

EXECUTIVE REPORT ON CUSTOMER SATISFACTION

VOLUME 9

AUGUST 1, 1996

NUMBER 14

Executive summary ...

Surveys

Put a process in place to clarify customers' expectations

- 2 Find out customers' wants and needs by asking for their service-improvement suggestions. Be sure to follow-up later to clarify their responses.
- 3 Sometimes seemingly mundane process changes can satisfy customers. But address those issues on a customer-by-customer basis. What works for one may not satisfy another.

Service

Sacrifice inventory for customer service

- 4 Try to hold down inventory costs for your organization — but keep in mind, out-of-stock items can become lost sales and unhappy customers.
- 5 Get your customer service philosophy down on paper. Be sure to share it with customers by displaying it on product catalogs, customer correspondence and invoices.

Technology

Use technology to interact directly with customers

- 6 Link your internal systems to customers to increase response time. Creating an information database can improve order/inventory accuracy, as well.
- 6 Customer-focused companies invest heavily in interactive technology to improve processes. That makes it easier to customize customer offerings and service.

Get in-depth feedback through customer appraisals

The foundation of any good customer satisfaction process is getting actionable input from customers. Managers may find that actively soliciting customer complaints can, in some cases, produce brutally eye-opening feedback. But, it can also bring forth more fundamental issues that customers may never have otherwise mentioned.

Take, for instance, Makovsky & Co. in New York City. The public relations agency has set up a process to dig for service quality improvement suggestions from its customers. It starts with a fairly in-depth customer appraisal form that customers are asked to fill out twice a year. Initially, the program began as an internal process, says Ken Makovsky, president and founder. Previously, the account team manager filled out evaluations on the client/team relationships. In 1992, that review was expanded by developing a client questionnaire to compare customers' input to the internal review process.

Probe for explicit feedback, but make it easy for customers to respond

Makovsky's surveys have an incredibly high return rate of about 80%. Surveys are mailed to customers with a cover letter. Later, team leaders follow that up with a phone call to remind customers to fill out the questionnaire. Although the survey covers various areas, such as overall performance, relationship with staff, budgets and reporting, it's designed so that customers can quickly respond by checking off their ratings — with space for providing more in-depth comments.

The company asks customers for input on issues like Makovsky's understanding of the customer's business; the account team's responsiveness to the customer's needs; and whether or not the customer feels that the agency is giving them their money's worth. Customers are also asked to rank their contacts on service behaviors like: attitude, enthusiasm, initiative and sensitivity to the company's culture. Plus, customers are asked to rank Makovsky's senior management separately.

The surveys are based on a one to five rating scale — one being the lowest, five the highest. Makovsky considers any rating of three or lower as an area for improvement. "That's an alert system for us," he points out. "A three is just average."

Follow up for precise details

Each completed customer survey is followed up with a conference call between the client and the entire account team. That allows Makovsky's staff to get more definitive input on any average or low

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(Appraisals — continued from page 1)

ranking, or to clarify a customer's comments. For instance, if a customer gives an account executive a rating of three, the team probes to find out why the customer isn't as satisfied with that person. Sometimes, it's simply that the customer is not aware of that team member's contribution, explains Makovsky, especially if that person works behind the scenes. Or, he adds, "it may be that the person is not a personality match for the client. Or it may be true, and that we also feel that this person is not as strong as they could be in terms of their contribution."

Bringing out personal rankings during a conference call may sound threatening, he admits, "but it's really not. We bring up anything in a conference call. We try to keep this discussion as congenial as possible."

All team members know the survey results beforehand, and can offer their points of view, as well. For instance, in one case, a "very senior executive" who Makovsky describes as an extraordinary performer received a low ranking from a customer. During the follow-up call, it turned out that, because the customer's account was doing well, the exec wasn't involved as closely as in the

past. In fact, he explains, the need for a higher-level person on the account was reduced because the account manager grew into that capacity. The customer admitted that he valued the exec highly, but had noticed that the person wasn't as involved in his account as before, so consequently, gave a lower rating.

