Effective service provision in the retail car industry: enhancing customer satisfaction from a sales agent perspective

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“Effective service provision in the retail car industry: enhancing customer satisfaction from a sales agent perspective

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**Preface**

This master thesis presents the results of my study into achieving higher customer satisfaction in the Dutch retail car industry. The study serves as the conclusion of my master program “Business Administration”, track “Service Management”. In this preface, I would like to thank a few people to whom I own gratitude to, for supporting me and enabling me to present to you this report in its current form.

First and foremost, I want to express my appreciation to my first advisor, Elfi Furtmueller, for her continuous support and guidance throughout the whole process of writing this thesis. Elfi, your enthusiasm, love for and experience in academic research, and extensive and responsive feedback have been invaluable for me. You have been a real *time giver*. Thank you!

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I want to extend my gratitude to my external supervisor…

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ABSTRACT

Purpose: The foremost purpose of this study is to explore service behaviors of car sales and aftersales agents when serving customers. We also graphically map and explain service encounters between customers and retail car agents and describe factors that hinder or stimulate car agents in achieving higher customer satisfaction.

Design/methodology/approach: In-depth interviews were conducted with 18 car agents (nine sales, eight aftersales and one telephonist) in a retail car company in the Netherlands. We compared the interview data with the service behaviors framework of Furtmueller, Wilderom and van Dick (2011), and content-analyzed the identified service behaviors that are described as enhancing customer satisfaction. Interview data was further analyzed to identify the service encounters between car agents and customers, and to identify emerging themes regarding factors influencing customer satisfaction.

Findings: The study revealed 11 service behaviors that were described by the interviewed car agents to enhance customer satisfaction during service encounters in the retail car industry. [Confidential]

Originality: Little research has focused on effective service behaviors from a frontline service employee perspective in the retail car industry. Studies that address effective service behaviors from the employee’s view are predominantly found in other retail sectors (i.e. airline, hotel and restaurants) and have utilized quantitative methodologies to assess attitudes and attributes of service behaviors. Contrary, in this study we adopt a qualitative approach to explore the actual service behaviors that frontline employees associate with customer satisfaction. Moreover, we provide an in-depth narrative report of how sales and aftersales agents in the retail car industry think customer satisfaction can be enhanced.

Research limitations/implications: A small sample size and the investigation of behaviors in only one retail car company limit the generalizability of our results. Nevertheless, we have gained an in-depth and rich understanding of effective service behaviors across the various service encounters in the retail car industry. We have also systematically mapped and graphically depicted the various service encounters between customers and car agents. Our results imply that there may be a set of service behaviors that hold across various retailing services. Most of our identified service behaviors could be embedded into the service behaviors framework of Furtmueller et al (2011).

Practical implications: This study provides guidelines for managers in the retail car industry to strategize training, recruitment and reward programs for sales and aftersales agents. Importantly, the
organizational context of these employees appears important for their success. Hence, we also offer guidelines on how to manage organizational factors that potentially stimulate or hinder frontline employees in achieving higher customer satisfaction.

**Keywords:** service encounter, service behavior, organizational factors, retail car industry, frontline sales agent perspective
1. INTRODUCTION
For customers, evaluation of a service firm often depends on evaluation of the 'service encounter', i.e. the interaction between service provider and customer. Knowledge of the behaviors of frontline employees who potentially influence customers' satisfaction or dissatisfaction with service encounters, is therefore critical (Bitner et al, 1990; Hartline et al, 2000). Customer satisfaction has been found to result in salient benefits for organizations. It is recognized as a prerequisite for customer retention and loyalty, and helps organizations realizing economic goals like profitability, market share, and return on investment (Scheuing, 1995; Hackl et al, 2000). It is widely acknowledged that satisfaction refers to the customer's feeling about multiple individual service transactions and the overall service encounter. The term “service encounter” has been depicted as the moment of interaction between the customer and organization (Czepiel et al, 1985; Shostack, 1985; Solomon et al, 1985; Surprenant & Solomon, 1987). Frontline employees (customer contact persons) and their behaviors play a major part in achieving high customer satisfaction during service encounters. This is especially the case in pure service situations such as financial consulting, healthcare, and legal services where often no tangible product is exchanged. Even in service industries that comprise the exchange of goods, such as in car retailing, the service encounter is highly important, since the interaction with frontline sales and aftersales employees is a salient element in the total offering of a car retailer.

