# IMS:
# Customer Satisfaction

**Integrated Management Systems Series**

The Integrated Management Systems (IMS) series of books provides practical guidance and advice on integrating the systems operating within an organization. The IMS series provides a framework into which additional management systems can be incorporated.

   Each volume is written by an acknowledged expert in the field. The series editor is David Smith of IMS Risk Solutions Ltd, who has been involved in writing management system standards since the early 1990s and is himself the author of a number of BSI books on the subject.

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Integrated Management Systems Series

# IMS:
# Customer Satisfaction

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**BSi**

# Contents

# Acknowledgements

# 1. Introduction

*Success is a journey, not a destination.* (Ben Sweetland, American writer)

This book is intended to help those who are considering setting up a system to manage customer satisfaction. The system can be used on its own, or be aligned with or integrated into an existing management system. It follows the principles and format set out in *IMS: The Framework* (Smith, 2001) and *IMS: Implementing and Operating* (Smith, 2002). If you already have management systems set up that align with these books or with ISO 9001 or ISO 14001, you will be able to implement this customer satisfaction management system so that it will become an integral part of the management system rather than a separate system.

The principle on which this management system is based is the PDCA (Plan, Do, Check, Act) cycle. In short:

- plan what you are going to do based on your needs;
- carry out your plan;
- check to see whether or not it is working;
- carry out actions to remedy shortcomings and prevent their recurrence then review periodically to see whether or not your plans and objectives are achieving the desired result; if not, repeat the cycle.

PDCA is plain common sense. It encompasses the process approach of ISO 9001:2000 and the systems approach used in ISO 14001:1996.

Such an approach provides control not only of the processes used in running a business, but also of the links and interactions between the processes. The application of the PDCA cycle to a business is a way of driving continual improvement. Strictly speaking, the term 'continual improvement' was originally applied in ISO 9001 to improvement of the management system. However, one of the objectives of the management

system is to achieve customer satisfaction, and its continual improvement is essential, not just for improved efficiency but for survival.

> Monitoring the satisfaction of interested parties requires the evaluation of information relating to the perception of interested parties as to whether the organization has met their requirements. (ISO 9004:2000)

The process of planning, putting in place, running, monitoring, reviewing and improving the process is described in the following pages. A flow diagram of the operations is shown in Figure 1.1. This figure is repeated at the beginning of each chapter to show the progress of the development of the system.

Where extracts from ISO 9001:2000 and ISO 9004:2000 have been included they have been referred to by clause number. Extracts from *IMS: The Framework* have been identified using the numbering system used in the integrated management system (IMS) framework; the framework is shown in Appendix 1. This shows how customer satisfaction can be slotted in as an element of an IMS.

The way in which elements of management of customer satisfaction relate to requirements in management systems for quality, environment and occupational health and safety is shown in Appendix 2.

Identification of business needs

Policy and its development

Identification of processes

Identification of business risks and aspects

Prioritization of aspects

Determining objectives

Gap analysis of requirements vs current status
Development of action plans

**Plan**

Implementation

Operation

**Do**

Performance assessment monitoring

**Check**

Improvement

Management review

**Act**

*Figure 1.1*

# 2. Initial status review

Identification of business needs

Policy and its development

Identification of processes

Identification of business risks and aspects

Prioritization of aspects

Determining objectives

Gap analysis of requirements vs current status
Development of action plans

Implementation

Operation

Performance assessment monitoring

Improvement
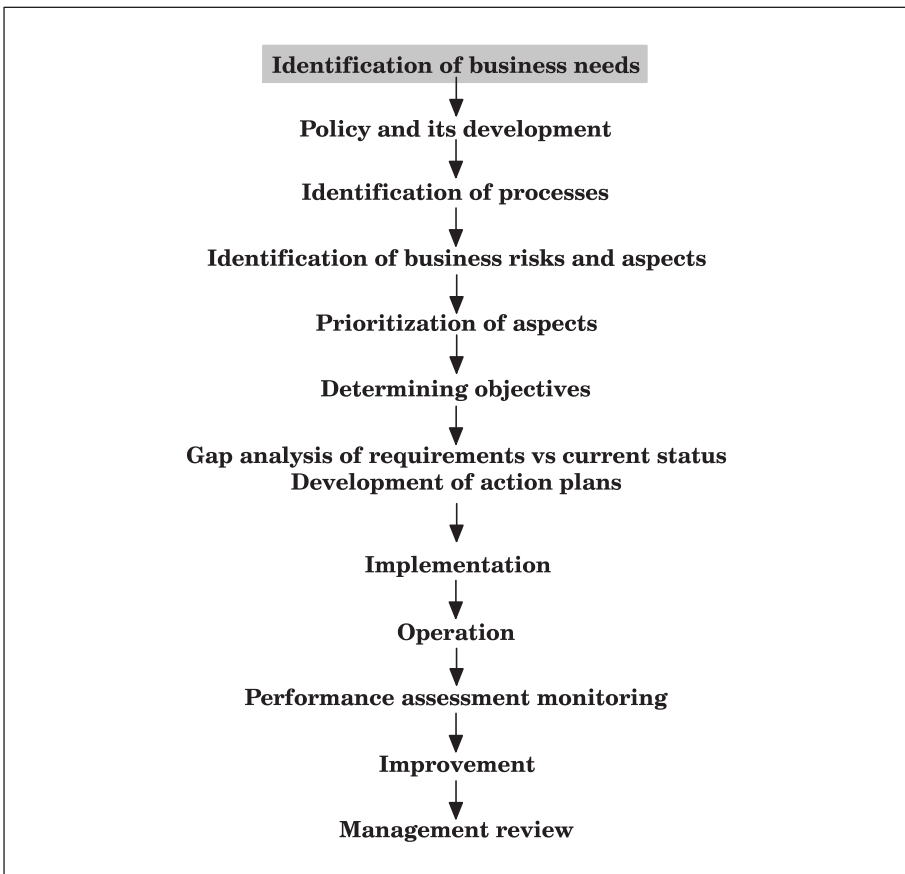
Management review

*Figure 2.1*

> *We must beware of needless innovations, especially when guided by logic.*
> (Winston Churchill, 1942)

The initial status review, in the language of management system standards, determines where we are now and where we want to be in the future, ie identifies our business needs.

Managers should aim at establishing an ethos in their enterprise where all employees understand that they are responsible for the pursuit of all the objectives of the enterprise and should contribute to their attainment where relevant. The vision, mission statements and objectives of an organization should be reflected in the objectives of every employee so that all employees are aware of their responsibilities and contribute to the business. The real need is for the managers to manage all activities in concert rather than in isolation. The role of the Quality Manager is then to ensure that all the activities can be managed (monitored, controlled, recorded and improved) in accordance with the same principles and to improve the system where required.

The needs of the organization, and the resources that can be made available, should be considered. The top management of the organization should define what the business is, who the customers are, what their needs are, what their expectations are and how the organization should meet these requirements.

## Why satisfy the customer?

All organizations plan to survive and even to prosper and to expand. Survival is usually the minimum requirement. In the private sector this means avoiding liquidation or takeover; this implies making a profit. Without profits there can be no (long-term) survival. In the public sector the organization has to convince those paying for the service (directly or indirectly) that they are getting value for money in meeting public need (NHS, government departments, etc). In each case survival is dependent on giving satisfaction to customers, ie users of the service whether they are paying for it or not. David Wilkinson of Ernst and Young says that 'two years ago, our entrepreneur awards were jam-packed full of technology firms. This year, (2002) most entries were consumer focused.'

Johnston (2001) gave the average profit per employee as:

- £8,365 for an organization with poor service;
- £14,362 for an organization with good service.

He also reported that an increase of 5 per cent customer retention resulted in a 25 to 125 per cent increase in profit.

Obviously, the final figures are highly dependent on the source data but the strong message is that you need to give good service to make good profits.

There are different ways of giving satisfaction. A shop gives satisfaction in supplying to customers what they have asked for or what they have chosen. In a hypermarket customers know what they want. Satisfaction is linked to the whole shopping experience and will be dependent on price, range of goods, ease of purchase, advice or help, car parking, pleasantness of surroundings and credit facilities, not just the product alone. It will be measured by the number of customers increasing or decreasing, not by the number of complaints. If the shop invites complaints or suggestions, as many supermarkets do, they must at least be acknowledged, and in due course replied to.

In the case of a pharmacy or a hardware shop, perhaps the shopkeeper is asked for advice in establishing what the customer needs, not just what has been asked for, and the quality of this advice may be more important than the quality of the article supplied. This is even more marked in those seeking legal advice where the quality of the product supplied is more important than the price, assuming you can afford it.

In the public domain, measurement of satisfaction is more difficult. Complaints about a service can usually be made only to someone who is not able directly to put it right such as an Ombudsman. It then often becomes a political question, with, for example, the setting up of schemes like the Charter Mark. It is anomalous that in those public services that provide unsatisfactory service, the demand from the public is to spend more (NHS, schools, police) but in the private sector customers rarely demand that the price should be increased.

Satisfaction is also subject to scale. A particular train journey may be completely satisfactory but the train service in general may be rated as poor (and the same with a visit to a hospital). Equally, the total service can be satisfactory or even good, but with occasional instances when the usual standards are not met, for example, air travel.

In the private sector satisfaction will have many dimensions. The product must be right in design, price, quality and delivery; likewise the packaging should be adequate but not excessive and so on.

The organization will be trying to build a reputation for the company or the brand name (slow to build, easy to destroy, eg Perrier, Marconi) and complaints, even if unjustified, may often be bought off. Retailers offering a 'no quibble money back guarantee if dissatisfied' is an example; in some cases the slowness of the procedure discourages frivolous application for a refund, but the offer is there. If a customer writes to some food manufacturers with

what he or she perceives to be a complaint, the manufacturer may generously reimburse the complainant (usually in kind) to keep him or her happy. At the same time, the manufacturer may explain the cause of the apparent problem that may not be the fault of the manufacturer ('bloom' on chocolate due to sub-optimal storage conditions is an example).

- Satisfied customers will continue buying your product or service.
- Marketing pundits say that satisfied customers will tell five people of their satisfaction while dissatisfied customers will tell nine people of their complaint.
- It costs between five and seven times as much to gain a new customer as to retain an existing one.
- If you lose a customer, you lose a lifetime of sales.
- Only 4 per cent of customers complain if they are dissatisfied; most just vote with their feet. (In other countries the proportion complaining may be higher, but it is not British to 'make a fuss'.)
- The average business loses between 10 and 30 per cent of its customers per year.
- Many businesses do not know which customers they have lost, when or why they were lost or how much the loss has affected profits.

There was criticism from some quarters that ISO 9001:1994 concentrated on improving the management system rather than the product. That standard did not specifically state that if an organization made a product that did not satisfy its customers, it would go out of business however well it managed the provision of that product or service. As Aaron Altschul, the American nutritionist once said: 'The nutritional value of a food that nobody wants to eat is zero.' However, there may have been cases, particularly in monopoly organizations such as government bodies and businesses in centrally managed economies, where customers could not vote with their feet. In these, the business could be 'efficiently' conducted to the total satisfaction of its managers and the despair of its captive customers. Some doctors' waiting rooms spring to mind. To combat this, the latest revision of ISO 9001 contained a specific requirement for customer satisfaction to ensure that, to be assessed and certified as well managed, an organization had to be customer oriented and provide a product that satisfied its customers.

> Top management shall ensure that customer requirements are determined and are met with the aim of enhancing customer satisfaction. (ISO 9001:2001, 5.2)

This means that, as a requirement of ISO 9001:2000, customer satisfaction must be addressed in the organization's policies and be an intrinsic part of management responsibilities and commitment. In short, it is one of the elements that are addressed in the 'plan, do, check, act' cycle.

## What is satisfaction?

Satisfaction is meeting or exceeding the customer's expressed or implied needs, requirements and expectations on time, every time. The customer's needs may not be expressed, they may be incorrectly expressed or may even conflict with their expressed wishes. An obese person who has suffered heart problems may express a desire for deep-fried Mars bars, but does he or she need them? Satisfaction is linked to customers' expectations. These may conflict with their own long-term interests or the interests of others. If selling cigarettes, alcohol, armaments or drugs, one might decide that strict controls are essential to avoid misuse of the product. But what car manufacturer would survive if it produced only cars incapable of exceeding 70 mph? Ethical considerations are arbitrary and may change with time. Any product that engenders dependency – drugs, gambling, fast cars – is susceptible to moral arguments that may be irrelevant to the needs of (the majority of?) consumers who are not habituated. The way that a customer's needs, expectations and requirements are met in the light of ethical and business considerations may be a matter of company policy.

The organization's management should set their objectives, agree on their exclusions and develop their policies with a view to attaining them.

Providing customers with a product or service that satisfies their needs must be a key element in fostering satisfaction. To do this, consistently and in a controlled way, requires a quality management system. In order to show that the system produces a product that satisfies the customer, ISO 9001:2000 requires that customer satisfaction is monitored.

Customer satisfaction is linked to customer loyalty and to customer retention, but the relationship between them varies with the business.

If you support a football team, you may be retained, intensely loyal but frequently dissatisfied. A customer who hunts around to get the cheapest price for a branded product or a commodity (eg petrol) may be satisfied but not loyal. You may retain customers because you have an effective monopoly but the customers are rarely satisfied. Rail commuters and consumers in centrally run economies may be familiar with this. If you reduce your price for a well-known branded product, you may gain customer satisfaction until a competitor does the same. Satisfaction must be long term to lead to retention and loyalty. If you are merely retaining customers and your

competitors are increasing the number of theirs or their market is growing faster than yours, you are falling behind. All of these are a part of the much wider and more complex field of customer relationship management that you might wish to explore after implementing the controls that are essential for your particular business.
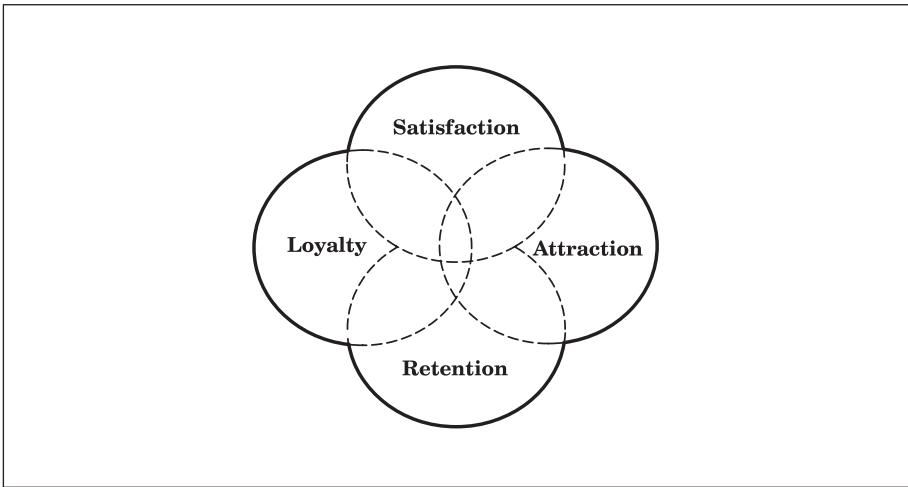


*Figure 2.2  Interrelationship between attraction, satisfaction, loyalty and retention*

**Customer loyalty**

According to Jones and Sasser (1995) one can segment customers by 'loyalty segments':

*Loyalists:* completely satisfied and a source of repeat business (can recommend service to others).
*Defectors:* dissatisfied in various degrees (can become 'terrorists' and spread disaffection).
*Mercenaries:* can be completely satisfied but show no loyalty (can be expensive to acquire and easy to lose).
*Hostages:* have to accept whatever they are given (customers of monopolies).

BSI has recently published PAS 46, which covers managing loyalty for all stakeholders, including employees, customers, suppliers and shareholders. It defines several types of business loyalty:

- monopoly;
- inertia;
- convenience;
- price;
- incentivized; and
- emotional.

All of these terms are sufficiently self-explanatory for the purposes of this book but show that customer motivation is a complex subject and should be carefully researched for the particular business. Incentivized loyalty has waxed and waned over the years. An early example, which may be remembered by older readers was the Co-op dividend or 'divvie'. On paying their bill, shoppers would quote a number recorded by the cashier and receive their dividend periodically. (This scheme is now modernized with swipe cards as for other loyalty schemes.) Green shield stamps came later but when the majority of retailers offered them, they defeated their own object of encouraging loyalty and their use rapidly declined. Modern schemes such as supermarket loyalty cards and air miles are used by many larger organizations with highly developed IT systems. Although their use may only move the market share by a percentage point or so, on a multi-million pound turnover, this is significant.

Household and motor insurance is an area where traditionally customers have shopped around to get the cheapest price. Brokers have to some extent profited from this as they may offer their customers policies from different companies when it comes to renewal. Insurance companies have been strengthening their brand image and have introduced various loyalty schemes or benefits such as European cover for vehicles, legal assistance, air miles and retail discount cards in order to encourage customer loyalty and retention.

**Customer value**

Another related concept that is gaining popularity in some quarters is customer value. This encompasses many attributes including: overall quality, customer relations, image, price, product range, delivery and service. It can be regarded as a strategic approach to managing the overall business with a view to attracting and retaining customers.

Customer value is only one aspect of value management that:

through its focus on outcomes, integrates corporate efforts to obtain optimum value, taking into account the interests of the organization,

customers and stakeholders. It helps define and validate corporate objectives and translates them into effective operational responses. (PD 6663:2000)

Attraction, loyalty and retention depend to a considerable extent on the policies of the organization, its marketing skills, the perception of the public and competitive activity. Satisfaction is very much a function of how the business is conducted and the attitude of employees towards their customers.

