

The Future of Customer Satisfaction

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THE VEXED QUESTION OF MEASUREMENT

A senior executive of a major car company, which has recently suffered well-publicised product quality problems, has cast doubt on the value of pursuing consumer quality index targets. He may have some good arguments for this, but it smacks to me of revisionist engineering-speak.

There were days when car companies (notably in their manufacturing and engineering areas) ignored the customer dimension of quality. Even warranty data was suspect, tainted by the involvement of dealers in the reporting. Only factory men with clipboards could be counted on to measure quality.

We have now had two decades of detailed customer feedback on quality. There is no question that this has been of immense value to both customers and car companies. Initial product quality is demonstrably superior today.

Whilst quality index rankings provide the headlines, the real value of the customer feedback is in the detail. Quality surveys are designed to probe down into levels of diagnostic detail that can lead to solutions. Companies should always try to know as much as possible about things that go wrong for their customers. Silent customers who vote with their feet can rapidly erode reputation, sales and profits.

It is true that in industry-wide surveys, where the public only sees a top level comparative index and competitive rankings, there are some approximations. Despite best efforts to iron out double counting, one root problem can trigger appearances across a number of problem categories. It is also true that top-level cars, with more complex equipment, are more at risk on the quality rankings than more basic cars. On the other hand, shouldn't such cars be more reliable than basic ones?

Generally, it is well established the consumer quality feedback is robust and, above all, objective. All quality problems can be tracked back to root causes and a fix developed, even if it takes a next generation redesign to fix some of them. A car company that fails to make best use of this valuable data is very foolish indeed.

CUSTOMER SATISFACTION – OR DELIGHT?

Dealers have long played a vital role in manufacturers' post-production quality control. Pre-delivery inspections at dealerships could often involve extensive rectification of factory defects. At the same time, carrying out warranty repairs generated significant income for the dealer workshops of some brands. Nowadays, quality improvements have lessened (but not eliminated) the dealer's role in these areas. So manufacturers have focused on the value dealers can add to the brand in terms of customer satisfaction with the purchase process and, especially, with after-



sales service. The latter is seen as being particularly important in generating repurchase loyalty and word-of-mouth recommendations.

Customer satisfaction measures originated from the need to diagnose performance differences among dealers in the same network in their handling of service customers. In the early, more innocent days, the prime objective was to give dealers feedback on their own comparative performance in the network, to help them remedy problems.

Nowadays, CSI measures are frequently used as the basis for rewarding or penalising dealers. That inevitably invites scrutiny, and even suspicion, about the nature of the measurement tool.

For example, I once attended a meeting in Texas with dealers representing one major US car brand. They complained, rightly in my view, that the manufacturer's own survey questioned customers only on dealer actions, omitting anything on product quality. The manufacturer argued that they all sold the same products, so product issues were irrelevant. The dealers said that their product mix did differ and that this did affect their CSI scores.

A lot of statistical investigations have been carried out on CSI data. Dealer handling issues separated from product quality issues but the two are inextricably linked in the eyes of the customer. Above all, the customer is viewing his overall experience with the product and wants to report any problems that affect his satisfaction, whether with the dealer or the product.

There is evidence from survey analysis that customers who have experienced a product problem that is dealt with promptly often are more satisfied with the dealer (verging on delight, perhaps) than those who have not had a product problem to start with.

Customers expect their cars to be trouble free. Cynical as some customers may be (about product quality or dealers), it is difficult to surprise them with nothing going wrong.

The real reason behind saying that visiting a servicing dealer is like going to a dentist has nothing to do with the quality of dealers. Going to a dentist is always a hassle. You are going either for a preventative examination, where your teeth work just as well when you come out as when you went in; or you are going for treatment, which involves pain, money & time just to get your teeth back to where they should have been in the first place. There is no joy or delight in going to the dentist or in going to get your car serviced.

That's why the dealer who washes and valets your car is the smart one. As a customer, this outward token of restoring your car to a visibly new condition gives you confidence that the money you just spent on invisibles was all worthwhile.

SOLVING ROOT CAUSES AT DEALERSHIPS

A key problem with CSI measures is that dealers become fixated on improving their scores rather than improving customer experience. Manufacturers are prone to this problem. I once spent many weeks helping a manufacturer working out ways to improve customer satisfaction, only to discover that the real mission was to improve



its scores on the competitive rankings. Their priorities were quick fix solutions in the market and ignoring any hard-to-solve factory level problems.

