



Customer Service Improvement Case Studies

Memorandum 706

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Customer service can mean different things to various people, but the focus should always be the same—satisfy the customer. The paths taken to achieve this goal vary, and along the way the focus is often lost, resulting in unhappy customers. Many procedures are defined, sophisticated systems installed, and departments created to perform the customer service function. However, when you ask the question, “What does your customer really require?” you may get a number of different answers. As relationships between the customer and supplier evolve, they settle into acceptable, **not desired**, performance levels. This acceptable performance becomes viewed as the customer’s true requirements. This may be acceptable for the short term, but if a new supplier arrives who can actually meet the true requirements of the customer, the business may be at risk.



Losing sight of the customer’s requirements is one common shortcoming of Customer Service Departments. Another common shortcoming is not tracking the levels of service provided to customers. This makes it difficult to understand whether or not the customer’s requirements are actually being met. In addition, measured fluctuations in service can alert an organization to shortcomings in their internal processes. By tracking service performance internally, any necessary corrections can be made proactively before they become major issues with the customers. Losing sight of your customer’s requirements and your own actual service performance can affect your business in many ways.

Case One

A rapidly growing candy manufacturer felt they had a solid understanding of the service levels required by their customers. They wanted to perform a customer survey to confirm the needs of their customers, and more importantly, to determine how their service performance compared to the competition's.

A telephone survey was established to account for a significant portion of the company's sales, while still covering customers of various sizes, across different market channels. Most customer sales were through brokers, so both customers and brokers were contacted for their perceptions of the company's service. A survey instrument was created which was used as a guide during the telephone conversations. The proper mix of quantifiable questions were mixed with qualitative, open-ended questions to provide insight into many of the statistics that were tabulated.

When the survey was completed, over a hundred interviews were conducted, accounting for roughly 40 percent of the company's annual sales volume. As is often the case, there were some surprises when the results of the customer interviews were presented to management.

Before the survey, the company perceived required lead-times to be approximately two weeks. As it turned out, the customer base had learned to accept the lead-times being provided, but many desired lead-times closer to one week. The issue became more critical for grocery buyers, whose job performance was judged on the rate of sale compared to inventory turns. What made this discovery even more agitating was that the company could have easily provided a one-week service. Several improvements gave them the ability to provide the quicker service, but the company never acted on this capability. The company assumed the customers did not require the quicker lead-times! As it turned out, the company's sales force did not understand the delivery capabilities of the company, so they were not presenting this capability to customers. The customer base, in turn, accepted the two-week service, but considered the company to be inferior to the competition. The problem was not with the service capability, but with the perception of their capability, both internally and externally, and a lack of coordination and communication.

Another significant discovery resulted when the company challenged the fill rates, on-time deliveries, shipping accuracy, and lead-times reported in the survey. In each case, the customer rated the company's service lower than the competition's. Management disputed the customers' reported levels of their service, feeling that their numbers were not accurate. However, when pressed on what the true service levels were, no information was available, because none of the service measures were tracked. There was no way to definitively prove whether the customers' perceptions were correct. The company could be providing superior service, but as long as the customers did not perceive it as so, the end goal—satisfied customers—would not be met.

As a result, the company undertook two primary tasks upon completion of the survey. The first task was to clearly communicate the company's service capabilities to their own personnel, so that they could then present these capabilities to the customers. Service could be differentiated, providing the superior service to the customers that required it. The second task was to begin a customer service measurement program that would track the service measures that their customers felt were important, as well as those measures they felt were important internally. The company could depict the service they were providing with facts and figures, identifying the real problem areas and working on improvements.

The results of this survey were a mild surprise for this client. The survey provided the company with direction for both the short term and the long term, as it planned to compete with other candy manufacturers. For many companies, the results of a survey turn out to be more than just a mild surprise. In some instances, companies are aware that there may be a problem, but are not aware of how severe that problem may actually be, and what measures are necessary to correct it.



Case Two

A food processor, Company A, was recently purchased by a new parent company. The parent company wanted to determine the customers' service requirements for Company A as well as for a similar company they already owned. A customer service organization could then be designed that would efficiently utilize the combined resources of the two companies, while meeting all customer requirements.