For the purposes of this book, let us assume that your customer has freedom of choice and that you are not the manager of a football club. You can then work on the premise that in order to retain customers and to win their loyalty, you are going to have to satisfy them. The job of the marketing and publicity departments should then be made clearer.
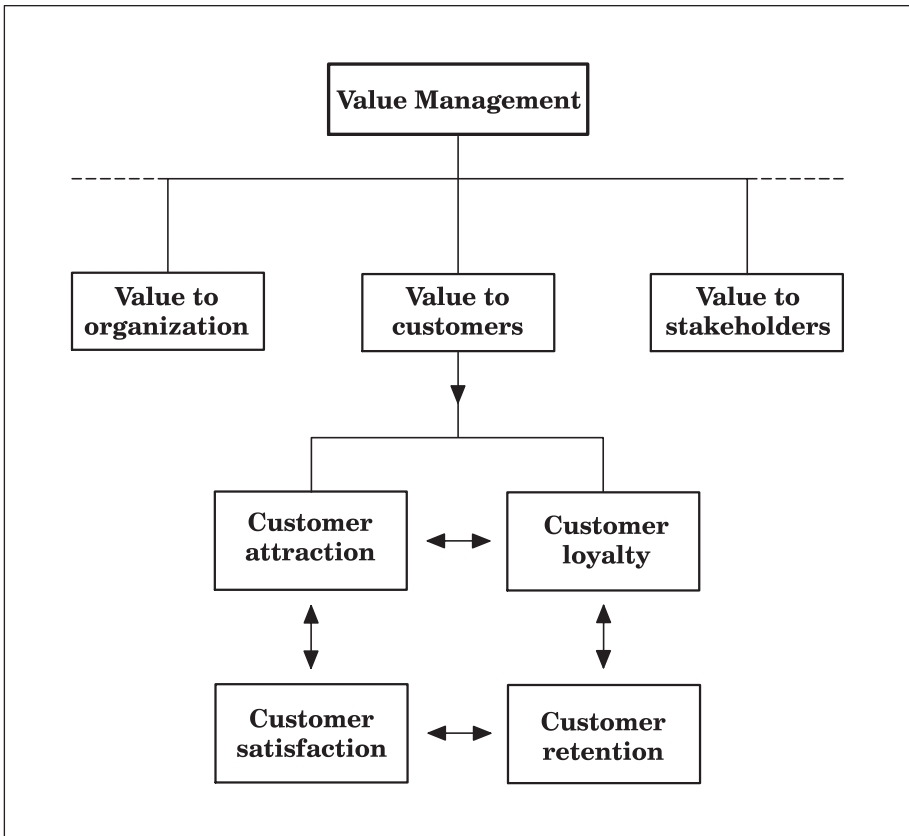


*Figure 2.3 Customer satisfaction as a part of value management*

Companies need to attract and acquire new customers and to retain existing ones. In some circumstances, these two activities could be separated into separate functional units: business development and relationship management.

Customer 'churning' is a term coined for customers switching from one supplier to another. This is increasing, particularly as businesses face reduced profits and get more competitive. The increase is particularly noticeable in the retail sector as market information is made more readily available and is more widely used. The increase in e-commerce has made window-shopping and price comparisons so much easier. Deregulation of service industries (eg the utilities) has educated customers to look around for the best deals in other areas as well. Suppliers need to offer their customers added value in order to attract them and keep them.

## What is our business?

It is very important to be clear what your business is. In many cases, this changes over time as business needs change. Virgin used to be a record company. It now runs a very diverse empire far wider than its original market. Tesco, the supermarket chain, now also sells insurance and cars. Perhaps one should take the view that one's business is to ensure the long-term survival and profitability of the organization by the best use of all resources. If at some time, one of the resources happens to be money, then investment, acquisition or expansion into novel areas could be options.

The questions to ask may include the following:

- What is our core business?
- What subsidiary or ancillary business do we conduct?
- What do our potential customers think we do? Is this view correct? If not, should we meet their expectations or change them?

There may be a core business and subsidiary businesses. Sometimes, the bulk of business may shift to one of the sidelines, making that the new core or a new business. The business of J Arthur Rank as a film distributor developed from making religious films for missionary outlets, a charitable activity of the founder of the flour millers.

A large organization may have many businesses, in which case different segments may have different customers with each group having different needs and criteria of satisfaction. For example, an organization may offer different levels of service or product, a luxury version and a cheap and

cheerful version where price is the major consideration. The importance of satisfying each group of customers should be assessed separately and the criteria for doing so established. If you have a diverse market, you may wish to decide the following:

- What market segments do we serve?
- What is our customer base in these segments?
- What are the main criteria that we need to meet to satisfy the customers?
- What is the cost benefit in satisfying customers in these segments?
- How should we allocate the resources devoted to customer satisfaction between these various segments?

## Who are the customers?

Customers are the recipients of a product or service. They can be internal or external and may or may not pay directly for the product or service received. A customer can be the purchaser of a product or the recipient of a service such as a bus or train journey, medical treatment, an educational course or be someone with a telephone enquiry.

How should customers be identified? The organization may have direct contact with the customer (eg a small builder) or very indirect (eg a manufacturer of high-volume consumer goods). In the latter case, you must decide whether you need to aim to satisfy only the direct customer (eg a wholesaler) or the entire supply chain down to the end-user or even those responsible for the disposal of the product. If you have a unique product, it may be sufficient to depend on your wholesaler or agent to provide feedback on customer satisfaction but if your product is one of many, the first feedback you might get of dissatisfaction is loss of market share. It is therefore important to be aware of the popularity of the product all the way down the retail chain, although you may decide to leave monitoring and management of customer satisfaction to others.

To decide who your customers are, you may find it useful to ask the following questions.

- Are they large corporations, smaller organizations or private individuals?
  - If organizations, who are the important decision makers who have to be satisfied?

- What are the criteria of satisfaction? (Quality, reliable delivery, price, flexibility?)
- If the customers are private individuals, are they a cross-section of the population or are they a sector of the population that can be identified by:
  - age;
  - gender;
  - geographic area;
  - income;
  - lifestyle;
  - education;
  - special interest (sport, music, cookery, etc).

These sub-divisions are not rigid, there will always be blurring of boundaries, but knowledge of the profile of the 'most frequent' customer will help to identify the objectives and targets. The trend is now to identify markets using lifestyle analysis rather than by using the traditional demographic criteria of age, sex and occupation.

For commercial organizations, not all customers are profitable. It is important to identify those customers whose requirements are so stringent that they cannot be met without incurring a loss (that cannot be offset against a worthwhile benefit). It is not practicable or profitable to provide a world-class service to all customers and potential customers.

**Internal customers**

It is easy to forget that people in our own organization depend on our work and cooperation. It is easier to remember that we depend on cooperation from others. It is useful to map your inputs and outputs (what you get from whom and what you pass on to others; see Chapter 4). Staff should examine their inputs and outputs and discuss with the recipients and donors how these could be improved. If the internal workings of the organization are not proceeding smoothly, what chance has it of satisfying external customers?

## Customer needs

Having identified your customers, you must decide on how their needs are to be addressed (in the light of legislation, ethics, etc). This decision could include the scope of the business possibly expressed in a formal vision or

mission statement if that reflects the culture of the business. This should be communicated to potential customers so that they know what to expect. Fortnum and Mason prides itself on quality produce and customers would feel justified in returning goods with minor flaws or blemishes. On the other hand, on a market stall, one would expect goods to be sold on an 'as seen' basis. In any business the customer should know what to expect.

Guidance on the application of ISO 9001:2000 is given in ISO 9004:2000. Clause 5.2, 'Needs and expectations of interested parties', includes customers and end-users and lists examples of their needs and expectations related to the organization's products:

> In order to understand and meet the needs and expectations of interested parties, an organization should
> — identify its interested parties and maintain a balanced response to their needs and expectations,
> — translate identified needs and expectations into requirements,
> — communicate the requirements throughout the organization, and
> — focus on process improvement to ensure value for the interested parties.

> To satisfy customer and end-user needs and expectations, the management of an organization should
> — understand the needs and expectations of its customers, including potential customers,
> — determine key product characteristics for its customers and end-users,
> — identify and assess competition in its market, and
> — identify market opportunities, weaknesses and future competitive advantage.

> Examples of customer and end-user needs and expectations, as related to the organization's products, include
> — conformity,
> — dependability,
> — availability,
> — delivery,
> — post-realization activities,
> — price and lifecycle costs,
> — product safety,
> — product liability, and
> — environmental impact.

To help identify customer needs, the following questions may be useful:

- Do you have a breakdown of the types of customers you have?
- Do you know how your customers use your product or service?
- Have you given your customers the opportunity to tell you their needs and have you listened?
- Do you measure and monitor the factors your customers consider important?
- Are your employees involved in obtaining, recording and passing on the above information?

In addition, for business customers the following questions are useful:

- Do you know how your product or service helps their business?
- Do you know how it affects their business?

A simple checklist such as the one in Table 2.1 may help to identify which features of your business are most important to your various customers, which customers are the most profitable and therefore, which features you need to concentrate on to maximize profits.

   For example, a small builder may have as customers: private individuals, local authorities, owners of licensed premises (often breweries), offices, shops, schools, etc. Each group will have its own priorities and expectations. Many builders will develop a particular segment of the market and specialize in that area.

*Table 2.1 Checklist to identify profitable customers*

| Customer type | A | B | C |
|---|---|---|---|
| Total turnover | | | |
| Profitability (Profit margin %) | | | |
| Profit | | | |
| | | | |
| Relative importance: quality | | | |
| promptness | | | |
| reliability | | | |
| price | | | |
| service | | | |

If the organization is serving a wide range of customers, the management can identify the most important criteria for customer satisfaction in those segments, can decide where the best prospects of long-term profitability

arise and can concentrate their resources in those areas. Remember that a proportion of your customers may be unprofitable but you may want the kudos that serving them may provide. (How would you like to have on your letterhead: 'By appointment to Her Majesty, Queen Elizabeth II…'?)

One way of categorizing customers is by adapting the Boston matrix (see Figure 2.4), developed by the Boston Consulting Group, commonly used for categorizing markets. This analogy should not be taken too far. Most successful products go through the cycle from problem child, star, cash cow and dog, and this tool is often used to identify the stage of the lifecycle of a given product. Customers may move from being 'problem children' through 'rising stars' to 'cash cows' but should never be allowed to become 'dogs'.

|  | **High market share** | **Low market share** |
|---|---|---|
| **High growth (or profit)** | 'Rising Star' | 'Problem Child' |
| **Low growth (or profit)** | 'Cash Cow' | 'Dog' |

*Figure 2.4 Boston matrix*

A similar tool, introduced by the Harvard Business School in 1957 is the Ansoff matrix; Figure 2.5 is derived from Ansoff (1957). Many variants have been developed but the one shown here may be found useful in formulating a marketing strategy and in helping to identify the most profitable segments of the market on which to concentrate.

The COBA matrix (COBA-Aquent, London) was designed to help companies analyse their relationship with their customers and develop marketing, sales and service strategies to use their resources where they would provide the greatest benefit. The market is divided into segments

and each segment is analysed in accordance with the simple matrix shown in Figure 2.6.

| Customers | | |
|---|---|---|
| | **Existing** | **New** |
| **Existing** | Maintain effort; consolidate; withdraw. | Develop market |
| **New** | Develop product/ service | Diversify: - existing customers; - new customers. |

*Note:* The left axis is labelled **Products** spanning the **Existing** and **New** rows.

*Figure 2.5 Ansoff matrix*

| Customer benefit | | |
|---|---|---|
| | **Positive** | **Negative** |
| **Positive** | Cultivate and develop | Optimize, make routine |
| **Negative** | Tailor make and charge | Axe |

*Note:* The left axis is labelled **Company benefit** spanning the **Positive** and **Negative** rows.

*Figure 2.6 COBA matrix*

Obviously, a service or function that benefits both customer and company should be cultivated and protected (eg regular timed deliveries).

An activity that is essential to the company but not particularly welcomed by a customer (eg having to pay for goods or a service) should be made as easy and painless as possible. If you develop a simple and efficient routine, your customer will be more likely to go with the flow rather than think about each bill individually.

Customers with special requirements or who require special treatment may be worthwhile but only if the special service is paid for, either directly, or as a *quid pro quo*.

Redundant or unnecessary activities should obviously be stopped but it is remarkable how many of these continue for historical reasons long after the need for them has ceased, eg sending information to departments or companies that no longer exist or that are no longer involved in that activity. At the very least, keep your mailing list up-to-date and relevant.

One should be cautious about putting too much faith in such simple tools. Use them to provide a viewpoint, not a decision. A high market share and high growth do not necessarily give rise to a high profit. The costs of product and market development, realization and servicing must be considered.

You may need to conduct a survey to determine or confirm customer needs. If you do, you should construct the questionnaire carefully or ensure that, if you use a contractor to conduct the survey, the following points are addressed:

- The customer must be able or willing to answer the questions. (You may be asking questions that are commercially sensitive or beyond the competence of the customer to answer.)
- Make sure that the customer is not in a position to gain an advantage by misleading you.
- The questions must be unambiguous and capable of being answered simply.
- The questions must elicit replies that make it clear what actions need to be taken.
- Ask the customer about their general satisfaction with the way their needs are being addressed.
- Ask the customer whether the questionnaire has missed any aspect that should be addressed.
- Keep the questionnaire short.
- If doing the survey by mail, provide a stamped, addressed envelope.

Many organizations implement customer relationship management by studying, identifying and anticipating or meeting customer needs in a partnership deal. For example, an insurance company holding personal data on customers may offer them products that are specific to the time of year (holiday insurance) or stage of their life (information on mortgages, retirement policies, savings policies to cover children's education, etc). Raw material suppliers may give their customers analytical or quality control data on batches of material before they are delivered to save the customer having

to store the raw material until it is checked. The delivery of components 'just in time' forms a bond between supplier and customer that is difficult for the customer to break. Supermarkets used to use a significant part of their floor space for refrigerated and ambient storage. They now negotiate regular, timed deliveries and typically use only about 10 per cent of their floor space for storage. These are all examples of how customer needs can be satisfied and the customer can be made to depend on the supplier.

## Customer expectations

Dr Noriaki Kano, a leading researcher in customer satisfaction in Japan, tells us that unless we differentiate between types of customer requirement, we risk:

- providing superfluous quality;
- delighting customers in one area and encouraging them to go to the competition in another;
- acting on what customers say rather than on what they think.

Dr Kano's model, developed in the 1980s, identifies three types of customer requirement and two descriptors related to the fulfilment of the requirements. The descriptors are:

- the degree to which the requirements are fulfilled (ranging from 'completely' to 'not at all');
- the customer's subjective response to the first descriptor (ranging from 'delighted' to 'disgusted' or other appropriate descriptors).

An important feature of this model is that the subjective response to the fulfilment (or non-fulfilment) of a requirement depends on the nature of the requirement. Figure 2.7 is based on the work of Kano *et al* (1984).

The requirements can be categorized as follows.

1. *Expected*: these may be so obvious that the customer may not state them. If they are met, the customer may not even notice. If they are not met, then the customer complains bitterly. Putting a lot of effort into improving ways of meeting such requirements over and above an acceptable level will not delight customers. They are analogous to 'hygiene factors' in Maslow's pyramid (hierarchy of needs.)

For example: response time to telephone enquiries, legibility of notices or correspondence, clean sheets in a hotel, Wellington boots being waterproof, trains running on time, watches and clocks being accurate. (Will a ten thousand-fold improvement of accuracy in a domestic timepiece from one second in a hundred years to one second in a million years make much difference to a customer?)
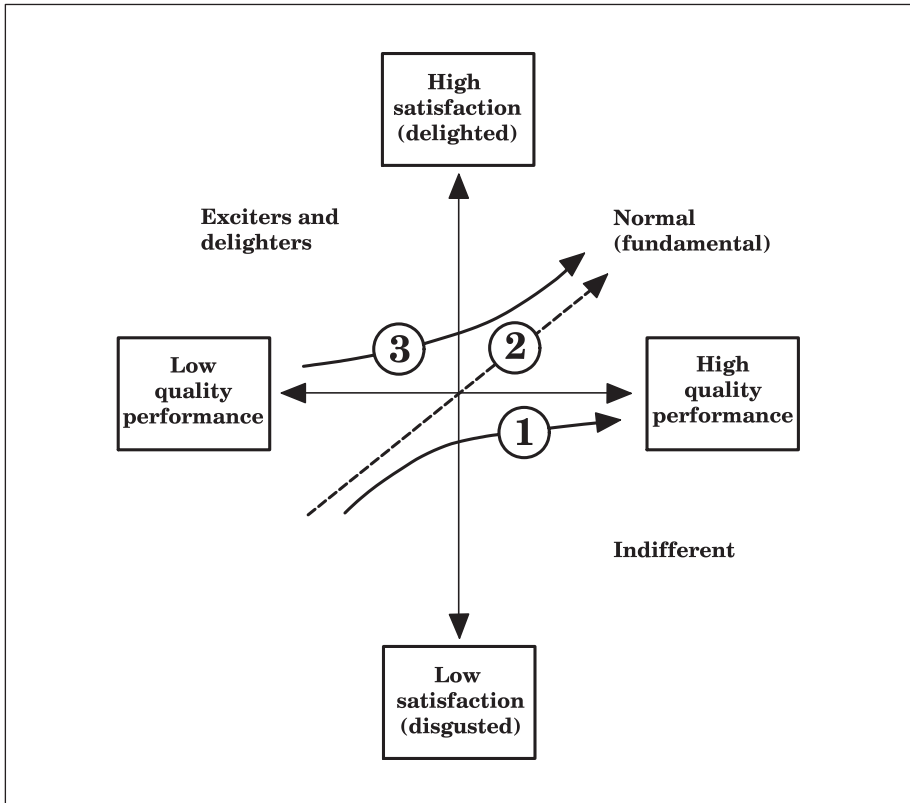


*Figure 2.7 The Kano model*

2. *Normal*: these are also known as 'fundamental'. Customers are clear what they are and they are often foremost in the customer's mind. If they are met, the customer is satisfied; if they are not, the customer is dissatisfied. Improving fulfilment of such requirements will improve the customer's satisfaction. More is better.

For example: price, delivery, fitness for purpose, performance (up to a point). Digital cameras are evolving rapidly. Their resolution of about 6

million pixels is approaching the maximum requirements of a home user but improvements in the memory and battery life would be welcomed.

3. *Delightful*: these are sometimes known as 'latent' needs that the customer may not be aware of until they are satisfied. If they are not fulfilled, there is no reaction because the customer is not aware of them. When a supplier identifies such a need and fulfils it, the customer is delighted and that leads to customer loyalty and retention.

