



# Total Quality Management



## Chapter 5

# Focusing On Customers



# Who are the customers

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Customers means business.

It is obvious that business can not survive without customers.

A customer can be defined as one who purchases a product or services.

However this definition is not complete from TQM point of view

Every employee in organization must understand  
How his/her job enhances the total satisfaction of customers



# Who are the customers

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- ★ Customers are most important people in any business
- ★ Customer are dependent on business but business is.
- ★ Customers are not interruption of our business.
- ★ Customers are doing favor in doing business with us
- ★ Customers are to be treated with respect
- ★ Customers are coming with needs & wants our duty is to fill those



# Six basic Requirements of Internal & External Customers

## Definitions

- i. **Internal** customers refers to colleagues or people within the same organization or institution who need a service.
- ii. **External** customers refers to people from other organizations or institutions who need a service.

## Element 1 Interact with internal customers

### Performance criteria1.

1. All **internal** customers are specified according to names and job titles in line with organization's requirements.
2. 1.2. Ways of interaction with **internal** customers are determined in accordance with organization's



# Six basic Requirements of Internal & External Customers

- 1.3. Interaction with customers is carried out in line with organization's expectations.
- 1.4. The interaction meets the purpose of the contract without delays or without causing any inconvenience to the customers.

## **Element 2 Interact with external customers**

### **Performance criteria**

- 2.1. **External** customers are specified according to name and organization and purpose.
- 2.2. Ways of interaction with **external** customers are determined in accordance with organizational rules.
- 2.3. Interaction with customers is carried out to meet their expectations. **and external**



# Six basic Requirements of Internal & External Customers

## Customers Performance criteria

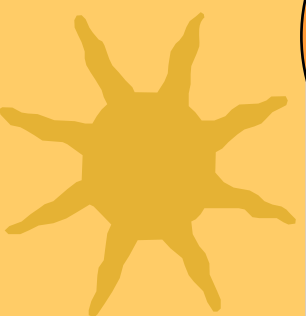
- 3.1. **Internal** and **external** customers are distinguisheded in terms of who they are in line with organization's requirements.
- 3.2. A comparison of **internal** and **external** customers is made in terms of their needs and expectations.
- 3.3. The comparison identifies the different ways of interacting with customers in line with the organization's requirements standard.



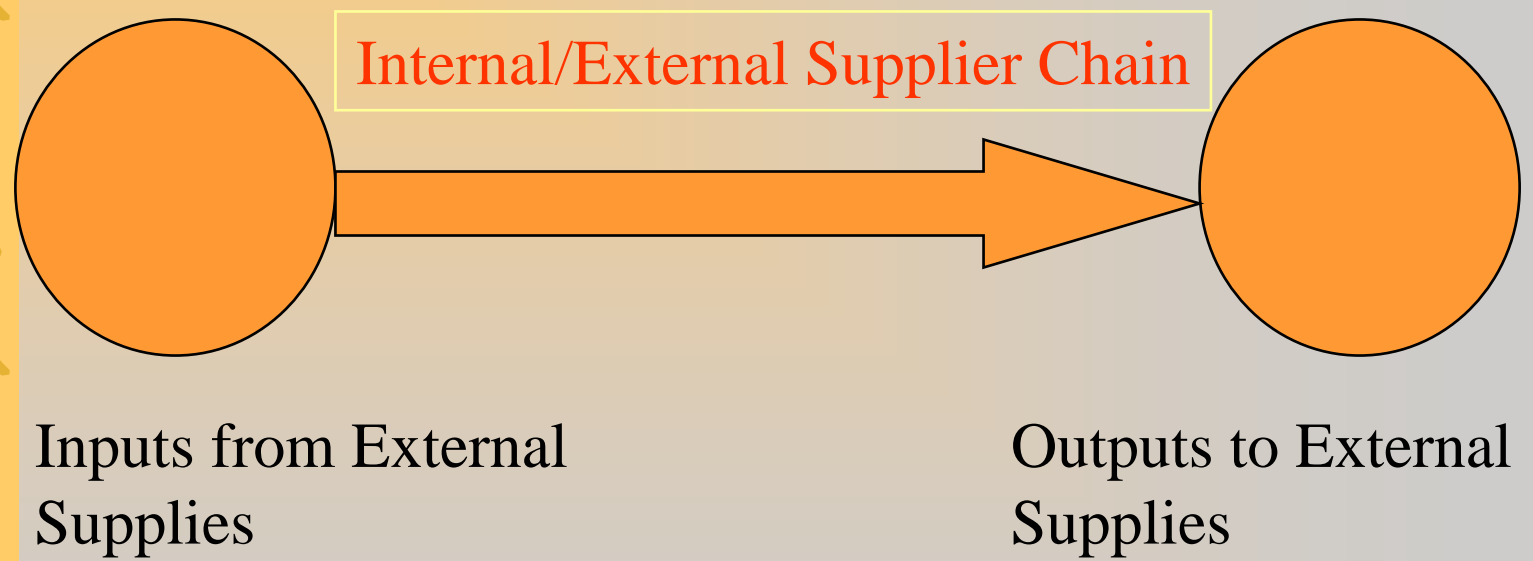
# Six basic Requirements of Internal & External Customers

