

Module-3 Customer satisfaction and customer involvement

3.1 Introduction

The most important asset of an organization is its customer. An organization's success depends on how many customers it has, how much they buy and how often they buy. Customers that are satisfied will increase in number, buy more and buy more frequently. Satisfied customers also pay their bills promptly, which greatly improves cash flow - the lifeblood of any organization. Figure 1 best exemplifies just how important a customer is to any organization.

Increasingly, manufacturing and service organizations are using customer satisfaction as the measure of quality. The importance of customer satisfaction is not only due to national competition but also due to worldwide competition. This fact is reflected in the Malcolm Baldrige National Quality Awards, where customer satisfaction accounts for 30 percent of the total points. Similarly, customer satisfaction standards are woven throughout ISO 9000:2000. Customer satisfaction is one of the major purposes of a quality management system.

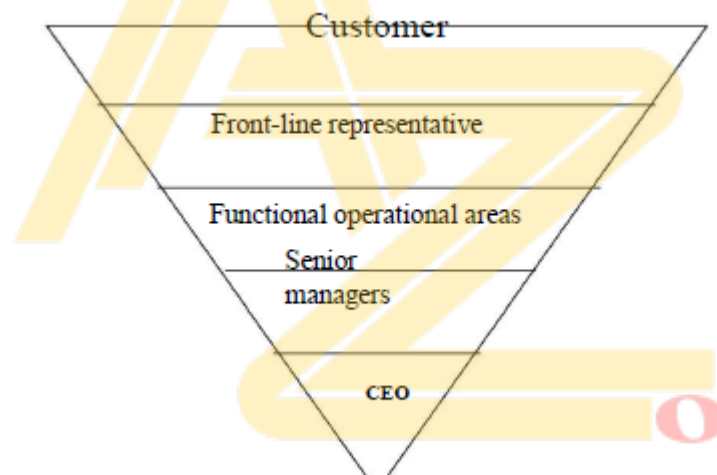


Fig 1: Customer satisfaction organizational diagram

Total Quality Management (TQM) implies an organizational obsession with meeting or exceeding customer expectations, so that customers are delighted. Understanding the customer's needs and expectations is essential to winning new business and keeping existing business. An organization should give its customers a quality product or service that meets their needs at a reasonable price, which includes on-time delivery and outstanding service. To attain this level, the organization needs to continually examine their quality system to see if it is responsive to ever-changing customer requirements and expectations.

A simplistic definition of customer satisfaction is illustrated by the Teboul model (figure 2). The circle represents the customer's needs and the square depicts the product or service offered by the organization. Total satisfaction is achieved when the offer matches the need, or the circle is superimposed on the square. The goal is to cover the expected performance level better than the competitors.

The customer as satisfying perceives that part of the square that lies within the circle and the part of the square outside the circle is perceived as unnecessary. It is important that the organization listens to the —voice of the customer and ensures that its marketing, design, production and distribution processes truly meet the expectations of the customer.

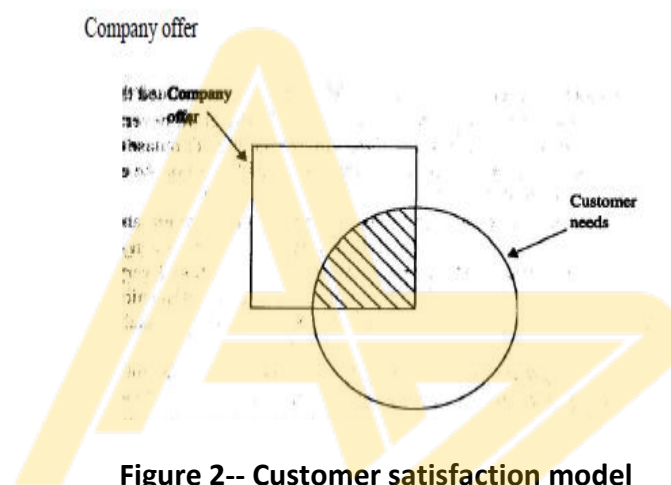


Figure 2-- Customer satisfaction model

3.11 Internal and External Customers

There are two distinct types of customers-- external and internal. An external customer can be defined in many ways, such as the one who uses the product or service, the one who purchases the product or service, or the one who influences the sale of the product or service. For instance, McDonald's determined the customer to be the child when they introduced their —happy meals. The child never paid for the meals but the child influenced the sale. Oftentimes, parents purchase lawnmowers and yet the teenage children use the lawnmowers. The identity of the external customer is not always easy to determine.

