



HOME-BASED AND MICRO BUSINESSES

CASHING IN ON BUSINESS OPPORTUNITIES

GAINING THE CUSTOMER SATISFACTION EDGE

PREFACE

This guide contains a basic text for teaching Customer Service and Satisfaction. It is designed to be taught in a two-hour presentation allowing for a short break. If less time is available, shorten the section on the “listening” techniques, telephone techniques, or handling angry customers. If the participants are surveyed in advance, only those sections that address their specific needs should be included.

Goal: Entrepreneurs will understand the role of excellent customer service in their business operations.

Objectives: As a result of this session, participants will:

- Understand the relationship between customer service and customer satisfaction.
- Identify the qualities of excellent customer service.
- Learn how to handle difficult customers.
- Enhance communication skills.

HANDOUTS

Handout 1 – A Listening Test

Handout 2 – Customers Evaluate Service Quality on Five Points

Handout 3 – Telephone Customer Service Tips

ADDITIONAL RESOURCES

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INSTRUCTIONAL MATERIALS

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Today, more than ever, customers expect quality service from a business whether they are purchasing a product or a service. Meeting or exceeding customers' demands for good service is one way that small business owners can distinguish their business from the competition. Today's customers are seeking to purchase goods for both convenience and the experience a good or service provides. High quality customer service can provide convenience and enhance the experience a buyer has when purchasing a good or service.

According to Entrepreneur.com, customer service has been defined as "the degree of assistance and courtesy granted to those who patronize a business." What constitutes quality service can vary with the type of business. For example, customers expect speed from a fast food establishment, while individualized attention becomes an important component of service in an upscale restaurant.

Customer service includes service to the customer before, during, and after the purchase. Customer service can be provided directly (face-to-face) or indirectly (self-service). True customer service means recognizing each person as an individual with needs and doing what it takes to meet those needs. An increasingly competitive business environment means it is more important than ever that quality service is provided to customers. Every customer must be treated with cordiality, concern, and respect.

Customer survey results show a strong correlation between feelings customers have about the way they are treated by employees (customer service) and the way they feel about a business in general (customer satisfaction). Providing quality service to customers must be the number one priority of every employee.

CUSTOMER SERVICE REVOLUTION

In the past, customer service was perceived as a reactive, complaint-handling activity to deal with customer concerns and problems. It is estimated that businesses spent about 98 percent of their time reacting to problems and less than 2 percent preventing them (Bluel, 2008).

The majority of businesses understand the importance of customer service and customer satisfaction. An increasingly competitive business environment means it is now more important than ever that quality service be provided to customers.

"Good enough" no longer is! A business must go well beyond the minimum standards to attract and keep customers. While a 99.9 percent performance standard sounds excellent, it would result in the following:

- Soft drink manufacturers' delivering 5,516,200 cases of flat soft drinks this year.
- IRS's losing 2 million documents.
- Hospital nurseries' giving 12 babies to the wrong parents—each day.
- Telecommunications' misplacing 1,314 calls per second. (Schroeder, 2008).

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Make “100 percent right, 100 percent of the time” the goal. If there are just 10 steps in a process and each one is 99 percent accurate, the finished project is only 90 percent accurate. Businesses achieve “100 percent right” in some areas, such as payroll. Everyone demands 100 percent of himself in private life. Individuals don’t get lost driving home and end up at the wrong house part of the time. And they don’t expect to miss 99 percent of the other cars on the road and hit only 1 percent.

Service differentiates one business from another. The delivery of quality and value to the customer through improved customer service has been identified as a potential competitive advantage for a business. Excellent customer service is service that leads to spontaneous, positive talk about your business by your customers. Ultimately, customers expect better service today in all areas.

