5. Customer Service
Objectives

- Learn the evolution of customer service in China during the transition from a planned economy to a market economy.

- Analyze differences between Chinese consumers and U.S. consumers in terms of their expectations and quality evaluation criteria of customer services.

- Learn differences in customer service strategies in China and U.S. (e.g., after-sale service, service recovery, and return policies.)

- Discuss how to develop competitive advantages through customer service in China for MNREs.
Customer service

- The set of activities and programs undertaken by retailers to make the shopping experience more rewarding for their customers.

- It is also about treating customers with respect, individuality, and personal attention.

- Services increase customer value.

- High-quality service helps retailers to built competitive advantages.
Customer Service-Items

- Acceptance of credit cards
- Alteration of merchandise
- Assembly of merchandise
- Check cashing
- ATM terminals
- Delivery to home or work
- Demonstration of merchandise
- Display of merchandise
- Dressing rooms
- Extended store hours
- Facilities for shoppers with special needs
- Gift wrapping
- Warranties

- Parking
- Personal assistance in selecting merchandise
- Personal shoppers
- Play areas for children
- Presentations on how to use merchandise
- Repair service
- Rest rooms,
- Return privileges
- Rooms for checking costs and packages
- Shopping carts
- Special orders
- Etc.
Customer Service in China

- Customer service in a planned economy
  - Retailers were not free market players but state-owned distribution channel.
  - Retailers and salespeople had no incentive to provide better customer service.
  - Customer service had low quality.
Customer service in China

- Customer service in the transitional market economy
  - Customers are kings.
  - Customer service is increasingly becoming important to the success of a retailer.
  - Salespeople
    - Rude → polite
    - Unprofessional → professional
Customer Service in China

- Customer service is cheap
  - Free delivery
    - Most deliveries in China are free and efficient (For CEs, 24 hour delivery is guaranteed in the same city)
  - Free assembly
    - Chinese consumers do not get used to “DIY” and free assembly is common in China
Best Buy in China

- Best Buy’s high quality service/ warranty was a great success in US. However, it was not successful in China.
Best Buy in China

- Best Buy assumed that Chinese people enjoy high-quality service, and then used customer service to differentiate itself from other domestic competitors.

- Best Buy brought the “extend warranty” policy to China and hoped that the revenue from warranty could help Best Buy earn more profit and get the competitive advantage over its competitors in China CE market.

- GOME and Suning copied this warranty policy. But according to the data from GOME, this part of revenue is very small.
Best Buy in China

- Chinese consumers are used to free services.
- Any value-added service is free in China.
- Chinese consumers mainly focus on products and prices.
Customer Service in China

Return policy

- It is harder to return purchased products in China.
- “Three guarantees”:
  - Refund (within 7 days)
  - Replace (within 15 days)
  - Repair (after 15 days but within the effective warranty period)
Customer Service in China

- Membership card from every retailers
  - Reinforce loyalty through point system
- Gift card is very popular
  - Government and organizations provide gift cards as benefits to their employees
Chaoshifa

- Morning market
  - Many elder people will exercise in the early morning and most of them would prefer to go to an open market to buy some fresh food.
  - Chaoshifa opens its food section as early as 6am.
Chaoshifa

- Community service for disabled people and elders
  - Employees of Chaoshifa help disabled people and elders with free delivery.
  - In some traditional holidays, employees of Chaoshifa will distribute gifts to communities.
Chaoshifa

- Space for elder people’s leisure time
  - Many neighbors like sitting in Chaoshifa and chatting.

- Free cooking classes
  - Chaoshifa provides free cooking classes periodically.

- Free health advisory
  - Professional advisors are available at Chaoshifa to answer questions about nutrition and other health related questions.
VIP Service in Dangdai Plaza
VIP Service in Dangdai Plaza