An external customer exists outside the organization and generally falls into three categories-- current, prospective and lost customers. Each category provides valuable customer satisfaction information for the organization. Every employee in an organization should know how his or her job enhances the total satisfaction of the external customer. Performance should be continually improved in order to retain existing customers and to gain new ones.

An internal customer is just as important. Every function, whether it is engineering, order processing, or production, has an internal customer-- each receives a product or service and, in exchange, provides a product or service. Every person in a process is considered a customer of the preceding operation. Each worker's goal is to make sure that the quality meets the expectations of the next person. When that happens throughout the manufacturing, sales and distribution chain, the satisfaction of the external customer should be assured.

All processes have outputs which are used by internal or external customers and inputs which are provided by internal or external suppliers. Each supplier performs work that produces some service or product that is used by another customer. As shown by figure 3, each forms a link in the customer/supplier chain where every chain ends with an external customer and starts with an external supplier. Every employee throughout the organization is part of the chain of internal customers and suppliers

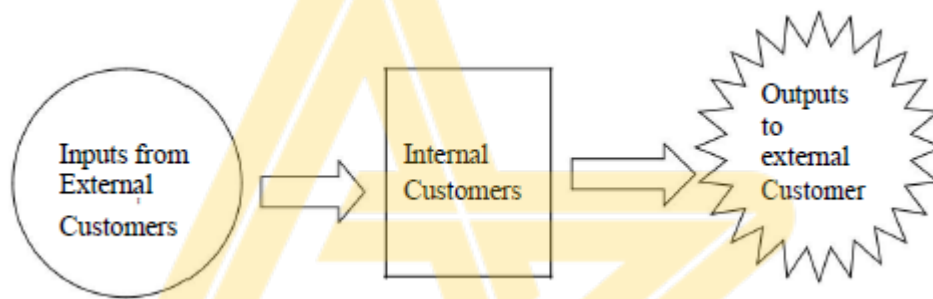


Figure 3-- Customer/supplier chain

3.2 Customer Perception of Quality***

One of the basic concepts of the TQM philosophy is continuous process improvement. This concept implies that there is no acceptable quality level because the customer's needs, values and expectations are constantly changing and becoming more demanding.

Before making a major purchase, some people check consumer magazines that rate product quality. During the period 1980 to 1988, the quality of the product and its performance ranked first, price was second and service was third. During the period 1989 to 1992, product quality remained the most important factor, but service ranked above price in importance.

An American Society for Quality (ASQ) survey on end user perceptions of important factors that influenced purchases showed the following ranking:

1. Performance
2. Features
3. Service
4. Warranty
5. Price
6. Reputation

The factors of performance, features, service and warranty are the parts of a product or service quality. Therefore, it is evident that product quality and service are more important than price. Although this information is based on the retail customer, it appears, to some extent, to be true for the commercial customer also.

1. Performance

Performance involves —fitness for use. It is a phrase that indicates that the product and service is ready for the customers use at the time of sale. Other considerations are as follows:

- Availability which is the probability that a product will operate when needed
- Reliability which is freedom from failure over time
- Maintainability which is the ease of keeping the product operable

2. Features

Identifiable features or attributes of a product or service are psychological, time-oriented, contractual, ethical and technological. Features are secondary characteristics of the product or service. For example, the primary function of an automobile is transportation, whereas a car stereo system is a feature of an automobile.

