

Amy Hissom

Homework #5 – Focusing On Customers

TECH 50000 - Quality Standards

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Chapter 4

Review Questions

1. Explain the difference between satisfaction and loyalty. Why is loyalty more important?

According to our textbook, Patrick Mehne, Chief Quality Officer of the Ritz-Carlton, stated that “Satisfaction is an attitude; loyalty is behavior.” That makes perfect sense since an attitude is a feeling and a behavior is an action. Therefore, we behave according to our attitudes.

Our textbook also states that “achieving profitability and market share requires loyal customers who stay with a company and make positive referrals,” and that “customers who are merely satisfied may often purchase from competitors because of convenience, promotions, or other factors.” I can see where these statements try to justify loyalty as being considered more important than satisfaction. However, our textbook also states that “customer wants and needs drive competitive advantage, and *statistics show* that growth in the market share is strongly correlated with customer satisfaction” and “a firm cannot create loyal customers without first creating satisfied customers.” Let’s look at that last statement more closely while taking into consideration Patrick Mehne’s statement above:

“A firm cannot create loyal customers without first creating satisfied customers.”

Looks like a good research hypothesis to me. In other words, there are two variables here in which one is dependent on the other; “loyal customers” being the dependent variable and “satisfied customers” being the independent variable. So, if satisfaction is an attitude and loyalty is a behavior, and we behave according to our attitudes, then creating loyal customers does depend on the satisfaction of customers. Therefore, I do not see how loyalty could possibly be more important than satisfaction.

This question really made me think! Consider the Johnson Controls, Inc. (JCI) example in our textbook. JCI discovered that 91 percent of its contract renewals came from customers who were either satisfied or very satisfied. A percentage point increase in JCI’s overall satisfaction score was worth \$13 million annually in service contract renewals. After seeing the final impact of customer satisfaction, and learning that customers who gave unsatisfied ratings were those who had a much higher defection rate, JCI made improving customer satisfaction a key initiative. Although there may be many factors that contribute to customer loyalty, in JCI’s case, reducing defects will reduce unsatisfied ratings, which in turn will create more satisfied customers that may convert to loyal ones as well. In my eyes, the JCI example backs up the statement above.

4. Explain the customer-driven quality cycle. What do expected quality, actual quality, and perceived quality mean? And, how do they relate to one another?

The customer-driven quality cycle is a process used to translate customer needs and expectations into perceptions during the design, production, and delivery processes. Expected quality is true customer needs and expectations; it is what the customer assumes will be received from the product. The producer identifies these needs and expectations and translates them into specifications for products and services. Actual quality is the outcome of the production process and what is delivered to the customer. Perceived quality is that which is developed by the customer when assessing the quality of the final product by comparing their expectations (expected quality) with what they receive

(actual quality). So the relationship here is that expected quality compared to actual quality = perceived quality. A dissatisfied customer is one whose expected quality is higher than the actual quality. A satisfied customer is one who receives a product that's actual quality is higher than that expected. Since perceived quality drives consumer behavior, producers should make every effort to ensure that actual quality conforms to expected quality.

6. Define the principal types of customers that an organization encounters.

The principle types of **customers** that an organization encounters include consumers, who are end users of the organization's products and services; **external customers**, which are those outside the organization and fall between the organization and the consumer, and who have distinct needs and expectations; and **internal customers**, which are people, departments, or processes within the organization that depend on others or each other to serve consumers and external customers.

8. Why is it important to segment customers? Describe some ways of defining customer segments.

Segmentation is important because it allows a company to prioritize customer groups by considering for each group the benefits of satisfying their requirements and the consequences of failing to satisfy their requirements. A company usually cannot satisfy all customers with the same products and services, especially companies that do business globally, which makes segmentation particularly important. Companies that segment customers into natural groups and customize the products or services are better able to respond to customers' needs. Customer segments can be defined based on geography, demographic factors, ways in which products are used, volumes, expected levels of service, attributes such as attitude and psychological profiles, profitability as measured by the net present value of the customer (NPVC), dissatisfiers, satisfiers, excitors/delighters, and so on.

