The Origins of Customer Service as Concept and Strategy

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The Ideal of Service and How it Has Changed

Before the age of mass production, all service – indeed, almost all work - was done by hand. It was no accident that only the rich could enjoy the types of amenities we now take for granted. Slightly more than a century ago a middle class household could not function without at least a brace of servants, and the wealthy had more servants to tend to their needs than they had horses in their stables. It is from the pre-industrial age that we inherit our conception of good service as being *service that is immediately responsive and satisfying*, and the power of this near-mythical past model is seen in the fact that certain businesses still try to retain a sense of the atmosphere which prevailed before the machine age changed so much of the customer service model. Industrialization made it easier to provide good service to a client by using labor-saving devices instead of human effort. *Nothing has affected the performance of customer service as much as technology, though our conception of what constitutes good service still stems from pre-industrial practice which serves as an occasional benchmark even in the current post-industrial era*. From the steam engine to the electric light to the sewing machine to the telephone, and on to the myriad digital tools we now consider quite ordinary, the service we receive has been transformed by the proliferation of user-friendly devices driven by inanimate power. But we still hark back to the bespoke age when we think of what makes for excellent service.

It is true that advances in technology have affected the execution of customer service but our basic conceptions of what constitutes good service have not changed all that radically. What *has* changed, however, is our expectations of whether we deserve or even *need* such good service in the normal course of our busy lives. In this respect we are

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different from pre-industrial everyman, who did not, for the most part, feel that good service was something he necessarily had an *inherent right* to expect. The popularity in the 1970s of the public television series "Upstairs, Downstairs" in the United States and Great Britain illustrated the resilience of nostalgia for a time when a small percentage of the population had servants to wait on them hand and foot. Still, while it is undeniable that a maid serving you your evening coffee can seem more gracious than having to plug in the pot and brew it yourself, it could be less efficient and may even be less satisfying. The coffee, for example, might arrive cold. By the early twentieth century with good servants harder to find and retain, the mistress of the house might even be reluctant to complain too much for fear of losing the scarce domestic help still available, and would sometimes put up with inferior service as a result.

Post-industrial consumers in the 21st century, however, have gotten very used to doing things by themselves, and by and large they rather enjoy being self-sufficient, though multi-tasking can take its toll when too many chores confront them all at once. The entire "do-it-yourself" movement which swept the United States in the 1950s and 1960s is an example of how modern capitalist society turned lemons (the high cost of labor) into lemonade (the satisfaction that can come from accomplishing a physical task by oneself, like building one's own bookcase or baking a cake from a pre-packaged mix). There are many examples of this chicken-and-egg quality to the service revolution. As labor became too expensive, most middle class families ceased to be able to afford servants. But serendipitously this occurred at the very same time that labor-saving devices and appliances were becoming increasingly available and (thanks to mass production, technology improvements and installment buying schemes) increasingly affordable for the general public, so the net effect was to raise the evaluation of service quality being experieneed (See Fig. 1).

As sales help become more expensive, the internet has provided us with a comparable "do-it-yourself" option for shopping that has been revolutionary in its implications. Shopping online is not just more economical for the service provider, it actually is preferred by many customers who formerly only shopped at bricks and mortar establishments. No need any more to wait for a salesperson to be available to help you find what you are looking for. By enabling online customers to search for exactly what they want when they want it, e-tailers like Amazon.com have found a way to delight their customers even as they eliminate traditional levels of service.

Along with the proliferation of technological changes (of which the Worldwide Web is only the most recent), there occurred a matching change in consumer attitudes towards embracing new labor-saving devices. In fact, the 1920s saw a truly revolutionary explosion in free time for the homemaker, liberated by the washing machine, vacuum cleaner, refrigerator and central heating. There was even a fun element introduced into self-service at that time, such as was the case with the Automat cafeteria in New York, where you put coins in a slot and removed the food you saw through a glass window without the intermediation of a waitress. Internet shopping is similar in that the click and buy reflex becomes almost a Pavlovian positive reinforcement making "retailtainment" a prime use of leisure time by consumers in present day affluent societies.

