

# Manage quality customer service BSBCUS501A



## Student Workbook



# Student Workbook

## BSBCUS501A Manage quality customer service

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1<sup>st</sup> Edition 2009

Part of a suite of support materials for the  
BSB07 Business Services Training Package



## Acknowledgment

Innovation and Business Industry Skills Council (IBSA) would like to acknowledge HASCOM Pty Ltd for their assistance with the development of this resource.

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Published by: Innovation and Business  
Industry Skills Council Ltd  
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[www.ibsa.org.au](http://www.ibsa.org.au)

First published: April 2009

Print version: 1.1

Release date: December 2009

Printed by: XL Colour Printing  
28-32 Bruce St  
Kensington VIC 3031

ISBN: 978-1-921439-70-4

Stock code: CUS501ACL

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# Getting Started

The unit applies to learners who are currently or will be working in a customer service environment.

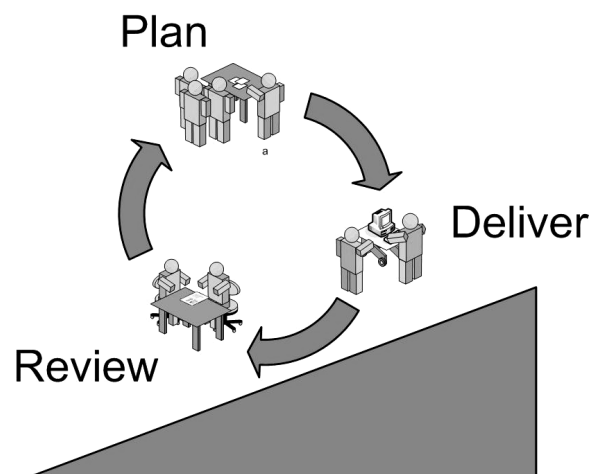
The knowledge and skills gained on this course are suitable for internal and external customers, so will be useful for a wide range of managers.

Managing a quality customer service – be the customers internal or external – is an essential role of the manager. Without a quality customer service, customers will go elsewhere for their goods or services.

This Student Workbook divides the management of customer services into three key areas: plan, manage and review. Under the planning section, the critical components of a customer service plan are discussed, including identifying customer needs, strategies for obtaining feedback, questionnaire design and complaints handling. These components are investigated further in the section on managing. The final section addresses how to make sense of the raw data that is produced by customer surveys and provides a sample of problem solving tools that can be employed to produce solutions to customer service issues.

This course is not designed to teach the man management skills needed to manage a customer service team – these skills are the subject of other courses, notably BSBMGT502A Manage people performance.

## Roadmap



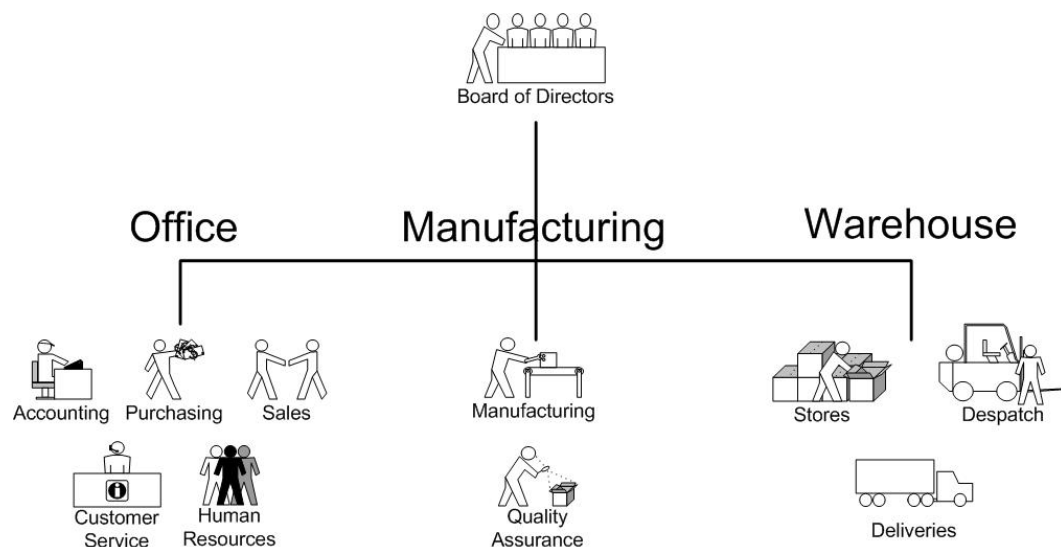
## About Innovative Widgets

In this Student Workbook, we use examples from a fictitious company called “Innovative Widgets”.

Innovative Widgets is the largest producer of widgets in Australia. Established in 1952, their widgets are used as components in a broad range of machinery from domestic appliances to industrial equipment. The company is family owned by the children and one grandchild of the founder, who collectively form the Board of Directors. Until recently, the grandchild had acted as managing director of Innovative Widgets.

Innovative Widgets operate from one location. There is a stores area in the warehouse (for the raw materials used to make the widgets), a machine workshop (where the widgets are produced) and despatch and deliveries as part of the warehouse. The office block houses the following service departments:

- purchasing
- sales
- accounts
- human resources
- a recently established customer services team



**Innovative Widgets Organisational Chart**

In total, Innovative Widgets employs over 50 staff. Last year Innovative Widgets produced a pre-tax profit \$2,240,000 on a turnover of \$16,000,000.

Innovative widgets has a diverse customer base. Their largest company is a major mining equipment manufacturer and they account for approximately 40% of total widget sales. The other 60% is sold to medium and small businesses along with individual retail sales at their Sales Counter.



# Introduction

## Overview of the unit

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This unit aims to provide the learner with the knowledge and skills that are necessary to manage a quality customer service. This is provided in three sections planning, delivering and improving:

- Section 1, Planning – begins with a review of who customers are and what customer service is. It continues by exploring the key elements of customer service planning.
- Section 2, Delivering – is about delivering quality customer service
- Section 3, Improving – looks at improving customer service and introduces several problem solving techniques.

## Why do people buy a product or service?

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- Is it quality, cost, delivery?
- Or maybe product features?
- Is it customer service?
- Or perhaps brand recognition?

Learning Activity: Your mobile phone
What is it about your mobile phone that made you buy it compared to others with similar features?
Were any of the features on the list above relevant – or was there another reason?

## What is quality?

Quality has been defined in many ways. The American Society for Quality (ASQ) defines quality as “A subjective term for which each person or sector has its own definition.” (American Society for Quality 2009)

ASQ continues by stating that quality can have two meanings: “the characteristics of a product or service that bear on its ability to satisfy stated or implied needs” and “a product or service free of deficiencies”. However, the ASQ definition refers to satisfying, rather than exceeding, customer needs.

Another definition is a two-dimensional model of quality: “must be” and “attractive” quality (Kano 1984). Kano’s definition suggests that the “must be” quality is similar to the ASQ definition of satisfying needs, whereas the “attractive quality” is what the customer would love, but hasn’t yet even thought about. The key point here is that in Kano’s definition there is the suggestion that quality can exceed expectations.

### Example: Water bottles

Water bottles come in many shapes, sizes and materials. Plastic bottles are popular. They tend to be inexpensive. The plastics are durable, light and can be colourful and trendy.

Some people buy aluminium water bottles. These are usually more expensive and are often made by a quality engineering organisation. There are some excellent models available on the market. The first time you use one you might be surprised to find how cold the shell can feel on a hot day and that it tends to keep cold drinks colder for longer. That is, your expectations of the water bottle’s performance were exceeded.

Can you think of something that has exceeded your expectations?

### Quote:

“Here is a simple but powerful rule: always give people more than what they expect to get.”

Nelson Boswell, 1740-1795, British writer/journalist

## What is customer service?

Customer service is the way an organisation interacts with a customer at all stages of the purchasing process, i.e. before, during and after the purchase.

The goal of an organisation should be to ensure the quality of customer service exceeds the expectations of the customer.

### Quote:

“Being on par in terms of price and quality only gets you into the game. Service wins the game.”

Alessandra, 2009

**Example: Which restaurant?**

You have two restaurants that you go to. They both deliver the same quality food, at the same price, in the same way.

Restaurant one does it ...

Restaurant two does the same thing, but also:

- has a band on Saturday nights
- sends out flyers with specials
- has staff that
  - are always happy and know your name
  - greet you when you come in
  - ask you what you think of the meals.

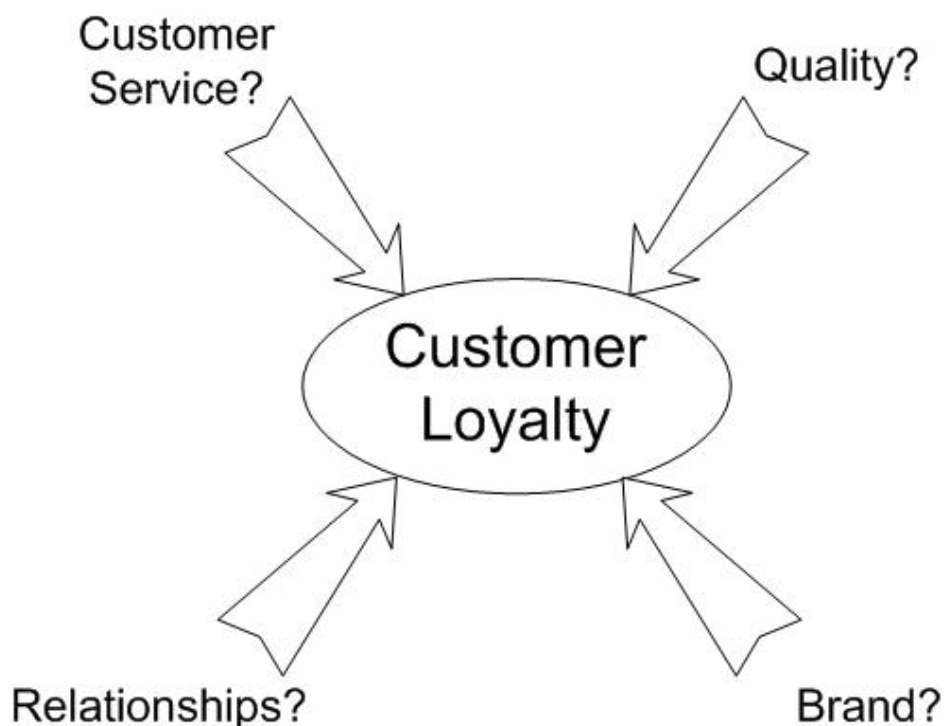
Does it make a difference?

**What is customer satisfaction?**

Customer satisfaction refers to how a product or service meets, fails to meet or exceeds the customer's expectations.

**What is customer loyalty?**

What are the factors that make a customer loyal to your product or service?



**Reflection: Your favourite sports team**

Do you have a favourite sports team? Have you ever attended a sports event? What makes you support one team over another?

Is it because of relationships? Often the footie team people support is the one from their local town or suburb, or the one their parents/friends supported. But some people support a team from across town or even across states!

Is it the brand that that makes you loyal? The colours, the emblems, the history?

Perhaps it's customer service? Do you get treated well when you order the tickets? Are the facilities at the stadium appealing? Do they make you feel valued?

Or is it quality? Does your support depend upon results? If the team wins, you go back but if they lose, you don't attend? Some supporters attend lower-league events knowing their team will never make it big.

**What do you know about customer service?**

We may not all be managers yet, but we have all been customers at some time or another. In order to help identify what customer service is to you, think about your own experiences as a customer.

**Learning Activity: Your experiences**

Think about your own customer service experiences – cafés, cinemas, bars, clubs, sports events, etc.

- Have you ever worked with customers?
- Have you ever received excellent customer service? What made it excellent?
- Have you ever seen disgruntled customers? Why were they disgruntled?
- Have you ever provided customer feedback?
- Have you ever completed a customer survey?

Record your thoughts on the lines below.

You are doing a course in managing customer service. These are the challenges that you will face, but remember that we have all been customers and know when we get good customer service. We are not starting from scratch.

# Section 1 – Plan Customer Service

This section introduces the concept of customer service and discusses the key elements of a customer service plan.

## Scenario: Innovative Widgets

Innovative Widgets has been operating successfully for over 50 years and became the largest manufacturer of widgets in Australia. The company is owned by the sons and daughters of the company's founder, who all sit on the Board of Directors. Until recently the managing director was the grandson of the founder.

