CHAPTER 4

CUSTOMER SATISFACTION

Expected Outcomes

Able to identify internal and external customer
Understand customer satisfaction concept
Using customer satisfaction as the measure of quality

Chapter Outline

- Who is the Customer?
- Customer Perception of Quality
- Feedback
- Using Customer Complaints
- Service Quality
- Translating Needs into Requirements
- Customer Retention

Introduction

- Most important asset of any organization is its customers.
- Understanding the customer's needs and expectations is essential to winning new business and keeping existing business.
- An organization must give its customer :
  - a quality product / service that meets their needs at a reasonable price
  - on-time delivery and
  - outstanding service
- Customer satisfaction is not an objective statistic but more of a feeling or attitude.

Who is Customer?

There are 2 distinct types of customers:

- **External**
    - Defined as the one who uses / purchases the product or service, or the one who influences the sale of the product or service
    - It exists outside the organization and generally falls into 3 categories : current, prospective and lost customers – provides valuable customer satisfaction information for the organization

- **Internal**
    - Every person in a process is considered a customer of the preceding operation

Source: Besterfield et.al, 2003

Customer Perception of Quality

- There is no acceptable quality level because the customer's needs, values and expectations are constantly changing and becoming more demanding.

- Ranking of survey by American Society for Quality on end user perceptions of important factors that influenced purchases showed:

    1. Performance – "fitness for use"
    2. Features – secondary characteristics of the product
    3. Service
    4. Warranty
    5. Price
    6. Reputation

Feedback

- Feedback enables the organization to:
    1. Discover customer dissatisfaction
    2. Discover relative priorities of quality
    3. Compare performance with the competition
    4. Identify customers' needs
    5. Determine opportunities for improvement

- Listening to the voice of the customer can be accomplished by numerous information collecting tools such as :
    - comment cards
    - questionnaires
    - focus group
    - toll-free telephone lines
    - customer visits
    - the Internet
    - employee feedback
    - mass customization

Using Customer Complaints

- A dissatisfied customer can easily become a lost customer
- Many organizations use customer dissatisfaction as the primary measure to assess their process improvement – obtain information and provide a positive service
- Every single complaint should be accepted, analyzed and acted upon
- Study shows that more than half of dissatisfied customers will buy again if they believe their complaint has been heard and resolved
- Front-line employees should know how to handle a wide range of situations that arise in the customer relationship.

Using Customer Complaints

Actions to handle complaints:

- Investigate customers' experiences by actively soliciting feedback
- Develop procedures for complaint resolution
- Analyze complaints
- Identify and eliminate the root cause
- Establish customer satisfaction measures and constantly monitor them
- Communicate complaint information
- Provide a report for evaluation
- Identify customers' expectations beforehand

Source: Besterfield et.al, 2003

Service Quality

- Customer service is the set of activities an organization uses to win and retain customers' satisfaction

- It can be provided before, during or after the sale of the product or exist on its own

- Elements of customer service are:
  1. Organization
     - Identify each market segment
     - Write down and communicate the requirements
     - Organize processes and physical aspects
  2. Customer Care
     - Meet the customer's expectations
     - Get the customer's point of view
     - Deliver what is promised
     - Respond to all complaints
     - Make the customer feel valued

Source: Besterfield et.al, 2003

Service Quality

3. Communication
   - Minimize the number of contact points
   - Optimize the trade-off between time and personal attention
   - Provide pleasant, knowledgeable and enthusiastic employees

4. Front-line people
   - Give them authority to solve problems
   - Be sure they are adequately trained
   - Hire people who like people
   - Challenge them to develop better methods
   - Serve them as internal customers
   - Recognize and reward performance

5. Leadership
   - Lead by example
   - Listen to the front-line people
   - Strive for continuous process improvement

Source: Besterfield et.al, 2003

Service Quality

An essential part of customer satisfaction occurs after the sale :

Characteristics	Expectation
Delivery	Delivered on schedule in undamaged condition
Installation	Proper instructions on setup or technicians supplied for complicated products
Use	Clearly-written training manuals or instructions provided on proper use
Field repair	Properly-trained technicians to promptly make quality repairs
Customer service	Friendly service representatives to answer questions
Warranty	Clearly stated with prompt service on claims