CUSTOMER SERVICE STATISTICS

Customers are better educated today than ever before. They want value for dollars spent. Here are some statistics from Fonolo.com to illustrate the importance of excellent customer service:

- Only 37 percent of brands received good or excellent customer experience index scores in 2012. 64 percent of brands got a rating of “OK,” “poor,” or “very poor” from their customers.
- Poor customer experiences result in an estimated \$83 Billion loss by US enterprises each year because of defections and abandoned purchases.
- 89 percent of consumers began doing business with a competitor following a poor customer experience.
- Customer power has grown, as 73 percent of firms trust recommendations from friends and family, while only 19 percent trust direct mail (from Forrester report “Consumer “Ad-itudes” Stay Strong”).
- Over 60 percent of customer service managers select customer satisfaction as the key metric for determining the success of their support organization. Secondary priorities include first call resolution, average handle time, and wait time.
- 86 percent of consumers will pay more for a better customer experience.
- Only 26 percent of companies have a well-developed strategy in place for improving customer experience.
- \$289 – Average annual value of each customer relationship lost to a competitor or abandoned.
- US consumers prefer to resolve their customers service issues using the telephone (90 percent), face to face (75 percent), company website or email (67 percent), online chat (47 percent), text message (22 percent), social networking site (22 percent).

DIMENSIONS OF SERVICE QUALITY

Customers are the judges of a business’ service as they have expectations of what they anticipate from a business. Expectations are influenced by the business’s image and are developed based on past experience with the business or a similar business, word-of-mouth, and/or advertisements.

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Find out exactly what customers expect and do what it takes to meet and exceed those expectations. Take steps to determine who your customers are and know your target market. A target market is a segment of a market or group of consumers that have similar characteristics that a business is trying to sell a product. Find out the characteristics, values, needs and wants of these customers and develop a plan to meet these needs. By meeting expectations, you create a satisfied customer. When expectations are exceeded, a dazzled and delighted customer is the result.

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Researchers have studied the gap between expected service and perceived service and have identified five dimensions of service quality (Parasuraman, Zeithaml, and Berry (1985, 1988). These dimensions include reliability, assurance, tangibles, empathy, and responsiveness.

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Reliability refers to the business's ability to perform the service dependability and accurately. Customers rate reliability as the most important dimension of service.

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Assurance is identified as the knowledge and courtesy of the business owner and/or employees. Consumers have confidence in business owners who listen and assist them in solving problems related to the business product/service. Assurance is related to higher levels of customer commitment; that is, there is a greater potential that the customer will return and continue to do business with the company if the customer is committed to the company because that customer feels that the company is committed to him or her.

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Tangibles refer to the physical appearance and cleanliness of the facilities and the surrounding area, the appearance of the employees, and, if applicable, equipment that works. There is an old saying that "You never get a second chance to make a first impression." Customers develop an impression of your business from its physical appearance. If you operate a virtual business, this impression is developed from the appearance of your web site. This impression will influence how customers relate to your business. Customer expectations may change at will. They may be rational or irrational and are influenced by people, places, and things they come in contact with. They may not be verbalized unless you ask.

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Empathy refers to individualized attention and a caring attitude. An empathetic employee has an awareness of the customer's needs and feelings and takes action to meet these needs and adjust service to the feelings. This dimension related to how complaints or problems are handled. If a problem/complaint is acknowledged and handled in an efficient manner, customers are more likely to continue to trade with the business. When a customer experiences poor service he/she will be more forgiving of a business that acknowledges and apologizes for the lack of good service. It is estimated that customers who perceive the service to be poor quality and are disappointed in the lack of acknowledgement and correcting of the situation, they will tell from seven to 11 other people about their dissatisfaction with the business.

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Responsiveness refers to a willingness to assist customers in a timely manner. This would include waiting time. This means that if a repair person is expected between certain hours, the customer's expectations are not met if he or she does not arrive within that time frame.

Many service-oriented business owners have started assigning customers a particular service rep representative so that a relationship develops between the service rep and the customer.

THE LISTENING TEST

Ask and Listen. The easiest and most effective way to understand what motivates customers is simply to ask. You can use sophisticated market research techniques such as focus groups or surveys. A less complicated method is simply asking customers in a direct conversation. Pay attention to both formal and informal (verbal and non-verbal) customer feedback. Listen carefully to responses to questions asked. The number one thing people want from someone they do business with is to be listened to. Listening is at the heart of customer service.

Hearing and listening are not the same. Listening is a skill that is learned and acquired. Hearing is what you are born with. Listening is what you do with your hearing.

ACTIVITY

Listening test. Explain to participants that they are about to take a “listening test,” so it will be important to listen carefully and pay close attention. Give the instructions only once so they should follow along very carefully and write down what they are told to do.

Refer to “Listening Test” activity sheet.

A Listening Test

Purpose

To help participants become aware of their own roadblocks to listening and how easy it is to misinterpret and misunderstand what one hears.