In this paper I investigate the origin and evolution of the service concept - its gradual shift from favoring the recipient as the ultimate target of service to accommodating instead the cost-cutting goals and data-mining needs of the service provider - and the rationalizations and justifications which this great shift has generated, as technology becomes ever more intimately integrated into the provision of customer service.

To clarify our thinking it is conceptually useful to imagine what service meant to someone of the so-called privileged classes in 1850. Home might be either a large mansion or a town house - cold and draughty in winter and humid and sweltering in summer. No hot running water. Dust redolent of animal droppings blown everywhere in the cities, and coal dust and smoke from chimneys adding to the tubercular haze befouling the air. A household's laundry taking the better part of a day's work on the part of servants. And preparing the meals! Heating the fire, controlling the flame to cook the meat without charring it, washing the dishes and getting gravy stains out of the table linens (by hand, of course). In the bedrooms, emptying the chamber pots. Illumination by candlelight, quick to burn and hard to read by. Gaslight was an improvement, but the fumes could not have been healthy. Shopping on the high street. Clothing largely hand-fitted, hand sewn and hand-finished – much of it homemade. Meant to last a long time and offering precious little variety. Travel by horse-drawn carriage or on horseback: slow and uncomfortable. Should we envy our ancestors who were lucky enough to be affluent at that time? Probably not.

Fast forward to 1900. The industrial revolution was well under way, electricity and the steam engine, the telegraph and telephone had wrought enormous changes in productivity, in communication, in logistics, transportation and manufacturing, and civilization was on the threshold of an electro-mechanical age that would revolutionize everyone's life within three short decades. How had this affected service by the turn of the century? For one thing, steam and electric power had made fast and inexpensive transportation available to millions. From streetcars to elevators to powerful locomotives to huge steamships plying the world's oceans, the ability to transport people and goods in huge quantities and over great distances (and vertically!) much faster than before had almost driven the previous horse-, water- and wind-power modes of transport from the scene. And the mail order business via catalogue was the beneficiary of these improved distribution systems. All that remained to complete the transport revolution was the internal combustion engine for the automobile, whose development completely drove horses off the roads by 1930.

Less Becomes More – The Paradox of Expectations

How did service change by 1900? The rich still had their servants in 1900, some had more than ever. And their mansions had grown in size, though with indoor plumbing and central heating (at least in the United States) they were much more comfortable than the classical models which the American newly rich imitated in these monuments to their worldly success. In business as well as in domestic environments, the intrusion of the telephone, the telegraph, the elevator, the escalator, the typewriter, and the high-speed printing press had all changed the ability of organizations to serve their clients, and had influenced the consumers of services to expect a different sort of service from that which prevailed a half-century before. What we begin to see at the start of the twentieth century is a *paradox of expectations*. Although much has been written about the revolution of rising expectations that occurred in emerging economies after World War Two, this revolution took place first of all in Western Europe and the United States during the century from 1850 to 1950. What makes it a paradoxical revolution is the fact that people in those countries at that time did not just expect *more* service, but rather expected service to be *different* in some significant ways, with the end result sometimes amounting to *less* service, but leaving them satisfied customers nevertheless.