Source: H. James Harrington, 2001

Translating Needs into Requirements
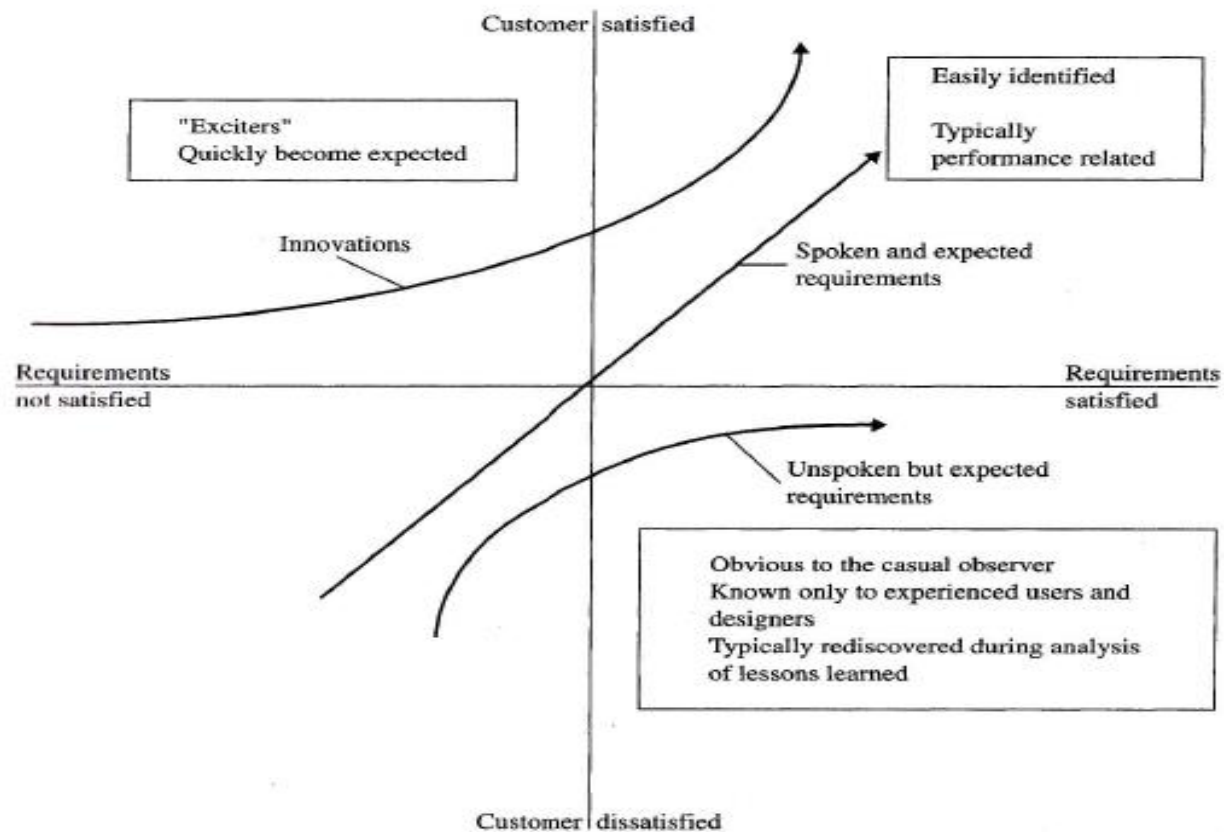
Kano Model : Conceptualizes Customer Requirements

Translating Needs into Requirements

3 major areas of customer satisfaction:

1. Explicit requirements
   - Include written and verbal requirements and are easily identified
   - Expected to be met and typically performance related