While there is much research on attitudinal determinants of service quality, customer satisfaction, trust and loyalty (Parasuraman et al, 1985, 1988; Bitner et al,1990; Bitner et al., 1994; Johnston, 1995; Winsted, 2000; Farrell et al, 2001; Ahearne et al, 2007), less studies focus on effective service behaviors of frontline employees (Furtmueller et al, 2011). Johnston (1995), for instance, found that the main determinants of satisfaction are attentiveness, responsiveness, care, and friendliness. Parasuraman et al. (1988) claim that frontline employees should be courteous, empathetic and helpful (among other things). Farrell et al (2001) argue that frontline employees should be civil and reliable and have a strong customer orientation. While these authors identify service quality and customer satisfaction dimensions and outcomes (or attributes) of behaviors, they do not explore which behaviors employees associate with these outcomes. In this research, we endeavor to contribute to fill this gap and enrich the behavioral service encounter research through the study of actual service behaviors of frontline sales and aftersales employees in an under researched industry: the retail car industry.

This study contributes with in-depth data on the employee perspective. Studies found a high correlation between customers' and employees' perceptions of service quality (Schneider and Bowen, 1995; van Dolen, 2002). However, while many studies on service quality or customer satisfaction focus on the perspective of the customer (Parasuraman et al, 1985, 1988; Bitner et al, 1990; Johnston, 1995; Winsted, 2000; Ahearne et al, 2007), fewer studies adopt an employee perspective (Bitner et al, 1994).

The purpose of this research is to derive a framework for effective service behaviors that, from
frontline employees’ perspective, enhance customer satisfaction. This framework is relevant for human resource practitioners and management in the retail car industry, because it may constitute a basis for training programs and recruiting criteria. We categorize and explain frontline employees’ notions of their behavioral patterns and experiences leading to customer satisfaction. We also identify factors that hinder or stimulate frontline employees in achieving higher customer satisfaction.

The research is guided by the following questions:

- **Which service encounters between (after)sales agents and customers can be distinguished in the Dutch retail car industry?**
- **Which service behaviors do car (after)sales agents associate with high customer satisfaction?**
- **Which factors do car (after)sales agents think hinder or stimulate them in achieving higher customer satisfaction?**

We first provide an overview of the related service encounter and service behavior literature. Then, the research strategy including the data collection and analyses is depicted. Finally, we present the results of our study and discuss avenues for future research.
2. **THEORETICAL BACKGROUND**

In this chapter we first discuss the term “service encounter” and the concept of “customer satisfaction”, after which we turn to past research on service behaviors that have been associated with high service quality and/or customer satisfaction. We discuss the available studies’ weaknesses as a theoretical base for comparing evolving service behaviors. Finally, we discuss the service behaviors framework of Furtmueller et al (2011) and explain why it is suitable for comparing evolving service behaviors of sales and aftersales agents in this study.

2.1 **The service encounter**

Since 1983, the term “service encounter” has received much attention in the services and marketing literature. Shostack (1985) suggests that a service encounter is a period of time during which a consumer directly interacts with a service. This definition encompasses customers’ contact points with a service firm’s personnel, physical facilities, and other visible elements such as company and product information in advertising materials. She suggests that a service encounter can occur without any human interaction. Surprenant and Solomon (1987) focus more on the interpersonal element and adopt a narrower definition of the service encounter: “the dyadic interaction between a customer and service provider” (p. 87). Though there is disagreement concerning what exactly encompasses the service encounter, most authors agree that service encounters involve interaction between customers and employees of the service provider (Shostack, 1985; Surprenant & Solomon, 1987; Bitner et al, 1990; Bitner et al, 1994; Chandon, Leo & Philippe, 1997; Winsted, 2000). While acknowledging that the service encounter with a customer comprehends elements which may not be directly influenced by an organization and its service personnel, in this research, we study service encounters in respect to interpersonal interactions between customers and frontline sales and aftersales employees. Research has shown that the quality of interactions between service personnel and customers is important in the assessment of overall quality and/or satisfaction with services (Bitner et al, 1990). Many studies regarding service encounters, service behaviors, service quality and/or customer satisfaction focus on the perspective of the customer (Bitner et al, 1990; Chandon et al, 1997); de Ruyter & Wetzels, 2000; Guiry, 1992; Johnston, 1995; King & Garey, 1997; Mohr & Bitner, 1991; Parasuraman et al, 1985, 1988; Price et al, 1995; Winsted, 2000), while less take the perspective of the frontline employee into account (Bitner et al, 1994; Chandon et al, 1997; Dobni et al, 1997). The studies that do adopt an employee perspective focus on different sectors or different research streams than ours. For example, research into effective behaviors has been done in the Leadership Behavior literature (Amabile et al, 2004; Yukl et al, 2002), in the finance sector (Furtmueller et al, 2011), and in the hotel, restaurant and airline industry (Bitner et al, 1994). Our study uniquely features frontline employees’ perceptions of service encounters in an industry which has not received any noteworthy attention in the service encounter literature: the retail car industry.
2.2 Customer satisfaction
In this section, we first provide a conceptual background of the term “customer satisfaction”, in which we particularly focus on the meaning of customer satisfaction in our study. Then we discuss the relationship between service quality and customer satisfaction, since the two terms are often interchangeably used in marketing and services literature.