Clarify the customer's expectations

Besides probing for more feedback on average or lower rankings, the conference call helps to clarify customers' wants and needs. Specific questions on the appraisal are aimed at drawing that information out. For instance, "Is there anything Makovsky should be doing that it is not doing?" And "Are there any observations or comments that you'd like to share in line with how we can further strengthen our effectiveness on your behalf?"

Typically, those responses need to be addressed in the conference call, too. Makovsky points to an instance in which a customer commented that the company should be doing more in the area of internal communications. That suggestion was a little confusing to the account team since the company's concentration is external communications. The follow-up call revealed that the

Seven laws of customer satisfaction

There are several critical factors that have kept Makovsky & Co. ahead of "the curve of diminishing customer satisfaction levels," writes Ken Makovsky in *The Public Relations Strategist*. He boiled those down into what he calls the seven laws of customer satisfaction.

1. Let service drive sales. "Treat all your customers as if they were new business prospects," he notes.

2. Don't shut the customer out. The customer should be an "integral member of the team ... a partner."

3. Hire the best. Makovsky points out that his company takes recruitment efforts very seriously, as "a company is known by the people it keeps."

4. Expect the best. Concentrate on what your staff accomplishes, not in how many hours they work. Give them the tools they need to build skills and opportunities for professional development.

5. But prepare for the worst. "Difficulties in relationships are inevitable," Makovsky says. "It's the way they're handled that sets one professional or company apart from the others."

6. Solicit complaints. Don't just respond to incoming complaints, go out and solicit them.

7. Break it up and shake it up. "We make a concentrated effort to foster cross-pollination of ideas among divisions," he says. "To avoid becoming a victim of your own success, you need to continuously test your own assumptions ... even your best ongoing programs."

customer wanted to be able to leverage his external communications to improve communications with his internal employees. He wanted a letter or memo from Makovsky giving advice on ways to do that. "That really would have been no problem at all," Makovsky says. "It didn't involve a lot of time, and we could easily have done it. That would never have come out if we hadn't submitted the questionnaire. And it became clear in the follow-up phone call, because it wasn't clear from the survey why he was asking for that."

Sometimes the seemingly mundane issues can create customer satisfaction

Makovsky addresses its customers needs on a case-by-case basis. That's because sometimes a seemingly simple process change can increase a particular customer's satisfaction. For example, just recently, a longtime customer commented on a questionnaire that they wanted more advanced planning. The solution? Quarterly conference calls between the customer and the account team.

When another customer remarked that, while they were happy with their account team, they wanted more senior-level counsel, Makovsky quickly "integrated one of our higher-level people into the customer's conference call," he explains. In addition, for the same customer, the account team brainstormed for some new publicity ideas during the review meeting. Why? Although the customer noted she was satisfied with her account team's creativity (giving them a rating of four in that area), she gave them five rankings in other areas. Says Makovsky: "We thought that we could enhance our creativity by doing more brainstorming for the client. And we decided to institute a discipline that we were going to give her at least two to three new ideas per month."

Take immediate action on customers' concerns

The public relations firm also has a process in place to follow-up on the customer issues that surface during the conference call. An internal quality committee notes any ideas that come out of the client/account team meeting and tracks each item's progress. Then, at a monthly staff meeting, part of the agenda is devoted to "promises made the previous month and whether they were followed up,"

he explains. "A lot of things we come up with can be acted on promptly." For more time-consuming service enhancements, the firm has quarterly status checks on customers who were reviewed in the past three months.

The company's goal is to review all of its customers twice a year. But, he adds, "we encourage our people to ask [customers if they're satisfied] periodically in their day-to-day contact." Makovsky points out that just asking customers about their satisfaction level increases satisfaction. Many of Makovsky's customers cite that as a reason for choosing the agency, since customer satisfaction measurement is not a widespread practice in the public relations industry. In fact, he notes, one major Fortune 500 customer was so impressed by the agency's review system, they asked to use it to rank other agencies they worked with.

