

THE SERVICE ENCOUNTER
AND CUSTOMER SATISFACTION

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Abstract

The service encounter in the cable television industry is examined as a contributor to consumer satisfaction. Cable television is a low-involvement, low-contact, continuously-produced service that requires few encounters with customers. When a service encounter does occur, it is likely to take place by telephone. A mail survey of cable subscribers indicates that satisfaction with phone contact as well as recency and frequency of contact are related to consumer satisfaction with the company's service offering. Encounters are also directly related to perception of cable programming. Results suggest that even for impersonal services such as cable television, some regular personal contact with customers may be necessary for maintenance of a high level of customer satisfaction.

Introduction

Customer service encounters are an important component of any marketing program. Such encounters take on special significance in service marketing. Unlike products, services are intangible and can vary considerably depending on the provider. Highly personalized services such as medicine are the most dependent on appropriate direct communication. However, even services that are more "mechanized" or even those that are fully "industrialized" (Levitt 1976) may benefit from effective use of a direct channel to the consumer.

According to Shostack (1985) "a service encounter is a period of time during which a consumer directly interacts with a service." These encounters are the consumer's main source of information about quality and service differentiation. A service encounter may or may not involve the total service offering and may or may not occur at the time of purchase. Encounters may be: (1) direct and face-to-face; (2) indirect via telephone; and (3) remote through written contact (Shostack, 1985).

This paper examines the importance of indirect service encounters, contact by telephone, in the cable television industry. Specifically, this is an exploratory study of the telephone-based customer service encounter in a low-involvement service. There are three main objectives. The first is to determine the impact of the most recent indirect contact by telephone on satisfaction with customer services. Second, the paper attempts to assess the persistence of the outcome of a service encounter over time. This is evaluated by relating recency and

frequency of contact with overall satisfaction and satisfaction with selected aspects of customer service.

Third, the study examines the impact of customer service encounters on evaluation of the primary service of the cable operator--television programming. That is, an attempt is made to identify a "halo effect" such that consumer satisfaction or dissatisfaction extends from the phone contact to perception of the cable channel programming.

Background: Cable Television

Cable Television Industry

During the past decade, the major emphasis in the cable television industry has been on construction and wiring of markets. In each community, the local cable operating system has held a monopoly and little attention has been paid to strategic marketing and the role of customer services ("Cable TV" 1985). The cable operator's phone encounters with consumers usually involve responding to customer complaints and taking orders rather than promoting a long-term relationship. One consequence of this is that the national hook-up rate for homes "passed" by cable stands at only 50% (Landro 1985). In addition, the disconnect rate ("churn") can run as high as 25% a year for basic cable and up to 100% annually for certain pay channels (Metzger 1983).

The regulatory environment has also contributed somewhat to a lack of interest in marketing. The cable operator is often constrained to follow a myriad of costly obligations put in place by the local community as franchise conditions. All this is changing and, under deregulation, the operator will have to make decisions about "must carry" channels and will have greater flexibility in developing consumer-oriented service packages. Local marketing efforts are also important for suppliers of "premium" or pay-services such as Home Box Office (Blank 1985). These must be sold through the local cable operating company and gaining household penetration will require that "philosophies of cable operating companies evolve from their original 'utility perspective' into that of the integrated marketing service....(Rothe et al 1983, p. 20)."

Cable as a Service

Using Lovelock's (1983) classification scheme, cable can be described as a service that delivers an intangible on a continuous basis to

individuals who stand in a membership relationship to the supplier. There is only a small amount of customization in terms of selection of pay channels and certain accessories such as remote control. Decisions about customer needs are mostly made by the buyer not the seller, there is no physical contact between buyer and seller and services are delivered from a distance to a single site. The exception is the door-to-door selling of cable services used infrequently by some operators.

Cable can also be described as a low-involvement service that has a low level of personal significance for the subscriber. It is likely that the decision process for the selection of cable services is one of limited rather than extensive problem solving. Similar low-involvement, continuously-delivered services would include utilities, telephone service, and broadcast media. In contrast, medical care, psychotherapy, legal counsel and interior decorating are customized, high-involvement services that entail significant personal interest and concern.