2.2.1 Conceptual background
Customer satisfaction is not inherent in the product or service that a customer receives, but in the customer’s perceptions of that product or service as they relate to that individual (Boshoff & Gray, 2004). This notion implies that different customers will express different satisfaction levels for the same service, product, or service encounter (Ueltschy, Laroche, Eggert & Bindl, 2007). The primal cause for these varying levels of satisfaction relates to the fact that every individual has different expectations about a certain service or product. Researchers generally agree that customer satisfaction results from a subjective comparison of these expected and perceived attribute levels. In others words, expectations about a certain service or sales process are used as a reference against which customers compare the actual performance and assess disconfirmation. This can result in negative disconfirmation (dissatisfaction), positive disconfirmation (satisfaction), and confirmation (neutral) (Churchill & Surprenant, 1982; Walker, 1995).

Furthermore, satisfaction can occur at multiple levels in the organization, like satisfaction with the contact person, satisfaction with the core product or service, and satisfaction with the organization as a whole (Sureshchandar, Rajendran & Anantharaman, 2007). In this research, we mainly focus on satisfaction with the sales and aftersales agents, since our focus primarily lies with the discovery of effective service behaviors that these car agents use in their interactions with customers. It should be noted however, that while research has shown a high correlation between customers’ and employees’ perceptions of service quality, which leads us to believe there also is a high correlation between their perceptions of customer satisfaction, different car agents will most likely have different ideas about what high customer satisfaction constitutes. High customer satisfaction is a subjective criterion in this study, a criterion we did not actually measure. Hence, we treaded carefully and have not concluded that certain behaviors or factors lead to high customer satisfaction. However, it is safe to say in our opinion, that certain service behaviors contribute to and enhance customer satisfaction or that certain factors (positively or negatively) influence the capability of car agents to achieve higher customer satisfaction, from the perspective of these agents.

2.2.2 Customer satisfaction versus service quality
Customer satisfaction is closely related to but is not the same as service quality (Sureshchandar, Rajendran & Anantharaman, 2002). “Customer satisfaction reflects the customer’s feelings about multiple encounters and experiences with the service organization […]. Service quality is more abstract than customer satisfaction and is likely to be influenced by variables such as advertising,
“other forms of communication and the experience of others” (p. 372). Though these are independent constructs, an increase in service quality has been found to lead to an increase in customer satisfaction, and vice versa. Farrell et al (2001) also shed some light on this matter by reviewing many relevant studies between 1992 and 2001. They found it is generally agreed upon that service quality leads to customer satisfaction, which in turn leads to customers' behavioral intentions (e.g. referrals, repeat purchase).

2.3 Service behaviors
The studies most relevant as a theoretical base for our research are now briefly discussed. Bitner, Booms and Tetreault (1990) isolated specific events and behaviors of customer contact employees that cause customer (dis)satisfaction. In specific, they studied 700 very satisfactory or very dissatisfactory encounters in the airline, hotel and restaurant industry. Using the CIT (critical incident technique) and standardized open-ended interviews, they identified 12 behaviors, grouped into three dimensions:

(1) employee response to service delivery system failures (e.g. response to unreasonable slow service),
(2) employee response to customer needs and requests (e.g. response to customer preferences), and
(3) unprompted and unsolicited employee actions (e.g. truly out-of-the-ordinary employee behavior).

