CHAPTER

3

Customer Focus

OUTLINE

Customer focus might be the most important principle of quality management. The customer is the ultimate judge of the quality of goods and services, and, as has been eloquently stated, "Without customers, you don't have a business."[1] In Japanese, a single word, *okyakusama*, means both "customer" and "honorable guest." World-class organizations are obsessed with meeting and exceeding customer expectations. Many organizations such as the Ritz-Carlton Hotel Company, Disney, and Toyota's Lexus division were built on the notion of satisfying the customer.

Perceptions of value and satisfaction are influenced by many factors throughout the customer's overall purchase, ownership, and service experiences. The Executive Director of Global Quality Strategy at General Motors noted "If the customer is satisfied with the whole experience with the product, then you have a quality product."[2] The key phrase is "the whole experience." To meet or exceed customer expectations, organizations must fully understand all product and service attributes that contribute to customer value and lead to satisfaction and loyalty. To accomplish this task, an organization's efforts need to extend well beyond merely meeting specifications, reducing defects and errors, or resolving complaints. They must include both designing new products that truly delight the customer and responding rapidly to changing consumer and market demands. An organization that is close to its customer knows what the customer wants, how the customer uses its products, and anticipates needs that the customer may not even be able to express. It also continually develops new ways of enhancing customer relationships.

Customer focus is a key requirement of ISO 9000:2000. For example, in the Management Responsibility section, one requirement is "Top management shall ensure that customer requirements are determined and are met with the aim of enhancing customer satisfaction." This puts the responsibility for customer focus on senior leadership. In the Product Realization section, the standards require that the organization determine customer requirements, including delivery and postdelivery activities, and any requirements not stated by the customer but necessary for specified or intended use. In addition, the organization must establish procedures for communicating with customers about product information and other inquiries, and for obtaining feedback, including complaints. In the Measurement, Analysis, and Improvement sections, the standards require that the organization monitor customer perceptions as to whether the organization has met customer requirements; that is, customer satisfaction.

This chapter focuses on customer-driven excellence. Table 3.1 summarizes the key quality management practices for focusing on customers, which we will elaborate on in the remainder of the chapter. The Quality Profiles provide two examples of organizations that focus considerable attention on their customers.

TABLE 3.1 Key Customer-Focused Practices for Quality Management

- Identify the most important customer groups and markets, considering competitors and other potential customers, and segment the customer base to better meet differing needs.
- Understand both near-term and longer-term customer needs and expectations (the "voice of the customer") and employ systematic processes for listening and learning from customers, potential customers, and customers of competitors to obtain actionable information about products and customer support.
- Understand the linkages between the voice of the customer and design, production, and delivery processes; and use voice-of-the-customer information to identify and innovate product offerings and customer support processes to meet and exceed customer requirements and expectations, to expand relationships, and to identify and attract new customers and markets.
- Create an organizational culture and support framework that allows customers to easily contact an organization to conduct business, receive a consistently positive customer experience, provide feedback, obtain assistance, receive prompt resolution of their concerns, and facilitate improvement.
- Manage customer relationships that build loyalty, enhance satisfaction and engagement, and lead to the acquisition of new customers.
- Measure customer satisfaction, engagement, and dissatisfaction; compare the results relative to competitors and industry benchmarks; and use the information to evaluate and improve organizational processes.

quality**profiles**

Park Place Lexus and K&N Management

With two locations in the Dallas, Texas area, Park Place Lexus (PPL) sells new Lexus vehicles and pre-owned luxury vehicles, services Lexus and other vehicles, and sells Lexus parts to the wholesale and retail markets. PPL has committed substantial resources to ensuring that client relationships, once established, can be maintained in a way that contributes value to both parties. This includes the development and deployment of a client-relationship management database that tracks all aspects of the PPL-Client interaction and provides the resulting information to members (the term used by PPL to refer to company employees). PPL uses its Client Concern Resolution (CCR) process to address any problems that might occur in any area of the client experience. CCR empowers the individual member to resolve client complaints on the spot by allowing each member to spend up to $250 to resolve a complaint, or up to $2,000 by committee.

PPL has identified eight key value creation processes that have direct interface with clients, significantly contribute to the delivery of service to its clients, or provide opportunity for business growth. For all of these key processes, PPL has identified process requirements as well as process measures to help them track progress toward meeting these requirements. PPL has extensive training programs and career development planning for its workforce. A focus on personal and organizational learning is the key to PPL's efforts to motivate members, which then results in exceptional understanding of client's needs and the ability to deliver service to meet those needs.

As a result of these focused efforts, Park Place Lexus Grapevine location had a New Car Client Satisfaction Index (CSI) of 99.8 percent in 2004, making it the highest rated Lexus dealership in the nation. PPL's continued client focus has reduced the number of complaints that promises were not met from 130 in 2002 to 3 in 2005, that clients were misled by staff from 22 in 2002 to 1 in 2005, and about discourteous treatment from 28 in 2002 to 1 in 2005.

K&N Management is the licensed Austin, Texas-area developer for Rudy's "Country Store" & Bar-B-Q and the creator of Mighty Fine Burgers, Fries and Shakes, two fast-casual restaurant concepts. The company's culture is based on quality and excellence; strong relationships with its customers, referred to as "guests"; and a vision "to become world famous by delighting one guest at a time." K&N Management builds and maintains a focus on "guest delight," relying on innovation and technology to create product offerings that meet or exceed guest requirements. Guests can access store information and events via websites and social media, as well as through innovative approaches such as EyeClick, an interactive system at each Mighty Fine location. Feedback is collected with an iPad that administers short surveys around the main meal periods and uploads the information to a third-party host for aggregation. Takeout guests are directed to a web-based survey.

All leaders carry a personal digital assistant (PDA) that alerts them of guest comments and complaints and daily performance results. Ongoing listening and learning approaches are used to maintain a list of key guest requirements (KGRs) that are aligned with key business drivers. The company's performance against its KGRs is systematically measured and communicated throughout the workforce. Performance gaps and opportunities are funneled into appropriate planning approaches, ranging from problem solving to strategic planning.

In sales, K&N Management's restaurants significantly outperform local competitors and national chains. For both K&N restaurant concepts, guests rate their satisfaction with food quality, hospitality, cleanliness, speed of service, and value at least 4.7 on a 5-point scale, outperforming the best competitor. Overall guest satisfaction ratings are over 4.7 for both, also beating the best competitor.

Source: K&N Management Vision Statement.

CUSTOMER SATISFACTION AND ENGAGEMENT

The ASQ Quality Glossary defines **customer satisfaction** as "the result of delivering a product or service that meets customer requirements." Customer satisfaction is vital to keeping customers and growing a business. For example, Avis long ago recognized that there are two ways to increase market share in the rental car business: (1) by buying large volumes of corporate business with extremely low rates and (2) by improving customer satisfaction levels, thereby increasing repurchase intent and repeat business. However, Avis stated that it would not buy business at low rates for the sole purpose of increasing market share; rather, it focuses on improving customer satisfaction. Avis's marketing department uses a full range of research and analysis to keep pace with changing market trends and develops programs that respond to customers' needs. Avis also monitors trends and levels of customer satisfaction, and calls numerous customers each month to assess in detail satisfaction levels.[3]

Customer satisfaction drives profitability. The typical company gets 65 percent of its business from existing customers, and it costs five times more to find a new customer than to keep an existing one happy.[4] Statistics show that growth in market share and financial success are strongly correlated with customer satisfaction. One study found that businesses with a 98 percent customer retention rate are twice as profitable as those at 94 percent. In automobile insurance, for example, J. D. Power data showed that 32 percent of highly satisfied customers would not switch companies for any price, compared to just 18 percent of those who report average satisfaction; and in banking, highly satisfied customers are four times more likely to stay and recommend the bank to others.[5] Johnson Controls, Inc. (JCI) discovered that 91 percent of contract renewals came from customers who were either satisfied or very satisfied. A percentage point increase in the overall satisfaction score was worth $13 million in service contract renewals annually. JCI also learned that those customers who gave a "not satisfied" rating had a much higher defection rate. After seeing the financial impact of customer satisfaction, JCI made improving customer satisfaction a key initiative.[6]

Although satisfaction is important, organizations need to look further. First, they must avoid creating dissatisfied customers because of product or service failures. Studies have shown that dissatisfied customers tell at least twice as many friends about bad experiences than they tell about good ones. For example, customers of mass merchandisers shared negative experiences with an average of six people during one Christmas shopping season, and people told about the experiences were up to five times as likely to avoid the store as the original unhappy customer.[7] Second, they must try to develop *loyal* customers—those who stay with a company and make positive referrals. Satisfaction and loyalty are very different concepts. To quote Patrick Mehne, former chief quality officer at The Ritz-Carlton Hotel Company: "Satisfaction is an attitude; loyalty is a behavior." Customers who are merely satisfied may often purchase from competitors because of convenience, promotions, or other factors. Loyal customers place a priority on doing business with a particular organization, and will often go out of their way or pay a premium to stay with the company. Loyal customers spend more, are willing to pay higher prices, refer new clients, and are less costly to do business with. As an example, many years ago Carl Sewell recognized that the average lifetime value of a loyal customer for his Cadillac dealership was over $300,000, providing a clear mandate for developing customer loyalty.[8]

Customer satisfaction and loyalty have evolved into a new concept: **customer engagement** refers to customers' investment in or commitment to a brand and product offerings. Customer engagement is an important outcome of a customer-focused culture and the organization's listening, learning, and performance-excellence strategy. Characteristics of customer engagement include:

Customer engagement was introduced in the 2009–2010 Baldrige Criteria for Performance Excellence as a recognition of its increasing importance to organizations that compete in a global marketplace and in competitive local markets. We will discuss the Baldrige Criteria in Chapter 10.

- customer retention and loyalty,
- customers' willingness to make an effort to do business with the organization, and
- customers' willingness to actively advocate for and recommend the brand and product offerings.

Customer engagement is influenced by an organization's integrity and the relationships it builds with its customers.[9] As one small business owner stated, "We build customer loyalty by telling our customers the truth, whether it is good or bad news."[10]

The American Customer Satisfaction Index[11]

In 1994, the University of Michigan Business School and the American Society for Quality (ASQ) released the first American Customer Satisfaction Index (ACSI), an economic indicator that measures customer satisfaction at the national level. It was the first cross-industry benchmark in the United States to measure customer satisfaction. Similar indexes previously existed in Sweden and Germany. One of the goals of the ACSI is to raise the public's perception and understanding of quality, as do the consumer price index and other economic indicators. This increased awareness will help to interpret price and productivity measures and promote customer-driven quality.

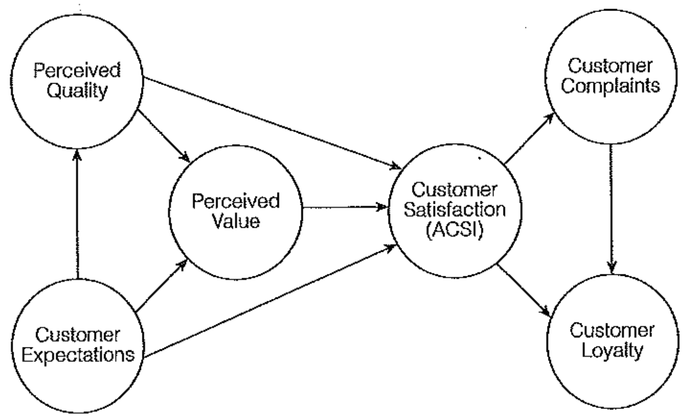
The ACSI is based on customer evaluations of the quality of goods and services purchased in the United States and produced by both domestic firms and foreign firms with a substantial U.S. market share. It uses data from telephone interviews conducted in a national sample of 46,000 consumers who recently bought or used a company's product or service in a tested, multiequation econometric model (see Figure 3.1) that links customer satisfaction to its determinants: customer expectations, perceived quality, and perceived value. Customer satisfaction, in turn, is linked to customer loyalty, which has an impact on profitability. The model is used to compute four levels of indexes: a national customer satisfaction index and indexes for 10 economic sectors and 43 specific industries. The United Kingdom has incorporated the ACSI methodology to develop a companion index for its national economy.

The 1994 ACSI results provided a baseline against which customer satisfaction levels can be tracked over time. This enables researchers to answer the questions: Are customer satisfaction and evaluations improving or declining for the nation's output of goods and services? Are they improving or declining for particular organizations, sectors of industry, or specific industries? The initial 1994 results showed that nondurable manufacturing scored relatively high in customer satisfaction, whereas public administration and government services scored relatively low. The overall national index declined continually until 1997 but has generally improved overall since. Some of the largest improvements occurred in the retail, finance, and e-commerce sectors.

Magazines and newspapers such as Fortune *and* The Wall Street Journal *generally report current ACSI results. Results and other information are available from the ACSI website, http://www.theacsi.org.*

The index quantifies the value that customers place on products, and thus drives quality improvement. Organizations can use the data to assess customer loyalty, identify potential barriers to entry within markets, predict return on investments, and pinpoint areas in which customer expectations are not being satisfied. The ACSI is updated on a rolling basis with one to three sectors of the economy measured each quarter.

FIGURE 3.1
ACSI Model



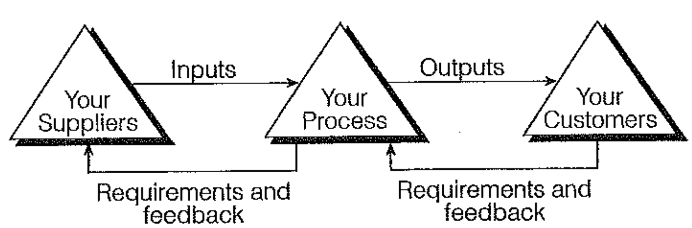
Source: Based on AT&T Archives and History Center.

