Summary of Key Points and Terminology – Module 4

- Creating satisfied and loyal customers is perhaps the most important aspect for long-term competitive success. Customer satisfaction occurs when products or services meet or exceed customer expectations. This requires continual improvement of the consumer benefit package, improving the quality of internal operations, and building good relationships.
- The **consumer benefit package** the total package of products and services that a business offers, and includes the physical product and its quality dimensions; pre-sale support, such as ease of ordering; rapid, on-time, and accurate delivery; and post-sale support, such as field service, warranties, and technical support. The consumer benefit package influences perceptions of quality.
- The American Customer Satisfaction Index is a national measure of customer satisfaction, linking expectations, perceived quality, and perceived value to customer satisfaction, which in turn is linked to customer loyalty and profitability.
- Customers form perceptions (**perceived quality**) of the quality of goods and services by comparing their expectations (**expected quality**) with outcomes they receive (**actual quality**). Differences between these can result in unexpected satisfaction dissatisfaction. Thus, careful attention must be paid to design and production processes, as well as customer feedback.
- The leading practices for achieving customer satisfaction include defining key customer groups and market segments; understanding the voice of the customer through effective listening and learning strategies; understanding the linkages between customer needs and design/production/delivery processes; building relationships through commitments, accessibility, standards, customer contact employees, and effective follow-up; managing and resolving complaints effectively, and measuring customer satisfaction and acting on the results.
- **Consumers** are end users of products and services. **External customers** are outside organizations that fall between the organization and the consumer, and who have distinct needs and expectations. **Internal customers** are people,

departments, or processes that depend on others to serve consumers and external customers.

- The customer-supplier model advocated by AT&T facilitates the identification of customers at the organization, process, and performer levels, and helps the organization to build up the "chain of customers" that characterizes the organization's value chain.
- Customer needs differ, requiring organizations to segment their customers into logical groups that have unique needs or value to the organization and must be managed differently. One way of segmenting customers is by profitability as measured by the **net present value of the customer** (**NPVC)**.
- Customer needs revolve around many different dimensions of quality, such as performance, features, reliability, and so on. For services, five key dimensions are reliability, assurance, tangibles, empathy, and responsiveness. The Kano model segments customer requirements into dissatisfiers, satisfiers, and exciters/delighters. Most successful companies take special efforts to understand the last category and develop products and services that truly delight customers.
- Customer requirements, as expressed in the customer's own terms, are called the **voice of the customer**. Gathering the voice of the customer is accomplished by various methods, or "listening posts," including comment cards and formal surveys, focus groups, direct customer contact, field intelligence, complaint analysis, and Internet monitoring. **Affinity diagrams** are helpful tools for classifying customer requirements.
- **Moments of truth** are instances in which a customer comes in contact with an employee of the company.
- Customer relationship management includes providing access to the organization and its employees and establishing commitments, developing relevant customer contact requirements, training and empowering customer contact employees, effectively dealing with complaints, and forming strategic partnerships and alliances with customers. **Customer contact requirements** are measurable performance levels or expectations that define the quality of customer contact with representatives of an organization.

- **Customer-supplier partnerships** – long-term relationships characterized by teamwork and mutual confidence – represent an important strategic alliance in achieving excellence and business success. Benefits of such partnerships include access to technology or distribution channels not available internally, shared risks in new investments and product development, improved products through early design recommendations based on supplier capabilities, and reduced operations costs through better communications.
- **Customer relationships management (CRM)** software typically includes market segmentation and analysis, customer service and relationship building, effective complaint resolution, cross-selling goods and services, order processing, and field service, and is focused on increasing customer loyalty, targeting the most profitable customers, and streamlining customer communication processes.
- An effective customer satisfaction measurement process is scientifically designed, includes performance and importance measures, and provides actionable information to improve a company's operations and products to further satisfy its customers. 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.
- **Customer perceived value (CPV)** is an alternative to traditional satisfaction measurement, and measures how customers assess benefits – such as product performance, ease of use, or time savings – against costs – such as purchase price, installation cost or time, and so on, in making purchase decisions. CPV methodology identifies the most important product attributes that prospective customers use to compare one offering against another and provides a basis for strategic decisions.