

## **Lesson Two: SPACES – Selecting Quality Measures that Matter**

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### A. Key Learning Points

1. Quality is for the customer.
2. Quality is not a “program.”
3. Business success results from customers’ positive perception of product and service quality.
4. Each business designs and manages specific “moments of truth” that shape customers perception of product and service quality.
5. Measure what matters most to the customer.
6. Customers care how products and services are designed.
7. Customers care how products and services are delivered.
8. Customers care how much a business cares about customers.
9. Customer satisfaction is determined by business performance in the six quality dimensions below:
  - **S** ervices and Features: What product or service features matter most to your customers?
  - **P** ersonal Touch: How does your business communicate that it cares for its customers?
  - **A** ccuracy: Does your business deliver all of the products and services that customers request?
  - **C** onvenience: Is it easy to buy products and services from your business?
  - **E** conomy: Do your customers believe your products and services are a good value?
  - **S** peed: Are your products and services delivered at the time when customers want them?

### B. Real World Examples and Considerations for Practitioners

1. It’s surprising how many organizations begin quality initiatives for reasons other than customer satisfaction. A short list of these reasons includes:
  - regulatory compliance
  - quality assurance -- compliance with manufacturing or service specifications
  - accreditation or industry certification/registration
  - cost reduction, savings, or avoidance
  - sales and marketing of a “quality” business
  - an effort to improve employee productivity
  - management “flavor” of the month

It is likely that quality initiatives begun for these reasons have limited and short-lived results.

“Quality”, however, is defined by the customer – and quality management initiatives that yield sustainable performance results are customer focused.

No amount of quality inspection, certification, marketing, and faddish managerial enthusiasm will compensate for an improvement effort that is not sincerely and consistently customer-focused.

Customers typically can tell whether a business is truly committed to quality based on their first purchasing experience.

Nordstrom, FedEx, Southwest Airlines, Disney, Toyota, Ritz Carlton Hotels, La Quinta Inns, Hampton Inns, Target, LandsEnd, Gardunos, the Frontier Restaurant, and Jiffy Lube are all businesses whose profits and growth follow directly from their consistent customer focus.

2. Quality is not a “program.” Quality can not be segregated and assigned to discrete business functions such as customer service or quality assurance. Because quality is defined by each and every impression that customers have of a business, it must be wholly integrated into each and every business functions.

From the customer’s perspective, the quality of a business is often defined by its least customer-focused function. Businesses make a significant error when they concentrate their quality efforts in selected areas. Businesses are like a chain that is made of interconnected links. If you pull a chain on both ends, it will eventually snap at its weakest link. The value of the chain is consequently defined by its weakest link. This, too, is true of businesses in their interaction with customers. The business is as good as its weakest function.

3. It is not unusual for business managers to view their operations exclusively from the point of view of business management. This perspective is quite different than the point of view of customers. When managers lose or ignore the customer’s perspective, they minimize or destroy significant business opportunity.

Colleges, for example, frequently schedule classes at times that are most convenient for teachers rather than at times when students are most likely and able to attend. This results in lower enrollment and in a lengthier time to complete degrees. It also results in under-utilization of college classrooms and facilities in the evenings, on Fridays and on the weekends.

The University of Phoenix recognized how unresponsive most colleges are to their customers. It has designed a student-focused institution that offers intensive evening courses in short 4 to 8 week blocks that accelerates student progress toward education and career goals. Although it charges more for its services, students are pleased to pay for customer-focused services that better accommodate their personal and professional lives and shorten the time it takes for them to achieve their degrees and professional certificate.

It is not unusual for an airline customer to walk a quarter mile in an airport while making transfers between planes. This typically occurs in airports and on airlines that are designed and managed for the convenience of aircraft and aircraft operators rather than passengers.

Although they have improved considerably in the past decade, banks historically have been famous for ignoring the needs of their customers because the needs of customers typically conflicted with the needs of bankers. “Banker’s hours” is a good example. Not too long ago banks opened at 9:00 am and closed at 3:30 pm – hours that forced customers to bank during their own working day or at lunch (when bankers themselves were often unavailable or understaffed).

4. Customer-focused quality organizations view themselves from the point of view of the customer. They realize that in any business, overall customer satisfaction is shaped by customers’ impressions at six or eight distinct service points. These defining moments when customer’s form, often indelible, perceptions of product and service quality are called “moments of truth.”

For example, typical moments of truth in a restaurant are:

- parking and access by public transportation

- entry and greeting
- seating
- ordering
- food and beverage service
- food quality
- dining environment
- restrooms
- bill
- exit and thank you

In the airline business, typical moments of truth are:

- Inquiry about flight options and cost
- Purchase ticket
- Airport arrival
- Check-in
- Boarding
- In-flight service
- Flight transfer
- Flight arrival
- Baggage

Successful businesses design and manage these moments of truth to assure maximum customer satisfaction and minimum inconvenience. Few companies do this better than Disney. Dell computers, likewise, is a great example of a company that has applied the moments of truth approach to manufacturing.

5. Most organizations focus measurement on short-term income, earnings, and variance between budget and actual cost. Fewer organizations communicate and focus on the interrelationship between customer satisfaction and long-term performance and return-on-investment.

You can achieve short-term financial targets without customer satisfaction; but it is nearly impossible to achieve long-term performance and return-on-investment without customer satisfaction.