3. Service

An emphasis on customer service is emerging as a method for organizations to give the customer-added value. However, customer service is an intangible, i.e. it is made up of many small things, all geared to changing the customer's perception. Intangible characteristics are those traits that are though not quantifiable yet contribute greatly to customer satisfaction. Providing excellent customer service is different from and more difficult to achieve than excellent product quality. Organizations that emphasize service never stop looking for and finding ways to serve their customers better, even if their customers are not complaining. For instance, at Baptist Hospital in Pensacola, FL, janitors, after cleaning a room, ask if there is anything they can do for the patient. Often patients will have a request for a window shade to be drawn or a door closed.

4. Warranty

A product warranty represents the organization's public promise of a quality product backed up by a guarantee of customer satisfaction. Ideally, it also represents a public commitment to guarantee a level of service sufficient to satisfy the customer. A warranty forces the organization to focus on the customer's definition of product and service quality. An organization has to identify the characteristics of product and service quality and the importance the customer attaches to each of those characteristics. A warranty generates feedback by providing information on the product and service quality. It also forces the organization to develop a corrective action system.

Finally, a warranty builds marketing muscle. The warranty encourages customers to buy a service by reducing the risk of the purchase decision and it generates more sales from existing customers by enhancing loyalty.

5. Price

Today's customer is willing to pay a higher price to obtain value. Customers are constantly evaluating one organization's products and services against those of its competitors to determine who provides the greatest value. However, in our highly competitive environment, each customer's concept of value is continually changing. Ongoing efforts should be made by everyone having contact with customers to identify, verify and update each customer's perception of value in relation to each product and service.

6. Reputation

Most of us find ourselves rating organizations by our overall experience with them. Total customer satisfaction is based on the entire experience with the organization, not just the product. Good experiences are repeated to six people and bad experiences are repeated to 15 people. Therefore, it is more difficult to create a favorable reputation.

3.3 Feedback ***

Customer feedback should be continually solicited and monitored as customers continually change. They change their minds, their expectations and their supplier. Customer feedback is not a one-time effort. In fact, it is an ongoing and active probing of the customer's mind. Feedback enables the organization to do the following:

- Discover customer dissatisfaction
- Discover relative priorities of quality
- Compare performance with the competition

- Identify customers' needs
- Determine opportunities for improvement

Listening to the voice of a customer can be accomplished by numerous information collecting tools. The principal ones are the following:

1. Comment cards
2. Questionnaires
3. Focus groups
4. Toll free telephone lines
5. Customer visits
6. Report cards
7. The Internet
8. Employee feedback
9. Mass customization
10. The American Customer Satisfaction Index

1. Comment Card

A low-cost method of obtaining feedback from customers involves a comment card. It can be attached to the warranty card and included with the product at the time of purchase. The intent of the card is to get simple information, such as name, address, age, occupation and what influenced the customer's decision to buy the product. However, there is very little incentive for buyers to respond to this type of card and the quality of the response may not provide a true measure of customer's feeling. Generally, people respond only if something very good or very bad has happened. Comment cards are also used in the hospitality industry. Restaurants and hotels provide them at the ends of tables and in hotel rooms. They can even be found at the bottom of the restaurant sales receipts. Often, free meals or hotel stays are provided to rectify a poor experience noted on the comment card. Free meals and hotel stays can generate significant customer loyalty provided the organization also fixes the problems.

2. Customer Questionnaire

A customer questionnaire is a popular tool for obtaining opinions and perceptions about an organization and its products and services. However, they can be costly and time consuming. Surveys may be administered by mail or telephone. In the form of questionnaires, the customer is asked to furnish answers relating to the quality of products and services. One of the reasons the one-to-five or one-to-ten scale is used is because it easily produces a metric. For example, see the spouse satisfaction survey in figure 4.