In addition to positive customer comments, the numbers prove effective results: customer retention has increased 20% since the process was initiated in 1992. **ERCS**

CALENDAR

Change management for world class customer care, National Association of Service Managers, Sept. 14-17, 1996, Naples, FL, (847) 310-9930; fax (847) 310-9934.

SOCAP 1996 annual conference, Society of Consumer Affairs Professionals in Business, Sept. 29 - Oct. 2, 1996, Tucson, AZ, (703) 519-3700; fax (703) 549-4886.

Gathering and deploying customer feedback: Complaints, compliments, comments & suggestions, International Quality & Productivity Center, Sept. 30 - Oct. 2, 1996, New Orleans, LA, (800) 882-8684; or (212) 353-4417.

Advanced customer service strategies, Inc. Magazine, Oct. 7-9, 1996, Seattle, WA, (800) 255-1080; fax (617) 248-8414.

Baldrige award self-assessment training for service organizations, American Society for Quality Control, Oct. 14-16, 1996, Milwaukee, WI, (800) 248-8575; fax (414) 272-1734.

Small business profile:**Continued customer service paves the road to success**

The stress on continued customer service — both internal and external — hasn't waned over the years for Meier Supply Co. If anything, it has gotten stronger.

When the Binghamton, NY-based supplier of HVAC&R parts started out almost 40 years ago, "refrigeration was fairly new and competition was almost non-existent," explains President Frank Meier, Jr. Because the industry was so young, the company didn't have to market itself or its product lines to reach customers, he says, adding "they just came to us."

Today, with 48 employees and eight branches (located in upstate NY and PA), Meier is operating in a changed marketplace. "Our customers are much more aware of service and pricing. There are also new, giant competitors — like Grainger Co. — that have evolved and entered the marketplace. Many of the products we sell are being treated as commodities, with customers shopping for the best price. As our customers continue to become better educated, this trend may continue," he says.

Sacrifice inventory for customer service

Meier Supply carries 9,000 stockkeeping units, which is about average for the industry, Meier says. Despite the need to keep a lid on excess inventory costs, Meier stresses that he's not as concerned about inventory as other suppliers. "We've sacrificed inventory turns for customer service," he explains. "Our inventory has always been a little higher than the industry average. But, there's a good reason for it — inventory shortages can hinder sales productivity if out-of-stock items become lost sales."

Meier delivers products from its main stocking location to all of its branches on a weekly basis. In addition, every location has its own delivery vehicle. And although the supplier has scheduled deliveries, it also makes arrangements for emergencies. Says Meier: "In the refrigeration business, when something breaks down, the customer can't wait a few days; they need the replacement part now."

According to Meier, the majority of his customers will order throughout the month. The com-

pany's terms state that if a customer pays by the 10th of the following month, they get a discount; if they pay by the 30th, the amount is net.

Although Meier admits that it's always a struggle to collect money in a timely manner, his philosophy is that offering credit terms to customers acts to promote sales.

Make employees part owners

Meier started an Employee Stock Ownership Plan in 1992, which accounts for 49% of the company's outstanding stock. The ESOP has made Meier's employees part owners in the company, "so when the company does better, they do better," he says. In fact, it's one of the reasons why the wholesaler has such low employee turnover.

Another reason employees stay is the company's training program. "We have the best employees in the country," he says, "which is why we don't hesitate to spend money on training them."

Take, for instance, the company's sales staff. Meier Supply has five full-time outside salespeople; eight who are in the field one or two days a week, but spend most of their time inside; and 20 people who work the branch service counters. Inside salespeople don't go out until they're completely trained, which is considered as a promo-

Put your customer-focused mission on display

Meier Supply Co.'s mission statement, which was developed eight years ago, is prominently displayed in the company's product catalog. Meier's vision is: "To become a totally focused HVAC&R operation that is a leading supplier serving the market needs with products and services that provide the best value to our customers."

"To become a dominant shareholder in each of our served markets."

"To be recognized by our industry, by customers and competitors alike, as the standard for quality, performance and leadership."

tion, he notes.

