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LONDON

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Module Name:	Understanding and engaging in the customer experience
Module Number:	BMSW5103
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Assessment Submission Date:	September 02, 2021

Executive Summary

Customer satisfaction is a must have in every organization. It is important for businesses to understand their consumers in order to meet their needs. Providing quality in the products and services provided plays a big role in customer satisfaction. To know the perception of customers, specific methods and framework needs to be applied in order to analyse and evaluate these perceptions. The information derived from that analysis allows companies to know what will satisfy their customer. This gives them a competitive advantage with their competitors. If businesses identify service gaps, it is important for them to implement an effective quality process to improve their services. Organizations can use value chain management to increase the efficiency of their business in order for their customers to receive the most value added products at low cost. When servqual structure is applied to measure their consumer perception and expectation it helps companies to retain their customers and maintain their promises.

TABLE OF CONTENT

Introduction.....	Page 3
Company Context.....	Page 4-9
Model Review.....	Page 10-12
Model Selection.....	Page 12
Model Application.....	Page 13
Recommendations.....	Page 14
Conclusion.....	Page 14
References.....	Page 14-15

Introduction

Organizations need to meet the quality standard that is required by the industry which they operate in. Some companies see quality standards as a complex system, but understanding clearly the benefits that they will gain from quality standards allows organizations to learn to embrace it. Quality focuses on safety, delivering promises and meeting customers expectations. When companies meet quality standards, they are able to reduce loss and be profitable. By exceeding it, they will stand out from their competitors. Quality is seen by everyone differently, but the need and purpose for it is crucial. When standards and requirements are clearly defined, organizations find it easier to meet what their customers consider as quality and improve their vision. Businesses use a quality management system to effectively meet their quality standard requirements. This system helps companies to measure and monitor their products, services, processes, procedures, production and employees to ensure that expectations are met. Choosing the most appropriate quality management system is vital to companies. They need to consider a number of factors before deciding which one to choose. They will need to understand their vision, identify the important elements of their brand along with the features that will make them stand out (Brooks B, 2020).

This report will look at the impact and influences on the quality of an organization's system. The company that will be analysed in this report is Tesco. Their customer relation management problem will be outlined along with a framework of potential solutions to solve this problem. A review of the CRM models will be presented in order to identify the suitability of each to specific CRM problems. A suitable model will be selected to be applied to Tesco's CRM problem. At the end of the report the findings will be outlined along with the most appropriate recommendations to solve the company's CRM problem.

Company Context

Tesco was originally founded in 1919 by Jack Cohen. It operates internationally, selling groceries and general merchandise. Tesco is considered to be the most valuable brand in the UK and the fifteenth most valuable in the world as of 2016. They boast a consistent twenty five percent market share and hold a spot in the big 4 supermarkets in the United Kingdom (Blazquez B, 2021). This company was chosen to be analysed in this report because my sister

is currently an employee of Tesco and she can provide me with a more clearer understanding of the operations within the supermarket. Customer relationship management is the combination of practices, strategies and technologies used by companies to analyse customer interactions and data throughout the customer cycle (Chai W, 2018). Retail businesses such as Tesco Ltd deals directly with customers therefore customer relation management plays a vital role in their organization. Customer relation management provides strategies that enriches and enhances an organization's relationships with their consumers by providing an insight into their customers needs, behaviours towards their product and purchase habits along with the influences on their purchases and other customer related psychological and environmental factors. Customer relationship management also provides more effective customer service and sales of products. It creates a better insight of customer behaviour preferences by breaking down marketing and sales promotion. Customers are influenced psychologically by a number of factors within the environment. When making the decision to purchase, customers think about their budget, family values, background, the market, their purchase power, friends and family influences and the knowledge they have of the product. Consumer behaviour can be defined as the study of individuals or groups or organizations and the processes used to identify the most appropriate products and services in order to satisfy customer needs and their impact on them and their environment. This study allows businesses to change their position, placement, and other marketing strategies related to the product in order to reach its right customers with a clearer understanding of the right customers for the product to make it a success.

