

# IE407 Total Quality Management

## Lecture 12

Instructor: Dr. Ali Ahmad

## Reminder: SA grade

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- ▶ SA grade will be determined by the attendance system
- ▶ More than 8 absents will automatically lead to SA grade
- ▶ Please be careful about your attendance in lectures





## Besterfield Chapter 3: Customer Satisfaction



# Using Customer Complaints

# Customer Dissatisfaction

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- ▶ A dissatisfied customer can easily become a lost customer
- ▶ Customer dissatisfaction is used as primary measure to assess process improvement efforts
- ▶ Customer complaints are vital in gathering data on customer perceptions
  - ▶ Customer's complaints should be seen as an opportunity to improve
  - ▶ Through complaint customer is giving organization a second chance



**TABLE 1****Test To Identify Attitude Toward Complaints**

	<b>A</b>	<b>B</b>
A complaint is	a problem.	an opportunity.
Receiving complaints is	a painful and awkward situation.	a chance to retain dissatisfied customers.
Above all, a complainant	wants compensation.	gives important information.
Employees are	defensive about complaints.	open to complaints.
Employees tend to	shift blame elsewhere.	recognize the needs of dissatisfied customers.
Complaints are resolved	with problem solving techniques.	with a systematic process linked to a continuous improvement process.
When a complaint is closed,	someone will likely be punished.	something should be improved.
Complaints	must be reduced.	are encouraged and welcomed.

Source: Natalia Scriabina and Sergiy Fomichov. 2005. 6 Ways to Benefit from Customer Complaints. *Quality Progress*.



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- ▶ Read the paper by Natalia Scriabina and Sergiy Fomichov, available on LMS



# Tip Of Iceberg

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- ▶ A survey (p. 73) has indicated that only a very small percentage (less than 25%) of dissatisfied customers actually lodge a complaint
  - ▶ Frequently they switch to competitor's product and do not say any thing about their dissatisfaction
  - ▶ As such the number of customer complaints should be regarded as a tip of iceberg (see next slide)
- ▶ Customer's complaints may not reach organization's management, they do reach other potential customers



