THE IMPORTANCE OF CREATING CUSTOMER RELATIONSHIPS IN THE SERVICE ENCOUNTER

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ABSTRACT

The service area has known a serious growth starting with the beginning of the world economic crisis. The development of marketing tools in the service sector has brought to attention the importance of having loyal customers who will have strong relationships with the service companies. The service encounter between customers and employees of the companies has a crucial role in the sale process. The aim of the paper is to introduce the reader to an overview of service encounter between customers and companies and the importance of creating strong relationships between the two parts.
Key words: service encounter, service provider, customers, quality.

1.Introduction

The concept of customer relationship has been researched by many important scientists from marketing . Due to the evolution of services in the economies of each country it has been made a distinction between customer relationships for goods domain, and customer relationships in the service area. Since services are created and consumed in the same time and since due to certain factors their production can be influenced in a good or bad way creating powerful relationships with customers is the key to the profitability of companies.

The service encounter with the client represents the most important moment in the relationship between customers and companies. It has several phases: initially promises are made by the service provider while the customer expects his need needs to be understood, after that we have the moment when the services are created and delivered and the interaction between the two parts in a higher one due to the high expectations.

2.The service encounter

As it has been mentioned above, the core of every service is the service encounter. Depending on the quality of the encounter we can establish long-term relationships between companies and customers. Many authors in the service are have said that customers see the company in the service provided so it is necessary that the personnel who creates the service to give their best in supplying what the customers actually needs.

2.1 Definitions of the service encounter

When we discuss about the definition of the service encounter we must mention what Shostack said, there are three types of service encounter(Muddie,Cottam,2009):

1. the remote encounter - where customers interact with a service, or part of it, through the mail, e.g. financial services, mail order. The remote encounter may also occur via a machine, e.g. the ATM. Leaflets, brochures and forms sent by the mail need to be designed with the consumer in mind. Machines need to function and be user friendly. This type of encounter should be the easiest to control as it is based on some form of physical object, be it printed material or a computer terminal. Quality should be assured as they can be tested, modified and made uniform.

2.The indirect personal encounter- where customers interact with a service by telephone. There is potentially more scope for variability entering the service delivery. This can be avoided by requiring the employee to work to a script, but problems still arise if the customers' enquiry/complaint requires reference to other parts of the organization only to find support is not forthcoming.

3. The direct personal encounter - where customers interact face to face with the service provider. Customers now have the opportunity of visualizing the providers of the service. Judgments about service quality may be made from the appearance and demeanor of the service provider. The increasing use of uniforms, now referred to as corporate clothing, and the developments of interpersonal skills training are recognition of the impact direct personal encounters may have on customer satisfaction.

Depending on the type of service we buy there different encounters between employees and customers. Nowadays, due to the development of internet worldwide, due to globalization and due to the fact that online marketing tools are highly used by service companies, customers can buy different services from their home or at the office only searching the internet or by giving a telephone.

Companies in the service area have developed techniques that allow customers to buy their services in a couple of minutes without existing a direct interaction with their employees. The problem appears when the customer is not satisfied and requires help. Is then when the employees are supposed to help the customer and make him forget about the inconvenient.

Some people prefer to give a telephone and establish the terms of the transaction in a direct telephone intervention. They consider it to be more concise and expect the employee to understand better what they expect from the service organization. The biggest problem appears when the customer does not express its need exactly and the employee is not capable to find out these needs. After the service is created and delivered both parts may not be satisfied with the results, the customer wants to change the service provider and the company is not happy that it is losing a customer in which it has invested time and money.

Since we have seen that there is a direct connection between the customer, the organization and the personnel we must develop the subject. As we can notice from the following figure there is a direct connection between the service organization, the contact personnel and the customer. As we all know from previous experiences in order for customers to be satisfied and for companies to create strong relationships " all three parties are needed to work together to create a positive service encounter"(Mensah and Mesah,2013,p.285).

This situation can be best explained in the case of tourism services. Customers go to the tourism agency or contact by telephone or email an agent to discuss offers or to explain them want they want. This is the moment when the employee must provide accurate information to the customers and must try to identify their needs and offer them appropriate solutions so that they will not be disappointed in the end. The customer chooses an organization according to its brand, market value or references from friends, relatives or the internet. After the service is both the customers has high expectations about the outcome. In some cases it may happen that some of the elements presented in the offer do not exist or are not delivered as expected. In this moment the contact personnel must do its best to keep the customer satisfied or to reward them with different benefits so that they will choose this provider the second time or just to make sure no negative publicity will not exist.