For example, a number of products exploited latent needs and created their own markets:

- *Microwave ovens*: developed as a result of a side-effect of wireless and radar installations; these attracted nesting birds seeking warmth (and also, illegally, radar operators). Before they were introduced to the market, customers were unaware that such a product was possible.
- *Celluloid*: originally developed as an explosive (nitrocellulose) but found to be a versatile material used for photographic film, table-tennis and billiard balls, lacquer for shoes, etc.
- *Polyethylene*: a polymer produced in a laboratory experiment that led to an inexpensive new material with an enormous number of uses, particularly in packaging and domestic utensils.
- *Silicones*: a laboratory worker found that, due to a leak in the equipment, he was unable to write down his notes because the ink just rolled off the paper. This led to the development of a whole new range of raw materials, using their properties of stability, temperature tolerance and waterproofing.
- *Post-it notes*: they resulted from an adhesive that didn't stick properly. Instead of rejecting it, 3M applied the physical property to a novel (and obvious, but only in retrospect) use. How did we ever manage without them?

Other examples of products that, before they were developed, one would not feel the need for, let alone imagine their popularity, include the Walkman and its derivatives, mobile phones, many other home electronic products and fast food chains.

It is not necessary to develop new products to delight customers. Merely working out their real needs, pointing them out and fulfilling them by providing the correct product or service (of which the customer may not be aware) can delight customers and is much more effective than very efficiently carrying out their erroneous or inadequately informed instructions. The examples below are commonplace but, like the best ideas, so obvious in retrospect that one wonders why they are remarkable:

- A British electronics company sent a design for a micro-circuit to a manufacturer in Japan requesting a quotation for volume production. The Japanese company tested the circuit, found that the design was flawed and offered a re-designed circuit together with the quotation.
- A ticket clerk at a railway station offered the cheapest ticket for a specified journey rather than the one initially requested.

## Customer complaints

*When complaints are freely heard, deeply considered, and speedily reformed, then is the utmost bound of civil liberty attained that wise men look for.* (Milton, *Areopagitica*)

If you are losing customers, you can ask a consultant to find out why or you can listen to the customers. TMI (Time Manager International, an international training and consultancy firm) and ICS (The Institute of Customer Service) published a UK national complaints culture survey in 2001.

They concluded that a well-handled complaint can strengthen the customer relationship and will have no negative impact in 90 per cent of cases. Nearly all of the 4,000 customers surveyed would recommend a company to friends if it handled a complaint efficiently but 80 per cent of them would spread the word if their complaint had been badly handled.

Other highlights in the report were that two-thirds of over 50s complain most of the time whereas the under 21s just go elsewhere. Only one in four employees feels qualified to deal with complaints and only one in three customer-facing staff is trained to deal with them.

The report concludes that 'complaints are a gift' or they can be if staff are properly trained and empowered to deal with them.

# 3. Policy and its development
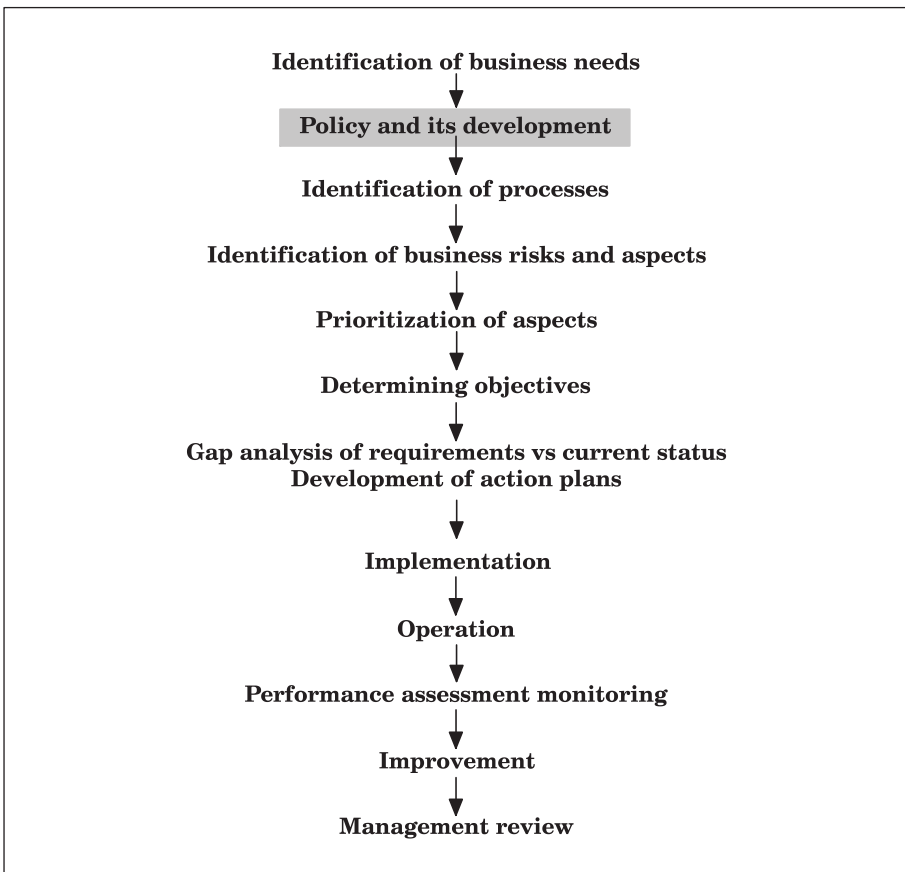
Identification of business needs
↓
Policy and its development
↓
Identification of processes
↓
Identification of business risks and aspects
↓
Prioritization of aspects
↓
Determining objectives
↓
Gap analysis of requirements vs current status
Development of action plans
↓
Implementation
↓
Operation
↓
Performance assessment monitoring
↓
Improvement
↓
Management review

*Figure 3.1*

1.  Top management should ensure that the overall policy:
    a) is appropriate to the organization;
    b) includes a commitment to comply with all relevant requirements and continually to improve the effectiveness of the management system;
    c) provides a framework for establishing and reviewing objectives;
    d) is communicated, where appropriate, and is understood within the organization;
    e) is reviewed for continuing suitability. (Smith, 2001)

If you have a management system in place, you will already have a written policy statement (mission statement, vision). If you have a quality system (such as ISO 9001) in place, it will include a requirement to monitor customer satisfaction and you will need to ensure that the way you deal with customer satisfaction aligns with the review cycle. If you do not have a formal system in place and are starting with customer satisfaction, you should formulate a simple working policy and periodically review it and, if necessary, amend and improve it. All elements in your policy should be monitored, managed, continually reviewed and continually improved. This should be a feature of your 'high level' policy and should apply to every element of your operation.

You may decide to have a formal customer satisfaction policy that forms a part of your overall policy or you may incorporate customer satisfaction as one of the aspects of your overall quality management or integrated management system.

**a)  The policy is appropriate to the organization**

This means not just appropriate to the size and complexity of the organization but also the type of business it is operating. The aspects of policy that affect customer satisfaction should take into account the product or services offered, the objectives of the organization, including who the customers are, which needs are to be satisfied, how, and to what extent, and what resources can be made available.

The top management need to identify or specify their market. Is the business to be 'pile it high and sell it cheap' with price the major consideration, or is it going to provide high-grade goods or services regardless of cost? In practice of course, price, quality and service are all required but the relative emphasis is one of the factors that organizations use to differentiate themselves in the market.

25

The sector of the market that is being targeted is also very important (see Chapter 2). Is the product or service one that is or can be aimed at a particular demographic or lifestyle group? Can the target market be expanded? For example, Club Mediterranee started out offering beach hut holidays aimed at the under-30 swinging singles but later offered fundamentally the same product to a different target group by catering for young families. If you have captured a segment of the market with one product, can you supply other products to the same market segment? Saga started as a tour operator for the over-50s. It retained the same target group but expanded its range of products by providing other services such as insurance.

**b) The policy includes a commitment to comply with all relevant requirements and continually to improve the effectiveness of the management system**

The monitoring, review and continual improvement of customer satisfaction (and other aspects of the total policy) should be covered by your 'high level' policy. This includes a commitment to comply with internal policies and with relevant legislation and regulations.

This requirement should establish which long-term needs of customers should be satisfied and how. Exclusions (for legal, political or ethical reasons) should be identified and made clear. Ethical business considerations (such as sourcing of raw materials or fabricated products), although not necessarily legal requirements, may affect customer loyalty, retention and satisfaction and can be addressed in the statement of policy.

**c) The policy provides a framework for establishing and reviewing objectives**

This is intended to ensure that the policy shows by a clear and unambiguous statement that the organization has a mechanism and commitment to demonstrably achieve its objective of customer satisfaction and to react to changes.

**d) The policy is communicated, where appropriate, and is understood within the organization**

It is important that everyone in the organization understands and practises the policy and does not just pay lip-service to it. The policy must be realistic

and should form the basis of the culture within the organization. The implementation of the policy by different members of the organization will depend on their specific jobs. Line managers should agree with their staff how each staff member's particular objectives contribute to the implementation of the overall policy.

Customer satisfaction may be affected by every employee; the effect of staff in customer-facing roles is obvious, but production workers, cleaners, drivers of liveried company vans, collectors of baskets and trolleys in supermarkets, accounts staff: the actions of all of these reflect on the company image and can affect customer satisfaction in different ways.

### e) The policy is reviewed for continuing suitability

The policy should be periodically reviewed so that it reflects accurately the business, the customers and their current and future needs. Holidays offered by Saga and Club 18-30 are obvious examples referred to above. The needs of potential customers should also be reviewed otherwise there is a danger of missing new and emerging markets. Markets, target groups, objectives and policies must be periodically reviewed and amended according to present and future business needs.

## Documentation of policy

The management system documentation should include:

a) documented statements of the policies and objectives.
(Smith, 2001)

The customer satisfaction policy should, like all policies, be short, to the point and understood by the employees who are expected to implement it. Notes on the policy with details on how it should be implemented or its success monitored should be available to any employee who feels the need for more detailed knowledge.

Appendix 3 shows an example of a customer satisfaction policy, the elements of which can be incorporated into a general policy document or in other policies and procedures (eg quality policy), or they can stand alone.

# 4. Identification of processes



Identification of business needs

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Policy and its development

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Identification of processes

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Identification of business risks and aspects

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Prioritization of aspects

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Determining objectives

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Gap analysis of requirements vs current status
Development of action plans

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Implementation

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Operation

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Performance assessment monitoring

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Improvement

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Management review
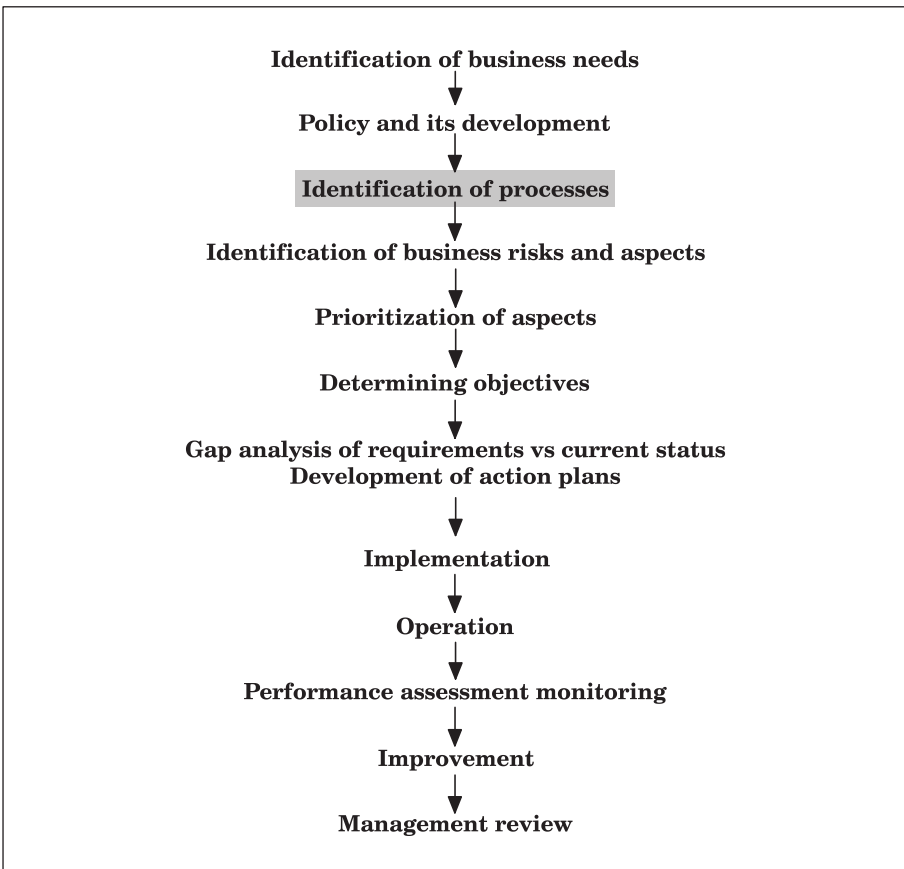
*Figure 4.1*

In order to satisfy customers, you must be aware of their needs and act to satisfy those needs by offering a product or service. The need is an input; the putting together of a product or service is a process, and the product or service is the output.

A *product* is made by carrying out a number of operations on raw materials (or unfinished product) coming in. A *service* is developed by putting together various actions designed to meet the customer's need. If you want to deliver a product (or service) that satisfies your customers consistently, you need to ensure that the inputs, outputs and processes are monitored and controlled. In other words, you must have a quality system of some kind (not necessarily a formal, documented system although such a system would be preferable for all but the simplest operations).

Thus, a process is the way we convert an input into an output. It may be simple, like converting a request for a brochure into its dispatch, or complex, involving many sub-processes such as converting raw materials into final products. A useful technique to identify the processes is process mapping. In this, the activities that go on within the organization and the inputs and outputs of the operation are identified. The processes, the outcome of which may affect customer satisfaction, should be identified. Some aspects may not be under the control of the organization: deliveries, supplies, postage and legislation. You should identify those processes that may be critical to the operation and either take steps to control them or make contingency plans in case of malfunction or failure. If the process involves a significant cost, you may need to plan for more cost-effective alternatives.

## Process mapping

A process is an act or operation that converts an input (raw material, information) into an output (product, conclusion, service). It can be characterized by the following criteria:

- it concentrates on the 'what', not the 'how';
- always has measurement;
- activities and decisions are the responsibility of specific roles or job-holders.

A process can be expressed as a flow diagram, and the conventions shown in Figure 4.2 are commonly used.
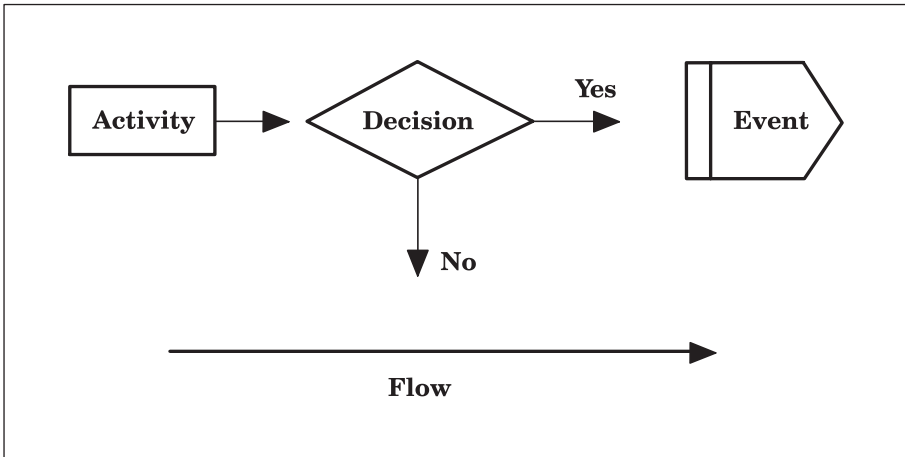
*Figure 4.2 Conventions used in process mapping*

A decision can be a process or part of a process. Many processes are complex and can be broken down into sub-processes. Shopping is a process but involves many sub-processes: stocktaking, making up a shopping list, deciding where to get the goods, getting there, buying the goods, paying for them, getting them home and putting them away.

Process mapping is outside the scope of this book, but Appendix 4 gives some more detail and the topic is more fully covered in Appendix 3 of *IMS: Implementing and Operating* (Smith, 2002).

An organization cannot generate customer satisfaction without relating to something tangible; meeting a perceived need and providing a satisfactory product or service are essential to customer satisfaction. To achieve that consistently, it may be beneficial to have a formal quality system to monitor and control the processes in the operation of the business.

# 5. Planning in detail

Identification of business needs

↓

Policy and its development

↓

Identification of processes

↓

Identification of business risks and aspects

↓

Prioritization of aspects

↓

Determining objectives

↓

Gap analysis of requirements vs current status
Development of action plans

↓

Implementation

↓

Operation

↓

Performance assessment monitoring

↓

Improvement

↓

Management review

*Figure 5.1*

# Identification of aspects

> *Nothing is more terrible than activity without insight.* (Thomas Carlyle, 1795–1881)

The basic steps in aspect identification and impact assessment are:

1. identify processes;
2. identify aspects;
3. determine impacts;
4. decide if impact is tolerable;
5. prepare control action plan;
6. review adequacy of action plan.

## Operational aspects

When mapping the processes carried out in the organization, a number of inputs, operations and outputs are identified for each operation. Features of each of these will have an effect on the desired outcome of the operation and may influence it in many ways, eg quality, health and safety, timeliness, environmental waste, cost, etc. These features are known as 'aspects'. Customer satisfaction should be one of those aspects. It is likely that customer satisfaction will be a primary aspect of any input, process or output that affects quality and cost. Any system managing these should be driven by customer satisfaction. Examples of other aspects that may affect customer satisfaction include waste, noise, social policy and industrial relations. When planning and implementing these policies, the effect on the public perception of the organization and the way it might influence customer reaction, should be taken into account. The identification of aspects that impinge on customer satisfaction should be done in cooperation with the staff concerned with the relevant operations.

Figure 5.2 shows a scheme linking two separate inputs to a process with two distinct outputs or consequences.