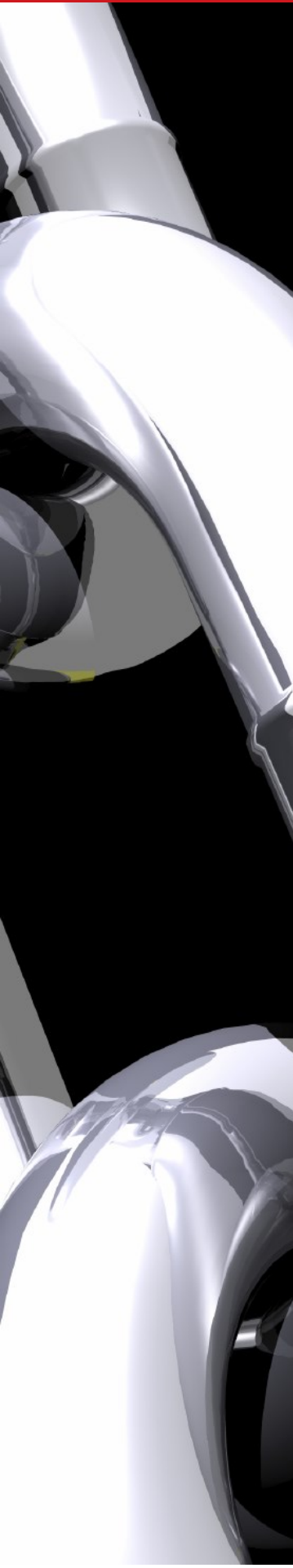
To begin, customer contact lists were acquired from each company. Acquiring these lists was not a simple task. The order processing systems did not have updated customer master files, which made obtaining complete customer lists with names, addresses and telephone numbers a difficult undertaking. When the target list was complete, personal and telephone surveys were scheduled that covered over 50 percent of the sales of the two companies.

The results from the survey were striking. Many customers purchased product from both companies, and their perceptions of the parent company were terrible. These customers feared the impact the parent company would have on Company A. Not only was service poor, the parent had a reputation for purchasing smaller companies and making changes without consulting or communicating with customers.

Customers feared a repeat of this kind of treatment after the second acquisition. What disturbed customers most was the complete lack of communication. Customers were upset, and did not view the transition of ownership as a positive change. However, even before the acquisition, customers were not ecstatic about the service performance of Company A.

The lead-time performance of Company A was far below that of the requirements stated by customers, which was around ten days. In fact, lead-times were almost a week longer than required, at over 17 days. Competitors were meeting the ten-day requirement, which further eroded sales. The initial reaction to this information was disbelief. It did not seem possible that the lead-times could be approaching three weeks. After spending time thoroughly evaluating the process, it was determined that there were several reasons for the lead-times being so long.

The procedure for creating the final product often resulted in off-spec material, which delayed the customers' orders. Customer service representatives could not view inventory levels, which left customers uninformed on when stock may actually be available. After an order was entered, company policy was to accept any changes up until the point of delivery. Orders were often already sent to either Packaging or the shipping docks when the change was entered. Making the requested changes resulted in even longer delays.



The company began to realize the dire situation they were facing. The entire order management process had to be redesigned. Customers were still reeling from earlier changes by the parent company. They did not understand the lasting impact their lack of communication would have on many of the customers.

The company began two projects after the survey was completed. The first involved reengineering the business processes that caused the poor service. Many facets of the supply chain were examined, including forecasting, production scheduling, inventory planning, customer service, packaging, and warehousing. The goal was to design one flow of information and materials that would meet the requirements specified by the customers of both companies.

The second project involved communicating the new customer service awareness to existing and past customers. Many customers were still upset with service performance, and were close to removing their business. The company wanted to assure the customers that a repeat of the past performance would not occur. They were aware of their issues and were hard at work attempting to fix them.

It is crucial with very agitated customers that a company let their customers know they are already working to solve their problems. To do that, they must clearly understand what those problems are. This company had let service decline to the point of near catastrophe. There are many companies who are much more active in this area, and look to resolve customers' issues before they become major problems.