IDENTIFYING CUSTOMERS

The first step in being customer focused is to understand who your customers are. While this sounds obvious, the concept of "customer" may mean many different things. Most employees think that "customers" are those people who ultimately purchase and use a company's products. These end users, or **consumers**, certainly are an important group. However, consumers are not the only customer group of concern. The easiest way to identify customers is to think in terms of customer–supplier relationships.

AT&T uses a customer–supplier model as shown in Figure 3.2. Every process receives inputs from suppliers and creates outputs for customers. The feedback loops suggest that suppliers must also be considered as customers. They need appropriate information about the requirements they must meet. Within an organization, the recipient of another's output (which could be a product, service or information) is called an **internal customer**. Internal customers could be other departments or processes within the organization or individual workers. For instance, manufacturing is a customer of purchasing, a nursing unit is a customer of the hospital laundry, and the reservations department is a customer of the information systems department for an airline or hotel. Figure 1.2 in Chapter 1 is a good example of the internal customer–supplier relationships within a typical manufacturing firm. In addition, individual workers receive inputs from others and produce outputs for other internal customers. Some examples

FIGURE 3.2
AT&T's Customer–Supplier Model



Source: Based on AT&T Archives and History Center.

of these internal customers are the assembly line worker at the next station, an executive's administrative assistant, the order taker who passes along orders to the kitchen staff at McDonald's, or an radiologic technologist who must meet a physician's timely request. Internal customer–supplier relationships help process owners and workers understand how their work links to the final product.

An organization may also have **external customers**—those who fall between the organization and the consumer, but are not part of the organization. External customers have needs and expectations different from consumers. An example is a manufacturer of consumer products that distributes to retail stores such as Walmart and grocery stores. The retail stores are external customers of the manufacturer. They have specific needs for timely delivery, appropriate product displays, accurate invoicing, and so forth.

Identifying customer–supplier relationships begins with asking some fundamental questions:

1. What goods or services are produced by my work?
2. Who uses these products and services?
3. Who do I call, write to, or answer questions for?
4. Who supplies the inputs to my process?

Eventually, everyone can better understand their role in satisfying not only their internal customers, but also the external customers. The natural customer–supplier linkages among individuals, departments, and functions build up the "chain of customers" throughout an organization that connect every individual and function to the external customers and consumers, thus characterizing the organization's value chain.

It is also important to recognize that employees and the public at large are important customers of an organization. Viewing employees as customers, an organization then must consciously strive to build and maintain a work environment conducive to the well-being and growth of all employees by paying attention to health, safety, and ergonomics (the study of physical capabilities of people in the design of workplaces, tools, instruments) issues. An organization must also anticipate public concerns and assess the possible impacts on society of its products, services, and operations, such as safety and the environment. These issues will be addressed in other chapters.

Customer Segmentation

Customers generally have different requirements and expectations. For example, Macy's department stores defined four lifestyles of its core customers: "Katherine"—traditional, classic dresser who doesn't take a lot of risks and likes quality; "Julie"—neo-traditional and slightly more edgy but still classic; "Erin"—a contemporary customer who loves newness and shops by brand; and "Alex"—the fashion customer who wants only the latest and greatest (there's a male version too!).[12] A company usually cannot satisfy all customers with the same products or services. This issue is particularly important for those that do business globally (just think of the differences in regulations for automobiles in various countries or the differences in electrical power systems in the United States versus Europe). Therefore, organizations that segment customers into natural groups and customize the products or services are better able to respond to customers' needs. Segmentation allows a company to prioritize customer groups, for instance by considering for each group the benefits of satisfying their requirements and the consequences of failing to satisfy their requirements.

There are many different ways to approach customer segmentation. Customer segmentation might be based on geography, demographic factors, ways in which products are used, volumes, or expected levels of service. For example, Motorola's Commercial, Government, and Industrial Solutions Sector segments its customers in two ways, first by world region, and second by sales distribution channel (direct and indirect). The Ritz-Carlton Hotel Company ranks potential and current customers by volume, geography, and profit. The Royal Bank of Canada (RBC) identified a key customer segment, "snowbirds," Canadians who spend the winter in Florida or Arizona. These individuals want to borrow in the United States for condos or houses and want to be served by employees who know Canada as well as the United States and even speak French when necessary. So, RBC opened a branch in Florida, which achieved exceptional results.[13]

Juran suggested classifying customers into two main groups: the *vital few* and the *useful many*.[14] For example, organizers of conventions and meetings book large blocks of hotel rooms and have large catering needs. They represent the vital few and deserve special attention on an individual basis. Individual travelers and families are the useful many and typically need only standardized attention as a group.

Another way of segmenting customers with an eye toward business results is by profitability. Many businesses spend a lot of money trying to acquire customers who are not profitable and probably will never be. Profit potential can be measured by the **net present value of the customer (NPVC)**.[15] NPVC is the total profits (revenues associated with a customer minus expenses needed to serve a customer) discounted over time. For instance, the profits associated with customers at an automobile dealer consist of the profit from the sale of a car plus the profit from service visits. The number of transactions associated with repeat customers can easily be estimated. As another example, frequent fliers represent high NPVC customers to an airline. By segmenting them according to their frequency, an airline can determine the net value of offering increasing levels of benefits to fliers at higher frequency levels as a means of retaining current customers or enticing potential customers. Firms can also use NPVC to eliminate customers with low or negative values that represent a financial liability. For example, the Fleet Financial Group dropped its basic savings account interest rate, hoping to lose customers who had only savings accounts.[16]

Segmentation helps an organization to align its internal processes according to the most important customer expectations or their impact on shareholder value. For instance, Fidelity Investments realized that some customers who were doing limited business with Fidelity were using costly resources of service representatives too frequently. They began teaching those customers how to use the company's lowest cost channels: its automated phone lines and its website, which was made friendlier and easier to use. They could still talk to service reps, but the phone system identified their calls and routed them into longer queues as a disincentive to call, so the most profitable customers could be served more quickly. Fidelity was willing to lose some of these customers, because their profitability would increase; however, 96 percent of them stayed and most switched to lower-cost channels.[17]

UNDERSTANDING CUSTOMER NEEDS

At Ideo, one of the world's leading design firms (which designed Apple's first mouse, standup toothpaste tubes, and many other innovative products), design doesn't begin with a far-out concept or a cool drawing. It begins with a deep understanding of the people who might use whatever product or service that eventually emerges from its work, drawing from anthropology, psychology, biomechanics, and other disciplines.[18] Organizations first need to understand the drivers of customer satisfaction—what do customers want or expect from our goods and services? For example, customer expectations for a restaurant would include good food, attentive service, a comfortable atmosphere, and accurate bills; a credit card user might have the following expectations:

1. *Applying for an Account*: Accessible, responsive, accurate, and professional
2. *Using the Card*: Easy to use and hassle free, features, reasonable fees, and credit limits
3. *Billing*: Accurate, timely, and easy to understand
4. *Customer Service*: Accessible, responsive, and professional

Perhaps one of the best examples of understanding customer needs and using this information effectively is Frank Perdue's chicken business.[19] Perdue learned what customers' key purchase criteria were; these criteria included a yellow bird, high meat-to-bone ratio, no pinfeathers, freshness, availability, and brand image. He also determined the relative importance of each criterion, and how well the company and its competitors were meeting each one. By systematically improving his ability to exceed customers' expectations relative to the competition, Perdue gained market share even though his chickens were premium-priced. Among Perdue's innovations was using a jet engine that dried the chickens after plucking, allowing the pinfeathers to be singed off.

Considerable marketing efforts go into correctly identifying customer needs. Ford, for instance, identified about 90 features that customers want in sales and service, including a ride to their next stop when they drop off a car for service and appointments within one day of a desired date. Ford then trimmed the list to seven service standards and six sales standards against which dealers have begun to measure themselves.[20]

Quality Dimensions of Goods and Services

David A. Garvin suggested that products have multiple dimensions of quality:[21]

1. *Performance*: A product's primary operating characteristics. Using an automobile as an example, characteristics would include such things as acceleration, braking distance, steering, and handling.
2. *Features*: The "bells and whistles" of a product. A car may have power options, a CD player, iPod® connections, satellite radio, and antilock brakes.
3. *Reliability*: The probability of a product's surviving over a specified period of time under stated conditions of use. A car's ability to start on cold days and frequency of failures are reliability factors.
4. *Conformance*: The degree to which physical and performance characteristics of a product match pre-established standards. A car's fit and finish and freedom from noises and squeaks can reflect this dimension.
5. *Durability*: The amount of use one gets from a product before it physically deteriorates or until replacement is preferable. For a car it might include corrosion resistance and the long wear of upholstery fabric.
6. *Serviceability*: The speed, courtesy, and competence of repair work. An automobile owner might be concerned with access to spare parts, the number of miles between major maintenance services, and the expense of service.
7. *Aesthetics*: How a product looks, feels, sounds, tastes, or smells. A car's color, instrument panel design, control placement, and "feel of the road," for example, may make it aesthetically pleasing.

Table 3.2 gives some examples of these dimensions for both a manufactured product and a service product.

TABLE 3.2 Quality Dimensions of a Manufactured Product and Service

Quality Dimension	Manufactured Product (Guitar Amplifier)	Service Product (Checking Account)
Performance	Signal-to-noise ratio; power (wattage)	Speed of online transactions
Features	SD card; drum kits	Automatic bill paying
Conformance	Accurate tuner	Accuracy
Reliability	Mean time to failure	Receiving statements on time every month
Durability	Not damaged with frequent handling and transportation	Keeping pace with industry trends and product offerings
Serviceability	Ease of repair	Prompt resolution of errors
Aesthetics	Location and size of knobs and controls	Appearance of bank lobby

Source: Adapted and modified from Paul E. Pisek, "Defining Quality at the Marketing/Development Interface," Quality Progress, Vol. 20, No. 6, pp. 28–36. Copyright © 1987 American Society for Quality.

Customers today pay more attention to service issues than to the physical goods themselves. One study found that customers are five times more likely to switch because of perceived service problems than for price concerns or product quality issues. Another estimated that the average company loses as many as 35 percent of its customers each year, and that about two-thirds of these are lost because of poor customer service. Thus, an understanding of service-related needs and expectations is important. For services, research has identified five principal dimensions that contribute to customer perceptions of quality:

1. *Reliability*: The ability to provide what was promised, dependably and accurately. Examples include customer service representatives responding in the promised time, following customer instructions, providing error-free invoices and statements, and making repairs correctly the first time.
2. *Assurance*: The knowledge and courtesy of employees, and their ability to convey trust and confidence. Examples include the ability to answer questions, having the capabilities to do the necessary work, monitoring credit card transactions to avoid possible fraud, and being polite and pleasant during customer transactions.
3. *Tangibles*: The physical facilities and equipment, and the appearance of personnel. Tangibles include attractive facilities, appropriately dressed employees, and well-designed forms that are easy to read and interpret.
4. *Empathy*: The degree of caring and individual attention provided to customers. Some examples might be the willingness to schedule deliveries at the customer's convenience, explaining technical jargon in a layperson's language, and recognizing regular customers and calling them by name.
5. *Responsiveness*: The willingness to help customers and provide prompt service. Examples include acting quickly to resolve problems, promptly crediting returned merchandise, and rapidly replacing defective products.

EXAMPLE 3.1

Classifying Customer Needs on Dimensions of Service Quality

A car rental agency surveys its customers on the following dimensions.

- Cleanliness of the rental facility
- Courtesy of staff
- Efficiency of vehicle pickup/return
- Cleanliness of vehicle
- Professionalism of staff in explaining the contract and options

We may classify each of these according to the five service quality dimensions as follows:

1. Cleanliness of the rental facility: *tangibles*
2. Courtesy of staff: *assurance*
3. Efficiency of vehicle pickup/return: *reliability*
4. Cleanliness of vehicle: *tangibles*
5. Professionalism of staff in explaining the contract and options: *assurance*

Note that none of these dimensions address empathy or responsiveness. Later in this chapter we will discuss how to design good customer surveys.

The Kano Model of Customer Requirements

Noriaki Kano, professor emeritus of the Tokyo University of Science. suggested segmenting customer requirements into three groups:

1. *Dissatisfiers ("must haves")*: Basic requirements that customers expected in a product or service. In an automobile, a radio, heater, and basic safety features are examples, which are generally not stated by customers but assumed as given. If these features are *not* present, the customer is dissatisfied.
2. *Satisfiers ("wants")*: Requirements that customers expressly say they want. Many car buyers want a sunroof, satellite radio, or navigation system. Although these requirements are generally not expected, fulfilling them creates satisfaction.
3. *Exciters/delighters ("never thought of")*: New or innovative features that customers do not expect or even anticipate, such as separate rear-seat video controls that allow children to watch DVD movies, or wi-fi capabilities in a car, but love once they have them.

Providing dissatisfiers and satisfiers is often considered the minimum required to stay in business. These can usually be identified from surveys, complaints, and interviews with lost customers. To be truly competitive, however, organizations must surprise and delight customers by going beyond basic requirements and expressed desires. Hospitals, for example, are introducing numerous innovations in patient care services that are designed to change traditions. These not only include significant improvements in food services—Doylestown Hospital in Philadelphia started an "At Your Request" program offering gourmet selections—as well as other amenities such as in-room massages, video-on-demand, wireless access, and even champagne in maternity wards.[22] To innovate, organizations can exploit the creativity of its leaders (think of Steve Jobs at Apple) and employees, opinions and suggestions from outside expert advisors and customer focus groups, and ideas captured from new technology forums.