Table 5.1 gives a checklist for monitoring customer satisfaction. At each stage you are asking yourself, 'Is there anything here that might affect customer satisfaction?' (It might promote satisfaction or it might have an adverse effect.)
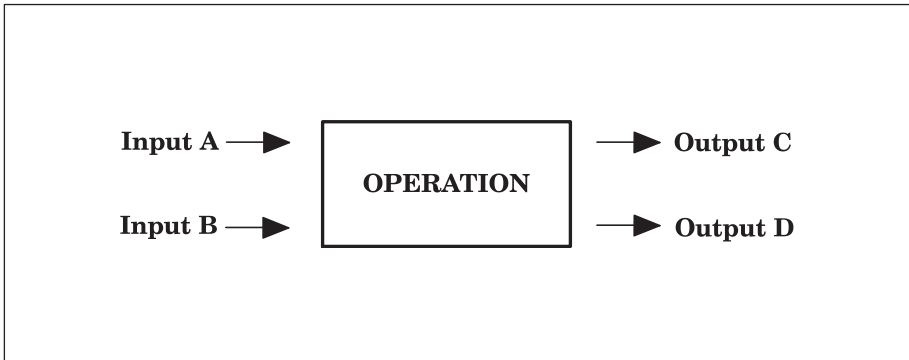
*Figure 5.2 An operation with two inputs and two outputs*

*Table 5.1 Checklist to identify aspects affecting customer satisfaction*

| Question | No | Yes | Details |
|---|---|---|---|
| Input A | | | |
| Input B | | | |
| The operation | | | |
| Output C | | | |
| Output D | | | |

If, for example, the operation is a manufacturing process, inputs might be:

- raw materials;
- energy;
- human resources;
- transport of goods or people.

Features that might affect customer satisfaction could be:

- noise;
- smell;
- traffic;
- social aspects of employment;
- origin of raw materials, etc.

The operation might involve:

- noise or other pollution;
- health and safety aspects;
- quality aspects;
- appearance of the manufacturing plant, etc.

The outputs could be:

- a product or intermediate;
- by-products;
- waste streams;
- transportation;
- storage, etc.

Features of all of these could affect the output quality and price. They therefore have an impact upon customers' perceptions of the business and therefore their satisfaction.

Consumer reaction in recent years against prominent petrol distributors, sportswear manufacturers and makers of mothers' milk substitutes was not based on poor product quality but on other impacts of the operations that were seen in an unfavourable light by consumers. For example, the inappropriate disposal of outdated machinery, environmental damage caused by inconsiderate industrial development, the use of child labour, or the pressurizing of ill-informed potential customers have each caused an adverse reaction among the general public including customers for those products or services. The consequence was an adverse financial effect on the companies concerned.

**Legal compliance**

If you wish to stay in business, you need to ensure that your organization is operating legally. You might satisfy some customers by operating illegally but the business is likely to be short-lived. Also, if there are any complaints from customers, your position will be weak if you are not complying with the law. You should be aware of the legal restrictions attached to any of your operations, services or products. You may need to inform your customers about the need for you to comply with the law; they may not be aware of all of the legal aspects. It may not always be in their short-term interests.

For example, working hours for commercial vehicle drivers and pilots are limited by law. This is for the safety of passengers and employees but can result in passengers or goods being stranded if working times are unexpectedly in danger of being exceeded. Making passengers aware that the carrier is bound by and complies with safety regulations before a trip would obviously be preferable to waiting until they started complaining. Informing customers of contingency plans might be reassuring (eg safety procedure demonstration on airlines). Deciding how much warning customers should have of possible mishaps and doing so diplomatically, so as not to make passengers reluctant to board is an exercise in public relations.

Notices in bars, off-licences and shops informing the public about age limits for buying alcohol and tobacco are prominently displayed to inform and prepare customers, to avoid arguments and to divert any dissatisfaction to the legislators rather than the retail outlet. There are strict regulations covering the sale of petrol into containers. Notices covering this are seldom, if ever, displayed in garages. Motorists who have run out of petrol and who have not checked that their petrol can complies with the regulations may be dissatisfied with the garage they have walked to in the hope of getting petrol. Customer oriented garages keep a stock of 'legal' containers to lend or sell to their customers. Cinemas display assessments of the suitability of the films for various age groups.

You should identify any aspects of the business that are affected by legislation and ensure that customers are made aware of those that may affect them directly in an understandable and friendly way (not in microscopic print on the back of an invoice). These might include:

- international conventions;
- regional laws;
- national laws and regulations;
- industry codes of practice;
- society requirements (not necessarily legal requirements).

You cannot be expected to inform customers about all the legal constraints under which your business operates, merely those which might affect them or their decision to do business with you. A statement that you are aware of some legal considerations and support them may show your customers that yours is a business that takes its responsibilities seriously.

The most common examples are in retail sales. For example, there are legal restrictions on the sale of:

- tobacco;
- alcohol;
- knives;
- products containing organic solvents;
- fireworks;
- guns and ammunition;
- some drugs and medicines.

Some of these are obvious but many retailers display notices warning of such restrictions.

> Management should ensure that the organization has knowledge of the statutory and prospective requirements that apply to its products, processes and activities and should include such requirements as part of the quality management system. Consideration should also be given to
>
> — the promotion of ethical, effective and efficient compliance with current and prospective requirements,
> — the benefits to interested parties from exceeding compliance, and
> — the role of the organization in the protection of community interests. (ISO 9004:2000, 5.2.3)

**Determination of impacts and prioritization of aspects**

Once you have identified the aspects of the processes that impinge on customer satisfaction, you should, with the help of the members of staff involved in the operations, determine which have the greatest impact. If there are many aspects, it may be convenient to draw up a risk table. Risk can be considered as a product of two variables: likelihood and consequence (or hazard). It will usually be sufficient to classify each as having one of three values in accordance with Table 5.2.

Each event is then allocated a value that is the product of the two scores and the events listed in order of priority. A product of 9 is a matter that it is essential to control whereas an event scoring 1 is probably trivial and can be ignored.

*Note:* Although the scale runs from 1 to 9, it is not continuous. The values 5, 7 and 8 are missing. An unlikely disaster will have a lower score than a moderate mishap with medium probability. If the consequences of a given event are exceptionally severe, and you wish to avoid it at all costs, you may wish to assign it a score higher than 3.

*Table 5.2 Risk assessment table*

| Likelihood | Score | Consequence | Score |
|---|---|---|---|
| Very likely | 3 | Severe | 3 |
| Medium | 2 | Medium | 2 |
| Unlikely | I | Low | I |

The management must decide the level at which an event is sufficiently significant to need monitoring and controlling. This depends on the type of business or service being offered and its sensitivity to customer satisfaction.

Examples of aspects that might affect customers and impacts that might adversely affect customer perception (and thus satisfaction, loyalty and retention) are given in Table 5.3. All these aspects need to be monitored, measured and controlled and targets set to ensure that failures do not threaten the business. The ultimate aim, of course, is continual improvement.

*Table 5.3 Potential adverse impacts on customer satisfaction*

| Aspect | Potential adverse impact |
|---|---|
| Product quality | Product performance failure |
| | Product safety failure |
| | Product obsolescence |
| | Product recalls |
| Price | Product over-priced, cost-cutting by competitors |
| | Luxury product under-priced |
| Delivery | Slow, unreliable |
| | Expensive |
| Environmental performance | Effluents, pollution, noise, raw materials usage |
| Labour relations | Adverse publicity |
| | Unreliable production schedules |
| | Low staff morale and high turnover |
| Legislation | Litigation or fines |
| Customer service | Reputation, complaints, customers defecting |

The provision of the appropriate level of quality or service can be difficult to judge. If you have a production line making consumer goods, you cannot guarantee that there will never be any defective products. You must make an informed judgement on the chance of failure and the severity of the adverse impact. Manufacturers of perishable processed foods measure the microbial load and calculate the shelf-life of the food under specified storage conditions. They add a considerable safety factor so that the likelihood of microbial spoilage is very small. However, the safety factor depends on the severity of the impact. The growth of yeast in yoghurt is unlikely to cause more than an unexpected taste, whereas the growth of botulinum spores in canned meat or fish is much more serious and is more strictly guarded against.

BSI publishes several standards that give statistical sampling plans to enable manufacturers to choose the degree of certainty that products will meet their specifications. These include BS 5701, BS 5702-1, BS 5703 and the BS 6001 series. BS 5701 is being revised and is expected to be published in 2003. It describes the simplest method of statistical process control for a process that produces individual units rather than a continuous product.

Although customers want reliable products, it is possible to satisfy them and even delight them by other means. In the 1930s, a manufacturer of electrical equipment for the automobile industry employed about 20 per cent of its production staff in various testing and inspection roles. After the war, the resources spent on testing were reduced and arrangements made for car dealers to replace electrical equipment found to be faulty within a specified period with a brand new unit fitted free of charge to the customer. The customers were usually delighted when they received a 'new for old' component, little realizing that they had conducted, free of charge, a valuable and expensive testing procedure on the product.

## Determining objectives (control action plan)

*If you don't know where you are going, you will probably end up somewhere else.* (Laurence J Peter)

Every organization needs to achieve its objectives in order to succeed or even survive in its enterprise. These objectives can be regarded as targets for the outputs or outcomes of its operations. All management involves the setting, monitoring and assessing of objectives; it is the basis of the PDCA cycle or any other management model.

Some of the objectives may depend on and be set by policy decisions. Examples of such policy decisions are:

- defining the market for the product or service;
- deciding on the products or services to be provided;
- investment.

Other objectives may relate to operational aspects. Operational objectives are dependent on those responsible for carrying out the operations. All staff involved in the operation should be involved in setting the objectives. This will benefit the organization in two ways:

1. Those who are involved practically in the work will buy in to the system, own and take responsibility for it and will be committed to its successful implementation.
2. Those who carry out the operations often know more about the details of an operation and its problems and idiosyncrasies than senior management.

After mapping the processes you will have identified those aspects that impinge on customer satisfaction and selected those that have the greatest effect in order of priority. The operations involved in these aspects need to be examined in collaboration with those responsible for their implementation and targets and objectives set.

The objectives should be realistic and achievable: the common acronym used is SMART (Specific, Measurable, Achievable, Realistic, Timely). Before setting objectives, the current situation must be determined first if targets are to be measurable. The effects of corrective action can then be assessed and new targets set.

The objectives should be a part of the performance objectives of every member of the organization who has a significant influence on customer satisfaction. They should be continually monitored, assessed and reviewed at intervals that depend on the timescale of the assessment. For instance, in a call centre, targets for dealing with customer enquiries may be set on a daily or a weekly basis. Such a frequency is unlikely to be necessary for an organization dealing with low-volume, high-cost capital goods.

Objectives differ widely between businesses but might include the following:

- reduce number of complaints (or returned goods) by $a$ percent over six months;
- reduce time to resolve complaints by $b$ per cent within three months;
- increase market share by $c$ per cent in six months;
- improve market position by $d$ places within 12 months;

- acknowledge letters within 48 hours and reply within seven days;
- obtain award for quality of service within 12 months;
- obtain favourable mention in local/consumer media within 12 months;
- conduct survey to verify/modify ideas of customer needs within three months;
- conduct survey of customer satisfaction within three months;
- reduce waiting time at counters/checkouts to a maximum of $e$ minutes.

Johnston (2001) shows how one can decide priorities depending on one's performance against competitors and the importance to the business of the aspect being considered. A simplified version of his chart is shown in Figure 5.3.
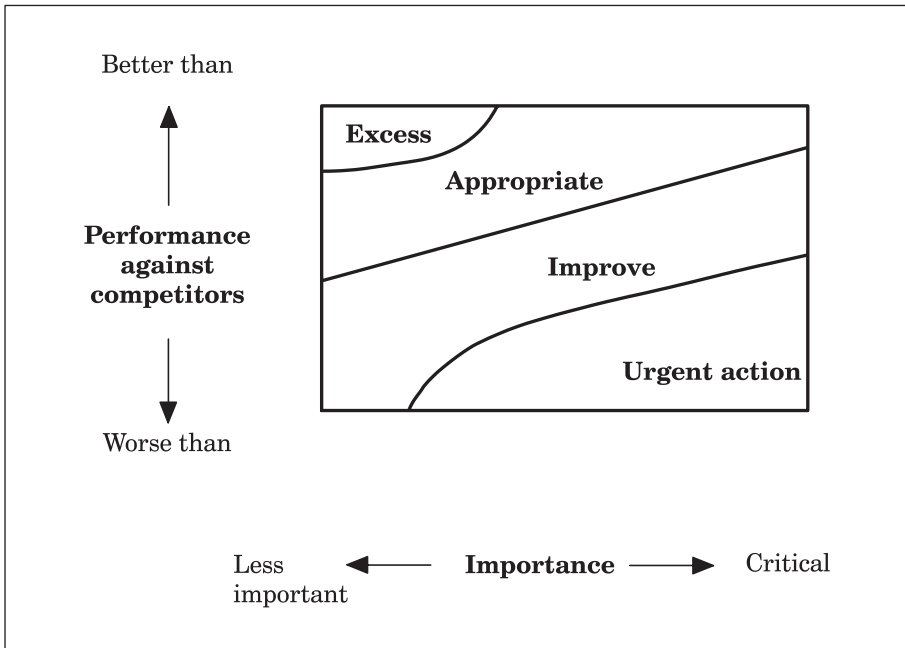


*Figure 5.3 Prioritizing actions in the light of importance and comparison with competitors' performance*

## Gap analysis of requirements vs current status and development of action plans

> *Our plans miscarry because they have no aim. When a man does not know what harbour he is making for, no wind is the right wind.* (Seneca, 4 BC – AD 65)

If an organization has management systems in place, managers need to be aware of the differences in scope of the various systems. Do the various elements and aspects of the management system address customer satisfaction? It is important to go through the various elements of the management system to make sure that the relevance of each aspect to customer satisfaction has been examined and, if appropriate, acted upon. This is particularly important if customer satisfaction is integrated into a holistic management system rather than managed by a stand-alone system. Table 5.4 shows the various elements of a management system and can be used as a checklist to identify any missing areas that should be addressed. The purpose of the checklist is to include the achievement of customer satisfaction when you are setting up a management system and developing the objective aspects: identification of resources, planning of operational control, etc.

For example, if you are a manufacturer, you probably have back-up methods for delivering finished goods to your customers, but do you have a procedure to inform them in advance of possible delays and changes in the normal delivery method and the reasons for doing so? You have identified those responsible for sales, production, etc but have you identified the roles, responsibilities and authorities of those responsible for managing customer satisfaction and made it clear how they fit into the organizational structure of your business?

## Identification of resources

> 2.4 The organization should ensure the availability of human, infrastructure and financial resources. It should determine and provide the resources needed:
>
> a) to implement and maintain the management system and continually improve its effectiveness; and
> b) to enhance satisfaction by meeting requirements. (Smith, 2002, based on ISO 9004:2000, 6.1.1)

The role of different members of staff in the achievement of customer satisfaction depends on their role in the organization. All members of staff should be aware of the need to satisfy the customer but their input may be more or less direct or 'customer facing'. In an organization dealing with retail sales, customer satisfaction is so important that a person or a department may be set up to deal with it. In smaller organizations, it may be a part of every manager's function, but unless sufficient time is allowed, it is unlikely to be managed well. All too often such duties are piled onto managers in addition to all their current tasks. Something has to suffer. It is essential that the person with the ultimate responsibility for ensuring customer satisfaction has the competence, resources (including time) and authority to manage it.

## Roles and responsibilities

All staff should be aware of their responsibility for satisfying customers. In critical areas this should be monitored and measured. A nominated person should be responsible for ensuring that the necessary actions are carried out. A clear and defined reporting chain to top management should be established and publicized.

## Planning of operational control

The methods of monitoring and measuring customer satisfaction should be recorded and the methodology reviewed periodically and assessed for effectiveness (see Chapter 6).

## Contingency preparedness

If the organization provides an essential service (computer bureau, hospital, emergency services, pharmacy, breakdown service, etc) it will make some provision for servicing customers if it cannot do so itself. Doctors will use a locum service, pharmacists will have a duty rota, and schools will have supply teachers. Suppliers of goods will have contingency supplies; manufacturers will have subcontractors. It is not unknown for competitors to help each other out in emergencies for the good of the customer and that of the industry as a whole. An industrial client probably assures its own continuity of supply but if suppliers have to be switched, confidence will be undermined.

It would be sensible for a manufacturer to have in reserve another manufacturer who could maintain the supply to the customer. This is common practice for agents and distributors.

*Table 5.4 Checklist to identify gaps in the management system*

| Element | Objective aspect | Quality | Health and safety | Environ- ment | Customer satisfaction | Other |
|---|---|---|---|---|---|---|
| Management system | | Yes/no | Yes/no | Yes/no | Yes/no | Yes/no |
| Policy<br>Policy and/or principles | | | | | | |
| Planning:<br>• identification of business risks and aspects;<br>• selection of significant aspects to be addressed;<br>• objectives and targets;<br>• identification of resources;<br>• identification of organizational structures, roles, responsibilities and authorities;<br>• planning of operational control;<br>• contingency preparedness for foreseeable events. | | | | | | |
| Implementation and operation:<br>• operation control;<br>• management of human resources;<br>• management of other resources;<br>• documentation and its control;<br>• communication;<br>• relationship with suppliers and contractors. | | | | | | |
| Performance assessment:<br>• general;<br>• monitoring and measurement;<br>• analysing and handling nonconformities;<br>• management system audit. | | | | | | |
| Improvement:<br>• corrective action;<br>• preventive action;<br>• continual improvement. | | | | | | |
| Management review:<br>• general;<br>• review input;<br>• review output. | | | | | | |

If you intend to change your service to the customer in any way, even for the better, you should inform him or her well in advance, and explain the reasons.

