

**Research Proposal**

**The Importance of Quality Products and Quality  
Service in Contemporary Businesses**

**By You**

**Organisation**

## TABLE OF CONTENTS

1. Background
  - 1.1 Context and purpose of investigation
  - 1.2 Industry background
  - 1.3 Proposed knowledge contribution of study
2. Literature Review
  - 2.1 Relevant contribution of existing literature to proposed study
3. Research Objectives
  - 3.1 Aim of proposed study
  - 3.2 Objectives of proposed study
  - 3.3 Propositions
4. Methodology
  - 4.1 Research Approach
  - 4.2 Sampling plan
    - 4.2.1 Population
    - 4.2.2 Sampling Method
  - 4.3 Data Acquisition Method
  - 4.4 Analytical Approach
5. Project Planning
  - 5.1 Timescales
  - 5.2 Critical success factors
  - 5.3 Cost implications and resource constraints

## **1. Background**

### *1.1. Context and purpose of investigation*

Service quality, customer relationship management (CRM) and new product development are each crucial to the continued, successful functioning of any business. In addition, the three of them, when viewed as a single entity, are the single greatest aspects that aid in making a successful enterprise. When all three of these business concepts do not receive an adequate degree of importance placed on them, a company can lose a large portion of any existing market share it maintains or even fail to acquire any further market share. The nature of this proposed study is to examine these three factors driving potential organisational success and to examine the approaches that contemporary companies utilise to improve these methods. This study will further gather information regarding public opinion regarding service, products, and quality to assess which level of emphasis should be given to each business aspect to drive profitability. Customer and relationship-driven companies as well as organisations whose focus is around innovation and product development will be the target of this assessment in relation to consumer opinion.

One of the main factors facing an organisation in its efforts to improve its market share involves consumer devotion and the company must satisfy the needs of customers in ways that contribute to long-term loyalty (Gomez-Mejia et al 2005, p.8). In today's fast-paced world of business evolution in attempting to thrive

within a growing global environment, the quality to which an organisation serves its customers must maintain an equal emphasis as that of its strategic goals.

Finding ways to improve customer satisfaction is a major key to boosting sales and profitability (Barker 2006, p.30) and for this reason, many businesses are attempting to redefine their traditional practices of generating quality customer service.

One of the major themes of research in the domain of research and development, innovation and product design over the past 50 years has been that of designing organisations to engage in innovative activity (Shane & Ulrich 2004, p.134).

Customers today have grand expectations for a variety of products and with the contemporary focus on state-of-the-art products in the minds of the consumer, there must be significant focus on satisfying the demands of the customer with continuously improved products.

Further, client relationships are now nurtured through more frequent contacts that help to better understand client needs and deliver them cost effectively (Global Investor 2005, p.1). Maintaining these relationships involve demographic studies and an organisation's understanding of consumer preferences. This proposed study will serve to offer such an understanding of these customer demands in regards to service, products and quality and relate potential/existing organisational successes based on proper focus surrounding them.

### *1.2 Industry background*

Nowhere is a loss of market share more prevalent than that of today's major automobile manufacturers, General Motors and Ford Motor Company. As GM staggers from one crisis to another, its Asian competitors continue to munch into its market share. Rick Wagoner, chairman and chief executive of the company, is being forced to slash capacity to meet his firm's falling sales, while simultaneously revitalising product development so that GM can make new cars that customers might buy (The Economist 2006, p.73). General Motors has been charged with offering less sales incentives than that of its competitors while at the same time growing further distant from its consumers both in service and innovative auto design. As a company that has long been the leader in market dominance, it is about to be displaced out of its number one position in the market by Toyota. If GM is "guilty" of displaced customer relationships and has truly been lax in innovation, this illustrates the potential consequences to *any* company, regardless of its current financial position, if it fails to recognise consumer demand for quality service and product development.

