Customer Centricity/Obsession

Outline of Presentation

2. Lessons from Service America
3. Service quality as distinct from product quality
4. Service recovery and customer complaint handling
5. Best examples from the other industries like Southwest airline.
6. Beginning of service excellence/customer centricity at Maruti Suzuki India Ltd
• Customer complaint handling procedures at Maruti
• Development of feedback systems from customers
• Development of service quality standards and training of staffs
• Recruitment of service advisors and customer care managers
• ISO certification of service workshops
• Introduction of Maruti On road service for emergency customer requirements

• Customer satisfaction measurement program
• Development of service infrastructure closer to the customers
• Product quality improvements
• Customer Delight program (focused customer’s meets and free check-up camps followed by interaction with customers)
• Loaner vehicles to customers whose vehicles require more than one day repairs
• Results - Maruti ranks no. 1 in customer satisfaction from year 2000-2007 and subsequently from 2008-2016.
WHAT IS QUALITY ......

PAST EXPERIENCE
WORD OF MOUTH COMMUNICATIONS
PERSONAL NEEDS
EXPECTED QUALITY
PERCEIVED QUALITY
GAP *
DELIVERED QUALITY
EXTERNAL COMMUNICATION TO CUSTOMER
CUSTOMER
PROVIDER

CONCEPTUAL MODEL OF QUALITY

Customer Satisfaction

Customer Satisfaction = \frac{\text{Performance}}{\text{Expectations}}

Set high quality standards for products and services;
But also measure and manage customer expectations.
Deming’s emphasis on approaching problem-solving at a system level is evident in his System of Profound Knowledge. Deming said that goods come back in the form of warranty returns but not the customers.

95% of quality problems are due to the system, while only 5% are due to employees.

What is Quality?

One of the Feigenbaum’s Benchmarks

Quality is what customer says it is.

- Quality is not what a developer, manager, or marketer says it is.
- If you want to find out your quality, ask your customer.

No one can compress in a market research statistic or defect rate the extent of buyer frustration or delight.
According to Juran, Customer satisfaction is achieved through two component:

- **Product features**
  - Performance
  - Reliability
  - Durability
  - Ease of use
  - Serviceability
  - Aesthetics
  - Availability of options
  - Reputation

- **Freedom from deficiencies**
  - Accuracy
  - Timeliness
  - Completeness
  - Friendliness and courtesy
  - Anticipating customer needs
  - Knowledge of server
  - Aesthetics
  - Reputation

Refers to the quality of conformance. Freedom from deficiencies has a major impact on costs through rejects, rework, repairs, complaints.

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**Maximizing the Interaction**

- **SUPPLIER**
  - Delivery
  - Cycle Time
  - Price
  - Cost
  - Quality
  - Defects

- **CUSTOMER**
  - Need
  - Do
The Gap in Perspectives

What Makes a Good Coffee Service?

Supplier Perspective (Hotel)
- Good Hot Coffee
- Clean China
- Clean Linen
- Attractive Display
- Extras - Snacks

Customer Perspective (Conference Attendees)
- Good Hot Coffee
- Fast Line, Especially for Refills
- Close to High Capacity Restrooms
- Close to Telephones
- Room to chat

.....So why do such differences in perspective exist?

Achieving Operational Excellence

The Chain of Causation

- Our survival is dependent upon growing the business.
- Our business growth is largely determined by customer satisfaction.
- Customer Satisfaction is governed by quality, price and delivery.
- Quality, price and delivery are controlled by process capability.
- Our process capability is greatly limited by variation.
- Process variation leads to an increase in defects, costs and cycle time.
- To eliminate variation, we must apply the right knowledge.
- In order to apply the right knowledge, we must first acquire it.
- To acquire new knowledge means that we must have the will to survive.
Five Fundamental Principles of outstanding service

A company practising outstanding customer service normally should have the following attributes:

• Listen to, understand and respond often in unique and creative ways to the evolving needs and constantly shifting expectations of their customers.

• Establish a clear vision of what the superior service is, communicate that vision to employees at every level and ensure that service quality is personally and positively important to everyone in the organization.

• They establish concrete standards of service quality and measure them against those standards, not uncommonly guarding against the acceptable error mind-set by establishing as their goal of 100% performance.
• They hire **good people, train them extensively** so they have the knowledge and skills to achieve the service standards and then **empower** them to work on behalf of the customers whether inside or outside the organization.