# 6. Implementation and operation

Identification of business needs

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Policy and its development

↓

Identification of processes

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Identification of business risks and aspects

↓

Prioritization of aspects

↓

Determining objectives

↓

Gap analysis of requirements vs current status
Development of action plans

↓

Implementation

↓

Operation

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Performance assessment monitoring

↓

Improvement
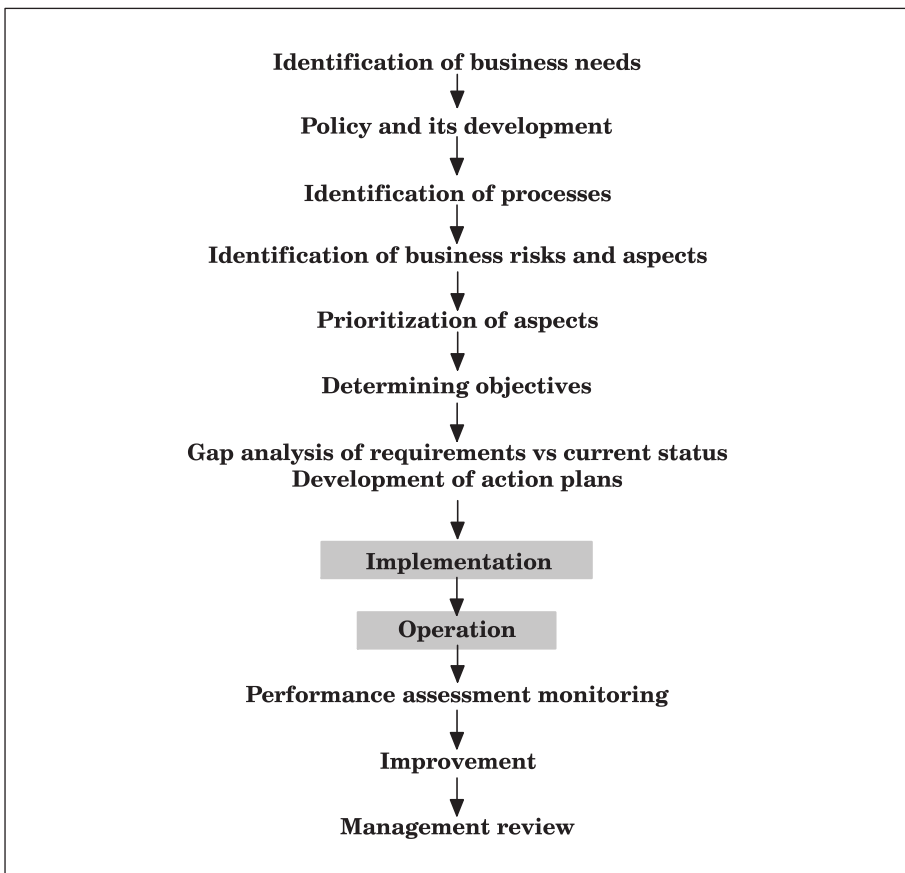
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Management review

*Figure 6.1*

## Operational control

The organization should ensure arrangements are in place at the operational level that ensure that:

a)  the objectives and requirements for the product/service are being met;
b)  the necessary processes, documents and resources specific to the product/service are provided;
c)  the necessary verification, validation, monitoring, inspection and test activities specific to the product/service are instigated;
d)  the records needed to provide evidence of the realization processes meeting requirements are produced. (Smith, 2001)

The above requirement, taken from ISO 9001:2000, 7.2 to 7.5, applies to all objectives and requirements of the business, and therefore includes customer satisfaction.

You now need to implement the planned control measures for carrying out the policy, for meeting objectives and targets, for activating preventive and corrective measures and for 'aspect mitigation' (avoidance and limitation of damage). You should ensure that the necessary documents, processes and resources are in place. Keep records so that a continuous history of progress is available to enable proper reviews to be undertaken.

The monitoring and control measures need to be validated to ensure that they are measuring and controlling the required aspects. In the case of customer satisfaction, this can be very difficult. Different types of customers (eg internal and external) may have different criteria for satisfaction and the targets may be different for different inputs and outputs. The distinction between external and internal customers may become blurred since, in some organizations (both large and small), some duties are contracted out, for example, catering, cleaning, maintenance, security, IT services, sales and marketing and some aspects of personnel management, particularly recruitment.

Customer satisfaction is one of the requirements of ISO 9001 and other quality systems. All products or services should aim at satisfying the customer but the definition of 'customer' has to be carefully considered, along with their needs and expectations. Customers must understand the purpose of a product, or objectives of a service, so that their expectations are realistic, otherwise they may be dissatisfied. All customers are equal but 'some are more equal than others'. You must decide who are your most important customers and concentrate on satisfying those (see Chapter 2).

You have already decided what your customer base is and what your customer satisfaction objectives and targets are. In order to determine whether objectives are being met carry out the following:

- Establish and document controls on whether or not the customer satisfaction requirements for the product or service are being met. (QA or QM systems?)
- Establish and document the processes and resources necessary to monitor and control customer satisfaction. How is satisfaction determined (eg questionnaires, surveys, sales figures, market research, complaints), who is in charge, and how and where are the documents kept?

## Management of human resources

A customer service department is, all too often, the place where complaints are lured and quietly strangled. It is essential to instil a culture of striving for customer satisfaction throughout the organization. It is not just a matter for those whose principal duties are in customer-facing roles. How often, particularly in an open-plan office, have you heard a phone ringing with people sitting at the next desk ignoring it? The person ringing is a customer, whether inside or outside the organization.

Many time-management trainers encourage the practice of having telephone calls diverted and only accepting them during a set time. Occasionally this may be necessary, but it inconveniences two people: the person making the call and the person to whom it is diverted. Is this approach customer friendly and for whose benefit is it? In which departments should it be allowed if any? Obviously not call centres, but where do you draw the line? The effects can be mitigated to some extent if the 'deputy' can truthfully say, 'I am sorry but John Smith is not available right now but he will ring you at 2.15.' The next best thing to prompt service is information, as anyone who has ever waited for a delayed train will endorse. A good communications policy is essential for customer satisfaction. Townsend (1970) suggested that when we are away from the office we should try to telephone ourselves to see what indignities others may have to put up with when they try to reach us.

Different people within the organization will have different levels of contact with customers and more or less influence on their satisfaction. Those people who have the greatest effect on customer satisfaction must be

identified. Their effects and impacts should be prioritized so that objectives and controls can be set and resources deployed appropriately. It may be necessary to have a customer relations department. Whatever the size of the department (many people or part of one person's job) senior management must be committed to the department and actively support it.

Once the critical functions have been identified and prioritized:

- agree and set objectives;
- agree and set targets;
- implement monitoring and control measures;
- train staff to operate the controls.

Once again, it is essential to involve the staff in any target setting and methodology (see Chapter 5 and Appendix 5). It may be advantageous to employ an outside organization to train key members of staff.

# Documentation and its control

*We can lick gravity but sometimes the paperwork is overwhelming.* (Wernher von Braun)

### Documentation requirements

The management system documentation should include:

a)  documented statements of the policies and objectives;
b)  a manual describing the working of the management system;
c)  documented procedures that are required by particular standards;
d)  documents needed by the organization to ensure the effective planning, operation and control of its processes; and
e)  records required by any specific standards.

Note 1: Where the term 'documented procedure' appears, this means that the procedure is established, documented, implemented, controlled and maintained.

Note 2: The extent of the management system documentation can differ from one organization to another due to:

a) the size of organization and type of activities;
b) the complexity of processes and their interactions; and
c) the competence of personnel.

Note 3: The documentation can be in any form of medium.
(Smith, 2001)

The documentation for the customer satisfaction management system (CSMS) should slot into the overall management system documentation, if there is one, as one aspect of an integrated system. If there are other specific systems set up to deal with, for example, occupational health and safety, the CSMS should be aligned with them by using the same terminology and similar control, reporting and monitoring procedures. Again, remember, there is one management running the business and it should be run in a consistent and coherent way.

Flowcharts are very useful ways of setting out procedures. The more complex the procedure, the greater is the advantage of using a flowchart approach. The elements of the flowchart can be supplemented by instructions or narrative given in text. Once those following the procedure are reasonably familiar with it, a flowchart can act as a very valuable and concise guide, checklist or *aide memoire*. It also helps those using it to understand the logic of the operations, interactions with other processes and critical decision areas. Appendix 6 shows an outline plan of a complaints management system in the form of a flowchart (taken from BS 8600).

**The system manual**

The organization should establish and maintain a manual that includes:

a) the scope of the management system, including details of and justification for any exclusions;
b) the documented procedures established for the management system or reference to them;
c) a description of the interaction between the processes of the management system. (Smith, 2001)

Such a manual is often a requirement of management systems. Item c) refers to identifying and describing any interactions with other processes, for example:

• finance or accounts for refunds or compensation payments;

- quality management or quality control to provide warning of perceived shortcomings in the product (the warning can come from quality control to warn sales staff or vice versa);
- feedback from customers via sales staff;
- public relations and advertising to advertise the organization's record of customer satisfaction, etc.

Control of documents
Documents required by the management system should be controlled. Records are a special type of document and should be controlled according to the requirements of those specific standards covered by the IMS.
A documented procedure should be established to define the controls needed:

a)  to approve documents for adequacy prior to issue;
b)  to review and update as necessary and re-approve documents;
c)  to ensure that changes and current revision status of documents are identified;
d)  to ensure that relevant versions of applicable documents are available at points of use;
e)  to ensure that documents remain legible and readily identifiable;
f)  to ensure that documents of external origin are identified and their distribution controlled; and
g)  to prevent the unintended use of obsolete documents and to apply suitable identification to them if they are retained for any purpose. (Smith, 2001)

In a small organization, it would be sufficient if the documents contained on a cover sheet the signature of the person authorizing the document (the 'owner'), the issue number and date, the frequency of review (or the date of the next review). These could even be in the form of a footer to the page. The owner of the system would be responsible for maintaining and distributing the documents to appropriate staff (including the authorization and identification of any external documents used as part of the system). Any obsolete documents retained for the record could simply be stamped 'withdrawn' or 'obsolete'. The work instruction for this would take up no more than half a page of A4. These responsibilities would appear on the owner's job description.

  This documented procedure may be applied to any system in use in the organization. In the case of customer satisfaction, the procedures dealing with customer complaints need to be maintained particularly carefully as

documentation may be needed as evidence in legal actions. Appendix 7 gives an outline model of a simple form of manual.

## Control of records

> Records should be established and maintained to provide evidence of conformity to requirements and of the effective operation of the management system. Records should remain legible, readily identifiable and retrievable. A documented procedure should be established to define the controls needed for the identification, storage, protection, retrieval, retention and disposal of records. (Smith, 2001)

Some records, such as design plans, exposure to workplace risks, etc need to be retained for long periods. Management should decide on how long to retain records relating to the quality of goods. For high-value capital goods with safety implications (eg an aeroplane) it would be sensible to keep records for the lifetime of the product. For high-volume goods, there are probably specifications, type testing and quality control records, so that a manufacturer can say with statistical evidence, that a given article has, say, a 99 per cent probability of meeting the specification. Records relating to perishables, particularly foods, may need to be more carefully kept. For example, an ice-cream factory codes its tubs so that it can identify not only on what line an ice cream was made, but also the time to the nearest few minutes. At the other end of the scale, quality control data for paper clips is not critical and it is probably sufficient to ensure that production quality (x per cent meeting specifications) remains constant.

The Consumer Protection Act may give a cause for action over a product for up to 10 years. It might take up to three years for a product to reach its final customer. If there is any danger of legal action over a product, it would be advisable to keep quality records for that product for 13 years. Records of complaints need not be kept much longer after the matter is closed; perhaps a year or two. Records relating to customer satisfaction are solely a management tool and only need to be kept until actioned or superseded. For ease of comparison, summarized data might be kept to give historical background and to demonstrate continuous improvement.

A procedure should be established to control access to records to prevent unauthorized removal, alteration or destruction.

## Communication

> *A memorandum is written not to inform the reader but to protect the writer.* (Dean Acheson, 1893–1971, American government official)

> The organization should determine and implement effective arrangements for communication:
>
> a) between the various levels of the organization as appropriate to their needs;
> b) for receiving, documenting and responding to relevant communication from external interested parties. (Smith, 2001)

Customer satisfaction is a vital component of any business. It needs to be among the objectives of every employee as well as the top management. In order to spread this culture to make it pervade the whole business, feedback is required. All staff must be aware of the success or failure of their joint efforts. A simple way of doing this is by a periodic newsletter or report. This should be circulated to all staff. It should give quantitative data on past targets and achievements, future targets and recommendations on how to achieve them. There is a danger that such a report can be used or seen to be used as a means of transferring blame. A great failure in some unsuccessful managements is the idea that it is better to find a culprit than to remedy the situation, possibly because it is easier. If there is a fire, the first thing to do is to put it out, not to find out how it started. Only then should you consider remedial and preventive actions.

In customer satisfaction, the most important communication is with customers. They should know what they are getting and, if appropriate, how long it will take, how long it should last (for a product), how much it is going to cost (initially and to run, maintain and, if necessary, repair). Even if customers are not given this information, they should be told that it is available and where to find it. Customers should also be told how to complain, to whom, and how their complaint will be handled. Unless customers have this information, their expectations may be unrealistic and disappointment will lead to dissatisfaction. Unfortunately, the advertising industry actively promotes unrealistic expectations by implication.

One has to decide on the level of sophistication of potential customers when offering information. There is the danger of over-emphasizing the obvious. 'Batteries not included' on packaging is a reasonable warning but 'Sports car

not included' on a house for sale advert would seem to be superfluous. (A pious hope perhaps, for examples of unnecessarily literal labels abound.)

## Relationship with suppliers and contractors

> The organization should formalize its arrangements for those who supply and contract their services, both internal and external, which have an impact on the organization's performance. (Smith, 2001)

If any outside contractor is used by the organization in any function that could significantly affect customer satisfaction, a formal agreement, detailing objectives and targets, controls and monitoring and reporting methods, should be made. Servicing of cars is an example where the manufacturer agrees or sets certain standards that have to be met by the garage. In the better-known franchise operations, the owner of the franchise is very careful to control and monitor every aspect of the franchisee's operation. Poor performance at one branch could spoil the reputation of the whole chain.

A relatively recent practice is for some large organizations to diversify into activities far removed from their core business: Tesco provides insurance, Marks and Spencer provides financial services, etc. It is likely that many, if not most, of such services are provided by strategic partnerships between organizations with a famous name and a large customer base on the one part, and established experts in the area on the other. The 'front' organization that gives its name and brand image to the business must ensure that the contractor meets the standards of service demanded by the purchaser. This would usually involve a contract based on service agreements.

# 7. Performance assessment
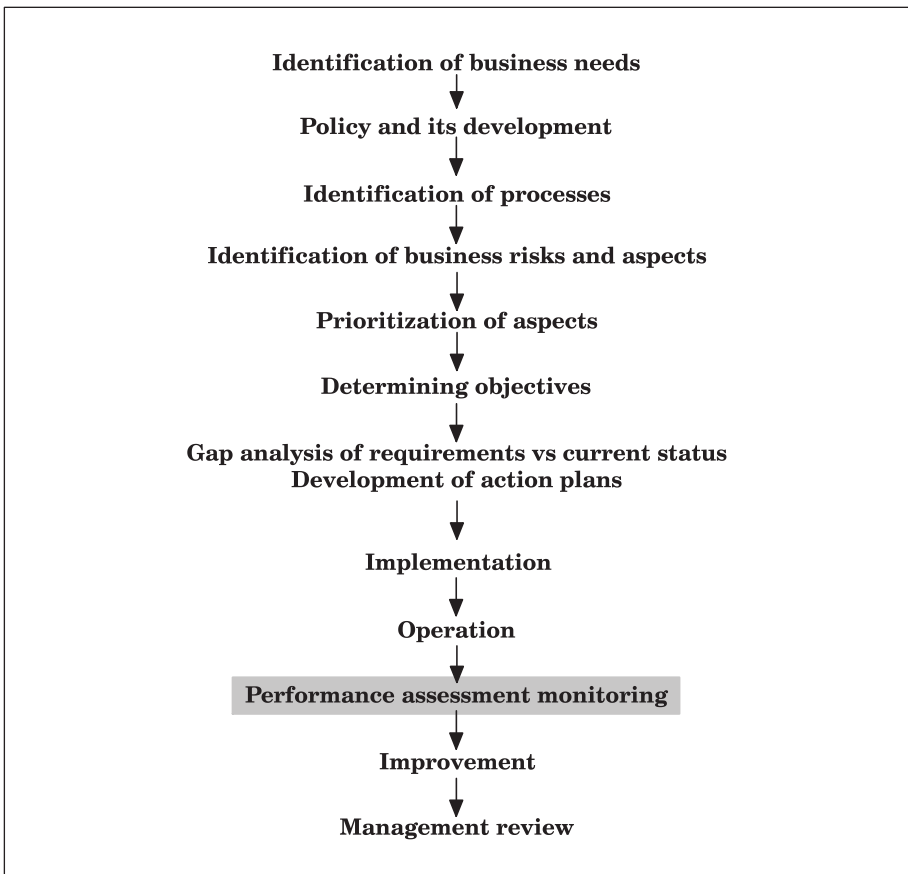
Identification of business needs

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Policy and its development

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Identification of processes

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Identification of business risks and aspects

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Prioritization of aspects

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Determining objectives

↓

Gap analysis of requirements vs current status
Development of action plans

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Implementation

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Operation

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Performance assessment monitoring

↓

Improvement

↓

Management review

*Figure 7.1*

The organization should establish and measure the characteristics of the product and/or services to verify that requirements have been met. This should be carried out at the appropriate stages of the process in accordance with the planned arrangements. (Smith, 2001)

Most formal management systems require continuous improvement. This requires mechanisms for:

- monitoring;
- measuring;
- auditing;
- recording, and analysing performance;
- corrective measures for dealing with nonconformities; and
- preventive measures.

## Monitoring and measurement

*In desperation we end up by filling in some notional figures that give the expected kind of answer. These are the murky beginnings of a grand edifice that is ultimately constructed to provide a spurious accuracy for the whole process.* (Sir Michael Atiyah, President of the Royal Society, referring in 1991 to government funding of research)

You will have already decided who your significant customers are: the ones you need to satisfy for your business to thrive. Those customers will know what to expect from you (or your contractors). You now have to decide how to measure to what extent those expectations have been met and also whether those expectations are good enough in comparison with products/services offered by competitors.

