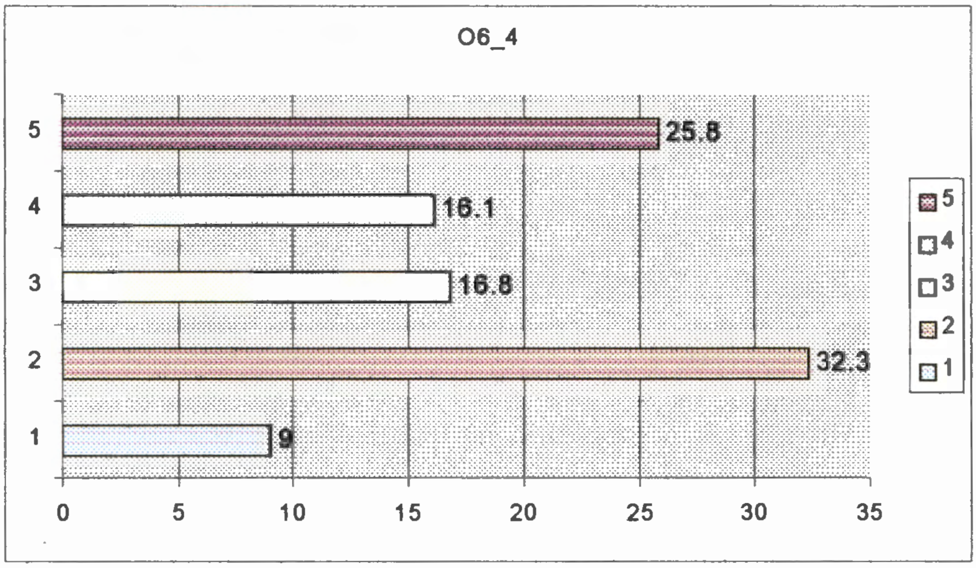
A major proportion of respondents **(39,4%)** indicated that the personnel have the necessary expertise to give policyholders professional financial advice to a **considerable** extent. However, a significant proportion of respondents **(31,6%)** stated that the personnel can give professional financial advice to **some** extent. Since the offering being evaluated by this study is of a financial aspect, the personnel should be in a position to give the company's policyholders expert financial advice. Clearly, this matter warrants greater attention.

5.2..6.4 Problems encountered by policyholders

6.4 When policyholders need to make changes (eg. changes in address, premiums, account details and change of beneficiaries and withdraw funds) do they encounter problems?

Always	**1**
Sometimes	**2**
Usually	**3**
Never	**4**
Do not know	**5**

Figure 5.25: The extent of problems encountered by policyholders when they need to make changes



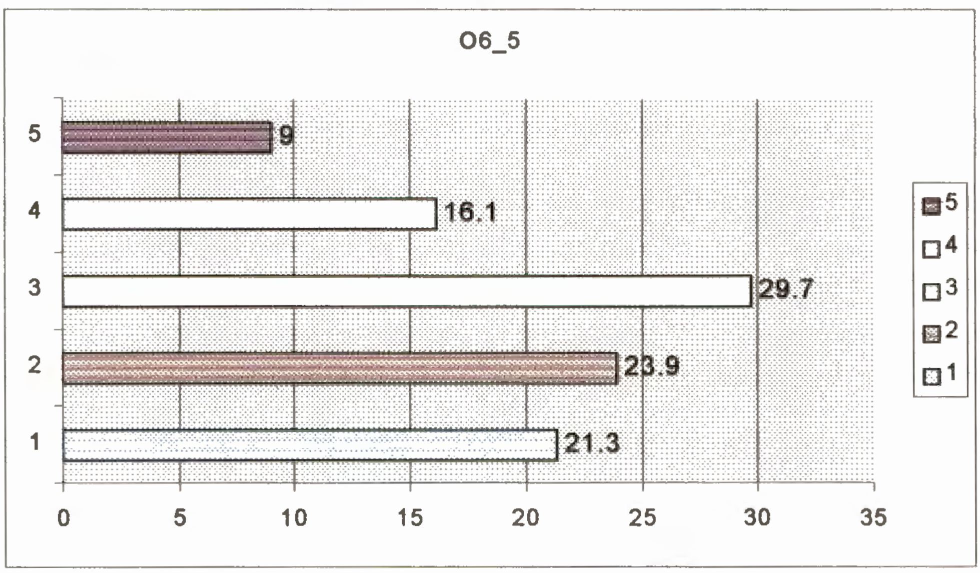
A significant proportion of respondents **(32,3%)** indicated that policyholders **sometimes** encounter problems when they need to make changes (such as a change in the policyholder's postal or electronic addresses, changes in debit order account numbers, withdrawal of cash and a change in beneficiary). Furthermore, **16,8%** of respondents maintained that policyholders **usually** encounter problems when a change is required. It is clear that the service encounter or moment of truth is negative. Therefore, the managers need to make a greater effort to identify the possible source of these problems in order to ensure total customer satisfaction.

5.2.6.5 Enquiries about the financial situation of policyholders

6.5 Does the Old Mutual enquire about your financial situation (e.g. changes with regard to occupation, family size and review of policy particulars) periodically?

Never	**1**
Rarely	**2**
Sometimes	**3**
Always	**4**
Do not know	**5**

Figure 5.26: The extent to which the company enquires about the financial situation of the policyholder



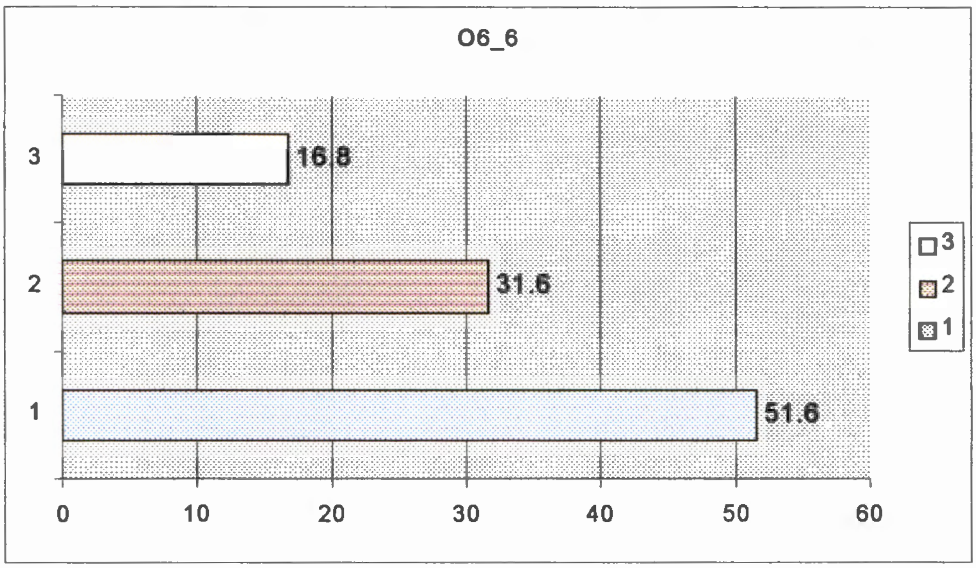
The majority of policyholders **(29,7%)** indicated that the company **sometimes** enquires about their financial position (for example, changes in policyholder's income, family size and occupation). Furthermore, **23,9%** of respondents stated that the company **rarely** enquired about the policyholder's financial position whilst **21,3%** of respondents indicated that the company **never** enquired about the policyholder's financial position. The financial position of a policyholder has an impact on the continuity of an endowment policy. Therefore, the company should communicate with policyholders at least on an annual basis in the form of a letter enquiring about changes in, for example, the policyholder's occupation.