## Customers Performance criteria

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# Customer/Supply Chain







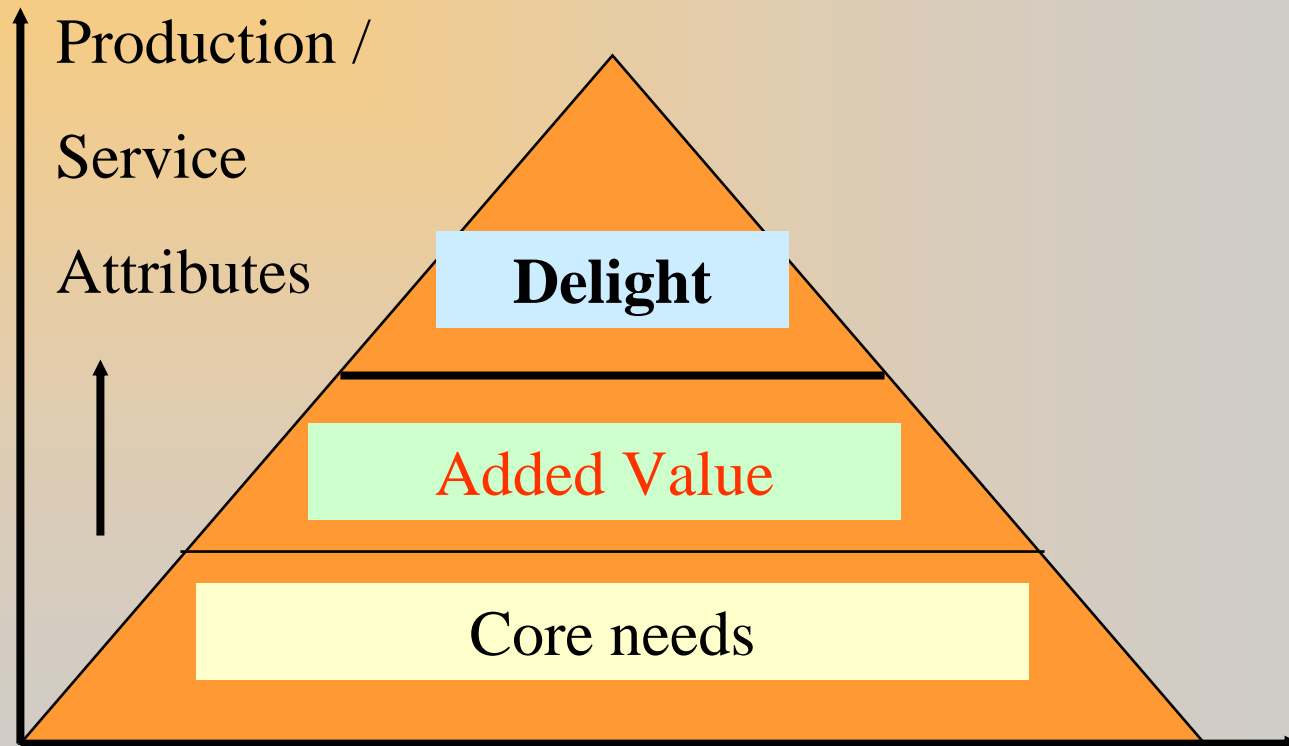
# Customer/Supply Chain

For successful internal External customers/ Suppliers relationship, three basic questions to be asked to internal customers are:

- What do you need from me?
- What do you do with my output?
- Are there any gaps between you need and what You get ?



# Hierarchy of Customer requirements



Hierarchy of Customer requirements



# Hierarchy of Customer requirements

## **Core needs:**

Product consistency , on time delivery which have to be met first to give satisfaction

## **Added Value:**

Features such as technical support and sales office access which offer scope for “true value”

## **Delight:**

Factors such as statistical process control, product innovation & research findings



# Perceptions of Service Quality



Quality of the Delivery Process *versus*  
Quality of the Technical Outcome

- Elements of the process may cue technical proficiency
- Dimensions of Service Quality
  - *Reliability*: Delivering on Promises
  - *Responsiveness*: Being Willing to Help
  - *Assurance*: Inspiring Trust and Confidence
  - *Empathy*: Treating Customers as Individuals
  - *Tangibles*: Representing the Service Physically

# Customer satisfaction and customer retention.



- ❖ According to George Box "All models are wrong, however some models are useful". We believe you will find this model (graphic) which starts with customer satisfaction, customer loyalty and customer retention useful.
- ❖ A large factor in determining the likelihood of success and profits in an organization is customer satisfaction. When there is customer loyalty the customer retention rate is high and business results tend to follow.