There are a number of ways to apply the study of consumer behaviour. These include marketing strategies, social marketing and better customers. The main goal achieved by marketing is reaching the desired customer base in the best possible manner so that the products and services can be relatable to the customers and their interest generated in the products and services so that in the end the potential buyers become consumers. By studying customer behaviours, organizations can understand the psychology of the customers relationship with a product or services and the factors that influence customers towards purchasing particular products and services. Inevitable data is then generated through these observations and conclusions, creating the marketing strategy for the product and services. The study of customer behaviour can also help organizations when deciding the most appropriate kind of medium that will best suit the product and services. Some cases may identify the print medium as the best way to reach customers while other cases television may be a better medium. Tesco used a direct mode of marketing to highlight their savings scheme by promoting projects such as clubcard, vouchers and discount cards. They also used the outdoor medium to

generate a brand recall and remind customers about the bigger benefits offered by the store. Through the Tesco tagline “Every little helps”, customers began to realise the importance of small savings and bigger benefits. Through regular use of their clubcard, customers are able to collect a lot of free points to cover one bill in every 3-4 months through the discount coupons and clubcard points. This allows them to save on their monthly expense. By identifying the most appropriate study of consumer behaviour, Tesco realised the importance of savings for the customers and thus developed their marketing plan around the same concept of savings and customers benefits (UK Essays, 2018).

When the covid 19 pandemic hit, Tesco was pushed to its limit. There were dramatic changes in demand for basic items, an increase in customers, different purchasing behaviours, and a drastic change in the requirement for social distance which led to changes in their strategies. Their supply chain, customer service and home delivery processes have had to be adapted to this high demand that the pandemic brought about by the closure of bars, restaurants and shopping centres. Tesco was one of the few businesses that have had to operate at full capacity during the pandemic. Consumers were relying on them for their supplies like never before. Basic needs increase due to the inability to visit bars or restaurants and current psychological behavior demonstrates a greater desire for supplies. This resulted in an increase in turnover but Tesco was faced with an outbreak of new expenses such as logistics, protective equipment, personnel and adjustments. If not faced with the appropriate methodology, these new expenses can evaporate the narrow margin. Although it is necessary to quickly react to satisfying demands while taking care of customers' and employees' health, It is vital for Tesco to have a methodology that allows them to lessen the impact of new expenses and normal operational expenses.

Methodology: Impact analysis of expenses

Tesco used certain parameters to analyse their expenses individually to identify the short term impact, then established an evaluation, control and rationalize model. These parameters include classification and evaluation, procurement analysis of related items, implementation of action plan committee, creating policies and operational action ranges and expense management.

Classification and Evaluation

- Identifying expenses accounts and sub accounts.
- Determine the margin impact of each account and sub account.
- Analyze the account historical behavior and suppliers.
- Identify the consumption triggers to gain a clearer insight of the relationships or ratios
- Document the person responsible for authorizing expenses or costs.

Procurement analysis of related items

- Prepare a supplier matrix.
- Establish alternative suppliers.
- Review contract/negotiating terms.

Implementation of action plan committee

- Establish the committee members who will be responsible for the action plan that will optimize cost, expense and reduce the impact on margin.
- Identify the accounts to impact.
- Review the rationalization alternatives, replacement, elimination or negotiation for each supplier.
- Create an action plan for each item and implement.

Creating policies and operational action ranges

- Run simulation per account to determine permissible ranges.
- Define the authorization limits by type of expenses.
- Stipulate approval flow to authorize expenses.
- Remove or install locks by types of expenses.

Expense management

- Design expense control and management indicators.
- Create an expense dashboard.
- Establish the management and control model for expenses (Londoncg, ND).

