

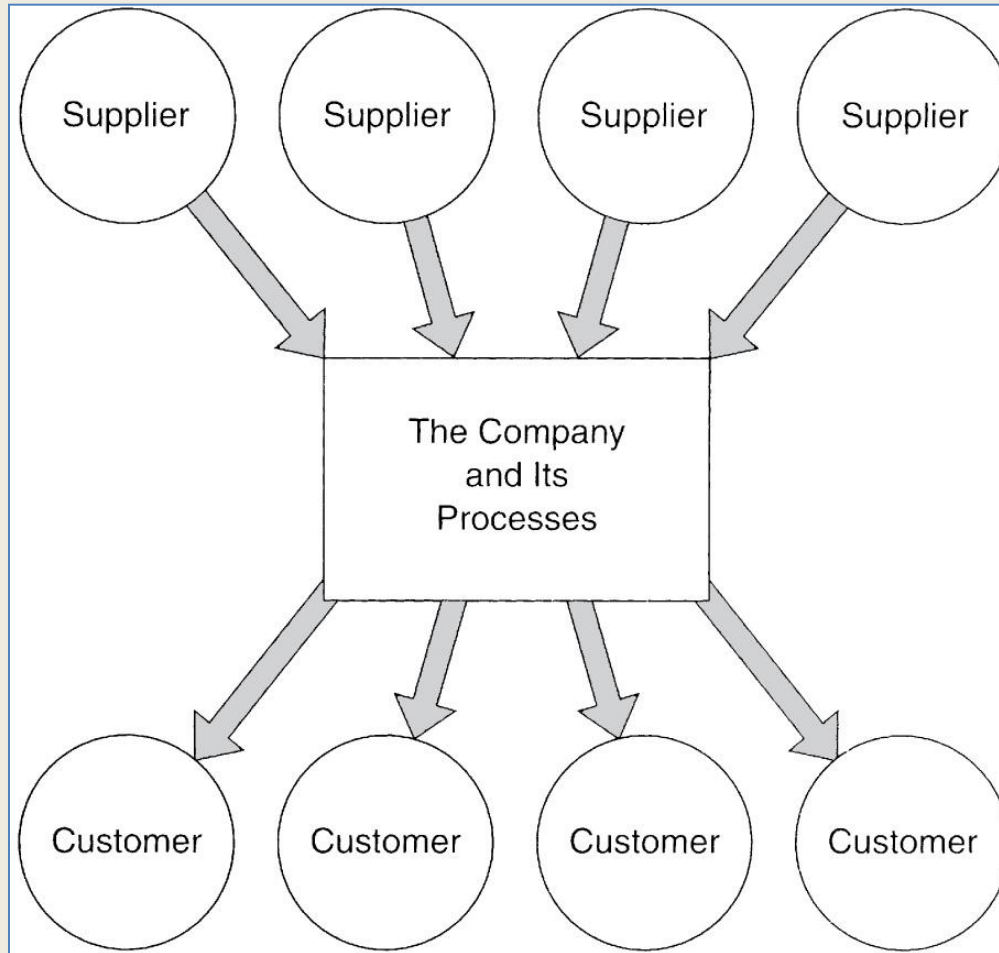
# Customer Satisfaction, Retention, and Loyalty

## Lecture 4

# Understanding who is a customer

- Historically, the concept of suppliers and customers has been interpreted as an organization uses certain processes by which it produces its products. People who interact with the company prior to these processes taking place have been considered suppliers.
- Those who interact with the company after these processes have produced the product have been viewed as customers. From this traditional perspective, customers and suppliers are both external entities.

