

Enhance Your Quality System With Customer Satisfaction Measurement

Jeff T. Israel
Principal
SatisFaction Strategies
Portland, OR 97229

SUMMARY

Increasingly organizations are using customer surveys for satisfaction measurement purposes. However, lacking a thorough understanding of key design issues and opportunities, organizations commonly fail to realize the full potential of the customer feedback process. Frequently, sub-optimal quality system integration is a key limiting factor. The purpose of this paper – in addition to providing some technical guidance – is to foster practitioner understanding of these key issues and opportunities. As a result, this understanding will aid practitioner success, foster feedback effectiveness and, ultimately, help the organization achieve higher levels of customer-focus.

KEY WORDS

Culture, customer requirements, customer satisfaction measurement (CSM), customer segments, and voice-of-the-customer (VOC).

INTRODUCTION

While it shouldn't be very difficult for organizations to integrate their customer satisfaction measurement processes with their quality system, most efforts fall short. The individual or team (process driver) accountable for development and deployment plays a critical role in the ultimate effectiveness of the satisfaction measurement process. To achieve maximum effectiveness, the process driver must somehow balance the technical approach with the organization's purpose and culture, as well as with the competitive environment.

Perhaps your organization is beginning to look ahead to the new ISO 9000 / 2000 standard. If so, determining customer requirements, measuring customer satisfaction, and making sure the organization practices continuous improvement are likely prominent in your present and / or future priorities. Even though the new standard details new practices that may be needed to achieve or maintain certification, it is not prescriptive in how these new practices should be implemented.

On one hand, it may be fairly easy for companies to meet the requirements for the new standard if compliance is their primary intention. If instead the purpose is to create an effective process that goes beyond a cursory fulfillment of the standard, greater emphasis on planning and a situational assessment is needed. With this a backdrop, the following framework is suggested for customer satisfaction measurement (CSM) stakeholders committed to leveraging customer-focus in their organization.

REQUIREMENTS FOR EFFECTIVE CUSTOMER FEEDBACK

The framework proposed for creating and deploying an effective CSM process – one rigorous enough for successful enhancement of a sound quality system – includes four key phases.

1. Clarify purpose of satisfaction measurement
2. Conduct situation assessment
3. Design & deploy feedback system
4. Transform data into information into action

CLARIFY PURPOSE OF SATISFACTION MEASUREMENT

Perhaps the most important opportunity for organizations creating or updating a customer feedback system is to be explicit about the motives and intentions regarding the use of customer feedback. Too often the intention is to merely “gather satisfaction data,” or “comply with (customer / regulator / registrar) requirements”. A leader’s commitment to only “get data” never equates to a culture committed to the systematic improvement of customer satisfaction.

If the mandate to implement CSM is coming from high up in the organization, try to clarify the reasons and motives for the decision. The purest motive is nearly always crystal clear when the CEO is known to be a passionate, tireless champion for providing extraordinary customer value (i.e., is strongly customer-focused). A leader interested only in complying with a requirement is at the opposite end of the customer-focus continuum. In understanding the motivation for pursuing CSM, the process driver is better prepared to conduct a situation assessment and will be better able to make important decisions about the CSM design.

Once the purpose of the satisfaction measurement process is clear, it is important to state quality system needs for information as explicit objectives. Some examples might include:

- Identify & monitor shifts in customer requirements
- Develop outcome measures for overall satisfaction, loyalty, advocacy, etc.
- Develop process measures that reflect key customer requirements
- Continuously measure and regularly report performance
- Identify trends in performance
- Identify causes of dissatisfaction / failed expectations
- Identify drivers-of-delight
- Address information needs of top management, operations and frontline employees, providing actionable information to support coaching, planning, corrective action, and continuous improvement.

Attaining clarity about CSM objectives on the front-end translates into useful information to address management and quality system issues on the back-end. The “Voice of the Customer” (VOC) model (figure 1, ASQ Quality Management Division, 1999, 237) shows how CSM surveys are related with quality systems. In the VOC model, CSM is just one of several customer related data streams which may be used to drive quality system activities under the information out heading.