# Customer satisfaction and customer retention.



## Customer Satisfaction

There exists an interaction between the desired results and customer satisfaction, customer loyalty and customer retention.

- ❖ They may go by other names such as patients, clients, buyers, etc. Without the customer it is impossible for any business to sustain itself.
- ❖ Achieving the desired results is frequently a result of customer actions. Any business without a focus on customer satisfaction is at the mercy of the market

# Customer satisfaction and customer retention.



Without loyal customers eventually a competitor will satisfy those desires and your customer retention rate will decrease.

There are several levels of customers:

1. Dissatisfied customer--Looking for someone else to provide product or service.
2. Satisfied customer---Open to the next better opportunity.
3. Loyal customer--Returns despite offers by the competition.

# Customer satisfaction and customer retention.



- Dissatisfied customers are an interesting group. For every one that complains there are at least 25 who do not.
- Dissatisfied customers by word of mouth will tell eight to sixteen others about their dissatisfaction. With the web some are now telling thousands.
- 91% of dissatisfied customers never purchase goods or services from the company again.



# Customer satisfaction and customer retention.



- ❖ A prompt effort to resolve a dissatisfied customer's issue will result in about 85% of them as repeat customers.
- ❖ Depending upon the business, new customer sales may cost 4 to 100 times that of a sale to an existing customer.
- ❖ There has been less research on satisfied customers to determine what it takes for a satisfied customer to change. Why take a chance on mere satisfaction?

# Customer satisfaction and customer retention.



- ❖ Loyal customers don't leave even for an attractive offer elsewhere. At the very minimum they will give you the opportunity to meet or beat the other offer. Maintaining loyal customers is an integral part of any business.
- ❖ One of the ways to help obtain loyal customers is by having products and services that are so good that there is very little chance that the customer requirements will not be met.
- ❖ Of course one of the difficulties is understanding the true customer requirements.

# Customer satisfaction and customer retention.



❖ Even when you have the requirements in advance the customer can and will change them without notice or excuse.

❖ Having a good recovery process for a dissatisfied customer is a necessity.

## ❖ A Customer

A customer is the most important person in any business

A customer is not dependent upon us. We are dependent upon him.

# Customer satisfaction and customer retention.



- ❖ A customer is not an interruption of our work. He is the sole purpose of it.
- ❖ A customer does us a favor when he comes in. We aren't doing him a favor by waiting on him.
- ❖ A customer is an essential part of our business--not an outsider.
- ❖ A customer is not just money in the cash register. He is a human being with feelings and deserves to be treated with respect.
- ❖ A customer is a person who comes to us with his needs and his wants. It is our job to fill them.

# Customer satisfaction and customer retention.

- ❖ Several surveys have been done on why customers do not give a business repeat business.
- ❖ Reasons given by customers for not returning for repeat business:
  - Moved 3%
  - Other Friendships 5%
  - Competition 9%
  - Dissatisfaction 14%
  - Employee Attitude 68%

# Customer satisfaction and customer retention.



❖ These surveys would indicate that in addition to the technical training and job skill training provided to employees, some effort aimed at customer satisfaction and employee attitude is appropriate.

❖ Remember these may not be the people normally thought as "Sales People". For example Managers, Supervisors, Secretaries, Accounts Payable, Engineers, Accountants, Designers, Machine Operators, Security, Truck Drivers, Loading Dock, etc.

# Customer satisfaction and customer retention.



- ❖ 68% of lost customers are due to one cause, employee Attitude!!!
- ❖ In order to know how you are doing in this area there must be some measurement. Data indicate that less than 4% of dissatisfied customers ever bother to lodge a complaint.
- ❖ Most just take their business elsewhere.
- ❖ Cultivating the customer relationship is key in achieving the desired business results.

# Customer satisfaction and customer retention.



❖ A passive system that depends upon your customers to inform you without effort on your part is not likely to yield the information necessary to improve customer retention.

## ❖ **Business Results**

❖ Every organization wants to achieve some level of results. Unfortunately too often not everyone in the organization has the same results in mind. Having agreement on the desired results tends to focus efforts.