Innovations, however, are not exciters/delighters for long. As customers become familiar with them, exciters/delighters become satisfiers over time. For instance, antilock brakes and traction control certainly were exciters/delighters when they were first introduced, but now many car buyers expect them when buying a new car. Likewise, navigation systems, which were originally exciters/delighters, are probably viewed as satisfiers today. As technology evolves, consumer expectations continually increase. Eventually, satisfiers become dissatisfiers.

In the Kano classification system, dissatisfiers and satisfiers are relatively easy to determine through routine marketing research. For example, the hot-selling Ford F-150 pickup truck relied on extensive consumer research at the beginning of the redesign process. However, traditional market research efforts may not be effective in understanding exciters/delighters, and may even backfire. Ford listened to a sample of customers and asked whether they wanted a fourth door on one of its minivans. Only about one-third thought it was a great idea, so Ford scrapped the idea. Chrysler, on the other hand, spent a lot more time living with owners of vans and observing their behavior, watching them wrestle to get things in and out, noting all the occasions where a fourth door would really be convenient, and was very successful after introducing a fourth door.[23]

Gathering the Voice of the Customer

Customer requirements, as expressed in the customer's own terms, are called the **voice of the customer**. However, the customer's meaning is the crucial part of the message. As the vice president of marketing at Whirlpool stated, "The consumer speaks in code."[24] Whirlpool's research showed that consumers wanted clean refrigerators, which could be interpreted to mean that they wanted easy-to-clean refrigerators. After analyzing the data and asking more questions, Whirlpool found out what most consumers actually wanted was refrigerators that looked clean with minimum fuss. As a result, Whirlpool designed new models to have stucco-like fronts and sides that hide fingerprints.

When former Disney executive Paul Pressler assumed the CEO position at Gap, he met with each of Gap's top 50 executives, asking them such standard questions as "What about Gap do you want to preserve and why?" "What about Gap do you want to change and why?" and so on. But he also added one of his own: "What is your most important tool for figuring out what the consumer wants?"[25] Organizations use a variety of methods, or "listening posts," to collect information about customer needs and expectations, their importance, and customer satisfaction with the company's performance on these measures. Some of these approaches for gathering customer information include comment cards and formal surveys, focus groups, direct customer contact, field intelligence, complaint analysis, and monitoring the Internet and social media. Each has various advantages and disadvantages.

- *Comment Cards and Formal Surveys*: Comment cards and formal surveys are easy ways to solicit customer information. These approaches typically concentrate on measuring customer satisfaction, which is discussed later in this chapter, and often include questions pertaining to the customers' perception of the importance of particular quality dimensions as well as open-ended questions. However, few customers generally will respond to comment cards placed at restaurant tables or in hotel rooms, and those who do may not represent the typical customer. Formal surveys can be designed to scientifically sample a customer base, but can also suffer from nonresponse bias. However, some organizations find that they work well.
- *Focus Groups*: A focus group is a panel of individuals (customers or non-customers) who answer questions about a company's products and services as well as those of competitors. This interview approach allows a company to carefully select the composition of the panel and probe panel members about important issues, such as

comparing experiences with expectations, in depth. Key questions that one might ask include: What do you like about the product or service? What pleases or delights you? What do you dislike? What problems have you encountered? If you had the ability, how would you change the product or service? Binney & Smith, maker of Crayolas, conducts focus groups with the ultimate customer: young children. Focus groups offer a substantial advantage by providing the direct voice of the customer to an organization. A disadvantage of focus groups is their higher cost of implementation compared to other approaches.

- *Direct Customer Contact*: In customer-driven organizations, top executives commonly visit with customers personally. Hearing issues and complaints firsthand is often an eye-opening experience. For example, Black & Decker executives have gone to homeowners' workshops to watch how customers used their tools, asked why they liked or disliked certain ones, and even observed how they cleaned up their work space when they finished.
- *Field Intelligence*: Any employee who comes in direct contact with customers, such as salespeople, repair technicians, telephone operators, and receptionists, can obtain useful information simply by engaging in conversation and listening to customers. The effectiveness of this method depends upon a culture that encourages open communication with superiors. As another approach, employees simply observe customer behavior. One hotel noticed that customers did not use the complimentary bath crystals, so they eliminated the crystals (saving costs) and added other features that customers wanted. Field intelligence is perhaps one of the least-exploited approaches to listening and learning.[26] To do it well, organizations need to build awareness of the need to gather information, develop a system to feed information to a central collecting place for analysis and dissemination, train employees who have frequent direct customer contact to actively listen to the voice of the customer and feed information back through the system, make review of the information a standard part of the company's management review process, and ensure that the right individuals take action and follow up.
- *Complaints*: Complaints, although undesirable from a service point of view, can be a key source of customer information. Complaints allow an organization to learn about product failures and service problems, particularly the gaps between expectations and performance. Hewlett-Packard, for example, assigns every piece of customer feedback to an "owner" in the company who must act on the information and report back to the person who called. If a customer complains about a printer, someone will check the company's database to see if the complaint is widespread and what the company is doing about it.
- *Internet and Social Media Monitoring*: The Internet and social media such as Facebook offer organizations a fertile arena for finding out what consumers think of their products. Internet users frequently seek advice from other users on strengths and weaknesses of products, share experiences on service quality, or pose specific problems they need to resolve.[27] By monitoring the conversations on discussion groups and blogs, for example, managers can obtain valuable insights on customer perceptions and product or service quality problems. In open forums, customer comments can often be translated into creative product improvements. In addition, the Internet can be a good source of information about competitors' products. The cost of monitoring Internet conversations is minimal compared to the costs of other types of survey approaches, and customers are not biased by any questions that may be asked. However, the conversations may be considerably less structured and

unfocused, and thus may contain less usable information. Also, unlike a focus group or telephone interview, inaccurate perceptions or factual errors cannot be corrected. Social media such as Facebook and Twitter can also provide a wealth of information. K&N Management, for example, monitors social media activity using an analytical marketing tool to measure guest engagement.

Many leading organizations use a combination of multiple listening posts to gather customer information, and then cross-check the results for validity and synthesize the information. Figure 3.3 shows the wide variety of listening and learning approaches for different customer segments used by Nestlé Purina PetCare Company, which makes a variety of dog and cat food products. In this figure, "consumer" refers to the pet owners who purchase their products, while "customer" refers to the retailers (external customers) that stock and sell the products in their stores. Of course, pets are important customers also!

Some organizations use unconventional and innovative approaches to understand customers. Texas Instruments created a simulated classroom to understand how mathematics teachers use calculators; and a manager at Levi Strauss used to talk with teens who were lined up to buy rock concert tickets. The president of Chick-fil-A, and all other corporate employees, spend at least one day each year behind the counter. The president has camped out overnight with customers at over a dozen store openings in just one year. At Whirlpool, when customers rate a competitor's product higher in satisfaction surveys, engineers take it apart to find out why. They also have hundreds of consumers fiddle with computer-simulated products while engineers record the users' reactions on videotape.[28]

Besides consumers, organizations must also pay attention to the needs of external customers. In designing its Icy Rider sled, Rubbermaid used a combination of field research, competitive product analysis, and consumer focus groups. It also listened to major

FIGURE 3.3 Customer Listening Posts at Nestlé Purina PetCare Company

Customer Listening Method	Purpose
Consumer	
Millward Brown Surveys	Determine brand awareness/image
Nielsen Data	Monitor consumer product usage
Panel Data	Monitor consumer behavior
Advertising score	Measure TV ad effectiveness
Consumer complaints/feedback	Obtain consumer feedback
Focus groups	Get detailed feedback on products
New product testing	Evaluate extended usage/feedback
Customer	
"Top-to-Top" meetings with each key customer	Understand unique goals/strategies and high-level issues/concerns
Joint volume planning meetings	Align tactical execution
Monthly business meetings with each key account	Review tactical execution; make necessary adjustments
Customer Advisory Councils	Learn about industry trends
Meetings with NPPC CDG VP at each key account	Assess quality of account management & execution; learn about key strategic issues

Source: Malcolm Baldrige Award Application Summary retailers, such as Walmart, who wanted such products to be stackable and save space.[29] Sometimes, attention to the needs of external customers offers opportunities to provide exciters/delighters. General Electric (which makes aircraft engines for the airline industry) provided Six Sigma specialists to Southwest Airlines at no cost to work on problems that had nothing to do with GE products. GE also offers training in its management techniques, shares its expertise in working globally, and allows customers to tap into market information and basic research developed by its business units. As one GE executive noted, "The more successful our customers are, the more successful we will be."[30]

Understanding the needs of internal customers is as important as understanding those of consumers and external customers. This point is reflected in the AT&T customer–supplier model in Figure 3.2. For example, in many service industries, customer-contact employees depend on a variety of information and support from internal suppliers, such as the information systems department, warehousing and production scheduling, and engineering and design functions. Failure to meet the needs of customer-contact employees will have a detrimental effect on external customers. A division of the former General Telephone and Electronics Corporation (now Verizon), GTE Supply, negotiated contracts, purchased products, and distributed goods for internal telephone operations customer groups at each GTE local telephone company. In response to complaints from its internal customers, GTE Supply began to survey its internal customers to identify needs and information for improvement. This approach dramatically improved satisfaction levels, reduced costs, and decreased cycle times.[31]

Analyzing Voice of the Customer Data

Because voice of the customer data typically consists of a large number of verbal comments or other textual information, it needs to be sorted and consolidated into logical groups so that managers can understand the key issues. One useful tool for organizing large volumes of information efficiently and identifying natural patterns or groupings in the information is the **affinity diagram**. An affinity diagram is a main ingredient of the KJ method, developed in the 1960s by Kawakita Jiro, a Japanese anthropologist. The affinity diagram is a technique for gathering and organizing a large number of ideas or facts.[32]

EXAMPLE 3.2

Creating an Affinity Diagram for Customer Needs

Suppose that a banking team determined that the most important requirement for mortgage customers is timely closings.[33] Through focus groups and other customer interviews, customers listed the following as key elements of timely closings:

1. Expeditious processes
2. Reliability
3. Consistent and accurate information
4. Competitive rates
5. Notification of industry changes
6. Prior approvals
7. Innovation
8. Modem link between computers
9. Buyer orientation
10. Diversity of programs
11. Mutual job understanding
12. Flexibility
13. Professionalism
14. Timely and accurate status reports

The company's team would group these items into logical categories (Post-It® notes are often used because they can be easily moved around on a wall) and provide a descriptive title for each category. The result is an affinity diagram, shown in Figure 3.4, which indicates that the key customer requirements for timely closings are communication, effective service, and loan products.

FIGURE 3.4
Affinity Diagram

Communication	Effective Service	Loan Products
Timely and accurate status reports	Reliability	Innovation
Notification of industry changes	Flexibility	Flexibility of programs
Consistent and accurate information	Prior approvals	Diversity of programs
Mutual job understanding	Expeditious processes	Competitive rates
Modem link between computers	Buyer orientation	
	Professionalism	

Through organization of an affinity diagram, information can be used to bett design a company's products and processes to meet customer requirements. Affinity dia grams can be used for many other applications. For example, they can be used to orga nize any large group of complex ideas or issues, such as potential reasons for qualit problems, or things a company must do to successfully market a product.

Modern methods of business analytics, such as text mining and text analytics, ca automate the process of capturing and analyzing huge amounts of textual data, and ar emerging as important tools for understanding customers. Text analytics allows users t break down sentences linguistically and extract meaningful data that can be searched summed, counted, and otherwise statistically analyzed.

QUALITYSPOTLIGHT
JetBlue

JetBlue Airways receives nearly 500 e-mails from passengers every day and more than 40,000 survey responses per month.[34] Additional feedback is obtained from an online customer survey of thousands of "TrueBlue" members. Half the data are written responses to open-ended questions in unstructured text. It simply was not cost efficient or even possible to read or analyze all the comments. Nevertheless, customer relationship managers wanted to understand and analyze customer sentiment and be able to drill down into issues and requests. As a result, JetBlue decided to implement text analytics software to help automate the process of tracking and analyzing the customer feedback. The software automatically extracts relevant data from survey responses, e-mail messages, web forums, blog entries, news articles, and other customer communications to provide analysts and managers with deeper insights into customer satisfaction, sentiment, and loyalty. In addition to active daily, weekly, and monthly analysis of customer feedback, managers at JetBlue receive customized reports that summarize the customer feedback, allowing executives and managers to make informed decisions about the company's long-term strategic activities.

LINKING CUSTOMER NEEDS TO DESIGN, PRODUCTION, AND SERVICE DELIVERY

VOC information must be linked to design, production, and delivery processes. Consider e-commerce, for example. A study of Internet bank service found that customers perceived quality along three broad categories: customer service quality, banking service product quality, and online systems quality.[35] The quality dimensions that were important to customers included:

- *Customer Service Quality:* reliability, responsiveness, competence, courtesy, credibility, access, communication, understanding the customer, collaboration, and continuous improvement;
- *Banking Service Product Quality:* product variety/diverse features; and
- *Online Systems Quality:* content, accuracy, ease of use, timeliness, aesthetics, and security.