• They **recognize and reward** service accomplishments sometimes as a group efforts, in particular, **celebrating the success** of those employees.

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**Measuring Service Quality**

Relative to work in manufacturing, research into service quality has been strongly **customer-driven**. In part, of course, this reflects the **greater involvement of customers in service delivery systems**.

To a large extent, service-based definitions equate quality with customer satisfaction, as defined by the formula:

\[
\text{Satisfaction} = \frac{\text{Perceived Service}}{\text{Expected Service}}
\]
Seven Gaps That May Lead To Customer Disappointment.

The strength of this gap methodology is that it addresses some of the communication and perceptual issues underlying quality.

To summarize the basic lessons:

- Ask your customers what they need.
- Translate those needs into service specifications.
- Employ training and quality control procedures to make sure that execution conforms to service specs.
• Brief marketing communications people carefully so that they promise only what they know you can deliver.

• Manage your customer’s expectations, so that they do not have unrealistic ideas about any aspect of service delivery or the resulting costs and benefits.

• Make sure that customers recognize what they are getting – if necessary, blow your horn and draw their attention to the quality of work that you have performed for them.

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**Service Guarantees:**

A small but growing number of companies have chosen to offer customers an **unconditional guarantee of satisfaction**, promising an easy-to-claim replacement, refund, or credit in the event of dissatisfaction.

Such guarantees represent powerful tools to promote and achieve quality, for the following reasons:
1. Guarantees force firms to focus on what their customers want and expect from each element of the service.

2. Guarantees set clear standards, telling customers and employees alike what the company stands for. Payouts to compensate customers for poor service will encourage managers to take guarantees seriously, because they highlight the financial costs of quality failures.

3. Guarantees require the development of systems for generating meaningful customer feedback and acting on it.

4. Guarantees force service organizations to understand what they fail encouraging them to identify and overcome potential fail points.

5. Guarantees build marketing muscle by reducing the risk of the purchase decision and building long-term loyalty.
When customer’s expectations aren’t met, they’re going to be disappointed. But many don’t complain, figuring it’s not worth the effort. They vote with their feet, tell their friends, and take their business elsewhere.

If things have gone wrong, it’s very important that management learn about it, take prompt action to solve the problem, and try to regain the customer’s goodwill. Contingency plans for service recovery are best made and rehearsed in advance.

Many firms dread complaints from customers, trying to avoid any type of negative feedback. Many firms track customer complaints as a quality metric. The more complaints, the worse the performance quality.

These firms are operating on the assumption that if there are no customer complaints, everything must be great.
This is sometimes referred to as the **Ostrich theory**. If you bury your head in the sand, the problem will go away. Unfortunately, such an assumption can be a fatal mistake.

Depending on the industry, studies show that between **10% and 50%** of consumers report that they have experienced problems recently, as illustrated in Figure 1.1. Thus, in virtually every industry, customers experience problems of some type.

### Percent of customer experiencing problem

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent of customers experiencing problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services</td>
<td>26%</td>
</tr>
<tr>
<td>Auto Repair Services</td>
<td>50%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>53%</td>
</tr>
<tr>
<td>Travel &amp; Leisure</td>
<td>37%</td>
</tr>
<tr>
<td>Technical Products</td>
<td>11%</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>19%</td>
</tr>
</tbody>
</table>

**Figure 1.1** Why It Pays To Do The Job Right The First Time – Customer Problem Experience In Preceding Six Months.
Customers who experience problems are 2 to 3 times as likely to quit doing business with that firm as customers who experience no problems, as shown in Figure 1.2.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Problem</th>
<th>No Problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services</td>
<td>40%</td>
<td>73%</td>
</tr>
<tr>
<td>Auto Repair Services</td>
<td>44%</td>
<td>87%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>60%</td>
<td>93%</td>
</tr>
<tr>
<td>Travel &amp;Leisure</td>
<td>70%</td>
<td>93%</td>
</tr>
<tr>
<td>Technical Products</td>
<td>70%</td>
<td>91%</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>69%</td>
<td>89%</td>
</tr>
</tbody>
</table>

Figure 1.2 Intent To Repurchase Is Strongly Influenced By Problems.

Reinforcing these research findings are the well-known Technical Assistance Research Program (TARP) studies. These were broad-based studies that examined a variety of consumer goods.

The major findings of the TARP studies are presented in Figure 1.3. If customers are satisfied with the way a complaint was handled, they remain loyal.
Why Have Satisfied Customers?