Ford Motor Company is in a similar position, and has turned towards a marketing approach that focuses on product development and innovation. Ford is facing a serious drop in market share and is working within a financial crisis to completely reorganise its business in its recovery strategy (Donnelly & Morris, p. 81) to win *back* customers who were once considered loyal to the automaker. This should be a serious indicator to any thriving organisation who may have lost focus around

satisfying consumer demand to prevent such a dramatic loss of market share. Both GM and Ford are setting an international example of the consequences of sacrificing customer service and relationships and innovative product development.

This proposed study will examine the failures of contemporary businesses and compare those with marked organisational strengths in service, quality, and product to gain an understanding of their importance to success in becoming an industry leader.

### *1.3 Proposed knowledge contribution of study*

After this study examines all of the aforementioned key elements to business success, it will offer a larger picture of the external pressures being exerted on modern organisations and propose methods to satisfy external demand in relationship to established practices that are effective. Contributing literature describing CRM and service capabilities along with methods to improve product development is rather extensive and will serve to offer validity to the hypothesis surrounding the critical importance of continuous product and quality service aiding in the financial well-being of modern business.

## **2. Literature Review**

### *2.1 Relevant contribution of existing literature to proposed study*

Most researchers and practitioners accept the notion that customer satisfaction is

positively associated with desirable business outcomes (Keiningham et al 2005, p.173). For this reason, many companies are moving away from their traditional management practices to adopt consumer feedback when determining new business directions. The contemporary business, faced with unprecedented competition, must focus its objectives to satisfy consumer preferences. In attempts to shift motivation towards improving customer relationships and to offer improved service, many companies have begun implementing improved customer call centres and have taken proactive approaches to post-sale customer contact. These post-sale objectives allow the customer to offer feedback, directly, to their opinion regarding their purchases. However, there is often a tremendous cost involved in redesigning customer service techniques that many companies simply will not or cannot invest monies into this. In short-term philosophies, businesses might view these methods as being too costly to the business while a long-term philosophy suggests that *any* investment that significantly improves the future financial position of the company is worthy of the venture.

The effectiveness of implementing a staffed post-sale cost centre or establishing appropriate information technology can be measured by companies who have shown marked improvements in their market share since inception of such practices. With the fast pace of modern-day living, utilisation of services has increased tremendously and marketing researchers, likewise, increased their activity momentum in this area of business (Liu 2005, p.426). The benchmarking

concept of measuring best practices within other corporations should be an indicator to struggling companies to adopt similar principles in satisfying customer demands. A business that fails to maintain awareness of companies that have gained further positioning in the market based on their efforts to establish sound customer service techniques could very well be jeopardising its own future. This can be an indication with General Motors who seems stuck in neutral when it comes to enhancing their post-sale customer relationships (De Felice 2006, p.13). All of these efforts to focus around post-sale communications send the message to consumers that the company legitimately maintains concern around the quality of its products and values the consumer. Part of this increased emphasis in building relationships is to improve loyalty to the business and build a solid brand name built on quality and trust.

Each day, customer contact centres record loads of valuable customer information, but the manually intensive, time-consuming process of listening to even just a sample of calls is a daunting task. As a result, much of the information gets overlooked (Bailor 2006, p.26). Because it can be argued that consumer input is vital to recognising trends in lowered customer satisfaction, these types of call centres should be properly structured so that the information being recorded is effectively formatted against a workable business template. In essence, if the organisation strongly relies on consumer feedback, it must have the mechanisms in place to act on making the necessary improvements to its practices. A business is simply wasting its financial resources by maintaining a well-staffed call centre

if it cannot properly graph or analyse trends from consumer feedback.

Contributing literature suggests that *functionality* of consumer feedback mechanisms can satisfy both cost objectives and aid in continuous improvements to gain market share.