The grandson was appointed managing director fifteen years ago. Little changed at Innovative Widgets during his leadership. The company had an enviable position as market leader and, with little competition, their market dominance was safe. About five years ago it was noticed that sales were beginning to slump. The owners soon discovered that the grandson was ill-equipped to face this challenge and they called in a firm of management consultants to help out.

Initially, the consultants undertook a pre-audit by talking to staff, looking at work processes and departmental records. They then produced an initial report identifying some areas for concern. They suggested that Innovative Widgets:

- Were not aware of their external customer's needs
- Were not aware of internal customer needs
- Did not have adequate policies and procedures for managing its customers.

The managing director needed help. He admitted that he had been complacent about his customers, saying that he had always adopted the "If it's not broken, why fix it?" approach to customer relations. He also asked what an "internal customer" was – was it the staff members who bought widgets under the employee discount scheme at a discounted price?

The consultants had a lot of work to do!

## What skills will you need?

In order to work effectively as a customer service manager, you must be able to:

- ☒ Clearly identify internal and external customers
- ☒ Identify your customer needs
- ☒ Identify the key elements needed in a Customer Service Plan.

## Who are customers?

A customer is someone who receives a product or service from someone else.

The product can be a tangible item or it can be a service. For example, it is easy to recognise the customer/provider relationship when you buy bread from a baker. You are the customer; the bread is the product and the baker the provider.

### Customer/provider relationship

But the customer/provider relationship also applies when receiving a service, such as when visiting your doctor. In this scenario you are again the customer and the doctor the provider, but what are you buying? Here, you are buying a service. The service is the advice the doctor gives you during the consultation.

#### Learning Activity: Services

There are innumerable other services that you receive customer service from, try listing five here:

1.

2.

3.

4.

5.

There is another customer/provider relationship which is often overlooked – internal customers and providers. An internal provider refers to anyone who does something for another within the same organisation. The person who receives what the provider gives is an internal customer. For example, a secretary who types a letter for a manager to sign is providing the manager with a product (the letter). In this example, the secretary is the provider and the manager is the customer.

Every workplace consists of people interacting with each other in similar ways. In a large bakery, the flour may be stored in a storeroom. The storeman delivers the flour to the baker. The storeman is providing a service (delivering flour) to the baker (receiving flour). **The storeman is the provider and the baker is the customer.**

The baker bakes the bread and delivers it to the packer. Here **the baker is the provider and the packer is the customer.**

The packer wraps the bread and delivers it to the dispatcher. **The packer is the provider and the dispatcher is the customer.** The dispatcher loads the bread into a van and the van driver delivers to the retail shops. The dispatcher is the provider to the driver. **The driver is the dispatcher's customer.**

### Learning Activity: Internal customers

Try to identify five internal customer/provider relationships in a workplace you are familiar with. You may want to try car production from receiving raw materials to the car arriving at the showroom.

1.

2.

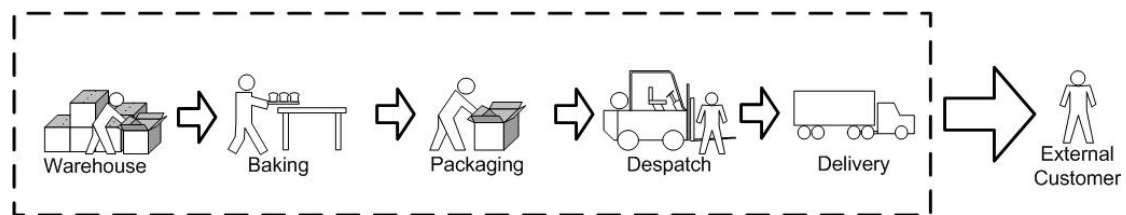
3.

4.

5.

Looking at internal customers can help identify supply and value chains.

Supply chains show the process of procurement, production and delivery within an organisation. In the bakery example above, the supply chain includes: Warehouse (Stores), Kitchen, Packaging, Dispatch & Delivery.



Value chains show how each process in an organisation increases the value of the product or service. In our bakery example, there are three processes that add value:

- The kitchen adds value by turning the cheaper raw materials into bread.
- High quality packaging can result in receiving a higher price for bread.
- Delivering to the customer produces delivery charges that produce a profit.

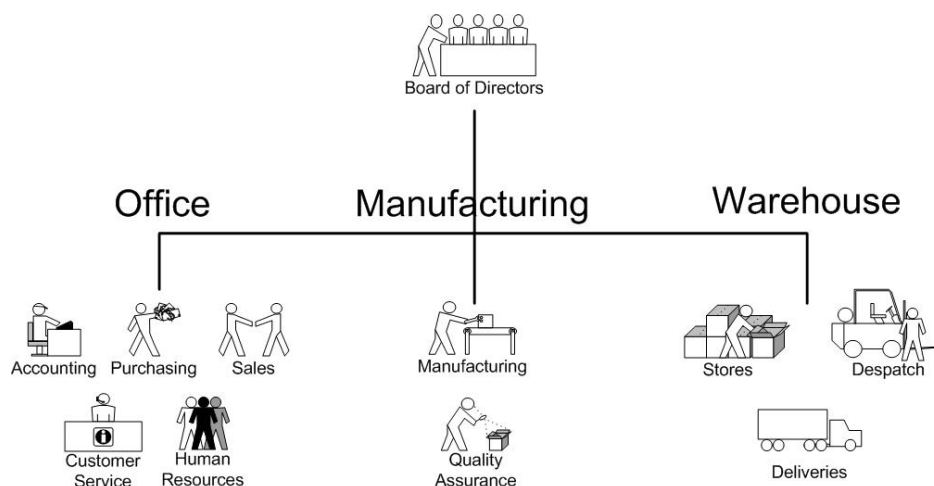
Note that the storeman and dispatcher have an important role to play in the supply chain, but do not add value to the product.

**Learning Activity: Supply chain at Innovative Widgets**

Innovative Widgets have both internal and external customers. Their external customers number over 1,000.

Internally, the reception yard receives the raw materials from the external suppliers. The staff members in the yard are the supplier's customers. The raw material is stored and kept in good condition until the production workshop staff asks for a delivery. At this point the storemen are suppliers and the workshop staff members are the customers.

Complete the internal customer relationships.





## What is customer service?

Imagine the following scenario: You buy a packet of mints from a vending machine at a rail station and then buy a packet of mints from the station's kiosk. The mints are the same brand, the same size and the same price.

In this scenario you (the customer) have bought a product (the mints). You received exactly what you wanted, when you wanted it and at the right price. So as a customer, you should be content to use either provider in the future.

However, imagine if there is a long queue at the kiosk. Does this alter your buying decision? What if the vending machine looked grubby or covered in obscene graffiti?

### Learning Activity: Customer service

Write down as many reasons as you can think of in three minutes why you might choose the kiosk rather than the vending machine.

Many of the reasons you identified are likely to be intangible. They have nothing to do with the product or price, as these were the same at both the vending machine and the kiosk. The following list, although not exhaustive, identifies some of the intangible reasons why we choose to be a customer of a particular provider:

- courtesy
- eye contact
- smile
- hospitality
- cleanliness, neatness, tidiness
- helpfulness
- knowledge
- manners
- reliability

**Quote:**

“Customer service is not a department – it’s an attitude!”

Anon

## Theories of customer behaviour

What happens when a provider gets it wrong?

### Learning Activity: The unhappy customer

**What would you do in the following circumstances? Be honest!**

Imagine that you take an important person out for a meal and feel obliged to buy wine. The prices are astronomical! You buy some wine and pay the bill.


Imagine that you go to buy a bike lock in a busy shop. You are in a hurry (your bike’s outside and it’s not locked!). You pick up a lock from the shelf and have the correct money in hand. As you try to give the money to the shop keeper he says abruptly, “You’ll have to wait your turn, there’s a queue.”


Imagine that you always visit the same market to buy onions. You check the prices at the stalls and choose the ones that look best value for money. On returning home you find that all the onions you bought that day have green mould inside.

If you complained in any of the scenarios above then you would have been one of very few complainers. Most research in the field of customer psychology suggests that very few of us complain if we are unhappy with a product or service, instead we never go back to that provider. We take our custom elsewhere. In addition, we tell lots of our friends about our bad experience.

Although there are different figures for different industries and cultures, the following statistics are generally accepted as being reasonably accurate:

- The majority of unhappy customers don't complain because they don't want the stress associated with complaining or they think their complaint will not do any good.
- As little as 5% of unhappy customers complain. (Goodman-Delahunty, 2001)
- Up to 95% of unhappy customers do not complain. (Goodman-Delahunty, 2001)
- If the complaint is resolved, more than half will continue to do business.
- Unhappy customers tell about ten others of their experience.
- However, as Jeff Bezos, the founder of Amazon.com said "If you make customers unhappy in the real world, they might each tell six friends. If you make customers unhappy on the Internet, they can each tell 6,000 friends." (Institute of Customer Service 2009)
- Customers who complain and have their complaint resolved tell about 5 others.
- On average, it is much cheaper to keep a customer than to find a new one.
- Customers often behave with the herd mentality. If customers start to leave you, others will follow them just to be part of the herd.
- What happens to customers who go away? (White House Office of Consumer Affairs quoted by Navy Installations Command, 2009)
  - 1% are no longer alive
  - 3% move elsewhere
  - 5% are floating customers
  - 9% are lured by the competition
  - 14% are unhappy with the tangibles such as product/pricing/services
  - 68% are unhappy with the treatment (service) they received or attitude of an employee

So for every customer who complains, there are likely to be many others who are unhappy, but not complaining. Companies should welcome those who complain because it gives the company the opportunity to retain the customer, learn what they are doing wrong and fix whatever is causing the complaint.

**Quote:**

“If you don’t take care of your customers, someone else will”

Anon

## Who is responsible for customer service?

In some organisations a dedicated customer service department is established to ensure consistent interactions with customers.

Providing excellent customer service needs specialised skills and knowledge. “Management: theory and practice” (Cole, 2005) suggests they have:

- High self-esteem (stops people taking complaints personally)
- Strong inter-personal skills (helps identify and meet the customer’s psychological needs)
- Empathy (to see the problem from the customers viewpoint)
- Communication skills (especially active listening – see section 2)
- Ability to recap the facts and the customer’s feeling (active listening).

However, as discussed earlier, internal customer/client relationships exists everywhere within an organisation. Everyone in an organisation is responsible for fostering a quality customer service.

## Identifying customer needs

**Reflection: Give the customer what the customer needs.**

I once went into a shoe shop and asked the salesman if he had a pair of black brogue shoes in size ten. He replied “No, but I’ve got a brown pair in size eight, wait there and I’ll get them.” I never went into that shop again.

Have you ever been offered or sold something that you didn’t want?

How did it make you feel?

The best way to find out what the customer needs is to ask them. But how do you ask them?

**Learning Activity: How to ask customers questions**

This seems easy. Take three minutes to write down all the different ways that a business could ask questions of their customers:


Depending upon the type of customer/provider relationship, there may be one or many methods of identifying customer needs. The secretary typing a letter for the manager need only ask a few questions to make sure the manager's needs are identified. But a multi-national oil company would find it impossible to enter into a conversation with all their customers. What may be appropriate for an airline might not be appropriate for a corner café.

The following list is not exhaustive:

- Informal face-to-face discussions are particularly useful if there are a small number of customers.
- Telephone interviews can be useful if there are large distances between the customers and provider.
- Paper surveys, usually sent through the post, can be useful for gathering information but often the return rate is low.
- Internet surveys, often displayed as pop-up boxes, rely on customer traffic to your site.
- Email surveys are better targeted towards your customer and lead the customer to the Internet survey.
- Telephone surveys, when unsolicited, are often seen as intrusive.
- Telephone surveys that are bolted on to existing calls can be very effective.
- Suggestion boxes are sometimes used.
- Point-of-contact questioning, such as at the cash register, can often provide an informal method of identifying customer needs.
- Focus groups, where samples of customers are questioned about their needs, are useful for organisations with large numbers of customers.

### Tip: Getting customer feedback



Collecting customer feedback can be deceptively simple. The following example is from the 'Innocent drinks' website.