Case Three

Our firm was asked to assist in the implementation of a new customer service and order management system that a leading battery manufacturer had recently purchased. The company had a customer service focus, and wanted to determine the requirements of the customers before implementation.

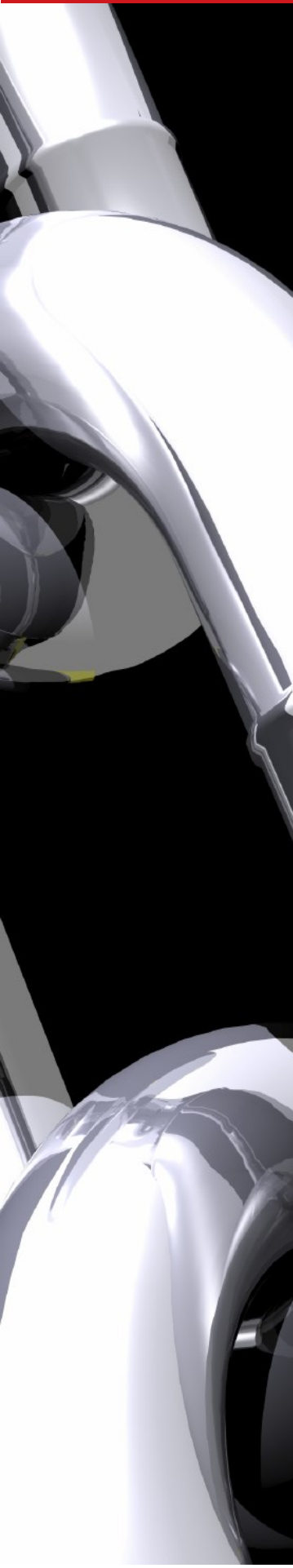
To determine the customers' requirements, a large survey was undertaken, including personal, mail and telephone interviews. The results of the survey would insure that the functionality of the new system would meet their requirements. Modifications would be made where the system lacked the necessary functionality.

Customers were relatively satisfied with the company, viewing the service provided as equal to that of the competition. This was not the result a customer service-oriented company would desire, but it was not a terrible position to build on. The real issue was not with service, but how the new customer service and order management system would have provided the required support.

The company had committed a common mistake, purchasing the software before the business process was thoroughly analyzed and designed to meet their requirements. As a result, the new software was not capable of performing many of the essential tasks. If installed as is, the system would actually have been a step backward! With significant capital already invested, the company decided to modify the new software to better fit their needs.

Generally, significantly modifying software is not desired. In this case, the company spent significantly more than the purchase price of the software to obtain the necessary functionality. Upon completion, the company wished to use these new tools as a competitive advantage, providing superior service to the industry.





The next step was to make customers aware that the new tools could provide significantly better service and information. The company wished to maintain a dialogue with the customer base, so they performed annual surveys of the market. Surveys were completed each year, targeting both customers who had responded in the previous survey, as well as customers who had not been surveyed originally.

By continually polling the customer base, the company gained several advantages. The customers began to view the company as more customer service-oriented, partially because they continually asked questions about their service. To support this perception, changes were continually implemented that improved their service capabilities. Continued changes and annual surveys helped to further advance their image as a leader in customer service. Customers' perceptions of their service improved to the point where they were now considered to have service superior to the competition.

The company did not rest on the good news received from the surveys. To remain on the leading edge, one of the industry's first stand-alone customer service measurement systems was installed. This system provided the company with detailed service performance information that could be viewed by customer, market channel, region or any other slice of the business that was desired. The information was used to monitor the pulse of the business, allowing the company to make improvements to the operations that were adversely affecting service.

Upon conclusion of this five-year effort, the company had installed a new customer service and order management system, continually measured all aspects of their customer service performance, and performed annual surveys of the customer base. With the extremely competitive nature of today's marketplace, service is a key differentiator of a company. While this company was an early leader in becoming customer service-oriented, they are not alone in this undertaking.

