

# Chapter 4

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## Understanding and Engaging Customers

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### STUDY OBJECTIVES

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Having completed this chapter, readers should be able to:

1. understand the notion of the *customer* from a managerial perspective;
2. understand the importance of internal marketing for successful external marketing;
3. understand the importance for a firm to be knowledgeable about its customers' expectations; and
4. be familiar with various techniques of collecting and using customer information and feedback.

### OUTLINE

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- ▶ Introduction
- ▶ The importance of understanding customers
- ▶ Customer centricity/customer orientation
- ▶ Guestology
- ▶ Categories of customers
  - ▶ Listening to external customers
    - The importance of customer information
  - ▶ Leveraging technology to understand customer needs and wants
    - Sentiment analysis tools
    - Predictive analytics
    - Customer-perception research
      - In-depth interviews with individual customers
      - Focus groups
      - Market surveys
      - In-house customer satisfaction surveys

From a managerial perspective, the term *customer* encompasses more than those from whom an organization earns revenue. This chapter explores the idea that a service firm really has *multiple* groups of customers in two broad categories—*internal customers* and *external customers*.

The very nature of service emphasizes the role of human beings in producing service products and delivering service experiences to other human beings. To offer quality service to *external* customers (those who ultimately pay for the final service offering), service firms must first realize the importance of the *internal* customers (the staff who render the various services that make up the final service offering to the external customer). It might seem strange to describe staff as internal customers, but these people actually give and receive service from one another as part of an internal chain of staff interactions preceding the final delivery of service to the external customer. These internal customers must give and receive satisfactory service to and from one another if the final external customer is also to receive satisfactory service. This concept is explored in greater detail later in this chapter.

To fulfill customers' expectations of *service quality*, service firms must continuously collect customer information and measure customer perceptions and satisfaction as a basis on which to assess performance. This chapter presents various methods of acquiring and using customer information, and explores the role of service employees in gathering and providing management with customer feedback.

The next section of this chapter examines two very important concepts—the idea of internal and external customers.



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## THE IMPORTANCE OF UNDERSTANDING CUSTOMERS

Chapter 1 provided an introduction to the concept of core and peripheral service. What we now understand is that the *core* (e.g., accommodation, food, skiing, touring, seat on a bus, etc.) will not be sufficient to fulfill customer needs nor exceed their expectations (see the Zone of Tolerance discussion in Chapter 3). Supporting service and experiences must therefore be offered by firms today as they seek to fulfill both the primary and secondary needs of customers. These needs are mainly service-oriented,



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