

ISO 9000, Customer satisfaction & WTO challenge

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Up until now too much has been written on the World Trade Organization (WTO) 'threat', and most of this has highlighted the non-competitiveness of our industry and the barriers to trade. Very little has been mentioned of the management systems and methodologies adopted by companies, not only to face the new challenge but also to exploit the opportunity.

In this regard Pakistani industrialists are going to face a squeeze on both fronts - domestic and niche exports markets. On the domestic front, the pressure will primarily come from increased competition.

On the export front, the pressures are entirely different. The firms in the export market will have to contend with: Increased international competition on price and quality - Reduced domestic subsidy/incentive for exports - Strictly enforced patent regulations - Requirements to comply with WTO labor norms - Requirement to comply with WTO norms on environment-friendly products and production processes - Requirements to comply with strict safety norms - Integration of global supply-chains and market consolidation.

The key for businesses to survive in this vicious market will be to identify a unique place for them. Those who choose to exit the game should do so now, for the going will get tough for those who stay. The rewards for those who stay and survive could be enormous. Studies across sectors and industries with domestic and export-oriented players reveal certain common traits across successful companies: high quality consciousness - global cost-competitive - intense commitment to delivery and post-delivery care - high service orientation and willingness to learn from customers - clear business and market strategy.

The unique place can be captured through continuous monitoring of global environments to sense the emergence of threats and opportunities. The model also needs to be dynamic. The ability to adapt to rapid change will itself be the biggest competency needed to survive. Attention to each of the following parameters will lead to the formation of this unique model.

1. Brand-building

The relevance of the brand in this context needs to be underlined. As the number of competitive products jostling for the customers' mind-space increase, the brand needs to be distinct. Brand-building would need to go beyond pure advertisement to triggering a set of unique associations that provide the impulse to purchase. Further more, it is also being suggested that organizations should measure the effectiveness of consumer promotional schemes and advertising pertaining to focused brand. The very effective method being successfully in various Pakistan – Asian's industrial concerns is of TabSan QMS model.

2. Target -pricing: Domestic players will have to match the lowest international prices to remain in business. The only solution for achieving this end-price is to work on target-pricing. To build global economies of scale, the mass market in region needs to be exploited. This can be explored only through an aggressive pricing strategy.

3. Continuous product development: The customer will have to be offered increasing product and service variety, quality, features, benefits and better prices in order to be competitive in the new world trading order.

4. Distribution management: Reach will determine the scale of operation a company can build. Companies need to outgrow conventional channels and explore new distribution strategies. Similarly,

cutting the cost of reaching customers will acquire significance. Net-based marketing is already showing the way here.

5. Globalize

Expanding the business context to a global frame of reference would be the next logical step for a dominant domestic player. The strength acquired in fortifying the domestic market interests need to be scaled up to match international requirements. Some key requirements to globalize are:

An internationally relevant brand image, International reach, internationally competitive costs and prices, internationally acceptable quality standards, Organizational set-up and skills to tap international markets, Resources at internationally competitive costs, to market globally, Ability to set-up and operate a global corporation. The route map for a company looking at global operations would primarily span the following: Identify your business model and strategy

- Build globally relevant competencies, and
- Choose the route to globalize - direct entry, co-option, mergers and acquisitions, joint ventures.

6. Human resource

As the economy integrates with the world, there is a threat of a significant portion of managerial talent shifting to companies that can afford global-level salaries and provide superior work environment. Growth opportunities, career management and innovative compensation practices will need to be evolved to retain talents.

7. Organization restructuring: The organization would need to be flexibly designed to restructure and undergo metamorphosis at frequent intervals. This would be triggered by entry into new markets, especially global, changes in the technology environment, mergers and acquisitions, and so on.

As a result of the above discussions, companies now are forced to elevate the customer from being 'just a customer' to a part of their mission statements and quality policies. No industry can survive without divulging customers to their processes.

Before embarking on customer satisfaction model, we first should spare a few minutes to answer the following questions; and thus take stock of how much our organization has moved towards satisfying and delighting customers:

Identification of key customers?

The expectation of different classes of customers is different. Hence, having a common measure of customer satisfaction for all customers may not be very useful to the organization. An organization needs to identify all its customers, including end consumers, distribution channel partners, and stakeholders such as shareholders and so on. A prioritization of customers needs to be done as the next logical step. Many organizations tend to define customers as those who buy and use their product or service. In this process, they neglect to take stock of other customers and fulfilling their expectations too.

Knowledge of customer expectations in terms of product offerings and service to each of the customer segments the organization caters to?