# Customer satisfaction and customer retention.



- ❖ Even if they do agree upon the basic description of the results how to measure achievement of those results is in disagreement.
- ❖ Understand what are the desired results.

## **Some common result areas:**

Sales volume

Profit before tax

Market share, Earnings per share

Repeat business %

New customers %

Cash Flow

Cont..

# Customer satisfaction and customer retention.



Cycle Time

Patents issued

Safety performance

Returns, Warranty claims

Environmental performance

Defect level

Scrap

First pass prime

Cost per unit produced

Debt to equity

Many others

# Customer satisfaction and customer retention.



- ❖ Agree on how to measure the result area.
- ❖ Is the measurement system capable of producing numbers that are useful for the intended result area?
- ❖ Do all of the affected people have confidence in the measurement system?
- ❖ Can numbers be generated quickly enough to be useful?
- ❖ Does the measurement depend upon the level of the result?



# Model of Customer satisfaction

## Kano's Model of Customer Requirements

- ❖ Customer requirements can be invisible to both the customer and the supplier. Noriaki Kano proposed using a simple model to better understand customer needs.
- ❖ He compares the degree of fulfillment of requirements by the supplier with the degree of satisfaction by the customer.
- ❖ It is very useful to keep this model in mind when visiting the gemba.
- ❖ Kano distinguishes 3 categories of customer requirements (Figure 1) [1, 4]:



# Kano's Model of Customer satisfaction

- Expected requirements are self-evident and unspoken. E.g. one can expect that a car will drive and can stop. Even a 100% fulfillment of these aspects will never satisfy a customer.
- On the contrary, when these requirements are absent or exhibit a failure, customers will be dissatisfied. Kano calls them dissatisfiers.
- Revealed requirements are expressed in one way or the other. They are not hidden. The degree of fulfillment is highly correlated with customer satisfaction



