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**MODERN CONCEPT OF SERVICE MANAGEMENT****O. MORGULETS<sup>1</sup>, O. KHOMENKO<sup>1</sup>**<sup>1</sup>Kyiv National University of Technologies and Design**Keywords:**

*customer-oriented,  
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value, loyalty, customer  
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**ABSTRACT**

The article deals with the essence of customer focus as a new approach to company service management that caused a shift in the service management paradigm. The scientific novelty is the author's definition of "client-oriented" in the context of the service management modern concept. The practical value is presented by generated advantages of client-oriented approach implementation into company service management, conditions and primary actions of the transfer to the new management model.

**Statement of a problem.** The globalization of markets and the information revolution, the liberalization of the world economy, the development of mobile technologies and information networks have provided manufacturers by cheap personalized channels of communication with consumers. Simultaneously, consumers have the opportunity to access virtually any information at any convenient time. In many areas there are conditions, similar to the perfect competition model, customer loyalty has become more important. Increased competition led to lower product prices, rising cost of attracting customers and, consequently, a sharp decline in the customers profitability. The main possibility of preserving profitability for many firms is to increase the intensity of their products usage by each customer that led to the necessity to maintain long-term relationships with them [1].

Thus, the company management has to re-focus again on creating a new management paradigm. At the time of goods-oriented management where key objects were technology and product quality, management crossed over to marketing, and competitors took the focus at that time and rapid promotion tools as well as selling the goods. However, nowadays public production and marketing techniques can no longer provide the company with long-term leadership, they are necessary, but they are no longer enough. Now it is important not just to create a product and find customers necessary for business, but also to orient business on strengthening cooperation with the most valuable of them.

**Literature overview.** The numerous works mainly by foreign and sometimes by native authors are dedicated to the issue of client-oriented company. These include the works of theorists and practitioners in the field of management and marketing such as V. Busarkina, M. Vasha, T. Hoky, M. Johnson, B. Kobzeva, A. Kulinich, P. Losev, A. Novikova, F. Newell, I. Patlakh, B. Ryzhkovsky, R. Rudnev, M. Fuzyeyeva, K. Kharsky, A. Herrmann, P. Cherkashin, A. Yurchak.

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The approaches to the definition of this concept are very different. Despite of its popularity, the client-oriented concept has no sustained scientific definition. Mostly scientists liken this concept to the business strategy, management tools, service philosophy or culture etc.

So in specialized forums and websites you can see the definition of client-oriented concept as a strategic approach to the organization development, which enhances its competitiveness and profitability growth, implying mobilization of all its resources to identify, attract and retain customers, including most profitable of them, improving the quality of customer service and meeting their needs [2]. Whereas A. Novikov determines the client-oriented concept as the business characteristics, that reflects the client interests in the system of owners and management priorities [3].

From the standpoint of management tools B Ryzhkovsky gives his own definition of the concept as a tool for customer relationship management, aimed at obtaining sustainable profits in the long run and based on three criteria: a key competence, target customers and equity positions [4]. The core competence is defined as the ability of the company to achieve certain results more efficiently. It should be lengthy, leader conscious and timely used (staff should be able to repeat their successful action). Target customers mean a limited number of customers or customer groups, prioritized for the company in the long run. Positions equity (partnership) shows the relationship between the supplier and the customer in which there is no dominance (deliberate or accidental) by one of the parties at any stage of the relationship.

By using this tool the company can earn additional revenue by understanding and meeting customer needs effectively. But it should be just extra profit (tangible or intangible), otherwise, any shift of attention towards the client, including quality service, can also be considered as a client-oriented approach [5].

K. Kharsky gives exactly different from the other point of view to determine the client-oriented company. The author proposes to define the essence of the concept as an assessment of the client visible part of the company, that's what customers really think about us. No matter what the company thinks about its own client-oriented approach, if the client believes that there is none. To understand the level of client-oriented approach it is necessary to know the clients' opinion, according to the author [6].

So nowadays, the shift of the production process and quality of the goods (services) to the efforts of meeting the needs of the consumer, the replacement of product / market-oriented approach by a client-oriented strategy, the development of efficient algorithms for client relations are in great demand.

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**The main results of research.** Companies want to make people more likely to buy their products and services, and therefore spend millions trying to understand consumers and get them to spend more. But today it is not enough to track just common indicators - and the satisfaction level and the level of consumers churn. To keep valuable customers is becoming more and more difficult, although the cost of various programs of increasing loyalty are constantly growing. And this trend is evident in almost all sectors [7].

The essence of client-oriented enterprise can be expressed in terms of the characteristics of this approach [1; 8]

1. A thorough understanding of their customers. It is implied the existence of a process developed segmentation and targeting (marketing mechanism which allows extracting a target audience meeting specified criteria). Understanding means having the processes of obtaining regular feedback and setting up a permanent dialogue that leads to developing long term relationships, measuring satisfaction and loyalty.

