

Lesson Three: Listening and Responding to Customers

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A. Key Learning Points

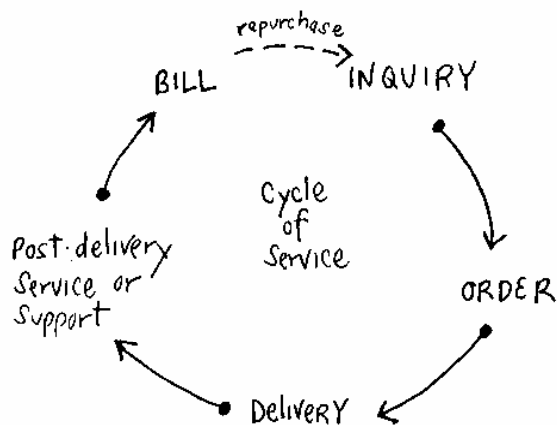
1. Customers are satisfied by integrated business systems that make it easy, efficient, and economical to purchase products and services.
2. A “cycle of service” is a quality tool that helps businesses map and manage integrated customer services that are easy, efficient, and economical.
3. Businesses that effectively manage their cycle of service will increase customer satisfaction, retention, profitability, and market share.
4. Critical incident statements specify business standards for product and service quality at the moments of truth when customers’ impressions matter most.
5. Listening to your customers is the quickest path to business performance improvement.
6. Listening to your customer increases customer expectations for product and service quality improvement.
7. Focus groups are a powerful, cost-effective way to listen and learn from customers and to strengthen customer relationships.
8. Most customer survey initiatives yield limited or no return on investment.
9. Customer satisfaction surveys are valuable when they are well-designed, sincerely implemented, and consistently used for managing timely improvement of product and service quality.
10. Effective customer satisfaction surveys: a) communicate a positive company image; b) ask questions that matter to customers; c) are convenient to complete and return; and, d) are credible, ie. the company is sincere in inviting and responding to customer feedback.

B. Real World Examples and Considerations for Practitioners

1. Integration of services is essential for long-term success in today’s competitive marketplace. Just as a chain, when pulled, will break at its weakest link; a business will fail when customers are disappointed by weaknesses or gaps in its product or service delivery system.

Successful businesses design and manage the flow of service and product delivery with emphasis on eliminating inconvenience, redundancy, and unnecessary delay.

The figure below illustrates a typical cycle of business services from the customer’s perspective.



The business cycle begins when the customer inquires about a company's products or services. Successful companies convert a high percentage of these queries into sales that occur when the customer places an order.

Orders are next converted into product or service delivery. Successful companies deliver the products and services that customers order accurately and on-time.

In some businesses, customers expect service or technical support for the products or services they have purchased. Successful companies understand the value of maintaining and strengthening customer relationships after each sale. They design post-delivery service as an investment in retaining their customers and encouraging new purchases.

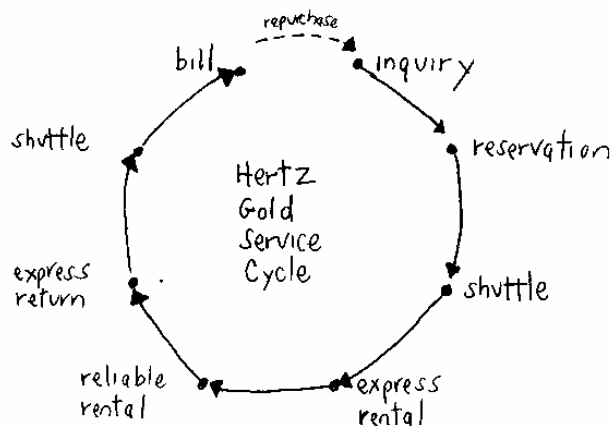
Although billing may occur at different points in a service cycle, in many businesses it occurs at the end. Successful companies bill accurately and price their goods at a level where customers believe their purchase delivers good value for their investment.