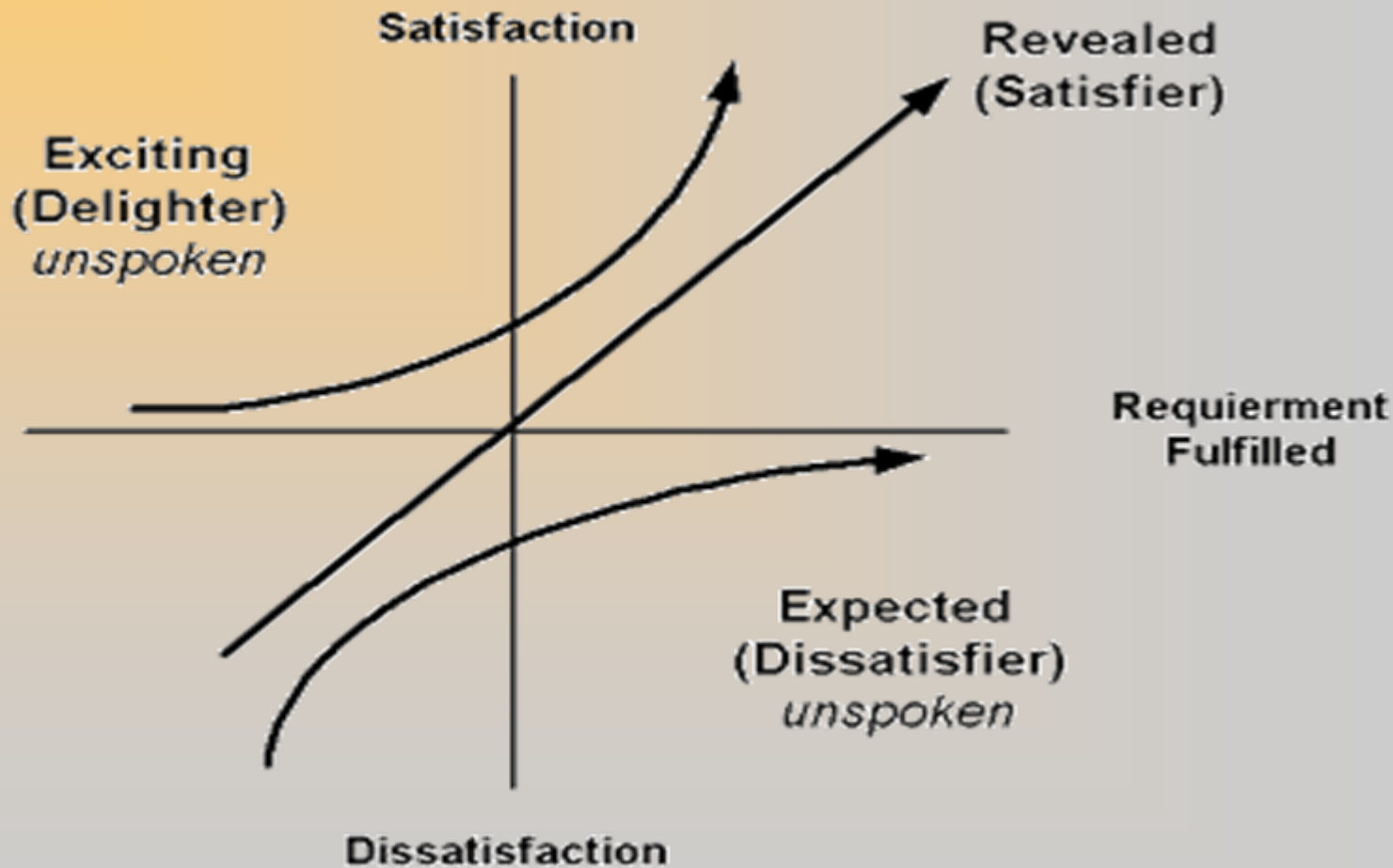
# Kano's Model of Customer satisfaction

- like asking for a specific interior of a car. Kano calls them satisfiers.
- Exciting requirements are not expected and are not asked for. However, should they be available by, customer can become very excited, like the product having a GPS-system in a standard car at no extra cost. Kano calls them delighters.





# Kano's Model of Customer satisfaction





# Kano's Model of Customer satisfaction

## Observations

- ❖ Overall, eliminating dissatisfiers (introducing sufficient Useful Action, eliminating Harmful Action), strengthening satisfiers and introducing delighters (introducing sufficient Useful Action, eliminating conflicts) will increase the **Ideality** of a product or service.
- ❖ The author's perception of the situation is summarized in the Table 1. As will be shown later, Dissatisfiers and Delighters differ by their impact on customer's value .





# Voice of the Customer (VOC)



- ❖ A term used in business to describe the process of capturing a customer's requirements.
- ❖ Specifically, the Voice of the Customer is a market research technique that produces a detailed set of customer wants and needs, organized into a hierarchical structure, and then prioritized in terms of relative importance and satisfaction with current alternatives.
- ❖ Voice of the Customer studies typically consist of both qualitative and quantitative research steps.



# Voice of the Customer (VOC)



- ❖ They are generally conducted at the start of any new product, process, or service design initiative in order to better understand the customer's wants and needs, and as the key input for new product definition, Quality Function Deployment (QFD), and the setting of detailed design specifications.
- ❖ Much has been written about this process, and there are many possible ways to gather the information focus groups, individual interviews, contextual inquiry, ethnographic techniques, etc.



# Voice of the Customer (VOC)

- ❖ But all involve a series of structured in-depth interviews, which focus on the customers' experiences with current products or alternatives within the category under consideration.
- ❖ Needs statements are then extracted, organized into a more usable hierarchy, and then prioritized by the customers.
- ❖ It is critical that the product development core team own and be highly involved in this process. They must be the ones who take the lead in defining the topic, designing the sample