		Highly Satisfied		Neutral	Highly Dissatisfied	
1.	Trash removal	5	4	3	2	1
2.	Personal hygiene	5	4	3	2	1
3.	Lawn maintenance	5	4	3	2	1
4.	Romance	5	4	3	2	1
5.	Thoughtfulness	5	4	3	2	1
6.	Listening skills	5	4	3	2	1
7.	Faithfulness	5	4	3	2	1
8.	Respect for mother-in-law	5	4	3	2	1
9.	Overall, how satisfied are you with your marriage?	5	4	3	2	1

Figure 4 : Spouse satisfaction survey-- A typical approach

Trash removal

How often do you expect the trash to be taken out by your spouse?
 _____ Not at all _____ Daily _____ When it's full _____ When reminded
 _____ When the stench arouses the anger of the neighbors

How often would you like the trash to be taken out by your spouse?
 _____ Not at all _____ Daily _____ When it's full _____ When reminded
 _____ When the stench arouses the anger of the neighbors

How often is the trash taken out by your spouse?
 _____ Not at all _____ Daily _____ When it's full _____ When reminded
 _____ When the stench arouses the anger of the neighbors

How satisfied are you with your spouse's trash removal?
 _____ Very Dissatisfied _____ Dissatisfied _____ Neutral _____ Satisfied _____

I Fantasize about it _____

On a scale of 1 to 8, please rank the importance of the following to happiness of your marriage, where 1 equals most important.

_____ Trash removal	_____ Thoughtfulness
_____ Personal hygiene	_____ Listening skill
_____ Lawn maintenance	_____ Faithfulness
_____ Romance	_____ Respect for mother-in-law

Figure 5-- Spouse satisfaction survey-- The right way

Although one- to-five scale is a typical approach to survey yet it probably is not entirely effective. It neither tells the surveyor how important trash removal is relative to other qualities

nor does it tell what the spouse wants or expects. A better way to do a spouse satisfaction survey is shown in figure 5.

3. Focus Groups

Customer focus groups are a popular way to obtain feedback, but they too can be very expensive. These groups are very effective for gathering information on customer expectations and requirements.

Surveying a focus group is a research method used to find out what customers are really thinking. A group of customers is assembled in a meeting room to answer a series of questions. These carefully structured questions are asked by a skilled moderator who probes into the participants' thoughts, ideas, perceptions or comments. Focus groups are sometimes used with an organization's employees to examine internal issues.

4. Toll Free Telephone Numbers

Toll free telephone numbers are an effective technique for receiving complaint feedback. With the help of these, organizations can respond faster and more cheaply to the complaint. Such a number does not, however, reach those who decided not to buy the product or those who discovered some likable feature(s) on a competitor's product. Toll free numbers are in use by at least 50% of all organizations with sales of at least \$10 million.

5. Customer Visits

Visits to a customer's place of business provide another way to gather information. An organization can proactively monitor its product's performance while it is in use and thereby identify any specific or recurring problems. Senior managers should be involved in these visits and not delegate them to someone else.

6. Report Card

Another very effective information-gathering tool is the report card. Figure 6 shows a typical report card. It is usually sent to each customer on a quarterly basis. The data are analyzed to determine areas for improvement. For instance, the University of California in San Diego uses a report card to grade the quality of campus business services such as the payroll department and the bookstore.

Quality Report Card	
To our customers	
We are continually striving to improve. To assist us in this endeavor, we need your feedback. Would you please grade our performance in each category? The grading scale is as follows:	
A = Excellent	
B = Very good	
C = Average	
D = Poor	
F = Failing	
1. Product Quality	Grade _____
Comments: _____	
2. On-Time Delivery	Grade _____
Comments: _____	
3. Services	Grade _____
Comments: _____	
4. Overall	Grade _____
Comments: _____	
Signed _____	Date _____
Title _____	Organization _____

Figure 6 Sample report card

7. The Internet and Computers

Some managers are beginning to monitor discussions that take place on the Internet to find out what customers are saying about their products. Internet users frequently seek advice regarding their everyday activities or activities related to specific interests, hobbies or sports. Newsgroups, electronic bulletin boards and mailing lists can be scanned using keyword searches if one knows that company's product is of interest to participants in certain activities, hobbies or professions.

