

Poor customer service leads to loss of customers

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Cost reductions are high on the agenda in many firms. Cost reductions often result in manning reductions and fewer employees. Customer service is a labour intensive function, and is therefore very likely to be affected by cost reductions.

Professor Tor W. Andreassen and associate professor Line Lervik Olsen of BI Norwegian School of Management have carried out a broad-ranging study of 899 bank customers to see how good and bad [customer service](#) affects the customer's opinion of his/her bank.

Their findings were published in a research article in the international scientific journal Managing Service Quality. This article earned Andreassen and Olsen the research award "MSQ 2008 Highly Commended Paper Award".

The higher the education, the lower the customer satisfaction

More than four out of ten (42%) of the bank customers that were interviewed reported poor customer service, while the remaining customers were generally pleased with the customer service at their bank.

There are only minor differences between males and females. Of the unhappy bank customers 52 per cent are men and 48 per cent are women. Of the customers who feel they receive good service, 52 per cent are women and 48 per cent are men.

There is a higher number of people with tertiary education (university graduates) in the group that experience poor service (53% have a university degree) than among those who feel the customer service is good (37% have a university degree).

Good service creates stronger ties

The study shows that customer service plays an important part in the customers' evaluation of a service experience.

“When the customers feel they receive good service, they also tend to view their service supplier as more attractive than the competition, it affects customer satisfaction, and not least the degree to which they develop financial, rational and [emotional ties](#) to the service supplier,” explains Tor W. Andreassen.

Customers who feel that the service they receive is good, require fewer proofs and consequently search less for confirmation that they have made the right choice of service supplier, than do people who feel they get bad service.

Poor service leads to more critical assessment

Customers who receive poor service, become more cautious and particular in their assessment of the service supplier, and are much more aware that their choice may not have been a good one.

These customers tend to feel that they miss out on benefits that other customers receive, they become less satisfied, and develop weaker ties to the service supplier in terms of financial, rational and emotional attachment, according to the paper.

Customers who feel they receive bad service tend to ‘sit on the fence’ and wait for a better alternative. They will be the first to leave when the opportunity is there.

The study shows that companies can improve their present and future market position through ensuring good customer service. Through their customer service, companies develop stronger emotional ties with their customers, and will appear as more attractive than the competition.

“Having satisfied, loyal and profitable customers must be every manager’s dream come true. Customer service might be a way of achieving this, not least when times are tough,” claims the BI professor.

More information: Andreassen, Tor W. og Olsen, Line Lervik (2008): ”The impact of customers’ perception of varying degrees of customer service on commitment and perceived relative attractiveness”, Managing Service Quality, Vol. 18 No. 4. Winner of MSQ 2008 Highly Commended Paper Award.

Provided by BI Norwegian School of Management

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