Salespeople are sent to trade schools to learn the technical end of the business. "Employee training costs are irrelevant. In fact, training is one of the most important things we do. I don't even count that as an expense," he says. "If you don't invest in training, then some day it will catch up in the customer service complaints you get."

Get a service philosophy down on paper

About eight years ago, Meier decided to formalize the company's customer service philosophy by putting it down on paper. "We always practiced providing outstanding service, but the evolution from no competition to some competition, then stronger competition, forced us to be more aggressive about it," he explains. Meier believes that because his company is small and has intimate knowledge of its customers, it can provide more hands-on service, which is "the way little guys like us can compete against the big wholesalers."

In fact, the company began to share its service beliefs with its customers in 1990 when the mission statement became part of Meier's product catalog. The catalog is sent out on an as-needed basis to customers.

Customer commitment can overcome the other issues

Despite a deep customer focus, pricing is still a sensitive issue — and is becoming more important for Meier's customers every year. The company attempts to combat that issue by doing more for its customers. For instance, it holds about 20 customer training seminars annually, which are free to customers. The sessions are conducted by some of Meier's technically trained employees.

The company also hosts Customer Appreciation Days. Each year, it holds an annual company golf tournament to which its 100 best customers are invited.

Although his company is still growing, Meier points out that "I don't want to get so big that we lose sight of our customers and can't handle things well. All the changes we've made in the past have been gradual. We're always evolving to better service the customer. And, although we'll be bigger and better, we'll never lose our focus." ERCS

Manufacturers focus on innovative customer care

Over the past few years, automobile makers have made substantial strides in their attempts to change a long-time negative industry perception and to focus more on customer satisfaction. Here are some programs manufacturers are rolling out to show customers how much they care:

- Infiniti Division of Nissan Motor Corp. kicked off an upgraded version of its customer-care program, called the Infiniti Total Ownership Experience. Most notably, the company is refocusing some of its efforts to include a previously overlooked customer segment. It's not simply concentrating on new-car customers, but has expanded its customer care program to include customers of pre-owned vehicles.

That's partly to compete with the many alternatives available to today's car buyers, notes Roger Jolicoeur, VP, Infiniti Division. For instance, he points to options like car brokers, used-car superstores and Internet sites. "While these alternatives are a legitimate challenge to the dealer franchise system, we believe nothing is more effective in meeting the needs of the 'new consumer' than a true bond between a manufacturer with a strong brand identity and a group of dealers who have established an outstanding reputation for customer service," he says.

In fact, the company has also launched a program that gives used-car customers the same services that were previously available only to new car buyers, such as 24-hour roadside assistance, free service loaner cars during the basic warranty period with scheduled service appointments and trip interruption service.

"Before you can treat a customer differently, you must think about cars differently," he says. "Buying a pre-owned luxury automobile is a lot like purchasing a home. It's a major purchase, and the customer expects the real estate agent to treat him with the same level of respect whether he's looking at an existing home or a new home. And if the customer does select an existing home, he fully expects that he'll enjoy all the benefits of the neighborhood as much as someone who bought a new home."

• General Motors' new division, OnStar, has made a business of customer service. It uses technology from Electronic Data Systems and Hughes Electronics to offer state-of-the-art customer service. Here's how it works: OnStar will be offered as a convenience service to customers of specific Cadillac models, although it will be rolled out to other GM divisions in 1998. It includes services like navigational aids. While that isn't a new idea, company research showed that its customers wanted to deal with humans, not computers. So instead of a display screen installed on the dashboard, OnStar offers directions over the mobile phone. In addition, security services use a preprogrammed cell phone that automatically calls for help after an accident in which the airbag deploys. And if a customer accidentally locks his keys in the car, a service rep at the company's help desk can transmit a signal to the car to unlock the door. ERCS

Use technology to create customer intimacy

How can you differentiate your company from competitors? Many retailers are concentrating on technology to do that, according to *Creating the Consumer-Centric Retailer*, a recent study by Computer Sciences Corp.