Directions

Pass out “A Listening Test” to each participant. Tell them “I will read these instructions only once, so follow along very carefully and write down what I tell you to do.”

Instructions

1. Put a dot on the “I.”
2. You have been gone for a long time and you haven’t had any good conversation for awhile. Whom would you go to first: Mama Bull (MB); Papa Bull (PB), or Sister Bull (SB)? Circle one of those three initials.
3. There has been a plane crash on the border between Nebraska and Wyoming (or states of your choice) just about where you see the X on the paper. The crash was exactly on the border. Where should the survivors be buried?
4. On the line, write the word vote.
5. You are the pilot of an airplane that is flying between Omaha and Denver. There are 150 passengers on board. The plane is halfway between two cities.

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The carpeting in the plane is royal blue and the seats are upholstered in a brilliant red. A light snack has just been served, and everything is going smoothly. The pilot's wife is two years younger than he is and the co-pilot's husband is six years younger than the pilot's wife. How old is the pilot?

Answers

1. You were told to put a dot on the I, not above it.
2. There are no Mama Bulls or Sister Bulls, only Papa Bulls.
3. One does not bury survivors.
4. You should have written the word "vote," not printed it.
5. The answer will be your age. The clue is the first sentence (You are the pilot of an airplane...).

Summary

Listening to another person, whether to instruction, conversation, or to feelings, requires our complete attention and concentration. If it is easy to misinterpret meaning in this situation, think how much more difficult effective listening is with your customers.

Source: Listening with Your Heart as Well as Your Ears by Herbert G. Lingren, Extension Family Life Specialist, Nebraska Cooperative Extension

BARRIERS TO EFFECTIVE LISTENING

A breakdown in listening behavior may occur because of a "poor listening attitude." Here are a few factors that affect listening attitude:

1. Listening with "half an ear." Because we are all busy doing other things, we often give only part of our attention to what someone else is saying. Perhaps you are listening to the radio, trying to balance an account, and trying to be tuned in to the employees in another room at the same time you are listening to a customer. Peter Drucker, the internationally acknowledged expert on business management, stated, "Effective executives do first things first, and they do one thing at a time."
2. Acting as the judge and jury instead of listening to the whole story. Sometimes you become so involved with judgment of the behavior that you don't hear the story in its completeness.
3. Tuning in and tuning out. You may let your thoughts wander when someone else is talking. You can listen faster than others can talk. When you tune back in, you may have missed the main thought.
4. Turning off ideas you don't agree with. When someone says something you don't agree with, or when someone you don't like says something, you may shut your ears so you don't listen: a kind of "hardening of the categories."
5. Jumping to conclusions. Sometimes you have a preconceived idea of what someone is going to say, so you don't listen to what is actually said. Listening requires entering actively and imaginatively into the other person's situation and trying to understand a frame of reference different from your own.
6. Emotional and physical health. If you are nervous, fatigued, experiencing pain, or irritable, your ability to listen effectively is limited.

Summary: Listening to another person, requires complete attention and concentration. If you misinterpreted meaning in this “listening test,” think how much more difficult effective listening is with customers.

TEN TIPS FOR EFFECTIVE LISTENING

1. **Stop talking.** You cannot listen when you are talking. You will only be thinking about what you are going to say next instead of paying attention to what the other person is trying to say. Consciously focus your attention on the customer.
2. **Put the customer at ease.** Relax, smile, look at the speaker and help that person feel free to talk. Look and act interested. Remove distractions—turn off the TV, close the door, stop what you are doing, and pay attention.
3. **Pay attention to the nonverbal language** of physical gestures, facial expressions, tone of voice, and body posture. These often reveal the key feelings behind the words.
4. **Listen for what is not said.** Ask questions to clarify the meaning of words and the feelings involved, or ask the customer to expand upon the statement. Many people often find it difficult to speak up about matters or experiences that are very important or highly emotional for them. Listen for how the customer presents the message.
5. **Know exactly what the other person is saying.** Reflect what he or she said in a “shared meaning” experience so you completely understand the meaning and content of the message before you reply to it. A good listener does not assume to understand the other person.
6. **Be aware of “tune out” words.** These are words in the media that strike an emotional chord and interfere with attentive listening. Avoid arguing mentally. Listen to understand, not to oppose.
7. **Concentrate on “hidden” emotional meanings.** What are the real feelings behind the words? What is the tone of voice saying? What does the emphasis on certain words mean? Notice how the meaning of the following question is changed when you change the emphasis from one word to the next. **What** do you want? What **do** you want? What do **you** want? What do you **want**?
8. **Be patient.** Don’t interrupt the customer. This is disrespectful and suggests you want to talk instead of listen. Allow plenty of time for him to convey ideas and meaning. Be courteous and give the customer adequate time to present the full message.
9. **Hold your temper.** Try to keep your own emotions from interfering with your listening efficiency. When emotions are high, there is a tendency to tune out the customer, become defensive, or want to give advice. You don’t have to agree to be a good listener. Don’t argue! Even if you win, you lose.
10. **Empathize with the customer.** Try to “walk in the other’s moccasins” so you can feel what that person is feeling and understand the point of view the customer is trying to convey.

