

Tailoring Relationship Initiatives to Customer Needs

Although the need and benefits of enhancing customer satisfaction are well known, we see very few corporates following a systematic process to identify and prioritise improvement areas. A broad-brush approach across relationship initiatives rarely helps, as the impact of these initiatives have a varying impact on customer satisfaction depending on the need being addressed.

Further, while it is important to increase customer satisfaction, eliminating customer dissatisfaction is of even greater concern. It has been frequently stated in literature that satisfied customers tell 3-5 associates while dissatisfied customers tell 15-20. Contrary to popular belief, dissatisfaction is not the 'unmet' satisfaction score. Instead it is based on those needs which influence dissatisfaction. This article describes how the more aware companies prioritise improvement initiatives by classifying customer needs on the basis of their impact on satisfaction and dissatisfaction.

Understanding Customer Expectations

It has been believed that satisfaction has a linear relationship with fulfillment of customer needs. Mapping customer needs has revealed that while the degree of satisfaction is dependent on the degree of fulfillment, the extent of this relationship varies by different categories of needs. Companies that recognise this have tailored initiatives to address the different types of customer needs, which could be classified as Expected, Normal and Latent.

Expected Requirements

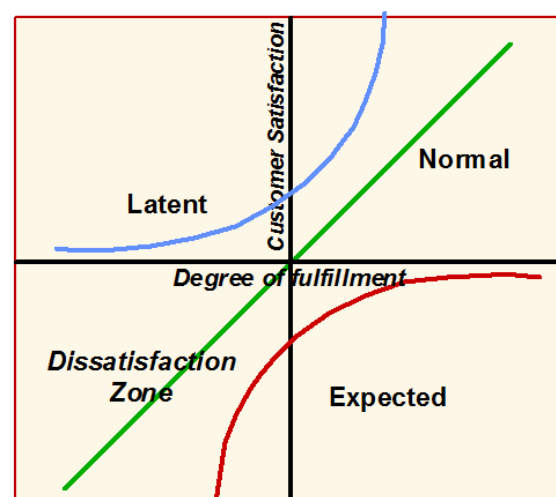
Expected requirements are those that are so basic to the customer that they do not state requirements overtly. When these requirements are met, the customer says nothing, and probably doesn't even notice but

their absence leads to customer complaints causing high dissatisfaction. Conversely, continually improving on meeting these needs does not elicit customer loyalty or delight. (See figure 1)

For instance, in the case of an automobile, the customer expects a vehicle to start easily, provide a safe driving environment, and be free of squeaks, rattles and noises. Satisfaction is not created if a vehicle does these things. However, if these "basic" needs are not met, it leads to dissatisfaction.

Normal Requirements

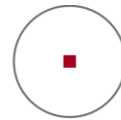
Normal Requirements are the ones that are directly related to the performance. Customers overtly state these needs and are quite cognizant of them. When these needs are met, customers are satisfied and when they are not met, customers are dissatisfied. The level of satisfaction is proportional to the degree of fulfillment.



Source: Dr. Noriaki Kano's Model

Figure 1: Relationship between Customer Satisfaction and Degree of Fulfillment

For example, a customer in a restaurant expects her order to be taken promptly and



accurately and the food delivered in a reasonable period of time. The better the restaurant meets these needs, the more satisfied she is.

Latent Requirements

There are customer needs that they themselves are not aware of. These are referred to, as "latent" needs. If a provider does not meet these needs, the customer is not dissatisfied. Therefore, any level of execution generates positive satisfaction. Understanding and fulfillment of these needs leads to customer 'delight' and inspires loyalty.

For example, if the restaurant provides a glass of champagne "on the house," the customer will be pleasantly surprised. Likewise, the customer of a vehicle may not expect a car to have a maintenance-free battery, anti-glare mirrors etc., but will be pleased when they are discovered during the ownership experience. Fulfillment of the latent needs causes relatively large increase in satisfaction.

Customer Dissatisfaction: Analysis & Application

Elimination of dissatisfaction and maximization of customer satisfaction and loyalty impacts long term profitability, which in turn determines commercial success for an organisation. It is therefore imperative to know what the customers expect, and how well those expectations are being met.

Dr. Noriaki Kano's work on this subject disputes the common notion of dissatisfaction being the direct opposite of satisfaction. Kano's model helps in differentiating 'satisfiers' from 'dissatisfiers' and thus developing a dissatisfaction index. Classification of various need categories shows that dissatisfaction is caused by the non-fulfillment of expected and under-fulfillment of normal requirements.

Avalon Consulting carried out such an assignment for a leading engineering company providing valuable insights into the direction

and priorities for improving satisfaction within the channel. The objective of the study was to identify all factors leading to dissatisfaction and thereby formulating a focussed customer relationship programme.

The distinct patterns of results possible to emerge were identified and used to obtain an insight into company's orientation vis-à-vis customer needs.