Take a look at furniture and home furnishings retailers. In that industry, it's often difficult for companies to distinguish themselves. Why? Stiff competition from other segments and too many look-alike competitors and product offerings within their own segment.

However, retailers responding to the survey came up with two basic missions for competing in such a challenging market: "Helping customers define what they want and delivering it to them (55%); or being the most efficient and offering the lowest total cost (45%)."

Use technology to interact directly with customers

According to the study: "One of the strongest indicators of furniture retailers' determination to improve the nature of their relationships with customers is the strength of 'developing direct access to consumers via interactive technologies' as a critical issue."

Researchers point to Heilig-Meyers Furniture in Richmond, VA, as an example of that. For instance, when customers ask "when can I have that delivered?" the answer is "right away" more than 90% of the time. For the rest, a company associate can go on-line "to immediately reserve the specific piece of furniture and discuss delivery options with the customer," the report explains. That way, the customer can make the decision to wait two weeks or choose another product in the store, according to Heilig-Meyers' vice president of I/S, Terry Hucks.

Heilig-Meyers is rolling out the system to its 725 stores. Plus, the company's new distribution center in Athens, TX, will be the eighth DC to go on-line. The company made sure it put an information database in place before the system went on-line. That includes all data on its inventory levels in the distribution centers, which allows its customer-contact staff to accurately place orders.

But, the company didn't stop there. Now, to be even more responsive, Heilig-Meyers has linked the customer to its system. According to the study, "For greater speed and less frustration, Heilig-Meyers links AS/400s in stores, DCs and headquarters by a Hughes satellite wide area network. The retailer provides reliable real-time communications to small-town stores and remote areas. Based on current downtime figures, the system is 95.56% reliable."

In addition, the company's sales reps can use the system's financial models for quicker response on credit approvals. According to Hucks, the company is rolling out centralized credit reporting to make the process even faster.

Customer-focused retailers are investing heavily in technology

Retailers who pride themselves on their efficiency and customer-focused missions have invested heavily in technology designed to simplify their business processes, notes the study. That includes both internal and customer-facing processes. Survey respondents pointed to technologies like: executive information systems, warehouse radio frequency tools, local area networks, relational databases, electronic mail, graphical user interfaces, scanners/bar codes, traditional POS terminals and EDI.

Although the study points out that there are a number of other technologies "currently missing from retailers installed I/T bases that could contribute greatly to those whose mission is 'to help customers define what they want and deliver it to them,'" they add that most have incorporated them into future plans. For example, 46% of respondents plan to adopt data warehouses within 18 months; 36% are planning interactive multimedia; 36% are looking into shopping kiosks, and 73% "anticipate investing in consumer-specific databases within three years."

That can't happen fast enough, says Mark Kranz, editor of the report. "Tools such as kiosks, combined with interactive multimedia or even virtual reality could offer great leverage to furniture retailers trying to differentiate and customize their offerings. Imagine designing your custom-made furniture by seeing how it looks in your 'virtual' living room." He adds that retailers should be more aggressive about adopting these types of customer-interaction tools.

In addition, Kranz points out that consumer-specific databases could be particularly effective when combined with on-line shopping. Although, he adds, furniture retailers have done little in this area to date: 82% said they offer no on-line shopping. "But unlike other retailers, the furniture segment appears to be gearing up to take the plunge in to cyberspace, as 78% — more than double the percentage for retailers overall — said they plan to offer on-line shopping within the next 24 months," according to the report.

On the business process side, respondents to the study said they plan to apply technologies that "reflect a focus on the customer and on efficiency." For instance, inventory was the No. 1 process (64%), followed by merchandising (55%) and marketing (36%). Why the emphasis on marketing? While not as important to other retailers, in the furniture industry, there is an "increased recognition of the need to grow brand recognition and to better differentiate the offerings from one retailer to the next to escape the 'sameness' that customers have begun to resist," points out Kranz.

While, overall, the furniture segment has made "significant progress" in addressing industry chal-

lenges, Kranz notes that "there is still work to be done to improve efficiency and cost structures — and even more to truly customize offerings and fulfill the segment's mission of meeting customer needs more completely." However, he points out that retailers are "investing and not retrenching," which will "prove to be key to their success."