The organization should establish and maintain arrangements to monitor and measure, on a regular basis, the key characteristics of its operations and activities that can have a significant impact. This should include the recording of information to track performance, relevant operational controls and conformance with the organization's objectives and targets. The organization should establish and maintain a process for periodically evaluating the performance against stakeholder requirements. (Smith, 2001)

Having determined who the customers are and what their needs are, you need to know how their satisfaction with the product or process should be determined. Methods include:

- surveys;
- customer panels;
- questionnaires;
- complaints;
- sales figures;
- repeat sales;
- referrals;
- marketing consultants;
- consumer organizations;
- press reports.

Customers themselves are an excellent (valuable and low-cost) source of information if they are allowed to give it. They should be encouraged. Communication channels should be set up so that customers can talk or write to members of staff who have the responsibility and authority to resolve any problems. One way to treat customer complaints is given in BS 8600:1999. A complaints management system like this can be operated in alignment with ISO 9001, ISO 14001 and BS 8800 and can form one part of an integrated management system.

## Analysing and handling nonconformities

*Statistics are like a bikini. What they reveal is suggestive but what they conceal is vital.* (Aaron Levenstein, American writer)

The methods used for analysing performance should demonstrate the ability of the processes to achieve planned results. When planned results are not achieved, corrective action should be taken. Evidence of conformity with the acceptance criteria should be maintained and recorded. (Smith, 2001)

This means that it is not sufficient to record nonconformities; records of specifications being met also need to be recorded.

## Management system audit

The organization should establish and maintain a programme for periodic management system audits to be carried out in order to determine whether or not the management system:

a)    conforms to planned arrangements for the management system;
b)    has been properly implemented and maintained and is being adhered to.

The audit programme, including any schedule, should be based on the results of risk assessment of the organization's activities, and the results of previous audits. The audit arrangements should cover the scope, frequency, methodologies and competencies, as well as the responsibilities and requirements for conducting audits and reporting results. Wherever possible, audits should be conducted by personnel independent of those having direct responsibility for the activity being examined. (Smith, 2001)

When the system is reviewed to check that it is producing the required results, it is important to know whether any failures are due to:

- inappropriate design;
- inappropriate metrics;
- faults in the system; or
- errors in the way the system is being operated.

If the failures are due to staff not operating the system correctly, this could be due to the following deficiencies:

- competence: this might be a failure of, or in, the general level of competence or lack of training in the particular skills needed;
- management: this could be poor self-management, lack of organizational skills or inadequate supervision and mentoring;
- motivation: all staff need to be committed to achieving customer satisfaction; commitment cannot be delegated.

# 8. Improvement



Identification of business needs

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Policy and its development

↓

Identification of processes

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Identification of business risks and aspects

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Prioritization of aspects

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Determining objectives

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Gap analysis of requirements vs current status
Development of action plans

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Implementation

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Operation

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Performance assessment monitoring
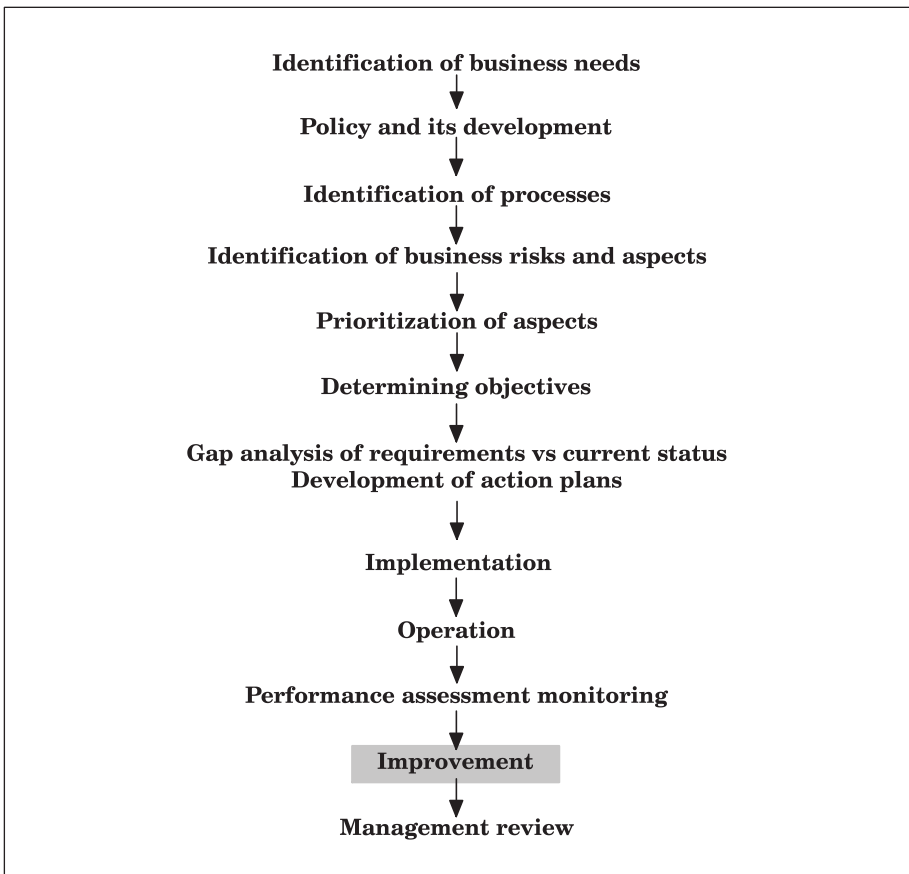
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Improvement

↓

Management review

*Figure 8.1*

# Corrective action

The organization should establish a process for defining responsibility and authority for implementing action to eliminate the cause of nonconformities in order to prevent recurrence. Corrective actions should be appropriate to the effect of the nonconformities encountered.
    A process should be established to define requirements for:

a)  reviewing nonconformities;
b)  determining the cause of nonconformities;
c)  evaluating the need for action to ensure that nonconformities do not recur;
d)  determining and implementing the action needed;
e)  recording the results of the action taken; and
f)  reviewing corrective action taken. (Smith, 2001)

In the case of management of customer satisfaction, nonconformities may mean failures in the implementation of the system or customer dissatisfaction. Note that d), e) and f) are included in the processes for dealing with customer complaints.

The corrective action might involve compensating the customer or, in the case of an unjustified complaint, preparing a defence if appropriate in that case. On many occasions, to foster good public relations, some organizations (particularly retail) may give customers the benefit of the doubt and even allow flagrantly dishonest claims. The extent to which an organization does this should be the subject of policy. A supermarket will usually exchange damaged fruit with only a cursory examination. It will be more difficult to convince a car dealer to exchange a car.

If there are complaints, they may be justified or not. In either case, the customer needs to be informed what action is going to be taken or, if no action is to be taken, the reason for that (eg appropriate action has already been taken or the product is discontinued). If the complaint is justified, remedial action needs to be taken to satisfy the customer. Also, corrective action needs to be taken to correct the process that resulted in the delivery or realization of an unsatisfactory product or service. Preventive action needs to be taken to avoid the recurrence of the problem.

There are some cases where it is inevitable that some products will be faulty (not all seeds will germinate, not all plants will grow, not all meals will be perfect). In such cases, the supplier may wish to implement and advertise (except perhaps in restaurants) a replacement policy.

The risk of failing to meet expectations can be laid off to a third party such as an insurance company.

# Preventive action

> The organization should establish a process for defining responsibility and authority for implementing action appropriate to the risk. (Smith, 2001)

The 'Determination of impacts and prioritization of aspects' section in Chapter 5 suggests a number of aspects of a business that could give rise to various adverse impacts on customer satisfaction. These aspects and their impacts should be identified, priorities assigned and, if they are considered significant, assigned to a specific person to plan preventive action. For example, in the aspects listed in Table 5.3 (see page 37, the preventive actions given in Table 8.1 could be considered.

*Table 8.1 Preventive actions related to potential adverse impacts*

| Aspect | Potential adverse impact | Preventive action |
|---|---|---|
| Product quality | Product performance failure | Quality management system |
| | Product safety failure | Quality management |
| | Product obsolescence | Market research |
| | Product recalls | Quality management |
| Price | Product overpriced, cost-cutting by competitors | Market research, information on competition |
| | Luxury product under priced | Market research |
| Delivery | Slow, unreliable | Monitor deliveries, have alternatives |
| | Expensive | Keep alternatives in reserve or give them part of the business |
| Environmental performance | Effluents, pollution, noise, raw materials usage | Environmental management system. Involve local environmental groups |
| Labour relations | Adverse publicity | Good personnel policy. Good relationship with media |
| | Unreliable production schedules | Involve staff in decisions |
| | Low staff morale and high turnover | Treat employees as important stakeholders |

| Aspect | Potential adverse impact | Preventive action |
|---|---|---|
| Legislation | Litigation or fines | Keep abreast of regulations<br>Join a trade organization<br>Retain a lawyer |
| Customer service | Reputation, complaints, customers defecting | Monitor customer movements and complaints closely and act sooner rather than later. Retaining existing customers is less costly than acquiring new ones |

## Continual improvement

The organization should continually improve the effectiveness of the management system through the use of the policy, objectives, audit results, analysis of data from monitoring and measurement, corrective and preventive actions and management review. (Smith, 2001)

This is a restatement of the use of the PDCA cycle to improve the system. It is implicit that, if the system is improved, it will function more effectively and lead to improved results and outcomes.

# 9. Management review

Identification of business needs

⬇

Policy and its development

⬇

Identification of processes

⬇

Identification of business risks and aspects

⬇

Prioritization of aspects

⬇

Determining objectives

⬇

Gap analysis of requirements vs current status
Development of action plans

⬇

Implementation

⬇

Operation

⬇

Performance assessment monitoring

⬇

Improvement

⬇

Management review

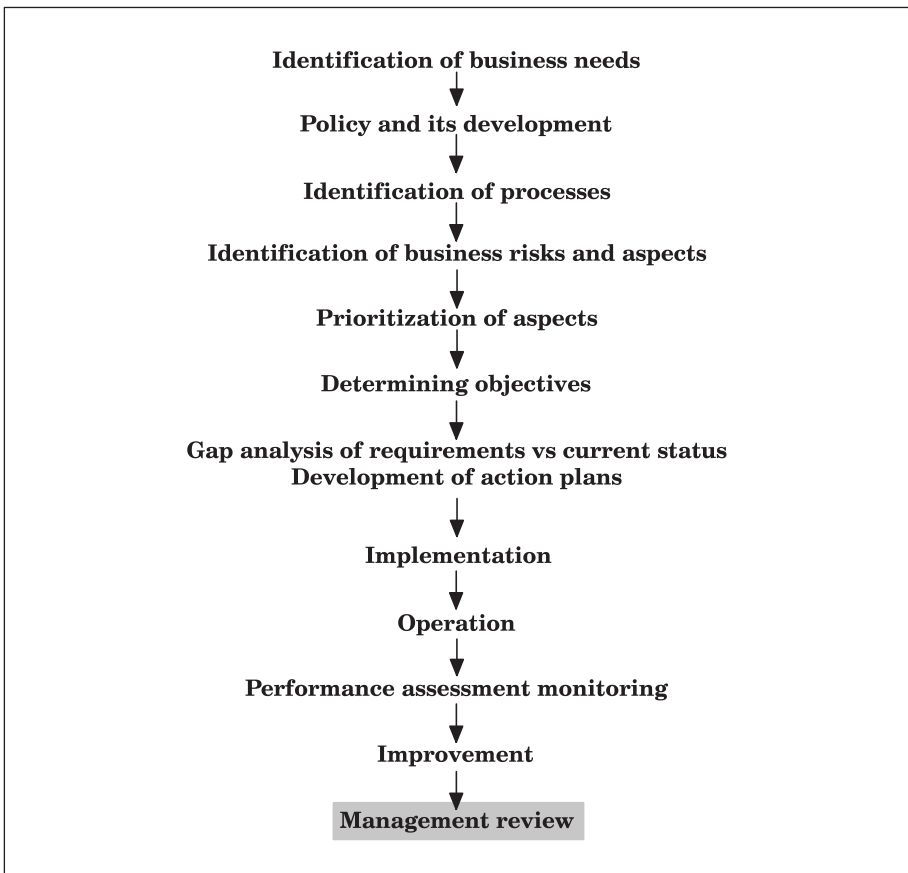*Figure 9.1*

> *Where is the wisdom we have lost in knowledge?*
> *Where is the knowledge we have lost in information?* (T S Eliot,
> *The Rock*)

Any management system requires periodic review. When setting it up you need to conduct an initial status review. Once the system is working, you need to review it periodically to ensure that it is working properly and achieving the required objectives.

> Top management should review the organization's management system at planned intervals to ensure its continuing suitability, adequacy and effectiveness. The review should include assessing opportunities for improvement and the need for changes to the management system, including policy and objectives.
>     Records from management reviews should be maintained. (Smith, 2001)

Customer expectations and needs are likely to change, particularly in a competitive market, so qualitative and quantitative objectives may need to be periodically updated.


## Review input

> The input to management review should include information on:
> a)   results of audits;
> b)   stakeholder feedback;
> c)   status of preventive and corrective actions;
> d)   follow-up actions from previous management reviews;
> e)   changes that could affect the management system; and
> f)   recommendations for improvement. (Smith, 2001)

Stakeholder feedback in the present context means customer feedback. This should also include reports from the media, in particular consumer publications, as well as solicited and, perhaps more important, unsolicited comments received directly from customers.

  Appendix 8 gives examples of checklists that can be used to determine how effectively the organization is working towards achieving customer satisfaction.

## Review output

The output from the management review should include any decisions and actions related to:

a) improvement of the effectiveness of the management system and its processes;
b) improvement related to stakeholder requirements; and
c) resource needs. (Smith, 2001)

Customer satisfaction is the main stakeholder requirement that needs to be met by this particular part of the management system. You have already mapped interactions with other aspects of the business so that the effect of changes in one aspect on others may be foreseen. Management must decide and perhaps lay down in the policies the priorities between conflicting objectives, eg quality/profitability/price/volume.

# Appendix 1. IMS framework

| | Elements |
|---|---|
| **0  Management system** | |
| | 0    The organization should establish, document, implement and maintain a management system and seek to continually improve its effectiveness.<br><br>The organization should:<br>a)   identify the processes needed for the management system and their application throughout the organization<br>b)   determine the sequence and interaction of these processes<br>c)   determine criteria and methods needed to ensure that both the operation and control of these processes are effective<br>d)   ensure the availability of resources and information necessary to support the operation and monitoring of these processes<br>e)   monitor, measure and analyse these processes, and<br>f)    implement actions necessary to achieve planned results and continual improvement of these processes. |

|  | Elements |
|---|---|
| **1 Policy**<br><br>1 Policy and principles | 1 Top management should ensure that the overall policy:<br>a) is appropriate to the organization<br>b) includes a commitment to comply with all relevant requirements and continually to improve the effectiveness of the management system<br>c) provides a framework for establishing and reviewing objectives<br>d) is communicated, where appropriate, and is understood within the organization, and<br>e) is reviewed for continuing suitability. |

|  | Elements |
|---|---|
| **2 Planning** |  |
| 2.1 Identification of aspects and risks | 2.1 The organization should establish a process for identifying those aspects of its operations which need to be controlled and/or improved in order to satisfy the relevant interested party(ies). This includes research and design. Where appropriate, legal requirements should be identified. |
| 2.2 Selection of significant aspects to be addressed | 2.2 The organization should establish a process for prioritizing its aspects, so that those that would have a significant impact are readily identified for control measures where this is appropriate. |
| 2.3 Objectives and targets | 2.3 Top management should ensure that the objectives, including those needed to meet requirements for product and/or service, are established at relevant functions and levels within the organization. The objectives should be measurable and consistent with the policy. |
| 2.4 Identification of resources | 2.4 The organization should ensure the availability of adequate human, infrastructure and financial resources. It should determine and provide the resources needed: <br> a)  to implement and maintain the management system and continually improve its effectiveness, and <br> b)  to enhance satisfaction by meeting requirements. |
| 2.5 Identification of organizational structures, roles, responsibilities and authorities | 2.5 The organization should identify the roles, responsibilities, accountabilities and their interrelationships within the organization as far as needed to ensure effective and efficient operation. Top management should ensure the responsibilities and authorities are defined and communicated within the organization. |
| 2.6 Planning of operational control | 2.6 The organization should identify those operations and activities that are associated with the identified significant aspects in line with its policy, objectives and targets. The organization should plan and develop the process necessary for effective implementation of the operational control measures. |
| 2.7 Contingency preparedness for foreseeable events | 2.7 The organization should establish and maintain a process for identifying and responding to any potential emergency situation. The process should seek to prevent and mitigate the consequences of any such occurrence. |

|  | Elements |
|---|---|
| **3 Implementation and operation** |  |
| 3.1 Operational control | 3.1 The organization should ensure arrangements are in place at the operational level that ensure that:<br>a) the objectives and requirements for the product/services are being met<br>b) the necessary processes, documents, and resources specific to the product/service are provided<br>c) the necessary verification, validation, monitoring, inspection and test activities specific to the product/service are instigated<br>d) the records needed to provide evidence of the realization processes meeting requirements are produced. |
| 3.2 Management of human resources | 3.2 The organization should ensure that the personnel carrying out activities on its behalf should be competent on the basis of appropriate education, training, skills and experience to enable them to undertake all their duties.<br><br>The organization should:<br>a) evaluate the effectiveness of the actions taken<br>b) ensure that its personnel are aware of the relevance and importance of their activities and how they contribute to the achievement of the objectives. |
| 3.3 Management of other resources | 3.3 The organization should determine, provide and maintain the infrastructure needed to achieve its objectives. Infrastructure includes, as applicable:<br>a) buildings, workspace and associated utilities<br>b) process equipment (both hardware and software), and<br>c) supporting services (such as transport or communication). |
| 3.4 Documentation and its control | 3.4.1 Documentation requirements<br>The management system documentation should include:<br>a) documented statements of the policies and objectives<br>b) a manual describing the working of the management system (see 3.4.2 below)<br>c) documented procedures that are required by specific standards<br>d) documents needed by the organization to ensure the effective planning, operation and control of its processes, and<br>e) records required by any specific standard.<br><br>Note 1: Where the term 'documented procedure' appears, this means that the procedure is established, documented, implemented, controlled and maintained.<br>Note 2: The extent of the management system documentation can differ from one organization to another due to:<br>a) the size of organization and type of activities<br>b) the complexity of processes and their interactions, and<br>c) the competence of personnel. |