Businesses succeed when they manage this cycle effectively and consistently with limited variation and high reliability. Customer satisfaction is high. Cost of operations is low. There are few delays, errors, redundancies, or gaps. Customers are loyal and return for additional purchases. Loyal customers refer new customers who, in turn, are delighted and become loyal. The cycle creates value for the satisfied customer and for the growing business.

Businesses destroy value when they fail to integrate key points in the service cycle. Every day businesses fail to: respond to inquiries, convert queries into orders, deliver what is expected accurately and on-time, service the products they have sold conveniently and professionally, and bill inaccurately. Every day businesses lose customers and earnings to businesses that manage the whole service cycle faster, more accurately, and more cost-effectively.

2. FedEx, Lands End, Dell Computer, Southwest Airlines, Courtyard by Marriott, Hampton Inn, Hertz, and the Frontier Restaurant are all businesses that have designed and managed customer-focused service cycles that create value.

The figure below illustrates the Hertz Gold Service Cycle:



When renting from Hertz, this is my typical service experience:

- I call (or visit the web-site) to inquire about vehicle availability and rental cost for a specific location.
- The Hertz representative accesses my customer profile that includes my vehicle preferences, corporate discounts, and billing information.
- I place the reservation – my total talk time on the phone is less than 3 minutes
- I arrive by airplane at my rental destination.
- I am picked up at curbside outside baggage claim by a Hertz shuttle: total wait time does not exceed 5 minutes.
- I arrive at the rental lot and am dropped off within 35 yards of my rental vehicle.
- My rental vehicle is running; the trunk is open; the heating or air conditioning is on; the lights are on if it is evening.
- I drive my rental car off the lot: a representative checks my license and pre-printed rental agreement as I exit: total time from baggage claim to exiting the rental lot in my vehicle does not exceed 25 minutes.
- My rental car is clean and reliable; it also is often an upgraded vehicle at no extra cost because Hertz recognizes and rewards me as a frequent customer.
- I return my car to the rental lot; signage for drop-off location and convenience of drop-off location is excellent; as I get out of the car, a customer representative confirms my total mileage and prints my bill.
- A shuttle is waiting to take me to the airport: total wait time does not exceed 5 minutes.
- I arrive at the airport for my flight: total time to return the car and shuttle to airport does not exceed 15 minutes.

Hertz charges my company \$50 per year for the Gold Service – a fee that is waived because I charge all expenses to my American Express card which also guarantees me a 5% to 15% discount on all rentals.

I am consistently delighted and loyal to Hertz. Hertz's cycle of service has assured a loyal customer and a lean, effective, customer-focused operation that minimizes costs of errors, delays, and customer complaints.

3. Many businesses fail to design and manage effective service cycles. This occurs when:

- the business fails to see their business from the customer's perspective
- the business is structured and managed for the convenience of the business
- the business emphasizes functional performance at the expense of overall business performance

- the business believes marketing and sales will compensate for weakness in operations and service delivery
 - the business believes it has such a great or unique product that customers will tolerate mediocre or poor service
 - the business believes it has no competition
 - the business believes its customers have no alternative
 - the business has a death wish
4. A critical incident statement specifies business standards for product and service quality at key moments of truth in the cycle of service.

A critical incident statement describes what the business expects a customer will experience at a key service moment. Critical statements are written in the customer's voice. When a customer agrees with the statement, the business has met its service standard. When the customer disagrees, the business has failed.

Here is a critical incident statement: I was greeted by name as I entered the classroom.

In a community college that adopts this critical incident statement, service quality should become more personal, friendly, and student-focused. Learning might improve as instructors learn more about their students and college services become more responsive to the personal needs of students.

Critical incident statements help businesses clarify, communicate, and manage the services that matter most to customers.

