

CUSTOMER SERVICES AND THEIR ROLE FOR INDUSTRIAL SMALL AND MEDIUM COMPANIES

Lucie Kanovska

Brno University of Technology, Czech Republic, kanovska@fbm.vutbr.cz

Abstract

The aim of this paper is to present the problems of customer services and their important role for small and medium companies from the theoretical view and also selected results of research held in industrial SME's. Customer services are kind of services being provided by companies to their products. Customer services can be found in all economic spheres, such as in primary sphere, as well as in secondary and tertiary ones.

The first part of the paper briefly describes the main characteristics of customer services, such as definitions, benefits (using as a competitive advantage as well) and typical examples provided in industry. The second part is focused on the brief overview on the research held in industrial SME's (the producers and sellers of saws and saw bands and their customers) in the Czech Republic. The last part of paper, conclusion part, suggests a proposal of general rules for providing customer.

Keywords: Marketing, customer services, SME's, the Czech Republic.

Introduction

Nowadays many companies realize that all advantages, which they want to establish through their core products and services, are quickly wore away as others mimic them. Companies are always looking around them to find out some strategies to differentiate their production from their competitors because of fierce competitive climate. One possible and important strategy is focused on providing high-quality customer services. Services should try to lead companies to their success. Customer services can be one possible competitive advantage for companies in all resorts.

Services are an important object of many scientific researches nowadays (Mathieu, 2001, Matthysens & Vandembemt, 1998, Oliva & Kallenberg, 2003). Levitt (1972) made the provocative statement more than 36 years ago that everybody is in the business of service. Also Berry & Parasuraman (1991) suggested that manufacturing companies are also service companies. Bitner (1997) emphasized similarly that all businesses are service businesses in some form. Moreover, the introductions of many service marketing textbooks stress the importance of service in the manufacturing sector (Lovelock, 1996).

The aim of this paper is to present the problems of customer services and their important role for small and medium companies from the theoretical view and also selected results of research held in industrial SME's.

Research method used in the paper is comparable analysis of scientific sources and also the qualitative research. Mathematical and statistical functions were used for elaborating of the research results.

Conceptual Framework Customer Services

Services added to products were seen until the 1980s as a harmful necessity, limited to after-sale services and generating important costs. Slowly a more market-focused vision has found that services can be an important competitive weapon. In the 1990s, some surveys discovered that manufacturers focused on service as one of the most critical competitive factors and they often included it in their global approaches to quality (Mathieu, 2001)

Zeithaml & Bitner (1996) suggest that competitive equality has been reached with many manufactured goods. Technological superiority is increasingly more difficult to maintain as a lasting strategy and maintaining low prices is equally challenging as a differentiating strategy. Therefore, one potential competitive strategy is the development of a service strategy. According to Mathieu (2001), service is becoming a smart strategy, because it provides a strong competitive advantage through differentiation opportunities even within the commodities market. Furthermore, Mathe & Shapiro (1993) think that a service strategy can help in building industry barriers to entry.

Customer services are everything, what company does for satisfaction of its customers. They help to gain higher profit from sold products. According to Bovée & Thill (1992), quality and customer services

present strong barrier against the competition, ensure customer loyalty, differentiate product, decrease marketing costs and increase company profit.

Nowadays industrial producers are becoming providers of customer services too. This situation helps to extend their activities for customers. In fact profit from provided customer services can be gained both for customers and also for companies. Many customers make final sale decision not only according to the product price, but also according to the range and level of customer services related to the product. The companies which try to hold dominant position in provided customer services are forced to determinate and evaluate specific needs of their market segment and adapt their company strategy for them. Most of companies working in different spheres of economy know very well that strategy of differentiation on the basis of special and "customized" services can be seen as an important opportunity to avoid a price war with competitors. Therefore, customer services become an integral part of searching for competition advantages in a wide range of economic spheres. There are some possible reasons concerning the above tendency, which may be mentioned here: flattening of demand in traditional production, increasing of international competition, a short life cycle of product innovations and important profit potential of services.

During the years there have been many academic works described all the benefits a manufacturing company which could gain from upgrading its service. Some authors (Frambach *et al.*, 1997; Levitt, 1972; 1981; Mathieu, 2001) focused on the benefits connected to the implementation of a service strategy in the manufacturing field, such as: financial, strategic and marketing.

