

Quadrant II – Notes

Paper Code: COD 115

Module Name: Service Encounters - Meaning, Importance, Types of Service Encounter, Customer Retention - Meaning.

Module No: 1

Service Encounter

Service encounter means a interaction between service providers and recipients during the process of service consumption (may be face-to-face or with the help of technology).

It consists of all possible interactive elements between service providers and customers including staff, facilities and other visible substances.

Service encounter is considered the core of any service marketing issue and considerably affects service quality control, service delivery systems, and customer satisfaction.

No two service encounters are exactly alike, therefore the challenges of dealing with new customers and managing customer relationships pose a dilemma for the management of service encounter.

It is from service encounter that customer builds their perception.

If it's the first interaction of the customer then the initial interaction will be the first impression. So, these interactions have to be given

importance, as they are critical and influences customer's perception of the organization.

Each encounter of a customer with a service firm will be important as it will create a combined image of that firm. Many positive experiences will give an image of "high quality" and many negative experiences will represent a bad image.

Not all encounters are equally important in building long-term relations. For every organization, certain encounters can act as a key to customer satisfaction. For example, in a hospital context, a study of patients revealed that encounters with the nursing staff were more important in predicting the customer satisfaction.

Importance of Service Encounter

Service Encounters are very important to service firms because of distinctive service characteristics.

- ✓ the initial encounter of a customer with a service firm will **create a first impression** of the service firm .
- ✓ Even when the customer has had multiple interactions with a firm, each individual encounter is important in **creating a image of high quality**.
- ✓ Service encounters **influences customer's perception of the organization**.

- ✓ All encounters are not important. There are certain key areas where it is important to concentrate to **develop long term relationship**. Ex: In hospitals encounters with nurse is important.

Types of service encounter

There are 3 types of service encounter. A customer may experience a combination of all encounters while interacting with service firm or any of these three types.

1. Remote encounter

- There is no human contact in the service delivery. The physical evidences of the service or technical process becomes a primary basis for judging quality. E.g. when a customer interact with a bank through ATM system, interacting to retailer through vending machine etc.

2. Phone encounter

- The contact with the service provider is through telephone. The service quality can be judged on the basis of how long they had to wait for the phone to be attended, tone of voice and the efficiency in handling the issue. E.g call centers, financial services, etc.

3. Face – to – face encounter

There is direct contact between the customer and employees. Determining quality in this situation is highly complex as it will be influenced by the behaviour of both the customer and employees. For example in bank, face

– to – face encounter occurs between customer and bank employees while depositing cheque, availing loan etc.

Customer Retention

- *Customer retention in service is the ability of a service firm to retain its customers.*
- *Customer retention rate is calculated as follows*

$$(CE-CN)/CS) \times 100$$

CE – total number of customers at the end of the period

CN – new customers acquired

CS – customers at the beginning of the period.

Customer Retention is beneficial to every service firm because

- ✓ It will increase profit and boost sales as buyers make repeat purchases due to faith in a brand.
- ✓ It reduces marketing expenditure of the firm.
- ✓ Existing customers are more likely to participate in surveys and, thus, provide a business with useful data.
- ✓ Customer retention strategies will help to build strong long term relationship with customers.

- ✓ Existing loyal customers give a service firm the advantage of word-of-mouth promotion at no cost.
- ✓ Customer retention presents a chance for expansion.