5.2.6.6 The possibility of the company becoming insolvent

6.6 Is it possible for Old Mutual to become insolvent?

Cannot tell	**1**
Possible	**2**
Never	**3**

Figure 5.27: The possibility of the company becoming insolvent



It is interesting to note that the majority of respondents **(51,6%)** indicated that it is **not** possible to state whether the company will become insolvent in the foreseeable future. Furthermore, **31,6%** of respondents indicated that it is **possible** for the company to become insolvent.

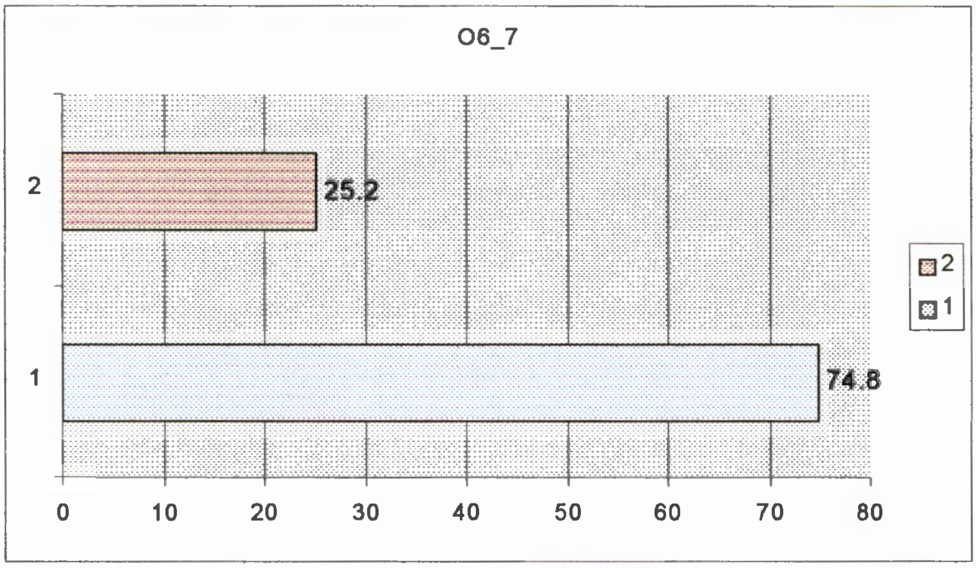
5.2.6.7 Policies with other companies

6.7 Do you have policies with other companies?

Yes	**1**
No	**2**

An overwhelming majority of policyholders **(74,8%) have** policies with **other** companies.

Figure 5.28: Policies with other companies

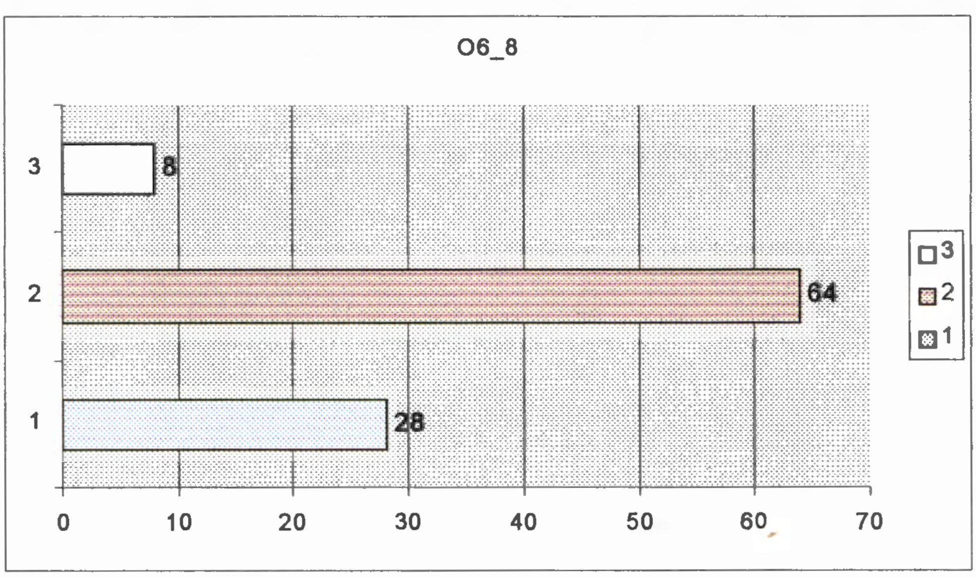


5.2.6.8 The service received from other companies

6.8 If "Yes" to question 6.7, how would you regard the service received from other companies in comparison to Old Mutual's service?

Better	**1**
The same	**2**
Worse	**3**

Figure 5.29: The comparison of service received from the companies



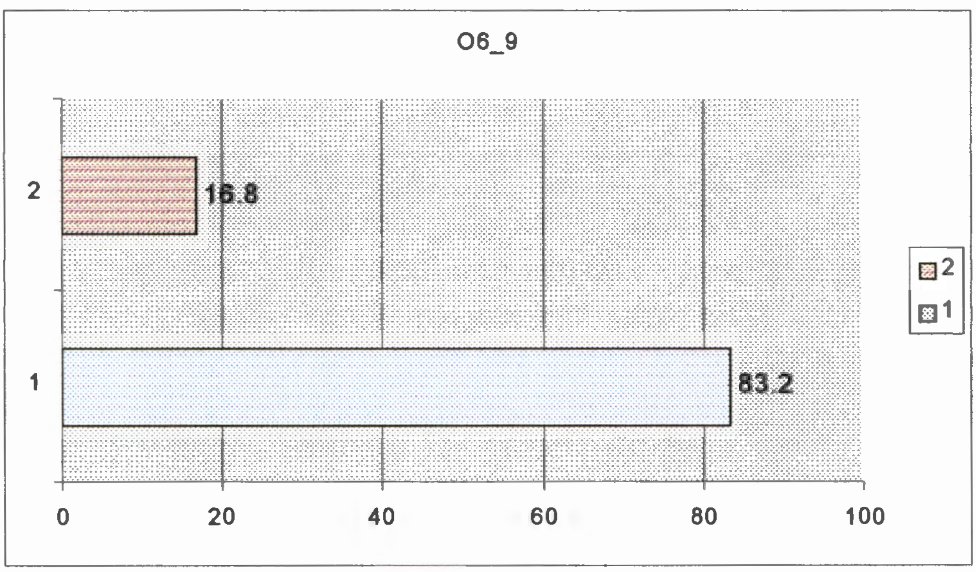
The major proportion of the respondents **(64%)** indicated that the service received from other companies is **similar**. Thus, it is evident that the company is not in a competitive advantageous position when compared to competitors from a service perspective. Clearly, to gain a competitive advantage, greater emphasis should be placed on customer service.

5.2.6.9 Recommendation to a friend or relative

6.9 Would you recommend Old Mutual to a friend or relative?

Yes	**1**
No	**2**

Figure 5.30: Would the respondent recommend the company to a friend or relative?



It is interesting to note that **83,2%** of the respondents indicated that the policyholders would **recommend** the company to a friend or relative.