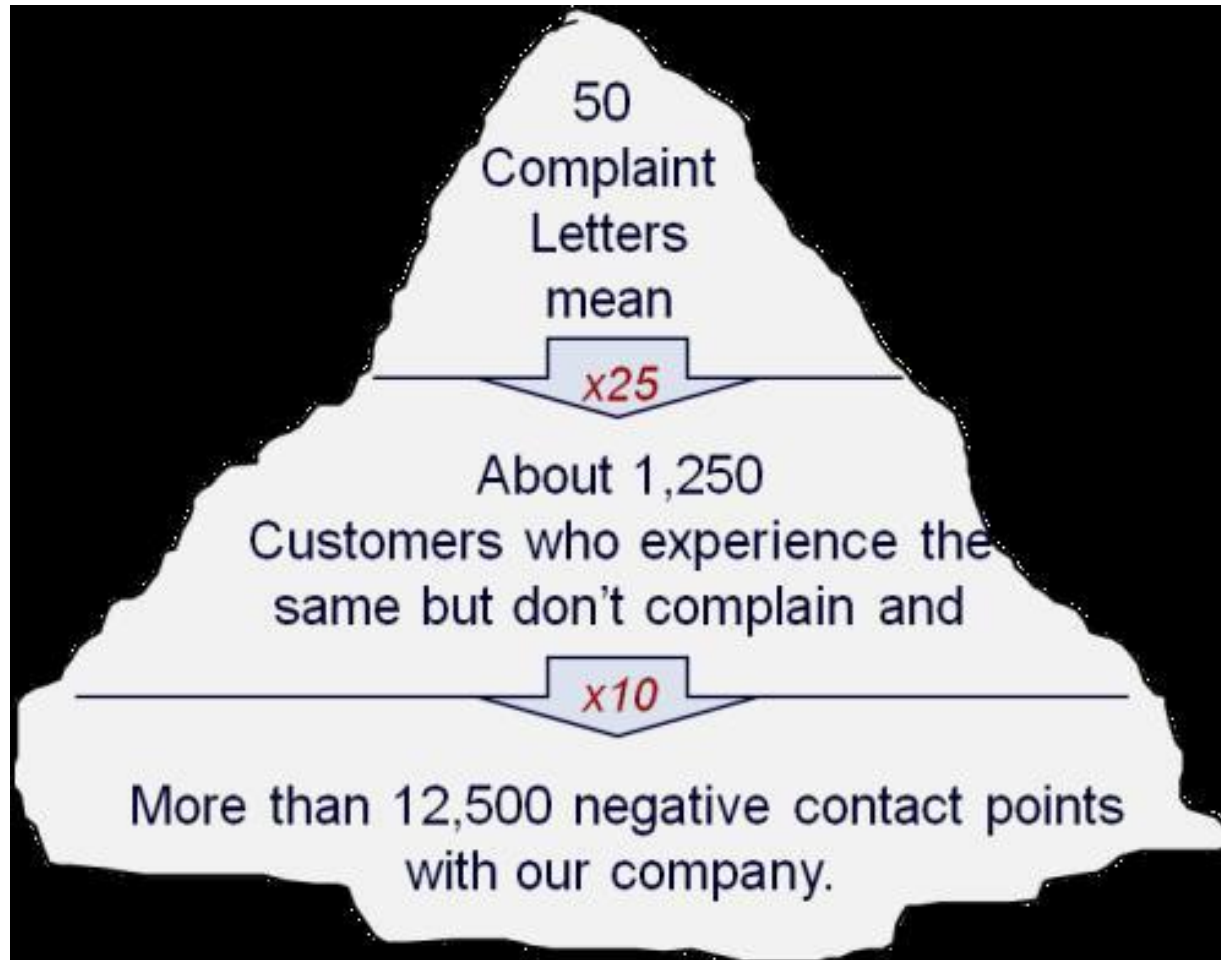




<https://blogs.missouristate.edu/international/files/2020/05/tipoftheiceberg-700x324.jpeg>



# A Complaint is a Gift



Source: <https://coe-partners.com/complaints-the-tip-of-the-iceberg/>

# Will Complaining Customer Purchase Again?

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- ▶ Another study has indicated that
  - ▶ More than half of complaining customers will buy again if their complaint has been heard and resolved
  - ▶ Only 20% will buy again if their complaint is heard but not resolved
  - ▶ Less than 10% will buy again when a complaint is not heard



# What Can Be Done?

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- ▶ Investigate customers' experiences using feedback
  - ▶ After investigation a senior manager should contact the complaining customer and resolve the concern
  - ▶ Inform all in organization about the complaints and how these were resolved
- ▶ Empower front-line personnel to resolve complaints