<http://www.innocentdrinks.co.uk/>

In the summer of 1998 when we had developed our first smoothie recipes but were still nervous about giving up our proper jobs, we bought £500 worth of fruit, turned it into smoothies and sold them from a stall at a little music festival in London.

We put up a big sign saying “Do you think we should give up our jobs to make these smoothies?” and put out a bin saying “YES” and a bin saying “NO” and asked people to put the empty bottle in the right bin.

At the end of the weekend the “YES” bin was full so we went in the next day and resigned.<sup>1</sup>

You now have some idea about how you can ask your customers what their needs are. But what do you ask?

## Questionnaire design

### Learning Activity: What to ask your customers?

Take five minutes to write down what questions you would ask your customers if you ran a coffee shop.

[illegible]

Questions and scales should be designed to pass two tests: validity and reliability.

<sup>1</sup> Sourced with permission from Innocent Drinks <<http://www.innocentdrinks.co.uk>>

### Question validity

A question is considered valid when the responder understands it in the same way as the person writing the question. For example, as a café owner I might ask customers when they pay their bill: “Did you enjoy the coffee?” Every time I get a “yes” I assume the customer was satisfied with my café. But what if the customer found the rest rooms dirty and has decided not to return? Is my question valid?

When writing questions for a survey they should be validated by conducting a smaller survey and interviewing the responder to ensure that they understood the question as it was intended to be understood.

### Question reliability

A question is considered reliable if the response given would be the same as a second response to the same question with the same conditions. For example, if I asked: “On a scale of 1–10 where 1 is ice cold and 10 is piping hot, please score your coffee temperature.” I may get different results for the same temperature of coffee. The question is not reliable.

Reliability issues can be resolved by careful design of question and scale. In the example above a more reliable question would be: “Was your coffee too cold, about right or too hot?” although different customers may have different temperature preferences!

### Questions to avoid

There are several types of questions that need to be avoided in surveys, such as the following:

<b>Loaded:</b>	A loaded question is impartial and leads the responder to a preferred response, e.g. “You wouldn’t want to buy from competitor X would you?”
<b>Complex:</b>	Make the question as simple as possible so as not to confuse the responder. Complex questions can also introduce too many variables resulting in reliability issues, e.g. “Given the problems in the Asian markets coupled to the strength of the dollar, but excluding the economic climate in Europe, how would you describe your business confidence?”
<b>Two-in-one:</b>	Ask one question at a time, otherwise the responder doesn’t know which to answer! e.g. “What is the quickest, cheapest way for us to deliver widgets to you?” The quickest way to deliver may not be the cheapest.
<b>Acronyms:</b>	All businesses use acronyms, but not all customers understand them. Rather than ask: “Did you find the SW useful when undertaking BSBCUS501A?” perhaps: “Did you find the Student Workbook useful when undertaking your Managing quality customer service course?”
<b>Personal:</b>	Be aware of confidentiality issues and that some questions can be intrusive, particularly to people with different cultures.

## Scales

There are many different types of scales used in questionnaires and careful consideration needs to be given to their selection. It is important to consider if quantitative or qualitative data is required.

**Quantitative data** refers to scores such as numbers. Qualitative data refers to comments such as suggestions for improvement, where the customer is asked an open-ended question.

**Quantitative data** is easier to process and is useful when surveying large numbers of people. Qualitative data can provide richer results, but can difficult to analyse. Often a mix is used, with a space provided for “any comments?”

The main types of scales are as follows:

<b>Nominal:</b>	These scales ask the responder to select from a list of words, such as yes/no, or sometimes/often/never.
<b>Ordinal:</b>	Ordinal scales ask the responder to rank items, such as “Rank the following in order of importance – price, availability, quality, one year guarantee.”
<b>Interval:</b>	Interval scales ask the responder to rate something on a given scale, where the differences on the scale are of equal strength. An example may be: “Please circle which best describes what you consider when buying: Price is the most important factor when I buy widgets. strongly agree/neither agree or disagree/strongly disagree”
<b>Ratio:</b>	Ratio questions ask for actual data, such as how many, how old, how much, etc.
<b>Bi-polar:</b>	Bi-polar scales ask the responder to place a mark between two opposites, such as: “Happy_ _ _ _ _ Sad” or “Will shop here again _ _ _ _ _ Will not shop here again”
<b>Likert:</b>	Likert scales are designed to gather opinions or attitudes and ask responders to select from scales such as “strongly agree/agree/neither/disagree/strongly disagree”

### Learning Activity: Customer survey

Think about the previous two Learning Activities in the light of what you have read.

Write 3 questions that you would ask your café customers and describe how you would conduct the survey.



## Methods of customer service

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As mentioned earlier, customer service is the way an organisation interacts with a customer at all stages of the purchasing process, i.e. before, during and after the purchase.

The most obvious customer service is that given to a customer when buying a product (a tangible item) from a shop. Advice on product selection, the transaction itself and the after-sales service are often undertaken between the customer and provider face-to-face. The way a customer perceives this service will guide the customer to conclude a sale, do repeat business or recommend the shop to other people.

Pre-sales advice and after sales service are often undertaken by telephone; in this case, consideration needs to be given to how to make that a quality service.

Often the sale of some goods and services are conducted by telephone with written confirmation in the form of letters or emails. Such examples include buying insurance or transferring a utilities provider. The challenge here is to make the telephone contact and written material exceed the customer's expectations.

Recently, more transactions have been undertaken entirely by Internet, such as telephone credit for a mobile telephone. The design of the web pages and processes are important factors in ensuring a quality service.

## Quality service models

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There are many models available to identify what a customer needs. One of the most common models is the RATER model, which was developed, in the mid eighties by Zeithaml, Parasuraman and Berry.

### The RATER Model

Much research has gone into what customers need from their providers. One model, the RATER model, is used extensively – particularly in the service sector. RATER stands for Reliability, Assurance, Tangibles, Empathy and Responsiveness. It is believed that customers when assessing the service they want consider five dimensions:

Dimension	Definition
Reliability	Dependability and accuracy of goods or service
Assurance	Employees' courtesy, knowledge, confidence and trust
Tangibles	Appearance of employees, building, equipment, communication
Empathy	Care and attention paid to customer
Responsiveness	Provision of help, service and problem solving

RATER can be used as a guide to help you identify what questions to ask your customers. The questions will be different for different businesses, but the following is provided as a guide:

Dimension	Definition
Reliability	<p>Define the precise item or service that is required.</p> <p>What are the specifications and tolerances?</p> <p>When are the deadlines for delivering the product?</p> <p>What guarantee is needed?</p>
Assurance	<p>What level of product/service knowledge do you expect our employees to have? (Define for any employees that come into contact with the customer.)</p> <p>What style of interrelation is preferred? e.g. friendly/formal/courteous</p> <p>Should/do our employees appear confident &amp; trustworthy?</p>
Tangibles	<p>How are our employees expected to appear? e.g. uniforms/formal/casual</p> <p>What should our buildings look like?</p> <p>What should our equipment such as machines and vehicles look like – should they be liveried?</p> <p>What should our letters, brochures and web pages look like?</p>
Empathy	<p>Do our staff members show adequate and appropriate care and attention?</p>
Responsiveness	<p>How quickly do you want us to respond to your requests?</p> <p>If things go wrong, what should our complaints procedures look like?</p>

## Customer Service Plans

It is essential to have a plan to meet customer requirements. Each plan will be different for different business sectors and businesses within sectors, but as a guide most plans would contain:

- a customer service vision and mission
- product and/or service standards
- a policy and procedures for identifying customer needs
- a policy and procedures for customer feedback
- a policy and procedures for managing complaints
- a section on continuous improvement
- a customer service charter

The following paragraphs explain what is normally included in each section of a Customer Service Plan; more detail is provided in Section 2.

**Customer service vision and mission**

A customer service vision and mission are normally short statements that describe how customer services will be in the future (the vision). The way the vision is to be achieved is usually called the mission.

**Product and/or service standards**

A clear description of the product or service specifications is essential in order to respond to customer's queries and/or complaints. This would normally include tolerances, guarantees, delivery times/deadlines, etc.

**Policy and procedures for identifying customer needs**

The Customer Service Plan should contain a policy for identifying customer needs. A policy is a statement of intent. A policy for identifying customer needs would state what action is to be taken to identify customer needs. It may also state who is accountable for identifying the needs and what frequency needs would be identified.

The procedures are the individual tasks that need to be taken to identify customer needs. They should state who is responsible for undertaking each task.

**Policy and procedures for obtaining customer feedback**

Similarly, a policy and procedure for obtaining customer feedback would contain who is accountable for obtaining customer feedback and who was responsible for undertaking the procedure's tasks. The procedure's tasks would include what strategies are to be used to obtain feedback.

**Policy and procedures for managing customer complaints**

The policy should state the organisation's commitment to managing customer complaints and contain procedures for those employees who come into contact with customers. The procedures should identify how to respond to customers and what limits of authority employees have.

**Quote:**

"Your most unhappy customers are your greatest source of learning."

Bill Gates, Founder of Microsoft

A more detailed discussion of managing customer complaints is given later in Section 2.

**Continuous improvement**

Most plans would contain evidence of continuous improvement. There should be a continuous cycle of updating the plan, acting, reviewing and updating the plan.

**Customer service charter**

A customer service charter is often produced to inform customers of the customer relevant parts of the customer service plan. It would normally not include specific procedures for employees on how to deal with customers face-to-face or on the telephone.

**Learning Activity: Customer Service Plans**

Although it is difficult to obtain organisations' internal customer service plans, it is possible to obtain an insight by researching their customer service charters.

Do an Internet search for "customer service charter."

Note that each will be written in a different format. Try to identify vision and mission statements, any policies and procedures and evidence of continuous improvement.

List the companies you researched here and comment on their plans:


**Section summary**

You should now understand who customers are and how to identify their needs. You should also know the key elements of a Customer Service Plan.

**Section checklist**

Before you proceed to the next section, make sure that you are able to:

- ☒ Clearly identify internal and external customers
- ☒ Identify your customer needs
- ☒ Identify the key elements needed in a Customer Service Plan.

## Section 2 – Deliver Customer Service

This section develops the concept of customer service and discusses the contents of a customer service plan.

### Scenario: Innovative Widgets

After the initial audit report the Board of Directors decided a new managing director (MD) was needed to take the company forward. They “promoted” the grandson onto the board and recruited a professional manager.

The new MD’s goal was to regain the market share that Innovative Widgets had enjoyed prior to the recent slump in sales. The new MD started by establishing a customer service department and agreeing several new strategies to:

- Implement an internal culture of excellent customer service
- Produce a vision and mission statement that all employees support
- Implement a policy and procedures for identifying customer needs
- Implement a policy and procedures for customer feedback
- Implement a policy and procedures for managing complaints
- Utilise the results of the RATER survey to modify widget standards.

### What skills will you need?

In order to work effectively as a customer service manager, you must be able to:

- ☒ Establish a vision and mission for customer service
- ☒ Implement policies and procedures for identifying customer needs
- ☒ Implement policies and procedures for obtaining customer feedback
- ☒ Implement policies and procedures for managing customer complaints
- ☒ Establish Key Performance Indicators for customer service
- ☒ Implement a customer relations management system.

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## Customer service mission and vision

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It's a well known axiom that "If you don't know where you're going, you're likely to end up somewhere else". In order to avoid this happening in business, a vision and mission is often agreed. Some companies use different terms for mission and vision, such as "Values Statements" or "Guiding Principles".

A customer service vision is a statement of how you see customer services being in the future. The future can be any time, but is normally 5–10 years time. Vision statements can take many forms, but most tend to be short and "punchy", such as the Ford Motor Company's:

"Our vision is to become the world's leading consumer company for automotive products and services."

A mission statement can also be equally short. It defines what the company will do to achieve its vision. The Ford Motor Company's states:

"We are a global family with a proud heritage passionately committed to providing personal mobility for people around the world. We anticipate consumer needs and deliver outstanding products and services that improve people's lives."

In addition, Ford has a Value statement which reads:

"The customer is Job 1. We do the right thing for our customers, our people, our environment and our society. By improving everything we do, we provide superior returns to our shareholders."

A Customer Service Plan benefits from clearly identifying how the business wants its customer services to be in the future and how it intends to get there. A shared vision and mission can be a powerful tool for guiding customer response.