Even the wealthy in 1900 no longer depended entirely on custom-made items for their material culture, though they certainly could afford to. The well-to-do in the early 20th century also frequented department stores, rubbing shoulders with the less affluent middle classes. Ready-to-wear and ready-to-deliver items became the rule, and within these large emporia, pneumatic tubes expedited order fulfillment by shooting paperwork and money in canisters from one floor to another. Though we might consider this an archaic technology, one could still see these pneumatic systems being employed in some of New York's department stores as late as 1955. Before the arrival of computers, the greatest aids to business efficiency in responding to customer needs were the calculator, the typewriter, and the telephone. The sales force was still the main way in which companies dealt with customers, and there was more emphasis on closing the sale then on satisfying the client.[2] The human interface was critical for sellers to understand what the customers wanted and for trying to meet those needs in order to promote sales. A variety of ways were employed to keep customers satisfied. In the impressive new American department stores: restaurants and tea rooms, art exhibitions, fashion shows and children's attractions, and a gift wrap service were all ways to keep the customers in the confines of the store for a longer period of time and to encourage their frequent patronage.[3] That these exhibits and gift wrapping were once free services offered to all customers seems hard to believe, since in the present era it is usually something for which one must pay *extra* – assuming the service is still offered at all. Even in Japan, traditionally the shrine to uniquely solicitous service extended to everyone on an equal basis, free gift wrapping has gone the way of the elevator lady in white gloves who used to announce each floor and bowed demurely to the customers. And few seem to miss the absence of these former services because they are so pleased that they can now order anything from their mobile phone without even stepping outside onto the street.

In this paper we journey through time, from an age when good service was the prerogative of a very few, to our own era when good service is in danger of disappearing altogether behind a barrier of organizational protocols that have been designed to achieve efficiency rather than customer satisfaction.[4] IVR (interactive voice response) telephone software and call centers that no longer pick up by the fourth ring of your phone have become painfully commonplace in many parts of the developed world, and are symptomatic of a new interpretation of the type of service needed to manage and retain clients.

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[2] See Walter A. Friedman, *Birth of a Salesman – The Transformation of Selling in America,* Harvard University Press: Cambridge, Massachusetts, 2004, offers many illustrations of this attitude.

[3] See Jan Whitaker, *Service and Style: How the American Department Store Fashioned the Middle Class*, St.Martin's Press: NY, 2006 for a detailed discussion of these various service innovations.

[4] Kenneth Alan Grossberg, "The Death of Customer Service“, *WMF Publications (Winter 2006)*.

From Bespoke to Partial Customization to Standardization

When Adam Smith wrote *The Wealth of Nations* in 1763 and used the manufacture of pins as an example to advocate his revolutionary theory of the division of labor, he heralded the end of the age of pre-industrial manufacture in which things were made one at a time. In truth, pre-industrial manufacturing had a much longer run than the relatively brief period we know of as being marked by mass production – in the former case, millennia versus three hundred years at the most for the latter. Which is why we should not underestimate the enormous impact such a change in productive capacity has had on human civilization. Adam Smith's concept underlies the entire panorama of customer service as it evolved in Europe and the United States over the past two hundred years. Though division of labor did not automatically lead to mass production, and - in what we have come to call the service economy - it did not lead from custom-made to off-the-rack in one giant step, it was the critical divide between negligible expectations vs. ever-rising expectations by consumers for better service. The first part of this journey, from bespoke to partial customization, took the better part of a century and progressed slowly enough to escape notice by many while it was taking place. But gradual improvements in the material life of ordinary people foretold the coming of a time when they would begin to see their material choices expand substantially, and especially in the cities which grew out of the early industrial revolution, the new middle class began to expect to be treated better by businesses courting their custom. The second part of this journey to highly efficient mass production depended on the rapid introduction of technological improvements during the nineteenth and twentieth centuries, encompassing both the electro-mechanical and digital revolutions.

It is impossible to pinpoint the exact stimulus that encouraged consumers to think of themselves as consumers entitled to good service. One essential ingredient was the surplus in production that lead inevitably to a cornucopia of products available for purchase, and another was the sales push exerted to dispose of that ever-growing surplus of goods that reached a peak right before the stock market crash of 1929. After that shock to the consumer economy, mass consumption did not truly recover again until the postwar consumer boom in the United States from the 1950s. Out of this complex web of technological and societal interdependencies would emerge a service economy. But not all at once, and not at a steady rate. In this journey, there were spurts of remarkable change followed by longer periods of slow but steady diffusion, adaptation and assimilation of innovations. And during this time the concept of service evolved to become a way to increase sales and as a supplement to the core offering, rather than as an integral part of the production of the merchandise itself as had been the case in the pre-mechanical age.