- 30% of customers with problems complain to the direct provider of the service.
- 2-5% of customer complaints get voiced to the headquarters level.
- A satisfied customer tells 4-5 people about her or his experience.
- A dissatisfied customer tells 8-10 people about her or his problem.
- 70-90% of complaining customers will do business with you again if they are satisfied with the way the complaint was handled.

- 20-50% if they are dissatisfied with the way their complaint was handled.
- Only 10-30% of customers with problems who do not complain or request assistance will do business with you again.
- The average business spends 5 times more, on average, to attract new customers than it does to keep old ones.
- Why do customers quit?
  - 3% move away.
  - 5% develop other friendships and 9% leave.
  - 14% are dissatisfied with the product.
  - 68% quit because of an attitude of indifference toward them by the owner, manager, or some employee.
If customers complain but the complaints go unresolved, the repurchase intent improves somewhat.

But, if complaints are resolved, especially if the resolution is fast, the customer indicates a high repurchase intent, up to 95% (Figure 1.4).

**Figure 1.4 How Many Of Your Unhappy Customers Will Buy From You Again?**

<table>
<thead>
<tr>
<th></th>
<th>Noncomplaints</th>
<th>Complaints Not Resolved</th>
<th>Complaints Resolved</th>
<th>Complaints Resolved Quickly</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9%</td>
<td>19%</td>
<td>54%</td>
<td>82%</td>
</tr>
<tr>
<td>Major Problems</td>
<td>37%</td>
<td>46%</td>
<td>70%</td>
<td>95%</td>
</tr>
<tr>
<td>Minor Problems</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Unhappy Texans Get Their Own Back

Around 1970, if you wanted to fly a commercial airline between, Dallas, Houston, and San Antonio—which are between 190 and 250 miles apart—you had two choices.

One was to fly Braniff International Airways, which was based in Dallas and was at that time one of the larger U.S. airlines. Its route structure extended north and east to Chicago and New York, and south down into Latin America.

But Braniff had such a poor reputation for punctuality that it was popularly called “Braniff Intermittent” by Texans, who also referred to it as “the world’s largest unscheduled airline.”

Passengers wishing to travel between Dallas and Houston often found themselves boarding a flight arriving late from New York and full of yawning passengers and tired flight attendants.

Competing against Braniff in rather desultory fashion was a smaller, regional carrier called Trans Texas Airways, usually referred to as TTA for short.
TTA was perceived by air travelers as being a rather flaky operation, and it was claimed by some that its aircraft had been seen wobbling in to land with bits of greenery dangling from the landing gear.

Wags used to say unkindly that the initials TTA stood for “tree-top airlines” or for “take the train, always!”

The story was told of an air traffic controller at Dallas who got a call over the radio from an aircraft in the vicinity of the airport.

“Hi, Dallas Tower!” said the pilot, “Can you give me check on the time, please?”

“Would you please identify yourself, sir?” responded the air traffic controller, correctly following established procedure.

“Sure,” replied the pilot. “The name’s Mike.”

The controller sighed. He needed to know the airline and flight number. “Would you please identify yourself, correctly, Mike!”
“For crying out loud, Dallas Tower!” Mike retorted (he was obviously in a snappy mood). “What difference does it make who I am? I’m not asking permission to land. All I need is a check on the time!”

The controller sighed again. It was a deep, sad sigh. “Mike, my friend,” he said. “It makes all the difference in the world who you are. If you’re Air Force, it’s 1800 hours. If you’re United Airlines, it’s 6 p.m. If you’re Trans Texas, the big hand is on 12 and the little hand is on 6. And if you’re Braniff, Mike, it’s Thursday.”

This wicked story was repeated the length and breadth of Texas. It was told on television. It was told on the radio. People told it to each other in bars.

The story captured how they felt about their local suppliers of airline service.
Service America – A Case Study

• The industry not only believes in service today, but has data to show that service quality pays in the short and long term. And carmakers listening to the call for service improvement are coaxing their dealers into action.

• One U.S. manufacturer is urging dealers to create a new post: an independent customer service manager, totally separate from – and equal to – service department management.

• Ford tells its service managers that it can prove quality service makes for better sales, and points to dealers who make it happen. A family Ford of Waterbury, Connecticut, too many customers bringing back just – delivered vehicles for minor repairs was a red flag.

• President Edward Shaker solved the problem by awarding a fixed-dollar incentive to service personnel at the beginning of each month. The money was held in escrow, and deductions are made if vehicles are brought back within two weeks of delivery. The program had significantly reduced comebacks, says Shaker.
One of the most service-oriented dealers in the country is Sewell Cadillac of Dallas.