### Meeting standards

A customer service plan should clearly identify what the business produces, the product tolerances and guarantees. Unless there is clarity about the standards to which the company produces an item or service, it will be difficult to judge if it meets the customers' needs. The results of a RATER survey should be fed into the manufacturing process to ensure the product specifications meet the customer needs.

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## Policies, procedures and guidelines

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### What is policy?

A policy is a written statement of intent. For example, a policy on customer service might state that the company believes that customers are the most important part of the business and that they must be treated in such a way to ensure they will be delighted with the service they have received.

### What are procedures?

Procedures are individual tasks and rules that need to be followed in identified situations. For example, procedures for staff when greeting customers in a shop might include smiling at the customer, introducing yourself and asking if you can be of help.

## What are guidelines?

Guidelines are similar to, but less prescriptive than, procedures. Guidelines give suggested responses to particular circumstances but allow the employee discretion in their response.

## Identifying customer needs

In Section 1 the RATER system was described as a model for identifying customer needs. Having received the feedback from customers it is essential to write a policy and procedures that will help ensure that the organisation meets the customer needs.

The customer service vision and mission will drive the policy. For example, if the vision is “providing the lowest cost solution to managing customer relations” the policy will differ significantly compared to a vision of “providing excellence in all that we do”. The first might be appropriate for bunkhouse accommodation and the second for a five star hotel. Consider the following fictitious customer responses to RATER questions from two airlines:

Question	Budget Airline	National Carrier
What is the maximum fare you will pay for a ticket from cities A and B?	\$25	\$175
How do you expect our cabin staff to dress?	Not important	Smart uniforms
Do you expect a meal?	No	Yes
Do you need a dedicated check-in?	No	Yes
Is a non-refundable ticket OK?	Fine. It's cheap.	No, I'd want refund.
Do you expect a frequent flyer lounge?	No	Yes
Will you take your rubbish with you?	Yes	No

The Budget Airline's policies and procedures are likely to be significantly different to the National Carrier's. Using the feedback from RATER guides procedures such as:

- product standards: Prices, delivery times, quality tolerances etc
- uniforms: Suit and tie versus open collar
- livery: Standard livery throughout organisation versus in-flight only
- mode of contact: Deference versus friendly
- cleanliness: Spotless versus tidy
- after-sale contact: None needed (no refunds) versus telephone team to resolve issues

In addition to procedures for meeting customer needs, responsibilities should also be assigned so that all employees are aware who is responsible for executing each procedure.

## Obtaining customer feedback

Imagine you own a café. Business was good and you had lots of regular customers. Then suddenly business fell off and sometimes the place was even empty. What would you do?

You've lost a lot of customers and it's too late to ask them why – they no longer visit your café!

It's essential to monitor your customer's perceptions of your organisation on an ongoing basis. How?

A well known British TV Chef has a novel way of obtaining feedback in his expensive London restaurant. They tell their customers: "If you enjoyed the meal, pay the bill. If you didn't enjoy the meal, don't pay anything, but let us know why you didn't enjoy it." The restaurant is full every night and profits are high.

### Learning Activity: How to obtain customer feedback

Take three minutes to write down all the ways you could get customer feedback if you ran a coffee shop. Be creative, and try to identify novel, unusual methods.




The standard methods of obtaining customer feedback are similar to when identifying customer needs:

- Informal face-to-face discussions are particularly useful if there are a small number of customers.
- Telephone interviews can be useful if there are large distances between the customers and provider.
- Paper surveys, usually sent through the post, can be useful for gathering information but often the return rate is low.
- Internet surveys, often displayed as pop-up boxes, rely on customer traffic to your site.
- Email surveys are better targeted towards your customer and lead the customer to the Internet survey.
- Telephone surveys, when unsolicited, are often seen as intrusive. Telephone surveys that are bolted on to existing calls can be very effective.
- Suggestion boxes are sometimes used.
- Point-of-contact questioning, such as at the cash register, can often provide an informal method of identifying customer needs.
- Focus groups, where samples of customers are questioned about their needs, are useful for organisations with large numbers of customers.
- Mystery shopper activities, which involve someone pretending to be a customer to report back on service, are being increasingly used.
- Benchmarking activities, which involve a specialist company comparing your organisation's customer service to that of your competitors, is useful for setting customer service KPIs.

The method used will depend on a range of factors such as size of company, number of customers, location of customers, etc.

Careful consideration needs to be given when deciding what questions to ask customers.

**An airline asking a question** such as: "Will you fly with us again?" may get 100% positive replies on a particular route. But if they are the only airline flying on that route the result is hardly surprising.

**If the airline asked:** "If there was a choice of airlines and the costs were the same, would you fly with us again?" perhaps the results would differ.

**If the airline asked:** "On a scale of 1–10 where 1 is bad and 10 is excellent, how would you rate our service?" is there a meaningful difference between a score of 7 and 8?

Refer to Section 1 for more information on questionnaire design.

The policies and procedures for obtaining customer feedback will be driven by the Vision and Mission in the same way as Identifying Customer Needs discussed above.

## Customer Complaints

**Quote:**

“Customers don’t expect you to be perfect. They do expect you to fix things when they go wrong.”

Donald Porter, Vice President, British Airways

In the section on customer behaviour, we saw how an unhappy customer would remain a customer if their complaint was resolved. The three steps to manage a customer complaint are: Listen – Respond – Resolve. The first step is to listen to the customer using active listening techniques.

### Active listening

Active listening comprises three or four processes, depending on if you can see the person you are listening to. The four processes are: Asking Questions, Paraphrasing, Verbal Prompts and Eye Contact. Active listening is a skill that requires practice and will develop over time.

- **Asking Questions:**  
Try to engage with the person you are listening to by asking questions. Show interest in what they are saying and try to build a positive relationship. Seek clarification of the issue by drilling down to find out what is at the root. Be empathetic, not assertive. Do not ask a question that implies judgement (such as: “So you were actually using the widget for something it wasn’t designed for?”)
- **Paraphrasing:**  
From time-to-time summarise or recap what the person has said to you. This serves two purposes: to confirm to yourself that you understand what has been said, and also to let the other person know that you have been listening.
- **Verbal Prompts:**  
Use words such as “yes”, “I see”, and “OK” whilst the other person is talking to show you’re paying attention.
- **Eye Contact:**  
Difficult to do over the phone! It serves two purposes – to show the person you are listening to that they have your full attention, and also to ensure you don’t get distracted during the conversation. It is really important when listening to someone over the phone that paperwork, the computer, etc don’t distract you. Firstly you will miss the nuances of what they are saying and also they will hear paper rustling or the keyboard being hit.

### Responding

Most people have complained to someone over the telephone or face-to-face about poor service or product. Think about when you have complained and the responses you have received and complete the following table:

**Learning Activity: Responses to complaints**

Think about when you have complained to an organisation. What did you like about the way they responded and what did you dislike?

Like	Dislike

Most organisations have prescriptive procedures for their employees to follow when responding to customer complaints. Most procedures will include the following:

- Assume the customer is telling you the truth.
- Never argue with a customer.
- Be honest if you don't know the answer to a question.
- Acknowledge the customer's feelings, but concentrate on the facts.
- Apologise if appropriate.
- Use active listening to find out as much as you can.
- Ask the customer how they would like to see their complaint resolved.
- Offer what the customer wants (if within your authority).
- If above your authority, explain what you are authorised to offer.
- If unacceptable, explain you have to refer the complaint and explain when they will hear back and from whom.
- Make sure you refer promptly and someone gets back to the customer at the promised time.

**Resolving**

Listening and responding are likely to resolve the majority of customer complaints. However, there are some cases which are complex by nature and may require more specialist skills, or solutions requiring a higher authority than the customer services are able to offer. Some examples include:

- The complaint involves injury or damage requiring the organisation's insurers to be involved.
- The complaint involves a threat of legal action requiring the organisation's lawyers to be involved.
- The complaint can be resolved, but at a cost above the authority of the Customer Services Manager. This needs to be referred to the Customer Services Manager's manager.
- The complaint can be resolved by changing the product or service specifications. This will require internal inter-departmental discussions.

In addition to procedures for managing customer complaints responsibilities should also be assigned so that all employees are aware who is responsible for executing each procedure.

## Mentoring and coaching

The management skills are an integral part of being able to manage quality customer service. However, this course does not teach these skills in detail, they are the subject of clustered courses, particularly BSBMGT502A Manage People Performance. This section will provide a review of these skills for those who have already undertaken relevant clustered courses, and as an introduction for those learners who are yet to undertake the clustered courses.

What is the role of a manager? Take a few moments to list what you think a manager does.

Learning Activity: What a manager does
Make a list of what you think are the roles and responsibilities of a manager.

A manager's role can be extensive and complex. Depending upon the size of the organisation there may or may not be people to do some or all of the following:

- recruitment
- pay, compensation and benefits
- provide ICT support
- provide office services, repairs, etc
- provide purchasing services
- provide training services

In a small company, a manager may have all the above to contend with whilst still undertaking the role of a manager. So what is the role of a manager? A manager needs to produce department plans, prioritise and allocate work, assess individuals' performance and provide feedback. The manager also needs to manage non-human resources, produce budgets and reports. Attending and chairing meetings is a routine activity. But here, we are going to concentrate on the four key skills of leadership, supervision, mentoring and coaching.

### **Leadership**

Leadership is strategic activity often thought of as the ability to set visions and inspire others to achieve that vision. Many of the world's greatest leaders shared their visions and have inspired others to achieve them. Winston Churchill rallied allies from across the globe to help during World War Two. Martin Luther King's famous "I have a dream" speech in Washington set the USA on a course away from black oppression and ultimately with the election of the first African-American President in Barack Obama.

In business, it is the role of the manager to set visions for the department to achieve. The vision needs to be shared, with all staff buying into it and being prepared to work towards it. A customer service vision may indicate a significant change to the current practices or be a call to improve existing performance.

### **Supervision**

Supervision is less strategic and involves day-to-day overseeing of the performance of an individual or group. This involves allocating work, assessing individuals' performances and providing feedback. It also involves following up on feedback with staff to ensure improvements, or to re-deploy or terminate staff. Intrinsic in this role is the need to use active listening in order to fully understand the complex issues that can be present with personnel problems.

### **Mentoring**

Mentoring refers to the relationship between an experienced expert (the mentor) and the mentor's development of a protégé. The manager may identify someone who appears to have the skills to develop further within the organisation and assist with that person's development through targeted strategies such as training, exposure or assignments. It is the manager's role to identify an appropriate mentor (not necessarily the manager) and obtain agreement for the mentoring assignment.

### **Coaching**

Coaching refers to the act of directing, guiding and training an individual or group. Coaching often involves modelling what to do. In the sporting context a coach helps the athlete to maximise their performance and this is what coaching in the workplace should aim to achieve. Note that in the sporting context the athlete is the better performer, and this can also be true in the workplace. The best manager may not be the best person to respond to an irate customer!

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## Record keeping

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Record keeping is not only essential to an organisation; it can sometimes be mandated by legislation. Record keeping helps achieve good communications within an organisation and also provides data that can be analysed over time to identify trends (such as increases in variations as described in Section 3).

Records should be kept of:

- customer service plan
- procedures for updating the plan
- minutes from meetings
- customer complaints
- identification of customer needs
- customer feedback surveys
- KPIs and performance towards KPIs.

In addition, a manager should keep a personnel file for all staff in the department that includes:

- tombstone data

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## Customer relationship management

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Customer relationship management (CRM) refers to those organisational activities designed to establish and cement strong links with customers. The ultimate goal is to become a unique provider so that the customer is so delighted with what you provide he or she has no need or intention to go anywhere else for your product.

Large organisations utilise computerised customer relationship management systems that comprise an integrated database of information about all customers, activity schedulers and reports.

Typically, the database can provide instant access to all the information held about the customer, from preferred name, family relationships, past purchases, past complaints etc. This enables all staff members who come into contact with the customer to be able to converse with a full history of the customer at their fingertips.

CRM systems can also schedule calls, meetings, invitations or mail-outs as appropriate for the particular customer.

CRM can also act as an intelligence gathering opportunity with information about the customer being used by other internal departments such as the Sales Department, who would be interested in any upgrading or replacement opportunities.