8. Employee Feedback

Employees are often an untapped source of information. Companies are listening more to the external customer but are still not listening to employees. Employees can offer insight into conditions that inhibit service quality in the organization. Employee groups can brainstorm ideas to come up with solutions to problems that customers have identified.

9. Mass Customization

The ultimate in customer satisfaction is giving customers exactly what they want. In the past, the price tag for this was prohibitive. But mass customization is a way to provide variety at an affordable cost. It is a direct result of advances made in manufacturing, such as flexible manufacturing technologies, just-in-time systems and cycle time reduction. It has been done in the car industry for years. Customers determine what type of seat coverings, color and stereo system they want. Mass customization is now being used in many other industries too. For instance, Levi Strauss customers are measured for jeans, choose the fabric and choose the pattern at a local store. The custom fit jeans are then manufactured to order at a central factory and sent to the local store. The voice of the Levi Strauss customer is heard at the fabrication stage of production.

The voice of a customer can be captured in mass customized products by using the hard data of what the customer bought instead of what the customer was thinking about buying. The customer satisfaction information obtained from mass customization can be used to provide more standardized products. The voice of the purchasing customer, however, provides no information about the non-purchasing customer. Figure 16.4 helps in better understanding the customer's involvement in mass customization.

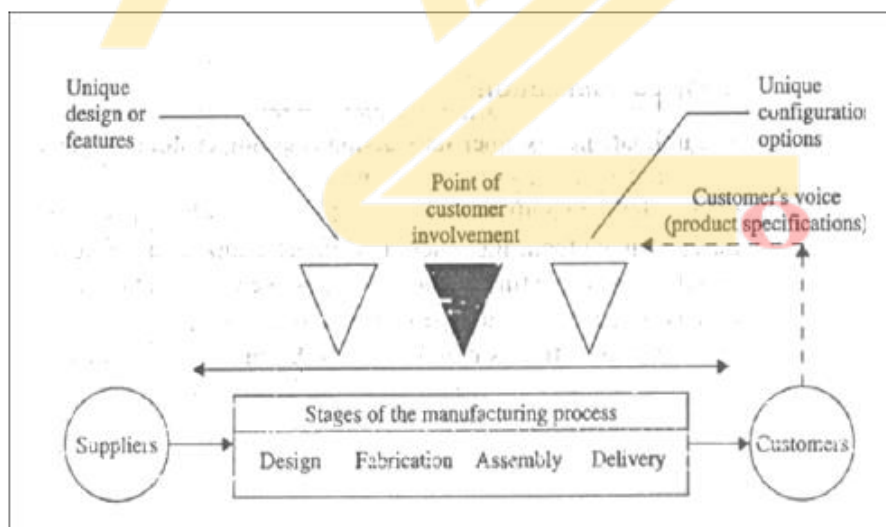


Figure 7 Point of customer improvement

3.4 Service Quality

Strategies that have produced significant results in production are often harder to implement in a service environment. Thanks to the teachings of Deming, Juran and others, significant strides have been made in manufacturing. The same results have been slower in service organizations or service activities in manufacturing.

Customer service is the set of activities an organization uses to win and retain customer's satisfaction. It can be provided before, during or after the sale of the product or exist on its own. The elements of customer services are as follows:

1. Organization

- Identify each market segment
- Write down the requirements
- Communicate the requirement
- Organize processes
- Organize physical spaces

2. Customer Care

- Meet the customer's expectations
- Get the customer's point of view
- Deliver what is promised
- Make the customer feel valued
- Respond to all complaints
- Over-respond to the customer
- Provide a clean and comfortable customer reception area

3. Communication

- Optimize the trade-off between time and personal attention
- Minimize the number of contact points
- Provide pleasant, knowledgeable and enthusiastic employees
- Write documents in customer-friendly language

4. Front-Line People

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

5. Leadership

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

3.4 Translating Needs into Requirements

The Kano model (figure 8) conceptualizes customer requirements. The model represents three major areas of customer satisfaction. The first area of customer satisfaction, represented by the diagonal line, represents explicit requirements. These include written or verbal requirements. These are easily identified, are expected to be met and are typically performance related. Satisfying the customer would be relatively simple if these were the only requirements.