Financial view. Donaldson (1986), Mathe & Shapiro (1993) consider that the commercialization of services around a tangible product can increase company revenues. Moreover, it has been suggested that product services have a tendency to decrease the vulnerability and the volatility of cash flow, thus allowing for a higher shareholder value (Srivastava *et al.*, 1998).

Strategic benefits. It is no long time for manufacturing companies just to offer some general kind of service in order to ensure a competitive advantage (Mathieu, 2001). Some services, considered as basic by the customers, must be offered by all manufacturing companies entering a business. Such services are simply entry barriers and cannot provide a competitive edge (Levitt, 1972). According to Mathieu (2001) different service maneuvers do not have the same potential in providing the manufacturing company with strategic benefits. The more specific and intense the service maneuver is, the higher the strategic benefits are. The higher the organizational intensity of the service maneuver, the more active the manufacturing company is to developing a fresh vision of its market and business. Also the higher the organizational intensity of the service maneuver is, the more tending the manufacturing company is to challenge its basic business assumptions and to find new sources of value. The more intense the service maneuver, the farther from day-to-day operations the organization, and therefore the stronger the strategic reflection.

Marketing benefits. Services have the potential to supplement the goods offering (Levitt, 1981). In the B2B context, product service strategies influence overall client satisfaction (Burger & Cann, 1995), improve new-product adoption (Frambach *et al.*, 1997), and strengthen the client's confidence and the supplier's credibility (Hawes, 1994). In fact, a better service increases both first-time and repeats sales, and thus increases market share (Cohen & Lee, 1990). Furthermore the level and quality of the services offered is an effective way to maintain ongoing relationships (Evans & Laskin, 1994).

The term *customer service* has acquired various meanings over the years, see Table 1. The below mentioned definitions usually perceive customer services with not one similar view. I have classified them in four different approaches:

- **Integration of intradepartmental activities**, which usually involve the oldest definitions of LaLonde & Zinser (1976), Rinehart *et al.* (1989) and Pernica (1998).
- **Logistic view**, assuring product delivery from producer to customer. This view is seen by Horáková & Kubát (1999) or Christopher (2000).
- **Marketing view**, maximum effort to satisfy customers. Services can add value to product; see Bovée & Thill (1992), Horovitz (1994), Amico & Zikmund (2001), Kotler (2001), Spáčil (2003) and Pernica (1998).
- **Relationship with customers**, it is the newest view on customer services, Lehtinen (2007).

Table 1. Overview of definitions of customer services

Author	Definition of customer services
<i>LaLonde & Zinser (1976)</i>	Services are the kind of activities between the organization and customers to improve or simplify sale and using of products. They involve also operations of producers provided for customers during the whole transaction.
<i>Rinehart et al (1989)</i>	Services are common factor for integration of marketing and logistics.
<i>Bové & Thill (1992)</i>	Services involve all what organization makes for satisfaction of their customers and help to realize as big advantage as possible from products bought by customers. Services are activities which can add the value to products.
<i>Horovitz (1994)</i>	Services are complex of promises which are expected from the product by a customer, as function of price or image.
<i>Pernica (1998)</i>	Services can be defined by three ways: - Organization context: complex of functions in concrete organizational system. - As reflection of expecting efficiency: services are defined by percentage of orders during some period. - As value-creating process: services are seen as the process of simple transaction or long-term partnership with added value.
<i>Horáková and Kubát (1999)</i>	Services present important activities from the purchase order of customer to delivery of products. The activities are customer-oriented and depend on the kind of product and type of customer.
<i>Christopher (2000)</i>	Services are the system organized to assure continuity between the time of purchase order and delivery of goods. The aim is to satisfy customer needs from the long-lasting view.
<i>Amico & Zikmund (2001)</i>	Services present company activities created to increase value of selling products to strengthen customer satisfaction.
<i>Kotler (2001)</i>	Services involve all aspects of mutual relationships among producers, distributors and customers.
<i>Spáčil (2003)</i>	Services are the system of accompanying services bought by customer with product.
<i>Lehtinen (2007)</i>	Services are all activities connected with assuring relationship with customer – from product delivery to different ways of help by its using.