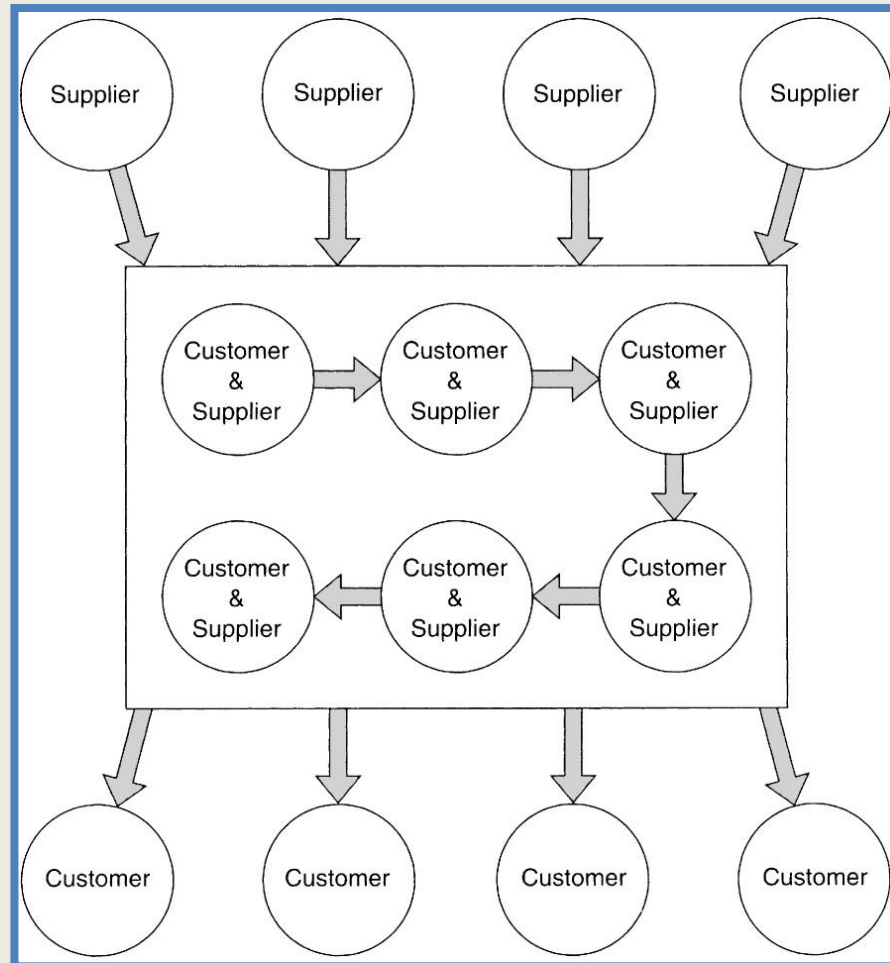
# Traditional View of Suppliers and Customers



# Total quality approach

- In a total quality setting, customers and suppliers exist inside and outside the organization. Any employee whose work precedes that of another employee is a supplier for that employee.
- Correspondingly, any employee whose work follows that of another employee and is dependent on it in some way is a customer.
- A customer, whether internal or external, depends on suppliers to provide quality work and produce quality products.