**Learning Activity: Investigate Customer Relationship Management systems**

There are several computerised customer relationship management systems available to purchase. Some of the more common are listed below:

- Siebel
- SAP
- Peoplesoft
- Microsoft dynamics

Use the Internet as a source to gather information about a variety of systems. List the common features here:

Some of the computerised systems that you investigated require significant investment both to purchase and operate and are intended for large organisations. The services that they provide can be done equally well manually in smaller organisations.

**Monitor customer service****What are Key Performance Indicators?**

Most staff and departments will have goals and objectives that have been designed to support the organisation in achieving its goals and objectives. Often an individual or department might have many goals and objectives. For example, a customer service manager may have some like these:

- Ensure 90% of all calls are answered within 3 rings.
- Reduce operating expenditure by 2.5% of last year's budget.
- Identify an internal replacement for complaints supervisor who retires in March.
- Reduce staff absenteeism by 5% on last year's figures
- Produce a report on the opportunities for outsourcing the telephone complaints line by October.

The key performance indicators (KPIs) are those that capture the essence of what the department's role is. In this case, it would be to ensure 90% of all calls are answered within 3 rings. Some of the other objectives will help achieve that, but by themselves are not key.

**Customer service KPIs**

Customer service KPIs may include some of the following:

- time taken to answer customer calls
- percentage of complaints resolved on the same day of complaint
- achieving an agreed customer satisfaction score in feedback
- undertaking an agreed number of customer feedback activities
- undertaking an agreed number of customer need identification exercises.

**Tip: Track KPIs in Excel**

Microsoft Excel is a useful and easily used application for recording, monitoring and presenting progress towards KPIs.

Simple pie charts or histograms can be quickly produced to present performance against targets.

**Tip: Visual Management**

When managing a team who are working towards common KPIs, make the KPIs visible along with the actual performance. The team can instantly see how well they are doing towards their goals.

For example, telephone call centres display KPIs and current performance such as:

- KPI – Average Maximum Call Duration: 3 minutes
- Actual – Average maximum Call Duration: 3 mins 15 secs

**Section summary**

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You should now understand how to implement a customer service plan. Set KPIs

**Section checklist**

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Before you proceed to the next section, make sure that you are able to:

- ☒ Establish a vision and mission for customer service
- ☒ Implement policies and procedures for identifying customer needs
- ☒ Implement policies and procedures for obtaining customer feedback
- ☒ Implement policies and procedures for managing customer complaints
- ☒ Establish Key Performance Indicators for customer service
- ☒ Implement a customer relations management system.



## Section 3 – Improve Customer Service

This section introduces the concept of customer service and discusses the key elements of a Customer Service Plan.

### Scenario: Innovative Widgets

Things were beginning to improve at Innovative Widgets. The RATER exercise identified several deficiencies that were easy to correct. Many customers complained about tolerance problems, which were soon fixed by the production manager. Letters of apology had been sent out to the larger customers who had not bought from the company recently, apologising for the tolerance faults and offering a significant discount on their next purchase.

Meanwhile, the newly appointed customer services manager was beginning to get the customer services team working together as a team. A vision and mission had been agreed collectively during a brainstorming sessions and the team had split into groups to produce the policies and procedures for the manager to review with the MD.

The MD had been so impressed that he called his senior managers together and asked them to use the customer services model to implement internal customer service plans within their departments.

Training sessions were organised to learn and practice the skills needed for handling customer complaints, and also to become familiar with the new procedures.

The first feedback survey had been issued to customers and the results were beginning to pour in. And therein lay the customer service department's next problem: how to make sense of all the raw data.

### What skills will you need?

In order to work effectively as a customer services manager, you must be able to:

- ☒ Analyse customer feedback
- ☒ Identify customer service problems
- ☒ Produce and evaluate solutions
- ☒ Implement continuous improvement.

### Analysing customer feedback

#### Raw Data

Customer feedback raw data refers to the results of any surveys that have been undertaken. The data is likely to be a mix of quantitative and qualitative data. Analysing quantitative data is straightforward using a spreadsheet (such as Microsoft Excel) and using suitable graphics for presenting the results.

Qualitative data can be more problematic. Complete the following Learning Activity before reading on.

### Learning Activity: Bull's eye diagrams

Your customer survey had a space for “Any Suggestions?” and the results are given below.

You can't afford to act on all the suggestions, which one(s) would you implement first and why?

- |  |  |
|--|--|
| <input type="checkbox"/> It's too dark at the back of the café.  | <input type="checkbox"/> Can you offer organic milk?   |
| <input type="checkbox"/> I think your sign should be larger.   | <input type="checkbox"/> No magazines to read!!!   |
| <input type="checkbox"/> I'd prefer seats with cushions.   | <input type="checkbox"/> My coffee was cold.   |
| <input type="checkbox"/> I'd appreciate free newspapers.   | <input type="checkbox"/> Can you offer pastrami as sandwich filler?                            |
| <input type="checkbox"/> Only one toilet in the ladies – it's not enough.  | <input type="checkbox"/> I'd prefer classical music to the ABC Radio News.                     |
| <input type="checkbox"/> There was a noisy group of students in the corner and I couldn't hear my conversation with my friend. | <input type="checkbox"/> I think you'd all look better in red aprons instead of the blue ones. |
|  | <input type="checkbox"/> Tablecloths would be appreciated.                                     |
|  | <input type="checkbox"/> Can you ban mobile phones????   |

First I would implement:

Because:

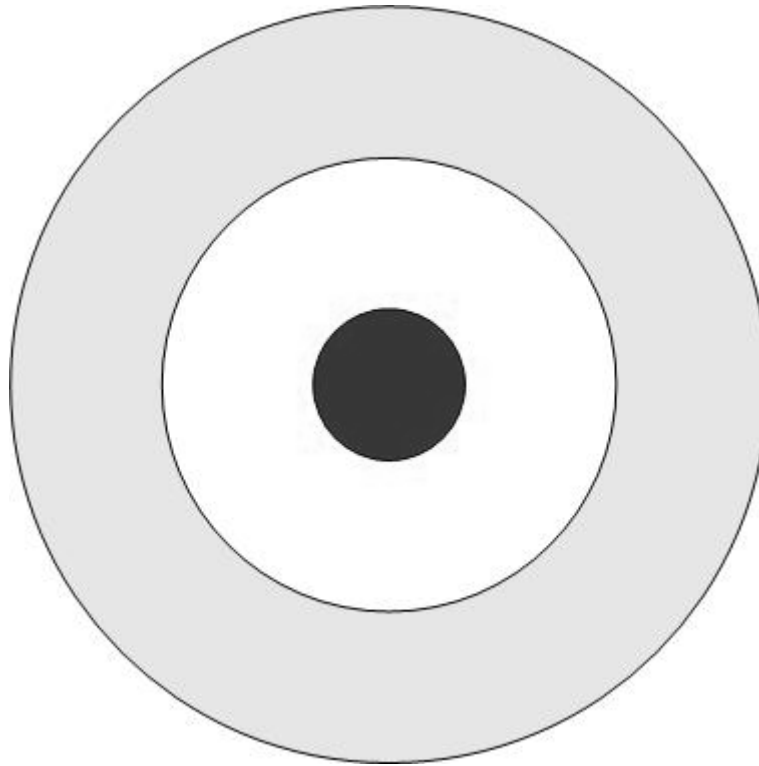
Then I would implement:

Because:

It is difficult to evaluate qualitative data such as the survey produced because there is no weighting to each suggestion. For example, if the person who complained about the lack of toilets said it would stop her visiting the café in future, would that change your decision? If the person who asked for classical music would spend more time (and money) each day would you implement that? What's needed is some way of prioritising qualitative data to guide your decision making.

A bull's eye diagram is one of many tools that can assist in this process. It is used with a follow-up survey of your customers where you share the comments you received from the first survey.

Your customers add weight to the comments by placing them into a bull's eye diagram where the outer circle represents “no importance”, the middle “might make me visit more often” and the inner circle “critical – a must do item”:



It will soon become apparent which items should be given priority.

## Identifying customer service problems

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### How can we identify problems?

Customer service problems can be identified in various ways. Customers can be asked for feedback on an organisation's product and/or service using one or more of the variety of survey methods outlined in Section 1.

The RATER model for identifying customer needs can be used to test if the organisation is delivering what the customer wants.

Internal statistics can be used to identify problems. Reports on product returns, sales figures, and complaints will help identify problems.

Performance against customer service KPIs will help identify problems within a customer service department.

### Variation

The data received from the above sources is likely to vary over time. For example, the number of unanswered calls on a customer complaints line may be 25 one day, 30 the next, 28 the day after, and so on.

The number of widget returns is likely to change week-by-week. One week 15, the next 10, then 18 the week after. It is unlikely that the figures will be the same day after day or week after week.

These changes are known as “variation”.

### Assignable variation and natural variation

The variations described above are likely to be natural (or sometimes called common cause) variations. In the first example, assuming the number of incoming calls is fairly constant and staff levels haven't changed, we can expect around 25 to 30 unanswered calls each day. Even when we put extra staff on the telephones, people still hang up before the call is answered. It's a natural variation caused by more people calling to complain one day or perhaps more people showing impatience. It would seem that the second example is also natural variation.

Assignable (or also called special cause) variation is when a cause can be found for the variation. For example, if the reports show that all the widgets that are returned are always the 6mm size (never any other size), then it is likely that the variation is assignable. The cause can be investigated and possibly identified and corrected. It may be that the setting on the machine that makes 6mm widgets needs to be re-adjusted, or that the operative who uses the 6mm machine needs additional training.

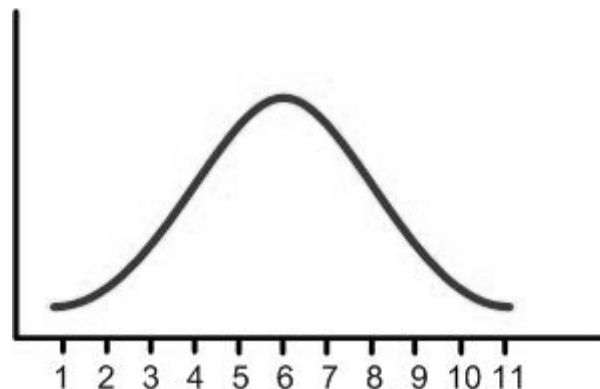
### Reducing variation

Once the cause of the variation has been identified, it is then possible to correct the fault and reduce the variation.

#### Example: What is Six Sigma?

Six Sigma is a statistical analysis tool for identifying and reducing assignable variation. It was developed by Motorola in the 1980s.

The basic assumptions of Six Sigma rely on the statistics associated with a normal distribution (the sort that produces a bell shaped curve when plotted on a graph).



An example will illustrate the theory:

If 10mm widgets were to be produced to a size tolerance of  $\pm 3\%$ , then in an ideal world the bell curve would have all the widgets produced within a range of 9.7mm and 10.3mm. If a significant number were outside this range, then targets should be set to manufacture the widgets more accurately and reduce the number of out-of-specification widgets.

## Quality tools

The 7 Quality Tools are a group of tools originally developed by Kaoru Ishikawa for solving quality problems in manufacturing. These tools have achieved widespread use for solving quality problems in all fields including customer service.

### Check sheets

A check sheet is a simple tool for gathering numerical evidence of problems. They are usually used to make a tally prior to producing a Pareto Diagram, Histogram Chart or Scatter Diagram.