Classification of customer services shows different ways of perception customer services by authors. This diversification of views on customer services is very interesting and profitable, because it is enable to think more about whole problems. Then it is possibility to accept some approach or add a new one. Mainly it helps the development in whole field and deepens scientific investigations to other dimensions. According to my opinion “customer services” are best defined by authors Amico & Zikmund (2001), which states, that services help to increase value of sale products to strengthen customer satisfaction. Then I want to complete this definition with a part of statement from LaLonde & Zinser (1976), that services simplify sale and using product. From above mentioned the following definition for customer services can be: „*Customer services help to increase value of sale products, because they simplify sale and using products to strengthen customer satisfaction*“.

There are many different notifications for customer services used by below mentioned authors in English, such as:

- *industrial services* (Matthyssens & Vandenbempt,1998);
- *product-related services* (Matthyssens & Vandenbempt,1998);
- *product-services* or *product services* (Mathieau, 2001);
- *customer services* (Richardson, 1995, Baggs & Kleiner, 1996, Leech, 1995, Leppard & Molyneux, 1994, Timm, 2001, Sterne, 2000, Boveé & Thill, 1992, Amico & Zikmund, 2001);
- *after-sale servics* (Richardson, 1995, Baggs & Kleiner, 1996, Leech, 1995, Leppard & Molyneux, 1994, Timm, 2001, Sterne, 2000, Boveé & Thill, 1992, Amico & Zikmund, 2001);
- *customer support* (Armistead, 2001). This publication says that customer support is sometimes also called as after-sale services or customer services.

This ambiguity in notifications of customer services can cause some inaccuracy in right determination of the type of services. It can lead to possible misunderstandings and discrepancies.

Examples of customer services on industrial markets

Services often accompany products and add important value for their customers to them. Services can help customers to decide which product to buy. If the product is accompanied with proper customer services then it can be more interesting for potential buyers. Customer services on industrial markets can be the following ones: cooperation on product innovation and production, consultancy before and after sale, sufficient information about a company and its products, payment conditions, transport, packaging and assembling of products according to customer requirements, replacement of spare parts, service in and after maintenance, customer training, special meetings with customers, free phone connection, etc.

Companies can provide many different types of customer services. Their choice usually depends on company management, employees, customers, competitors, the type of business, etc. Today, manufacturing companies provide their services in different levels and ranges and that is the place for potential competitive advantage in the field of services. For companies it is very essential to provide the services according to customer expectations and also product descriptions. It is accepted widely that customer services help to increase value of products.

Examples of successful integration of customer services in industry

Customers usually search for long-lasting relationships with industrial producers. It means they purchase products and services from companies, where they predict long-lasting relationships for both sides. Levitt (1972) found out that the more technological advanced are products, the more their sales depend on their quality and also on provided services. The example can be production of cars, where customers are involved in planning of car design and in whole producing process. It could be done by using internet and/or modern design techniques. In this case the participation of customers in the production process becomes a part of their consumer process and the consumption of physical product becomes a part of process of consumption. (Storbacka & Lehtinen, 2002)

The manufacturing companies with strong service strategies are General Electric, ABB, Otis, Kone, Caterpillar, etc. (Oliva & Kallenberg, 2003) For example, in the industry of saw and saw bands there is a Kaltenbach s.r.o. company, which provides some special services to their customers, such as: build-to-order, individual processing of offer, technical documentation according to customer wishes (the position of machine, managing of technologies, flow of material) and complete consulting services. It enables customers to visit the controlling company in Germany, where it is possible to pass through the production process, to have a look on individual products in company show room, to be informed by the professionals, to borrow some saws and saw bands for test kerfs and to be well trained. Another Czech producer with increasing interest in customer services is PILANA TOOLS, a.s. company. As one of the first companies in this branch of industry, PILANA has started to promote customer services, especially after sale services, (such as repairs of saw bands and their grinding) in "Truhlářské listy" ("Joinery Gazette") technical paper. The company is able to pick up pertinent saw by a customer, take it to its service center, sharpen it, and then, take it back to him to install it again. Moreover, PILANA engineers try to shorten delivery dates, provide sales and special payment conditions and send some samples of new saws to customers for them to try such new products. Both mentioned companies use customer services as an important tool of competitive advantage.

Research design

The second part of the paper is focused on the brief overview on the research held in industrial SME's in the Czech Republic. The aim of the research was to find out attitudes towards customer services in the industrial companies and their customers as well. The hypothesis is proposed with respect to mentioned information about the importance of customer services for companies in today's fierce business environment as a competitive advantage, i.e. customer services are perceived by producers as an important competitive advantage and also customers see them as a possible competitive advantage of differentiation. For the research, I had only chosen one specific industry, namely, the aforementioned production of saws and saw bands. This industry is a part of machine-tool and forming-machine industry (NACE 29.42) and has a long-time tradition in my country. Due to its high specialization, the industry does not have many producers and sellers as some other branches of industry may have. This dominant characteristic enabled me to cover in my research, all the main companies including smaller ones.