# Contemporary View of Suppliers and Customers Showing That Employees Are Suppliers and Customers to Each Other



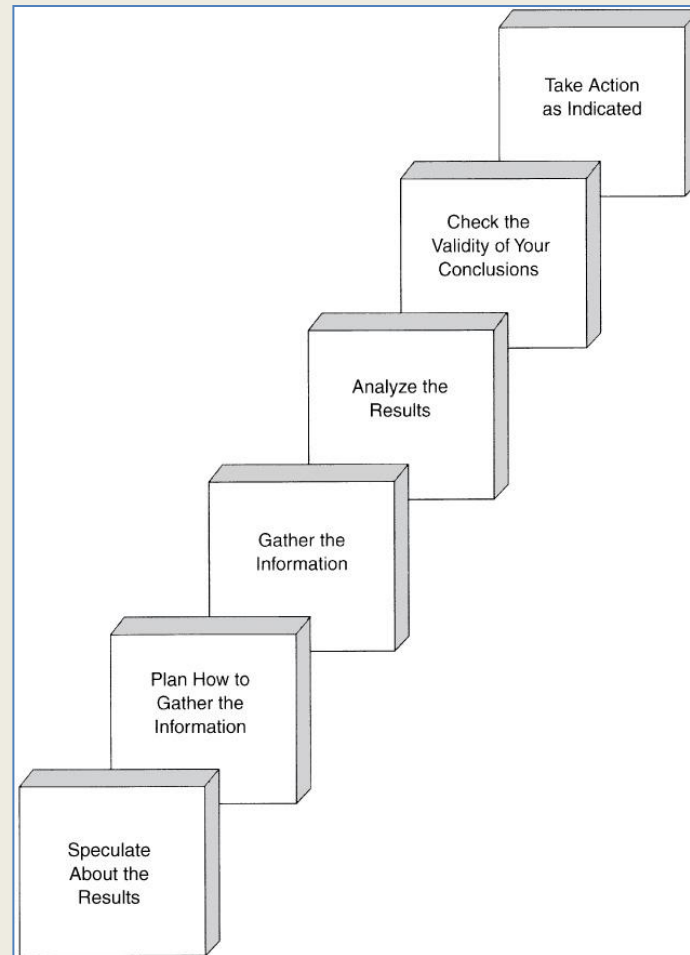
# Understanding customer defined quality

- In a total quality setting, quality is defined by the customer. When quality is defined by the customer, the following factors apply:
  - The customer must be the organization's top priority.
  - Reliable customers are the most important customers
  - Customer satisfaction is ensured by producing high quality products.

# Identifying external customer needs

- Historically, customers were excluded from the product development process. When this approach is used, the organization producing the product is taking a chance that it will satisfy the customer.
- In a competitive marketplace that is global in scope, such an approach can be disastrous. In a total quality setting, customer needs are identified clearly as a normal part of product development.

# Six-Step Strategy for Identifying Customer Needs





# Identifying internal customer needs

- Identifying the needs of internal customers is a matter of ensuring that employees who depend on one another as individuals, as well as departments that depend on each other as units, communicate their needs to one another continually.
- Quality circles, self-managed teams, cross-departmental teams, and improvement teams are all examples of mechanisms for improving communication and, in turn, quality.

# Communicating with customers

- Continual communication with customers is essential in a competitive marketplace. Establishing effective mechanisms for facilitating communication and using them are critical strategies in establishing a customer focus.
- One of the main reasons continual communication is required is that **customer needs change, and at times, they can change rapidly.**

# Using customer feedback to make design improvements

- It is important for organizations that compete in the global arena to collect customer input and feedback and use it to make continual improvements to the design of their products.
- Quality function deployment is an effective system for collecting customer input and factoring that input into the design process. Building affinity diagrams is an effective method for organizing customer feedback data so that it can be used to make ongoing design improvements.

# Quality function deployment and design improvements

- QFD is actually a model for incorporating
- customer input and feedback into product development. In effect, it establishes an operational structure for the concept of building in quality.
- The philosophy underlying QFD is that even a perfectly manufactured product may not satisfy the customer because it may be nothing more than a perfect example of what the customer doesn't want.

# Affinity diagrams and design improvements

- Feedback from customers comes in many forms, and depending on the size of the organization, there can be vast amounts of it to deal with.
- However, if customer feedback can be collected, organized, and analyzed to identify patterns and trends, it can be an invaluable resource for making continual improvements in product design and the manufacturing process.
- The affinity diagram is a useful tool for making sense out of large amounts of customer feedback that might come to an organization in any number of forms (e.g., customer complaints, surveys, feedback or comment cards, focus groups, and telephone discussions).

# Customer-defined value

- It is important for organizations to understand how customers define value. The value of a product or service is the sum of a customer's perceptions of the following factors:
  - Product or service quality
  - The organization's personnel
  - The organization's image
  - Selling price of the product or service
  - Overall cost of the product or service