23. Why does an organization measure satisfaction?

Measuring customer satisfaction allows a business to (1) Discover customer perceptions of how well the business is doing in meeting customer needs and identify causes of dissatisfaction and failed expectations as well as drivers of delight; (2) Compare the company's performance relative to competitors to support planning and better strategic initiatives; (3) Discover areas for improvement in the design and delivery of products and services and areas for training and coaching of employees; and (4) Track trends to determine whether changes actually result in improvements.

26. Why do many customer satisfaction efforts fail?

Many customer satisfaction efforts fail because of poor measurement, useless questions, lack of proper focus, no comparative data, inattention to potential and former customers, and confusing satisfaction with loyalty.

Discussion Questions

2. A service representative of a major U.S. airline told a customer about an internal memo that had been circulated called "No Waivers, No Favors," which promises significant and negative consequences to any employee giving a customer special treatment outside the airline's strict policies. As the employer noted, "Now, nobody is doing anything until we find out what happens to us if we are a little lenient about enforcing a rule. People are scared." Why do you think that management adopted this policy? What implications will it probably have for customers?

The first thing that came to my mind as to why management of this airline (or any airline) would have adopted this policy could be because of the September 11th terrorist attacks in 2001; especially if the policy was adopted right afterwards. The travel industry, hammered by the worst economic downturn in more than a generation, is taking a hard line in an effort to contain costs and preserve profits. This particular airline may not have been as successful an airline as Southwest, which in turn would have made handling that type of situation harder. Our textbook states that, "Southwest has consistently been the most profitable U.S. Airline." The book also states that, "Southwest's customer commitment was apparent in the hours after the September

11 terrorist attacks. The top executives swiftly agreed to grant refunds to all customers who asked for them, **regardless of ticket restrictions** and despite the fact that it might have cost them several hundred million dollars.” However, Southwest never received any refund claims. If they did, they probably could have handled it, especially since they are the most profitable airline in the U.S. The airline in question may not have been able to handle it, therefore, this would explain, in part, the memo stating that people are scared. The people in this case would be those that own and those that are employed by this airline. Granting refunds could cause bankruptcy, resulting in the loss of many jobs. Another point to consider is that going strictly by the book could still cause problems in terms of customer loyalty. Customers requesting refunds may decide to go elsewhere in the future, if this airline doesn’t grant them, therefore causing loss of customers which could also cause bankruptcy and loss of jobs. It’s sort of a no-win situation. Another reason why “People are scared”, in terms of the airline and its personnel, would be invited error from bending the rules, thus giving meaning to the memo’s title, “No Waivers, No Favors.” Some of the blame for such things as terrorist attacks on planes could be placed on airlines for bending the rules, depending on what rules were bent. In other words, the airline subjected to a terrorist attack would have to ask itself, “Did bending that rule cause this to happen?” If so, the airline in question would be subject to punishment and penalties. Implications for external customers because of adopting such a policy could include, loss of money due to no refunds for trip cancellations or having to reschedule trips due to unexpected situations such as jury duty, sickness, etc., reduced customer satisfaction due to no more special treatment, longer waiting times due to enhanced security measures, and so on. Implications for internal (stakeholder) customers could include punishment, penalties, or worst; the loss of their jobs because of the policy’s part which promises significant and negative consequences to any employee giving a customer special treatment outside the airline’s strict policies.

5. Think about a prescription that a doctor might write. Describe the different types of customers involved in the process of filling the prescription.