# Translating Needs Into Requirements

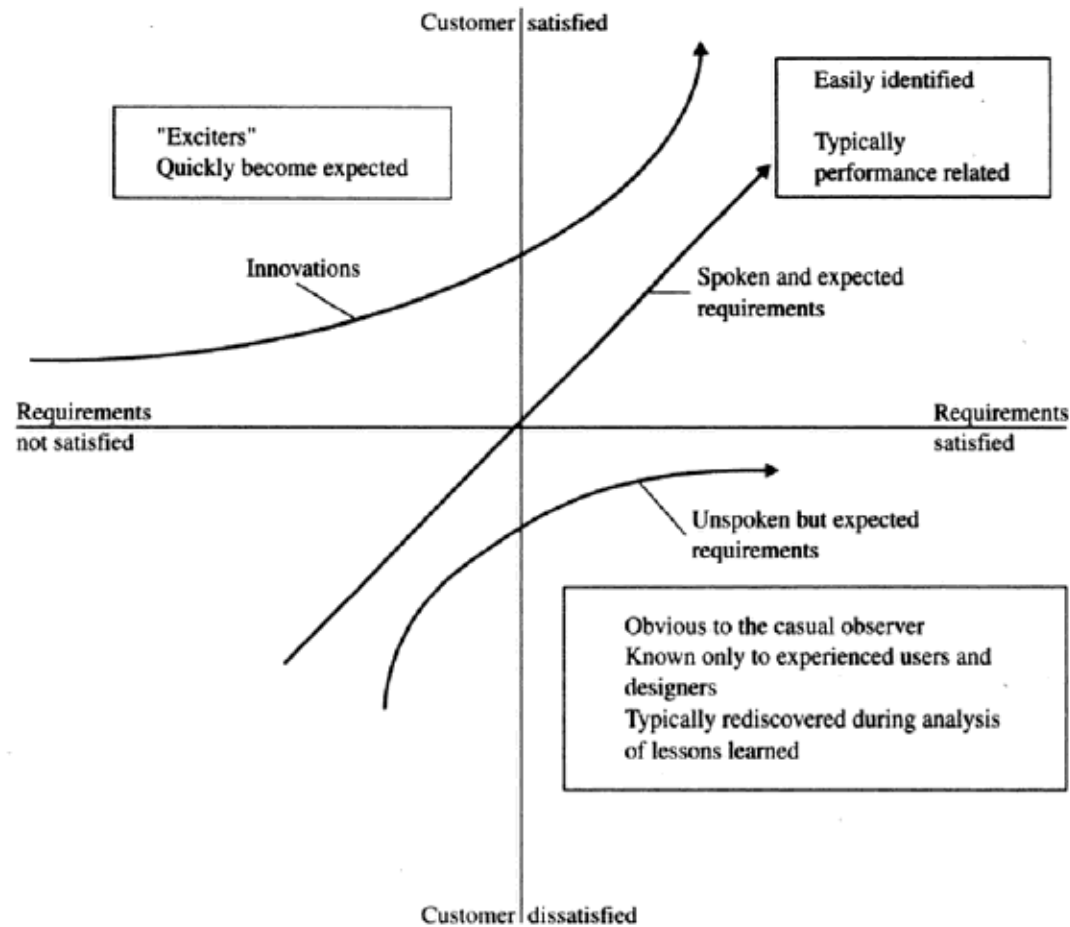
# Requirements Specification

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- ▶ See Figure 3-14 Kano Model on next slide
- ▶ Customer satisfaction can be related to how the requirements were specified. Three categories
  - ▶ Explicit written or verbal requirements are easily identified, expected to be met and these are typically performance related (the diagonal line)
  - ▶ Less explicit requirements are purposefully kept vague to encourage innovation
    - ▶ Innovative ideas excite the customer bringing him satisfaction. But these quickly become expected
  - ▶ Unspoken but expected requirements
    - ▶ The customer may be unaware of these requirements, or
    - ▶ They may assume that such requirements will be automatically supplied



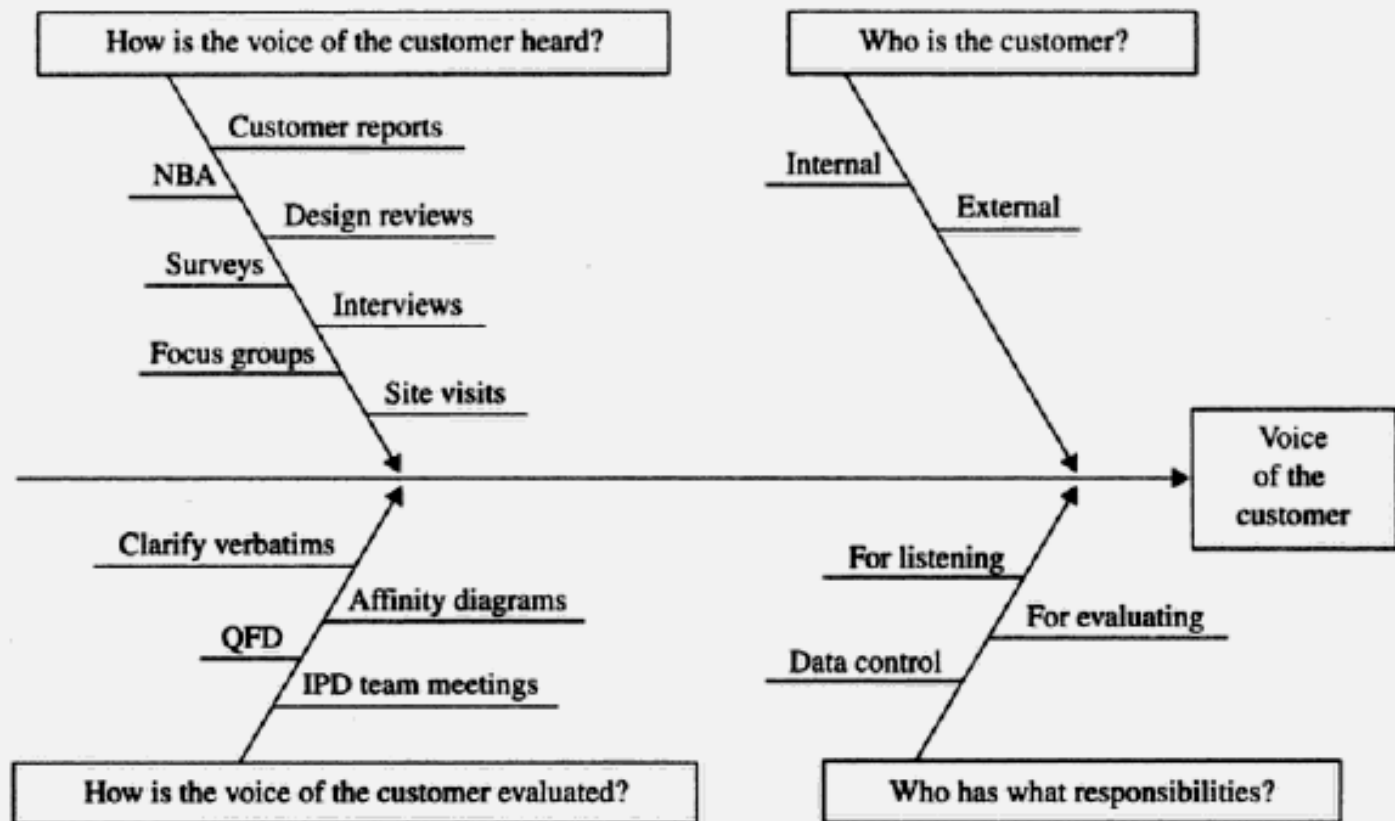
# Kano Model



**Figure 3-8 Kano Model**

Reproduced, with permission, from *Quality Function Development: Implementation Manual for Three-day Workshop* (Allen Park, Mich.: American Supplier Institute, Inc.).