When a disease outbreak such as covid 19 occurs, the effects are felt personally, socially and economically. The pandemic has caused a massive change in consumer behavior with the way they access their goods and services and the way supply chains operate. It is crucial for Tesco to look at the impact these changes have created on their value chain, understanding the adjustments that need to be made in order for them to meet the new needs and demands of the market.

Tesco faced challenges in their supply chain relating to food production manufacturing with pre-processing and those related to transportation. These challenges include product mobilization, product times and products from specialized industries.

Product Mobilization

When the pandemic hit, preventative measures were put in place to prevent the virus from spreading between countries. One of the consequences of the contingency has been the free

movement of essential food governed by restrictions and conditions. This caused a major disruption of the supply chain in the supermarket industry.

Products Times and Products from Specialized Industries

Another issue faced by Tesco was the shortages of specific food products that have been processed, requiring attention in the delivery times and supply plan with each of the essential suppliers.

Suppliers are a very important part of Tesco operations. Therefore it is crucial for them to develop strategies to maintain the business link and ensure continuity are key in dealing with changes and disruptions like covid19, while continuing to monitor consumption trends and ensure a timely supply of goods. For Tesco to maintain the good condition of their supply chain and reinforce the relationship with their suppliers during the pandemic, they had to take necessary measures. These include:

Developing a step by step plan by using the guidelines below:

- Identifying options to re-balance supply and demand.
- Establish if production / purchase can be expanded or modified to protect scarce stocks.
- Identify the operational conditions of Tesco and the distribution of the suppliers.
- Establish the impact on mid-term strategy.

Using alternate suppliers by:

- Incorporating additional transport suppliers for deliveries.
- Purchase packaged material from domestic suppliers supplementing those that are worked on regularly.
- Incorporate other service provider eg. cleaning and sanitization, safety and security and maintenance.

Establish products and services that are critical. It is vital to establish the key suppliers and key elements in order to prioritize and identify the vulnerabilities that may cause disruption to the supply chain.

Recreate best health practices with the suppliers by:

- Separating access from the collaborators and suppliers to maximum limit.
- Establish the number of people suitable to maintain a healthy distance by restricting entry and capacity in work areas.
- Implementing cleaning routines for any work surface, device and mobile equipment after every use.
- Adhere to hygiene policies for customers, collaborators and suppliers at point of contact.

Covid-19 left the shelves of Tesco empty as customers were stocking up on supplies. Products such as toilet paper. Cleaning products, water, milk, meat, fruits and vegetables that once seemed plentiful, quickly became difficult to get in Tesco. During the lockdown, consumers stocked their cupboards with products ranging from baked beans to beer. Tesco quickly realised that one of the purchasing trends was packaged products due to the uncertainty of when the quarantine would end. The categories that dominated the trends were food, health care, work items from home and drinks. Undoubtedly, the contingency caused by covid 19 had changed the habits of consumers. To align with these new habits, Tesco considered certain points. These included:

Adjusting the mix of products to meet the new needs, habits and behaviors of consumers.

Considering the impact caused on the suppliers along with operational consideration such as the following:

- Investigate the pattern of consumption from previous global epidemics.
- Determine prioritized items and products.
- Conduct a rationalization and prioritization program that focuses on the fulfillment sales of products which generates 80% profitability.
- Creating inventory anticipation / adjustment plan specifically for raw materials, imported products and packaging materials.
- Conducting daily and weekly monitoring of actual and estimated sales.
- Daily and weekly monitoring of levels of inventory along with orders previously created.
- Daily and weekly monitoring of the compliance of their strategic suppliers.
- Review and adjust targets and indicators of the supply chain.
- Modify the supply chain to meet the new demands.

Consumers consumptions were shifted from outside to inside so Tesco promoted the development of packaging and products by:

- Developing environmentally friendly and traceable aseptic packaging.
- Developing and enhancing their own brand.
- Establishing a new value for trademarks and products. Rethinking the entire cycle of consumerism and its use.
- Develop products that are easy to use.

Tesco also considered the following in order to examine possible conjunctures.