BREAK

Put the following two questions on a flip chart or blackboard. Ask participants to write one answer under each question, during the break. If they cannot think of a new answer, ask

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them to put a check-mark by the answer that is most important to them. 1) As a customer, what do I expect from the businesses who serve me? 2) What must a business do to earn and keep my business?

ACTIVITY FOLLOW-UP:

Look at the answers written by the participants. What are the common themes? Do the participants' expectations include reliability, assurance, tangibles, empathy, or responsiveness?

EMPLOYEES ROLE IN SERVICE QUALITY

Everyone must realize that everyone involved in the business is a customer service representative. Service is not someone else's job. It is everyone's job. Employees must be empowered to handle complaints regardless of where the problem originated. Unhappy customers who must wait for an employee to find a supervisor will likely spend that time getting angrier. If a problem can be resolved without haggling, approximately 95 percent will forget the problem and continue doing business. Only 70 percent will stay if their problems have to be referred to managers and then it takes days or weeks to resolve. A quick resolution is far more productive and less damaging to customer relations than a drawn-out dispute settlement procedure.

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TELEPHONE CUSTOMER SERVICE

When it comes to customer service, the telephone is the heart and soul of any home-based or small business. Much of your success is dependent on how well the phone is handled.

Great service begins when the phone rings. Whoever is calling is doing so for a reason; you and your staff can create the right or the wrong atmosphere just in the way you handle the phone call.

HANDOUT

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Greet the caller pleasantly and promptly. Nothing irritates and discourages a customer more than having to wait on the other end of the line. Nothing is so important that you can't pause for a moment to answer the phone. Don't lose the customer before you even say the first word.

Identify yourself to the caller. Create a simple phone greeting. Include "How may I help you?" By asking how you may help them, you invite callers into a friendly conversation. When you ask how, you open the door for them to give you more information. And, the only way to determine what a customer needs and how you can best sell him something to satisfy those needs is to ask questions. *Use the caller's name in the course of the conversation.*

Listen to everything the customer has to say. Listening becomes even more important during telephone customer service, because you cannot see the caller's reactions and responses to your words. Listen for the actual words and the hidden meanings between the words.

Never interrupt a customer, and never assume you know what he wants. You need complete information before you can provide good service, and you will never get this information if you don't let the customer talk. Stress what you can do, not what you cannot do.

Speak in a pleasant manner so that your tone conveys the message of your words. Research shows that how you say something accounts for 93 percent of the meaning of the message, while only 7 percent accounts for what you say. Keep the tone of voice upbeat and positive. Take the time to be helpful. Say, "please," "thank you," and "you're welcome."

Put a smile on your face when you pick up the phone. The smile will make a difference. Both of you will be more relaxed, and the conversation will take on a more personal and friendly tone.

Keep your promises; return calls promptly. Remember, responsiveness is one of five qualities customers use when rating your customer service.

Treat all callers as customers. Treat all customers as friends. Be friendly before you know who's calling. Give fabulous service to everyone.

When leaving messages, always leave your first and last name and your telephone number.

Do not leave a caller on hold for more than twenty seconds without coming back on the line. If you have other customers waiting or if you can't find what the customer wants, check back and inform him of the situation. Offer the choice of holding longer or of having you call him back. Customers that remain on hold perceptually doubles or triples the actual waiting time, which results in an annoyed or irate customer (think about the time that you think that you have to wait when you enter a hospital emergency room). If you must place a customer on hold, be aware that waiting customers may take offense at listening to "commercials" for your business or the type of background music that is played.