The latter dimension and associated behaviors was suggested to being particularly important in achieving high customer satisfaction.

Later, Bitner, Booms & Mohr (1994) built on this research by exploring the sources (i.e. events and behaviors) of satisfaction and dissatisfaction in service encounters (in the same three industries) from the contact employee's point of view. The results indicate that all categories from the previous customer-perspective study were also found when employees were asked about either very positive or very negative service encounters, except for a new category: “problem customers”. Employees reported customers' own misbehaviors as a source of dissatisfaction during service encounters.

Further, Johnston (1995) investigated whether there are some service quality determinants that are predominantly satisfiers or dissatisfiers in the financial services industry, using 579 anecdotes and the CIT. He found that the satisfying determinants are attentiveness, responsiveness, care, and friendliness. The dissatisfiers are integrity, reliability, responsiveness, availability, and functionality. Another finding indicates that the causes of customer dissatisfaction are not necessarily the opposite of the causes of satisfaction. For example, “responsiveness” is a frequent source of satisfaction, whereas “reliability” is a frequent source of dissatisfaction.

Other research examined service behaviors that lead to satisfied customers in the healthcare and restaurant industry (Winsted, 2000). In both industries, it revealed that customers want their service providers to demonstrate concern, to be congenial, and to be civil. Each of these three service dimensions was defined using multiple behavioral measures. Concern has been defined as including 20 behaviors that are associated with a care or concern for the customer (e.g. was very knowledgeable, acted in a personal way, anticipated my needs). Congeniality is comprised of five behaviors (e.g.
smiled a lot, seemed happy and cheerful, was very warm). The civility dimension focuses on “not negative” behaviors, behaviors customer contact persons should avoid in order to provide satisfactory service (e.g. acted arrogant, had a bad attitude, acted rude to me).

Ahearne, Jelinek & Jones (2007) developed a set of “salesperson service behaviors”, applicable to the professional selling domains. Their framework includes service behaviors that are important in achieving trust and customer satisfaction, which in turn have been found to lead to an increase in a stable customer base. The following behavioral categorizations were identified: diligence, information communication, inducements, sportsmanship, and empathy.

While this literature provides some theoretical ground, these studies were not suitable for embedding our evolving retail car service behaviors. First, most of the reviewed studies do not solely focus on service behaviors, but also on specific situations and/or attributes and pre-selected outcomes of actual behaviors (Ahearne et al, 2007; Bitner et al, 1990; Bitner et al, 1994; Johnston, 1995; Winsted, 2000). Second, some studies do not clearly define the identified service behaviors and have overlapping behavioral construct definitions, which makes it difficult to compare with our interview data in a reliable way (Bitner et al, 1990; Bitner et al, 1994; Johnston, 1995). Third, some studies took data from multiple different industries while satisfying service behaviors may vary in practice (Bitner et al, 1990; Bitner et al, 1994). Fourth, some studies solely focus on very satisfying or very dissatisfying experiences, likely ignoring service behaviors that lead to ‘reasonably’ satisfied customers (Bitner et al, 1990; Bitner et al, 1994). Ahearson et al (2007) adopt a different definition of “service behaviors”, namely the behaviors salespersons engage in after the initial sale. Finally, some studies provide too general categories of service quality (Bitner et al, 1990; Bitner et al, 1994; Johnston, 1995).

We decided to align our research into car agents’ behavior with the service behaviors framework of Furtmueller et al (2011). They studied the effective service behaviors of financial consultants and identified the following salient behavioral roles: Empathetic, Interpersonal Assessor, Listener, Optimist, Organizer, Servant for the Organization, Talker, Active Learner, Authentic, Engaged Worker, Friend, Future Planner, Moralist, Safeguard, and Time Giver. We found this framework suitable for comparison with our emerging behaviors for a number of reasons. First, this study adopts a frontline service employee perspective. Second, it is also based on qualitative open-ended interview data. Third, they focus on actual service behaviors, clearly operationalize the identified service behaviors and conducted various coding tests to assure the identified service behaviors are internally homogeneous and externally heterogeneous from other behaviors. Fourth, the sampled finance agents in their study have similarities with the retail car agents in our study. Both types of agents are measured by individual performance ratings mostly focused on sales figures (e.g. banking products sold in a certain time frame, various cars sold in a certain time frame). We therefore assume that these service agents may apply a certain set of common service behaviors that may hold across various retail sectors and need to be applied in retail settings when providing individual service to customers. It would have
been unrealistic to discuss our findings in light of service behaviors found in the healthcare sector (e.g., service behaviors of nurses) or general leadership behaviors which focus on the interaction between managers and subordinates. We clearly aimed to discuss and embed our findings into research on service personnel and customer settings. Fifth, their study on finance agents’ service behavior relies on very recent data and is likely to trigger future research on effective service behavior from the employee perspective across industries.
3. METHOD