Case Four

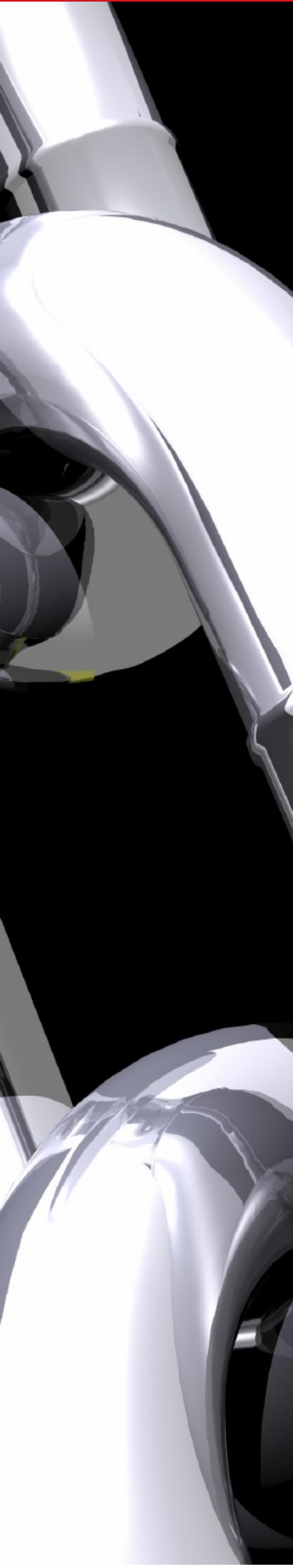
An electrical device manufacturer was in the process of reengineering the image of their company. The company was over 75 years old, and had a strong manufacturing focus. The beliefs of management had long been that if you made a strong product, the customer would buy it, regardless of the service provided. The company was smart enough to realize that this philosophy would no longer be viable in today's marketplace. Large home centers, such as Home Depot, were taking over the market requiring superior service as well as excellent products. The company knew they had to improve their service performance, and began immediately examining their customer service organization.

As it turned out, the customer service organization was fragmented, with no single point of control. There were seven customer service centers which reported to five directors and vice presidents. The first step required was to reengineer the organization structure. These seven customer service centers were consolidated into one location at the company headquarters. All customer service functions now reported directly to a new executive, the Director of Customer Service and Logistics. It was very important that a new manager be responsible for the reorganized department. The older customer service managers were accustomed to the business practices that had been established over the last 75 years. The change in philosophy being instituted was enormous and required a new leader to champion that change.

The next step was to begin implementing new tools and training for the employees who would be working in the department. The company looked to make major changes to the telephone system, facility and type of training provided. This effort would signal the magnitude of change that would be occurring over the next year. In order for employees to be able to confidently state that customer service is a primary focus of the company, they had to believe it.

The old, antiquated telephone system was updated to a modern, state-of-the-art system. The department was reconfigured so that all customer service and logistics functions were located close to one another. All employees, new and old, were trained on the new telephone system, layout and focus of the company.

A number of tasks were undertaken to improve the service provided to customers. The order cycle process was reengineered, streamlining the flow of product through the order entry system and on to the customer. The customer service reps were organized into groups, and assigned specific accounts. This built a familiarity with each customer and created improved efficiencies when handling a customer's call.



Under the old system, no single person or department was responsible for technical questions. A help desk was created to respond to all technical questions. These calls frequently came from customers after they had installed the product. The desk was supported by an engineer, and was marketed to customers as an improved service feature.

After the order cycle process and customer service procedures were reengineered, the systems were upgraded to provide the increased support required. Customer service reps were given personal computers with individual access to the Internet, providing real-time information for tracking shipments from carriers to the customers. Performance measurement was an integral part of the new systems, allowing for complete tracking of many important service measures including fill rates and cycle times.

The company has taken significant leaps towards improving its customer service image and performance, with many changes already completed and implemented. The next step is to re-survey the customer base to confirm their important issues. From this survey, the future directions of customer service will be mapped. For many companies undergoing customer service excellence initiatives, the process is a continual one.