| | |
|---|---|
| | Note 3: The documentation can be in any form or type of medium. |
| | **3.4.2 Integrated management system manual**<br>The organization should establish and maintain a manual that includes:<br>a) the scope of the management system, including details of and justification for any exclusions<br>b) the documented procedures established for the management system, or reference to them, and<br>c) a description of the interaction between the processes of the management system.<br>**3.4.3 Control of documents**<br>Documents required by the management system should be controlled. Records are a special type of document and should be controlled according to the requirements of those specific standards covered by the IMS.<br><br>A documented procedure should be established to define the controls needed:<br>a) to approve documents for adequacy prior to issue<br>b) to review and update as necessary and re-approve documents<br>c) to ensure that changes and current revision status of documents are identified<br>d) to ensure that relevant versions of applicable documents are available at points of use<br>e) to ensure that documents remain legible and readily identifiable<br>f) to ensure that documents of external origin are identified and their distribution controlled, and<br>g) to prevent the unintended use of obsolete documents, and to apply suitable identification to them if they are retained for any purpose.<br>**3.4.4 Control of records**<br>Records should be established and maintained to provide evidence of conformity to requirements and of the effective operation of the management system. Records should remain legible, readily identifiable and retrievable. A documented procedure should be established to define the controls needed for the identification, storage, protection, retrieval, retention and disposal of records. |
| 3.5 Communication | 3.5 The organization should determine and implement effective arrangements for communication:<br>a) between the various levels of the organization as appropriate to their needs<br>b) for receiving, documenting and responding to relevant communication from external interested parties. |
| 3.6 Relationship with suppliers and contractors | 3.6 The organization should formalize its arrangements for those who supply and contract their services, both internal and external, which have an impact on the organization's performance. |

|  | *Elements* |
|---|---|
| **4 Performance assessment** | |
| 4    General | 4    The organization should establish and measure the characteristics of the product and/or services to verify that requirements have been met. This should be carried out at appropriate stages of the process in accordance with the planned arrangements. |
| 4.1  Monitoring and measurement | 4.1  The organization should establish and maintain arrangements to monitor and measure, on a regular basis, the key characteristics of its operations and activities that can have a significant impact. This should include the recording of information to track performance, relevant operational controls and conformance with the organization's objectives and targets. The organization should establish and maintain a process for periodically evaluating the performance against stakeholder requirements. |
| 4.2  Analysing and handling nonconformities | 4.2  The methods used for analysing performance should demonstrate the ability of the processes to achieve planned results. When planned results are not achieved, corrective action should be taken. Evidence of conformity with the acceptance criteria should be maintained and recorded. |
| 4.3  Management system audit | 4.3  The organization should establish and maintain a programme for periodic management system audits to be carried out, in order to determine whether or not the management system:<br>a)  conforms to planned arrangements for the management system<br>b)  has been properly implemented and maintained, and is being adhered to.<br>The audit programme, including any schedule, should be based on the results of risk assessment of the organization's activities, and the results of previous audits. The audit arrangements should cover the scope, frequency, methodologies and competencies, as well as the responsibilities and requirements for conducting audits and reporting results. Wherever possible, audits should be conducted by personnel independent of those having direct responsibility for the activity being examined. |

|  | Elements |
|---|---|
| **5 Improvement** | |
| 5.1 Corrective action | 5.1 The organization should establish a process for defining responsibility and authority for implementing action to eliminate the cause of nonconformities in order to prevent recurrence. Corrective actions should be appropriate to the effect of the nonconformities encountered.<br><br>A process should be established to define requirements for:<br>  a) reviewing nonconformities (including stakeholder comments)<br>  b) determining the causes of nonconformities<br>  c) evaluating the need for action to ensure that nonconformities do not recur<br>  d) determining and implementing the action needed<br>  e) recording the results of action taken, and<br>  f) reviewing corrective action taken. |
| 5.2 Preventive action | 5.2 The organization should establish a process for defining responsibility and authority for implementing action appropriate to the risk. |
| 5.3 Continual improvement | 5.3 The organization should continually improve the effectiveness of the management system through the use of the policy, objectives, audit results, analysis of data from monitoring and measurement, corrective and preventive actions and management review. |

| | Elements |
|---|---|
| **6 Management review** | |
| 6.1 General | 6.1 Top management should review the organization's management system at planned intervals to ensure its continuing suitability, adequacy and effectiveness. This review should include assessing opportunities for improvement and the need for changes to the management system, including policy and objectives.<br>Records from management reviews should be maintained. |
| 6.2 Review input | 6.2 The input to management review should include information on:<br>a) results of audits<br>b) stakeholder feedback<br>c) status of preventive and corrective actions<br>d) follow-up actions from previous management reviews<br>e) changes that could affect the management system, and<br>f) recommendations for improvement. |
| 6.3 Review output | 6.3 The output from the management review should include any decisions and actions related to:<br>a) improvement of the effectiveness of the management system and its processes<br>b) improvement related to stakeholder requirements, and<br>c) resource needs. |

# Appendix 2. Common elements of management systems and the IMS framework

| Framework elements | ISO 9001:2000 clause | ISO 14001:1996 clause | OHSAS 18001:1999 clause |
|---|---|---|---|
| **0  Management system** | | | |
| **1  Policy** | | | |
| 1.1  Policy and principles | 5.1, 5.3 | 4.2 | 4.2 |
| **2  Planning** | | | |
| 2.1  Identification of aspects and risks | 5.2, 5.4.2, 7.2.1, 7.2.2 | 4.3.1, 4.3.2 | 4.3.1, 4.3.2 |
| 2.2  Selection of significant aspects to be addressed | — | — | 4.3.3 |
| 2.3  Objectives and targets | 5.4.1 | 4.3.3 | 4.3.4 |
| 2.4  Identification of resources | 5.4.2 | 4.3.4 | 4.4.1 |
| 2.5  Identification of organizational structures, roles, responsibilities and authorities | 5.5.2, 5.5.3 | 4.4.1 | — |
| 2.6  Planning of operational control | — | — | 4.4.6 |
| 2.7  Contingency preparedness for foreseeable events | 7.1, 8.3 | 4.4.6, 4.4.7 | 4.4.7 |
| **3  Implementation and operation** | | | |
| 3.1  Operational control | 7.2 to 7.5 | 4.4.6 | 4.4.6 |
| 3.2  Management of human resources | 6.2.2 | 4.4.2, 4.4.6 | 4.4.2, 4.4.6 |
| 3.3  Management of other resources | — | 4.4.6, 4.4.4 | 4.4.6, 4.4.4 |
| 3.4  Documentation and its control | 4.2 | 4.4.5, 4.5.3 | 4.4.5, 4.5.3 |
| 3.5  Communication | 5.5.4 | 4.4.3 | 4.4.3 |
| 3.6  Relationship with suppliers and contractors | 7.2.3 | 4.4.5 | 4.4.5 |
| **4  Performance assessment** | | | |
| 4.1  Monitoring and measurement | 8.2 | 4.5.1 | 4.5.1 |
| 4.2  Analysing and handling nonconformities | 8.3 | 4.5.2 | 4.5.2 |
| 4.3  Management system audit | 8.2.2 | 4.5.4 | 4.5.4 |

| 5 **Improvement** | | | |
|---|---|---|---|
| 5.1 Corrective action | 8.5.2 | 4.5.2 | 4.5.2 |
| 5.2 Preventive action | 8.5.3 | 4.5.2 | 4.5.2 |
| 5.3 Continual improvement | 5.4.2, 8.5 | — | — |
| 6 **Management** | | | |
| 6.1 General | 5.6 | 4.6 | 4.6 |
| 6.2 Review input | — | — | — |
| 6.3 Review output | — | — | — |

# Appendix 3. An example of a customer satisfaction policy

PQR is a small engineering company making moulded plastics components for a variety of uses: domestic appliances, toys, consumer goods, etc. It sells to larger manufacturers and does not deal directly with the public.

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**Policy**

PQR will provide moulded plastics components against specifications agreed with the customers who have sub-contracted the work to us.

PQR will take care to ensure that the specifications meet the technical requirements for the known uses and also any legislative requirements (eg for materials in contact with food, emissions of volatile organic compounds, fire safety regulations).

PQR will inform customers of any technical improvements (design, formulation) that may be applied to the products.

PQR will ensure that all staff are aware that achieving and improving customer satisfaction is one of the objectives of the company and, where appropriate, one of the objectives of individual staff members.

PQR will ensure that, where appropriate, staff members will receive training and guidance in customer relations.

PQR will monitor customer satisfaction and keep records for each customer.

PQR will periodically review the current and future needs of existing and potential customers to ensure that we can be flexible and adapt to changes in the market.

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This does not have to be a specific written policy but the elements addressed should appear somewhere in the policies or, particularly, in procedures and job descriptions in the organization and should all be addressed and implemented.

# Appendix 4.  Process mapping

The processes in a business can be described in varying levels of detail. A high-level process map could be shown in accordance with Figure A4.1.
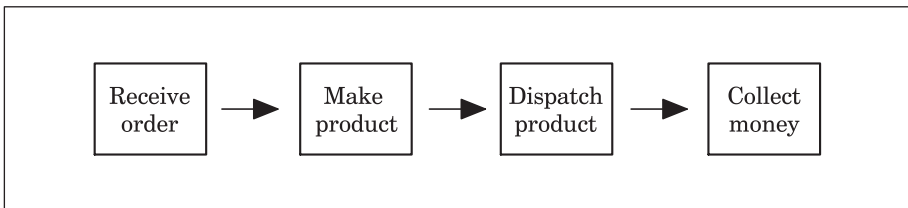


*Figure A4.1 Simple high-level process chain*

'Receive order' could include lower-level (more detailed) activities in sales and marketing functions, call centres, communication with agents and customers, stock control, and links to production, marketing, finance, etc.

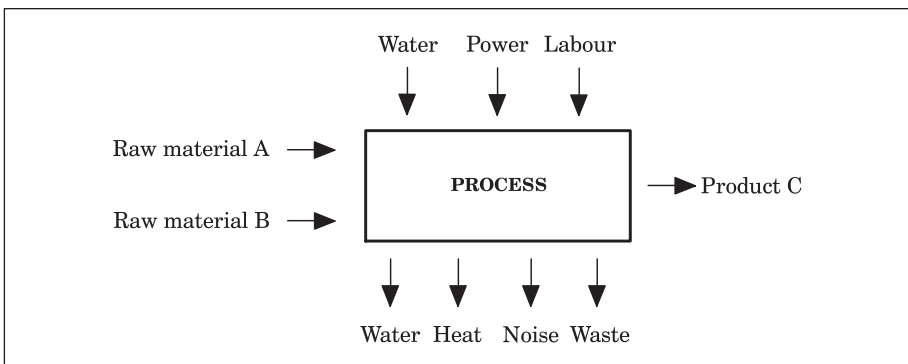'Make product' could involve a number of processes, each with their own inputs and outputs; see Figure A4.2.



*Figure A4.2 Expansion of 'make product' element in Figure A4.1*

## Inputs

'Raw material A' and 'Raw material B' could involve testing and selection of material, sourcing supplies, storage, quality control, movement, measuring the quantity, safety precautions for storing and handling the material, etc.

'Water' and 'power' could also involve sourcing, quality control, and storage. 'Labour' could involve not just the supervision but also the training, health and safety aspects and other personnel functions.

## Outputs

The outputs 'water, heat, noise and waste' could involve health and safety considerations, personnel involvement, and environmental aspects.

The 'Product C' would also need testing, measurement, storage (perhaps only in a buffer stock) and transportation to the next stage in the production chain.

## Mapping the processes

In order to manage the business, all processes and their interactions should be mapped so that they can be properly monitored, controlled and managed. It is important that, during that analysis, aspects that can impinge on customer satisfaction are identified and taken into account.

The following questions may be appropriate:

* Is the manufacturing process noisy or smelly?
* Does it generate unsightly waste (smoke, waste materials)?
* Does the transport of raw materials, waste and finished product bring itself to the attention of the public? (For example: waste skips, heavy lorries, noisy deliveries or early morning or late night deliveries. Most hypermarkets and supermarkets are out-of-town and in non-residential areas so that deliveries do not annoy residents. This is not purely altruistic.)
* Are the raw materials sourced ethically? (Even diamonds can now be certified as being from non-conflict areas.)

# Appendix 5. Evaluating customer satisfaction

The questions given in Figure A5.1 have been taken from PAS 46 and are used to evaluate loyalty. They can be used equally well to evaluate satisfaction.

**Based on your experience during the last six months, how satisfied are you with ABC organization?**

| Very satisfied | Somewhat satisfied | Neither satisfied nor dissatisfied | Somewhat dissatisfied | Very dissatisfied |
|---|---|---|---|---|
| ☐ | ☐ | ☐ | ☐ | ☐ |

**Based on your overall experience, how likely would you be to continue to use ABC organization in the foreseeable future?**

| Definitely would | Probably would | Might or might not | Probably would not | Definitely would not |
|---|---|---|---|---|
| ☐ | ☐ | ☐ | ☐ | ☐ |

**Based on your overall experience, how likely are you to recommend ABC organization to a friend or colleague?**

| Definitely would | Probably would | Might or might not | Probably would not | Definitely would not |
|---|---|---|---|---|
| ☐ | ☐ | ☐ | ☐ | ☐ |

*Figure A5.1 Examples of key questions for a customer questionnaire*

| | Very satisfied | Somewhat satisfied | Neither satisfied nor dissatisfied | Somewhat dissatisfied | Very dissatisfied |
|---|---|---|---|---|---|
| The quality of ABC's products | ☐ | ☐ | ☐ | ☐ | ☐ |
| The range of ABC's products | ☐ | ☐ | ☐ | ☐ | ☐ |
| The 'value for money' of ABC's products | ☐ | ☐ | ☐ | ☐ | ☐ |
| The knowledge and skills of ABC's sales staff | ☐ | ☐ | ☐ | ☐ | ☐ |
| The reliability and efficiency of ABC's delivery service | ☐ | ☐ | ☐ | ☐ | ☐ |
| The frequency of contact from ABC | ☐ | ☐ | ☐ | ☐ | ☐ |
| The accuracy of ABC's billing processes | ☐ | ☐ | ☐ | ☐ | ☐ |

*Figure A5.2 Examples of additional questions for a customer questionnaire*

The following is an example of a scoring system to establish satisfaction indicators. Each question is scored out of a maximum score of 100. The first column, (very satisfied, definitely would, etc) scores 100 points, the second column (somewhat satisfied, probably would, etc) scores 75 points and so on, down to zero for the last column (very dissatisfied, definitely would not, etc).

For a given customer, add up all the scores and divide by the number of questions to give an average. This can be regarded as a 'satisfaction index' for that customer and can be monitored periodically.

You can average the satisfaction indices for all your customers to give an overall customer satisfaction index for the business. However, you should bear in mind that the Pareto principle probably applies and 80 per cent of your profits come from 20 per cent of your customers. It is not equally important to satisfy all customers; some are more important and profitable than others and it is more important to keep those happy.

# Appendix 6.  Outline plan of a complaints management system (BS 8600:1999)

**NORMAL PROCEDURE**  **ESCALATION PROCEDURE**  **EXTERNAL PROCEDURE**

Customer feedback received
- referenced and recorded by recipient

Is there sufficient information to take action ?

No → Recipient seeks more information

Yes

Is there sufficient competence to take action ?

Customer advised of progress:
- who is handling complaint
- target time
- reference number etc.

Yes

Record passed to **escalation procedure:** - further steps available?

No → External review process available ?  No

Yes

Yes

**Fast response**

**In house review**

**External review**

Yes

Yes

Proposed action agreed by customer ?

No

Proposed action agreed by customer ?

No → Advise customer of - legal rights - and remedies

Yes

Yes

**RESOLUTION**

Follow up action:
-corrective and preventive action
- audit and review - complaints policy

# Appendix 7.  Outline model for a simple manual

**Owner...............................................................**
**Date of issue..................Valid until...........................(review date)**

## Scope

This manual covers the management of customer satisfaction and management and resolution of customer complaints.

It covers existing customers, potential customers, agents and distributors and members of the public who could represent customers.

It does not cover competitors, companies with whom this organization may have business associations, or trade associations: such contacts may be subject to special policies and agreements and are dealt with by the Directors.

## Responsibilities

The owner of the policy is the Sales Director who reports to the Board of Directors.

## Procedures

This manual contains procedures for:

- measuring, recording and reporting customer satisfaction;
- managing customer complaints (including actions needed to resolve them);

- document control (including identification, distribution, maintenance and storage).

## Interactions

This manual identifies the other departments (or people) who are to be informed and who may need to act on this information:

- quality control;
- production;
- sales;
- finance;
- personnel;
- public relations;
- top management.

# Appendix 8. Performance assessment checklists

*Our task is now not to fix the blame for the past, but to fix the course for the future.* (John F Kennedy)

To assess how well you are satisfying customers, you will need to decide on the criteria of success. A good measure is the degree to which your customers are satisfied and loyal, particularly where there is strong competition.

The checklists below give a range of factors that may need to be examined and optimized to ensure that customers are likely to be satisfied and loyal. It is up to those responsible for implementing the management system to decide which of the suggested factors are important in their particular organization and to add others if they see fit.

The checklists show a score against each item, a box for not applicable and a box to mark if urgent action is needed. The scoring system is:

| | |
|---|---|
| 0 | no evidence of this found; |
| 1 | early stages of progress; |
| 2 | active progress being made; |
| 3 | fully operational and well documented. |

They also leave space for reference to a document that will give corroborative evidence, preferably numerical. Without this, the answers would be purely subjective and the scheme at the mercy of lazy optimists. For example, on the question of satisfaction with delivery times, the reply could refer to records analysing the causes of complaints over a given period. Not everything can be measured but quantitative evidence should be used wherever possible.