Mass Production, The Mail Order Catalogue and Customer Service

The service revolution might have begun with the sewing machine. The first functional sewing machine is said to have been invented by a French tailor in 1830. In fact, Barthelemy Thimonnier was almost killed by a mob of French tailors who burnt down his factory because they feared unemployment as a result of the new invention.[5] And many garment companies at first saw no need for a machine, since wages for workers were low enough not to justify automating the sewing process. Similar violent reactions were recorded by the famous Luddites, who threw wooden shoes to jam machinery which was replacing them, and whose name has become synonymous with mindless obstruction to progress and change. But eventually the economies inherent in the sewing machine conquered the objections of managers and family breadwinners alike, and enabled a significant increase in the productivity of the garment industry. Inevitably, mass production brought prices down, and at the same time the use of the sewing machine by individual households grew explosively and made Isaac Merritt Singer of Singer Sewing Machine fame extremely wealthy before many other captains of industry went on to claim their own fortunes.

Or the service revolution might have begun with the railroads, which made the transport of fuel (mainly coal) and agricultural products more efficient and which from the start also found that passenger traffic could be one of their most profitable businesses, though rail transport had been developed initially for moving heavy freight. Here, again, as occurred with the sewing machine, a technology that was conceived of as improving business productivity simultaneously became a feature of the improved consumer experience. This lesson was to be repeated over and over again, as the telephone, radio, TV, personal computer and cellular phone were to illustrate. In truth, the new tools made possible by sources of inanimate power other than waterwheels or windmills interacted with each other to create a new mindset about service among the population of the industrializing economies.

During this same era the Sears and Montgomery-Ward mail catalogue businesses emerged to seduce the American public with their cornucopia of offerings, ranging from

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[5] Mary Bellis, *"Stitches – The History of Sewing Machines," About.com: Inventors* (http://inventors.about.com/od/sstartinventions/a/sewing_machine.htm?p=1)

safety pins to entire prefabricated homes. Using the public post offices and the improved modes of transportation, and later incorporating the telephone into this new system of customer service, the catalogue houses encouraged wish-fulfillment for the mass market.[6] Service in this context included keeping all parts of the country informed of the latest trends in gadgets, fashion and useful inventions, and helping to create a uniform consumer taste in the process.

Service Stratification and Partial Customization

Trains are, by definition, *mass* transit, but the railroads soon learned how to stratify this service into classes, as did the shipping companies on their ever more luxurious ocean liners. On the high seas as well, service marketed to individuals as passenger bookings became a very profitable business in what had once been largely a freight-oriented maritime commerce. Different classes of service were inherently invidious, but the fact is that, for much of the nineteenth century, the United States was an exception in being the world's paragon of an egalitarian society while Europe's bourgeois cultures (previously conditioned to feudal class distinctions) readily accepted such differences without complaint. And these differences have persisted till our own day and in the past few decades have even spread with a vengeance to the American marketplace, with technology ironically helping to increase the stratification of service. This is paradoxical because those same technologies were instrumental in flattening service levels, almost rendering the original concept of differentiated service obsolete. One example would be the pricing of different classes of seating on passenger airliners which were once aggregated together, e.g., charging a premium for aisle and front bulkhead seats in the cheaper economy section of an aircraft. Another example is the use of various colors for credit cards (silver, gold, platinum) all of which offer approximately the same benefits and services despite the differences in their annual fees.