“Voice of the Customer” Model

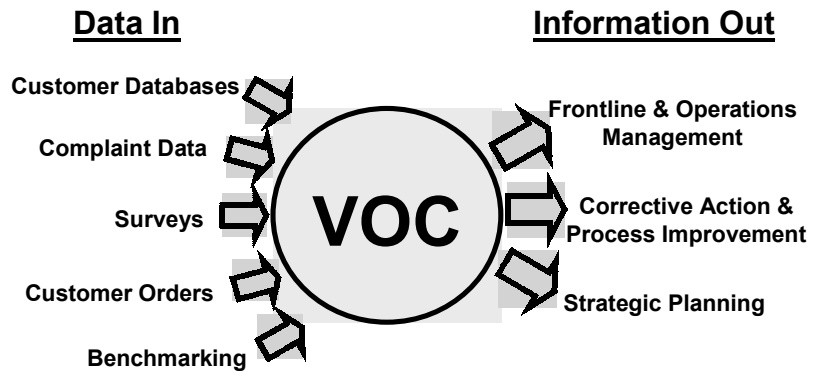


Figure 1

Satisfaction Strategies, © 1993, 2000

CONDUCT SITUATION ASSESSMENT

To maximize the effectiveness of CSM, conducting a situation assessment before initiating feedback design is helpful. It is important to take stock in the dynamics (both internal and external) with bearing on the customer-focus of the organization. A clarified purpose helps us articulate our desired state (point-of-arrival) and the situation assessment helps us articulate our present state (point-of-departure). Gap analysis between current and desired states should dictate the essence, form and function of the process that will emerge from design. In addition, the situation assessment helps to fine-tune CSM objectives. An honest evaluation of the present state aids the process driver in making better decisions and in knowing when (and when not) to go back to leadership / top management for additional support.

In practice, situation assessments prior to satisfaction measurement design are rarely conducted. Most satisfaction measurement systems proceed straight from stating purpose and objectives to design and deployment. However, the risks of uninformed decisions or improper focus can be fatal. Fortunately, the Body of Knowledge integrating the quality, marketing and customer service disciplines is improving. For our purposes, a simplistic sensing is suggested. For a more detailed treatment of environmental scanning see *Corporate Radar* (Albrecht, 2000)

A situation analysis to design CSM should include a quick, but honest examination of organization factors (such as leadership commitment, culture, mission / vision / values), customer factors (such as value exchange, customer identification and segmentation) and selected environmental factors (such as competition, economic, and technology).

Organization Factors

Leader commitment to customer-focus is the top predictor of CSM effectiveness. A committed leader provides the maximum amount of leverage for effective customer feedback. These leaders “walk their talk,” leading by example. They earn the respect, trust and cooperation of employees, shaping the right kind of culture, forging a shared vision to create value for customers. If leader commitment is not strong enough, the impact of the CSM process will be limited.

Culture may be assessed in terms of present levels of employee engagement and skepticism, as well as the present levels of trust, cooperation and respect that exist throughout the organization. Employee perceptions on the role played by customers is an important situational factor. The customer’s role should not only be manifest in the mission / vision / values formally espoused by the organization, but also be ingrained in employee attitudes. Barrier surveys and climate surveys may provide important indications of the present state of culture in the organization. A strong service culture exists when employees feel their work is facilitated by the organization (Israel, 1994, 4).

Customer Factors

A major strategic issue is the organization’s focus. Is the organization market-driven, or customer-driven? An organization that is 100% market-driven need never sell to the same customer twice. At the other extreme, an organization that is 100% customer-driven sells only to existing customers. While the extremes describe very few organizations, it is important to break down sources of revenues and profit by existing versus new customers. It would be a mistake to choose customer surveys at the exclusion of market surveys if an organization relies predominantly on sales to new customers. For the situation analysis, try to determine the relative importance of new and repeat customers.

Other major customer factors relate to value creation and value exchange. The notion of value exchange has to do with why your customers and suppliers are in a relationship with you (Hacker, Wilson, with Johnston, 1999, 32). In order to understand an organization’s requirements for success, it is imperative to attain clarity about the value sought by customers, especially those granting the license to live. Customers evaluate performance based on how well their expectations of value are being met. Each time a customer obtains or uses a product or service, they compare the value received with the total cost they believe they have invested. If the cost is too high, the customer will consider other alternatives perceived as providing higher value (Israel, 1992, 2). In reality, the value sought reflects both stated and unstated customer requirements. The situation assessment should identify elements of value sought and perceived customer requirements. In addition, the situation assessment should attempt to evaluate perceptions of performance across these items.