Methodology

The qualitative research has been chosen and respondents (producers and sellers of saw and saw bands where the sample was 14 questionnaires filled in during the interview and also their customers where the sample was 46 questionnaires) were asked to know their opinions on provided customer services (especially as a tool of competitive advantage) in this particular industry. Two questionnaires were prepared mainly in the form of the Likert scale. The first questionnaire was done for management of producers and sellers of saws and saw bands. The total of 23 companies in this industry was selected for the survey. Pertinent selection was done according to B2B database of companies Kompas, special industrial publications and direct information from producers and/or sellers. Two third of selected companies were the main leaders in this industrial field (according to their number of employees and sales volume), the rest were other smaller companies. The respondents were questioned personally by using deep interview method. A questionnaire had been specially compiled for the above first group of respondents. The questionnaire was completed during the deep interview and returned back by 14 respondents, i.e. 61 % of return, and all respondents took the advantage of sending survey main results. The second questionnaire was prepared for customers of producers and sellers of saws and saw bands. The total number of 124 customers was chosen for the research, two thirds of respondents were chosen according to the information obtained from producers and sellers of saws and saw bands (each of them informed me about his 5 – 10 customers which were contacted for the research), and one third of respondents were found in special technical papers being issued for this industry (such as Truhlářské listy and Terra) and internet search as well. The questionnaires from respondents were filled in during meetings with pertinent company’s representatives. The questionnaire was completed and returned back by 46 respondents, i.e. 37 % of return. Then, the basic mathematical and statistical functions were used for results elaborating (e. g. dispersion, mean-root-square error). The last step to do was to analyze obtained data and compare them.

Results

Many interesting findings were gained from the held research. However, for this paper I only tried to stress on a very specific part focused on the possibility of creating competitive advantage and way of differentiation by using customer services. I was interested in verifying it also in a particular Czech industry both from side of management of producers and their customers as well. According to the results almost 80 % of respondents perceive customer services as competitive advantage for differentiation from other companies on the market. Moreover, they are sure that customer services influence total customer satisfaction and can help to survive on the market. The same view have their customers (94 % respondents), who see customer services as a tool for competitive differentiation. See Figure 1.