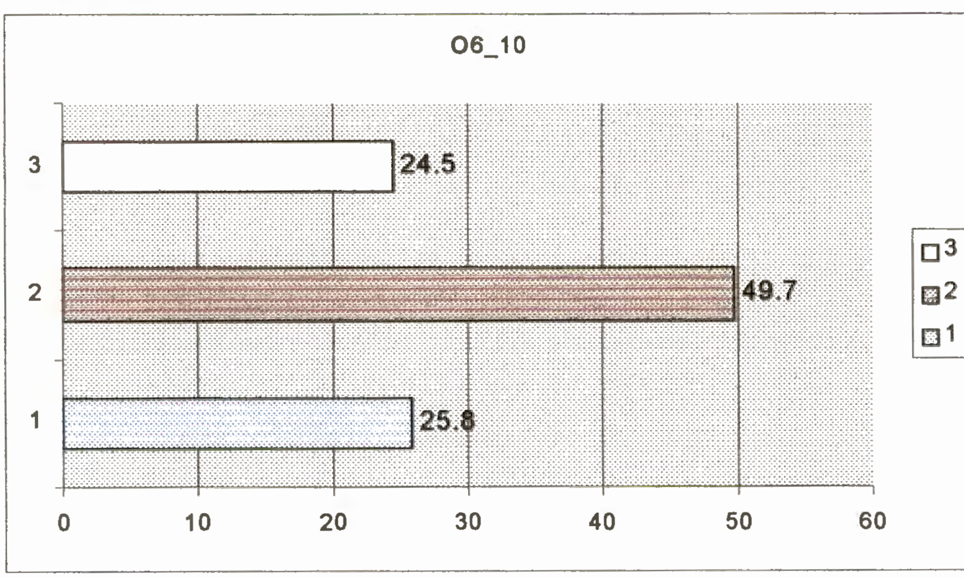
5.2.6.10 The procedure to be followed by the policyholder when the policy matures

6.10 When the policy matures, do you know what procedure to follow?

Do not know what to do	**1**
Have some idea	**2**
Have the necessary knowledge	**3**

A significant proportion of the respondents **(49,7%)** indicated that the policyholders have **some** idea concerning the procedure to follow when the policy matures. However, a comparatively smaller proportion of the respondents **(25,8%)** indicated that the policyholders **do not know** what to do when the endowment policy matures. Although, the proportion of respondents is comparatively smaller than the latter, this matter warrants attention at a regional or head office level in order to alleviate problems at maturity date.

Figure 5.31: The procedure to be followed by the policyholder when the policy matures



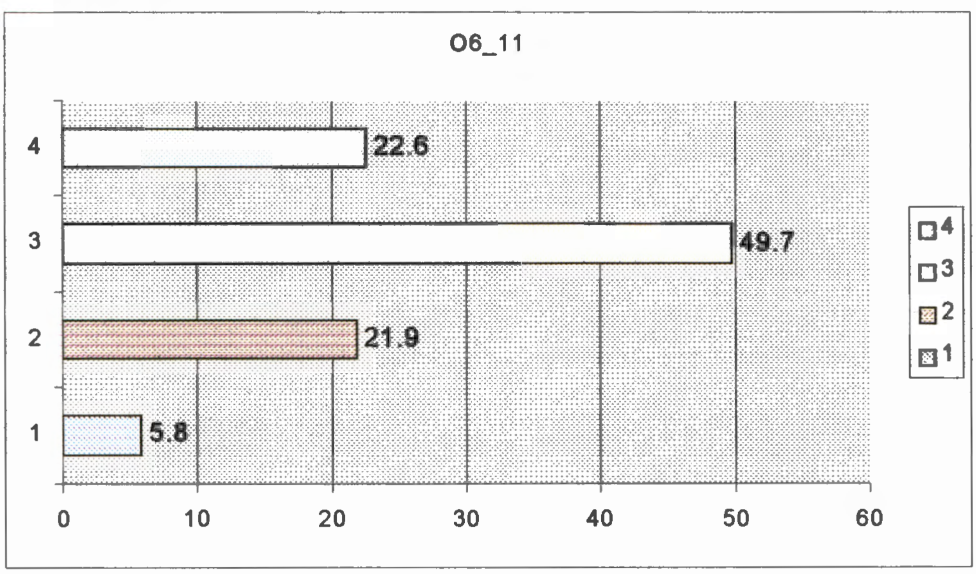
5.2.6.11 Understanding the terms used in the document

6.11 Do you understand the terms in the policy (e.g. surrender value, paid-up, beneficiary, lapse, disability and claim bonus)?

No knowledge	**1**
Very little knowledge	**2**
Have some knowledge	**3**
Have complete knowledge	**4**

It emerged that the majority of respondents **(49,7%)** have **some** knowledge about the terms (surrender value, paid up value, beneficiary, lapsed and policy claim bonuses) used in the policy whilst **22,6%** of respondents stated that the policyholders have **complete** knowledge. However, a small proportion of respondents **(21,9%)** have very **little** knowledge of the terms used the policy document. It is imperative that every policyholder should understand the terms used in the policy document since it has an impact on the value of the policy. One of the reasons for this problem is the complex legal terms used in the policy document. Greater effort is required by the company to simplify the complex terms used in the policy.

Figure 5.32: The policyholders understanding of the terms used in the policy document



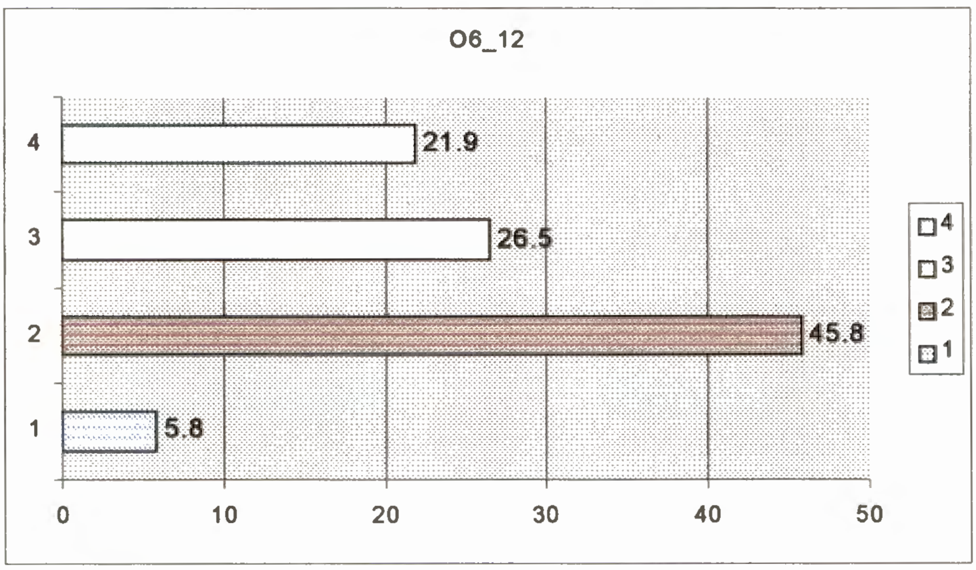
5.2.6.12 Reading the endowment policy

6.12 With regard to your endowment policy, have you:

Not read it at all	**1**
Have browsed through it	**2**
Read it thoroughly	**3**
Understand it fully	**4**

A greater proportion of respondents **(45,8%)** indicated that the policyholders have **browsed** through the policy whilst **26,5%** of respondents stated that they have **read** through the policy. Only **21,9%** of the respondents indicated that they **understood** the policy. Understanding what the product is about is crucial to marketing.