# Voice of the Customer



**Figure 3-9 Voice of the Customer**

Adapted from *Voice of the Customer* (St. Louis, Mo.: McDonnell-Douglas Corporation, 1993).



# Customer Retention

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- ▶ Customer satisfaction as measured by various methods may not be true measure of customer loyalty
  - ▶ They may praise a product in a survey but still purchase a different brand
- ▶ Customer retention is more powerful and effective measure of quality than customer satisfaction
  - ▶ Customer retention moves customer satisfaction to next level
- ▶ Customer retention is the connection between customer satisfaction and the bottom line
  - ▶ Bottom line means profit!
- ▶ High employee retention has a significant impact on high customer retention





# Service Quality

# Customer Service

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- ▶ Different strategies are needed for service as compared with production
- ▶ Customer service is the set of activities an organization uses to win and retain customer satisfaction
  - ▶ Organization and documentation
  - ▶ Customer care
  - ▶ Communication
  - ▶ Front-line people
  - ▶ Leadership



# Organization And Documentation

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- ▶ To ensure uniform quality standards for all customers, directions for each task should be documented
- ▶ A service quality handbook should be created describing service quality standards
- ▶ Standards and procedures should be communicated using formal training, videos, personal coaching, or meetings
- ▶ Answers to commonly asked questions can be provided on intranet with references to people for more information



# Organization And Documentation (2)

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## ▶ Read

- ▶ Indian Railways example (p. 76)
- ▶ Harris Methodist Hospital example (p. 76)
- ▶ Belmont University example (p. 76)



# Customer Care

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- ▶ Henry Ford said, “It is not the employer who pays wages – he only handles the money. It is the customer who pays the wages”
- ▶ A customer should be valued and treated like a friend
- ▶ Response to customer complaints should be immediate and should be more than what he expected to receive
- ▶ Fairview-AFX makes its employees to sign a customer code of ethics. Read it on p. 77



# Communication

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- ▶ Customer relationships are based on communication
- ▶ Communication to customer should be consistent with the level of service quality
  - ▶ Customer dissatisfaction will result if there is a difference between what was advertised and what customer received
- ▶ Frequently, the first impression of an organization is its website. It should be made customer-friendly



# Front-Line People

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- ▶ Only the best employee is worthy of a company's customers. Those who genuinely care for their customers
- ▶ Three things to remember about front-line employees:
  - ▶ Hire the best. Someone with a personality
  - ▶ Develop the best employees into professionals
  - ▶ Motivate the professionals to stay and excel
- ▶ Training should be provided to front-line people in communication and problem-solving skills and they should be empowered to resolve complaints





## Front-Line People (2)

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- ▶ Frontline people are a valuable source of information
  - ▶ They deal with customers everyday. They know better than management what customer wants
- ▶ Example of a physician (p. 78)
- ▶ Nordstrom example (p. 78)
- ▶ Example of use of judgment (p. 78)



# Leadership By Example

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- ▶ A committed management is necessary for quality improvement
- ▶ Management can show its commitment by setting example
  - ▶ Every CEO should be required to spend at least a few hours each month behind a service desk
  - ▶ American Airlines example (p. 79)
  - ▶ General Motors example (p. 79)
  - ▶ Harley Davidson example (p. 79)



# Additional Comments

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- ▶ The current customers are the most likely target for new business
  - ▶ With established relationships with existing customers a company can predict their behavior
  - ▶ The process of winning new customers is lengthy (and expensive)
- ▶ Organizations with higher-quality service can charge up to 20% more and still retain customers
  - ▶ Satisfied customers also refer new customers which add to profit. Referrals are twice as effective as advertising



## Additional Comments (2)

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- ▶ An essential part of customer satisfaction occurs after the sale
  - ▶ Delivery: on schedule, undamaged
  - ▶ Installation: Clear instructions or technician available
  - ▶ Use: Clearly-written training manuals or instructions
  - ▶ Field repair: properly-trained technicians, prompt repairs
  - ▶ Customer-service: friendly, answer questions
  - ▶ Warranty: Clearly stated, prompt service on claims



## Additional Comments (3)

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- ▶ Proactive measures should be employed to contact customers and determine their service and quality needs and expectations
  - ▶ Instead of reactive measures like preventive maintenance, service contracts, service on demand
  - ▶ President Bill Clinton's "Putting Customers First '95" report (p. 80)



# References

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- ▶ Besterfield, Dale H. and others. 2019. *Total Quality Management*, 5th edition. Pearson India