However, the research suggested that Internet banks have been doing a poor job in meeting these needs. There was a clear disconnect between the customer requirements and the processes that were supposed to meet those requirements. While banks have been incorporating more technology into their service processes, a study by Accenture found that few customers believed that technology has improved the quality of service; in fact, 62 percent did not think that technology has helped at all.[36]

QUALITYSPOTLIGHT

Advanced Circuits

A good example of one company that understands the linkage between customer needs and its processes is Advanced Circuits, a small Denver manufacturer of printed circuit boards.[37] In struggling to compete with offshore competitors, Advanced Circuits took a close look at its customers and their needs, and redesigned their processes enabling them to cut prices by 50 percent, triple production capacity, and double profitability. They began with a clear customer segmentation strategy: while they couldn't compete for production orders with long lead times, they could compete successfully where delivery time was critical—generally three days or fewer—or when orders were too small to interest big manufacturers with large production setup costs. They combined different jobs in the same production run, thus minimizing the material used in each batch, reducing production costs, and increasing capacity. They also discovered that customers need prototypes for boards quickly during the design process, often in two or three days, they need only a very small quantity, and they often need to communicate directly with the fabricator about design specifications.

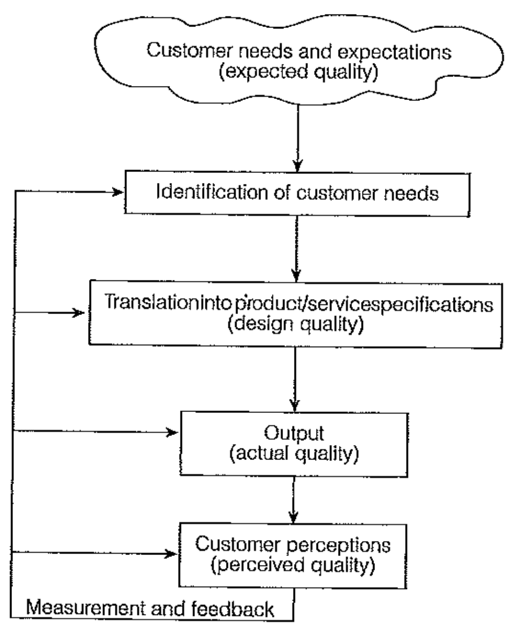
To support this strategy, they mailed brochures describing a fixed pricing matrix. This in itself was revolutionary in the industry. Prior to that time, all quotes were individually requested and delivered. They also added credit card capability and the promise that prototype orders would be delivered on time or they'd be free. The Internet was used to provide better and faster service, such as enabling engineers to enter design parameters online, which allowed them to return quotes instantly. (Even today, many competitors take up to a week to return a quote.) Customers began to use the quote engine as a design tool. Because they could get quotes so fast, they were able to experiment with different board designs, densities, and geometries. As the company founder noted, "Customer focus is a great device for motivating employees because it removes all ambiguity from the decision-making process. Our view is, if it's good for our customers, it's probably good for us."

One way of understanding the linkage of the VOC to internal process is what is often called the **gap model**. Figure 3.5 provides a view of the process in which customer needs and expectations are translated into design, production, and delivery processes. True customer needs and expectations are called *expected quality*. Expected quality is what the customer assumes will be received from the product. The producer identifies these needs and expectations and translates them into specifications for products and services. *Actual quality* is the outcome of the production process and what is delivered to the customer. Customers will assess quality and develop perceptions (*perceived quality*) by comparing their expectations (expected quality) with what they receive (actual quality). If expected quality is higher than actual quality, then the customer will probably be dissatisfied. On the other hand, if actual quality exceeds expectations, then the customer will be satisfied or even surprised and delighted.

Actual quality may differ considerably from expected quality if information gets lost or is misinterpreted from one step to the next in Figure 3.5 (hence the "gaps"). For instance, ineffective market research efforts may incorrectly assess the true customer needs and expectations. Designers of products and services may develop specifications that inadequately reflect these needs. Manufacturing operations or customer-contact personnel may not deliver according to the specifications. Thus, producers should make every effort to ensure that actual quality conforms to expected quality and minimize the potential gaps between what customers want and what they actually get. Good internal communication among organizational functions is important.

Figure 3.5 also suggests that organizations need good communication with customers.[38] Customers may not use the product correctly or may have unreasonable expectations about what it can do, marketing sometimes makes promises it cannot keep, or advertising is misleading. Thus, organizations need to pay greater attention to overall customer experiences that impact perceptions. Such attention might include better user manuals or information on product packaging as well as unambiguous advertising.

FIGURE 3.5
The Gap Model



Many organizations understand the importance of integrating customer information in their value chains. General Motors, for example, was the first in the automotive industry to combine its product quality and customer experience organizations under one vice president in 2012. A great way of linking the voice of the customer to service delivery processes is through empowered employees (see Chapter 4 for more detailed discussion of this concept). For instance, employees at the specialty grocery chain, Trader Joe's, talk and listen extensively to customers and are empowered to take action to meet their needs. They can open any product a customer wants to taste and are encouraged to recommend products they like and be honest about items they don't. All store employees can e-mail buyers directly with ideas or feedback from customers. Trader Joe's store design and inventory stems directly from listening to its customers.[39]

BUILDING A CUSTOMER-FOCUSED ORGANIZATION

Creating a customer-focused organization takes hard work and discipline. It must be built on good policies, good people, and good processes. A good example of a customer-focused organization is Deer Valley Ski Resort. Everything about Deer Valley—from its facilities, services, and processes, and the interaction between employees and guests—is designed to focus on the customer. It is no wonder that Deer Valley is consistently rated as the best ski resort in North America by ski enthusiast magazines.

QUALITYSPOTLIGHT

Deer Valley Ski Resort

Deer Valley Ski Resort in Park City, Utah, is viewed by many as the premier U.S. ski resort, providing exceptional services and a superior ski vacation experience. The resort offers curbside ski valet service to take equipment from vehicles, parking lot attendants to ensure efficient parking, and a shuttle to transport guests from the lot to Snow Park Lodge. Guests walk to the slopes on heated pavers which prevent the pavement from freezing and assist in snow removal. The central gathering area by the base lifts is wide and level, allowing plenty of room to put on equipment and easy access to the lifts. At the end of the day, guests can store their skis without charge at each lodge. The resort limits the number of skiers on the mountain to reduce lines and congestion, and offers complimentary mountain tours for both expert and intermediate skiers. Everyone is committed to ensuring that each guest has a wonderful experience, from "mountain hosts" stationed at the top of the lifts to answer questions and provide directions, to the friendly workers at the cafeterias and restaurants, whose food and service is consistently highly rated. "Our goal is to make each guest feel like a winner," says Bob Wheaton, vice president and general manager. "We go the extra mile on the mountain, in our ski school, and throughout our food-service operation because we want our guests to know they come first."[40]

An organization fosters customer satisfaction and engagement by developing trust, communicating with customers, and effectively managing the interactions and relationships with customers through its processes and its people. Customer-focused organizations focus on four key processes:

1. Making sincere commitments to customers
2. Ensuring quality customer contact
3. Selecting and developing customer contact employees
4. Managing complaints and service recovery

Customer Commitments

Organizations that truly believe in the quality of their products make sincere commitments to their customers. Effective commitments address the principal concerns of customers, are free from conditions that might weaken customers' trust and confidence, and are communicated clearly and simply to customers. A customer commitment might be as simple as guaranteeing that your call or e-mail inquiry will be returned promptly. (Have you ever encountered a website with a disclaimer "We cannot always answer every question that we receive"?) Many commitments take the form of explicit guarantees and warranties. An extraordinary guarantee that promises exceptional, uncompromising quality and customer satisfaction, and backs that promise with a payout intended to fully recapture the customer's goodwill with few if any strings attached is one of the strongest actions a company can take to improve itself.[41] L.L. Bean's guarantee is a good example: "Everything we sell is backed by a 100 percent unconditional guarantee. We do not want you to have anything from L.L. Bean that is not completely satisfactory. Return anything you buy from us at any time for any reason it proves otherwise."

Customer Contact and Interaction

Customers interact with organizations in many different ways. Every interaction between a customer and the organization—whether it be face-to-face with a salesperson or customer service representative or online on a website—is called a **moment of truth**. During moments of truth, customers form perceptions about the quality of the service by comparing their expectations with the actual outcomes. Thus, customer satisfaction or dissatisfaction takes place during moments of truth.

Consider an airline, for example. Moments of truth occur whenever a customer makes a reservation, buys tickets online, checks in online or at the airport, checks baggage, boards a flight, orders a beverage, requests a magazine, deplanes, and picks up baggage. Multiply these instances by the number of passengers and the number of daily flights, and it is easy to see that hundreds of thousands of moments of truth occur each day. Each occurrence influences a positive or negative image about the company. In today's digital world, every click is a moment of truth. Thus, many website designers are trained to think about the design of a website from the customers' eyes.

Think of purchasing some product. A customer's experience will generally follow this cycle:

1. When a customer recognizes a need, he or she typically will go online to gather information.
2. Then the customer compares a potential product to alternatives and competitive offerings.
3. After purchasing the product, the customer starts to use it.
4. Finally, after some period of use, customers often provide formal (e.g., online ratings and posts) or informal (word of mouth) comments.

Google introduced a new concept for explaining the importance of the initial online experience, calling it the **Zero Moment of Truth**. Research has shown that about 88 percent of shoppers engage in online investigation and consult an average of 10 sources before purchasing. Thus, the Zero Moment of Truth is critical in shaping customer perceptions and ultimately making a purchasing decision.

QUALITYSPOTLIGHT

American Express

Call centers typically focus on throughput—getting customers off the phone quickly. Customer service at American Express wasn't much different until Jim Bush was put in charge of it in 2005.[42] Under his leadership, the company has changed the way it trains its customer service employees, turning collection calls into positive experiences. He realized that the call center could no longer be viewed as a cost of doing business, but an investment in building customer relationships. As he explained, "Every one of those moments of truth is an opportunity to make a difference to customers in a personalized way. So we moved from being transaction-oriented ... to building on the relationship with the customer. We converted from a robotic, scripted environment to a conversational environment that brings the personality to life and brings one-to-one connections, which is what ultimately builds and sustains relationships." Call center employees are now called "customer care professionals." AmEx software gives employees a wide variety of information that allows them to establish personal relationships with customers and better meet their needs. Bush also reduced the focus on productivity as a performance measure, letting the customer determine how much time they want to engage. As a result, customer loyalty has increased, as well as customer spending.

Customer-focused organizations make it easy for customers to conduct business. Procter & Gamble was the first company to install a toll-free number for its products in 1974. Today, e-mail and website access are the media of choice for many consumers. For example, Premier, Inc. provides a wide variety of avenues for customers to seek assistance, conduct business, and make complaints or suggestions. These include toll-free telephone, Internet, a Customer Solution Center, customer advisory committee meetings, product user group meetings, field staff site visits, technical assistance fax, regional performance improvement forums, and product support centers. The City of Coral Springs provides a website, CityTV, CityRadio, CityBlog, Customer Care Center, a quarterly magazine, annual report, neighborhood and business meetings, and advisory boards and committees.

Customer contact requirements are measurable performance levels or expectations that define the quality of customer contact with an organization. These expectations might include technical requirements such as response time (answering the telephone within two rings or shipping orders the same day), or behavioral requirements (using a customer's name whenever possible). St. Luke's Hospital has translated its understanding of how patients want to be treated and involved and has established a clear set of 12 Customer Contact Requirements (see Figure 3.6).

Selecting and Developing Customer Contact Employees

Customer-contact employees are particularly important in creating customer satisfaction as they often are the only means by which a customer interacts with an organization. As Jim Miller, president of Prime Performance noted about the banking industry, "For most customers tellers don't just represent the bank. They are the bank. That's why their behavior and attitudes are so important. ... Successful service depends on simple actions. These include greeting the customer immediately upon entering the lobby, smiling, using the customer's name, saying "thank you," and being helpful. Quick, accurate transactions are crucial, but most banks excel at this. So, it isn't a competitive advantage."[43]

Procter & Gamble calls its consumer relations department the "voice of the company." A staff of more than 250 employees handles in excess of three million

FIGURE 3.6 St. Luke's Hospital of Kansas City Customer–Contact Requirements

1. Greet patients/guests by introducing myself, address patients/guests by last name unless otherwise told.
2. Ask sincerely, "How may I help you?"
3. Knock, request permission to enter the room, and explain what I am going to do.
4. Complete initial assessment on all patients within eight hours.
5. Acknowledge all patient/guests requests, and be accountable for follow-up.
6. Address all complaints within 24 hours or less.
7. Introduce any replacement caregiver.
8. Promote family-centered care: listen thoughtfully to all patients/guests, and provide timely communication to the appropriate person(s) for action.
9. Respect and acknowledge diversity, culture, and values of my patients, their family, visitors, and my co-workers.
10. Maintain confidentiality of all information.
11. Know, or have access to, legal and regulatory requirements and standards of care related to my specific responsibilities.
12. Thank my customers for choosing Saint Luke's Hospital.

Source: Malcolm Baldrige National Quality Award Application Summary, 2003, National Institute of Standards and Technology, Department of Commerce, Courtesy of St. Luke's Health System.

contacts each year. Their mission is stated as "We are a world-class consumer response center. We provide superior service to consumers who contact Procter & Gamble, encourage product repurchase, and help build brand loyalty. We protect the Company's image and the reputation of our brands by resolving complaints before they are escalated to government agencies or the media. We capture and report consumer data to key Company functions, identify and share consumer insights, counsel product categories on consumer issues and trends, and manage consumer handling and interaction during crises."

Businesses must carefully select customer contact employees, train them well, and empower them to meet and exceed customer expectations. Many businesses begin with the recruiting process, selecting those employees who show the ability and desire to develop good customer relationships; for example, Procter & Gamble seeks people with excellent interpersonal and communication skills, strong problem-solving and analytical skills, assertiveness, stress tolerance, patience and empathy, accuracy and attention to detail, and computer literacy. Job applicants often go through rigorous screening processes that might include aptitude testing, customer-service role-playing exercises, background checks, credit checks, and medical evaluations.