Knowledge of who your customers are and whether or not they are core customers – those most vital to the organization’s success – are very important customer factors. It is also critical to understand if customers represent a single mass market with similar requirements, or multiple segments, each with unique requirements. Scarcity of service resources seems prevalent in most organizations today. If too much emphasis is placed on meeting and exceeding the needs of all customers, it is very likely that the organization will fail to meet the needs of some of its most important core customers or key segments. The trends of mass customization, CRM (customer relationship management) and micro-segmentation are significant drivers that are increasing the importance for many organizations to understand how the concepts of core customers and key segments fit in their situation. If service delivery systems are based on the needs of a “typical” customer, the organization runs the risk of failing to meet the needs of those on whom success is most dependent. (ASQ Quality Management Division, 1999, 219 – 226).

Service process mastery is another important dimension of customer factors. Quality professionals have long relied on process maps as a tool to describe and improve production processes. A less common practice that is very beneficial is service process mapping. It is possible to create a process map of the service delivery process as the customer sees and experiences it (Israel, 1994, 5 – 6). Try to identify the “moments-of-truth” (Carlzon, 1987) experienced by customers and organize them in a manner that represents the customer’s experience. Using the resulting process map as a focal point, the situation assessment should gather feedback from process owners to examine the strengths and weaknesses of the service delivery system to provide an indication of the current level of service process mastery.

Environmental Factors

The competitive environment that the organization operates in is always an important consideration. It is especially important for organizations tending toward a market-driven focus. To assess your organization’s situation, see if you can state the value propositions of your key competitors. What are the relative market positions of each? What distinguishes one player from the next? Are there major differences in features, service, cost or value? Some organizations use competitive market surveys to create competitor profiles. The Malcolm Baldrige National Quality Award Criteria (Category 3 – Customer and Market Focus) stresses the importance of data from the market at-large as well as from customers. Assessment of the competition is often practiced for its value in strategic planning, but should also be considered for assessing how the organization stacks up against the other players, especially in customer satisfaction.

Economic conditions should also be factored into the situation assessment. With globalization of commerce, many organizations are increasingly dependent on the economic health of customers and other business partners around the world. Even though the U.S economy has recently enjoyed an unprecedented period of expansion, many organizations were hard-hit by the Asian economic crisis of the late 90’s. Recessions invariably lead to slowdowns in sales, swollen inventories and

employee layoffs. Layoffs reduce the organization’s production and service capability, both of which impact customer satisfaction. Assess how vulnerable your organization is to economic downturns. Will your products or services still provide high value, even when perceived costs increase dramatically? If not, how will the value proposition be altered to maintain viability?

Technology is often another important factor for organizations to consider in the situation assessment. The importance of technology is due to its potential to radically transform the business landscape very quickly. One example of an organization that was “here today, gone tomorrow” is the story of the pioneer of the electronic modem, Hayes Corporation (Albrecht, 2000, 2). Hayes failed to keep its product line current and innovations by competitors pushed Hayes into bankruptcy at a time when modem sales were at record levels. Depending on competitive situation factors, innovation may be more than a lever for competitive advantage; it may be an imperative for survival.

DESIGN AND DEPLOY FEEDBACK SYSTEM

Following identification of CSM objectives and completion of the situation analysis, a stakeholder-driven approach to design is recommended. Three key phases to deploy stakeholder-driven CSM are outlined in figure 2. The phases include:

- Create Inside-Out View
- Create Outside-In View
- Develop & deploy quantitative processes

Other approaches include customer-driven and top-down driven CSM designs

(Israel, 1994, 2). Both customer- and stakeholder-driven approaches use qualitative customer feedback followed by quantitative feedback. However, stakeholder-driven designs provide qualitative feedback from internal service process owners prior to collecting customer data.

The difference between qualitative and quantitative surveys lies in the nature of the questions and the structure of responses, plus sampling method. With qualitative surveys, questions are probing and open-ended in nature, as are responses. Qualitative surveys help identify what should be