Figure 5.33: The policyholders' reading of the endowment policy



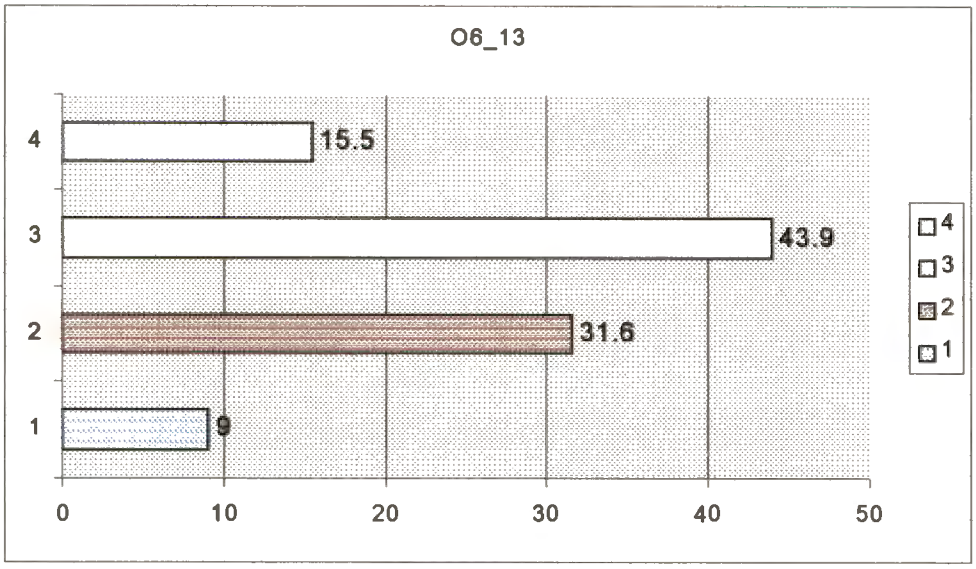
5.2.6.13 Understanding the demutualisation process

6.13 Do you understand the demutualisation process of Old Mutual?

Not at all	**1**
Have little knowledge	**2**
Have considerable knowledge	**3**
Have an extensive knowledge	**4**

The majority of respondents **(43,9%)** indicated that policyholders have a **considerable** knowledge of the demutualisation process, whilst **31,6%** of respondents indicated that policyholders have **little** knowledge of the process.

Figure 5.34: The policyholder's understanding of the demutualisation process



5.2.6.14 Improving service to the policyholder

6.14 Please indicate how Old Mutual can improve their services to you

Table 5.2: Issues raised by respondents

Issues raised by respondents	**Number***
Providing secure parking	10
Increase the number of toll free telephone lines	15
Sales representatives should contact the policyholders regularly on a person to-person basis	30
The database should be updated regularly;	20
More branches should be established in the residential suburbs surrounding the central business district of Durban	7
The company should provide transport for policyholders when medical tests are performed	10
The business operating hours should be more flexible	8
Provide better-trained employees	33
TOTAL	133

*= number of respondents

With regard to the open-ended question, issues raised by respondents for improving customer service are illustrated in Table 5.2. The suggestions made by respondents should be considered by the service providers in order to improve customer service to policyholders. Since these issues provide feedback from policyholders the company should embark on customer service programmes to address the following three important issues:

- provide better trained employees;
- sales representatives should contact the policyholders regularly on a person to person basis; and
- the database should be updated regularly.

Having analysed the findings as per section the next step is to determine whether these dimensions of service are related. The subsequent statistical cross tabulations followed by explanations would determine the relationship between the various service dimensions.

5.3 RELATIONSHIP BETWEEN DIMENSIONS OF SERVICE

In order to determine the relationship between the dimensions of service described in the preceding paragraphs the **Pearson value** will be calculated using the cross tabulation method. The Pearson value will determine the statistical significance of the relationship. Statistical significance means that the results depicted are not likely to be due to chance factors. The level of statistical significance used usually is a Pearson value of **less than 0,05 or 0,01 or 0,001.** In this study the significance level used is less than 0,05 which means that there is a **ninety five percent (95%) chance** that the sample results are not due to chance factors but reflect the population accurately. Therefore, one can be ninety five percent confident that the results are due to a real relationship in the population (Newman, 1997:320).

Using the cross-tabulation method to determine the Pearson value the sections that follow will describe the key relationships.

Table 5.3: The inter-relationship between servqual sections

CORRELATION MATRIX: PEARSON					
	TANGIBLES	RELIABILITY	RESPONS	ASSURANCE	EMPATHY
TANGIBLES	1*	0.3695*	0.2168*	0.4418*	0.3102*
	-155**	-155**	-155**	-155**	-155**
		P= .000***	P= .007***	P= .000***	P= .000***
RELIABILITY	0.3695*	1*	0.5725*	0.4934*	0.5409*
	-155**	-155**	-155**	-155**	-155**
	P= .000***		P= .000***	P= .000***	P= .000***
RESPONSIVENESS	0.2168*	0.5725*	1*	0.6288*	0.3324*
	-155**	-155**	-155**	-155**	-155**
	P= .007***	P= .000***		P= .000***	P= .000***
ASSURANCE	0.4418*	0.4934*	0.6288*	1	0.4521*
	-155**	-155**	-155**	-155**	-155**
	P= .000***	P= .000***	P= .000***		P= .000***
EMPATHY	0.3102*	0.5409*	0.3324*	0.4521*	1*
	-155**	-155**	-155**	-155**	-155**
	P= .000***	P= .000***	P= .000***	P= .000***	
(Coefficient	/ (Case) /	Probability	2-tails)		

* = average score per servqual section in

** = number of respondents depicted as - 155

*** = P refers to the Pearson value to determine the significance of the relationship

5.3.1 Relationship between servqual sections

To explain the relationship between the servqual dimensions (section 1 to 5) the correlation matrix is used. The correlation matrix shows the correlation for each section of the dimensions depicted in Table 5.2 (Mc Daniel & Gates, 1996:617). According to the **Table 5.3** the Pearson value in the correlation matrix range from **0.007 to 0,000.** Since the Pearson value is less than 0,05 it is evident that tangibles, reliability, responsiveness, assurance and empathy have highly **significant Pearson values.** It is therefore deduced from this relation analysis that these dimensions are inter-related and inter- dependent to create positive moments of truth that are the objectives of any business.

It was interesting to note that statistically significant relationships exist among dimensions. By applying the correlation co-efficient method, several significant relationships between statements were identified.

The relationships are subsequently examined.

5.3.1.1 Relationship between the statements pertaining to policyholders feel secure investing in the company and selected issues:

Table 5.4 indicates that a statistically significant relationship (P=0,0062) exists between the two statements" policyholders feel secure investing in the company" and "the company fulfils the promises they make." From this observation one can deduce that the policyholders feel secure investing in the company because the company fulfils the promises they make. Furthermore, the policyholders feel adequately secure to recommend the company to a friend or relative (P= 0,0000), although the respondents have only browsed through the policy (P=0,0001). Clearly, such respondents may be positioned as loyal customers, namely **advocates** (see 2.3.5) of the company.