Consumer Credit as Service Solvent

The dramatic rise of a consumer economy in the United States during the early part of the twentieth century owed much of its success to the generous financing of people's dreams with substantial amounts of easy credit. Buying large, expensive items like kitchen white goods, homes and automobiles "on time" enabled the impecunious to

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[6] "History of the Sears Catalog," *Sears Archives* (http://www.searsarchives.com/catalogs/history.htm).

purchase the unaffordable in a way that helped the American economy to become the world's greatest growth engine for much of the last hundred years. Providing installment credit and mortgages was a service business *par excellence*, what we now routinely recognize as *financial* services. And in terms of customer service, it was a most successful enterprise not just for the banks, but for the manufacturers and retailers who incorporated these mass market, collateralized-lending options as part of their product offerings. Giving ordinary working people the financial wherewithal to acquire costly trophies of twentieth century material culture by not forcing them to pay for them all at once is quite possibly the most important service innovation that sets the United States apart from Europe during the period. No doubt the illusion of widespread prosperity fueled by borrowing contributed to the impression immigrants to the United States had that the streets of America were paved with gold. It made dreams of becoming a member of the middle class achievable, and reinforced the upward mobility that has fueled this American dream until the present day. The concept of customer service was thus expanded to include the "service" of helping the customer pay for what s/he was being sold, and for much of the 20th century (except for the Great Depression) credit was readily available. Stricter lending standards imposed since the financial crisis of 2008-09 has put a brake on this feverish consumption and may augur a period of consumer austerity like that during the 1930s. If so, the strategy of customer service may have to change substantially to encourage consumption.[7] But quite recently some retailers have adopted a tactic used in the 1930s to help stimulate buying – the layaway plan.[8] Credit remains a powerful component of the service offering.

The Call Center and Toll-Free Number – The Second Service Revolution

The telephone's invention in 1876 revolutionized the concept of customer service, but it took AT&T's 1967 innovation of the toll-free number (replacing the collect call) to really put customer service at the heart of the modern service economy. By making the phone call free to the customer, the marketer offered the consumer an invitation to contact them which many consumers found irresistible. It inevitably led to much higher phone traffic for the providers of this service, and the growth of the back-office call center

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[7] Kenneth Alan Grossberg, "Marketing in the Great Recession: an executive guide," *Strategy & Leadership*, Vol. 37 No. 3 (2009), pp. 4-8.

[8] Stephanie Clifford, "Wal-Mart to Bring Back Layaway for Holidays," *The New York Times*, September 8, 2011.

staffed with customer service representatives. It also enhanced the marketer's ability to learn more about their target market and client base. It was a return to the type of service that would delight people, because when it was inaugurated, a local phone call in the USA was still relatively expensive at a pre-inflation ten cents, so by simply offering a free call to the customer the marketer could ensure at least a modicum of satisfaction right from the start. The toll-free number linked the significant technological advance provided by the telephone with a traditional service concept of trying to anticipate what the customer needed, and for several decades was a mollifying agent useful for improving the accuracy of one's information about the customer base while keeping the clients happy. The digital revolution has, however, diminished the effectiveness of these two important functions in recent times by using technology to insulate management from customer complaints more often than trying to solve customer problems.

The Digital Service Revolution

Every day in 2011 more than 10,000 people in the United States turned 65 years old. This is a cohort that still remembers the electro-mechanical age of IBM Correcting Selectric typewriters and yet for the most part these leading edge "baby boomers" have adapted very well to the digital age, having jumped on each succeeding technological wave, from the earliest personal computers to off-the-shelf software, from smart phones to tablet PCs, from in-house servers to cloud computing, and from Donkey Kong to the most sophisticated PlayStation games. From the benefit of their historical perspective thanks to having entered their seventh decade, older Amercan baby boomers are perhaps the generation best able to evaluate what was gained (and lost) by the digital revolution and what changes it caused in the delivery of customer service in all fields of business. The baby boomers certainly benefited economically more than succeeding generations from each new innovation and were in many cases the driving force in applying and accepting those technologies to facilitate doing business.