Stakeholder - Driven CSM Design

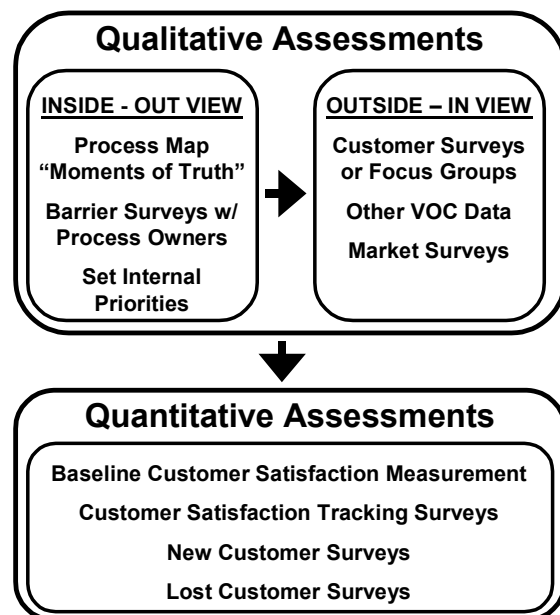


Figure 2

measured by surfacing the key themes and issues related to the survey objectives. Results from focus groups and small sample qualitative surveys usually may not be projected to the population of interest due to small sample sizes. By contrast, quantitative surveys actually measure (or quantify) performance for key metrics. Care needs to be taken in both determining the target population and in developing sampling methods to best represent it. With statistically valid sampling, quantitative research results can be accurately projected to the population.

Qualitative Assessments

Creating the “Inside-Out View” (figure 2) can be done as part of the situation assessment. The perspectives gained provide great insight on important organization, customer and environmental factors from the perspective of frontline service process owners. With genuine leader commitment to customer-focus, creating the “Inside-Out View” presents exciting possibilities. When the stakeholder-driven approach is chosen, it highlights current performance strengths and weaknesses across the service process, identifies customer expectations across key moments of truth, pinpoints barriers to customer satisfaction, and asks process owners to set improvement priorities they believe will have the maximum impact on customer satisfaction. There are many advantages to the stakeholder-driven approach, including employee involvement in design, clarification of customer research objectives and ultimately, better buy-in and receptivity to the performance metrics and results from the CSM process itself (Israel, 1994, 5 – 8).

To create the “Outside-In View,” first review and then combine information from external sources, including qualitative customer surveys, focus groups, broader market surveys and other voice-of-the-customer data (figure 1). The conventional approach is to gather qualitative data – either in the form of surveys or focus groups – with the primary purpose being to identify, clarify and / or validate customer requirements and factors most influencing customer satisfaction.

Quantitative Assessments

Different types of surveys are commonly used in quantitative CSM, including both satisfaction baseline and tracking surveys. These surveys may vary by focus, such as all customers, core customers, new customers and lost customers. The common purpose of these approaches is to gather objective evidence of customer satisfaction and customer perceptions of performance for key metrics.

Baseline surveys are an initial snapshot of the organization’s current performance levels. Usually they indicate the magnitude of performance factor importance and satisfaction, provide selected qualitative data, plus classification questions (used to characterize / identify key customer segments). Tracking surveys are subsequent “snapshots,” providing data for quantitative performance comparisons at regular intervals. Tracking surveys may be transaction or event

driven, or based on a particular population of customers (e.g., all customers, core customers or other customer segments).

In addition to surveys of existing customers, new customer and lost customer surveys may be part of the CSM system. New customer surveys provide a way of gauging initial quality and satisfaction, providing a mechanism to cement customer loyalty (brand preference) early in the relationship. On the other hand, lost customer surveys can be useful in identifying systematic causes of dissatisfaction that are driving customers into the outstretched arms of the competition. They frequently provide useful insights, clarifying opportunities to stem customer defections that are caused by preventable service delivery failures.

Methods Review and Selection

The traditional types of customer surveys include mail, telephone and in-person. More recently introduced types include fax and electronic surveys, which include both email and web-based surveys. Today, it is increasingly common to see hybrid methodologies that make it possible to attain acceptable response rates and increase convenience for targeted respondents. Often the survey method is dictated by one or more key situational factors.

Design Situational Factors

- Population size
- Importance of C-S relationship
- Survey length
- Qualitative or quantitative emphasis
- Preferred communication channels

Feedback System Constraints

- Available budget
- Available resources
- Survey process cycle time requirements
- Viable modes of contact (what contact information is available)

An in-depth discussion of the impacts of the above factors goes beyond the scope of this paper, but a couple of examples are provided. A supplier with a small number of customers, perceived as a critical supplier by those customers, needing an in-depth assessment of performance (long survey) with many open-ended questions, might choose to conduct personal interviews with the population of targeted customers. In another case, a supplier with thousands of customers, where only a low or moderate level of relationship exists, seeking primarily a quantitative evaluation of performance with a concise (short) list of questions and a limited budget, might choose to implement a mail or electronic survey design with a random sample of customers.