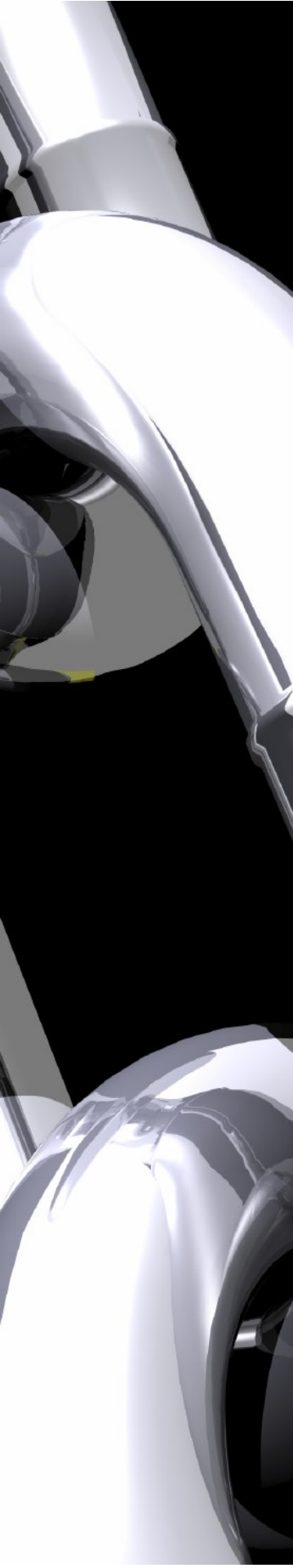
In the end, the customer service function must stay focused on the customer. The evolution of a company over time can make this rather obvious mission an impossible one to achieve. ***Are you one of these companies?*** There are defined steps that can keep your service focused on the proper issues. It is important to remember that the requirements of your customers may be different from those in similar industries, or even those of your competitors. To determine if your service performance is resulting in satisfied customers, begin by following these steps:

1. **Determine what your customers really want. Talk to them!** So many managers feel they know what the customers really require. Very few have talked with a significant portion of the customer base on a regular basis. Conduct a customer survey that will cover each channel of your business, and account for at least 50 percent of your company's annual revenue.

Insure that all types of customers, both big and small, are included. The results of the survey will become the mission of the Customer Service Department, with all future improvements and changes geared towards meeting the requirements as specified by your customers.

2. **Promote your initiatives.** Talking to the customer base often provides an opportunity to promote your image as a customer service leader. Even if the results of the survey show that service performance is poor, the simple act of talking to customers about their issues will improve your company's image. There is a short period of time after the survey, generally a few months, that you can use to your advantage. Send feedback to the customers, letting them know you are aware of their issues and will be hard at work addressing them. This will enhance their perceptions that your company is becoming a customer service leader.
3. **Take action!** In a short period of time, the customer base will expect to see progress towards the issues they had specified in the survey. Keep the customer informed of the company's direction. Open communication will be important in maintaining their improved perceptions. There are several areas that often require significant reengineering to provide the service required:

- **Organization** - Typical issues to address: Does the company have the proper structure to support the new service focus? Where does the customer service function report within the organization? Is customer service centralized or decentralized? Do the customer service personnel have access to the necessary people and equipment?



There are several questions that need to be compared against the requirements specified in the survey. Many times this requires a business change, which can frequently require realigning departments within the company.

- **Procedures** - Typical issues to address: How are orders entered into the system? Can most customer inquiries be resolved without requiring a callback? How are customers assigned to customer service representatives? Is staffing staggered to handle customers within different time zones? How are technical questions handled?

After the organization is aligned to fit the service requirements, the business processes should be reengineered to easily attain the required service. This will entail reviewing the current operation, defining the new procedures, and training employees on the new ways of conducting business. System functional requirements will result from the newly designed procedures, specifying the level of support required.

- **Systems and Equipment** - Typical issues to address: Is information provided in real-time? Does the system provide all required information to the customer service representative? Is the customer service/order entry system EDI capable? What performance information is tracked and reported? How are telephone calls routed through the system?

After the business processes are reengineered, the systems and support should be examined to determine how well they support the new service mission. Very often, systems need to be improved or upgraded. This may require only minor alterations to existing systems, or complete replacement of certain systems and equipment.

3. **Continually re-survey the customer base.** While reengineering the customer service function, continually poll the customers to determine any changes in their requirements, as well as to update them of the progress being made. It is important for customers to understand that in many cases, significant changes are required, and that results may not occur overnight.