Next, organizations must train them. For many organizations, customer relationship training involves every person who comes in contact with customers. For example, the customer contact requirements at St. Luke's Hospital are incorporated into a new patient-focused care delivery model and all health care team members are trained in these contact requirements. All employees receive a VIP (Very Important Principles) card with these requirements and they are posted throughout the hospital. Customer-contact employees must understand the products and services well enough to answer any question, develop good listening and problem recovery skills, and feel able to handle problems. Fairmont Hotels created an orientation program to help new employees understand what it feels like to be a guest, even having their cars valet-parked and staying in the hotel for a night. The Ritz-Carlton Hotel Company follows orientation training with on-the-job training and, subsequently, job certification. The company reinforces its values daily, recognizes extraordinary achievement, and appraises performance based on expectations explained during the orientation, training, and certification processes.

Service Recovery and Complaint Management

Despite all efforts to satisfy customers, every business experiences unhappy customers. Complaints can adversely affect business if not dealt with effectively. A company called TARP, formerly known as Technical Assistance Research Programs, Inc., conducted studies that revealed the following information:[44]

1. The average company never hears from 96 percent of its unhappy customers. Dissatisfied individual and business customers tend not to complain. For every complaint received, the company has 26 more customers with problems, six of whom have problems that are serious.
2. Of the customers who make a complaint, more than half will again do business with that organization if their complaint is resolved. If the customer feels that the complaint was resolved quickly, the figure jumps to 95 percent. On the other hand, experiences of customers who remain unsatisfied after complaining result in substantial amounts of negative word of mouth.

Service recovery is a vital element to maintaining customer relationships. Studies in the service management literature suggest that customers who rated service quality highly also had the highest expectations for service recovery. Loyal customers are most likely to become dissatisfied when problems are not resolved but are most likely to increase or maintain loyalty whenever the problem is deemed to have been resolved successfully. However, non-loyal customers show the greatest likelihood of decreasing their loyalty even when a failure is resolved. This suggests that there is much to gain from responding to service failures to nonloyal customers, but it also highlights how difficult this may be to accomplish.[45] An example of the impact of service recovery on customer satisfaction was reported in a *Fortune* magazine article:

> *A global hotel chain was stunned to discover a perverse consequence of its customer-centric Six Sigma quality initiative. Apparently guests were mildly pleased by the chain's sincere efforts to provide a hassle-free stay. But what really moved the customer-satisfaction needle was how well the hotel responded when something went wrong. Guests who had experienced a problem that was quickly and politely resolved rated the hotel service higher than guests who had had no problems at all. What's more, more guests with happy resolution of their hassle said they were likely to recommend the hotel than did the trouble-free guests.*[46]

Customer-focused organizations consider complaints as opportunities for improvement. Encouraging customers to complain, making it easy for them to do so, and effectively resolving complaints increases customer loyalty and retention. A compelling story was related by a Walmart customer in a letter to *Fortune* magazine. He had telephoned Walmart's headquarters to complain about its store in La Plata, Argentina. The switchboard immediately rang the vice president of international operations, who thanked him for calling, asked detailed questions, and inquired whether he was willing to repeat his story to the Latin American VP, to whom he was transferred immediately. He was then asked if he would be willing to talk to the Argentinean store manager; 10 minutes later he received the call from La Plata. The customer observed, "On my next trip to Argentina, a year later, the store had been transformed. No wonder Walmart is the world's largest retailer."

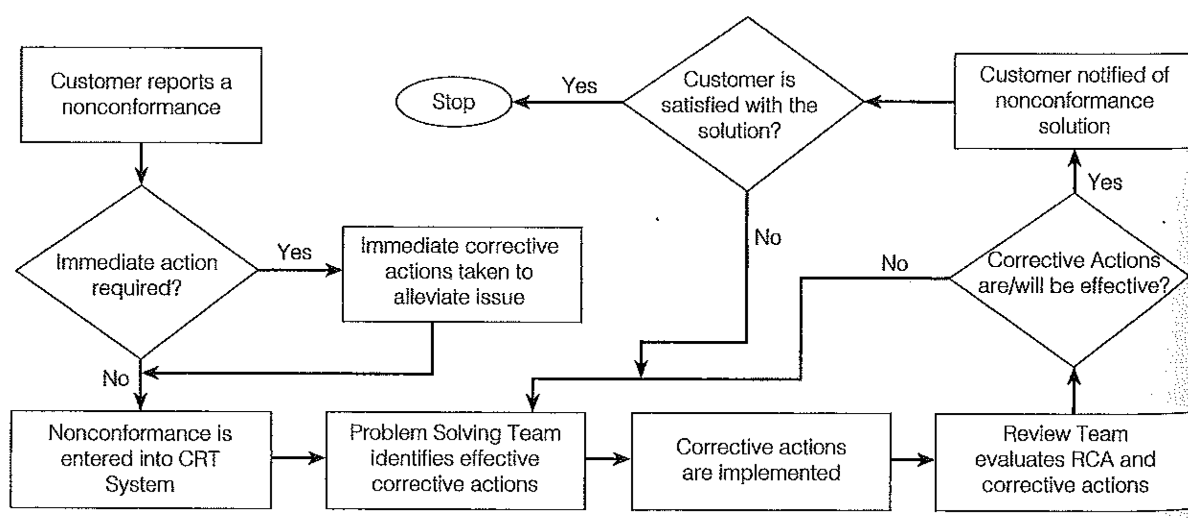
Many organizations have well-defined processes for dealing with complaints. For example, at Figure 3.7 shows the process used by Cargill Corn Milling (CCM), a manufacturer of value-added corn- and sugar-based products. The basic steps are to record the incident, investigate, identify, review, and implement corrective action. Throughout the process, CCM contacts the customer to seek information and verify that the corrective action was effective. All incidents are entered in the Customer Relationship tracking (CRT) system within 24 hours of notification. The database allows the company to review data by time periods, types of nonconformances, product, customer, location, department, or functional area.

In dealing with complaints, employees need to listen carefully to determine the customer's feelings and then respond sympathetically, ensuring that the complaint is understood. They should make every effort to resolve the problem quickly. This should include first acknowledging that a customer had a problem ("We're sorry you had a problem") to express empathy for the inconvenience that the customer encountered; willingly accepting the complaint ("Thanks for letting us know about it"); describe corrective action concisely and clearly ("Here's what we're going to do about it"); and appealing to the customer for continued loyalty ("We'd appreciate you giving us another chance"). The objective is to leverage the complaint into long-term customer loyalty.[47]

Many organizations have meaningful acronyms to help employees remember service recovery steps. For example, Poudre Valley Health System uses CARE: *Clarify* the customer's concerns and expectations, *Apologize* and acknowledge the problem, *Resolve* the problem and *Explain* how the problem will be fixed. Starbucks' Service Recovery process is *Listen*, *Acknowledge*, *Take* action, *Thank* the person, and *Encourage* to return—appropriately known by LATTE. Regardless of the approach or name, what is important is that a process is followed and everyone is trained to apply it.

Customer-focused organizations empower their front-line people to do whatever is necessary to satisfy a customer. At The Ritz-Carlton, all employees can do whatever it takes to provide "instant pacification." No matter what their normal duties are, other employees must assist if aid is requested by a fellow worker who is responding to a

FIGURE 3.7 Complaint Management Process at Cargill Corn Milling



Source: Cargill Corn Milling 2008 Baldrige Award Application Summary – Public Version; www.nist.gov/baldrige.

guest's complaint or wish. Ritz-Carlton employees can spend up to $2,000 to resolve complaints with no questions asked. However, the actions of empowered employees should be guided by a common vision; that is, employees require a consistent understanding of what actions they may or should take.

To improve products and processes effectively, organizations must do more than simply respond to a customer's complaint. They need a systematic process for collecting and analyzing complaint data and then using that information for improvements. The Ritz-Carlton, for example, uses Guest Incident Action forms, which are aggregated on a monthly basis at each hotel, to ensure that complaints were handled effectively and steps taken to eliminate the cause of the problem.

QUALITYSPOTLIGHT

Mayo Clinic Arizona[48]

To enhance patients' satisfaction and perception of value, Mayo Clinic Arizona (MCA) developed a service quality model that incorporates:

1. *Use of multiple data sources to drive improvement.* Data are consolidated into a single, department-level scorecard that compares service performance to goals across several attributes and customer groups, allowing managers to evaluate their performance.
2. *Accountability for service quality.* The service committee monitors and reports results quarterly to the clinical quality oversight group, which requests action plans and 90-day progress reports from managers of departments that are not meeting performance expectations.
3. *Service consultation and improvement tools.* MCA created a service coordinator position to provide analysis, education, training, and data-driven consultation. Departments with performance below the 90th percentile trigger service consultation and analysis of key service performance data.
4. *Service values and behaviors.* Service values and behavior standards are communicated throughout the organization. MCA uses an easy-to-remember acronym: SERVE—Solutions focused, Empathetic, Reliable, Value others, Exceed patient expectations.
5. *Education and training.* Data from patient satisfaction surveys and focus groups are used to determine training needs and design training content.
6. *Ongoing monitoring and control.* Managers are advised to develop monitoring and control systems to sustain service performance.
7. *Recognition and reward.* Departments that achieve the 90th percentile goal for patient perception of overall quality are recognized annually on service excellence day.

MANAGING CUSTOMER RELATIONSHIPS

Excellent organizations foster close relationships with customers that lead to high levels of satisfaction and loyalty. For example, Lexus owners who become accustomed to the at-home pickup of their vehicles for service, free loaners, and other special dealer touches such as concierge service may find it difficult to give up these services when it is time to purchase a new car. In Bank of Montreal's Private Client Services group, bankers provide services according to the preferences of their clients who value convenience and time, not the traditions of the bank. These preferences might mean meeting in the client's home or office instead of the bank.[49]

Customer relationships can be fostered through strategic partnerships and alliances and using technology to facilitate better communication with customers and linkages to internal operations.

Strategic Partnerships and Alliances

Today's suppliers are being asked to take on greater responsibilities to help their customers. As organizations focus more on their core competencies—the things they do best—they are looking outside their organizations for assistance with noncritical support processes. **Customer–supplier partnerships**—long-term relationships characterized by teamwork and mutual confidence—represent an important strategic alliance in achieving excellence and business success. For example, customers might be involved in product or service design, prototyping, supply chain planning, or delivery processes. ASQ has even coined a trademarked term for integrating customers in the life cycle of an organization's activities—*Qustomer*! Benefits of business-to-business partnerships include access to technology or distribution channels not available internally, shared risks in new investments and product development, improved products through early design recommendations based on supplier capabilities, and reduced operations costs through better communications. For example, FedEx and Jostens formed a strategic partnership that enabled both to benefit from new sales of scholastic jewelry and yearbooks.[50] They took advantage of each other's strengths: Jostens provided a high-quality product with superior service, and FedEx provided reliable high-volume, short-interval delivery for these time-critical products.

Many organizations work closely with suppliers that share common values. This close relationship improves supplier capabilities by teaching them quality-related tools and approaches. Although many businesses have formal supplier certification programs (discussed in Chapter 5) in which they rate their suppliers, some ask suppliers to rate them as customers. Motorola established a 15-member council of suppliers to rate Motorola's practices and offer suggestions for improving, for example, the accuracy of production schedules or design layouts that Motorola provides.[51] Some typical questions that might be asked of their suppliers include:[52] What expectations do you have that are not being met? What type of technical assistance would you like from us? What type of feedback would you like from us? What benefits are you looking for in a partnership? Better two-way communication can improve both products and relationships.

Customer-Focused Technology and Analytics

Technology can greatly enhance an organization's ability to leverage customer-related information and provide improved customer service. For instance, Continental Airlines' online system alerts the company when planes arrive late and assesses passengers' needs, delaying departures of other flights or sending carts to make connections easier; the BT Group revamped its self-service web portal used by customers to manage telecom accounts and linked it to the system used by the company's customer support staff to improve consistency.[53]

Today, most major companies use advanced analytics to "mine" and understand customer data. For instance, Tsutaya, Japan's largest video, book, and CD chain,[54] uses a point-of-sale system that facilitates real-time inventory tracking between headquarters and franchises and a website and wireless site called Tsutaya Online (TOL), Tsutaya tracks purchases, demographic data, spending behavior, and by implication, lifestyles and interests. This system enables them to offer personalized product recommendations. For example, if you bought a CD by a certain artist, TOL will e-mail a digital music clip when the next album debuts. Tsutaya also developed a sophisticated recommendation engine to match a customer's video rental history and mood to the ideal movie selection. Many other organizations, such as Netflix and Amazon, use technology in similar ways. Grocery and retail stores use loyalty cards to capture and analyze detailed data about customer purchase behavior.

Technology and analytics are key enablers of **customer relationship management (CRM)** software, which is designed to help organizations increase customer loyalty, target their most profitable customers, and streamline customer communication processes. A typical CRM system includes market segmentation and analysis, customer service and relationship building, effective complaint resolution, cross-selling goods and services, order processing, and field service.

CRM helps firms gain and maintain competitive advantage by:

- Segmenting markets based on demographic and behavioral characteristics
- Tracking sales trends and advertising effectiveness by customer and market segment
- Identifying which customers should be the focus of targeted marketing initiatives with predicted high customer response rates
- Forecasting customer retention (and defection) rates and providing feedback as to why customers leave a company
- Studying which goods and services are purchased together, leading to good ways to bundle them
- Studying and predicting which Web characteristics are most attractive to customers and how the website might be improved

CRM systems provide a variety of useful operational data to managers, including the average time spent responding to customer questions, comments, and concerns; average order tracking (flow) time; total revenue generated by each customer (and sometimes their family or business) from all goods and services bought by the customer; and the total picture of economic value of the customer to the firm, cost per marketing campaign, and price discrepancies.