	Sales Team 1	Sales Team 2	Sales Team 3
Pressured	1111		1
Uninterested		111	1
Kept waiting		1111	11

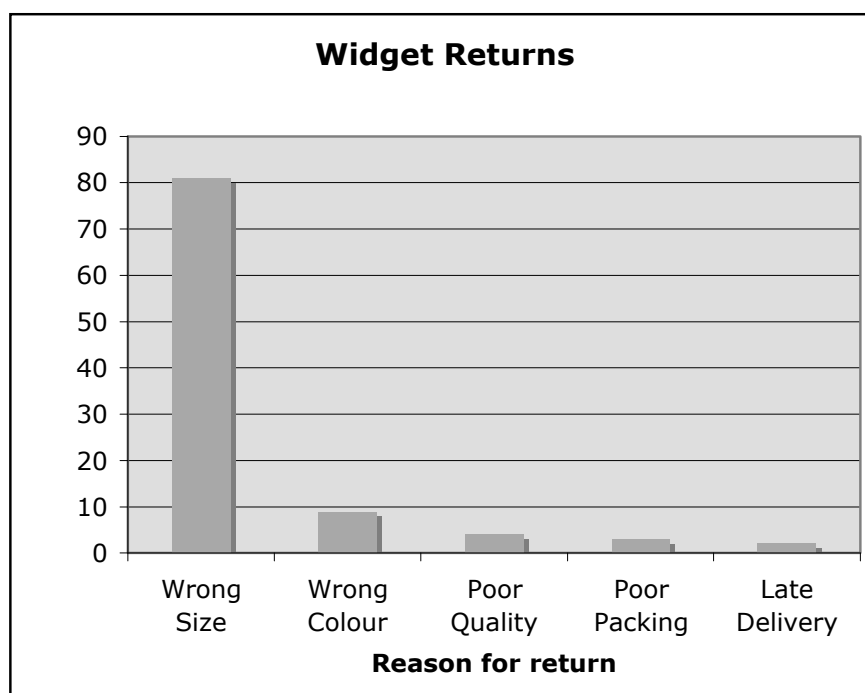
This chart captures fictitious data from customers after they have visited a store. It shows Sales Team 1 to be too proactive in their selling techniques whilst Team 2 seems to be oblivious of the customers!

### Pareto charts

Vilfredo Pareto was an Italian economist in the late 19<sup>th</sup> and early 20<sup>th</sup> Century. He commented that 20% of the people had 80% of the wealth. This observed ratio has been applied to quality issues, notably by Joseph Juran who stated that 20% of the quality problems resulted in 80% of the financial loss. Juran called this observation the 80:20 Rule.

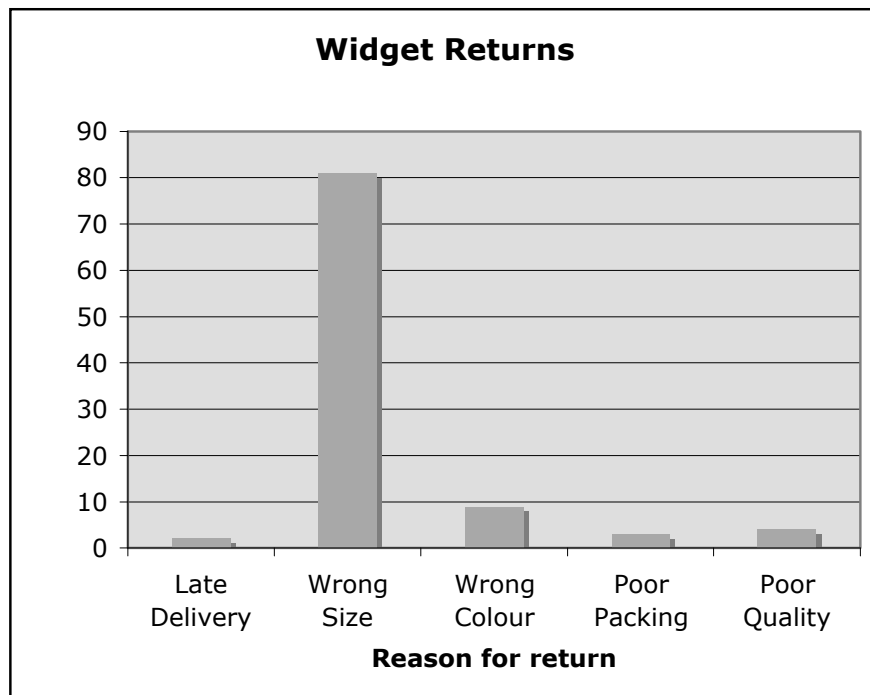
A Pareto Chart is a bar chart or histogram, where the number of observations of a problem is plotted on the y-axis while the faults are described on the x-axis. It is normal to sort the results with the highest number closest to the y-axis.

The Pareto chart can quickly prioritise the problem that needs to be solved first.



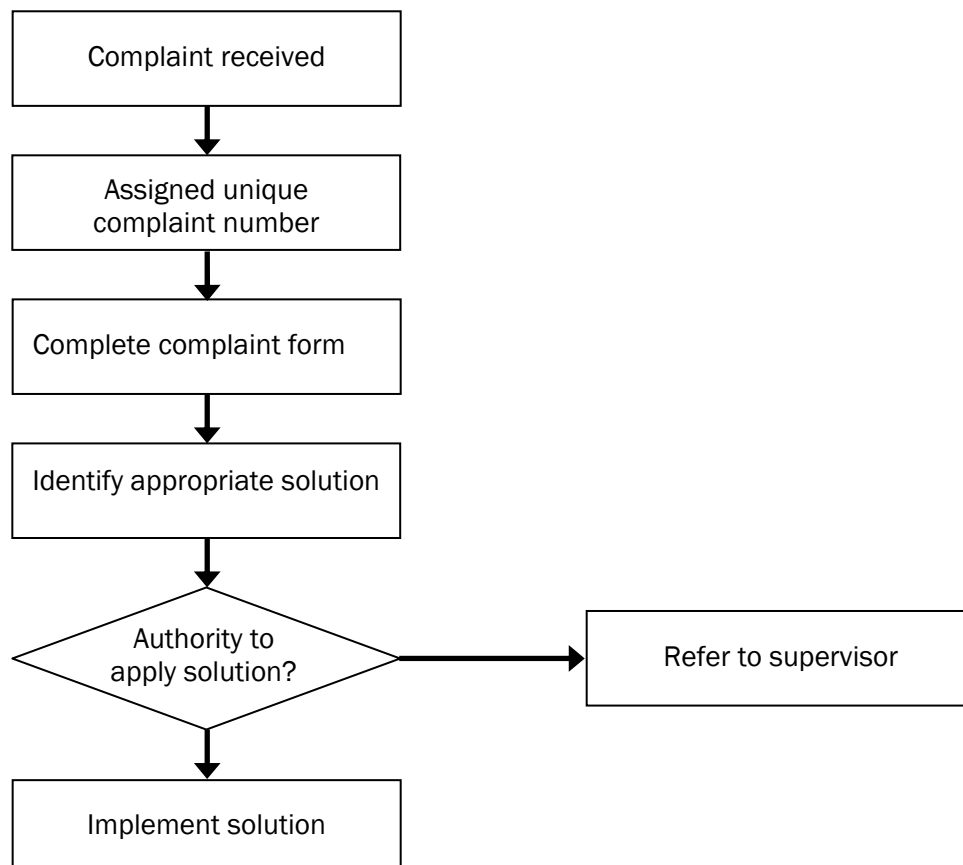
## Histograms

Histograms are also used to plot problems in a similar way to the Pareto Charts but without sorting the results.



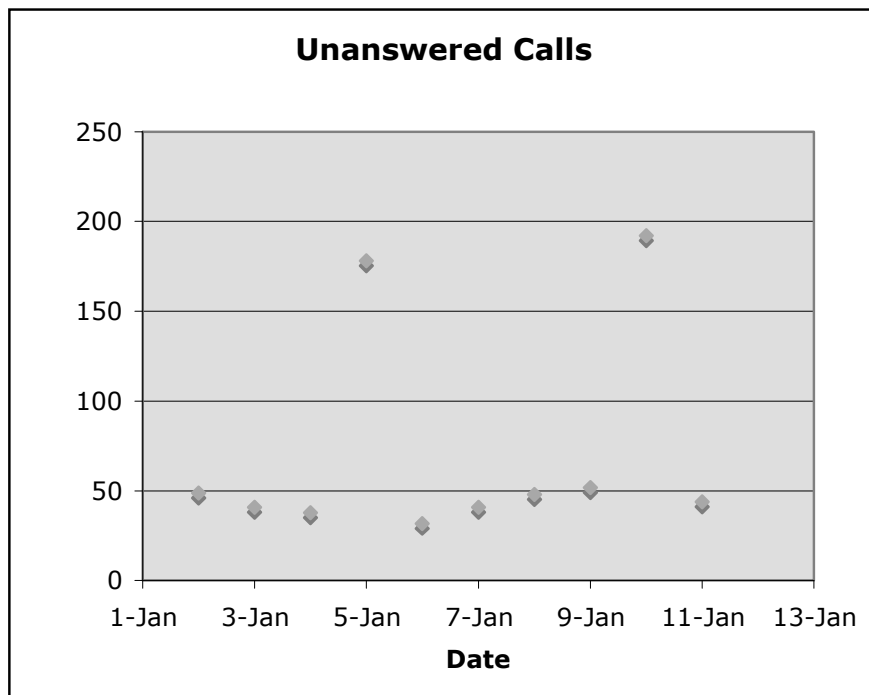
## Flow charts

Flow charts can present workflows in a graphical way. They are used to better understand relationships between work processes. This is a simple complaints flow chart:



### Scatter diagrams

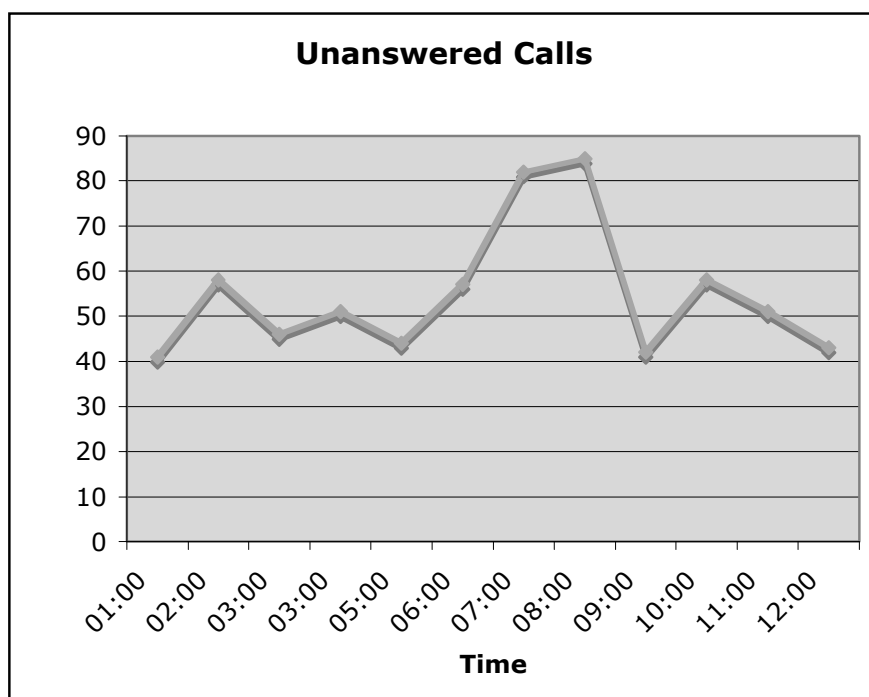
Scatter diagrams help to identify correlations between variables. For example, if the number of complaints received on a particular day was higher than on other days, it might help identify day-specific problems.



In this example the number of calls unanswered by the customer complaints team clearly shows problems on 5 January and 10 January.

### Control charts

Control charts can be used to monitor quality over a period of time.



In this example there appears to have been a peak of unanswered calls between 07:00 and 08:00.

### Cause and effect diagrams

Sometimes called “Fishbone Diagrams” (after the way they look) or “Ishikawa Diagrams” (after the inventor) these diagrams are a useful way of showing the relationships of the problem and its possible causes.

The head of the fishbone represents the problem whilst the bones represent the factors that contribute to the problem. The number of bones coming from the backbone varies, depending on the nature of the problem. The inventor suggests four bones are useful for service industries; the bones represent “surroundings, suppliers, systems and skills”.

### Produce and evaluate solutions

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At various stages during this Student Workbook the importance of active listening has been stressed. Fully researching a problem is essential before attempting to find a solution and the active listening skills you have developed during this course will be invaluable.

There are many tools to assist in problem solving. This section will explore four:

- brainstorming
- root cause analysis
- fishbone diagrams
- force field analysis

#### Brainstorming

Brainstorming can be used to capture creative ideas to solve problems. It relies on a few simple rules that are designed to maximise creativity.

Brainstorming usually takes place in a meeting room. There is a facilitator, whose role is to state the problem and encourage the remaining participants to call out solutions. The solutions are written on a flip chart, whiteboard or similar.

Participants are encouraged to call out unusual, novel or bizarre solutions.

Seeing bizarre solutions often triggers other ideas from the remaining participants.

There must be no judging of the solutions.

At the end of the session the results are normally typed-up and time given for reflection. A follow-up meeting then reviews the suggestions and tries to identify any successful solutions.