Table 5.4: Inter-relationship between the responses with regard to the policyholders feel secure investing in the company and selected dimensions

Policyholders feel secure investing in the company	The company fulfils the promises they make [P=0,0062]
	The policyholders will recommend the company to a friend or relative P=[0,0000]
	The policyholders have browsed through the policy [P=0,0001]

5.3.1.2 Relationship between the statement pertaining to the company having policyholders' best interests at heart and selected issues

Table 5.5 indicates that statistically significant relationships (P value ranging 0,0001 to 0.0000) exist between the statements outlined above. Therefore, the following deductions can be made from the relationships depicted in table 5.4:

- the employees of the company are in a position to provide professional financial advice to policyholders because they have the policyholders' best interests at heart;
- because the company has policyholders best interests at heart policyholders will recommend the company to a friend;
- because the company has policyholders best interests at heart employees instil confidence in them;
- because the company has policyholders best interests at heart, staff make attempts to understand the specific needs of policyholders; and
- because the company has policyholders best interests at heart, policyholders fell secure investing in the company.

Table 5.5: Inter-relationship between the response with regard to the company having policyholders best interests at heart and selected dimensions

The company has policyholders' best interests at heart	The company's personnel are in a position to give professional financial advice to policyholders to a considerable extent [P=0,0001]
	The policyholders will recommend the company to a friend or relative [P=0,0000]
	The company's employees instil confidence in policyholders to a considerable extent [P=0,0000]
	The staff make some attempt to understand the specific needs of policyholders [P=0,0000]
	The policyholders feel secure investing in the company [P=0,0012]

5.3.1.3 The relationship between policyholders' perception of whether the company can become insolvent and selected issues

Table 5.6: Inter-relationship between policyholders' perception of whether the company can become insolvent and the policyholders' knowledge of the demutualisation process

Policyholders' perception of whether the company can become insolvent	The employees of the company **usually** communicate regularly (P=0,0016)
	Have a **considerable** knowledge of the demutualisation process (P=0, 003)

Table 5.6 indicates that a statistically significant relationship (P= 0,0016) exists between the statement pertaining to the perception of whether the company can become insolvent and the employees of the company usually communicate regularly with policyholders (communicate with policyholders: premium adjustments, policy options, the demutualisation process and the changing trends). Since policyholders have a financial interest in the company (through the payment of premiums), knowledge pertaining to the solvency of the company is essential.

It is interesting to note that a statistically significant relationship (P=0,003), also exists between the statement with regard to the perception of whether the company can become insolvent and knowledge of the demutualisation process. Therefore, pertinent financial issues (such as the total assets value, the liabilities and the cash flow values) should also be communicated to policyholders in order to empower them.

5.3.2 Relationship between dimensions in the section entitled "Other"

5.3.2.1 Relationship between the statement pertaining to the procedure to follow when the policy matures and the policyholders' knowledge of the demutualisation process

Table 5.7: Inter-relationship between the statement with regard to the procedure to follow when the policy matures and the policyholders' understanding of the demutualisation process

When the policy matures, policy-holders have **some** idea of the procedure to follow.	Have a **considerable** knowledge of the demutualisation process. [P=0,0000]

A significant relationship (Pearson value= 0.0000) exists between the procedures to follow when the policy matures and the policyholders' understanding of the demutualisation process. From Table 5.7 one can deduce that the method of communication used by the company has resulted in policyholders having considerable knowledge of the demutualisation process. Similarly, greater emphasis should be given to communication with endowment policyholders thereby empowering policyholders with the necessary knowledge of the procedure to follow when the policy matures.

5.3.2.2 Relationship between the statement concerning policyholders' knowledge of the terms used in the policy and selected issues

It is apparent that a significant relationship (Pearson value 0,0116) exists between the perceptions of respondents with regards to the terms used in the policy and the possibility of the company becoming insolvent.

Table 5.8: Inter-relationship between the response with regard to the terms used in the policy and selected dimensions

Have **some** knowledge of the terms used in the policy.	**Cannot** tell if the company will become insolvent. [P=0,0116]
	Policyholders will **recommend** Old Mutual to a friend or relative. [P=0,0006]
	Have a **considerable** knowledge of the demutualisation process. [P=0,0000]

It is interesting to note that although the policyholders have **some** knowledge of the terms used in the policy, the other service encounters have created a positive perception of the company. Therefore, the policyholders would **recommend** the company to a friend or relative (P=0,0006).

It is apparent that a significant relationship (Pearson value = 0,0000) exists between the statements about having **some** knowledge of the terms used in the policy on one hand and having a **considerable** knowledge of the demutualisation process on the other hand. It is therefore evident that a communication gap exists on policy issues, but good channels of communication existed to convey information about the demutualisation process.

5.3.2.3 Relationship between the statement pertaining to the policy document and selected issues

It is interesting to note that the policyholders have purchased policies from other companies having only browsed through the company's endowment policy (P= 0,0056). Based on this observation it can be deduced that the policy is not presented in a user- friendly format to encourage policyholders to peruse through their policies.

Table 5.9: Inter-relationship between the statement pertaining to the policy document and selected dimensions

Have **browsed** through the endowment policy.	* Policyholders have policies with **other** companies. [P=0,0056]
	* Policyholders will **recommend** Old Mutual to a friend or relative. [P=0,0003]
	* Have a **considerable** knowledge of the demutualisation process. [P=0,0000]

Table 5.9 depicts a statistically significant relationship (P=0,0003) between the response:' policyholders have browsed through the policy and recommending the company to a friend or relative. It can be deduced that the confidence instilled in the policyholders by the personnel of the company with regard to the endowment policy has created a positive image of the company.

Finally a very significant relationship (P=0,0000) exists between the responses namely: have browsed through the endowment policy and the demutualisation process. This indicates that the information pertaining to the demutualisation process was presented in a **user- friendly** manner, whereas the terms used in the endowment policy has created a barrier to the understanding of the policy.

5.4 SUMMARY

Chapter five examined the present customer service delivery in a life assurance company with special reference to the marketing of endowment policies. The measuring instrument employed was a questionnaire with six broad categories. Each section was further subdivided into thirty five questions. Since the accuracy and precision of scores impacts on the findings of the study a reliability analysis was undertaken. The **Cronbach alpha** is the most widely used test for this purpose. According to **Table 5.1** the Cronbach alpha is **0.83** indicating that the measuring instrument is accurate and reliable.

The aggregated findings were determined by computing numerical tables that were illustrated graphically followed by statistical calculations in order to determine the inter-relationships between the service dimensions. To determine the inter-relations between service dimensions the **Pearson value** was calculated to ascertain the statistical significance of such relationships. It was interesting to note that highly significant Pearson values ranging from **0,007 to 0,000** were obtained in the **correlation matrix**. The correlation matrix indicated that the **tangibles, reliability, responsiveness, assurance and empathy** dimensions (servqual dimensions) are inter-related and inter-dependent on each other to create a positive perception of the company. Furthermore, it was also noted that the dimensions classified as **other is also inter-related and interdependent on the servqual dimensions.**

The customer service activities implemented at the company should be reviewed in order obtain a competitive advantage. There seems to be a fair amount of work being done to satisfy customer needs, but there is scope for more customer driven marketing activities. Presently, there appears to be some application of service quality principles. However, there seems to be a lack of effective implementation and monitoring of customer service quality activities. Furthermore, it is apparent that the managing of customer service activities is inadequate, especially after the sale of the endowment policy.