From a product development standpoint, existing literature suggests that a company must be aligned to continuously evolve with the demands of the external market forces. From reorganising manufacturing to establishing the brand's consumer expectations towards quality, a company that shows marked weaknesses in adapting to fit external demand loses opportunities for gaining market share. The first portion of the marketing mix is to design a want-satisfying product and without an understanding of what drives consumers to purchase, its marketed products are virtually inadequate. As part of development, an organisation should consider test marketing its new products in order to gain an understanding of whether the customer will accept the product's value *prior* to investing resources to mass-produce the good. As mentioned, knowing your customer is the best opportunity to produce quality products that aid in the goals of business profitability.

Traditionally, marketers have used the word product as a generic term describing both goods and services. However, whether goods marketing and services marketing strategies are the same is questionable (Longenecker et al 2006, p.318).

This suggests that an organisation's marketing tactics in targeting its desired consumer audience must take into account how the consumer will accept the product or service. Is the service viable for consumers? Are the products quality assured? Depending on consumer preferences, the organisation *must* invest considerable time on research that directly affects consumer perception of the company's outputs. Failure to do this is a failure to effectively plan strategic objectives and will likely affect the forward momentum of the business.

Many small organisations promote the services that accompany basic products rather than price in order to compete with bigger firms. The idea is that good service will enhance a relatively homogeneous product (Nickels et al 2005 p.452). What this suggests is that larger emphasis on marketing the *service* surrounding the standard product serves to increase consumer loyalty towards the product brand. Because of fierce competition among businesses, this suggests that coupling service-oriented aspects of the product is a secondary investment that can be even more effective in establishing consumer loyalty than the product itself. And, similar to advertising, service quality is one of the many variables – including pricing, advertising, efficiency, and image- that simultaneously influence profits (Ziethaml et al 1996, p.32). Though literature suggests that spending on service doesn't necessarily guarantee a return on investment, it does aid in enhancing consumer awareness of the product brand and *all* of the attributes its purchase provides. So, it would seem that proper marketing at least

promotes the *perception* that the product is multi-dimensional, including functionality *and* that the company provides a quality service attached to the goods.

In a declining industry one has to manage, above all, for steady, systematic, purposeful cost reduction and for steady improvement in quality and service (Drucker 1999, p.58). This poses a major challenge for businesses that are willing to revamp their business processes to meet consumer demand because of the monetary investments usually involved in extensive market research and the organisation's capabilities to actually execute quality and service enhancements based on cost factors. Failure to scan the environment for market factors based on cost reduction necessity can not achieve the standards of quality and service that customers demand. So what steps are necessary for a declining industry to still continue to satisfy its consumer market? The company must be able to effectively work in such a crisis environment to gear its practices towards total customer service despite any financial setbacks or continuous decline in market share is inevitable. The company must begin taking cost-effective measures at tackling this problem and still effectively presenting its positive image and branding.

Contributing literature implies that there are many challenges for businesses when it comes to enhancing its image and its products. Whatever the reasoning behind a displacement from product, service, and quality, a company that cannot adapt to evolving consumer demands cannot thrive against those companies that excel in

these factors. The total overall affect of neglecting any of these business drivers is pointing towards a monumental loss of market share in its industry.

Given the high pace of business today, it is important to establish customer relationships with a certain level of expediency. There are five key components to building fast, effective relationships with customers which are suggested by existing literature, these are: Belief, congruence, empathy, emotional investment, and accountability (West 2006, p.17). Whether these are put into practice or are summarily presented for the sake of building positive imagery within the business as a leader in quality, service and product is industry dependent. However, belief suggests a presentation that an organisation stands by its products/services and *believes* that it can effectively meet the demands of its consumers. Congruence implies that the capabilities of the business are completely in-line with the consumer market and will adapt accordingly. Empathy, the presentation of understanding, is a much more contemporary approach to utilising psychological principles when dealing with customers. Marketing statements such as *We are built around your busy lifestyle* suggest that the company is aware of the busy lifestyles of its consumers and has gone to great lengths to create viable products/services to assist in comfortable, enhanced living. This ties hand-in-hand with emotional factors.

