Service marketing case study

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# I. Introduction

For the global economy, the service sector plays an increasingly important role, accounting for 65 percent of the total world GDP output in 2018 (World Bank, 2020). In accordance with the macro trend, many companies turn to services as a way to increase their revenue, gain a competitive edge over their customers, deal with a more complicated and uncertainty business landscape, and expand their customer base (Kotler, 2003). While there still exists much controversy over its definition, service is often defined as all activities whose outputs are intangible and consumed simultaneously with production, adding value and satisfaction to customers’ experience (Awara & Anyadighibe, 2014).

Therefore, as presented in the case study, Alpha Robotics, a UK-based medium-sized company which designs and produces robotic system, also attempted to provide after-sales maintenance services with an aim to generating a new source of revenue for the company in the context of increasing competition, improving its customer experience and eventually securing its customer loyalty. Nonetheless, despite their obvious advantages, being both the manufacturer and the maintenance service provider, the company failed to keep the customers who initially happily signed up for the services. This essay attempted to analyse Alpha Robotics’ plan, address its issues and underlying causes for failure and propose some recommendation for the company to improve the services.

# II. Analysis of reasons for Alpha Robotics’ failure to retain customers

## 2.1 Characteristics of services in the case of Alpha Robotics’ maintenance service

First, services possess four prominent characteristics that distinguish them from products. In the first place, service is often intangible, meaning that it is very difficult to measure or quantify. As a result, it can be challenging to try to promote, evaluate or convey a service (Wolak, et al., 1998). Next, service is inseparable with production. It is produced and consumed through the direct interaction between the service providers and users at the delivery site. Although technologies have brought up the possibility of reducing and even eliminating the human interaction for some services, humans still play a central role in service delivery in many types of services (Lehtinen & Järvinen, 2015). Moreover, service is variable, implying that there are no two identical services since they are produced and consumed by different people in different contexts. While this feature might introduce uncertainty and risk for service consumers since what they experience can be different from what was promoted, heterogeneity allows service providers to be creative and differentiate their services from those of competitors (Wolak, et al., 1998). Finally, service is believed to be perishable: it cannot be stored or preserved for future use (Parasuraman, et al., 1985).

Upon consideration, the characteristics of the maintenance service provided by Alpha Robotics offer some insights for failure explanation. On one hand, Alpha Robotics spent too much effort on building up and promoting its brand name, in an attempt to strengthen its intangible features. It tried to differentiate itself from its rivals by emphasizing its expertise in robotic technologies and deep understanding of the system. Even after learning from the initial setbacks, the company’s response was to launch a new marketing communication campaign to reinforce its brand image as the top robotic producer in the country. However, the services offered by the company were perceived as highly variable by customers in a negative way. For example, a customer claimed that the different technicians coming to his/her factory had different ways of working and varied in level of professionalism and technical skills. Furthermore, due to the perishability characteristic of services, Alpha Robotics seemed to not adequately staff its services. For instance, the company appeared to not have enough personnel at times, making customer wait for a long time when trying to contact the company. The customer was also under the impression that sometimes technicians had to work in a hurry to rush to their next appointments.

## 2.2. Alpha Robotics 7P service marketing mix

Second, for services, in addition to traditional 4P elements namely price, product, place and promotion, three other elements were included to form the 7P marketing mix (Palmer, 2012).

* People: referring to all human stakeholders involved in a service such as customers, employees, managers, and so on.
* Process: denoting the whole process from service inquiry to complete service delivery to customers.
* Physical evidence: referring to the tangible parts of the services

With these 3 elements, there were several issues that the customers of Alpha Robotics went through throughout the whole maintenance service experience. To illustrate, in terms of people, the technicians of Alpha Robotics displayed unprofessional manners and they were unaware of the customer’s expectation and needs. For example, many technicians were late for their maintenance appointment with no explanation. During their work, some technicians left without notice, leaving the customer worried. It also seemed that they did not introduce themselves properly and prepared well for the task, making the customer wonder if they were just subcontractors.

