

BUAD 307 – Fall 2019
Discussion Session October 23

Group participants (print name, last name, USC ID)

Online Reviews

In class, we discussed online reviews and the role that they play. Specifically, we discussed that ratings help consumers distinguishing between good and bad service providers or products, and thus they affect the consumer decision-making process. This, in turn, affects firms' economic outcomes such as sales and revenue.

However, reviews platforms are useful for consumers as long as they allow them to differentiate between bad and good participants; for this, it is important that platforms provide ratings that are truthful and reflect the true quality of the product or service being evaluated. Despite this, in class, we have seen that sometimes firms or platforms (or both) have incentives to display only certain types of ratings. Among other things, these incentives can lead to either firms or platforms to perform actions that could potentially bias review ratings.

During this exercise, we will explore real ratings from three popular platforms to get a better understanding of what a typical distribution of ratings looks like on these platforms, how are they different, and discuss potential causes driving such differences. If you didn't read it yet, this article might be helpful: <https://hbr.org/2019/11/designing-better-online-review-systems>.

Questions

I provided you with three random samples of reviews from three different platforms: Airbnb, Yelp, and TripAdvisor. Given this data, you need to

1. Use Excel (or any software you are familiar with) to plot the distribution of ratings for the three platforms and compute basic statistics such as mean, median, and standard deviation.
2. Discuss the difference in ratings distribution across the three platforms.
3. Identify the possible causes generating the differences discussed above.

Factors differentiating services from products

Connect each of the statements below with a service characteristic

1. "I'm so disappointed with the restaurant last night. We went there for the first time a few weeks ago and it was fantastic, but last night the food was overcooked and the service was very slow."
2. "The plane back home was only half full – that's a lot of lost income – they should work harder to fill those seats"
3. "I offer a one-hour free consultation first – for us both to see if I'm the right lawyer for you."
4. "I want my hair cut long on one side, short on the other, and I want it to be colored purple."
5. "Our (bank) customers, who have less than \$50 in their accounts, really aren't worth having!"
6. "I'm never going back to that shop – all the staff are either rude or lazy."

Service characteristics

- A. Services are more variable
- B. Services are more perishable
- C. Services can be more customized
- D. Services production and consumption are simultaneous
- E. Services can be unprofitable
- F. Services are people reliant

The Customer Service Strategies Behind Zappos's Success

If you've ever shopped on Zappos.com, you know there's nothing incredible about their prices or the products they stock. They do very little advertising, and they don't offer coupons or discounts. On the surface, Zappos appears to be an average company, doing average things, and yet, Zappos is a household name with \$1 billion in sales in less than ten years. The power behind the Zappos brand and majority of their success is attributed to the power of fantastic customer service, which is often overlooked as a sales strategy.

Zappos's CEO Tony Hsieh's approach to customer service is unconventional, to say the least, but it's working. He doesn't analyze the expense of customer service or the call center. In fact, the metrics he cares about have nothing to do with efficiency, and everything to do with how satisfied a customer is at the end of a service call. Agents don't use scripts, and they never upsell. Zappos customer service has one, simple goal: Make the customer happy no matter what. Period.

Create a Culture of People Who Believe in Your Company's Values

Zappos has developed a set of key values that are at the heart of everything they do, which have come to be the foundation of their company culture. Job candidates are thoroughly interviewed and screened to ensure their values match those of Zappos, and they test new employees' commitment by offering them money to quit after 2 weeks of training. Zappos creates a culture of caring and friendship by treating their employees well. They encourage a fun, collaborative environment and offer employees perks like a nap room, petting zoo, bowling, karaoke, snacks and more.

To develop a great culture, you have to start with a set of core company values. If a set of values needs to be developed, Hsieh recommends starting with personal values, which should easily translate into corporate values.

Finally, all new hires in Las Vegas go through four weeks of initial training. This is for everyone, no matter what job they will actually do after the four weeks.

Understand the Worth of Your Customers

Zappos's customer base is loyal – even discounts and coupons from competitors typically won't sway them. In fact, 75% of Zappos's purchases come from returning customers. In their eyes, the reassurance that any issues with their purchase will be met with great customer service is worth the extra money. Not only are Zappos customers super loyal, but they're also big fans of the brand, and they want the world to know. An impressive 44% of new customers heard about Zappos via word of mouth.

Give Your Agents the Power to Impress

Would you allow your call center agent to do the following without approval?

- Talk to a customer on the phone for 10 hours and 29 minutes
- Send "get-well-soon" flowers to a customer's ill mother on the company's dime
- Refund a customer for a defective product, and then send out a replacement for free
- Offer free returns no questions asked

Zappos would.

Hsieh explains:

“I think the main thing is just trust [the customer service reps] and let them make their own decisions. Most call centers are set up by policies and so the actual person that’s answering the phone doesn’t really have the ability to do anything. If you call most customer service places, if you ask for anything that’s not normal they have to talk to a supervisor or just say ‘oh our policy doesn’t allow that’ and whatever. So, we generally try to stay away from policies, we just ask our reps to do whatever they feel is the right thing to do for the customer and the company. And that’s actually really uncomfortable for a lot of reps that come from other call centers. We kind of have to untrain their bad habits.

Zappos is an extreme example of loosening the reins, and not every company can abide by this concept. However, policies and the need to ask for approval can be too restrictive. It shouldn’t be hard for your call center agents to do the right thing for your customers. Not only does this delay resolution of the issue, but phrases like “against our policy” or “I need to get approval” can be like nails on a chalkboard for customers.

Questions

Describe how Zappos is giving excellent customer service. Specifically, following our discussion in class about how customers measure and evaluate quality, identify and describe how Zappos implements:

1. Reliability
2. Responsiveness
3. Assurance
4. Empathy
5. Tangibles

Service providers

Good customer service is different from company to company, but the key characteristics of a good customer service include: a rapid response time to customer requests, responding to all feedback and requests (positive or negative), self-service help documents and FAQs, a frictionless process for getting in touch with a customer support rep, a willingness to apologize and compensate for errors, empathetic solutions to problems, and helpful recommendations customers can use to learn and grow.

Identify one service provider that you think provides exceptional customer service and one service provider that does not. Justify your answer by describing the factors that contribute to the service being good or bad.