Always ask, "Is there anything else I can do for you?" before you say goodbye. Write things down. If you have to get back to a phone customer at a later time, write down what he wants.

Don't trust your memory. As the day goes on, you might forget the customer's request or even the fact that you were supposed to get back to him. Remember, the customer is depending on you. If you don't come through, he won't do business with you.

Thank the customer for calling and gently hang up the receiver. Hang up last. Never hang up first. Your customer might not have said everything he wanted to say. Don't start talking to someone else before you hang up the receiver.

Use voicemail. Use voice mail to handle after hours telephone calls as well as for messages when all other lines are in use. After hours voicemail should include your hours of operation

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as well as other ways customers could contact you such as e-mail. Keep your voice mail message short and provide a way for customers to bypass the message. Be sure to respond to voice mail messages in a timely manner.

HANDLING ANGRY CUSTOMERS

Dealing with client problems is a fact of entrepreneurial life. Dealing with problem clients—that's another matter. Try to use empathy rather than hostility when handling temperamental clients. When customers express concerns, listen. Not only is your attention critical to smoothing the situation over, but customer feedback is valuable.

What drives customers away? There are three major categories: first, customers want more input about the product or service offered; second, when expectations are raised too high and then are not met; and third, when things that go wrong are not made right.

Customer-driven businesses can eliminate the first category. Make it a point to ask customers about their needs, new ideas, or problems they have had with similar products or services. If you deliver on your promises, the second category will no longer be a problem. It's better if you can deliver more than expected.

The third category is when things go wrong and customers can't get satisfaction. They don't want excuses. Don't tell your customers about your business problems or blame others for those problems. It's important to be flexible in settling customer complaints. Be aware that certain phrases ("You'll have to..."; "Here's what I need from you..."; or "Write a letter to...") can set off irate customers. Don't put demands on customers or force them to take additional steps.

A customer with a satisfactorily resolved problem will produce three times the revenue of a customer without a problem. The customer develops an affinity for you that he will not feel for our competition. That customer will probably recommend you to friends.

What can you do when the customer has a legitimate complaint? EVERYTHING! Throw out the procedures manual and make it right. It is estimated that 80 percent of customer service problems are caused not by the employee, but by the "rules" and "policies" of a business (Gerson, 1999). Hitting clients over the head with a rule book generally isn't effective.

More than anything else, an angry customer wants you to listen to him. Listening shows that you respect this person and are willing to treat him or her in a dignified manner. Handling angry customers involves listening carefully, calming the customer down, and finding out what you must do to satisfy the customer.

WHAT TO DO WHEN A CUSTOMER IS ANGRY

Don't argue. The customer has a right to be angry and upset.

Listen carefully. Allow the customer to speak and completely ventilate his or her feelings. Although it may seem like an eternity, give him or her anywhere from thirty seconds to two minutes of uninterrupted talk time. You will find that most people cannot sustain a high level

of emotional anger for this period of time if you just listen and do not interrupt. Use your best listening skills to encourage the customer to keep talking.

Apologize and use reflective communication skills. Tell the customer you are sorry and restate the problem as you understand it. Also let him know you are going to do everything possible to help him out, because you do not want him to continue being upset. You must personally accept responsibility for the problem's occurring and its resolution. You do this even if you were not the original cause of the problem or complaint.

Show empathy. Let the customer know you understand the problem from his or her point of view and how he or she feels. Do not patronize or try to pacify the customer. Some service related phrases that may be useful:

- "I agree with you that..."
- "I appreciate that..." or "I appreciate your..."
- "I respect that..." or "I respect you for..."
- "I understand..."
- "You're right."

Ask questions. Questions will help you clarify the problem and the customer's interpretation of it. Asking questions keeps you from making a statement that the customer may perceive as placing the blame elsewhere or passing along the responsibility to resolve the issue. Make certain you completely understand the situation.

Thank the customer for bringing the issue to your attention. Remember that only a small portion of customers actually complain. So treat every complaint or angry encounter as an improvement opportunity. Someone is helping you get better—thank him or her.

Make restitution. Find out what the customer wants and if at all possible, do it. If the customer isn't clear about what would make him happy, offer alternatives for him to consider. Always give the customer more than one option or leave it open: "What can we do to make this right?"