One obvious requirement is that the organization must be able to identify who its customers are. It is presumed that the organization not only can identify the customer, but can also access vital information, such as contact name(s), address, phone and / or email address. Other customer data such as sales volume, operating profit and other classification information greatly impact the ability to narrow or focus the sampling method to core customers or key segments. Quick and

easy access to customer populations, as well as the ability to draw representative samples, has been greatly enhanced by improvements in Information Technology systems.

One prevalent pitfall in CSM design practice is the disregard for the importance of attaining good response rates. It is not uncommon to see CSM systems attain low response rates in the 12 – 25% range. The implications of non-response bias are frequently ignored. Unless a sample of non-respondents is taken in follow-up survey attempts, we don't know if non-respondents can be treated the same or if they need to be treated differently than respondents. When using mail surveys, some organizations try to compensate for non-response by mailing to a larger sample. While this yields an acceptable sample size for statistical precision, we cannot know how well the sample represents the population of interest. One hallmark of a good CSM design is its ability to attain high response rates, somewhere in the 40 – 100% range.

If budget is a limitation, hybrid methods can lower survey costs. An example of an effective hybrid mail / email / phone methodology that should attain a good response rate might include the following steps: Advance notification to customers by mail or email that they have been selected for the survey (link to survey web-site provided); distribute paper versions of survey 7 – 10 days following notification, again with link in cover letter to electronic survey; 2nd survey mailing to non-respondents about one month following 1st survey mailing; and finally, attempt follow-up phone surveys for non-responding core customers about one month following 2nd survey mailing. Our experience with this approach has yielded response rates in excess of 50%.

Project Management – Key Activities and Resource Requirements

A project management approach to CSM is very important both in initial implementation and in managing the on-going customer feedback process. Important considerations are establishing the scope of the project, identifying the required capabilities, examining the trade-offs of costs vs. the value of the information, and creating a project timeline. Many organizations choose to outsource key CSM tasks such as survey design, data collection, analysis and reporting. Others have the resources and capability to implement some or all tasks internally. Tasks requiring specialized skills and capability include the research methods design phase, creating appropriate reports, and facilitating use of reports in action planning. Some thought should be given to the long-term plans for administering the feedback process and whether building internal capability is important. Consider the role of outsourcing, both in the short and long-term horizons.

Common activities in qualitative and quantitative CSM design and deployment are outlined in the list that follows.

1. State the objectives for CSM
2. Establish scope parameters
3. Qualitative research design
 - a. Identify customer population(s), and viable contact methods
 - b. Sample design
 - c. Qualitative survey instrument design
4. Collect qualitative data (depth interviews and / or focus groups)
5. Analyze and interpret qualitative results
6. Restate objectives for CSM based on qualitative results
7. Quantitative research design (sampling and survey instrument development)
8. Data collection
 - a. Pretest
 - b. Survey deployment
9. Data processing
 - a. Data entry
 - b. Coding (converting open-ended data to closed-ended)
10. Analysis
11. Reporting
12. Action planning
13. Plan next CSM cycle
 - a. Review and update CSM objectives
 - b. Review (and update if needed) sampling and survey instrument
14. Implement next wave of CSM data collection (repeat 8 – 14)

Embedded in steps 8 – 14 is the familiar PDSA (Plan / Do / Study / Act) cycle. Whether these activities are conducted internally or are outsourced, it is helpful for the process driver to establish a clear schedule for key activities in the CSM cycle.

Key Question Elements of CSM Surveys

Nearly all CSM tracking surveys have several common types of surveys questions, including:

- Satisfaction outcome measures
- Process measures
- Open-ended questions for clarification
- Segmentation questions and customer database information

Satisfaction outcome measures are high-level measurements of customer satisfaction. Examples include overall satisfaction, measures of preference and loyalty, overall performance versus expectations and ease of doing business. Process measures include specific aspects of product

and service delivery performance. Some examples of process measures might include satisfaction with on-time deliveries, complete shipments, accessibility of service, representative knowledge, accurate billing, product quality and so on. Open-ended questions should be used for clarifying reasons for customer dissatisfaction with outcome measures. Segmentation questions, as well as key information from customer records can be included to examine performance levels attained across different groups or segments of customers.