### Root cause analysis

Root cause analysis is a technique used to try and pinpoint the precise reason for a problem. It relies heavily on active listening. The following table shows the steps that are taken and gives a simplified customer service application to help illustrate its use.

Define the problem	People have started to leave the café without finishing their coffees.
Gather evidence about the problem	Most cups are left half full. Some customers say they don't like the taste. Others say it tastes "gritty". On examination, the coffee has a gritty residue at the bottom of the cup.
Identify cause and effect relationships	Gritty coffee can be caused by the grind being too fine and passing through the basket into the cups. The grinder wearing out and becoming faulty can cause this. Setting the grinder to the wrong setting can also cause it. Gritty coffee can also be caused by the holes in the basket being too large.
Identify the cause(s) that if removed or fixed would prevent the problem	The size of the basket holes looks OK. The grinder is new and works OK when tested. All staff asked if they know how to use the grinder. Recent hires have not been trained.
Identify solutions	Train staff.
Implement solutions	Staff are trained in how to grind coffee correctly.
Observe impact to ensure the initial problem is fixed and no new problems have been caused as a result of the solution	All customers are drinking full cups. Apologise to past customers and offer a free refill.

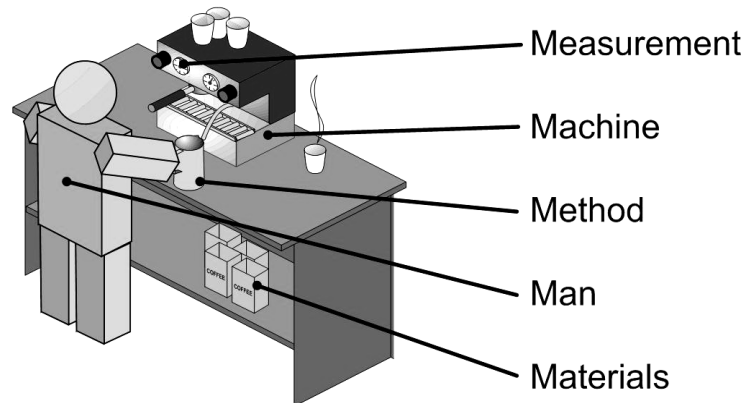
## Fishbone diagrams

Fishbone diagrams are another tool for helping identify the root causes of complex problems. Remember: they were developed by Kaoru Ishikawa in the 1960s and are sometimes known as a cause and effect diagrams.

Think again about the coffee example.

The possible causes of problems are clustered around the 5Ms, namely:

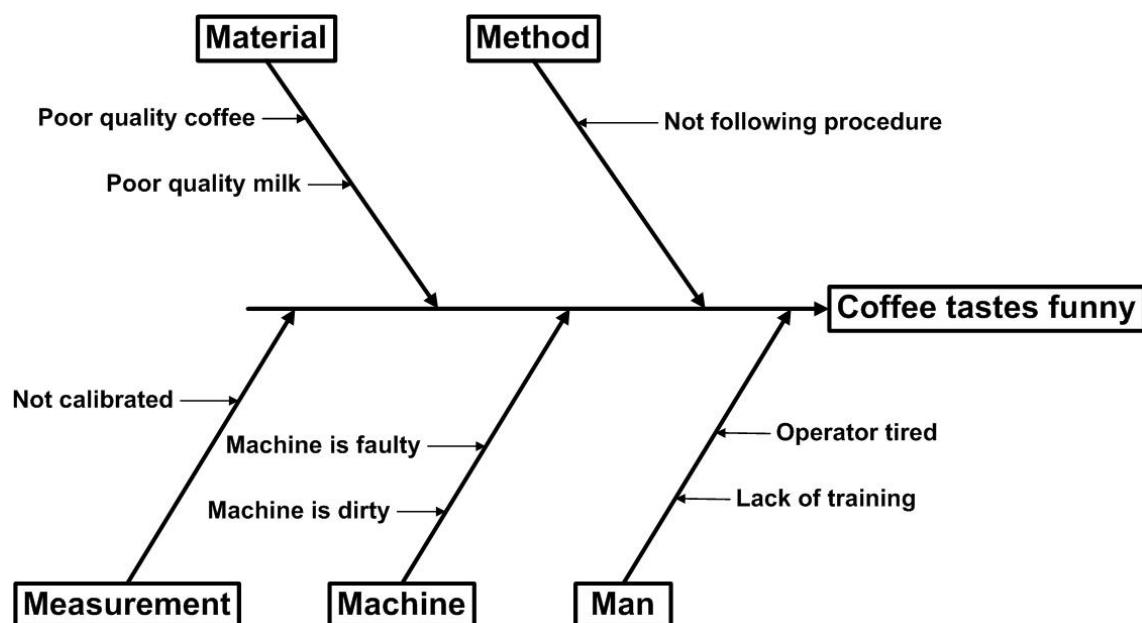
1. Man
2. Machine
3. Method
4. Materials, and
5. Measurement.



If customers were complaining about your coffee, what could be the reasons?

- Poor quality coffee (material)
- Machine temperature is out of calibration (measurement)
- Machine is not clean (machine)
- New operator is working the machine (man)
- Operator is not following procedure (method).

A fishbone diagram forces you to expand on all of these possible causes.



### Force field analysis

Force field analysis is a tool that helps decisions about changes. Changes rarely have simple outcomes; they often result in complex shifts within an organisation. Each shift can be seen as having pros and cons, and force field analysis helps to quantify these qualitative pros and cons.

The process begins by describing the proposed change in the middle of a flip chart or whiteboard.

All the forces for (pros) the proposed change are listed on one side of the outer edge of the flip chart. All the forces against (cons) the proposed change are listed on the left of the flip chart.

A score is given for each force. This seems arbitrary at first, but can be refined later. When all the forces have been scored, revisit the scores to make sure a fair weight has been assigned to all.

Finally, when all the scores have been agreed, add both sides up. The highest score indicates whether a particular course of action is appropriate.

The following is a simplified example of a force field analysis for installing an extra toilet in the ladies room in the café. The calculation was not in favour of the proposal:

PROS		CONS	
Customer retention	2	Cost	5
New customers	2	Loss of space	2
Extra income	1		
Total: 5		Total: 7	

Install toilet in ladies room in the café.

After surveying customers, analysing their feedback, identifying problems and producing solution, it's time for the cycle to be completed – the customer service plan, organisation's product or the organisation's service is changed to resolve the problems.

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## Continuous improvement

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You may recall from the beginning of this Guide that the Managing Director of Innovative Widgets used the saying: “If it’s not broken, why fix it?” Continuous improvement adopts the opposite approach – continually looking for small ways to make things better. The Japanese word for improvement is “Kaizen”.

### Kaizen

Kaizen was developed in Japan after the Second World War and was used to great effect at Toyota. It involves all staff within an organisation asking the following questions (Cole, 2005) about what they do:

- How can we do this better?
- How can we do this easier?
- How can we do this faster?
- How can we do this cheaper?
- How else can we do this?

Kaizen can be undertaken as an individual activity, but is more commonly undertaken as a team approach.

Continuous improvement will not happen unless systems are in place to make it happen. A good customer service plan should contain a section on scheduling improvement activities, documentation reviews, when procedures will be revised, etc.

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## Section summary

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You should now understand how to analyse the data received from customer surveys, identify problems and produce solutions.

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## Section checklist

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Before you proceed to the next section, make sure that you are able to:

- ☒ Analyse customer feedback
- ☒ Identify customer service problems
- ☒ Produce and evaluate solutions
- ☒ Implement continuous improvement

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## Further Reading

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## Glossary

Term	Definition
Goods	Tangible products
Intangible services	Items that are untouchable, such as advice from a lawyer
Product	An item that is being offered for sale
Provider	The person or organisation who is selling the product or service
Questionnaire	The questions that will be asked when conducting a survey
Survey	The process of asking the questions
Tangible products	Items that you can touch

## Appendix 1 – Staff issues

Assume that you are the Customer Services Manager in both of these scenarios. In your group, discuss what you would do in each situation. Make a list of your ideas and nominate one person to feed back to the whole class.

### Scenario one

Part of your role is to manage the six-strong telephone complaints team. You've noticed that one complaints team member, Joe, is leaving early most afternoons. Joe is normally one of your best workers. Last month you called him into your office and told him you saw him leaving early and reminded him that finishing time was 5pm prompt. He said he'd not do it again. He kept good time for about a week, but then you noticed his desk was empty at 4:30 one night.

The following day when you mentioned it, he said he left early with a headache. Last night you saw him driving out of the car park at 4:45. You call him into your office...

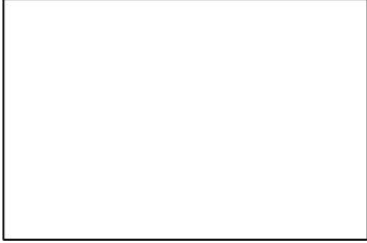
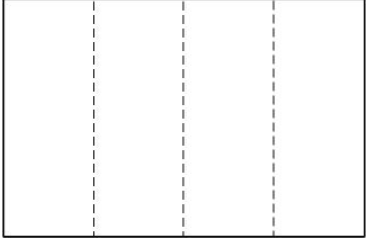

### Scenario two

You've noticed that the telephone complaints team spend a lot of time in a group, chatting and joking. Sometimes the phones can be ringing and the team respond slowly to them, finishing off their tales or stories first.

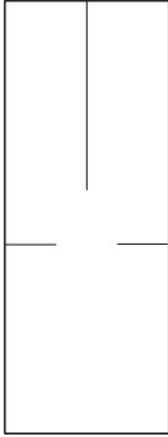
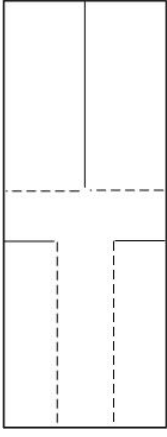
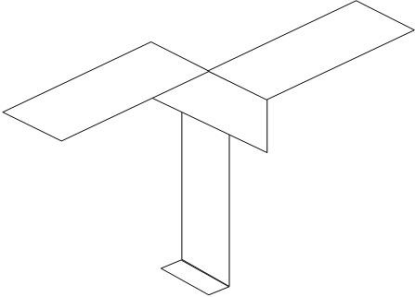
It wasn't always like this, the team used to be very diligent. In fact this only started after Kate, the new employee, arrived a couple of weeks ago.

At first you saw this chatting as team building and bonding so had done nothing about it. In fact, thinking about it, you had joined in a couple of times at first. This has to stop. You call a team meeting...


## Appendix 2 – How to make a paper helicopter

	
<p>Take a piece of A4 paper. Put it on its side (landscape)</p>	<p>Cut the paper into 4 equal parts</p>

		
<p>Take one of the pieces and cut along the solid lines</p>	<p>...then fold along the dotted lines</p>	<p>Fold the bottom 1 cm up to get the following shape...a helicopter</p>

## Appendix 3 – Customer Service Plan: briefing note (general)

### Customer Service Manager

You have been assigned to lead this meeting. The agenda is:

<p style="text-align: center;"><b>Innovative Widgets</b> <b>Customer Service Department</b></p> <p>Service Plan Meeting.</p> <ol style="list-style-type: none"><li>1. Introductions – Manager</li><li>2. Why are we implementing a service plan? – Manager</li><li>3. What do our customers need? – Team Member A</li><li>4. Can we meet their expectations? – Team Member B</li><li>5. How will we monitor our success? – All</li><li>6. How can we deal with complaints? – All</li><li>7. AOB</li></ol>
---

Innovative Widgets is having problems with some customers. We make stainless steel widgets in a range of sizes: 5mm, 6mm, 7mm, 8mm, 9mm and 10mm. Recently there have been quality control issues, with some widgets being over 10% bigger or smaller than specified. Some customers have been returning their widgets and asking for refunds. One has claimed compensation for failing to meet a big order deadline because our widgets were the wrong size.

You asked Team Member A to talk to our biggest customer and ask what their needs are. You also asked Team Member B to check with our Production Department to see what was causing the problems.

In the past, customer service has consisted of handling the odd complaint and taking our bigger customers out for lunch to keep them happy. You have decided it is time to become more professional and want to produce a Customer Service Plan.

Think about the last session when leadership, supervision, mentoring and coaching were discussed. What skills will you use at this meeting?