Furthermore, regarding the process, there were signs that Alpha Robotics did not design a thorough, smooth and intuitive process for their customers to follow. For instance, although Alpha Robotics promised to arrange 2 scheduled maintenance visits per year, the customer did not know when to expect the 2 visits and had to initiate the process. Additionally, the communication process among Alpha Robotics employees, and between the employees and customers was not effective. Particularly, when the customer tried to call Alpha Robotics, he had to answer too many technical questions which were both unfriendly and time consuming. What’s more, it seemed that employees did not record and exchange information about each customer’s case; hence, customers had to repeat the same information to different employees each time.

Lastly, Alpha Robotics’ complaint management process was likely to be futile as the company did not know why customers terminated the contract and left its maintenance services. They had to conduct a survey to realize that their customers were dissatisfied, and then interviews to find out the root cause of the concerns of their customer. When facing dissatisfactions, not all customers react in the same way. While some customers would take proactive public action, some would complain privately in their circles of influence, and some would just walk away (Voinea, 2011). If customers complain, they provide the company with an opportunity to understand the issue and take action to remedy any wrongdoings and recover in a timely manner. If customers do not complain, it often means that they are not interested in the service, the complaint process is too burdensome and intimidating, or they do not believe that their complaints will result in any changes or fair compensation (Blodgett, et al., 1995). In any cases, customer dissatisfaction and negative engagement cause the company to lose current and future revenue through destructive brand image and words of mouth.

## 2.3. Alpha Robotics’ customer service quality management

To evaluate service quality and consequently customer satisfaction, the service quality (SERVQUAL) model is often utilized to understand its five dimensions and identify the associated gaps between expectation and experience (Parasuraman, et al., 1985). The first gap is the misunderstanding between customers’ expectation and the service provider’s perceptions of customers’ expectations. In other words, the service provider fails to understand what customers expect to receive from the service, caused by poor market intelligence and customer research. The other gaps include the poorly designed and delivered service standards and ways of delivery stemming from incompetent staff or processes, and the distance between customers’ expectation and their actual experience of the products. Although the SERVQUAL framework has been criticized for being generic and vague, it offers a good starting point to learn about customer’s perspectives and proposes ways for service innovation and modification (Kar, 2016).

From the case study of Alpha Robotics, it is obvious that the company misperceived what the customers expected from their maintenance services. Throughout the whole program, the company assumed that its established reputation in the field of robotic production and the technical expertise of their staff are the only things that matter to the service. Alpha Robotics was probably partly correct in that its brand name and knowledge of the system drew customers to their services in the first place. However, that was not enough to help the customers solve their problems and become satisfied. Furthermore, the services performed by Alpha Robotics failed to meet customers’ standards. In particular, customers expected Alpha Robotics to provide 24/4 maintenance services and finish the work on time to minimize their production delays. Nonetheless, Alpha Robotics only provided limited appointment times, and the technicians took much longer time to fulfil the service. Without proper understanding of the customers’ need, Alpha Robotics could not design an efficient and satisfied experience for their customers, prompting them to leave the company for other service providers.

# III. Recommendations for Alpha Robotics to improve their services

As indicated from the analysis, there are several strategies Alpha Robotics can implement to improve their service quality, enhance customer satisfaction and subsequently regain and retain their customers.

First, as services are all about human interaction, it is vital that Alpha Robotics invests in developing its human resources. Traditionally, employees serve the roles of connecting the company and the customers, representing the company’s value and culture, fulfilling the job functions, and adding value to the services through their technical skills and soft skills. Nonetheless, in this new era of constantly changing values and priorities, employees also act as differentiators who distinguish one service provider from another, innovators who take the initiatives to improvise the way services have been designed and delivered, and enablers who make things happen (Bowen, 2016).

Therefore, to ensure that the company has the right personnel who has high-quality performance, Alpha Robotics should begin with hiring the right people. Service personnel requires different skill sets than manufacturing human resources. To be specific, employees are recommended to possess good communication skills, critical and analytical thinking, teamwork and collaboration and service-oriented attitude. These competencies are crucial to service performance and positive customer experience (Hanafi & Ibrahim, 2018). Once Alpha Robotics has succeeded in hiring the right candidates, the company should continuously maintain the quality of its staff by providing on-the-job training for both new employees and existing staff to meet with the current and future job requirements. Company training and development policy can consist of various programs such as mentorship, job-shadowing, job rotation and expert-led workshops and seminars. In addition, the company can send their employees to attend professional training courses to sharpen their skills (Schermerhorn, 2012).