In the late seventies, knowing it could no longer compete on car quality alone, Sewell implemented a service program to elevate its relationship with customers to a professional status.

Among Sewell innovations:

- Nearly 90% of employees have incentive bonuses based on service quality.

- Computer track the time required to deliver the car after the customer has paid the bill, with incentives paid for best average delivery time. The program reduced average delivery time from nearly seven minutes to less than three.

- A fleet of 120 loaner cars is available free to new-car customers who have their Cadillacs serviced at Sewell. A 50-item questionnaire goes to all service customers covering all aspects of Sewell’s service. Service director Phil Dunnet follows through personally on each one.
Customers are surveyed by telephone, at the cashier, and in focus groups to find out what they expect, what they want, and how what they get compares.

The results:

- In spite of economic problems in Texas due to the slump in oil prices, Sewell has retained a sales position among the top dozen Cadillac dealers in the country. Its service facilities, with 116 bays, are second to none.

Don Beyer Volvo – A Case Study

- Beyer keeps more than half a dozen people on duty until eight in the evening so daytime commuters can get home and get their cars without having to leave work early or skip supper.

- To build overall skills level of its service staff, Beyer Volvo has employed a full-time service trainer.
The job includes drawing up individual training plans for every technician in the department.

In addition to back-shop support, the trainer also conducts free classes for customers, including special sessions for women, owners of diesel-engine Volvo models, and buffs who want to know more about their turbochargers.

Nothing is more aggravating to a car owner than having to bring back a car again and again for the same problem.

Beyer Volvo puts special emphasis on minimizing repeat repairs.

Service writers make a point of asking if anything on the repair order is a repeater.
The full-time customer relations representative who calls each service customer two days after his or her car is returned has three questions to ask:

- Was the repair work satisfactory?
- Was any of the work a repeat repair?
- And would the customer recommend Beyer Volvo’s service department to others?

Since the service department started pinpointing the problem, the incidence of repeating the same work has been greatly reduced.

Still, Beyer knows that inevitably there will be some dissatisfied customers, for them, there’s a special response: the Beyer Volvo Consumer Advisory Board, it’s made up of forty-five customers chosen for their ability to provide critical input into the dealership’s operations.
Southwest Airlines – A Case Study

Southwest Airlines, based in Dallas has a sizeable operations with around 20,000 employees and over 200 aircrafts.

Southwest airline has brought about radical change not only within themselves but have set markers for their industry sector.

The significant features of Southwest Airlines are:

➢ Sustained success for over a quarter of a century.

➢ Operated in a field of activity which has not generally produced outstanding service and profit performances (no other airline has been so consistently profitable as Southwest).

➢ Linked consistent profitability to the highest standards of customer service – by reference to independent research, from the Department of Transport.
➢ Maintained the lowest costs in their sector.

➢ Has the reputation for being among the best employers, with an extremely stable workforce.

➢ Involved staff in sharing the outcome with generous staff share schemes.

➢ Achieved all this with absolute safety (Southwest has never lost an aircraft or had a major accident).

The ‘secret’ is that they have seen such success in a service based on people and have put all their people, into the driving seat to achieve change and their objectives.

Further, they have treated change and the maintenance of what they achieved as holistic, combining all of the elements of good service, into a balanced whole.
The southwest airline story has a few lessons for all customers centric organization:

1. Find a purpose you are crazy about.
2. Make your life and work an adventure.
3. Believe in people and they will believe in themselves.
4. Dare to dream.
5. Be Yourself.

Do not take yourself seriously (when we are wrapped in protecting our egos and holding on life tightly. It is easy to become boring).

- Dare to be different.
- Pursue love before techniques.
- Choose service over self interest.
Wrapping Up

During my tenure at Maruti Suzuki, I was head of engineering, quality, and customer support functions from 1987 to 2007.

Many initiatives were taken as explained in the outline of the presentation. Most of these initiatives continued even after I left and were refined further by my successor. Since it was a team work and not work of an individual.

Since Mr. Pankaj Narula who succeeded me in customer support function is going to explain these initiatives, I am not going into these details to avoid repetition.

The result of these efforts was that Maruti remained No 1 in customer satisfaction from the Year 2000 to 2007.
To Conclude

• **Realize** the potential of your people
• **Recognize** your people
• **Reward** your people