The quickest way to grow a business is to satisfy your current customers happy. Satisfied customers typically are loyal customers; they also often refer your business to new customers.

If you do not retain customers, you must continuously develop business from new customers. This is expensive because it costs five times more, on average, to replace a dissatisfied customer than it does to retain and service a satisfied one.

Businesses with distinctive service quality also tend to charge at least 5% more than competitors with satisfactory service. As the University of Phoenix example shows, customers are willing to pay more for better service.

The key point here is to measure customer satisfaction (and dissatisfaction) as an indicator of current and future income and earnings. Measures of customer satisfaction help managers operate a business more effectively. FedEx, for example, runs its business based on the beliefs – “People. Service. Profit.” FedEx realizes that financial results follow directly from its people-focused service commitments. Two other companies that use measures of customer satisfaction to drive management for financial performance are Marriott and Toyota.

6. Quality results from two interdependent elements:

- the design of the product or service;
- the delivery of the product or service.

If the product does not have the features that you desire, it will not satisfy you even if the product is well presented. For example, a restaurant might have great ambience, service, and prices, but it will not please you if you do not like the menu selections.

Likewise, a well-designed product must be delivered effectively. You might love the menu at a restaurant and hate the ambience, service, and/or prices.

In both cases, it is not likely that you will be a regular patron of this restaurant.

Some businesses succeed at one of these two elements. For example, the U.S. Postal Service has historically offered a great product – low cost, reasonably reliable, world-wide mail delivery. Although its product is well-designed, its service delivery – until recently – has been less satisfactory. On the other hand, the Internal Revenue Service is increasing its awareness and quality of service delivery, although its product – the tax code itself – is famously flawed

Although many businesses focus heavily on customer satisfaction with service delivery, great businesses know that outstanding service delivery will not make up for poor product/service design. You have to look at and manage both factors – design quality and service quality.

7. Customer satisfaction is determined by business performance in the six quality dimensions below:

- **S** ervices and Features: What product or service features matter most to your customers?
- **P** ersonal Touch: How does your business communicate that it cares for its customers?
- **A** ccuracy: Does your business deliver all of the products and services that customers request?
- **C** onvenience: Is it easy to buy products and services from your business?
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A business can apply these dimensions specifically for design and delivery of its products and services. This is how these six dimensions can be applied to a community college course:

- **S** ervices and Features: The college offers the course in both traditional and distance learning formats to accommodate students' diverse learning and life styles
- **P** ersonal Touch: Instructors greet and address each and all students by name. Instructors recognize and welcome first time students. Instructors know why each student has enrolled in their course and what their studies relate to their personal and professional goals.
- **A** ccuracy: The course is delivered as promised. It meets when scheduled and teaches the theory, skills, and competencies specified in the curriculum and in the college's marketing materials.
- **C** onvenience: It is easy to register for this course. The course is offered at times that complement my home and work life. It is easy to park, use public transportation, or use distance learning to access this course.
- **E** conomy: Students believe that the time and money they invest in this course are resources well-spent.
- **S** peed: The course and course material is delivered at an appropriate pace.

C. Recommended Reading Assignment & Highlights – All selections are from Deming, *The New Economics*

Chapter Two: The Heavy Losses

*“There is much talk about reduction of waste. The intent of such talk is noble, because waste is loss to society. Waste falls on all of us. The usual procedure to fight cost is to discharge (lay off) people .... Sacking people brings short-term decrease in costs. The effect, short-term and long-term, may be demoralization of the people that remain in the company. In addition, the people that are laid off take with them their knowledge and experience.”*

*“No number of successes in short-term problems will ensure long-term success.”*

*“If management were to spend as much time and effort to improve processes as they do on ranking, rating, reward, and punishment for people (teams, departments, divisions) at the top and at the bottom, the results would be stupendous improvement of our economic position.”*

*“The so-called merit system introduces conflict between people. Emphasis goes to achievement of rank, merit, not on the work. The merit system destroys cooperation.”*

*“Instead of setting numerical quotas, management should work on improvement of the process.”*

*“Quotas for production are first cousins of numerical goals. The agent in San Francisco of one of our big banks had a quota: lend \$83,000,000 per month. He did. The bank waded into trouble with bad loans. Can anyone blame the agent for doing his job? His livelihood depended on meeting his quota month by month.”*

*“What is wrong? Certainly we need good results, but management by results is not the way to get good results. It is action on outcome, not on the causes of results – ie., on the system. Costs are not causes: costs come from causes.”*

*“95 percent of changes made by management today make no improvement.”*

*“Wherever there is fear, there will be wrong figures.”*

D. Additional Resources and Links to Others Sources

Albrecht, Karl *The Only Thing That Matters: Bringing the Power of the Customer into the Center of Your Business.* ( HarperBusiness, 1992)

Anderson, Kristin and Zemke, Ron *Delivering Knock Your Socks Off Service.* (Amacom, 1991)

Carlzon, Jan *Moments of Truth: New Strategies for Today's Customer-driven Economy.* (HarperPerennial, 1987)

Hayes, Bob *Measuring Customer Satisfaction: Development and Use of Questionnaires.* ( ASQ Quality Press, 1992)

E. Questions for Reflection and Discussion

1. Describe a moment of truth for your business or for a business that you shop at. How does the management of this moment of truth contribute or hurt current and future business.
2. Describe an example of a management approach or policy that is convenient for the business but inconvenient for customers. What is the impact of this approach or policy on current and future business.