MEASURING CUSTOMER SATISFACTION AND ENGAGEMENT

Customer feedback is vital to a business. Through feedback, a company learns how satisfied its customers are with its products and services and sometimes about competitors' products and services. Measurement of customer satisfaction and engagement completes the loop shown in Figure 3.5. For example, BI uses three approaches to track customer satisfaction: a Transactional Customer Satisfaction Index for immediate feedback, an annual Relationship Customer Satisfaction Index to learn about specific attributes of satisfaction and intent for repeat business, and a competitive study to see how it performs relative to competitors. SSM Health Care uses standardized surveys that are customized to its five major patient segments, informal discussions with patients and families, and focus groups to understand satisfaction and dissatisfaction. They use online analytical processing software to drill down to a particular nursing unit, for example, to examine inpatient loyalty and compare those to other units within a hospital or across the corporation. Then, they distribute results electronically that identify specific improvements that will give the greatest gains in patient satisfaction to executives and patient satisfaction coordinators.

An effective customer satisfaction measurement system results in reliable information about customer ratings of specific product and service features and about the relationship between these ratings and the customer's likely future market behavior. Customer satisfaction and engagement measurement allows an organization to do the following:

1. Discover customer perceptions of how well the organization is doing in meeting customer needs, and compare performance relative to competitors.
2. Identify causes of dissatisfaction and failed expectations as well as drivers of delight to understand the reasons why customers are loyal or not loyal to the company.

3. Identify internal work process that drive satisfaction and loyalty and discover area for improvement in the design and delivery of products and services, as well as fo training and coaching of employees.
4. Track trends to determine whether changes actually result in improvements.

Customer satisfaction measures may include product attributes such as product quality, product performance, usability, and maintainability; service attributes such as attitude service time, on-time delivery, exception handling, accountability, and technical support image attributes such as reliability and price; and overall satisfaction measures. Comparisons with key competitors can be especially insightful. Businesses often rely on third parties to conduct blind surveys to determine who key competitors are and how their products and services compare. Competitive comparisons often clarify how improvements in quality can translate into better customer satisfaction or whether key quality characteristics are being overlooked. For example, the city of Portland, Oregon, mails a survey annually to about 10,000 of its citizens, asking them to rate the performance of the police department, water bureau, environmental services, and public transportation. The city also asks them if they feel safe walking at night in their neighborhoods, parks, and downtown; whether the streets are clean enough, how they feel about recreation services offered, and how they rate the livability of the city. The results are benchmarked against six other cities, and if Portland is not doing as well, the mayor tries to find out why.[55]

It is important to understand that customer satisfaction is a psychological attitude. It is not easy to measure, and can only be observed indirectly. The ACSI model in Figure 3.1 shows that customer satisfaction is influenced by customer expectations and perceptions of quality and value. Thus, it is difficult to reduce these complex relationships into a single measure.

Designing Satisfaction Surveys

The first step in developing a customer satisfaction survey is to determine its purpose; that is, what research questions does the organization want to answer? Surveys should be designed to clearly provide the users of the survey results with the information they need to make decisions. Surveys should focus on information that is a "must have," not simply "nice to have." A critical issue to consider is "Who is the customer?" Managers, purchasing agents, end users, and others all may be affected by a company's products and services. Xerox, for instance, sends specific surveys to buyers, managers, and users. Buyers provide feedback on their perceptions of the sales processes, managers provide input on billing and other administrative processes, and users provide feedback on product performance and technical support.

Customer satisfaction measurement should not be confined to external customers. Information from internal customers also contributes to the assessment of the organization's strengths and weaknesses. Often the problems that cause employee dissatisfaction are the same issues that cause dissatisfaction in external customers. Many organizations use employee opinion surveys or similar vehicles to seek employee feedback on the work environment, benefits, compensation, management, team activities, rewards and recognition, and company plans and values. However, other indicators of employee satisfaction are absenteeism, turnover, grievances, and strikes, which can often supply better information than surveys that many employees may not take seriously.

The next issue to address is who should conduct the survey. Independent third-party organizations often have more credibility to respondents and can ensure objectivity in the results. After these preliminary steps are completed, it is necessary to define the sample frame; that is, the target group from which a sample is chosen. Depending on the purpose of the survey, the frame might be the entire customer base or a specific segment. For example, a manufacturer of commercial lawn tractors might design one survey for golf course superintendents who purchase the tractors and another for end users who ride them daily.

Next, we must select the appropriate survey instrument. Formal written surveys by mail used to be the most common means of measuring customer satisfaction; today, these are being replaced by web surveys because of their convenience and low cost. Other techniques, such as face-to-face interviews, telephone interviews, and focus groups are also occasionally used. Written and web surveys have the advantage of low data collection costs, self-administration, and ease of analysis; when used, they should be kept short and simple. In addition, they can probe deeply into the issues. However, they suffer from high nonresponse bias, require large sample sizes, and generally measure predetermined perceptions of what is important to customers, thus reducing the scope of qualitative information that can be obtained. Face-to-face interviews and focus groups, on the other hand, require much smaller sample sizes and can generate a significant amount of qualitative information, but incur high costs and participant time commitments. Telephone interviews fall somewhere in between these extremes. Telephone interviews appear to be the preferred approach for companies with a limited number of business customers; mail-based surveys are used to track routine transactions, where key attributes are stable over time. For example, Toyota uses mail surveys to identify unhappy customers and then telephones them for more details. This approach is cost-effective when the majority of customers are satisfied.[56]

Customer satisfaction surveys are difficult to design properly, and you can find many examples of poor and ineffective surveys at many restaurants and retailers. Some surveys are too long; others are too short. It is important to choose carefully the questions that matter the most to customers. One should avoid leading questions, compound questions that address more than one issue or idea, ambiguous questions, acronyms and jargon that the respondent may not understand, and double negatives.

The types of questions to ask in a survey must be properly worded to achieve actionable results. By **actionable**, we mean that responses are tied directly to key business processes, so that what needs to be improved is clear; and information can be translated into cost/revenue implications to support the setting of improvement priorities. Many survey questions lack reliability—that is, they often do not reflect the attribute being measured, or different customers interpret the questions differently. For example, the question "How would you rate the quality of service?" for a restaurant is too ambiguous and provides little actionable information. Some people might interpret service quality as the amount of attention the server provided; others might interpret the question as whether the server could answer questions about the menu or whether food was delivered too quickly or too slowly. Better questions would be: "How attentive was the server to your needs?"; "Was the server able to answer your questions about the menu?"; and "How was the pace of your meal?" More specific questions allow the user to identify the source of any dissatisfaction. Open-ended questions such as "What one thing did you like most about your visit?" or "What one thing could we do to improve your experience?" often provide useful information. Most surveys also ask for basic demographic information to stratify the data.

A "Likert" scale is commonly used to measure the response (see Table 3.3). Likert scales allow customers to express their degree of opinion. Five-point scales have been shown to have good reliability and are often used, although 7- and even 10-point scales are common. Responses of "5" tell a company what it is doing very well. Responses of "4" suggest that customer expectations are being met, but that the company may be

TABLE 3.3 Examples of Likert Scales Used for Customer Satisfaction Measurement

Very Poor	Poor	Neither Poor nor Good	Good	Very Good
1	2	3	4	5
Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
1	2	3	4	5
Very Dissatisfied	Dissatisfied	Neither Satisfied nor Dissatisfied	Satisfied	Very Satisfied
1	2	3	4	5

vulnerable to competitors. Responses of "3" mean that the product or service barely meets customer expectations and that much room for improvement exists. Responses of "1" or "2" indicate serious problems. However, most scales like these exhibit response bias; that is, people tend to give either high or low values. If responses are clustered on the high side, it is difficult to discriminate among responses, and the resulting skewness in the distribution causes the mean value to be misleading.

One example of a simple satisfaction survey from a small restaurant is shown in Figure 3.8. The survey seeks feedback about not only their food, but potential dissatisfiers such as cleanliness, service, and employee attitude. It also includes space for open-ended comments. Questions that are missing, however, are the likelihood of returning and referring others, which studies have shown are closely linked to customer loyalty.

The final task is to design the reporting format and the data entry methods. Modern technology, such as computer databases in conjunction with a variety of statistical analysis tools, assists in tracking customer satisfaction and provides information for continuous improvement. As a final note, surveys should always be pretested to: determine whether instructions are understandable, identify questions that may be misunderstood or poorly worded, determine how long it takes to complete the survey, and determine the level of customer interest.

Graniterock Company is a California manufacturer of high-quality construction materials for road and highway construction and maintenance and for residential and commercial building construction. Its major product lines include rock, sand, and gravel aggregates, ready-mix concrete, blacktop, and other products. Surveying its principal customer groups is one of the key approaches Graniterock uses to improve customer satisfaction. The surveys ask respondents to rate factors in buying concrete, not only from Graniterock, but from competitors as well. (Figure 3.9 shows such a survey.) Through information obtained from the surveys, Graniterock determined that the most important factors to customers in order of importance are on-time delivery, product quality, scheduling (ability to deliver products on short notice), problem resolution, price, credit terms, and salespeople's skills. Annually, the company surveys customers and noncustomers to obtain a "report card" on their service (see Figure 3.10). Graniterock repeats the survey every three or four years as priorities change, particularly if the economy changes. The surveys also ask open-ended questions about what customers like and dislike.[57]

Analyzing and Using Customer Feedback

Deming stressed the importance of using customer feedback to improve a company's products and processes (refer to Figure 1.3 in Chapter 1). By examining trends in customer

FIGURE 3.8
Izzy's Guest Survey

IZZY'S CARES!

Pleasing you is our objective. We want our customers to enjoy the food and experience of Izzy's - your comments will help us in maintaining our high standards for service, quality, value & enjoyment. Kindly take a minute to complete this card. Please drop off at cash register, place in mail, or comment online at www.izzys.com. Thanks for your help and hurry back!

John Geisen - President

Location ________ Date ________ Time ________ AM/PM

☐ Take-Out ☐ Breakfast ☐ Lunch ☐ Dinner
☐ Eat-In ☐ PLATTERS/PARTY TRAY

Please rate the following:	Excellent	Good	Fair	Poor
Cleanliness	☐	☐	☐	☐
Service	☐	☐	☐	☐
Employee attitude	☐	☐	☐	☐
Portions	☐	☐	☐	☐
Taste	☐	☐	☐	☐
Value	☐	☐	☐	☐
Atmosphere	☐	☐	☐	☐

Are you a:
☐ First time person
☐ Occasional patron
☐ Regular patron

Travel time to IZZY'S:
☐ 1 to 10 minutes
☐ 11 to 20 minutes
☐ More than 20 minutes

WAS THE SERVICE PROMPT? ________
RESTROOMS CLEAN & SUPPLIED? ________
DINING AREA & UTENSILS CLEAN? ________

WHAT DID YOU HAVE TO EAT? ________

COMMENTS: ________

MORE QUESTIONS:
Do you have any suggestions for new menu items?

Please send: Catering Info. ☐ Take-out Menu ☐ Party Tray Info ☐

Optional:
Name: ________
Address: ________
City ________ State ________ Zip ________
Phone: ________
E-mail: ________

Source: www.izzys.com

FIGURE 3.9
Graniterock Customer Importance Survey

What is important to *YOU*?

Please rate each of the following on a scale from 1 to 5 with 5 being most important in your decision to purchase from a supplier.

Importance	Concrete Least . . . Most	Building Materials Least . . . Most
Responsive to special needs	1 2 3 4 5	1 2 3 4 5
Easy to place orders	1 2 3 4 5	1 2 3 4 5
Consistent product quality	1 2 3 4 5	1 2 3 4 5
On-time delivery	1 2 3 4 5	1 2 3 4 5
Accurate invoices	1 2 3 4 5	1 2 3 4 5
Lowest prices	1 2 3 4 5	1 2 3 4 5
Attractive credit terms	1 2 3 4 5	1 2 3 4 5
Salespeople's skills	1 2 3 4 5	1 2 3 4 5
Helpful dispatchers	1 2 3 4 5	1 2 3 4 5
Courteous drivers	1 2 3 4 5	1 2 3 4 5
Supplier resolves problems fairly and quickly	1 2 3 4 5	1 2 3 4 5

Please write in any other items not listed above which are very important to you in making your purchase decision:

Source: Reprinted with permission of Graniterock.

satisfaction measures and linking satisfaction data to its internal processes, a business can see its progress and areas for improvement. Someone must have the responsibility and accountability for developing improvement plans based on customer satisfaction results. Many businesses, for example, tie managers' annual bonuses to customer satisfaction results. This practice acts as an incentive for managers and a direction for their efforts.