2. Customer retention approach. Since the increase in market share and attraction of new customers is more expensive, more profitable businesses exploit the potential of existing customer base and provide sales growth by increasing the intensity of consumption of its products existing customers.

3. Individual communication with customers. To account the personal needs of each customer and the formation of more product value it is necessary to provide personal interactivity between the customer and the company. With the development of information technology solutions to this problem has become possible.

4. Cooperation based on relationships rather than on the product. The basis for the conservation and development of cooperation between the company and its clients are relationships that are formed as a result of service. Loyal consumers began to perceive the company as a carrier of an idea (brand), with a special value for them.

5. Client experience management. Consumer value as an offer, a service or relationship is neither a panacea nor something fixed once and for all. It is always in dynamic and subject to external and internal negative impact. Only when measuring customer experience at various points of contact with the enterprise at different stages and in different channels of interaction you can be sure that the customer really gets the best experience.

The formation of client-oriented approach led to the necessity of developing technologies retention with regard to their value for the company and led to expansion of the complex management functions directed to customer relationship management.

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The whole world experience managing relationships with clients that use different enterprises is assembled in a complex multi-level system called CRM (Customer Relations Management). According to F. Newell, CRM - a change from a product-oriented strategy, to the strategy focused on positive experiences, to create values that make life easier for customers [9]. Developed countries widely practice the usage of innovative systems such customer relationship management as Business Intelligence, Customer Synchronized Relationship Planning, Employee experience management, Customer Intelligence, Enterprise feedback management etc. This has become a prerequisite for the successful business operation in the market.

Summarizing the results of the study are a number of advantages of client-oriented approach to enterprise activity [10; 11]:

- increasing competitiveness through market orientation enterprises, that is required by modern market trends and requirements ;
- increasing profitability (ascending spare frequency and/or the amount of purchase services);
- cost cutting (the study of consumer behavior and needs leads to cost cutting of their maintenance and at the same time detects low-income customers, reducing budgets to marketing, advertising, promotion);
- enterprise awareness (client supplies the information which helps to develop business);
- increase customer loyalty by creating the positive client experience;
- business promotion - the increase of customer base and the number of new customers (loyal customers are the source of new contacts; client recommends the company to other consumers);
- stability (developing relations with customers, directed to their loyalty and retention, long-term relations as a contrast to one-time sales);
- keeping the balance of interests of the enterprise and the client (on the basis of studying consumer demand and customer needs as well as the behavior of competitors an enterprise offers different program for the customers depending on the significance of a customer to a company and the stage of their relationships at the moment);
- decrease of the complaints number in the areas with the highest complaints contingency;
- positive image of an enterprise (good reputation) .

Based on the above it can be concluded that the main success factor of a service company is the ability to meet customer requirements. Therefore, its strategic orientation should be directed to the consumer. Thus, the new basis of a paradigm of service management is the client-oriented approach in enterprise management.

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Customer-oriented approach, above all, should become the philosophy of business, by which the company directs all its efforts on customer satisfaction, in order to transform it into customer loyalty. The main priorities for the company in this regard should be:

*First*, collect information about customers to understand their material needs and system values to their satisfaction by providing appropriate services. It should include actual and potential customers. Information gathering is a complex process that relies on both traditional and non-traditional methods. Also it requires organizing, storing and rapid access which all can be provided by the innovative customer-oriented information systems;

*Secondly*, the company must distribute customer information among staff of all departments that are directly or indirectly involved in meeting customer needs. The goal is to transform customer information into a guide to effective action. It is important that information is used only as a mean of exploring individual units with the state of the client. On the contrary, such information should play an active role and serve as the basis for determining the tasks, the performance of which will help the company to improve its economic performance;

*Thirdly*, the company should make changes to their production programs on the basis of this information to be able to provide customers with new and / or improved services. First of all, the company should improve its quality, to ensure the development of new services using the information about customer requests. It is important to emphasize that service improvement is achieved if the analysis of the needs and demands of the client is a continuous, systematic process.

Thus, according to the modern concept of Service Management, business administration should be directed to: maximum customer satisfaction by providing a quality product; creating a positive customer experience that forms consumer loyalty and encourages client return; providing conditions and opportunities for continuous improvement of a service product at an enterprise; creating a positive company image to provide its stability.

**Conclusions.** Having investigated the nature and different views of customer-oriented approach it is now possible to clarify the definition from the position of a new management paradigm :*customer-oriented approach* is a scientific approach that changes the concept of modern enterprise management and is based on the knowledge of customers and their needs, allowing you to create a positive customer experience, consumer loyalty, maintain regular and attract new customers by interesting suggestions for all the parties.

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Applying the concept of service management based on the customer-oriented approach an enterprise should rely on the long term prospect. The transition to the new management model requires significant costs that do not give instant results. To be customer-oriented, a service company should, above all, know their customers, to be able to identify target groups and to identify their unique needs, develop key competencies (ability to repeat the successful experience with the best result) to prioritize short-term profits to benefit. And always remember that customers are the vital source of an enterprise, and it is necessary to respect, appreciate and take care of them!

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