# Voice of the Customer (VOC)

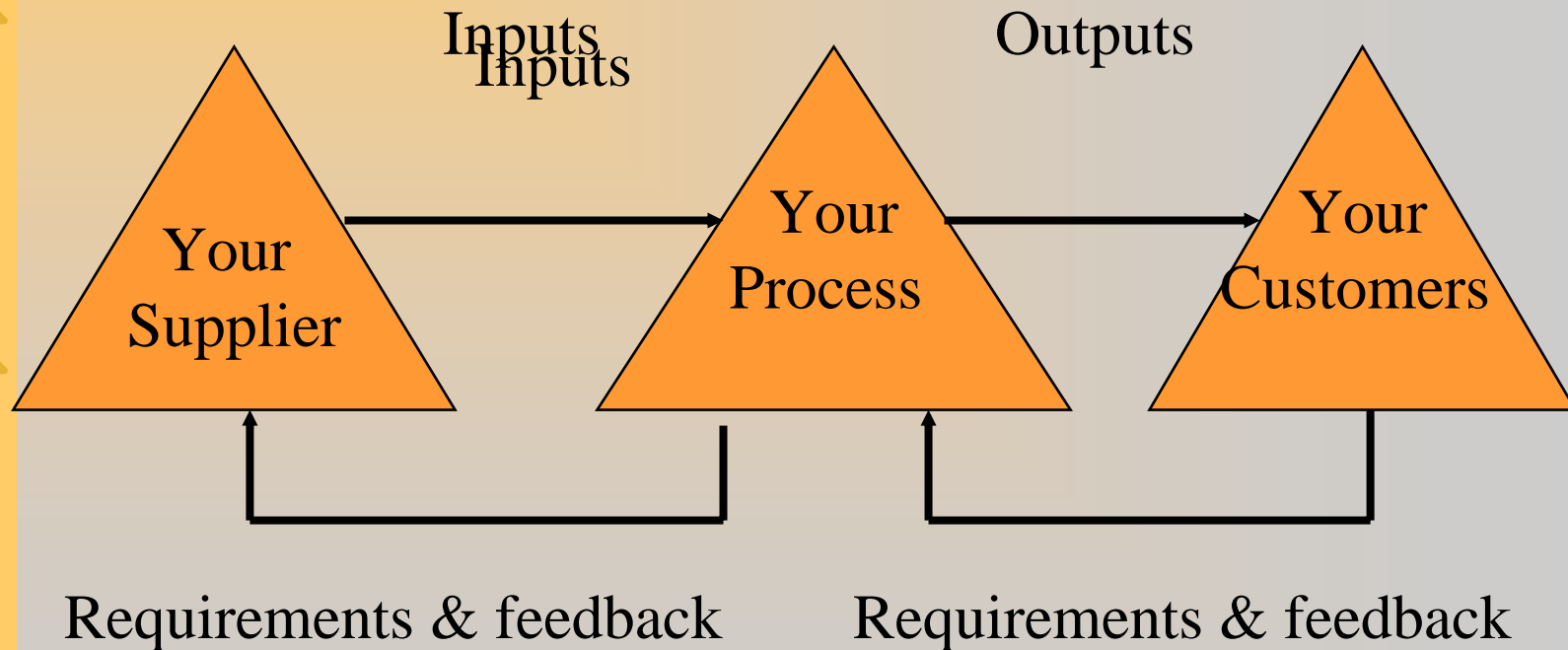
❖ Generating the questions for the discussion guide, either conducting or observing and analyzing the interviews, and extracting and processing the needs statements.

## Voice of the Customer Initiatives

- 1) A detailed understanding of the customer's requirements
- 2) A common language for the team going forward
- 3) Key input for the setting of appropriate design specifications for the new product or service
- 4) A highly useful springboard for product innovation.



# At & T's Customer Supplier Model





# *Understanding Customer Needs & wants*

- ❖ **Customer satisfaction**, a business term, is a measure of how products and services supplied by a company meet or surpass customer expectation.
- ❖ It is seen as a key performance indicator within business and is part of the four perspectives of a Balanced Scorecard.
- ❖ In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy



# Understanding Customer Needs & wants

## Measuring customer satisfaction

- ❖ Organizations are increasingly interested in retaining existing customers while targeting non-customers; measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the marketplace.
- ❖ Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service.

# Understanding Customer Needs & wants

- ❖ The state of satisfaction depends on a number of both psychological and physical variables which correlate with satisfaction behaviors such as return and recommend rate.
- ❖ The level of satisfaction can also vary depending on other options the customer may have and other products against which the customer can compare the organization's products.
- ❖ Because satisfaction is basically a psychological state, care should be taken in the effort of quantitative measurement





# Understanding Customer Needs & wants



- ❖ Work done by Berry, Brodeur between 1990 and 1998 defined ten 'Quality Values' which influence satisfaction behavior, further expanded by Berry in 2002 and known as the ten domains of satisfaction.
- ❖ These ten domains of satisfaction include: Quality, Value, Timeliness, Efficiency, Ease of Access, Environment, Inter-departmental Teamwork, Front line Service Behaviors, Commitment to the Customer and Innovation.
- ❖

# Understanding Customer Needs & wants



- ❖ These factors are emphasized for continuous improvement and organizational change measurement and are most often utilized to develop the architecture for satisfaction measurement as an integrated model.
- ❖ Work done by Parasuraman, Zeithaml and Berry between 1985 and 1988 provides the basis for the measurement of customer satisfaction with a service by using the gap between the customer's expectation of performance and their perceived experience of performance.



# Understanding Customer Needs & wants



❖ This provides the measurer with a satisfaction "gap" which is objective and quantitative in nature. Work done by Cronin and Taylor propose the "confirmation/disconfirmation" theory of combining the "gap" described by Parasuraman, as two different measures (perception and expectation of performance) into a single measurement of performance according to expectation.

# Understanding Customer Needs & wants

- ❖ According to Garbrand, customer satisfaction equals perception of performance divided by expectation of performance.
- ❖ The usual measures of customer satisfaction involve a survey with a set of statements using a Likert Technique or scale. The customer is asked to evaluate each statement and in term of their perception and expectation of the performance of the organization being measured

# *Customer relationship management*

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## Three key phases:

- 2. Customer Retention.
- 1. Customer Acquisition.
- 3. Customer Extension.