Lastly, to motivate and reward the desirable behaviours and superior performance, Alpha Robotics must also re-evaluate its current reward and incentive system and make necessary changes. Generally, employees often have intrinsic motivations which are triggered by a sense of inner satisfaction and achievement, and external motivations which are generated by external enablers such as money, status or power (Sathyanarayan, 2018). Consequently, an effective incentive system should recognize both types of motivation to produce the best results. For example, Alpha Robotics can provide employees who consistently receive positive feedback from customers with financial rewards such as bonus and benefits, and non-financial rewards such as recognition and career advancement opportunities. On the other hand, employees who fail to deliver a pleasant experience for customers also need to receive feedback timely through informal and formal warnings and other disciplinary actions. Besides, to properly evaluate and appreciate employees’ performance, managers also need to be educated to assess their employees fairly and appropriately. Overall, the company’s organizational culture should reflect and bolster these new service-oriented qualities that it aims to acquire. Since organizational culture includes all values, norms, written and unwritten rules, policies, and beliefs within an organization, it can only be transformed gradually over a long period of time (Alvesson, 2012). Hence, Alpha Robotics should anticipate a slow transition and manage the expectations accordingly.

Second, because many of its customer’s dissatisfaction came from its incompetent processes, it is very important that Alpha Robotics should thoroughly reform its service operation and delivery processes. In doing so, the company should start with conducting a comprehensive user research to understand their customer’s expectations. Modern user research adopted design thinking as a problem-solving framework to come up with the most innovative and user-centred solutions. To be specific, Alpha Robotics should observe their customers and immerse in the customers’ world to develop some empathy for their issues and understand the problems from their perspectives. Based on the observation, Alpha Robotics will be able to narrow down customers’ needs and brainstorm different ideas to meet those requirements. As Alpha Robotics prototypes and tests different ideas, the company can evaluate and choose the best solutions to enhance their service quality (Dunne, 2018). Although this approach is sometimes criticized as time-consuming and costly, it is believed to generate considerable consumer value and lead to sustainable solutions (Young, 2010). In addition, Alpha Robotics can invite customers to participate and co-create the service process to gather their inputs and feedbacks.

Third, Alpha Robotics can consider implementing a service recovery framework to prompt proper response in case of service failure. Due to many characteristics of services such as inseparability and heterogeneity, errors and failures are part and parcel of services; therefore, service providers must understand completely the consequences of service failures and come up with recovery mechanism to reduce adverse impacts of such failures (Hess & Ganesan, 2003). Besides, research also shows that company can reduce negative words of mouth and enhance their probability of customer retention by quickly resolving customer complaints with courtesy and professionalism. Thus, a reasonable service recovery framework should include fair compensation for customers, professional failure management and handling by employees, and standardized organizational procedures to speedily follow in those situations (Vaerenbergh, et al., 2019). For example, when Alpha Robotics’ services do not meet the company’s obligations and customers’ expectations, causing losses to customers’ businesses, Alpha Robotics must acknowledge the errors and issue an apology within a predetermined period of time. After that, following an assessment of damages to customers, Alpha Robotics must compensate customers by providing extra services free of charge or pay a penalty fee. The company should provide a guideline for employees regarding how to act, specifying their recommended actions and professional attitudes. It is advised that employees should be empowered to proactively tackle the problem and make customized recommendations for the customers. However, employee empowerment should take into account employees’ expectation and capabilities since some employees might feel stressful by empowerment, and therefore underperform (Lee, et al., 2018).

# IV. Conclusion

In sum, with the increasing importance of experience in customer satisfaction, service has become a source of competitive advantages and a pivotal factor in determining business success. As exemplified by the failure of Alpha Robotics, in spite of the company’s reputation for its technical competencies, unsatisfactory service handling can drive away customers and badly damage the company’s revenue. To guarantee high quality services, companies must hire and train their human resources in both technical skills and interpersonal skills, develop effective service processes, implement useful recovery mechanisms, and foster service organizational culture.

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