Do what you promise. Deliver on your promise of restitution. This is another opportunity to cement a customer's loyalty. If you under promise and over deliver, the customer will be loyal. If you do not do what you promise, you will never have another chance.

Follow up. Follow-up is essential to your continued success. Angry customers may feel better at the time they leave, but it is up to you to make certain their angry feelings do not return later. Call them or write to make certain they still feel good about what you did for them. Going the extra mile will help you create and keep a loyal customer. Keep track of what you did and said as well as how the customer responded. This will help you the next time the customer does business with you.

Give something. It can be a discount on their next purchase, something for free, or anything you can think of. The important thing is that the customer believes you have gone

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out of your way for him when he was angry and that you really want his business, because you are willing to give him a gift as a thank you for continuing to do business with you.

Many customers believe the true test of a business's mettle is not when things go right, but when they have gone wrong. If you have developed a strong enough relationship with your customers and take immediate action to correct any problems, you should be able to survive just about any customer service failure.

HOW TO SAY WHAT YOU SAY EVEN BETTER

Based on words and the tone you use during a telephone call or when talking to a customer in person, innocent comments, questions, and remarks can come off very negatively to customers.

- Begin with agreement. If you know you are going to disagree with someone, start off your discussion with some area on which you both agree. Even if it requires really digging to uncover that common ground, do it.
- Say “and,” not “but.” “But” acts like an eraser inside people's heads. It erases the value of anything said before it in a sentence.
- Use lots of “I” statements. Limit “you” statements. “I” clarifies for the other person what you think and feel, while “you” can make a person feel criticized. “I” also reduces defensiveness and fosters communication.
- To reduce irritation, use a warm and cooperative voice tone.
- Use “I will...” to build confidence.
- Use “Will you...” to reduce frustration.
- To say “no” courteously, use “You can...”
- Give the reason first to save time.
- Say specifically what you have done or will do to show sincere interest.

WHEN IT SEEMS CUSTOMER SERVICE IS NOT ENOUGH

Sometimes it seems whatever you do is never quite enough. Someone, somewhere, always comes up with a new and better way to service customers. Sometimes you or your employees misinterpret customers' expectations. Or the merchandise offerings are better somewhere else to meet a particular customer's needs.

Service can always be improved. A business has to stay one step ahead of the competition. Know what they are doing and how they are doing it. You may need to review your customer service policy, then do whatever it takes to make it better. Study your current strategy for attracting and keeping customers as well as your strategy for training and retaining excellent employees. Continue to promote the benefits offered by the business. Don't be afraid to utilize new technology or creative ideas to provide customer service. Simple things such as common courtesy, a card, or thank you notes can be very effective in establishing positive relationships with customers.

CONCLUSION

The rewards of quality customer service include the following:

- Increased customer loyalty
- Positive word-of-mouth promotion
- Happier customers
- More productive and happier employees
- Smoother working operations
- Increased intangible competitive advantage

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HANDOUT 1

A LISTENING TEST

1. I
2. MB PB SB
3. _____ X _____ NEBRASKA WYOMING
4. _____
- 5.

Source: Listening with Your Heart as Well as Your Ears by Herbert G. Lingren, Extension Family Life Specialist, Nebraska Cooperative Extension

HANDOUT 2

CUSTOMERS EVALUATE SERVICE QUALITY ON FIVE POINTS:

- **Reliability**
- **Assurance**
- **Tangibles**
- **Empathy**
- **Responsiveness**

Prepared by Carol Thayer, Extension specialist, University of Nebraska

HANDOUT 3

TELEPHONE CUSTOMER SERVICE TIPS

1. Be friendly, enthusiastic, and helpful.
2. Articulate words clearly.
3. Keep your promises; return calls promptly.
4. Treat all callers as customers. Treat all customers as friends.
5. Stress what you can do, not what you cannot do.

Other Phone Techniques

1. Answer promptly.
2. Put customer “on hold” for no more than 20 seconds (less is better).
3. Transfer calls professionally.
4. Identify yourself to the caller.
5. Take complete and accurate messages.
6. Thank the customer and gently hang up after the customer does.
7. “Own” the call.

Prepared by Carol Thayer, Extension Specialist, University of Nebraska.