2. Innovations
   - Unexpected so the creative ideas often excite and delight the customer

3. Unstated or unspoken requirements
   - Customer may unaware of these requirement or assume it will be automatically supplied
   - Hardest to define but prove very costly if ignored
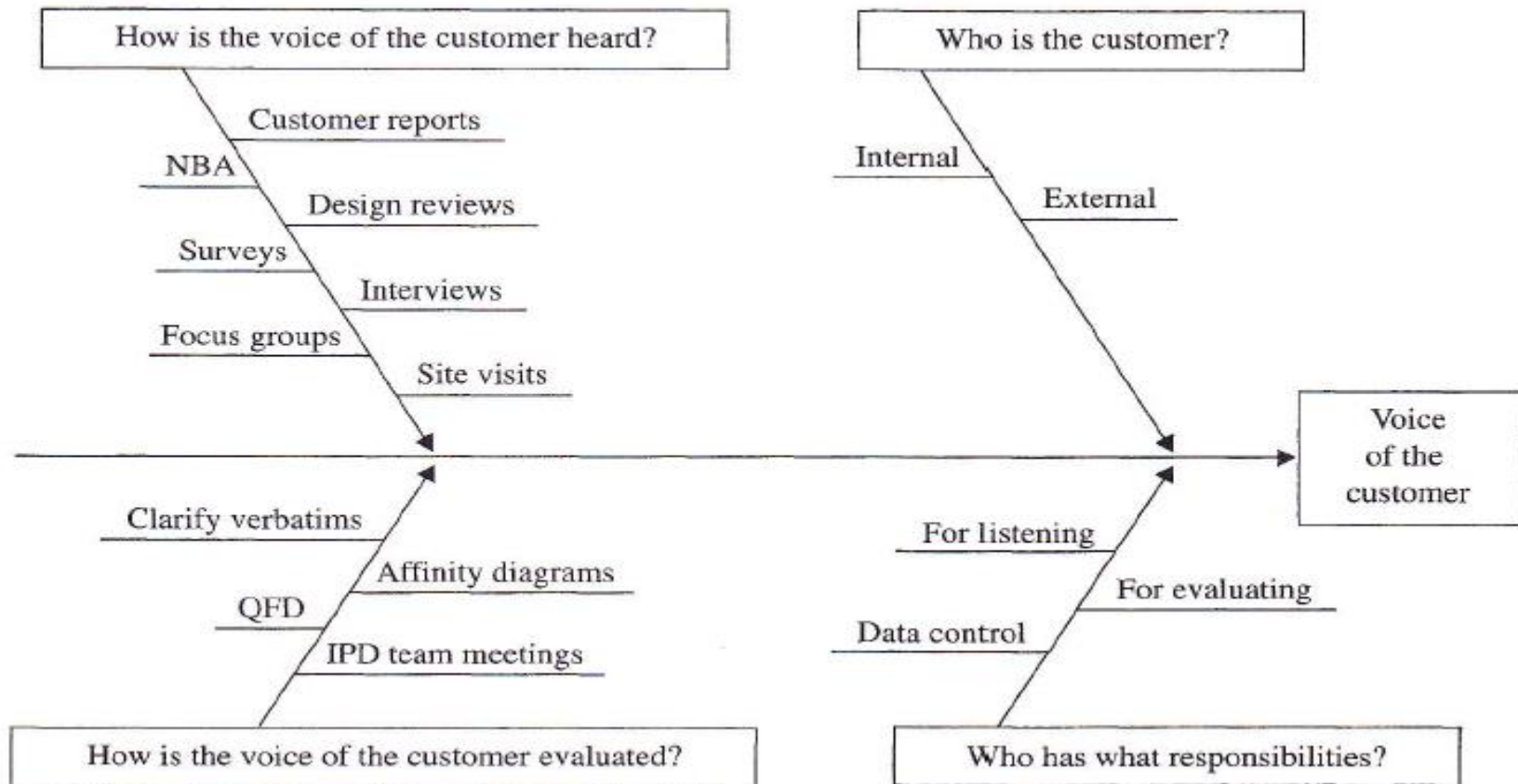
Translating Needs into Requirements

Diagram Voice of the Customer   [McDonnell-Douglas, 1993]

Customer Retention

- Represent the activities that produce the necessary customer satisfaction that creates customer loyalty

- Customer retention moves customer satisfaction to the next level by:
  - determining what is truly important to the customers
  - making sure that the customer satisfaction system focuses valuable resources on things that really matter to the customer

- High employee retention has a significant impact on high customer retention

- One way companies can manage customer retention is to pay attention to their present employees and to who they are hiring. [Goodman,J et al.,1996]