Such a customer-oriented climate can only evolve in a large company when all employees are committed and implement strategies towards attaining and sustaining a strong customer focus. Furthermore since endowment policies are marketed on a person-to-person basis, top management should engage in continuous monitoring, evaluation and training of all personnel employed by the company. In order to achieve service excellence all the dimensions of the offering (tangibles, reliability, responsiveness, assurance, empathy and the product specific dimensions) need to be effectively co-ordinated in order to create positive moments of truth.

The last chapter will provide a summary of the previous chapters followed by conclusions and recommendations.

CHAPTER SIX

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

The study focused essentially on customer service principles and also provides a survey of customer service in a life assurance company. This chapter serves to encapsulate the salient aspects of the theoretical principles of customer service, a brief discussion on the findings of the empirical study, and recommendations for superior customer service in the life assurance industry.

The key issue investigated in this study is whether the selected life assurance company has embarked on customer service practices consistent with the theoretical framework presented in the literature review. Results suggest that the life assurance company operates in a competitive environment. The relationship marketing concept is applicable to the life assurance industry. It became clear that the strategic approach to customer service could be used effectively to **differentiate** the life assurance company, thereby giving it a competitive advantage. The primary objective of the study was to determine the perceptions of policyholders pertaining to the application of customer service. Present customer service practices were investigated by means of empirical research. Conclusions and recommendations are made for a review of the present practices in the life assurance company. The study is subsequently examined.

6.2 SUMMARY

A preliminary study of literature pertaining to customer service highlighted the need for improving the general quality of customer service in South Africa. Since the life assurance industry is a major stakeholder on the Johannesburg Securities Exchange the leader in the life assurance industry from 1989 to

1999, namely Old Mutual was selected for evaluation. A brief outline of the study is as follows:

Chapter two focused on the **relationship** approach to marketing. The marketing mix was analysed from the life assurance perspective. It became apparent that the relationship approach to marketing is not a new concept. It is rather a refocusing of the traditional marketing mix (product, price, place and promotion) and the development and maintenance of long-term relationships. To achieve success it became apparent that the emphasis should be placed on creation of an integrated cross-functional approach to marketing, thus shifting from customer acquisition to customer **retention.**

Chapter three provided an overview of the customer service **strategic planning** process. The major components of the customer service planning process include developing a service philosophy, evaluation of the present strategy and performance, designing of the strategic vision and mission statements, and the formulation of objectives culminating in the development of the customer service triangle model.

Chapter four focused on **implementing** the customer service triangle model developed in chapter three. According to this model the **customer** is the central focus. Therefore, the moment of truth and the service blueprinting aspects were examined followed by the two remaining elements of the triangle namely people and systems.

Chapter five examined the current customer service practices in a life assurance company by means of an **empirical** study. The results obtained from the one hundred and fifty five respondents indicate that the service dimension of tangibles, responsiveness, reliability, assurance, empathy and other aspects can be used as an evaluation tool in a life assurance company. It would suffice to report at this stage that the company selected for study has to an extent addressed these issues. However, in order to improve the degree of customer orientation and gain a competitive advantage greater emphasis should be placed on customer-oriented activities.

6.3 CONCLUSIONS OF STUDY

The results of the empirical study were analysed in chapter five. It is against this background that the following conclusions will be subsequently outlined.

6.3.1 Tangibles

The aggregated results of the four questions in tangible section are:

- **54,2%** of the respondents indicated that the general appearance of the offices at the company is modern and adequate (see figure 5.1);
- **63,3%** of respondents stated that the physical facilities at the company are warm and inviting (see figure 5.2);
- **68,4%** of respondents maintained that the appearance of staff at the company are presentable (see figure 5.3); and
- **87,8%** of respondents stated that the materials associated with the service were visually appealing (see figure 5.4).

It is evident from the above-mentioned results that the tangible dimension of the service is adequate. However, in order to gain a competitive advantage the service providers need to develop appropriate strategies to improve the general appearance of the offices and the tangible facilitates at the company.

6.3.2 Reliability

The aggregated results of the five questions in the reliability section indicate the following findings:

- **66,5%** of the respondents indicated that when the company promises to do something at a specific time, it does so (see figure 5.5);
- **67,7%** of respondents stated that the staff of the company are willing to help customers promptly (see figure 5.6);

- **71,0%** of respondents indicated that the staff of the company render services to the customer right the first time (see figure 5.7);
- **49,7%** of respondents were not sure of the company maintaining error free records pertaining to policy information (see figure 5.8); and
- **77,4%** of respondents was of the opinion that the company fulfils the promises they make to customers (see figure 5.9).

The results of the reliability section outlined above indicate that there has been a concerted effort by the company to fulfil the promises made to customers, help customers, render services right the first time and maintain error free records. However, special emphasis needs to be given to the maintenance of error free records due to the nature of the product.

6.3.3 Responsiveness

The aggregated findings of the three questions in the responsiveness section indicate the following:

- **74,2%** of respondents stated that the sales representatives explained the endowment policy (see figure 5.10):
- **84,5%** of respondents indicated that the staff of the company are willing to help policyholders (see figure 5.11); and
- **81,3%** of respondents indicated that the staff at the company respond promptly to queries and requests of policyholders (see figure 5.12).

The findings presented above indicate that policyholders experienced many positive service encounters or moments of truth, which is the essence of customer service. It is also evident that personnel have a good knowledge of their products and the company. Clearly, the staff of the company is creating a customer-oriented culture.

6.3.4 Assurance

The aggregated results of the four questions in the assurance section are as follows:

- **70,4%** of respondents indicated that the staff of the company instill confidence in policyholders (see figure 5.13);
- **76,1%** of policyholders felt secure investing in the company (see figure 5.14);
- **70,3%** of respondents maintained that the personnel of the company make them feel welcome (see figure 5.15); and
- **67,1%** respondents maintained that the staff of the company have the knowledge to advise policyholders on financial matters (see figure 5.16).

The results of the assurance section indicate that there has been a concerted effort by the personnel of the company to instil confidence and trust in the policyholders. It emerges that more needs to be done to empower personnel, especially with regard to financial advice to policyholders to achieve a competitive advantage.

6.3.5 Empathy

The aggregated results of the five questions in the empathy section indicates that:

- **75,5%** of respondents are of the opinion that the staff of the company give policyholders individual attention (see figure 5.17);
- **51,0%** of respondents indicated that the business operating hours is convenient for policyholders (see figure 5.18);
- **62.6%** of respondents indicated that the staff of the company adapt the policies to suit the needs of policyholders (see figure 5.19);

- **49,7%** of respondents are of the opinion that the company has the policyholders best interests at heart (see figure 5.20); and
- **75,5%** of respondents indicated that the staff of the company understand the specific needs of policyholders (see 5.21).

The results of this section indicate that the degree of empathy by the personnel of the company is adequate.