Accountability in customer relationship-building is a much broader perspective and is a huge challenge for contemporary businesses. With corporate accounting

scandals and sudden, unexpected corporate bankruptcies due to mismanagement of funds, consumers demand a certain level of accountability within the organisation they decide to purchase from. Some of these consumers are stockholders as well and the demands from this group are significant in driving an image of trust through enhanced quality. Customers want to know that they are purchasing products from reputable companies and can rely on their integrity in securing the consumer's financial investment. Having a customer feedback hotline to handle consumer issues is a great way for the company to gain loyalty and build this level of perceived integrity with their target market. This may seem somewhat outside of business adaptation for enhanced product, service and quality, but it is actually quite crucial. If the customer perceives the business or its brand of being untrustworthy, such damage is almost irreparable. Public statements highlighting accountability within the organisation (such as Ethical Conduct Codes), in conjunction with establishing relationships, can only serve to enhance profitability in the long-term.

Today, many businesses that have moved towards e-commerce are also establishing a new methodology of satisfying the customer. Many are offering "live help" forums that allow a person to *chat* directly with customer service representatives who are trained to handle a variety of consumer requests. In a business that made up of primarily e-commerce, it is logical to assume that the business has little resources for direct, personal contact with its consumer market. To satisfy this demand, oftentimes a 24-hour staffed chat support is established to

support its continuous internet sales applications. It is the general assumption that there are no consumers who will remain loyal to an internet-based industry that cannot handle real-time issues or questions about the company's services. Though this process of establishing chat support might be cost extensive, the benefits of increased customer purchases due to feeling service connection with the company will likely outweigh the short-term financial burden.

Further, new product development has begun to take shape in e-commerce especially surrounding industries such as automobile insurance. The ease and convenience of *click and buy* insurance policies opens the door for comparison shopping technology and online payment systems. Though this is more new *service* development, the results on the consumer market are the same. It falls into the same phenomenon of the *superstore* mentality that promotes one-stop shopping for its consumers. With the same objectives in mind, internet based companies are offering one-stop shopping within its website that promote not only quality products, but establish a superior level of service at the same time.

This proposed study will delve into the mechanisms in place of established physically-located businesses as well as internet-based commercial operations, as well, to explore the impact on similar market share gains and increased profitability through e-commerce organisations. The strategic marketing aimed at target groups is generally the same for each consumer audience in that the

objectives are to build customer loyalty and a strongly recognised and trusted brand name.

### **3. Research Objectives**

#### *3.1 Aim of proposed study*

The main aim is to demonstrate the importance of the three concepts of service quality, customer relationship management and new product development and that they are as relevant now as they have ever been; sometimes more so dependent on industry markets. By comparing companies that have made significant strides in gaining market share to those that have lost positioning in their markets, substantiating the concepts' importance can be accomplished.

#### *3.2 Objectives of proposed study*

One significant objective of this study is to prove that every business, especially those that operate over the Internet as opposed to within a physical area, need to realise the importance of establishing these concepts within their business framework. Because of the rising use of electronic commerce, the demand for increased user-friendly business tools and acceptable levels of direct customer service are exerting pressures for businesses to excel in these areas.

Another important objective is to illustrate the negative effect on an organisation for failure to recognise the strategic importance of conducting business operations with product development, service and quality in mind.

It has been discussed that *singularly*, these business concepts are vital components to gaining profitability and market share. However, the objective is also to illustrate the effectiveness of a business utilising these concepts together in a complementary manner to add immeasurable value to a business and increase overall consumer satisfaction.

### *3.3 Propositions*

This study, once completed, can serve to offer a template with which other companies can effectively gauge their business practices in order to improve market share. The information gathered in this study will satisfy all of its objectives and work as a guide that could potentially influence or inspire a struggling organisation to consider a reorganisation of its current processes to make the entity a more consumer-driven company. As part of the benchmarking process, this study can serve to add value to an industry's market research plan as solid, substantiated information regarding consumer opinion of existing business practices and consumer feedback.