# *Customer relationship management*

- ❖ Analytical - analysis of customer data for a broad range of purposes.
- ❖ META Group (acquired by Gartner in April 2005) developed this conceptual architecture in the late 1990s, and dubbed it the *CRM Ecosystem*.
- ❖ Operational CRM provides support to "front office" business processes, including sales, marketing and service.
- ❖ Each interaction with a customer is generally added to a customer's contact history, and staff can retrieve information on customers from the database as necessary.



# ***Customer relationship management***

**Customer relationship management (CRM)** is a broad term that covers concepts used by companies to manage their relationships with customers, including the capture, storage and analysis of customer, vendor, partner, and internal process information.

## **Aspects**

There are three aspects of CRM which can each be implemented in isolation from each other:

Operational - automation or support of customer processes that include a company's sales or service representative



# *Customer relationship management*



- ❖ Collaborative - direct communication with customers that does not include a company's sales or service representative
- ❖ Hence, it is important that any CRM implementation considers not only technology, but furthermore the broader organizational requirements.
- ❖ The objectives of a CRM strategy must consider a company's specific situation and its customers needs and expectations.





# ***Customer relationship management***



## **Technology considerations**

- ❖ The technology requirements of a CRM strategy can be complex and far reaching.

- ❖ The basic building blocks:

- ❖ A database to store customer information.

One of the main benefits of this contact history is that customers can interact with different people or different contact *channels* in a company over time without having to repeat the history of their interaction each time.



# ***Customer relationship management***

Consequently, many call centers use some kind of CRM software to support their call center agents.

## **Collaborative**

❖ Collaborative CRM covers the direct interaction with customers, for a variety of different purposes, including feedback and issue-reporting. Interaction can be through a variety of channels, such as web pages, email, automated phone (Automated Voice Response AVR) or SMS.

❖ The objectives of collaborative CRM can be broad, including cost reduction and service improvements.

# ***Customer relationship management***

## **Analytical**

- ❖ Analytical CRM analyzes customer data for a variety of purposes:
- ❖ Design and execution of targeted marketing campaigns to optimize marketing effectiveness.
- ❖ Design and execution of specific customer campaigns, including customer acquisition, cross-selling, up-selling, retention
- ❖ Analysis of customer behavior to aid product and service decision making (e.g. pricing, new product development etc.)



# *Customer relationship management*

- ❖ Management decisions, e.g. financial forecasting and customer profitability analysis Prediction of the probability of customer defection (churn).
- ❖ Analytical CRM generally makes heavy use of predictive analytics.
- ❖ **Strategy**
- ❖ Several commercial CRM software packages are available which vary in their approach to CRM.
- ❖ However, CRM is not just a technology, but rather a holistic approach to an organization's philosophy in dealing with its customers.



# *Customer relationship management*

- ❖ This includes policies and processes, front-of-house customer service, employee training, marketing, systems and information management.
- ❖ This can be a CRM specific database or an enterprise data warehouse.
- ❖ Operational CRM requires customer agent support software.
- ❖ Collaborative CRM requires customer interaction systems, e.g. an interactive website, automated phone systems etc.



# ***Customer relationship management***

❖ Analytical CRM requires statistical analysis software as well as software that manages any specific marketing campaigns.

Each of these can be implemented in a basic manner or in a high end complex installation.

## **Channels of communication**

❖ It is also important to mention here that a CRM system is capable of executing all the three sub modules via multiple communication Channels.



# *Customer relationship management*



These channels can be:

Direct

Online (Internet)

Call Center (via Phone/FAX/Email etc)

All the three CRM Sub Modules (Marketing, Sales and Service) can be executed across these Communication channels. Based on these criteria, CRM offerings can be further sub divided into following:



# ***Customer relationship management***



**Communication Channel**

**/ CRM Module**

**Direct**

**Internet**

**Call Center**

Marketing, Online Marketing

Web Marketing ,Tele Marketing

Sales,Web Shop , Tele Sales

Service,Online Service

Customer Self Service Portal

Tele Service







# *Customer relationship management*

## **Successes**

While there are numerous reports of "failed" implementations of various types of CRM projects, these are often the result of unrealistic high expectations and exaggerated claims by CRM vendors.

In contrast there are a growing number of successes. One example is the National Australia Bank (NAB) which has pursued a CRM strategy for over ten years and has won numerous awards for its efforts.