Needs, and hence expectations, of customers change due to various factors. Conventional customer satisfaction measures may indicate a satisfaction with the product or service, but fail to measure the satisfaction of the customer's need. An organization needs to track and be clear about the expectations of its customers in the present context. This is critical for the organization to be able to plan the future business and pre-empt the competition.

Linking business objectives to customer expectations, so that you leverage on satisfying and delighting your customers?

There is a need to strategize the measurement of customer satisfaction to the achievement of business objectives (in terms of turnover, profitability and so on). In essence, an organization needs to measure the performance expectations (quantitative and qualitative) of its key customers. Then, the effect of incremental investment towards maintenance/improvement of satisfaction levels among the key customers on the business results needs to be studied. The role model for this has been explained in ISO 9001:2000 clause 5.4.

The above questions have been raised because many organizations buy into the concepts of customer relationship management and customer satisfaction in an incomplete perspective.

Instituting a tracking system

After having identified the key customers, their expectations and linking them to business objectives arises the need for a system to capture, analyze, measure, and track the performance of an organization on these various parameters. This system needs to possess comprehensiveness, accuracy, objectivity, sensitivity to changes, measurability, and linkage to business results and so on. A comprehensive model to help organizations achieve this linkage as drawn from ISO 9001:2000 is given below. As per this model customer satisfaction measurement will need to have three components:

Customer satisfaction indexing & benchmarking: A model integrating quantitative and qualitative performance expectations of key customers specific to the client organization needs to be evolved through clauses 5.2, 7.2.1, 7.2.3, 8.2.1, 8.4, and 8.5.1. As suggested, the index should be linked to the business objectives of the organization. The indexing is essentially on a stand-alone basis without any comparison.

A Benchmarking process goes a step ahead of the stand-alone customer satisfaction index. A set of companies from within or outside the industry can be selected and the level of satisfaction compared. Care should be taken here in selecting the group of companies to ensure that the kinds of customers or products and services have some similarity.

Customer satisfaction strategy: As a logical conclusion to the customer satisfaction measurement, the strategic aspects need to be focused on. These could include:

Identifying the factors relating to customer satisfaction and highlighting areas that the organization can leverage and areas where the organization needs improvement.

Classification of customers and service levels for each customer segment: An organization can run programs such as a loyalty club to retain old customers and a frequent users club for heavy users. Even options such as servicing light users through an outsourced set-up can be explored for economic reasons.

The methodology for customer satisfaction measurement is depicted here as under;

Industry review

Various aspects of the industry will have to be reviewed including size, growth, national and international players, their market shares, preferred brands and reasons, cost structure, capital structure, working capital cycle, end customers, channel of distribution, purchase behavior of customers, promotions/advertisements and so on to identify various possible customers and key customers.

Organization review

Various aspects of the organization will have to be reviewed including turnover, profitability, growth, market share, cost structure, capital structure, markets, channels, promotions and advertisements, top line and bottom line contributions from various classifications of customers and so on to identify customers and key customers.

Performance expectations

A study for understanding the performance expectations of key customers including quantitative (on time and cost) and qualitative (on convenience, simplicity of procedures, processes) aspects is needed. These can be obtained from key customers through one-to-one interviews, telephonic interviews, depth interviews, focus group discussions, and consumer panels and so on.

Development of a CSM model and evaluation

This will be an integration of performance expectations from the key customers with weights for various parameters based on customer priorities. The evaluation of performance of the organization on various parameters would be based on customer feedback and statistics obtained at various points connecting the organization and the customers.

To start with, the universe of customers will be clustered into homogeneous groups exhibiting a common trait. The common trait could be quantum of buy, frequency of buy, geographical location and so on. Then the current satisfaction level of various clusters of customers will be established. The reasons for dissatisfaction among various clusters can be done at two key levels i.e., product and process. At the product level, aspects relating to attributes of the product (in terms of physical parameters, utility value, price, discounts, warranty and so on) can be probed. At the process level, the association in the purchase process will be studied i.e. Pre-purchase behavior, purchase channel through which a product was bought, convenience and cost of acquisition, Post-purchase behavior etc.

The reasons for dissatisfaction can further be reviewed to identify: Product re-engineering requirements - Process re-engineering requirements - Identification of changing needs

Analysis and recommendations

Based on the output of CSM, analysis will be done on aspects such as:

Areas to leverage - Areas to improve - Defining key customers - Defining service levels and performance expectations - Defining process changes - Strategic inputs to move from customer satisfaction to delight - Satisfaction elasticity of business and designing systems for data capture for continuous tracking of performance. As a final assessment of satisfaction, it is necessary to measure whether the level of satisfaction with the 'value for money' services leads to either re-use or

recommendations to others. This final level of measurement will be the actual measure of customer satisfaction.