6.3.6 Other

The results of the thirteen closed questions of the other section are the following:

- **66,5%** of respondents indicated that the staff of the company explain the policy (see figure 5.22);
- **63,9%** of respondents stated that the company's employees communicate with policyholders regularly (see figure 5.23);
- **71,0%** of respondents indicated that the personnel are in a positon to give professional financial advice to the policyholders (see figure 5.24);
- **58,1%** of respondents remarked that when policyholders need to make changes they encounter problems (see figure 5.24);
- **74,9%** of respondents maintained that the company does not enquire about the financial position of policyholders (see figure 5.25)
- **51,6%** of respondents indicated that it is not possible for the company to become insolvent in the foreseeable future (see figure 26);
- **74,8%** of respondents have policies with other life assurance companies (see figure 5.27);
- **64%** of respondents indicated that the service received from other companies is similar (see figure 5.28);

- **83,2%** of the respondents stated that they would recommend the company to a friend or relative (see figure 5.29);
- **75,5%** of respondents maintained that the policyholders have little knowledge with regard to the procedure to follow when the policy matures (see figure 5.30);
- **49,7%** of respondents remarked that policyholders have some knowledge about the terms used in the policy (see figure 31);
- **51,6%** of respondents indicated that the policyholders have browsed through the policy (see figure 5.32); and
- **75,5%** of respondents indicated that policyholders have a considerable knowledge of the demutualisation process (see figure 5.33).

6.3.7 Relationships between service dimensions

By applying the cross tabulation and correlation matrix statistical methods it was interesting to note that statistical significant relationships exist among all the service dimensions (see 5.3.1). It is therefore apparent that each service dimension examined contributes to the service package offered to the policyholder. The study therefore recommends that the dimensions should be incorporated in the customer service package of the company.

6.4 RECOMMENDATIONS

6.4.1 Specific recommendations

6.4.1.1 Tangibles

The general appearance of the offices and the physical facilities at the company should be reviewed on a regular basis (see 6.3.1).

6.4.1.2 Reliability

The maintenance of error free records is a pre-requisite for an endowment policy. An effective method of maintaining error free records is to establish a department or unit to manage the records pertaining to endowment policyholders. In order to monitor the department an annual audit is recommended.

6.4.1.3 Responsiveness

According to the aggregated findings (6.3.3) the employees of the company are customer oriented. To maintain such a corporate culture the managers should motivate employees by offering incentives.

6.4.1.4 Assurance

Endowment policyholders can switch to better performing funds (see 1.2.2). This option available to policyholders therefore requires personnel skilled in financial matters. The company should therefore embark on a financial skills development programme with the sales representatives of the company.

6.4.1.5 Empathy

A significant number of sales intermediaries are located in the central business areas thus creating accessibility problems. Viewed against this background, it is advisable to review the present business operating hours in order to encourage policyholders to consult with the sales intermediaries.

6.4.1.6 Other

6.4.1.6.1 Service blueprint for policyholders that need to make changes

An endowment policy is a long-term investment product. As such policyholders need to make changes (for example, postal address, changes in debit order account details and change of beneficiary) Therefore, a subsidiary service blueprint (see 4.2.3) specifically for changes should be designed.

6.4.1.6.2 Procedure to follow when the policy matures

A printed document explaining the procedure to follow when the policy matures should be forwarded to policyholders on an annual basis.

6.4.2 General recommendations

The literature review provided a theoretical framework for an ideal customer oriented life assurance business, whilst the empirical study investigated the practical application of customer service principles in a life assurance company. Based upon the reviewed research the proposed recommendations are subsequently outlined.

6.4.2.1 The customer service strategy

Top management's whole-hearted commitment to the customer service programme is a pre-requisite (see 4.3.1). An effective way of establishing commitment is for the top management or regional managers of the company to apply the long- term **strategic** approach to customer service (see 3.5). The strategic approach to customer service entails the formulation of a customer service strategy followed by an implementation system with a continuous monitoring system. Therefore, the managers of the company are advised to demonstrate their commitment by reviewing the present customer service strategy implemented by the company. A **service blueprint** system can be employed (see 4.2.4). Some of the implications of the strategic approach to customer service are the continuous review of existing communication channels, operating standards and procedures within the company. The service standards should be sufficiently high to achieve a competitive **advantage.** To achieve such an objective a periodic monitoring and reporting system is essential to ensure regular feedback. Another area where senior management will have to actively demonstrate its commitment is the allocation of **funds** to the customer service strategy. Perhaps a percentage of the administrative fee paid by endowment policyholders may be allocated.

6.4.2.2 Personnel of the company

With regard to marketing of endowment policies the salesperson (agent or broker or intermediaries) is responsible for post-purchase activities. Viewed from this background continuous **training and development** programmes in customer care warrants attention. Greater emphasis should be placed on empowering personnel of the company to give policyholders expert **financial advice** (see 6.4.1).

6.4.2.3 Customer research

Regular research needs to be conducted into policyholders' **financial needs**. Thus a thorough **understanding** of the needs of individual customer is essential in order to adapt the policy to satisfy the needs of each customer (see 4.4.4.10) This can be achieved by using concise, user-friendly questionnaires, newsletters or magazines published by the company. Furthermore, the electronic media may also be used.

6.4.2.4 Communication with policyholders

The company should undertake a regular communication system with policyholders in order to illicit feedback from them (see 4.4.4.8). Feedback from policyholders is essential for the development of a customer oriented strategic plan to bridge the **gaps** identified in the study.

6.4.2.5 Customer information file

A **customer information file** (see 4.4.3) should be maintained and updated on a regular basis by the head office of the company in order to reduce errors in the policy records.

6.4.2.6 Language and terminology used in policy

The language and terms used in the endowment policy document needs to be presented in a **user-friendly format** to encourage policyholders to understand their policies (see 4.4.4 8). A thorough understanding of the policy is essential for policyholders to review their present investments. This may lead to policyholders increasing their investment with the company, rather than investing in other companies.

6.4.2.7 Dissemination of financial information to policyholders

Special emphasis should be given to dissemination of information (see 4.4.4.8) regarding the procedure to be followed when the policy **matures.** Furthermore, since policyholders have invested in the company information (such as financial statements) pertaining to the **financial position** of the company should be communicated to policyholders. Such information will provide an opportunity for policyholders to invest in products other than endowment policies.

6.4.2.8 Moments of truth

Finally, the company should strive to create positive **moments of truth** (see 4.2) **thereby** creating a positive image of the company. According to Albrecht & Bradford (1990:12-13) the moments of truth are different in every business. It is advisable to draw a sequential list (known as the cycle of value) identifying the points of contact between the customer and the business (see 4.2.1). The cycle of value will allow the managers of the business to identify the exact encounters for which individual personnel are responsible. Viewed against this background it is clear that the basic building block is no longer the job description but rather how the personnel of the business manage the moment of truth. A recommended method to effectively manage the moments of truth in the company is **service blueprinting** (see 4.2.4).

6.4.3 Recommendations for further study

Since research in the quality of customer service is relatively new in the life assurance industry, it is recommended that further **research** be carried out in the field. Based upon the reviewed research a customer service quality evaluation tool has been developed. The feedback from such a tool used in this study should serve as a guideline to review the current customer service practices. Since the life assurance service industry is highly concentrated in South Africa the advantages identified from adopting a customer service strategy should equally apply to all life assurance businesses.

The geographical territory under investigation was **Durban.** Research can be conducted in other geographical areas and other life assurance companies. Furthermore, research can also be undertaken with regards to the customer service in **demutualised** companies, an emerging concept in South Africa.

6.5 FINAL REMARKS

The goal and objectives of the study (see 1.4 and 1.5) were achieved.

ANNEXURE A

Sir/ Madam

Research questionnaire

I am currently undertaking research into customer service at a life assurance company in the Durban area, as part of my Master's degree. As a policyholder of Old Mutual Life Assurance Company you have been selected to take part in a study to evaluate the services rendered to customers. The objective of the study is to improve the quality of services rendered to customers.