Good customer satisfaction measurement identifies processes that have high impact on satisfaction and distinguishes between low performing processes and those that are performing well. One way to evaluate customer satisfaction and use it effectively is to collect information on both the importance and the performance of key quality characteristics. For example, a hotel might ask how important check-in speed, check-out speed, staff attitude, and so on, are, as well as how the customer rates the hotel on these attributes. Evaluation of such data can be accomplished using a grid similar to the one shown in Figure 3.11, on which mean performance and importance scores for individual attributes are plotted.[58] Results in the diagonal quadrants (the shaded areas) are good. A firm ideally wants to achieve high performance on important characteristics, and not to waste resources on characteristics of low importance. Results off the diagonal indicate that the firm either is wasting resources to achieve high performance on unimportant customer attributes (overkill), or is not performing acceptably on important customer attributes, leaving the firm vulnerable to competition. The results of such an analysis can help target areas for improvement and cost savings, as well as provide useful input for strategic planning. Often, competitor data are also plotted, providing a comparison against the competition. Graniterock Company, featured in the last section, uses this approach. The results of their importance survey and competitive performance survey are summarized and plotted on an importance/performance graph to assess the strengths and vulnerabilities of the company and its competitors. The scales are chosen so that each axis represents the industry average. Graniterock looks at the distance between its ratings and

FIGURE 3.10
Graniterock Customer Report Card

Please write in the names of the suppliers you use most often for concrete. Then grade each company using this scale:

A= The *Best*
B= Above Average
C= *Same* As Competition
D= Needs Improvement
F= *Terrible*

1 *Please write in the Concrete Supplier you use* MOST OFTEN
2 *Please write in your #2 Concrete Supplier*
3 *Please write in your #3 Concrete Supplier*

1. Reliable Delivery

A. Do your orders arrive on time?			

2. Consistent Quality

A. How is their concrete's workability?			
B. How does it pump?			
C. Is the slump right?			
D. How about set time?			
E. How about psi strength?			

3. Dependable Service

A. Are they responsive to special needs?			
B. Is it easy to place orders or requests with them?			
C. Are their invoices accurate?			

4. Competitive Pricing

A. Are their prices competitive?			
B. Are their credit terms competitive?			

5. People Who Care

A. Do their salespeople understand your needs?			
B. Are their dispatchers helpful?			
C. Are their drivers courteous?			
D. Do they address problems fairly and quickly?			

6. Overall Rating			

Source: Reprinted with permission of Graniterock.

FIGURE 3.11
Performance-Importance Comparison

Importance	**Performance** Low	High
High	Vulnerable	Strengths
Low	Who cares?	Overkill

those of the competitors. If the ratings are close, customers cannot differentiate Graniterock from its competitors on that particular measure. By posting these graphs on bulletin boards at each plant, the company ensures that all employees, particularly salespeople, are fully informed of the survey results.

EXAMPLE 3.3

Analyzing Customer Satisfaction Data

Analyze the following customer satisfaction results (measured on a 5-point scale) for a fast-food restaurant. What recommendations would you make to the managers?

Attribute	Importance	Performance
Fresh buns	4.83	4.80
Cheese is melted	4.26	4.82
Drink is not watery	4.88	4.64
Fries are crisp	4.85	4.80
Fries are seasoned	4.12	4.48
Service is fast	4.93	4.61
Open 24 hours	3.91	4.81
Good variety of food	4.46	3.87
Nutritional data displayed	3.76	4.65
Children's menu available	4.80	3.97
Tables kept clean	4.91	4.89
Low-fat items available	3.62	4.55

Figure 3.12 shows the performance-importance grid. The means are shown by the solid lines and the data labels correspond to the performance measures. The attributes in each quadrant are:

- *Who Cares?*: fries are seasoned, low-fat items available
- *Overkill*: cheese is melted, open 24 hours, nutritional data displayed
- *Vulnerable*: Good variety of food, children's menu available,
- *Strengths*: fries are crisp, service is fast, drink is not watery, tables kept clean, fresh buns

This analysis suggests that efforts should be made to increase food variety and have a children's menu in order to compete in this market. Also, the restaurant may save significant money by not being open 24 hours. Few resources are probably spent on ensuring that cheese is melted or that nutritional data are displayed, so it probably does not make any difference to changes these attributes. The restaurant should maintain its focus on the strengths that are identified.

Many organizations have integrated customer feedback into their continuous improvement activities and in redesigning products and services. For example, Skilled Care Pharmacy (see the case study in Chapter 1), located in Mason, Ohio, is a \$25 million privately held regional provider of pharmaceutical products delivered within the long-term care, assisted living, hospice, and group home environments. Skilled Care developed a Customer Grade Card, benchmarked from Baldrige winner Wainwright Industries, to measure customer satisfaction. The Grade Card uses a school-like A-through-D scoring system shown in Figure 3.13. The scores from the four questions covering quality, responsiveness, delivery, and communication are converted from letters to numbers and averaged. Any questions that were graded C or below generate an immediate phone call or personal visit to the customer by the Customer Care Team to investigate and resolve the issue. An example of how the feedback was used for improvement involved some low scores received for "delivery." Management determined there was potential risk of losing valuable customers. Upon investigation, it became evident that the issue was not timely delivery, but their system of cut-off times for ordering medications for same-day delivery. If the customer missed the cut-off

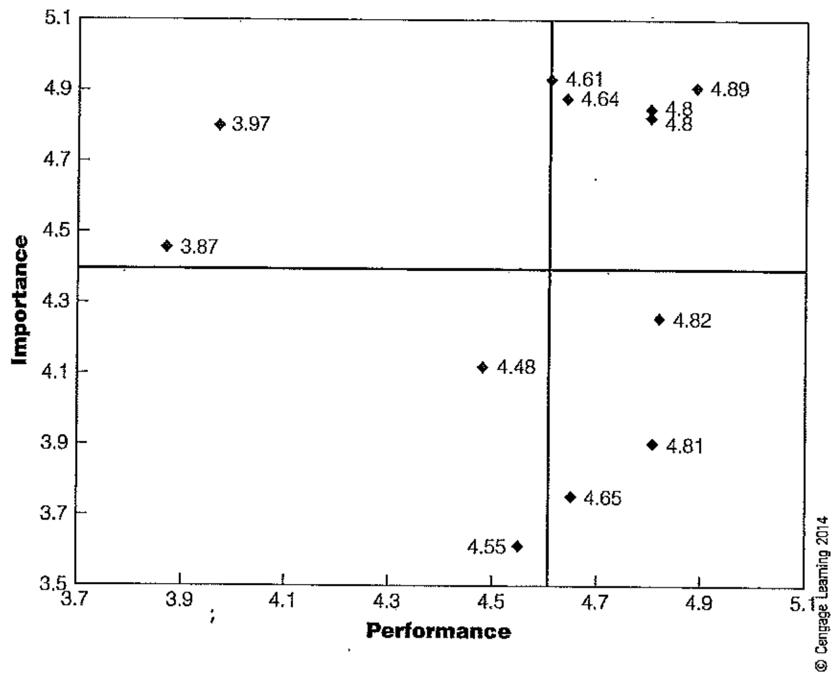


FIGURE 3.12 Performance-Importance Comparison Example

time, then they did not receive their order until the next day, and, Skilled Care was considered to be "late." Their response to this customer need was to extend pharmacy ordering hours and to aggressively modify staff schedules for the order processing and pharmacy departments. In turn, they were able to offer an additional five hours for customers to phone or fax medication orders for receipt the same day. As a result, satisfaction scores for delivery rose dramatically.

Why Many Customer Satisfaction Efforts Fail[59]

Determining and using customer satisfaction information should be viewed as a key business process. Just going through the motions can often lead to failure. A. Blanton Godfrey suggests several reasons why customer satisfaction efforts fail to produce useful results.

1. *Poor measurement schemes.* Just tracking the percentage of "satisfied and very satisfied" customers on a five-point Likert scale provides little actionable information. Many surveys provide biased results because few dissatisfied customers respond, or

FIGURE 3.13 Skilled Care's Customer Grade Card Scoring System

A = Customer Totally Satisfied	100 points
B = Customer Generally Satisfied	90 points
C = Customer Generally Dissatisfied	50 points
D = Customer Totally Dissatisfied	0 points

Source: Reprinted with permission of Skilled Care Pharmacy, Inc.

the surveys lack adequate sample sizes or randomization. Survey designers need appropriate understanding of statistical concepts.

2. *Failure to identify appropriate quality dimensions.* Many surveys address issues the company thinks are important, not what customers think. This error results from a lack of capturing reliable information about customer needs and expectations.
3. *Failure to weight dimensions appropriately.* Even if organizations measure the right things, they may not understand which dimensions are important. As a result, they spend too much effort on dimensions with the lowest scores that may not be important to the customers. Use of techniques such as importance/performance analysis can help focus attention toward the key dimensions.
4. *Lack of comparison with leading competitors.* Quality and perception of quality is relative. Without appropriate comparative data, competitors may be improving much faster than an organization realizes.
5. *Failure to measure potential and former customers.* Without an understanding of why non-customers do not do business with a company, or more importantly, why customers leave, an organization risks losing market share to competitors and may be headed for demise.
6. *Confusing loyalty with satisfaction.* Customer retention and loyalty provide an indication of the organization's future; satisfaction only relates to the present. The next section addresses this issue.

Measuring Customer Loyalty

We noted earlier in this chapter that satisfaction is different from loyalty. Commonly used factors to measure customer loyalty are:[60]

- Overall satisfaction
- Likelihood of a first-time purchaser to repurchase
- Likelihood to recommend
- Likelihood to continue purchasing the same products or services
- Likelihood to purchase different products or services
- Likelihood to increase frequency of purchasing
- Likelihood to switch to a different provider

Today, many firms use a metric called the **net promoter score (NPS)**, which was developed by (and is a registered trademark of) Fred Reichheld, Bain & Company, and Satmetrix. NPS is claimed to correlate strongly with market and revenue growth. The metric is based on one simple question, "What is the likelihood that you would recommend us?" evaluated on a scale from 0 to 10. Scores of 9 or 10 are usually associated with loyal customers who will typically be repeat customers ("promoters"); scores of 7 or 8 are associated with customers who are satisfied but may switch to competitors ("passives"); and scores of 6 or below represent unhappy customers who may spread negative comments ("detractors"). Promoters are less price-sensitive and are more profitable, while detractors are more-price sensitive, defect at higher rates, and consequently are less profitable. NPS is the difference in the percentage of promoters and detractors.

EXAMPLE 3.4

Calculating a Net Promoter Score

A sample of 300 customers who responded to the question "What is the likelihood that you would recommend us?" resulted in the following:

Score	Frequency
10	63
9	82
8	64
7	41
6	21
5	12
4	6
3	7
2	3
1	0
0	1

The total number of promoters is 63 + 82 = 145; the total number of detractors is 21 + 12 + 6 + 7 + 3 + 0 + 1 = 50. As a percentage of the total, these are 48.3 percent and 16.7 percent, so the net promoter score is 48.3% − 16.7% = 31.6%.

Successful companies such as Trader Joe's, Costco, and Apple may have NPS scores in the 70- to 90-percent range, but scores over 50 percent are good.[61] However, some criticism of the research underlying NPS has been raised, which concluded that NPS is not linked strongly to customer loyalty-based behaviors, and alone does not provide a complete picture of customer intentions.[62] It should be supported by other relevant metrics and approaches to better understand customer behavior.

An alternative to traditional customer satisfaction measurement that focuses more on customer loyalty than on satisfaction is **customer perceived value (CPV)**.[63] CPV measures how customers assess benefits—such as product performance, ease of use, or time savings—against costs, such as purchase price, installation cost or time, and so on, in making purchase decisions. Sellers that provide the greatest CPV at the time of the purchasing decision always win the sale. CPV measurement includes potential buyers rather than just existing customers, is forward-looking rather than retrospective, and examines choices relative to alternatives rather than relative to expectations. Typical questions that are asked include "What benefits are important to you?" and "How well do you believe that each product or supplier will deliver those benefits?" and focus on perceptions of future value rather than past experiences.

CPV methodology identifies the most important product attributes that prospective customers use to compare one offering against another and their relative importance and performance. One approach for assessing importance is to ask the customer to place a percentage value of importance on each attribute so the total sums to 100 percent, thus eliminating the common problem of giving high ratings to each factor. Asking customers to rate the performance of different offerings on each attribute on a 10-point scale can assess relative performance; the difference in ratings is the relative performance.

EXAMPLE 3.5

Assessing Competitive Performance

In assessing the relative importance of four attributes of a casual restaurant, a customer might assign 30 percent to menu variety, 20 percent to food quality, 10 percent to atmosphere, and 40 percent to value. This essentially provides a ranking of these attributes as value, menu variety, food quality, and atmosphere. In rating the performance of comparing two restaurants, A and B, we might find the following:

Attribute	Relative Importance	Restaurant A	Restaurant B	Relative Performance
Menu variety	30%	8	10	−2
Foot quality	20%	7	4	3
Atmosphere	10%	8	8	0
Value	40%	7	6	1

By multiplying the relative importance values by the performance ratings and summing, we see that restaurant A has a weighted value of 7.4 while restaurant B has a weighted value of 7.0. Therefore, the weighted difference is 0.4. Overall, restaurant A has a higher perceived value but could improve its perceived value by improving its menu variety. Such information becomes the basis for strategic decisions.

SUMMARY OF KEY POINTS AND TERMINOLOGY

STUDENT COMPANION SITE

The Student Companion Site provides a summary of key concepts and terminology introduced in this chapter.

QUALITY *in* PRACTICE

Harley-Davidson[64]

Harley-Davidson, Inc. was founded in 1903 by William S. Harley and brothers Arthur and Walter Davidson. The company is well-known for its high-end cruiser and touring motorcycles, which it designs, manufactures, and sells in North America, Europe/Middle East/Africa (EMEA), Asia/Pacific, and Latin America. It also offers other products and services:

- Parts & Accessories: replacement parts and mechanical and cosmetic accessories.
- General Merchandise MotorClothes: apparel and riding gear.
- Licensed Products: t-shirts, vehicle accessories, jewelry, small leather goods, toys, and numerous other products.
- Harley-Davidson Museum: In 2008, the Harley-Davidson Museum was opened in Milwaukee, Wisconsin. The 130,000 square foot facility houses the Harley-Davidson Museum and Archives, a restaurant, café, retail store, and special event space. The museum strives to provide a unique experience that the company believes builds and strengthens bonds between the brand and riders as well as the general public.