It has only been during the past decade that consumers have begun to question some of those revolutionary changes brought to customer service, and wonder whether the customer is still the focus of service providers' attention or just a convenient cash cow for marketers. The once much-praised and utilized toll – free number no longer serves to satisfy customers as well as it used to. Many service providers stratify their customer lists to the point where many are condemned to wait in a phone loop for many minutes before a live agent comes on the line (if at all). This essentially turns customer service on its head – and returns us to the pre-industrial model where only the very best clients were well treated. Consumer un-learning is being pursued by many companies and is reversing the direction that customer service evolved over the past century. Technological innovation, that great leveler of service, has now ironically turned into a tool for ever more highly differentiated stratification in the levels of service that companies are willing to grant to customers. Organizations now try to retrain their customers to expect less service, not more, and in the process are undoing that great accomplishment of the twentieth century – the mass market. What is not yet clear to these organizations is whether in the long run, dis-empowering their customers will lead to enough reduced satisfaction to trigger a decline in consumption. If that happens, then the attempt to utilize IVR and other technological tools to downgrade the cost of serving the clients will have proven a bad bargain and lead to a consumer backlash that no company can afford in our hyper-competitive global environment.

Using MIS to Become "Customer-Centric"

The use of data mining is certainly not limited to customer service, but it has become a major handmaiden of customer service strategy. Initial attempts at mass customization might have been rudimentary at best, but the ability to reach an individual email address with a personalized message is a powerful tool for engaging the customer in a positive dialogue. Becoming customer-centric does not mean, however, that the customer gains in the long run. The more a marketer knows about a customer, the better able s/he is to curtail service which is not viewed as being profitable to the organization. Taken to its logical extreme, this type of knowledge of the client ends up alienating or ignoring the client if service is stratified or discontinued in a heavy-handed manner. Nobody enjoys being disenfranchised, so when previously granted perquisites are reduced or eliminated to save money, the customer may rebel.

Many industries that include service as an important component of their offerings have plunged into the treacherous waters of service stratification strategies. This is not a new phenomenon in service, going back to the days of establishing different degrees of comfort and amenities offered on steamships and trains for different classes of passengers as determined by different fares paid. But the type of stratification that has become more widespread today is often less transparent, with the customer not aware that s/he has been relegated to a lower class and may not be informed of being excluded from the courtesies that are part of the service package for elite or premium customers. This sometimes includes a calibrated indifference to solving the client's service problem, depending on how low down the customer totem pole they sit. So customer-centric does not by any means imply that customer satisfaction is guaranteed, and here we reach a logical end point for where the concept of customer service has arrived in the second decade of the 21st century. Strangely, it is not far from where it started in that it excludes the vast majority of customers from real service.

Conclusion

The concept of service as something special to which the worthy are entitled has persisted down to our own time, but the strategy for implementing the concept apparently increasingly involves reinstituting a type of class stratification that mass production and the mass selling drive of the early twentieth century had largely made unnecessary. We are, in a sense, back in the pre-industrial age, but this time with 21st century digital tools and algorithms to help implement and enforce the new stratification of customer service. There is a possibility that within the decade most consumers will reconcile themselves to indifferent service because the advance of technology will no longer parallel the enhancement of their experience as customers and they will feel bereft of alternative options. But this is far from a salutary situation and one which – in the long run - most companies will not benefit from.

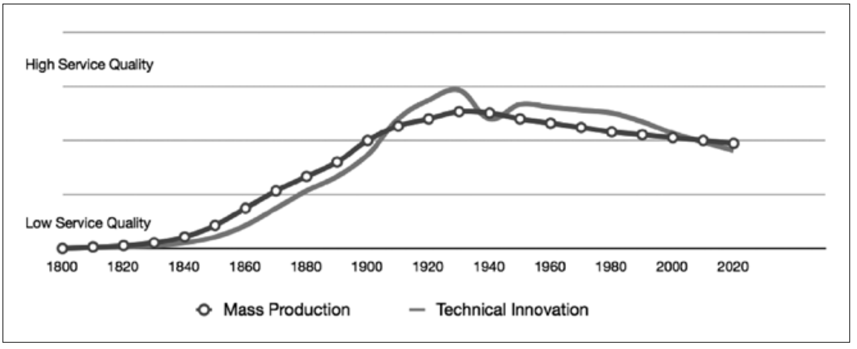

Figure 1. The effect of mass production and technological innovation on the consumer's perceived quality of customer service.