The existence of a good communication between the contact personnel and the customer ensures the success of creating a long -term relationship. Due to the fact that services are intangible and variable due to certain circumstances customers may experience them in different ways. Discussing the problems and offering a solution to fix them will only make the customer happy. The creation of complaint management can be the solution to win situations. Companies that understand that by investing in customer service they have in mind the good of the customer they will benefit by increasing the company's productivity. Management must train their employees to understand that their main aim is not the sale of the services but the understanding of the needs the customer has. The key to the delivery of the right services is to understand the needs of the customer.
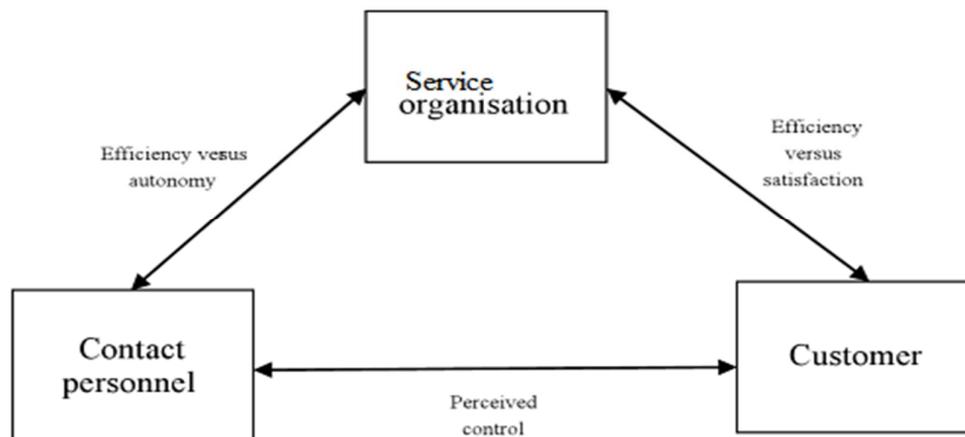
Figure 1. The service triad

Source Cook et al.(2002) in Mensah and Mensah (2013,p.285)

2.2. The service gaps

The model of Brogowics, Delene and Lyth describes in the most accurate matter the gaps that appear in the encounter with the service provider due to the misunderstanding of the customer needs."This model envisages the service process as a two cycle model. In one of the cycles the service offering is conceived, designed and presented to the consumer through the service encounter. The consumer comes to the encounter with expectation, which are cyclically revised as each service encounter is experienced."(Kusluvan,174). Zeithaml, Parasuraman and Berry came with the Servqual model which takes into consideration five gaps that appear in the relationship of the two parts.

Servqual discusses the quality of services and it comprises five dimensions: assurance, empathy, reliability, responsiveness, tangibles according to Parasuraman ,Zeithaml and Berry.

The service gaps discovered by the authors are the following (Parasuraman, Zeithaml and Berry ,1985;Laws,2004,p.86):

1. differences between consumer expectations and management perceptions of consumer expectations
2. differences between management perceptions of consumer expectations and service quality specifications
3. differences between service quality specifications and the service actually delivered
4. differences between service delivery and what is communicated about the service to consumers
5. differences between consumer expectations and perceptions of the quality of the service received; depending on the size and direction of the other four gaps.

The last gap can be seen also in figure 1. As we can notice everything starts with the "customer's requirements as perceived by the provider". In many cases the provider does perceive correctly what the customer says. The "actual service provision" leads to the "service actually experienced by customer" which is influenced by what the customers expects. Services companies create and deliver services that fail to

satisfy the customers because they do not deliver what the customers expect. Promises made are not respected when the services are delivered by the provider.

Figure 1Model of service quality
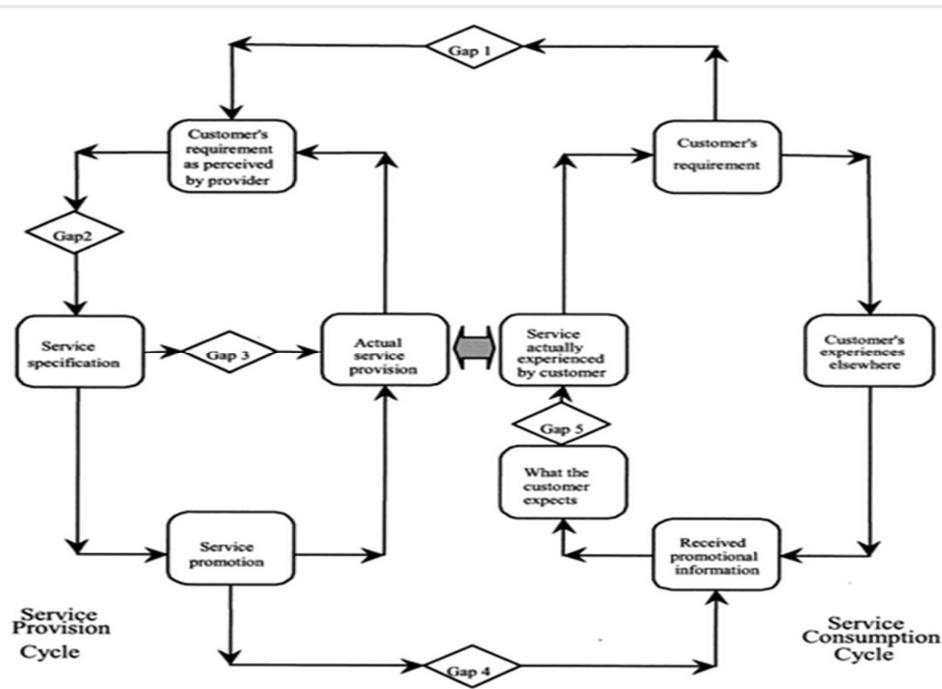
Source: Adapted from Brogowics, A. A., Delene, L. M. and Lyth, D. M. (1990,pp.27-45) in Kuslavan, S.(2003), Managing employees attitudes and behaviors in the tourism and hospitality industry, New York, Nova Science Publishers,p.175