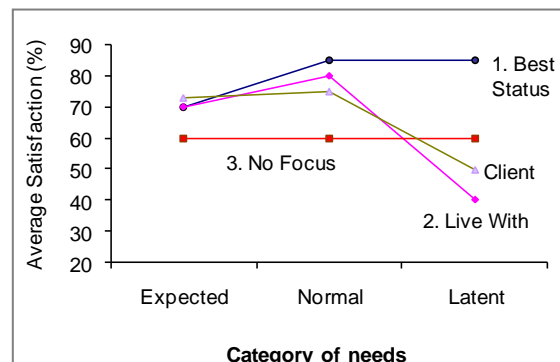
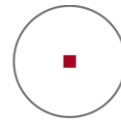


Figure 2: Patterns defining company's customer orientation

Pattern 1: 'Best Status' Situation: Moderate satisfaction levels on expected attributes, high on normal and latent attributes is an ideal situation where dissatisfaction has been eliminated and a high level of satisfaction has been achieved. This is an indication of 'delighted' customers. Such a company would invariably be a leader in its field and have a well-defined customer relationship programme.

Pattern 2: 'Live With' Situation: In this case, while the dissatisfaction has been eliminated; the satisfaction is only at a moderate level. It fails to generate loyalty and does not rouse endorsement of a product or service. Such a company would face relatively high churn among customers.

Pattern 3: 'No focus' Situation: Moderate scores across various need categories indicate a lack of focus on the part of customer initiatives. Such a company would have spread its effort across all areas of customer interaction, thus nullifying the positive aspect



on latent needs by the dissatisfaction on expected needs.

Mapping clients' performance and translating results into actionable steps

- Diagnosis of the overall health of Customer Relationship

The clients' customer orientation came closest to the 'Live With' pattern which was also corroborated by the relatively low loyalty pattern. The satisfaction levels had been gauged using the Process Oriented Satisfaction Assessment Technique (POSAT), a proprietary model of Avalon Consulting.

Though the average satisfaction scores for expected and normal attributes met the basic requirement, a detailed analysis revealed that there were certain attributes within these categories that were still below the basic level and were therefore causing dissatisfaction. These were attributes like 'Durability of packaging' and 'Speed of resolution of complaints' which had low satisfaction level and were acting as dissatisfiers. Further analysis revealed that the competition had very good systems for this influencing the expectation of the customer.

- Prioritisation of task forces and allocation of resources

The varying effect of the level of fulfillment of different requirements on satisfaction was used to prioritise the effort involved towards the overall enhancement of customer relationship. The following hierarchy was designed for the client:

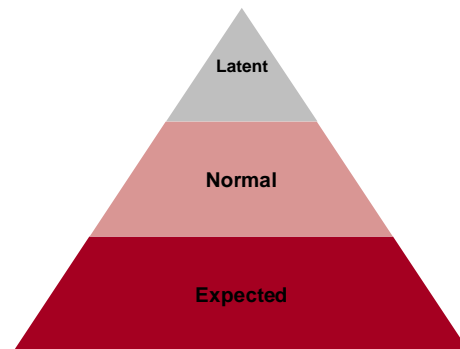


Figure 3: Hierarchy for prioritisation of task forces

Priority 1: Achieving basic satisfaction levels on expected and normal requirements

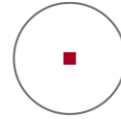
In order to eliminate dissatisfaction, all expected and normal attributes below the basic level of satisfaction were to be worked upon. Attributes emerging as dissatisfiers related to 'durability' and 'tamper-proofness of packaging' as well as 'response and resolution of complaints'.

Priority 2: Improving performance on Normal requirements

A large number of 'Returns' related issues fell under this category. These were attributes such as 'Profit generated', 'Margins earned' and 'Extent of credit offered'. This largely involved communication strategies to improve the perceived benefit leading the better satisfaction. There were no potential dissatisfiers in this category.

Priority 3: Realisation of latent requirements

The requirements emerging as latent fell under Packaging, Information sharing and flexibility in commercial terms. Some of the specific issues to be addressed were 'Aesthetics of packaging', 'Range of packing units offered', 'Providing market and competitor information' and 'Providing point of purchase promotion'. Allocation of resources in fulfilling these requirements would be a strategic investment for the company towards obtaining the 'competitive edge' in the long term.



Implementing the programme

The exercise culminated in implementing a Customer Relationship Programme across the firm which included:

1. On-going measurement of customer satisfaction and dissatisfaction
2. Allocation of dedicated resource to spearhead improvement activities
3. Incorporation of related parameters in the personnel's KRAs

Our framework enabled the client to foresee potential failures and direct future product and service derivatives to address specific customer requirements. Implementing the framework in the manner suggested helps corporates tailor relationship initiatives with the needs of the customers in an optimal manner

About Avalon Consulting

Avalon Consulting is a premier management and strategy consulting firm. The firm was set up in 1989 and it specializes in providing solutions to business problems in the areas of Strategy Development and Implementation, Organisation Transformation and Innovation for clients in India and abroad. The firm has offices in Mumbai, Delhi and Chennai.

About the Author

Naimish Dave is a Partner at Avalon Consulting. He has almost two decades of experience in consulting and has advised clients in a wide spectrum of industries including food, agri-business, engineering and consumer goods for a diverse set of verticals. Naimish is also a member of the agri-business committee at CII. He holds a BE (Mechanical Engineering) from VJTI and an MBA from SP Jain Institute of Management and Research. He can be reached at Naimish.Dave@consultavalon.com.