It would be greatly appreciated if you could spend less than 20 minutes of your valuable time to complete the attached questionnaire.

Please complete this questionnaire and hand it in to the research assistant. Please note that the assistant is not an employee or broker from Old Mutual Life Assurance Company. Your responses to the questionnaire are confidential and will not be disclosed to any party. Therefore, do not write your name on the questionnaire. What is required is your honest opinion.

Thank you very much for your participation in this research.

Ms Mandusha Maharaj
[registered student at Potchefstroomse Universiteit vir CHO]

Date: 14 June 1999.

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June 29, 1999

Dear respondent

In order to improve the service you receive from the life insurance industry, and particularly Old Mutual, you have been selected to take part in a research project on customer service.

This letter serves to confirm that Ms Mandusha Maharaj is a registered student at the School of Business Management of the Potchefstroomse Universiteit vir Christelike Hoër Onderwys and that she is conducting this research in partial fulfilment of her Masters studies.

I therefore respectfully ask you to assist her in this venture by completing the included questionnaire. Your participation is completely anonymous and all that is required is your honest opinions. These opinions will not be to your disadvantage in any way, but will rather contribute to the improvement of the service you receive as a consumer of insurance products and services.

Thank you for your contribution.

Yours sincerely

T.F.J. Steyn
(Supervisor)

ANNEXURE B

QUESTIONNAIRE : CUSTOMER SERVICE IN A LIFE ASSURANCE COMPANY

PLEASE MAKE AN 'X' IN THE APPROPRIATE BLOCK.
CHOOSE ONE OPTION ONLY.

PART A

- OLD MUTUAL refers to Old Mutual Life Assurance Company

1. Tangibles

1.1 How would you describe the general appearance of the offices at Old Mutual?

Outdated	1
Adequate	2
Modern	3
Sophisticated	4
Do not know	5

1.2 The physical facilities [e.g. building, signs, parking facilities and lighting] at Old Mutual are warm and inviting.

To no extent	1
To some extent	2
To a considerable extent	3
To a great extent	4
Do not know	5

1.3 Which one of the following words describes the appearance of staff at Old Mutual?

Untidy	1
Neat	2
Presentable	3
Very well groomed	4
Do not know	5

1.4 To what extent are the materials [pamphlets, catalogues, and statements associated with the service visually appealing to you?

Not at all	1
To some extent	2
To a considerable extent	3
To a great extent	4
Do not know	5

2. Reliability

2.1 When Old Mutual promises to do something at a specific time, they do so.

Never	1
Sometimes	2
Usually	3
Always	4
Do not know	5

2.2 When policyholders have a problem [e.g. an error in a statement regarding premiums] the staff of Old Mutual are willing to help customers promptly.

Never	1
To a minor extent	2
Usually	3
Always	4
Do not know	5

2.3 The staff of Old Mutual render services to the customer *right* the first time.

Never	1
To a minor extent	2
Usually	3
Always	4
Do not know	5

2.4 Does Old Mutual insist on error free records pertaining to policy information?

Yes	1
No	2
Not sure	3

2.5 Do you think that Old Mutual fulfil the promises they make to customers?

Not at all	1
Rarely	2
Sometimes	3
To a large extent	4
Do not know	5

3. Responsiveness

3.1 To what extent did the sales representative of Old Mutual explain the policy.

No explanation	1
Very little explanation	2
Sufficient explanation	3
Full explanation	4
Do not know	5

3.2 The staff of Old Mutual are willing to help policyholders.

Never	1
Rarely	2
Sometimes	3
Always	4
Do not know	5

3.3 The staff at Old Mutual respond to the requests and queries of policyholders.

Never	1
Seldom	2
Usually	3
Always	4
Do not know	5

4. Assurance

4.1 To what extent did the employees of Old Mutual instil confidence in you regarding the policy?

To no extent	1
To a little extent	2
To a considerable extent	3
To a large extent	4
Not sure	5

4.2 As an endowment policyholder, do you feel secure investing (e.g. paying monthly premiums) in Old Mutual?

Yes	1
No	2
Uncertain	3

4.3 Does Old Mutual personnel make policyholders feel welcome?

Never	1
Occasionally	2
Usually	3
Always	4
Do not know	5

4.4 In your opinion, to what extent does staff of Old Mutual have the knowledge to advise policyholders on financial matters.

No knowledge	1
Limited knowledge	2
Considerable knowledge	3
Extensive knowledge	4
Uncertain	5

5. Empathy

5.1 The staff of Old Mutual give policyholders individual attention.

Not at all	1
Seldom	2
Usually	3
Always	4
Do not know	5

5.2 The operating hours at Old Mutual is convenient for policyholders.

Agree	1
Disagree	2
Uncertain	3

5.3 To what extent does the staff of Old Mutual adapt the policies to suit the needs of the policyholders.

To no extent	1
To some extent	2
To a considerable extent	3
To a great extent	4
Do not know	5

5.4 Old Mutual has the policyholders best interests at heart.

Yes	1
No	2
Uncertain	3

5.5 The staff of Old Mutual understand the specific needs of policyholders

Make no attempt to understand	1
Make a little effort to understand	2
Make some attempt to understand	3
Understand the specific needs fully	4
Do not know	5

6. Other

6.1 The staff of Old Mutual give policyholders a full explanation on the policy options, the calculation of premiums, the benefits of the policy and the date of maturity.

No explanation	1
Very little explanation	2
Sufficient explanation	3
Detailed explanation	4
Do not know	5

6.2 Old Mutual employees communicate with policyholders regularly on for example, premium options, policy options, demutualisation, and the changing trends on the market.

Never	1
Very little	2
Usually	3
Always	4
Do not know	5

6.3 Are the Old Mutual personnel in a position to give professional financial advice to their policyholders?

Not at all	1
To a some extent	2
To a considerable extent	3
To a great extent	4
Uncertain	5

6.4 When policyholders need to make changes (eg. changes in address, premiums, account details and change of beneficiaries and withdraw funds) do they encounter problems?

Always	1
Sometimes	2
Usually	3
Never	4
Do not know	5

6.5 Does the Old Mutual enquire about your financial situation (e.g. changes with regard to occupation, family size and review of policy particulars) periodically?

Never	1
Rarely	2
Sometimes	3
Always	4
Do not know	5

6.6 Is it possible of Old Mutual to become insolvent?

Cannot tell	1
Possible	2
Never	3

6.7 Do you have policies with other companies?

Yes	1
No	2

6.8 If "Yes" to question 6.7, how would you regard the service received from other companies in comparison to Old Mutual's service?

Better	1
The same	2
Worse	3

6.9 Would you recommend Old Mutual to a friend or relative?

Yes	1
No	2

6.10 When the policy matures, do you know what procedure to follow?

Do not know what to do	1
Have some idea	2
Have the necessary knowledge	3

6.11 Do you understand the terms in the policy (e.g. surrender value, paid-up, beneficiary, lapse, disability and claim bonus)?

No knowledge	1
Very little knowledge	2
Have some knowledge	3
Have complete knowledge	4

6.12 With regard to your endowment policy, have you:

Not read it at all	1
Have browsed through it	2
Read it thoroughly	3
Understand it fully	4

6.13 Do you understand the demutualisation process of Old Mutual?

Not at all	1
Have little knowledge	2
Have considerable knowledge	3
Have an extensive knowledge	4

6.14 Please indicate how Old Mutual can improve their services to you.

Thank you once again for your time and participation.

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