## Appendix 4 – Customer Service Plan: briefing note (a)

Team Member A – briefing note.

You have been asked to attend this meeting. The agenda is:

<p style="text-align: center;"><b>Innovative Widgets</b> <b>Customer Service Department</b></p> <p>Service Plan Meeting.</p> <ol style="list-style-type: none"><li>1. Introductions – Manager</li><li>2. Why are we implementing a service plan? – Manager</li><li>3. What do our customers need? – Team Member A</li><li>4. Can we meet their expectations? – Team Member B</li><li>5. How will we monitor our success? – All</li><li>6. How can we deal with complaints? – All</li><li>7. AOB</li></ol>
---

Your manager recently asked you to visit Innovative Widget's largest customer and ask what they needed from us. The details are below; you will present them verbally at this meeting.

1. They want all five sizes of widgets.
2. They can only accept them within a tolerance of +/- 5%.
3. They're happy with our price, but not the number of faulty widgets they're getting. They have approached other companies about supplying widgets for them.
4. If they do buy from another company, we lose about 40% of our customer base.

# Appendix 5 – Customer Service Plan: briefing note (b)

Team Member B – briefing note.

You have been asked to attend this meeting. The agenda is:

<p style="text-align: center;"><b>Innovative Widgets</b> <b>Customer Service Department</b></p> <p>Service Plan Meeting.</p> <ol style="list-style-type: none"><li>1. Introductions – Manager</li><li>2. Why are we implementing a service plan? – Manager</li><li>3. What do our customers need? – Team Member A</li><li>4. Can we meet their expectations? – Team Member B</li><li>5. How will we monitor our success? – All</li><li>6. How can we deal with complaints? – All</li><li>7. AOB</li></ol>
---

Your manager recently asked you to meet with the Production Department. Recently customers have been returning widgets because they are the wrong size. Here are the results of your meeting:

1. Using existing machinery, we can only produce 70% of our widgets to an accuracy of +/- 1%.
2. 20 % are produced at +/- 10% accuracy.
3. 10% are produced at more than +/- 10% accuracy.
4. The production manager blames the problem on the production machinery being old and getting worn. With new machines he could guarantee +/- 1% accuracy. New machines would cost approximately \$500,000 and guarantee to remain accurate for ten years.

He could get the current machines refurbished at a cost of \$100,000 and produce widgets to a +/- 3% accuracy. The accuracy guarantee would be for two years.

## Appendix 6 – Identifying customer needs (Role play)

### Role play

You are a buyer for a company that uses widgets. You have been asked to meet with Innovative Widgets to discuss your customer needs. This document lists your needs under two headings: List A and List B. Under no circumstances are you to reveal the contents of List B unless specifically asked by the Innovative Widgets representative. You may reveal the contents of List A at any time.

<b>LIST A</b> (Give out this information freely)	<b>LIST B</b> (Keep to yourself unless asked)
You need cylindrical stainless steel widgets.	You want delivery within 24 hours of ordering.
You want 100 of each size each month.	You want 24 hours access to a nominated person who can deal with your orders.
The sizes you want are 5mm, 6mm, 7mm, 8mm, 9mm and 10mm.	You expect your suppliers to dress smartly in clean uniforms and deliver in clean vans.
They must be made to a tolerance of no more than +/- 5%.	You only deal with companies that share their complaints procedure with you.
You don't want to pay more than \$25 for each widget.	You will not tolerate impolite or unprofessional suppliers
You expect widgets to be guaranteed for two years from the date of purchase.	You expect free delivery of your orders.
	You don't like speaking to a machine on the phone – you expect to talk to a person first time, every time.

## Appendix 7 – Identifying customer needs

You are a customer service representative for Innovative Widgets. You have arranged a meeting with a potential customer who regularly buys widgets to find out if you can meet their needs. Interview the potential customer and make a list of their needs below:

[illegible]

## Appendix 8 – Identifying customer needs: RATER model

Use the following questions to determine what your customer needs from Innovative Widgets.

<p><b>Reliability</b></p> <p>Do we deliver what our customer expected (not what <b>you think</b> your customer expected)?</p> <p>Is what you deliver accurate, when your customer wants it and dependable?</p>	
<p><b>Assurance</b></p> <p>Do our staff members inspire trust and confidence in our customers?</p> <p>Are staff members knowledgeable about what we supply? Do you expect them to be?</p> <p>Are staff members respectful and courteous to our customers? Would you prefer us to be less formal?</p>	
<p><b>Tangibles</b></p> <p>Are the parts of our facilities that you visit clean and tidy? Do you expect them to be?</p> <p>Are our vehicles clean and drivers well presented?</p> <p>Is the paperwork you get from us clear and useful to you?</p>	
<p><b>Empathy</b></p> <p>Do you think we care about you when you call us?</p> <p>Do we share your concerns when you make a complaint?</p>	
<p><b>Responsiveness</b></p> <p>How quickly do you need a response when telephoning with a product question?</p> <p>Do you mind dealing with different people within Innovative Widgets?</p>	
<p><b>Does our customer have any other comments?</b></p>	

## Appendix 9 – Policies and procedures (Role play 1)

You recently bought a widget from Innovative Widgets. The first time you used it the widget snapped and bits flew into the air. Luckily you were not hurt, but a piece did hit your window and smashed it.

You were very shocked and angry at the time. You could have lost an eye! You are now sitting with a member of Innovative Widgets Customer Service Team.

You want to complain and you have four objectives:

1. You want your money back for the broken widget.
2. You want the money to replace the window upfront (times are hard - you don't have spare cash to pay for it and claim back later).
3. You want compensation for the shock, distress and inconvenience you have suffered. You don't know what compensation to ask for – this is more a point of principle. If you get offered anything, you would accept it.
4. You want to Innovative Widgets to conduct an investigation to find out why this happened and to be told what they are going to do to make sure it never happens again.

Be assertive. Argue your case. You might even get angry. But **do not** become violent!

# Appendix 10 – Policies and procedures (Role play 2)

## Policy

Innovative Widgets strives to provide products and services of the very highest standards. However, we accept that occasionally things don't go as planned and we fail to live up to our customers' expectations. When this happens, we have procedures to ensure that we rectify the problems fairly and promptly.

## Procedures

1. Greet the customer courteously and give them your name.
2. Listen fully to what the customer is saying. Try to gather all the facts about the complaint and jot them down. Ask questions and summarise what they are saying.
3. Never argue with the customer.
4. Apologise for any product fault or poor service. Be sympathetic. Ask if the customer will allow us to send the faulty item to our quality department for testing.
5. When you have all the details about the complaint, ask the customer how they would like it to be resolved.
6. No quibble product replacements or refunds are within all staff members' authority.
7. All staff members can use their professional judgement and refund an additional 10% of the value of the faulty product up to a maximum value of \$25.
8. Complaints involving damage to other property are covered by our insurance. Help the customer to complete the Claims Form and ask if the customer can obtain quotes for repairs.
9. All complaints involving injury must be referred to the Customer Service Manager. Agree a suitable time for the Customer Service Manager to call the customer.
10. Any complaint that is not covered in the above procedures must be directed to the Customer Service Manager. Agree a time for the Customer Service Manager to call the customer.

# Appendix 11 – Feedback systems

## All attendees

You are attending an Innovative Widgets Customer Services Department meeting to discuss how to obtain customer feedback about your products and services.

Innovative Widgets produce and sell stainless steel widgets in the following sizes: 5mm, 6mm, 7mm, 8mm, 9mm and 10mm. They are guaranteed to be made within a tolerance of +/- 2%.

Your largest customer buys 40% of your widgets. There are two customers who buy around 10% each and the rest of your customers are ad-hoc buyers. Last year's sales data shows that just over 1000 different customers bought widgets, some bought just one item.

Innovative Widgets only sell to trade customers so you know the name and contact details of all your customers.

## Customer service manager

Allow time for all attendees to read this Appendix then lead the meeting. You may wish to begin by brainstorming what feedback systems your team are familiar with (researching feedback systems was the prep work for this session). You could follow this by discussing the suitability of each for Innovative Widgets' customers. Keep notes and write meeting minutes to add to your portfolio.



## Appendix 12 – Questionnaire

Q1: Who do you think was the best leader of the 20<sup>th</sup> century?

John Howard

Winston Churchill

Mahatma Ghandi

Q2: On a scale of 1 to 10 rate the following fruit:

Apples

Pears

Bananas

Q3: If you were in a cafe and had finished your coffee before noticing that you had left your wallet at home would you be inclined to do any of the following and if so, which of these options would you select. (Multiple selections will invalidate your response.)

- ☐ Slip out unobserved, returning to home and searching for your wallet (or, if you couldn't find it maybe phoning a friend and explaining your predicament) then return to the café, apologise and pay?
- ☐ Or would you look around for a friendly face on a customer and approach politely, explain your circumstance and offer to clean their shoes in return for their paying your bill?

Q4: How do you think the current government is doing?

Great

Exceptional

Wonderful

## Appendix 13 – Customer complaints line: customer notes

You are a customer (use your real name) who telephones Innovative Widgets with a complaint.

You are a self-employed gardener and have just returned home after buying a 5mm widget from Innovative Widgets. The round journey took you over an hour to complete. When you opened the packet you found it contained a 7-mm widget. The packet has 5mm written on it but the widget inside is 7-mm. Your receipt states 5-mm too. You only buy two or three widgets each year and this has really annoyed you. This is the second time this has happened to you. The last time this happened you got an apology and replacement and were told it wouldn't happen again. You still had to repeat the journey to get a replacement though. You need the widget to fix your lawn mower and you can't work without it.

Please try to be as realistic as possible during this exercise. This exercise will be monitored by the facilitator and forms part of the assessment for this module.

## Appendix 14 – Customer complaints line: customer service team

You are a customer service team member dealing with telephone complaints from customers.

Use the knowledge and skills obtained from your research on this topic and the facilitator's presentation to answer calls from customers.

Use the Policy and Procedures in Appendix 10 of this Learner's Guide.

Your performance during this exercise will be assessed by your facilitator.

## Appendix 15 – Customer complaints line: customer notes

You are a customer (use your real name) who telephones Innovative Widgets with a complaint.

You work as a buyer for the State's largest supplier of mining equipment. You are Innovative Widget's biggest customer. You ordered 1,000 x 7mm widgets for delivery last Friday. It's now Monday and they still haven't arrived. Your production manager just telephoned you to say he might fail to deliver a major order unless the widgets arrive today.

A few weeks ago a consignment of widgets arrived from Innovative Widgets, but they were 6mm and not the 7mm you had ordered.

You have considered going to another supplier for your widgets. Innovative Widgets are the only Australian supplier. You could get them cheaper from China, but the saving isn't great when you add in the extra shipping costs.

You are about to telephone Innovative Widgets to complain. You're going to threaten legal action if the widgets don't arrive today and tell them you might change supplier to China.

Please try to be as realistic as possible during this exercise. This exercise will be monitored by the facilitator and forms part of the assessment for this module.

## Appendix 16 – Problem solving scenarios

In your group of four, take turns to lead one of the following brainstorming sessions. Follow this by evaluating the ideas generated using force field analysis. Do not exceed 5 minutes per brainstorm and 5 minutes per analysis.

Note: You will be assessed when leading your session.

### Scenario 1

Imagine you all live in a house surrounded by a wooden fence. The fence needs painting, but you have no money to buy the paint and brushes. Brainstorm creative ways of overcoming this problem.

Then use force field analysis to identify a preferred solution.

### Scenario 2

Imagine that you have all agreed to take an overseas gap year together. You've decided to travel through Europe. Brainstorm creative ways that you could achieve this on a minimum budget and without taking flights.

Then use force field analysis to identify a preferred solution.

### Scenario 3

You've just been offered a job in the capital of another State. You start next Monday but don't get paid until after the first week. You need accommodation, but have only enough money to travel there and buy some basic food. Brainstorm creative ways of overcoming this problem.

Then use force field analysis to identify a preferred solution.

### Scenario 4

Imagine you are organising the end-of-term class outing. You have a budget of \$20 each. The class wants to go on a wine-tasting tour, but transport costs accounts for \$10 each and the wineries all charge a \$10 tasting charge for each tasting. Brainstorm creative ways of having a wine tour within budget.

Then use force field analysis to identify a preferred solution.