The second area of customer satisfaction represents innovations, as shown by the curved line in the upper left corner of the figure. A customer's written instructions are often purposefully vague to avoid stifling new ideas during conceptualization and product definition. Because they are unexpected, these creative ideas often excite and delight the customer. These ideas quickly become expected.

The third and most significant area of customer satisfaction represents unstated or unspoken requirements, as shown by the curve in the lower right corner of the figure. The customer may indeed be unaware of these requirements, or they may assume that such requirements will be automatically supplied. Basic specifications often fail to take real world manufacturing requirements into account. Many of them are merely based on industry standards or past practice. These implied requirements are the hardest to define but prove very costly if ignored. They may be rediscovered during an after-the-fact analysis of lessons learned.

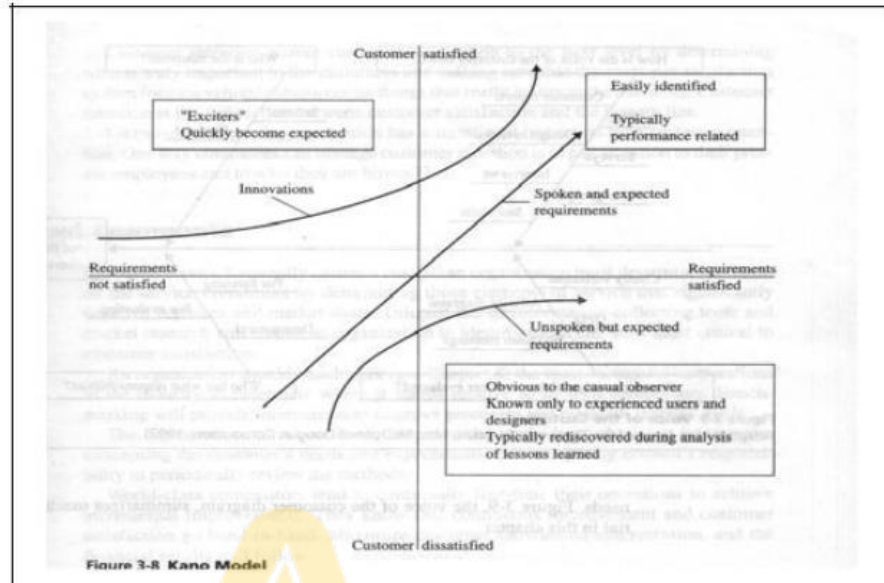
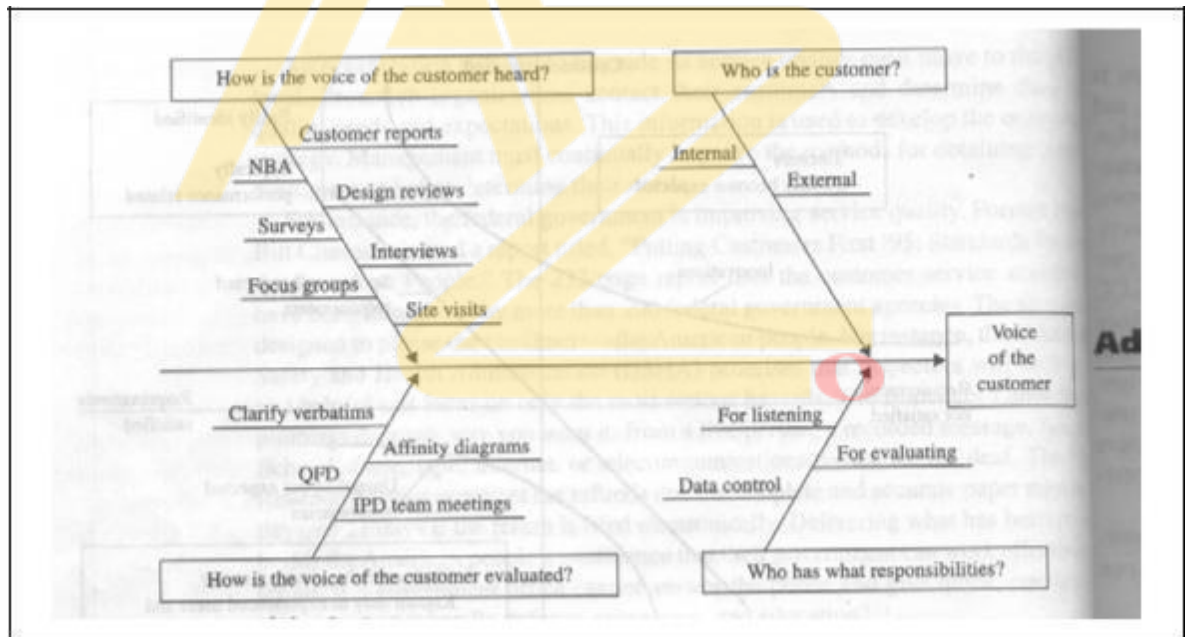