Customer Service

Cable is a relatively impersonal service that relies mostly on remote encounters. When phone contact occurs, it has considerable potential for influencing customer perception and satisfaction. The major customer service tasks conducted over the phone usually include: providing information, complaint handling, dealing with billing issues, handling repair related problems and processing orders (Coppett and Voorhees 1985; p. 215). The telephone can be a valuable and cost-effective medium that offers a substantial opportunity for engaging in a personalized dialogue with customers (Roman 1976); Shapiro and Wyman 1985).

Cable is a "low contact" service in which the actual communication time between consumer and operator is a small percentage of the total service time (Chase 1984). However, even in a low-involvement, production-based service like cable television consumer service encounters may be a significant element in a marketing program. An indirect service encounter such as a telephone contact, with its potential for personalization, may have considerable impact on consumer attitudes. Further, the style and effectiveness of the phone service representative can be an important variable in customer satisfaction and continuity of patronage (George and Kelly 1983; McCallum and Harrison 1985).

According to Bell (1982, p. 165), organizational representatives engaged in communication with the customer may have to function as "service tacticians" who must become involved in "remixing" the service package and its meaning. Specifically, their functions are to react to customer feedback and modify the services provided or re-evaluate the consumers' needs and find ways to increase satisfaction. That is, employees and consumers work together

interdependently in creating a satisfactory service encounter (Berry 1980; Bowen and Schneider 1985).

From the consumers' point of view, this personal interaction may result in a trade-off. On the one hand, they are treated less impersonally; on the other hand, the level of involvement with the mechanized service supplier increases. Consumers may prefer to simply receive the service and maintain impersonal contact. If this is the case, increased contact may be seen as an intrusion and lead to dissatisfaction. In any case, presentation of the service package by a representative is critical to customer satisfaction.

Methodology

During the spring of 1985, a brief questionnaire was mailed to the subscriber base of an urban cable television operation. Nearly 50,000 questionnaires were sent to subscribers with a routine mailing from the company.

The usable response rate was about 11% for a total sample of just over 5600. The characteristics of the sample were compared with those of the total subscriber base. There was a close match between towns of residence and type of cable services used by respondents and those of the subscriber population. In terms of demographics, the sample showed a modest "upscale" bias with greater representation among those with higher levels of income and education.

Findings and Discussion

Overall Satisfaction

Level of satisfaction with the most recent customer-initiated service encounter has a direct and dramatic relationship with overall satisfaction with customer service. Two-thirds of those who are extremely or very satisfied with the most recent indirect service encounter are satisfied with overall customer service. In contrast, only 7% of the respondents who feel dissatisfied indicate overall satisfaction with customer service.

Recency and Frequency

The recency and frequency of calling can have an important association with perception of customer service. The pattern in [Table 1](#) indicates that frequency can be more important than recency. Levels of satisfaction for the most recent contact and for overall customer service are lowest among those who called three or more times whether during the past month or past two to six months.

Respondents who engage in less frequent calling are more favorable in the assessment of their most recent contact. There is little difference in satisfaction with the most recent phone encounter between those who called one or two

Table 1

REGENCY AND FREQUENCY OF CONTACT
AND CUSTOMER SATISFACTION

Recency and frequency of calling	Satisfaction with most recent contact*			Overall satisfaction with customer service*		
	Extremely and very satisfied	Somewhat satisfied	Not very and not at all satisfied	Extremely and very satisfied	Somewhat satisfied	Not very and not at all satisfied
3 or more times in past month	28%	29%	43%	21%	37%	42%
3 or more times in past two to six months	34%	35%	31%	25%	39%	36%
1 or 2 times in past month	59%	23%	18%	51%	34%	15%
1 or 2 times in past two to six months	57%	29%	14%	47%	36%	17%
No call in the past six months	53%	24%	23%	51%	34%	15%

* χ^2 significant at the .01 level.

times during the past month (59%) or past two to six months (57%). There is a slight tendency for level of satisfaction with the recent contact to erode among those who did not call within the past six months (53%) compared to those who did call (57%).