Critical incident statements can be developed for key moments in the cycle of service. For example, here are some critical incident statements for each moment in the Hertz service cycle:

- Inquiry: Hertz recognizes me personally as a valued Hertz Gold member; Hertz has service representatives available 24 hours a day, 7 days a week, 365 days a year; I am never placed on hold.
- Reservation: The car I want is available at the price and location I expected; the total time to reserve my vehicle does not exceed 3 minutes;
- Shuttle: The wait time for the shuttle does not exceed 5 minutes; the driver helps me with my bags; the driver provides information about local hotels and restaurants;
- Express Rental: The car I reserve is ready and prepared when I arrive; the total time to drive the car off the lot does not exceed 5 minutes;
- Reliable Rental: The car starts and runs without fail; the car is comfortable; the car is safe; the car gets decent gas mileage;
- Express Return: directions to the drop-off location are clear; the drop-off location is convenient; I am greeted personally by a customer representative in the express return parking lot; the total time to return my vehicle does not exceed 3 minutes.
- Shuttle: the wait time for the shuttle does not exceed 5 minutes; the driver helps me with my bags; the total time from rental location to airport does not exceed 10 minutes.
- Bill: the bill is accurate; the bill is easy to read; the price charged for rental services is a good value.

Critical incident statements can be developed for six quality dimensions introduced in Lesson Two. For example, here are some critical incident statements for a community college.

- Services and Features: The college offers the courses I need for professional advancement; Courses are offered at times that are convenient for me.
- Personal Touch: The college recognizes and welcomes me as a new student; my advisor cares about my personal and professional goals.
- Accuracy: The published schedule of courses is correct; the instructor teaches the course curriculum that is described in college handbooks and syllabi; the information I receive from college employees is correct.

- Economy: I believe the time and money I spend at this college is a sound investment.
 - Speed: The registration process is fast; the course is taught at an appropriate pace.
5. Critical incident statements can be used for a simple, convenient customer satisfaction survey that yields direct feedback on how well your business is managing its key moments of truth.

Here are survey questions Iris designed for New Mexico Discount Office Supply. We used a critical incident format, a Yes and No scale, and a fax-back channel for distribution and return (Surveys were faxed daily to selected sample of customers and were returned fax – fax back communication tends to increase the volume and timeliness of returned surveys).

New Mexico Discount Office Supply Customer Satisfaction Survey

In our continuing efforts to meet your needs, we invite your feedback on the quality of this service order. We appreciate your business and thank you for taking a moment to complete this quick but important survey. Please indicate whether or not each statement below describes the service you received. Check Yes if you agree with the statement. Check No if you disagree with the statement.

Yes No

New Mexico Discount Office Supply sells the office products I need.
 The office products I requested were available when I needed them.
 A salesperson responded promptly to my request for service.
 The salesperson understood my needs and met my expectations.
 My order was delivered on time.
 I received the products I ordered.
 I was satisfied with the response to any errors that may have occurred with my order.
 I enjoyed doing business with New Mexico Discount Office Supply.
 I will recommend New Mexico Discount Office Supply to others.

6. Most surveys are poorly designed and implemented. They do not represent their businesses well. They ask for information from customers that rarely results in quality improvement. They do not justify the time or money that they cost; and these costs contribute to higher prices for customers and lower earnings for shareholders.

Effective surveys: a) Communicate a positive image of their company; b) Ask questions that are meaningful to their customers; c) Are convenient for customers to complete and return; and, d) Are credible – customers believe the company is sincere and committed to acting on the feedback it receives from customers.

7. Many businesses overemphasize customer satisfaction surveys when they would be better advised to listen and learn from customers personally and directly. Simply and sincerely asking customers at the point-of-sale a) whether they are pleased with your services, and b) how you may improve their future buying experience is a powerful, personal way to thank customers and improve future services.