This is one question that really gave my brain some exercise. Since it takes a doctor to write a prescription, the way I see it, this process would start with the patient needing to actually see a doctor. Also, customers involved in the process could vary depending on where the patient was seen by the doctor. If the patient was sick enough to make an emergency visit to the hospital, this process would include a higher number of customers than if the patient had made an appointment to see his/her family doctor. So that this answer doesn’t end up being numerous pages in length, I will use the scenario of the patient making an office appointment. In this case, the patient is not feeling well and decides to call the doctor’s office. When making the call, the patient (external customer of the doctor) is greeted on the other end by the doctor’s receptionist (internal stakeholder customer of the doctor) who schedules the patient’s appointment. When the patient arrives for the appointment, he/she is once again greeted by the receptionist who not only signs the patient in, but also processes the patient’s insurance. The patient is also a customer of the insurance company. You could say that the doctor (and his staff) is a customer of the insurance company as well. If the patient didn’t have the insurance, the doctor might not be guaranteed payment, which in turn, would make it hard on him when paying his employees. The doctor must be paid in order to pay those who work for him. Looking at it that way, you could say that the doctor and his employees are also customers of the patient. Without patients, the doctor would not have his practice. When it is time for the patient to see the doctor, he/she is first met by the doctor’s nurse (internal stakeholder customer of the doctor), whose job is to access the patient’s problems for the doctor. Finally the doctor comes in to see the patient and diagnoses the patient as having a bad case of the flu. Therefore he writes the patient a prescription for an antibiotic. The patient

leaves the doctor's office and heads to the local pharmacy. The patient is a customer of the pharmacy, but in a way, the pharmacy is a customer of the doctor. Without doctors who write prescriptions, there would be no need for pharmacies. At the pharmacy, the patient (external customer of the pharmacy) is greeted by the pharmacist technician (internal stakeholder customer of the pharmacy) who asks the patient all appropriate questions and processes the patient's insurance. Again, the patient is a customer of the insurance company; but in an indirect way, so is the pharmacy because the pharmacy is ensured payment from the insurance company. Once this task is completed, the pharmacist (internal stakeholder customer of the pharmacy) fills the prescription with medication that the pharmacy received from the pharmaceutical supply company. The pharmacy and pharmaceutical supply company are customers of each other. Other customers of the pharmacy could be specialty suppliers who supply prescription bottles, labels for prescription bottles, and numerous other pharmaceutical companies that supply medications since there are so many different ones. Finally the prescription is filled and the patient goes home. The patient is a customer of all people and companies involved in the process of obtaining his/her prescription. However, everyone involved are either directly or indirectly customers of each other. This is because it takes all of them to function. Patients need doctors to help them when they are sick. Doctor offices and their employees need patients to be in business. Pharmacies, their employees, and suppliers need doctors who write prescriptions so that they can stay in business. I'm sure you can understand where I am going with this. The bottom line is that the patient is the ultimate end-user (customer of all), and without patients, the others would cease to exist. Hope that all made sense!

9. How might a college or university segment its customers? What specific needs might each of these customer groups have?

Since universities and colleges have many types of customers, both internally and externally, segmentation could involve many groups. Segments could include all stakeholders such as potential students, current students, transfer students, alumni, and employers of graduates, financial supporters, faculty, staff, taxpayers, the state legislature and perhaps the general public. Each of these groups could be segmented further. For example, current students could be segmented based on academic levels; freshman, sophomore, junior, senior, graduate, and doctoral; and/or major/minor program of study; maybe even according to attending campus; also by demographics, gender, age group, ethnicity, those with disabilities, etc. To target potential student customers, colleges and universities could segment these potential customers into groups based on the combination of high, medium, and low levels of motivation and ability and then maximize customer satisfaction by positioning their curriculum to precisely fit the needs of each segment. Student needs can vary greatly. Example of student needs include educational services that provide enjoyable learning experiences, allow escapism, permit socialization, enhance quality of life, broaden knowledge of subjects of personal interest, promote general mental welfare, self-actualization, specific skills and preparation that will enhance chances for successful job entry, advancement, mobility, and security, as well as improve chances for increased compensation, career satisfaction and social class advancement, good value as defined by a fair quality-to-price ratio, and so on. Faculty/staff needs could include technology to enhance teaching effectiveness, effective faculty mentoring programs, ability to attain tenure, benefits including tuition waivers for dependents, sufficient resources, incentives, career advancement, improved salaries, lighter workloads, greater administration support, job security, power to improve interactions with students, and empowerment in general. I could go on and on with this.