Overall satisfaction with customer service shows a similar relationship to recency and frequency. The more frequent callers are the least satisfied and the less frequent callers are most satisfied regardless of when the calls were made.

Customer Service Attributes

Frequency of calling is related to perception of company representatives and aspects of service (Table 2). As expected, frequent callers are less likely than others to agree that representatives are easy to reach, concerned, understand problems, and are able to solve problems during one call. Also, frequent calling is linked with a low level of agreement with the idea that the company is concerned about the customer. This perception of a lack of commitment on the part of the organization to meeting needs may weaken ties with customers and foster high turnover.

Finally, among those who made no calls within the past six months there is a decline in the

evaluation of services provided by phone representatives. This decline in evaluation may indicate that some contact is needed to maintain positive evaluation at a high level.

Satisfaction With Service and Programming

Customer service is closely related to consumer satisfaction with cable programming (Table 3). This relation is consistently in evidence for basic cable and for two premium or "pay" channels, one offering a variety of programs and the other showing mostly movies.

This finding implies the existence of a "halo effect" for the service encounter. Thus, failure to meet consumer expectations for customer services may lead to dissatisfaction with other elements of the entire service offering.

Conclusions

Even low-involvement services offered on a continuous basis at a distance do not remain entirely impersonal. Once the consumer engages in a service encounter with the organization, the nature of the relationship alters and the satisfaction level becomes linked to service delivery and to the proficiency of the service representative in problem solving.

Table 2

RECENCY AND FREQUENCY OF CONTACT AND
EVALUATION OF ASPECTS OF CUSTOMER SERVICE

Percent strongly agree and agree				
Recency and frequency of calling	Easy to reach company by phone	Company is concerned about the customer	Phone reps understand my service problems*	One call resolves
3 or more times in past month	40%	33%	42%	36%
3 or more times in past two to six months	39%	30%	40%	26%
1 or 2 times in past month	58%	54%	60%	57%
1 or 2 times in past two to six months	49%	42%	55%	47%
No call in past six months	35%	38%	50%	40%

*X² significant at the .01 level.

In the case of cable television, the customer is essentially captive as the cable franchise has a monopoly in the community. There are competitors for entertainment services such as broadcast TV and videotapes but these do not offer the programming variety of cable. While poor customer service in cable may not result in an immediate disconnect it leaves a residue of dissatisfaction that ultimately makes the marketing task far more costly and difficult. As the recency and frequency of contact increases there may be an overall steady decline in the level of consumer satisfaction. In addition, repeated calling could force the consumer to become more involved with problem solving than may be desired for a service that is routinely provided without any contact at all. The implications of this study are useful for industries such as telecommunications, utilities, charge card suppliers and others involved with automated continuously-delivered, low-contact services.

Table 3

CUSTOMER SERVICE AND SATISFACTION
WITH CABLE SERVICE

Percent satisfied with cable services			
	Basic cable*	Variety premium channel*	Movie premium channel*
Satisfaction with most recent contact			
Extremely and very satisfied	74%	49%	54%
Somewhat satisfied	51%	37%	37%
Not very and not at all satisfied	39%	31%	34%
Overall satisfaction with customer service			
Extremely and very satisfied	81%	53%	53%
Somewhat satisfied	53%	39%	43%
Not very and not at all satisfied	38%	29%	33%

*X² significant at .01 level.

The basic guideline is that there should always be a serious effort to solve problems with one or two phone contacts and to avoid frequent phone contact with consumers.

Secondly, there is also modest support for the thesis that consumers prefer some limited contact with providers of low-involvement services. Favorable attitudes appear to erode over time and if there is no contact at all, consumer satisfaction levels decrease. This may result from the fact that consumer tastes and interests change over time and some minimal contact allows the organization to assist in redefining needs and repackaging services. Additional research is needed to determine the reasons for this phenomenon and to assess the appropriate level of contact.

The results of this study underscore the importance of providing a high quality telephone contact with customers in low-involvement services. Service companies may benefit from making periodic direct or indirect contact with their customers to revive positive feeling. These contacts could also include efforts to redesign the service package and to convey a sense of concern for the customer and an understanding of problems. The long-term outcome may be heightened satisfaction and higher customer retention levels.

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