3. The importance of creating strong relationships with customers

More and more marketers debate the importance of having loyal customers than having occasional one. If a customer is pleased with the services offered than there are many chances that he will become a loyal customer of the company. According to Zeithaml, Bittner and Gremler (2008,p.110) firs that simply aim to satisfy customers may not be doing enough to engender loyalty- they must instead aim to more than satisfy or even delight their customers. It is more than obvious that without having a strategy that focuses on the customer service companies will not manage to be successful.

When it comes to discussing about relationships we must mention Gronroos definition of marketing(Storvak et al.,1994,p.22) ": marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises".

Storbacka, Strandvik and Gronroos created a relationship profitability model that takes into consideration different links between service quality, customer satisfaction and customer profitability. As we can notice from figure 2 customer satisfaction leads to relationship strength, relationship longevity and in the end, and the most important element for companies, leads to customer relationship profitability.

Figure 2. A relationship profitability model
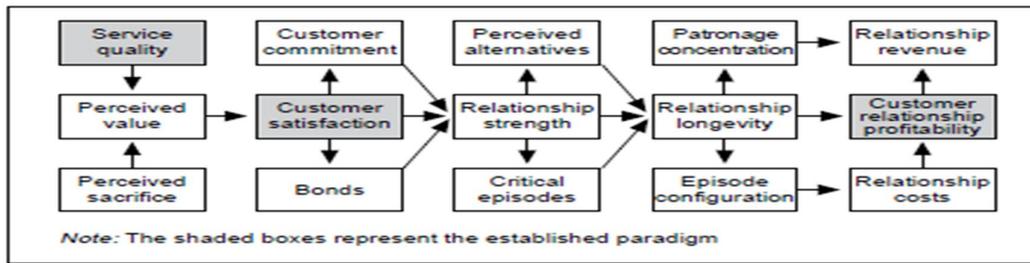
Source: Storbacka, Strandvik and Gronroos(1994,p.23

In order to understand the model we shall present the elements of it so that there is a clear understanding.
Table 1 Elements description of the model (Storbacka, Strandvik and Gronroos,1994,p.25)

Concept	Definition
Perceived service quality	Customer's cognitive evaluation of the service across episodes compared with some explicit or implicit comparison standard
Perceived sacrifice	Perceived sacrifices (price, other sacrifices) across all service episodes in the relationship compared with some explicit or implicit comparison standard
Perceived value	Service quality compared with perceived sacrifice
Customer satisfaction	Customers' cognitive and effective evaluation based on the personal experience across all service episodes within the relationship
Commitment	Commitment is defined as the parties' intentions to act and their attitude towards interacting with each other. High relationship value will affect commitment positively
Relationship strength	Measured both as purchase behavior and as communication behavior (word of mouth, complaints). Loyalty(repetitive purchase behavior) which is based also on positive commitment by the customer indicates a stronger relationship. The behavior is also affected by the bonds between the customer and the service provider
Bonds	Exit barriers that tie the customer to the service provider and maintain in the relationship. These are legal, economic, technological, geographical, time, knowledge, social, cultural, ideological and psychological bonds.
Critical episodes	Episodes that are of critical importance for the continuation of the relationship. Episodes can be critical based on the size of the values exchanged during the episode, compared with the parties' resources and based on the experiences during the episode
Patronage concentration	The share of the customer's cash flow in a certain industry in which the customer chooses to concentrate on one provider
Relationship longevity	The length of a relationship
Episode configuration	The episode types and number of each type that occur over time in a relationship between a provider and a customer
Relationship revenue	The total revenue generated from a customer relationship during a fiscal year
Relationship cost	The total cost incurred from serving a customer relationship - including direct and indirect costs- during a fiscal year
Relationship profitability	Relationship revenue- relationship costs

Moving further in understanding the concept of relationship and its importance we must mention Dwyer's general phases through which customer-supplier relationships can evolve(Buttle,2009,p.28):

1. awareness
2.exploration
3.expansion
4.commitment
5.dissolution.

All these phases describe the service encounter discussed earlier. It begins with awareness and ends with dissolution. The commitment phase is the most important, according to Buttler (2009,p.28) is characterized by increased adaptation and mutually understood roles and goals and not all relationships reach it. For long-term relationships to be created it is necessary that the commitment phase is reached.

Conclusions

All in all, we must conclude that although serious research has been developed in the service area for understanding the service encounter and the importance of creating relationships with customers for both parts involved, there is still enough research that must be performed so that companies can survive the business environment. The overview created in this article represents a starting point for future qualitative and quantitative researched in the services area.

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