25. A local franchise of a national car rental firm conducted a survey of customers to determine their perceptions of the importance of key product and service attributes as well as their perceptions of the company's performance. The results are given in Tables 4.3 and 4.4. In Table 4.3, importance was measured on a four-point scale ranging from "not at all important" to "very important." Note that Table 4.4 is segmented by personal and business use and that two different scales were used (the percentage values are based on the percentage of "yes" responses; all others are on a five-point scale from "poor" to "excellent"). What conclusions might you make from these data? What possible improvements can you suggest?

Looking at the Table 4.3, which are ratings based on the importance of product/service attributes, the mechanical condition of the cars, followed by cleanliness of the cars, are the attributes customers find to be the most important and speed of coach service is the least important. Identifying which products and services are considered the most important to customers, and rating those same attributes based on performance, helps the business to determine where improvements are needed. Both ratings go hand in hand with each other. According to Table 4.4, customer performance ratings for mechanical condition of the car and cleanliness of the vehicle, both have pretty high ratings for personal and business use. In comparing both of these tables, it seems however, that attributes that are less important have higher performance ratings than those attributes that are considered most important. I suggest that this company, even though performance ratings are fairly high in all areas, should work towards improving the performance ratings of the attributes customers rate as being the most important.

Projects

5. Table 4.5 lists customer requirements as determined through a focus group conducted by Western America Airlines. Develop an affinity diagram, classify these requirements into appropriate categories, and design a questionnaire to survey customers. Be sure to address any other pertinent issues/questions and customer information that would be appropriate to include in the questionnaire.

The following is my idea of an affinity diagram for this particular list of information. I don't know much about airports or airlines since I don't travel that way. However, I did do some research pertaining to airlines. This diagram could be broken down further or maybe even condensed. In the meantime, I think I was on the right track. I put this diagram together using SmartDraw and saved it as an image file to insert into this document. I hope you can read it. Below the affinity diagram is my version of a possible customer satisfaction questionnaire to survey airline customers. I researched this a bit as well. Hope that was ok.

Western America Airlines Affinity Diagram

<i>Reservations</i>	<i>Airport Services</i>	<i>Boarding</i>	<i>In-Flight Products</i>	<i>Aircraft Quality</i>	<i>In-Flight Personnel</i>
Reservation Calls Answered Promptly	Efficient Ticket Line and Waiting Procedures	Efficient Boarding Procedures	Quality Food	Appealing Interior Appearance	Flight Attendants Knowledgeable of Airline Programs and Policies
Courteous Reservation Personnel	Courteous Ticket Counter Personnel	Courteous and Efficient Gate Personnel	Good Beverage Selection	Well-Maintained Seats	Efficient and Attentive Flight Attendants
Ability of Reservation Agents to Answer Questions	Convenient Baggage Check-In	Timely and Accurate Communication Prior to Boarding	Sufficient Quantity of Food	Clean Lavatories	Timely and Accurate Communication of Flight Information (In-Flight)
Correct Explanation of Fairs and Schedules	Timely Baggage Check-In		Good Selection of Magazines and Newspapers	Good Quality Audio/Visual System	Ability to Solve Problems and Answer Questions During Flight
Assistance for Passengers with Special Needs	Ability to Solve Baggage Claim Problems		Interesting In-Flight Magazine	Comfortable Seating and Leg Room	
Efficient Seat-Selection Process	Courteous and Efficient Sky Cap		Good Variety of Audio/Visual Programming		
	Convenient Ground Transportation		In-Flight Telephone Access		
	Convenient Parking Close to Terminal				

Western America Airlines Passenger Survey

Thank you for using Western America Airlines. As part of our continual efforts to improve our customer service we would very much appreciate if you would participate in our passenger survey.



Questions

How often do you fly on commercial airlines?

- | | |
|--|--|
| <input type="checkbox"/> Once a week or more | <input type="checkbox"/> 3-6 times a year |
| <input type="checkbox"/> 2-3 times a month | <input type="checkbox"/> A few times a year |
| <input type="checkbox"/> Once a month | <input type="checkbox"/> Once a year or less |
| <input type="checkbox"/> 7-10 times a year | <input type="checkbox"/> First commercial flight |

Please indicate how have you travelled in the past twelve months? (Please tick all that apply)

- | | |
|---|--------------------------------------|
| <input type="checkbox"/> Stand-by | <input type="checkbox"/> First Class |
| <input type="checkbox"/> Economy | <input type="checkbox"/> Other |
| <input type="checkbox"/> Business Class | |

Please indicate the purpose of your travel over the past twelve months. (Please tick all that apply)

- Business
 Personal
 Other

Please indicate how you agree with the following statements.