## 4. Methodology

### *4.1 Research Approach*

A vast majority of the information gathered for this proposed study will consist of secondary research primarily from books, journals, internet, newspaper articles and any available market analysis reports. There is extensive contributing literature yet to be competently researched that will highlight methods currently in

use or being launched to improve market share in leading/struggling industries. Gathering information regarding advances in innovation and product development will consist of extensive research into secondary sources that will serve to illustrate mechanisms that can aid a business in establishing a "forward-minded" philosophy of manufacturing.

#### *4.2 Sampling Plan*

To add emphasis to the study's purpose to analyse consumer opinion, surveys geared toward appropriate consumer markets will be distributed in geographical proximity to the researcher. To gain enhancement for support to the secondary research information, having an understanding of a cross-section of respondents in the UK will show a pattern in the impact on local consumer groups regarding their perceptions of particular brands or companies.

##### *4.2.1 Population*

None of the primary research involving sampling data analysis will be outside of the United Kingdom.

##### *4.2.2 Sampling Method*

In order to receive adequate responses from potential respondents, a proposed amount of participants would fall into the category of no fewer than 50 people with proposed objectives of approximately 300.

#### *4.3 Data Acquisition Method*

The researcher will distribute self-administered surveys that will be distributed to

similar groups of people (at the researcher's discretion) to gauge their reactions to products, services and quality pertaining to specific companies who have placed different levels of importance on the three concepts. In conjunction, a rank-order scale questionnaire will be distributed to potential respondents in which different products and services will be presented where subjects will rank each item in the questionnaire in terms of the level of importance to each subject.

#### *4.4 Analytical Approach*

After carefully examining the compiled primary research gathered through surveys and rank-order scales, all of the information can be quantified and statistically charted and graphed to show any potential patterns in consumer opinion. Should the results indicate that service is a majority priority for consumer preferences when selecting a company's product, such opinion can be highlighted and tracked for marketing research. If the respondent information shows no distinct pattern, their responses can still be coordinated in a graphical representation to illustrate that consumer preferences are widely varied and are difficult for an organisation to predict. Whatever the response indicates, these first-hand analyses will serve to support the importance of the business concepts that this study intends to emphasise and will offer the consumer market impact of measures undertaken by established companies to promote/enhance image. This approach to analysing data is most effective because it can be formatted into easily ascertained information that acts as indicators to potential patterns in customer expectations or business perceptions.

## **5. Project Planning**

### *5.1 Timescales*

The portion of this project dealing with data collection from secondary sources will constitute a timeframe of approximately 4-6 weeks in order to successfully illustrate relationships to current business practices in established industry leaders or struggling businesses. Compiling, analysing, and charting primary data collected from survey respondents will take a similar timeframe of approximately 6-8 weeks. The final dissertation will consist of supporting and effectively proving the study hypothesis in 6-12 weeks.

### *5.2 Critical Success Factors*

Because of the extensive volume of secondary data on the subject of quality, service and product development, substantially satisfying the study's objectives can be competently achieved through proficient information collection. Primary research, involving surveys and rank-order analyses, if the researcher receives a low participation level from respondents, will have no *substantial* impact on the entire research project. As a contingency plan, researching published demographics or consumer opinion polls from secondary sources will be conducted. The purpose of the study is to examine *contemporary* businesses and modern consumer opinions regarding the proposed concepts, therefore extensive efforts to locate current polling information in secondary sources will be effective in supporting this study's premise should participation levels from subjects falter.

*5.3 Cost implications and resource constraints*

There are no foreseeable, substantial cost implications in carrying out the necessary research for this study. As mentioned, resources are widely available on the subject of business practices pertaining to quality, product, and service. A minimal cost for office supplies pertaining to the distribution of survey literature will be imposed on the researcher but will not, in any way, affect the results of this study.

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