Such checklists can be used as an indicator of continuous improvement, but only if the assessments are credible and verifiable. The checklists are

adapted from and broadly aligned with the requirements of the City & Guilds NVQ/SVQ in Customer Service levels 2 and 3. The candidate packs for this qualification give more detailed and further requirements, explanations and examples of how to obtain evidence to verify that requirements have been met.

*Note:* the form 'you' has been used in this appendix. It is meant to include 'you, the organization' or that part of it responsible for that aspect of the operation being assessed.

## 1. Delivery of products or services to customers

Assuming that the product quality is at least satisfactory, timeliness is probably the second most important factor for customer satisfaction. It is an example of normal or expected properties of the product or service. If a seven-day delivery is expected, three days will not usually delight the customer. If three days is expected, seven will most probably annoy them even if the timing was not critical.

Customers' delivery requirements may change or become more critical. It is therefore very important to keep careful watch on customer delivery needs and ensure that they are being met.

Information is important. If you cannot meet a delivery date, inform the customer as soon as possible with your new date and agree on any actions that may help. Knowing that a delivery will be late is bad enough; not knowing when or even whether it is going to arrive is intolerable.

### Checklist 1. Assessing delivery of products

|  |  | Score | | | | Reference | Action |
|---|---|---|---|---|---|---|---|
| **Item assessed** | **n/a** | **0** | **1** | **2** | **3** | | |
| Are the customers satisfied with delivery times? | | | | | | | |
| Are the customers satisfied with the types of products or services offered? | | | | | | | |
| Are customers' needs determined and periodically verified? | | | | | | | |
| Are new products/services developed in the light of customer feedback? | | | | | | | |
| Are there procedures in place to maintain deliveries if the usual systems fail? | | | | | | | |
| Are there procedures in place to deliver a product very quickly in case of an emergency? | | | | | | | |

| | | Score | | | | Reference | Action |
|---|---|---|---|---|---|---|---|
| **Item assessed** | n/a | **0** | **1** | **2** | **3** | | |
| Are customers informed of any significant delays and kept informed of the progress of their orders? | | | | | | | |
| Are relevant colleagues briefed and ready to cooperate with measures taken to minimize delays caused by problems in the delivery system? | | | | | | | |
| Are delayed orders identified and highlighted? | | | | | | | |

## 2. Information and documentation

You need to keep data on the satisfaction of your customers with the service or product that you provide and on the needs or problems of key customers. That information needs to be up to date, properly indexed and maintained in accordance with written instructions, so that relevant personnel can access that information and use it. If a key customer rings up with a query, you don't want to tell him or her to wait two weeks until the person responsible for maintaining the data returns from holiday.

You may find it useful to keep a file on your key customers. This could include, for instance:

- nature, size and potential (positive or negative) of business;
- size of company, market share;
- location;
- financial status (can be simple, like turnover, or more detailed);
- structure (activities, departments, links);
- decision makers, influencers;
- SWOT analysis (strengths, weaknesses, opportunities, threats).

You may also find it useful to have profiles of the decision makers with details such as:

- position;
- length of service;
- principal objectives and concerns;
- attitude to your company.

Such files would have to be kept confidential and not accessible to those without the need to know. They can be useful for deciding how much resource you can afford to expend to satisfy a customer.

All records should be examined periodically and culled to remove obsolete clutter. If you are not sure whether or not a document can be discarded, you can archive it where it is not immediately accessible but can be recovered. There are many commercial companies that will archive files, either physically as paper or microfiche, or electronically.

You should record data relating to customer satisfaction for tracking how well you are achieving continuous improvement and how well you are doing compared to your competitors.

**Checklist 2. Assessing documentation and record keeping**

| | | Score | | | | Reference | Action |
|---|---|---|---|---|---|---|---|
| **Item assessed** | **n/a** | **0** | **I** | **2** | **3** | | |
| Are records accessible, tidy and up-to-date? | | | | | | | |
| Are records understandable and useable by other people? | | | | | | | |
| Is out-of-date information removed in an appropriate manner in accordance with policies? (Some information may need to be archived for years; other information may be destroyed as soon as it is out of date.) | | | | | | | |
| Do staff clearly record proposals and outcomes of discussions with customers and bring them to the attention of relevant people? | | | | | | | |

## 3. Development and maintenance of good working relationships with customers

All staff are ambassadors of their company but 'customer-facing' staff (whether they meet customers face-to-face, or over the telephone or e-mail) have a profound effect on a customer's perception of an organization and their satisfaction with the product it delivers.

There are many companies that offer customer service training or there are different levels of NVQs or SVQs (National/Scottish Vocational Qualification) from institutions offering City & Guilds courses.

Dress code depends on the business but smartness does not. There may be a perception that casual clothes indicate a casual approach. If in doubt, err on the side of conservatism unless you are in show business or advertising where flamboyance may be seen as a virtue. If you were travelling by air, how confident would you feel if you saw the pilot or cabin crew wearing scruffy jeans and a T-shirt on duty?

Your organization should have an agreed form of address when speaking (or writing) to customers. How formal or informal depends to some extent on the nature of the business. You would expect a shop assistant selling pop music to be more informal than a funeral director.

It is important that, however helpful and friendly staff are to the customer, their loyalty should be to the long-term benefit of the organization that employs them. It is not uncommon for some staff to transfer their allegiance to customers and become the customers' champion. In colonial days, this was known as 'going native' and caused problems then as now. One way to avoid this problem of divided loyalties is to involve the customer-facing staff in policy making and setting objectives so that they contribute to and feel responsible for not just implementing but setting the organizational objectives.

Many of the assessments in Checklist 3 are subjective but can be deduced from reports or demonstrated by examples of behaviour, possibly for discussion with the employee at periodic appraisal sessions. If there are any obvious shortcomings, these should be discussed immediately and not wait for appraisal time. Supervisors should be aware of the strengths and weaknesses in their staff and should discuss corrective or remedial measures with the members of staff themselves or, in more difficult cases, with their managers. Letters of praise or complaint from customers are a valuable resource.

Use of first names is becoming more common than more formal forms of address, particularly within an organization. However, you are less likely to offend someone by too much formality than by too little. What effect do telephone cold callers have on you when they repeatedly use your first name without invitation? A standardized telephone response can be a good idea but should sound natural, unforced and not formulaic. Discuss this with your staff and colleagues. They are the ones who will have to use the response.

When dealing with complaints, emphasize what you can do rather than what you cannot. It is essential that staff know their limit of authority. It is useful if staff are allowed a given level of discretion when it comes to refunds or discounts in response to valid complaints. Work out how much staff time is spent on challenging claims and how much goodwill could be generated by meeting them with good grace.

**Checklist 3.  Assessing working relationships with customers**

| Item assessed | n/a | Score | | | | Reference | Action |
|---|---|---|---|---|---|---|---|
| | | 0 | 1 | 2 | 3 | | |
| Are staff courteous and helpful when dealing with customers, particularly when dealing with complaints? | | | | | | | |
| Are staff appropriately qualified and trained? | | | | | | | |
| Are staff smart and appropriately dressed? | | | | | | | |
| Do staff project a positive image of the organization? | | | | | | | |
| Do staff maintain a proper balance between the needs of the customer and those of the organization? | | | | | | | |
| Do staff minimize conflict between customer and organizational interests? | | | | | | | |
| Do staff try to solve customers' problems within the limits of their own authority? | | | | | | | |
| Do staff know the limits of their authority and to whom they should refer unresolved problems? | | | | | | | |
| Do staff present organizational limitations in a clear and positive way to customers? | | | | | | | |
| Do staff explore possible flexibility in organizational limitations with their management? | | | | | | | |

## 4.  Communication with customers

When speaking or writing to customers, make sure that you have identified the target audience correctly and address your comments at an appropriate level and appropriate focus. You would discuss different points of detail when dealing with a company buyer, the technical department or the accounts department.

Customer feedback is essential. If you can involve a customer in the design and execution of a product or service, and acknowledge their contribution, they will feel a sense of ownership and their loyalty will be strengthened.

It is imperative that you and the customer are talking on the same wavelength. You should recognize the level of understanding at which to communicate with the customer.

Make sure that you know the customer's needs. As these may change, it is essential that you check that you and the customer have the same

understanding. (Some readers may remember the 'Two Ronnies' sketch set in a hardware shop; does he want four candles or fork handles?) Communication includes not just ways of delivering the written word but seminars, demonstrations, open days, exhibitions, etc.

There is an old saying that is all too true in many cases: 'The opposite of talking is not listening, it's waiting.' Communication involves active listening, not just waiting for the other person to stop talking so that we can resume. Salesmen are taught to listen for 80 per cent of the time and talk for 20 per cent.

You should ensure that you and whoever of your staff has direct contact with customers observes the following basic rules:

*While listening:*
- don't interrupt;
- listen and write down key points;
- ask for clarification if unsure;
- periodically summarize the situation as you see it to make sure that you have not strayed off common ground.

*If meeting face-to-face:*
- maintain frequent eye contact;
- pay attention to your body language (be comfortable, neither slouched nor stiff, lean forward slightly rather than back, don't cross your arms).

When talking to customers on the phone, don't leave them on hold for more than 30 seconds. If necessary, tell them you will phone them back within 5 minutes *and stick to it*, even if your follow-up call is only a holding call to explain further delay. If you cannot be prompt, be informative.

When writing letters, get into the habit of using the spell-checker (or if you are lucky enough to have someone to write letters for you, make sure they use it). Try to avoid passive sentences (say 'we *will deliver* the order by...' or 'you *will receive* the order by...' rather than 'the order *will be delivered* by...').

The most popular word processing packages have grammar and style checks that can be useful. Check the readability statistics from time to time. You may be surprised. The Flesch reading ease (0 is the most difficult, 100 is easiest) ranges from about 30 to 40 for the broadsheets to 70 to 80 for tabloids. This appendix scores about 50 and the book as a whole about 40. Don't use words or expressions that you do not fully understand and cannot explain clearly. Your customer may see through the bluff. Use jargon only if you know that you are both familiar and comfortable with it.

Many organizations offer communications training and you may find it useful to send key members for professional training.

## Checklist 4.  Assessing communication with customers

| | | Score | | | | Reference | Action |
|---|---|---|---|---|---|---|---|
| Item assessed | n/a | 0 | 1 | 2 | 3 | | |
| Do staff use the most appropriate means of communication with customers (phone, letter, face-to-face, e-mail, etc)? | | | | | | | |
| Are customers clearly aware of the product, service and delivery to expect? | | | | | | | |
| Do staff adapt spoken and written language to the customer? | | | | | | | |
| Are staff trained to communicate with customers with special needs? | | | | | | | |
| Do staff check with customers that they have the same understanding? | | | | | | | |
| Do staff routinely examine relevant documentation (eg trade magazines) for information relevant to customers? | | | | | | | |
| Do staff accurately identify customers' perceptions of their problems and check that they are correct? | | | | | | | |
| Is the information given to customers appropriate, timely, accurate and does it meet their needs? | | | | | | | |
| Do staff inform customers about new services and products that may meet their needs? | | | | | | | |
| Do staff investigate novel or alternative methods of communicating with customers to improve effectiveness? | | | | | | | |

# 5.  Solving customers' problems

Checklist 5 is closely related to Checklist 3, dealing with working relationships, and Checklist 4, on communication.

Recording these problems and discussing them with colleagues should reduce the chance of the problem recurring. If it does recur, the knowledge of how to deal with it will be widespread. Recurrent problems suggest a fault in processing or procedures that needs correcting.

   Focus on positive corrective and preventive actions for the future rather than dwelling on the past. Post-mortems may teach us lessons but do not help the victims.
   Make your staff aware of the basic rules:

- Listen to the customer; if a problem is voiced, resist the urge to tell them they are wrong or to make excuses.
- Look for solutions, not obstacles.
- Let the customer let off steam. They may be angry with the company and not with you (unless you personally have done something wrong!)
- Sympathize, acknowledge and then discuss to agree on what the problem is and how best to resolve it.

**Checklist 5.  Assessing understanding of customers' needs**

| | | | Score | | | Reference | Action |
|---|---|---|---|---|---|---|---|
| Item assessed | n/a | 0 | I | 2 | 3 | | |
| Do staff understand customers' perceptions of what their needs and problems are and do they get the customers to confirm the situation? | | | | | | | |
| Do staff accurately and clearly summarize customers' needs and record them? | | | | | | | |
| Do staff consult colleagues for information regarding customers' needs and problems? | | | | | | | |
| Do staff consult colleagues and other sources for possible solutions to customers' problems? | | | | | | | |
| Are recurrent problems reported to those who have the responsibility and authority to remedy the causes? | | | | | | | |
| Do staff explore and identify new ways of solving customers' problems? | | | | | | | |

# 6.  Improving service reliability

Most of the items given in Checklist 6 should be documented. One way would be to hold regular meetings of the relevant people and minute the conclusions and actions.

## Checklist 6.  Assessing service reliability

|  |  | Score | | | | Reference | Action |
|---|---|---|---|---|---|---|---|
| **Item assessed** | **n/a** | **0** | **1** | **2** | **3** | | |
| Do staff regularly seek comments on reliability from customers? | | | | | | | |
| Do staff use customer feedback procedures and report the results to the relevant responsible manager? | | | | | | | |
| Do staff introduce improvements on their own initiative within the scope of their authority? | | | | | | | |
| Do staff communicate improvements that they have introduced to their colleagues? | | | | | | | |
| Do staff regularly evaluate procedures with colleagues? | | | | | | | |

# 7.  Maintaining records relating to customer satisfaction

Records are an aid to action, not a substitute. Full and comprehensive records that are so long and detailed that nobody has time to read them will not be used and are therefore useless. Records should be clear, concise and accurate and should be read and acted upon. How often have you heard a shop assistant or a Council employee say 'a lot of people complain about that'?

## Checklist 7.  Assessing maintenance of records

|  |  | Score | | | | Reference | Action |
|---|---|---|---|---|---|---|---|
| **Item assessed** | **n/a** | **0** | **1** | **2** | **3** | | |
| Is documentation relevant, comprehensive and correct? | | | | | | | |
| Are reports clear and concise? | | | | | | | |
| Are records regularly checked and updated? | | | | | | | |
| Are improvements in the records focused on customer needs and their efficient fulfilment? | | | | | | | |
| Does the person responsible for the records receive, acknowledge, consider and, if appropriate, implement suggestions for the improvement of the system? | | | | | | | |
| Are the records clearly set out and accessible so that they are easy to use by others? | | | | | | | |
| Do the records conform to the requirements of regulations regarding data protection? | | | | | | | |
| Who, other than the writer, reads the records? | | | | | | | |

## 8. Organize work pattern to respond to the needs of customers

Much of today's customer-facing contact is done via remote call centres; some of them very remote such as the USA and India. Many of these offer 24 hour a day service (although we may have to sit through a lot of Muzak to actually speak to someone).

Most shops, particularly in town centres, have learnt not to close for lunch, the very time when office workers may want to do a bit of shopping. However, one still comes across banks, post offices and railway ticket offices that are understaffed because their employees want to go to lunch at a conventional lunch-time. If you are tempted to allow this, your competitors may not.

If you operate a flexible working hours system, make sure that it benefits your customers as well as your staff.

### Checklist 8. Assessing staff work patterns

| | | Score | | | | Reference | Action |
|---|---|---|---|---|---|---|---|
| **Item assessed** | n/a | **0** | **1** | **2** | **3** | | |
| Do staff make themselves available to customers at times convenient to the customers? | | | | | | | |
| Are staff approachable and welcoming to customers? | | | | | | | |
| Do staff seek advice and support appropriately? (Neither exceeding nor avoiding exercise of their level of authority.) | | | | | | | |

## 9. Obtain, analyse and use feedback from customers

If you are trying to delight the customer, whom better to ask whether you are successful?

You may wish to employ an agency to do the legwork and analysis or you may prefer to do it in-house.

### Checklist 9. Assessing customer feedback

|  |  | Score | | | | Reference | Action |
|---|---|---|---|---|---|---|---|
| **Item assessed** | **n/a** | **0** | **1** | **2** | **3** |  |  |
| Do you seek feedback and comments on service from customers? |  |  |  |  |  |  |  |
| Do you use both positive and negative comments from customers to evaluate existing products and services? |  |  |  |  |  |  |  |
| Do you look for new ways of getting customer feedback? |  |  |  |  |  |  |  |
| Do you analyse customer feedback to look for trends and patterns? |  |  |  |  |  |  |  |
| Do you record and store customer feedback in an accessible format? |  |  |  |  |  |  |  |
| Are proposed improvements based on accurate information and interpretation of customer feedback? |  |  |  |  |  |  |  |
| Do you predict customers' needs based on their feedback and do you check this with customers? |  |  |  |  |  |  |  |

## 10. Initiate changes in response to customer requirements

Feedback should be used for diagnosis, cure and improvement, not for a post-mortem or apportioning blame. Information that is not used is useless. It is important that staff communicate with each other to encourage best practice.

You must ensure that a customer's requirements are real and not just an attempt to substantiate an underlying dissatisfaction.

Any improvements or changes made should refer to the reasons why the change was necessary and should quantify the effects of the change. Sometimes, you may need to make several changes to a system before it really does what is intended.

**Checklist 10. Assessing response to customer feedback**

| | | Score | | | | Reference | Action |
|---|---|---|---|---|---|---|---|
| Item assessed | n/a | 0 | 1 | 2 | 3 | | |
| Do staff initiate action within their areas of responsibility to improve service to customers? | | | | | | | |
| Do staff alert others to improvements that are needed outside their own area of responsibility? | | | | | | | |
| Are changes based on careful analysis of the information and feedback received from both inside and outside the organization? | | | | | | | |

# 11. Evaluate changes designed to improve customer satisfaction

If corrective or preventive action is taken or an improvement introduced, it is essential to confirm that the action had the desired effect and to determine how effective it was. Was the amelioration or improvement sufficient? Will further action be necessary?

**Checklist 11. Assessing outcome of changes**

| | | Score | | | | Reference | Action |
|---|---|---|---|---|---|---|---|
| Item assessed | n/a | 0 | 1 | 2 | 3 | | |
| Do you monitor the outcomes of changes made to improve customer service including the customers' perception of those changes? | | | | | | | |
| Do you ensure that relevant colleagues are aware of the changes and their effectiveness and implications? | | | | | | | |

# References

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