Fig 8 Kano model

The organization should exceed the customer's needs. Figure 9



3.5 Customer Retention

Customer retention is more powerful and effective than customer satisfaction. It represents the activities that produce the necessary customer satisfaction which creates customer loyalty and which actually improves the bottom line. Customer satisfaction surveys,

focus groups, interviews and observations can help determine what customers think of a service or a product. However, what people say and think is often different from what they do. Customers may be delighted with the tropical oils and aromas in a high-priced, well-advertised hair care product but still end up buying the generic equivalent. Therefore, customer satisfaction should also be measured by using the hard measures of cash register receipt, market share, the level of customer retention and the number of referrals from customers.

Employee involvement

Employee involvement is one approach to improve quality and productivity. It is a means to better meet the organization's goals for quality and productivity.

3.5 Motivation

Employee Involvement - any activity by which employees participate in work-related decisions and improvement activities, with the objectives of tapping the creative energies of all employees and improving their motivation; EI is rooted in the psychology of human need and supported by the motivation models of Maslow, Herzberg, and McGregor.

Maslow's Hierarchy of Needs



Fig 10. Maslow's Hierarchy of Needs

Maslow (1943, 1954) stated that people are motivated to achieve certain needs and that some needs take precedence over others. Our most basic need is for physical survival, and this will be the first thing that motivates our behavior. Once that level is fulfilled the next level up is what motivates us, and so on.

1. **Physiological needs** are the need at the bottom of the triangle and include the lowest order need and most basic. This includes the need to satisfy the fundamental biological drives such as food, air, water and shelter. According to Maslow organizations must provide employees with a salary that enable them to afford adequate living conditions. The rationale here is that any hungry employee will hardly be able to make much of any contribution to his organization.
2. **Safety needs** this occupies the second level of needs. Safety needs are activated after physiological needs are met. They refer to the need for a secure working environment free from any threats or harms. The rationale is that employees working in an environment free of harm do their jobs without fear of harm.
3. **Social needs**: This represents the third level of needs. They are activated after safety needs are met. Social needs refer to the need to be affiliated that is (the needed to be loved and accepted by other people). To meet

these needs organizations encourage employees participation in social events such as picnics, organizations bowling etc.

4. **Esteem needs** this represents the fourth level of needs. It includes the need for self-respect and approval of others. Organizations introduce awards banquets to recognize distinguished achievements.
5. **Self-actualization:** This occupies the last level at the top of the triangle. This refers to the need to become all that one is capable of being to develop ones fullest potential. The rationale here holds to the point that self-actualized employees represent valuable assets to the organization human resource.