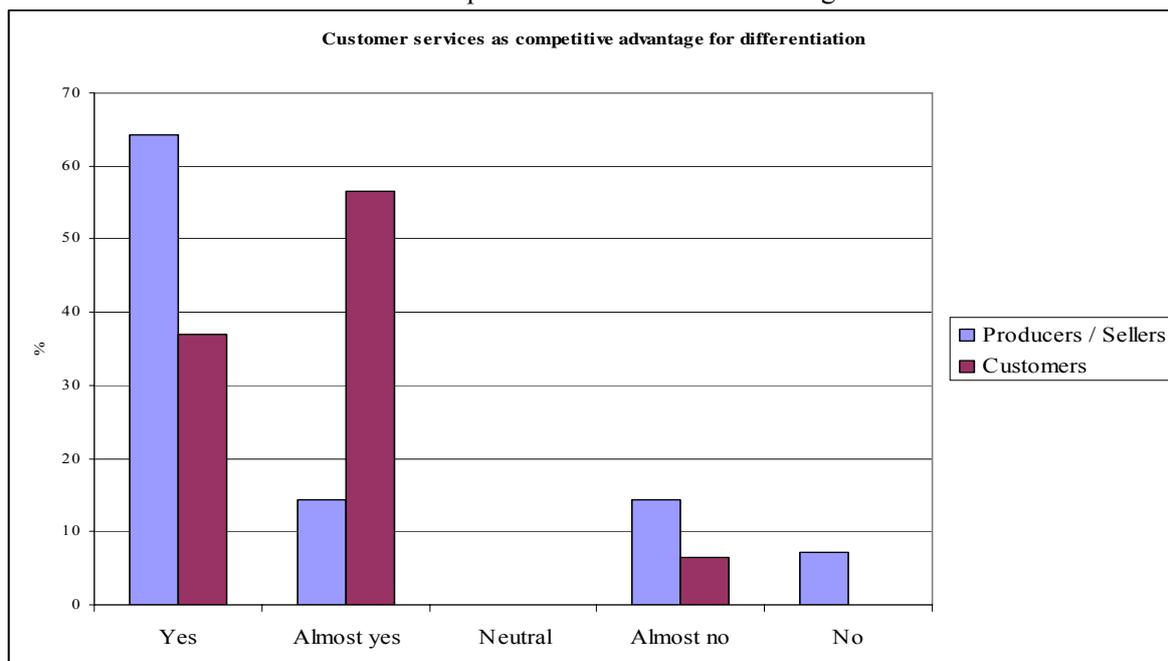


Figure 1. Customer services as competitive advantage for differentiation

Information regarding the improvement of quality of customer services, found out from the research as well, are involved in the last part of the paper - "The general rules for providing customer services".

The general rules for providing customer services

I tried to summarize the main general rules for providing customer services on the industrial market with respect to their importance as a competitive advantage. I used the gained information both from the secondary and primary research held in industrial SME's. The most important rules are following ones:

- know the supply and quality provided by my company and as well by competitors,
- try to be always before and different then competitors in the supply and quality of customer services,
- highlight never-ending process of communication with customers in respect to their needs and wishes of customer services,
- customize the product supply of customer services according to customer individual needs,
- provide attractive supply of customer services or service packages for customers,
- provide all product documentation in a proper way (e.g. invoice, delivery note, technical manual),
- ensure the speed of product deliveries and customer services according to the customer needs,
- supply regular system of customer trainings (e.g. in the field of new products, technical innovation, future cooperation on developing new products),
- insist on technical consultancy for customers before and after their sale of products,
- orientate and maintain permanent mutual contact with customers by the help of regular personal meetings, providing information on internet pages, by email or post, (e.g. sending some newsletters with the current news in industry and technologies, the supply of new company products),
- focus on time measurement of staff reactions on customer requirements, customer satisfaction, evidence of complaints and claims, etc.
- set up the regular system of controls to avoid many possible future problems of the purchased products. This step can help to find out possible future failure of the product and be ready for its solving in advance. Moreover customers could have a feeling that company is interested in their satisfaction and also in their experience during using the product. On the other hand company can gain from them some important feedback about product using. Some companies provide online connection to their computer centers to their products. The centers can alarm coming problem and prevent possible failures very fast and easily.

Discussion

The results confirm that customer services are seen as an important competitive advantage for both sides of the research (view of producers and sellers of saw and saw bands and also view of their customers) as Mathieu (2001) mentioned in her work. Service provides a strong competitive advantage through differentiation opportunities. It means that the hypothesis is confirmed, see Figure 1. People involved in the business of saw and saw bands perceived the importance of customer services very well. On the other hand producers and sellers try to provide high-quality customer services in different types according to special customer needs; contrariwise customers are oriented on services especially by choosing a new product and during its using. This aim of this paper was to present customer services both from the theoretical view and also from the view of their industrial providers and receivers, with the focus on competitive advantage gained by customer services. However, the problem of customer services is so wide that it is not possible to involve all their important aspects to one paper.

Future research should elaborate on enlargement of the group of respondents to other similar industrial fields to be able to find out some common trends and individualities for industrial SME's, especially in the part of creating competitive advantage. It will be very necessary to compare how producers and sellers find out customer needs and wishes, too (if they have some kind of feedback from customers), and on the other hand how provided customer services are perceived by customers, if their expectations are not higher than the reality is. I already mentioned customer services should be managed according to customer needs and wishes.

Conclusion

Conclusion should be done in accordance to the aim of the paper. The first attention is accentuated the theoretical view on the important role of customer services. Nowadays, many scientific researches perceive the role of customer services as an important object, such as Mathieu (2001) who thinks that services are becoming a smart strategy because of their strong competitive advantage through differentiation. Also Mathe & Shapiro (1993) see service strategy as a tool for building industry barriers to entry. The second conclusion is that we can confirm the hypothesis about the importance of customer services as a competitive advantage both for producers and sellers and also for their customers. Moreover on the basement of information from the secondary and primary research some rules for providing customer services with respect to using them as a tool of competitive advantage were suggested. The supply and quality of customer services totally differ from company to company. So customer services can be just the best possibility how to differ from competitors.

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