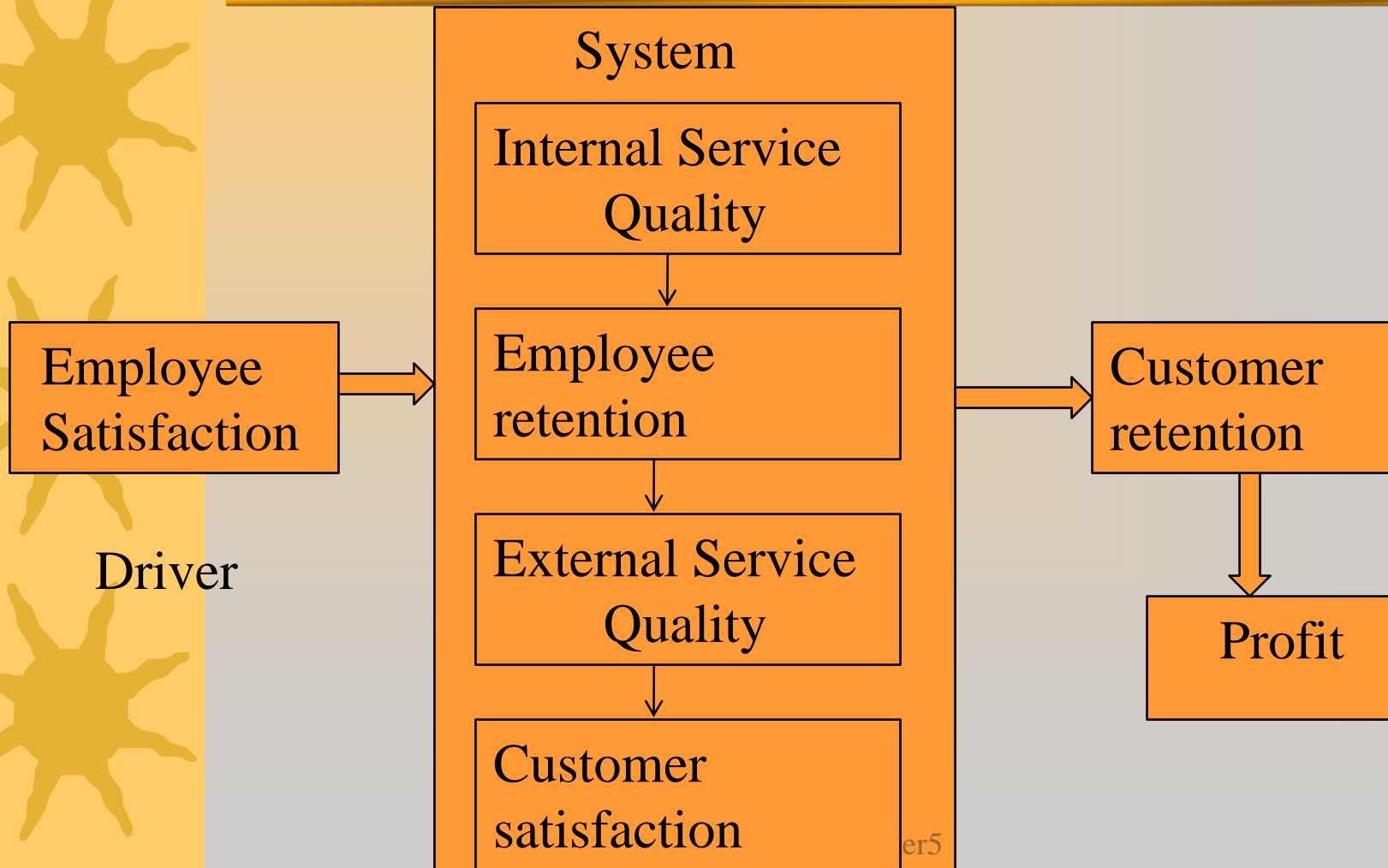


# *Customer Retention*

- ❖ Customer defection is a problem and retention is opportunity in both manufacturing & service firms  
Customer retention is more powerful and effective than customer satisfaction.
- ❖ Customer retention moves customer satisfaction to the next level by determining what is truly important to the customer and making sure that the customer satisfaction system focuses valuable resources on things that really matter to the customer .
- ❖ Because many services are intangible ,the interaction of customers is critical for the growth of service industries



# ***Profitability & Customer Retention***





# *Think Customer Act Customer*

- ❖ Who is your customer?
- ❖ Have you allocated time for your customer?
- ❖ Have you understand there needs?
- ❖ Have you pinned down their immediate requirements?
- ❖ Have you built feedback mechanism?
- ❖ Are you smoothing the interface?
- ❖ Have you built flexibility?
- ❖ Are you serving not selling?
- ❖ Are you looking for trends and anticipating emerging needs?
- ❖ Can you do something special?



# Total Quality Management



End Of

**Chapter 5**