- The impact on the breakdown of margin supply chain and cash flow.
- Identify if there would be legal issues with online customers if delivery time isn't met (Londoncg, ND).

Model Review

Value Chain Management

Value change management is the method of organizing activities in order to analyze them properly. The objective of this process is to initiate communications between the leaders of each stage to allow products to reach customers easily. Creating a value chain helps both the company and customers to get a clearer insight of all processes and impact they face. Through this process businesses can see what areas they need to strengthen and how cost can be reduced. It also allows them to identify what is important to the value chain that they want to create. The management of these activities involves reworking systems, structures and processes in order to find areas of potential innovation. By constructing a strategy to develop processes, company values can be maintained.

There are two approaches to analyse the value chain. These include cost advantage and differentiation advantage.

Cost Advantage

The cost drivers of each activity should be identified by businesses after they have established the primary and support activities. A cost driver are factors that affect the cost of activities or processes. These include:

- Work hours
- Machine use and set up
- Wage rates
- Material used to make products
- Shipping

Organizations should then establish links between activities, knowing that if cost can be reduced in one area they can be reduced in others areas. They can then identify opportunities to reduce overall cost.

Differentiation Advantage

The main objective is to identify the activities that will create the most value to customers. These include:

- Knowledge of products and systems
- Meeting the expectations of customer
- Answering phones more swiftly
- Relative marketing strategy use

These strategies are then evaluated to improve the value. Some of the ways to improve these values is by putting focus on customer service, increasing the options to customize products and services, offering incentives and adding product features. Organizations should establish differentiation that adds the most value and can be maintained.

Through the use of value chain analysis, businesses can establish competitive advantage and increase their profit levels. By analyzing and evaluating the cost and quality of products along with the effectiveness of services businesses can discover and apply strategies to improve them. It is vital to keep the customers feeling confident and secure enough to remain loyal to the business. The value chain analysis allows businesses to identify areas that can be optimized for maximum efficiency and profitability (Harrison K, 2019).

SERVQUAL Method

The servqual model is an instrument used to identify and measure the gaps between customers expectations and perceptions of the service received. From the customers perspective service quality relies on the direction and degree of difference between the expected service and the perceived service. The perception of customers are based on the actual service they receive while consumers' expectations are based on past experiences and information received. There are 22 statements involved in the servqual instrument. These statements represent the determinants and dimensions of service quality by assessing consumers' perception and expectations. There are five dimensions of service quality measured in the servqual instrument.

These include:

- Tangible
- Reliability
- Responsiveness
- Assurance
- Empathy

Tangible

Customers attain their perception of service quality through the comparison of tangible associated and the services provided. It is the appearance of physical facilities, equipment, personnel and communication materials.

Reliability

This refers to the ability to execute the service promised dependably and accurately. Customers are more encouraged to stay loyal to businesses that keep their promises, especially the one

regarding service outcomes and core service attitude. Reliability depends on the company delivering their promise about delivery, price, service provision, problem and resolution.

Reliability is crucial to businesses because if they do not provide the core service that customers think they are buying, they will fail their customers in the most direct way.

Responsiveness

This represents the ability and flexibility to modify the services to customers needs. It is a willingness to assist customers and provide prompt services. This area focuses on attentiveness and promptness in dealing with customers' requests, complaints, questions and problems.

Responsiveness is communicated to customers through the duration of time spent waiting for assistance, answers to questions and attention to problems.

Assurance

Employees knowledge of courtesy and the ability of the company and its employees to inspire trust and confidence is defined as assurance. This area is especially crucial for the services that the customers perceive as involving high risk and about their uncertainty to evaluate.

Empathy

Customers need individual attention and if they feel as if they are not getting this from companies, in the end they will go elsewhere. It is therefore the duty of businesses to meet their customers' demands. Empathy is the way to provide caring and individualised attention to the customers (UK ESSAYS, 2018).