Focus groups are another way to listen and learn directly from your customers while concurrently building or strengthening your customer relationships. Effective focus groups invite a selected group of customers to discuss current service and future needs (the group should be no larger than 12 people) with key managers and employees. The focus group should encourage frank, open comments from customers about your businesses strengths and its weaknesses. Iris recommends four questions that will create useful dialogue:

- What are we doing now that pleases you?
- What are we doing now that we could be doing better?
- What are we doing now that we should not be doing?
- What are we not doing now that we should be doing?

Focus group leaders must be sincere in their interest in customer input, and especially open and non-defensive about customer criticisms. The ratio of customer comments to management comments should be at least 6:1 – you won't learn anything from a focus group if you spend most of the time talking yourself. Be sure to thank focus group participants and be sure to follow-up after the focus session to explain how you are using customer input to design and manage business improvement.

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

Chapter 3: Introduction to a System

“A system is a network of interdependent components that work together to try to accomplish the aim of the system.”

“A system must have aim. Without an aim, there is no system. The aim of the system must be clear to everyone in the system. The aim must include plans for the future.”

“A company or other organization may have buildings, desks, equipment, people, water, telephones, electricity, gas, municipal services. But is it a system? In other words, is there an aim? With some companies, because of short-term thinking, the only aim is survival for the day, with no thought about the future.”

“It is important that an aim never be defined in terms of activity or methods. It must always relate directly to how life is better for everyone.”

“Typically, the management of a company spend a lot of time worrying about share of the market. How big is our piece of the apple pie? How can we enlarge it at the expense of the competition? It would be better if all the competitors would use this time and energy to expand the market. They would all gain.”

“A system of schools (public schools, private schools, parochial schools, trade schools, universities, for example) is not merely pupils, teachers, school boards, board of regents, and parents working separately to achieve their own aims. It should be, instead, a system in which these groups work together to achieve the aims that the community has for the school – growth and development of children, and preparation for them to contribute to the prosperity of society.”

“Suppose that you tell me that my job is to wash the table. You show to me soap, water, and a brush. I still have no idea what the job is. I must know what the table will be used after I wash it. Why wash it? Will the table be used to set food on? If so, it is clean enough now. If it is to be used as an operating table, I must wash the table several times with scalding water, top, bottom, and legs; also the floor below it and around it.”

“A company could have the best product engineer, the best manufacturing engineer, the best man in the country in marketing, yet if these men do not work together as a system, the company could be swallowed whole by the competition with people far less qualified, but with good management.”

“Efficient transportation must not be judged by price alone. Cheaper is not always better. Far more important to the user of transportation service is reliability and dependability. This includes

narrower and narrower variation in time of delivery. It also means narrower and narrower variation in time of transit. It means lower costs in the long run."

"By focusing on a system of quality, everybody wins. This aim is not wild fantasy. It can be accomplished...Left to themselves, individual components will not accomplish this aim. They will. Instead, defeat it, and everybody will lose over the long run ... A system must be managed. It must be led."

"Competition leads to loss, People pulling in opposite directions on a rope only exhaust themselves: they go nowhere. What we need is cooperation. Every example of cooperation is one of benefit and gains to them that cooperate."

D. Additional Resources and Links to Others Sources

Albrecht, Karl *Service Within: Solving the Middle Management Leadership Crisis*. (Irwin, 1990)

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

Lynch, Richard L. and Cross, Kelvin F. *Measure Up!: Yardsticks for Continuous Improvement*. (Blackwell Business, 1994)

Zeithaml, Valerie A. Parasuraman, A. and Berry, Leonard L. *Delivering Quality Service: Balancing Customer Perceptions and Expectations*. (Free Press, 1990)

E. Questions for Reflection and Discussion

A Sample "Focus Group"

In the spirit of continuous improvement of this distance learning class for you and for future students, we invite your constructive response to the following questions:

1. What aspects of this course are you enjoying and finding valuable?
2. What aspects of this course could we improve to help you learn better?
3. What aspects of this course are not useful to you in your distance learning?
4. What are we not doing now in this course that you would like us to do?