- Other Services: Harley-Davison also provides a variety of services to its independent dealers including service and business management training programs, customized dealer software packages and delivery of its motorcycles.

Products are marketed to retail customers worldwide primarily through advertising and promotional activities via television, print, radio, direct mailings, as well as electronic advertising and social networks. Additionally, local marketing efforts are accomplished through a cooperative program with the Harley's independent dealers.

Competition in the heavyweight motorcycle market is based upon a number of factors, including price, quality, reliability, styling, product features, customer preference, warranties, and availability of financing (the company also has a Financial Services division). The company builds its competitive advantage in two ways: (1) by supporting the motorcycling lifestyle across a wide demographic range through events, rides, and rallies and (2) by making available the other products and services described above and financing.

Since the 1980s, the company has struggled as it attempted to retain market share, keep unionized workers satisfied, and develop healthy financial results. Its most recent financial report shows both progress and another round of reinventing itself in a tough global economy. Harley-Davidson has long been aware of the vital link between marketing and manufacturing. It has also worked for decades to build brand awareness and customer loyalty.

U.S. retail purchasers of new Harley-Davidson motorcycles include both core and outreach customers and are diverse in terms of age, gender and ethnicity. The company defines its U.S. core customer base as men over the age of 35 and its U.S. outreach customers as women, young adults, and ethnically diverse adults. Harley-Davidson is the market share leader in U.S. new motorcycle registrations in terms of heavyweight (street legal 651cc+) registrations within all its customer definitions including men over the age of 35, women, young adults and ethnically diverse adults.[65] The average U.S. retail purchaser of a new Harley-Davidson motorcycle has a median household income of approximately $85,000. More than three-quarters of the U.S. retail sales of new Harley-Davidson motorcycles are to purchasers with at least one year of education beyond high school and 34 percent of the buyers have college/graduate degrees.[66]

Harley defines its customer segments for heavyweight (651+ cc) motorcycles as:

- Traditional (a basic motorcycle which usually features upright seating for one or two passengers);
- Sportbike (incorporates racing technology, aerodynamic styling, low handlebars with a "sport" riding position and high performance tires);
- Cruiser (emphasizes styling and individual owner customization);
- Touring (incorporates features such as saddlebags, fairings, or large luggage compartments and emphasizes rider comfort and load capacity); and
- Dual (designed with the capability for use on public roads as well as for off-highway recreational use).

The company is also implementing a multigenerational and multicultural customer marketing strategy outside of the United States. As a result, it is establishing definitions for core and outreach customer segments outside of the United States.

Customer focus is one of the key areas of importance in the company. This is clearly reflected in Harley-Davidson's vision:

> We fulfill dreams inspired by the many roads of the world by providing remarkable motorcycles and extraordinary customer experiences. We fuel the passion for freedom in our customers to express their own individuality.[67]

Customer experiences have traditionally been at the center of much of the company's marketing. To attract customers and achieve its goals, the company not only participates in motorcycle rallies, both large and small, around the world, but also in major motorcycle consumer shows, racing activities, music festivals, mixed martial arts activities and other special promotional and charitable events. In 1983 they established the Harley Owners Group® concept. Fondly referred to as H.O.G.®, it quickly became the largest factory-sponsored motorcycle club in the world. H.O.G. now has approximately one million members worldwide. This group promotes Harley-Davidson products and the related lifestyle and also sponsors many motorcycle events, including rallies and rides for Harley-Davidson motorcycle enthusiasts throughout the world. In 2010, the company established what it calls a "Creativity Model," whereby it uses web-based crowd-sourcing as a source for its main marketing creative development. Crowdsourcing draws on the ideas of passionate brand fans around the world to help guide the creative direction of the brand. Harley-Davidson also works closely with outside experts in media, digital marketing, and product placement to expand its marketing impact.

The company's manufacturing strategy is designed to continuously improve product quality and productivity while reducing costs and increasing flexibility to respond to ongoing changes in the marketplace. Flexible manufacturing processes and flexible supply chains, combined with cost-competitive and flexible labor agreements, are the key enablers to respond to customers in a cost-effective manner. The ongoing restructuring of the company's U.S. manufacturing plants, which commenced in 2009, supports the company's efforts to become more flexible and cost competitive allowing it to get the right product at the right time to the customer. To support its international growth initiatives, the company has built CKD (Complete Knock Down) assembly plants in Brazil and India. The CKD plants assemble motorcycles for local markets from component kits produced at U.S. plants and by suppliers.

Key Issues for Discussion

1. How do various dimensions of quality introduced in this chapter align with the quality characteristics that are important to Harley-Davidson and its customers?
2. Discuss how Harley-Davidson's approaches help it to maintain a focus on its customers and enhance customer satisfaction, loyalty, and engagement? You may want to research and include information from recent annual reports.

QUALITY *in* PRACTICE

Unique Online Furniture, Inc.[68]

Unique Online Furniture, Inc. sells a variety of home furnishings, including bathroom vanities, vessel sinks, faucets, mirrors, light fixtures, and curtain rods, to individual retail clients in the contiguous United States and Canada via several e-commerce websites (UniqueVanities.com, UniqueMirrorsOnline.com, UniqueLightFixture.com, UniqueEcoFurniture.com, and UniqueIronCurtainRods.com).

The company faces competition from a number of competitors, including CSN Stores, eBay, and Amazon. While these competitors offer brand names and low pricing, they lack close, personal customer relationships and communication. Unique Online Furniture exploits these competitive weaknesses in their business model, which is based on the key customer requirements they identified:

1. *Affordability*: Customers want unique items at affordable prices.
2. *Variety*: Customers in our market are looking for variety in home furnishing products that they cannot necessarily find in their local brick and mortar stores.
3. *Online Purchase Security*: When purchasing large ticket items online, our customers want to feel safe and secure during the transaction.
4. *Guarantees or Low Risk*: Customers want the risks of buying sight unseen minimized.
5. *Free or Low Cost Shipping*: Customers want large items delivered to their front door at no additional cost.

Unique Online Furniture offers over two thousand unique products across their websites. Their websites offer a secure online buying experience, and the company is registered with the Better Business Bureau. They also have a satisfaction guarantee return policy, by which clients can return their item for any reason and are only responsible for the cost to ship it back. If there are any problems with an order, they go above and beyond what the average retailer would do. They handle difficult situations in a timely fashion, specific to the client's needs, and with sincerity and integrity.

But it's the personal attention to individual customers that sets them apart. They provide a very high level of client service throughout the buying process. They have a formal client experience process that client service team members follow (see Figure 3.14), and use multiple communication mechanisms—phone, e-mail, and live chat—to meet client's communication needs. This includes a video e-mail from the president thanking them for their order and setting expectations, a personal phone call within 24 hours after an order has been received to confirm all details, a shipping video e-mail to provide detailed instructions on how to properly receive their large item, a video on eco-friendly solutions on how to dispose of the large amount of packing materials, a gift certificate that can be used on future orders, and a thank-you gift that is wrapped and mailed to every client.

Perhaps more surprisingly, they also treat their suppliers just like their customers, and recognize the people (many of whom are not recognized within their own organizations) that help them in providing a great client experience. For example, they have sent Christmas gifts to the people they work directly with at each manufacturer. Another innovation is a "You Totally Rock" certificate and a small gift that is sent to one person from their manufacturers that went above and beyond expectations in helping them out.

Through these customer-focused approaches, Unique Online Furniture, Inc. has created a large clientele base and a reputation built upon customer service and quality that sets them apart from competitors. And would you be surprised to learn that it's only a four-person organization?

Questions for Discussion

1. How does Unique Online Furniture, Inc.'s key customer requirements compare with the Key Customer-Focused Practices in Table 3.1?
2. Can you suggest other ways to use the Client Experience Checklist (Figure 3.14) to gauge customer satisfaction levels and/or enhance the customer's positive experience with Unique Online Furniture?

FIGURE 3.14 Unique Online Furniture, Inc. Client Experience Checklist

Client Experience Checklist		
Mission	Unique Online Furniture, Inc. will be recognized as the e-commerce shopping experience that has the look and feel of a brick-and-mortar store. We will treat our clients with personal touch points that feel like we shook their hand or gave them a hug. Our clients will feel confident buying from us sight unseen because we will take care of them. We will accomplish this through a focus on the personal and professional development of the people within our organization.	Everyday
Processing Orders Who's responsible: Sales Specialist All Orders are to be processed within 24 hours if received by 4pm CST on a business day (M-F), same day; after 4pm CST, next business day		
Client Places Order via Phone/ Internet	All phone orders are processed thru website UNLESS unusual circumstances require thru authorize.net; if processed thru authorize.net, detailed order info needs to be included in notes for clients e-mail reference including initials of processor.	NA

(continued)

FIGURE 3.14 Unique Online Furniture, Inc. Client Experience Checklist (*Continued*)

Client Confirmation E-mail (Automated)	Client Receives Confirmation E-mail from us; Includes Order Status Link, Shipping Info and Return Policy.	Immediate
Thank You E-mail (Automated)	Client Receives Thank You for Your Order E-mail with Video Link http://www.uniquevanities.com/thank-you.html	Immediate
Order Received	Order Received via Internet	Immediate
If Client Confirm Returned Undeliverable	If no-reply e-mail comes thru, forward the confirmation e-mail to the client again.	Immediate
Confirm Availability with Manufacturer	Print Order & Check Availability with Manufacturer via Phone	24 Hours
Client Touch Point: Confirm Order with Client via Phone	Call Client to Confirm Availability & Upsell Other Website Offerings	24 Hours
Client Touch Point: Confirm Order with Client via E-mail	Update Order Status Module with Availability and E-mail Client. If out of stock or DC, prepare a few similar alternatives that are in stock (same size, style, and pricing). Use Client Communication Text Templates, personalize based on client communications.	24 Hours
Submit Order	E-mail PO to Manufacturer	24 Hours
Capture Payment	Capture Payment Authorize.net or Paypal	24 Hours
Manufacturer Confirmation	Confirmations received within timelines below	See Timelines (1-3 Bus days)
Schedule Transportation	Schedule Transportation According to Manufacturer Guidelines	Immediate After Mfgr. Confirmation Received
Client Touch Point: E-mail Tracking Info	Check tracking info each evening for all daily pickups, and Update Order Status Module and E-mail Client. Client tracking e-mail includes link to video on shipping and receiving instructions and eco-friendly ways to reuse or recycle packaging materials (website specific) http://www.uniquevanities.com/shipping-receiving-instructions.html http://www.uniquevanities.com/eco-friendly-package-disposal.html Use Client Communication Text Templates, personalize based on client communications.	Same Day as Freight Pick Up
Client Touch Point: Mail GC	Gift Certificates Created at Same Time tracking information e-mails sent, and mailed next day	Same Day as Freight Pick Up
Client Touch Point: Mail Thank You Gift	Mail Thank You Gift (website specific)	Every 2 Weeks
Client Service Follow Up Who's responsible: Operations		
Client Touch Point: E-mail Product Review (Automated)	E-mail Product Review (Automated thru Order Status Module)	Automated 3 Weeks After Order Status Changed to Shipped

(*continued*)

FIGURE 3.14 Unique Online Furniture, Inc. Client Experience Checklist (*Continued*)

Client Touch Point: E-mail Survey	E-mail Survey	Monthly
Read Product Reviews/Surveys	All product reviews and surveys are to be read. Follow up on any concerns presented by clients via phone (primary) e-mail (secondary). Provide solutions to any concerns. Follow up with a note of thanks to any specific comments of praise. Review in Monthly Team Conference Call.	Monthly
Update Testimonials Page	Post authorized testimonials to website, send e-mail to team with a link for all to read. Review in Monthly Team Conference Call.	Monthly
	Back Order Follow Up Guidelines	
Back Orders	If accepting orders that are on backorder, then client must be told that you will follow up with them in intervals as follows: if backorder for a month, then will follow up in 2 weeks with an update; if back order for more than a month, then follow up monthly; create a backup order follow up list documenting when you followed up. E-mail is OK; phone call is preferred. Document all communication.	Schedule

REVIEW QUESTIONS

1. What factors influence customer value and satisfaction?
2. What specific issues of customer focus are addressed in the ISO 9000:2000 framework?
3. Summarize the key customer focused practices for performance excellence. Which of these are reflected in Park Place Lexus and K&N Management?
4. Explain the difference between satisfaction and loyalty. Why is loyalty more important?
5. What is customer engagement? How does it differ from satisfaction?
6. Describe the model used in computing the American Customer Satisfaction Index. How might a business use the information from the ACSI database?
7. Explain the difference between consumers, internal customers, and external customers.
8. Explain the AT&T customer–supplier model. Why would it be an important component in training new employees?
9. Why is it important to segment customers? Describe some ways of defining customer segments.
10. Explain the two classifications of quality dimensions for goods and services. Contrast the similarities and differences between the two classifications for services.
11. What is the Kano model, and what are its implications for quality management?
12. What is the voice of the customer? List the major listening and learning approaches used to gather voice of the customer information. What are the advantages and disadvantages of each?
13. Describe how affinity diagrams are used to organize and work with customer-related information.
14. Explain the gap model shown in Figure 3.5. What do expected quality, actual quality, and perceived quality mean, and how do they relate with one another?
15. What is a moment of truth, and how can this concept be used to improve quality?
16. What is the Zero Moment of Truth? How does it influence customer purchasing decisions and, ultimately, satisfaction?
17. Explain the importance of commitments to building customer relationships.
18. Who are customer contact employees? Why are they critical to an organization?