For a copy of the survey, contact CSC at (800) 272-0018. [ERCS]

Improving customer relations while growing your company

It isn't easy for a wholesaler to maintain its reputation for outstanding customer service and remain profitable while in a growth mode. That is, it isn't easy for most companies, unless you happen to be Great Lakes Wholesale Drugs, Detroit, MI.

Last year, the company acquired Major Pharmaceuticals, Chicago, IL, part of a string of purchases and expansions Chairman/CEO Randolph J. Friedman embarked on when he bought Great Lakes in 1988. Over the past year, the company acquired General Generics Inc., Oxford, MS and has launched a new line of herbal vitamins and over-the-counter products under the Major name.

According to Friedman, these activities have added approximately 7,000 new customers nationwide to Great Lakes' existing customer base, as well as almost 3,000 new SKUs to its inventory.

Don't use technology to replace people

How does Friedman still manage to keep his eye on the customer? "Our answer is by not simply developing technology to replace people, but developing technology that will enhance the services offered by our people," he says.

A living example is the company's telemarketing salesforce, which Friedman claims is the largest in the wholesale drug industry. He points out that, if his company followed the same script as his competitors, "we would substitute a person with a computer. But we do things differently." Instead, Great Lakes developed Harvey Link, a computer-to-computer ordering system that enables the customer and the sales rep to use automation to transform the way they communicate. The system expands the order-giving/order-taking procedure

into a one-to-one discussion that adds value to the customer. It allows them to talk about product value, availability and other issues that only a knowledgeable salesperson can respond to. For example, he explains, "computers can't talk about changes in price, the quality of certain products or substitutions between products. But people can."

Friedman adds that, in some instances, automation is used unwisely — and doesn't always improve customer service. In fact, many times, it diminishes it. Companies should strive to use automation and technology to enhance the capabilities of their people so they can provide better and improved service, he points out.

There's another side benefit to automation, adds Friedman. It frees his people's time so that the wholesaler can focus more on training associates and customers.

Today's customers want solutions on how to become more profitable

Growth is putting different types of customer service pressures on Great Lakes. The wholesaler's customers are demanding that the company come up with solutions to help them become more profitable. Says Friedman: "These requests are more comprehensive and reach beyond the old distribution paradigm where the basic obligations of the wholesaler were price, delivery times and faster turnarounds. Now, we're being asked for more sophisticated solutions, for example, help with inventory management, cash flow control, marketing and development of new services. More and more, we're being asked to partner with our customers so we can help them make more money."

What steps has Friedman taken in pursuing these partnerships? Right now, Great Lakes is in the process of completing development of an

inventory management module that it can insert into its computer-to-computer link. That will allow the company to tell customers when they need to order product — and when they should wait. That way, they won't have excess inventory sitting on their shelves.

There are other ways the company is partnering with its customers. Here are a few:

- **Cash-flow management.** Great Lakes is offering its customers a service in which the wholesaler can purchase their receivables from them and wire funds to customers the very next day.

- **New marketing efforts.** The wholesaler has set up an independent group within the company that can offer customers a full range of marketing products. "For instance, if new consumers move into the neighborhood of one of our retail customers, we can send letters to these potential consumers telling them about our customer and offering end-users incentives, e.g., special coupons, to shop the store," he explains.

- **Dedicated service-offer staff.** Great Lakes has also hired a full-time person who has the sole responsibility of coming up with more new services that the wholesaler can offer its customers. Plus, Friedman adds, the company is continually looking into services its customers can offer their customers.

Friedman also feels his customer account setup helps to safeguard his employees from losing sight of customers. How? Each telesales rep is assigned to specific accounts. Friedman believes it's easy for customers to be overlooked when they're assigned a position in the computer or to a field sales rep who may visit that account once every six weeks. "Our sales reps talk to their accounts everyday. And, by talking to them everyday, it's hard for customers to get lost," he notes. ERCS