3.1 Sample
The study has been conducted for a Dutch retail car dealer. The case organization has roughly twenty sales and ten aftersales agents. Interview candidates were selected using “judgmental sampling”. The firm’s director together with the human resource manager suggested sales agents and aftersales agents of whom they believed were most effective service agents. To gain additional insights on the topic of service encounters, service behaviors and companywide influencing factors, one telephonist and one aftersales workshop planner were interviewed as well. In sum, 18 interview candidates were recruited. Within the sample, tenure varied from 3 to 34 years, and age from 25 to 62 years. More men (83%) than women were interviewed, which reflects the gender ratio in most car retail companies. All candidates received an email explaining the study purpose and interview questions. The candidates were asked to prepare the interview and an interview date was arranged. Those candidates who did not reply to the first mailing received a follow-up mail or phone call, but given the fact that one of the researchers was working as an intern in the case organization at the time when the study was conducted, it was fairly easy to schedule the interviews.

3.2 Interview scheme
For each of the 18 in-depth interviews, which lasted between 45 to 150 minutes, we used a semi-structured interview guide. Two researchers and the case organizations’ management engaged in developing interview questions. The interview guide was pretested in two pilot interviews. Considering the fact that all questions were easily understood during the pilot interviewing and the answers were satisfactory for the researcher, no changes were made to the interview questions. Each interview opened by describing the study’s purpose and assuring data confidentiality. The respondents were then asked to describe the following (see appendix A): [Confidential]

3.3 Data analyses

3.4.1 Service encounters
To analyze the data, two researchers independently read and re-read all transcripts and field notes, paying careful attention to the description of service encounters provided by the respondents. To ensure data reliability, during the interviews the service encounters were fed back to each respondent, giving them the opportunity to make sure all the service encounters between them and customers were captured. Using this data, we derived a chronological, simplified and idealized service encounter workflow, to give a clear idea of how a straightforward sales and aftersales interaction from A to Z occurs. Because this workflow does not take into account the complexities sales agents and aftersales agents have to deal with, we created a second service encounter workflow, for sales and aftersales to more realistically map the multifaceted interactions. These workflows do consider the many complexities involved in interacting with customers.
3.4.2 Service behaviors
The next step was determining the most effective service behaviors in enhancing customer satisfaction in the retail car industry. [Confidential]

3.4.3 Factors associated with customer satisfaction
In identifying factors that hinder or stimulate employees in achieving higher customer satisfaction, all transcripts and field notes were analyzed to find empirical evidence; [Confidential]
4. FINDINGS
In this chapter we depict the findings we inferred from the interview analysis. First, we present and discuss service encounters between customers and frontline employees in the Dutch retail car industry. Then, we explain effective service behaviors for achieving high customer satisfaction, and discuss conceptual overlaps of service behaviors emerging from our study with findings from previous research. Finally, we review factors that positively or negatively influence customer satisfaction and/or the capacity of car agents to achieve higher customer satisfaction.

4.1 Service encounters
[Confidential]

4.2 Service behaviors
[Confidential]

4.3 Factors associated with customer satisfaction
[Confidential]
5. **DISCUSSION**  
We start this chapter by presenting our main research findings and discussing them in light of extant literature. In particular, we compare our service behaviors framework with that of Furtmueller et al (2011). Next we discuss the practical relevance of this study and conclude with the study’s strengths, limitations and suggestions for further research.

5.1 **General discussion**  
[Confidential]

5.2 **Two frameworks compared**  
[Confidential]

5.3 **Practical implications**  
[Confidential]

5.4 **Strengths, limitations, additional insights and future research**  
[Confidential]
6. CONCLUSION

[CONFIDENTIAL]
REFERENCES


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APPENDICES

[Confidential]