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Reservation calls were answered promptly.	<input type="checkbox"/>				
Reservation personnel were courteous.	<input type="checkbox"/>				
Reservation agents were able to answer all your questions.	<input type="checkbox"/>				
Fares and schedules were explained correctly.	<input type="checkbox"/>				
Assistance was available for passengers with special needs.	<input type="checkbox"/>				
Efficient seat-selection process.	<input type="checkbox"/>				

Please tell us how important each of the following was in making your decision to choose Western America Airlines:

Statement	Very Important	Somewhat Important	Neutral	Not At All Important
WAA's departure and/or arrival time was more convenient.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
WAA's flight had fewer stops or better connections.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
WAA's air fare was better.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
WAA's frequent flyer program is better than other's.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
WAA's inflight services are better (meals, movies, flight attendants, etc.).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
WAA's ground services are better (ticketing, baggage handling, check-in, etc.).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personal preference for WAA.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Travel agent/Company travel department recommendation of WAA.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aircraft preference.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please answer Yes, No or Not sure to the following statements about the air fare (price of ticket) for the trip you are taking:

Statement	Y	N	Not Sure
I was planning this trip to this destination at this time regardless of the fare.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I was planning this trip on another airline, but switched to WAA because of the fare.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

I was planning this trip with no particular airline in mind and selected WAA because of the fare.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I was planning a trip to another destination, but switched to this destination because of the fare.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I was planning this trip at a later or earlier time, but changed my plans to go now because of the fare.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I was planning to drive or take the bus/train to this destination, but decided to fly because of the fare.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I was not planning to take this trip at all, but decided to go because of the fare.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please indicate how you agree with the following statements concerning the airport service.

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Convenient parking close to the terminal.	<input type="checkbox"/>				
Convenient ground transportation.	<input type="checkbox"/>				
Courteous and efficient Skycap.	<input type="checkbox"/>				
Courteous ticket line personnel.	<input type="checkbox"/>				
Efficient ticket line and waiting procedures.	<input type="checkbox"/>				
Convenient and timely baggage check-in.	<input type="checkbox"/>				
Ability to solve baggage claim problems.	<input type="checkbox"/>				
Efficient boarding procedures.	<input type="checkbox"/>				
Timely and accurate communication prior to boarding.	<input type="checkbox"/>				
Courteous and efficient gate personnel.	<input type="checkbox"/>				

Please rate the in-flight service on with regard to the aspects listed below:

Personnel	Excellent	Good	Fair	Poor	Bad
Flight attendants knowledgeable of airline programs and policies.	<input type="checkbox"/>				
Efficient and attentive flight attendants.	<input type="checkbox"/>				
Ability to solve problems and answer questions during flight.	<input type="checkbox"/>				
Timely and accurate communication of flight information (in flight).	<input type="checkbox"/>				
Pilot's communication with passengers during flight.	<input type="checkbox"/>				

Food and Entertainment	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The food quality was good.	<input type="checkbox"/>				
Sufficient quantity of food.	<input type="checkbox"/>				
Good beverage selection.	<input type="checkbox"/>				
Good selection of magazines and newspapers.	<input type="checkbox"/>				
Good variety of audio/visual programming.	<input type="checkbox"/>				
In-flight telephone access.	<input type="checkbox"/>				

Aircraft Quality	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Appealing interior appearance.	<input type="checkbox"/>				
Well maintained seats.	<input type="checkbox"/>				
Clean lavatories.	<input type="checkbox"/>				
Good quality audio/visual system.	<input type="checkbox"/>				
Comfortable seating and leg room.	<input type="checkbox"/>				

In what ways do you feel Western America Airlines could better meet your travel needs?