Model Selection

Service quality is complex and is not easily defined. It has to be analysed and evaluated. The servqual instrument facilitates the qualitative measuring of service quality based on reliability, courtesy, responsiveness, competence and tangibles. In the Tesco case, tangible refers to the relative appearance of physical elements of their stores. Reliability examines the accuracy of performance on service quality. Responsiveness describes their promptness and helpfulness. Assurance, encompasses, competence, courtesy and credibility and empathy describes good communication between tesco and its customers (UK ESSAY, 2018).

Many businesses have drastically changed their course since covid19. They restructured or made radical changes to plans. In the Tesco case, they created a strategy to allow them to be at their best. Despite this positive outlook, Tesco also realised that their leadership team was being overburdened with the stress of keeping with the pace of the rapidly changing environment. The more severe the pandemic got, the company set out four priorities to help them steer their strategy. These include safety for all, food for all, support to their colleagues and support to their community. This helps senior managers to set their goals. Tesco sped up their feedback process

in order to keep up with the swift changes in the environment. They went out to stores, to pickers, to depots to speak to people in order to get a better understanding of what they need to do in terms of a central perspective. This was not new to tesco as they already measured their success through customers and suppliers feedback. Insights was also being gathered daily by the Tesco marketing team using YouGov's brand index tool as well as customer and colleague feedback so it could adapt and be on top of the customers and colleagues demands. Tesco explained that the experience that formed with their brand starts with interaction, whether it may be online or in-store. Thirty percent of their customers are in the store and their perception will be based on the quality of the products, the cleanliness of the store, how well the food is displayed along with the knowledge of the staff (Fleming M, 2020)..

Model Application

Tesco's promise since the beginning of the pandemic is to ensure safety for all, food for all, support for colleagues and support for the communities. If the service tesco promised to deliver is not aligned to the services they actually delivered then there is a gap between the service provided and the service received. It is therefore important to assess whether the view of service quality from the perspective of consumers align with the service they received and this can be done through a service blueprint.

The service blueprint will outline the service process within tesco. It will help tesco to get a better understanding of how consumers access their services and if assessed, it will help the company to use customers feedback to improve their services. There are five key areas that need to be assessed in order to create a service blueprint. These include:

- Customer actions - charting the behavior of consumers with regards to purchasing, consuming and evaluating the services.
- Onstage Contact - face to face contact between customers and front line employees.
- Backstage contact - Back stage staff activities that are not visible to customers.
- Support processes - Necessary actions in supporting employees to deliver the services.
- Physical evidence - Tangibles that customers are exposed to or collect during interaction.

To apply SERVQUAL analysis, questionnaires will be given to customers based on the five factors listed above. The analysis will focus on customers, highlighting the differences between services expectations and perception of customers (UK ESSAY, 2018).

Recommendations

Once a service gap has been identified, the implementation of an effective quality process can assist in the improvement of services. There are specific steps recommended to be considered. Firstly, reinforce customer focus standards and communicate these with employees. Then provide staff with customer oriented training and measure the performance for a certain period and give rewards (UK ESSAY, 2018).

Conclusion

Quality management enables businesses to ensure their consumers receive consistent, good quality products and services. This in turn benefits the organization by providing greater efficiency, clearer insights into customers, increased customer satisfaction, increased profits and stability in the quality of their product and services. A companies' objectives are important to them as this is what governs their values and establishes the direction of their strategies. Quality management provides the framework needed to ensure businesses are aligned and goals are set to be monitored and evaluated. Customer relationship management plays a key role in helping businesses to build relationships with their customers, which in the end establishes customer loyalty and customer retention. Understanding consumers' behaviours helps organizations to better meet their customers' needs. A companies' value is the culture of their business. In order to maintain the value of their product and services they will need to stand out from their competitors. Value chain management creates that competitive advantage for them. What customers think about an organization's product and services is very important. By applying servqual and measuring customer perception and expectations of services will prove to be beneficial to the business.

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