TRANSFORM DATA INTO INFORMATION INTO ACTION

It is unfortunate, but after the surveys are completed, the data is tabulated and the reports are written, CSM results are often used sub-optimally. Four leading reasons for this include:

- Information needs weren't stated clearly in the objectives
- Expectations for action have not been established
- Quality system linkages are missing or only partially developed
- Analyses and reports have not been targeted for key stakeholder groups

Earlier the importance of clearly understanding the purpose of CSM was stressed, as was identifying the organization's specific needs for information. When this is done well at the front end of the design process, it dramatically improves the usefulness of the information obtained from CSM. Not only does this ensure that the right questions are asked, but analysis and reporting can be focused to address these information needs directly.

In the situation assessment proposed in this paper, the importance of leadership commitment to customer focus was highlighted. In transforming information into results, leaders once again play an important role. It is important that key groups of information stakeholders understand that there are expectations for using results. Leaders need to express expectations for accountability, while at the same time continuing to remove barriers to customer satisfaction and providing the frontline with needed resources.

Understanding the opportunities that exist for using CSM in concert with the organization's quality systems is another way to improve feedback process effectiveness. The "voice of the customer" model (figure 1) shows linkages with planning, corrective action and process improvement activities. Customer feedback should support organization planning, whether the focus is strategic, marketing or service planning. When unresolved customer issues are evident in CSM surveys, it is often appropriate to initiate corrective action procedures with respondents. Opportunities for prevention and process improvement are highlighted when recurring service failures are identified and causes of overall dissatisfaction are evaluated.

CSM should be part of the organization's overall performance measurement system. Category 4 of the Baldrige Criteria outlines key information and analysis elements. Specific questions in 4.2

ask how analysis is conducted for high-level performance review and planning; work-group and function levels; and, how analysis supports daily operations. In this vein, it is important to get the right information to the right stakeholders. CSM results can be targeted to meet different information needs. Top management is interested in high-level assessment of the overall organization and how current scores track against the prior period. Division and business unit managers are interested in drilling-down to results that they are accountable for. Scorecards for the operating unit level should emphasize performance trends within units rather than between units. If customers are assigned to specific representatives, or if transaction based sampling is used, reports can be provided to the frontline stakeholders to reflect customer perceptions on how well they are doing their jobs. Supervisors can use this information to acknowledge superior performance as well as to identify key improvement areas to emphasize in coaching employees.

CONCLUSION

Our experience with customer satisfaction measurement (CSM) design suggests there is no one-size-fits-all approach. The CSM system needs to be tailored to specific organization objectives and information needs. The manner in which the feedback system is created and the ways in which results are used should be determined based on situational factors descriptive of the organization, its customers and its operating environment. Ultimately, the effectiveness of the CSM process must be judged based on the ability of the organization to transform CSM data into positive results.

Not all organizations are ready to ascend to the pinnacle of effective CSM. Those lacking strong leader commitment and possessing a weak culture for service cannot reach the summit. In these circumstances, CSM should still prove useful in supporting continuous improvement, but the process driver will find that the paths to performance breakthroughs and dramatic results are blocked. However, for those organizations ready for the high road, the common theme will be the unrelenting pursuit of customer-focus and customer satisfaction. Dramatic results will manifest themselves in many forms. Perhaps most importantly will be the praise the organization receives from its employees, as well as its customers.

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SPEAKER BIOGRAPHY

Jeff Israel is the founding Principal of SatisFaction Strategies, specializing in the design and improvement of customer satisfaction measurement and feedback systems. Prior to starting SatisFaction Strategies, Jeff was Vice President / Office Principal at Market Trends Research and Field Coordinator with Gilmore Research Group. He has more than 20 years experience in customer satisfaction and service quality research, serving a broad range of industries. In addition, Jeff is an Associate of The Performance Center, assisting individuals and organizations with transformation. Jeff received his M.B.A. from Washington State University and a B.A. in Business (Marketing) also from WSU.

Currently, Jeff is Vice Chair of Marketing (00/01) of the Customer-Supplier Division of the ASQ. He has served in five other officer positions, including Chairman, since 1995. Jeff is also an Executive Member of the American Marketing Association. Jeff frequently speaks on customer satisfaction topics and has written and presented five papers on customer satisfaction, performance improvement and improving customer relationships. Jeff authored several chapters of the first edition of *The Certified Quality Manager Handbook* (Quality Press), published by the Quality Management Division (1999), and reviewed parts of the forthcoming second edition.