We can observe similar Pavlovian responses in the UK health service. Surgeries are told that all patients must be able to see a doctor within 48 hours. Consequently, to meet target, some surgeries routinely refuse to accept any forward appointments so would-be patients jam the phone lines at 9am every morning.

Care must be taken when setting targets linked to rewards or penalties. Dealers will naturally focus on those things subject to targets and ignore those omitted. The pensioner who loves to linger and talk about his car when checking in for a service department will be zoomed uncomfortably through the system in 3 minutes to meet target.

A further problem with CSI targets emerges from this example. Customers are not all the same. With factory quality, there is an absolute standard for a defect-free car. There are no such absolutes for customers.

Moreover, even if one can reasonably define standards that fit the majority of customers, how do you implement them? A factory is a large-scale operation. It really is worth a lot of effort and investment to reconfigure processes for gains in quality and productivity.

Dealerships are micro-businesses. Experimental work by the ICDP team has shown that the process-mapping route can lead to significant performance improvements in dealer service workshops. However, it is much less clear that any simple, uniform solutions can be rolled out across an entire network. Anything more complex and labour intensive is simply unaffordable at dealer level.

There are some very practical problems too. Manufacturers do not have the knowledge and skills to provide operational solutions to dealers. Some do not even make the effort to critique or benchmark their own processes with regard to their effect on dealers or customers.

The future success of CSI measures depends, in my opinion, on the ability of manufacturers to disseminate diagnostic information to their dealers in a usable form. They should equally promote the dissemination of best practice wisdom within their networks and across Europe.

As one dealer group chief once said to me about volume incentives, "It is not as if we don't want to sell cars!" The same thinking applies to CSI. I doubt that any professional dealer does not want to maximise his customer satisfaction as a normal part of doing business. The best role of the manufacturer is to be the facilitator, not the enforcer.

And yes, measurement done well is an important part of the diagnostic process, whether on product quality or customer satisfaction. It is just that customer variation precludes the use of factory absolutes. So flexibility has to feature in the handling of customers in a way that it does not with product quality. That's why we have dealers.

CSI: BEYOND BLOCK EXEMPTION

Changes to the Block Exemption rules mean that manufacturers now rely increasingly on setting and measuring objective standards for their dealers. The new



franchise agreements for sales outlets often link standards¹ to bonus payments that form an increasingly important part of the dealer's trading margin.

Economic pressures are already pushing dealers towards multi-brand showrooms, though in practice most such showrooms share only two or three brands, often within the same corporate family. Exclusivity within the network is being maintained by reducing the number of sales dealers and thereby boosting sales volumes per dealer. This shift in Europe towards the American model suggests that the top brands (both volume and prestige) will continue to have mostly exclusive networks, with weaker brands forced to accept much more showroom sharing.

However, the current European Block Exemption expires in 2010. The default assumption must be that it will not be renewed, even in a modified form. Cars will no longer be a special case. They will be sold and serviced under general competition rules.

Under this scenario, European dealers may no longer have the right to be exclusive retailers of new cars, triggering a rapid rise in full multi-make retailers. If so, what happens to standards of customer satisfaction with the dealer?

The white goods market (cookers, fridges etc.) suggests that we consumers no longer link product brand image to retailer brand image. For more complex electronic goods, there is still room for the specialist brand exclusive outlet (think Sony, B & O, Apple) but the bulk of the market is elsewhere.

Leasing and finance companies are already 'selling' new cars in the manner of white goods and office equipment. They have their own multi-brand customer satisfaction standards, independent of the product. At present, they have to acquire cars via franchised dealers (though some already negotiate prices directly with manufacturers). Direct supply from the factory to such 'sellers', should it be permitted, would irrevocably change the dealer model.

Car manufacturers may continue to monitor sales satisfaction (with the buying process) but have less and less control over it. Customer satisfaction with after-sales will remain a key component of brand image for new car buyers, even though we can expect more multi-franchising among service providers. In which case, CSI measurements will become even more important as a diagnostic tool for maintaining franchise standards.

Philip Wade played a role in establishing the JD Power and Associates' CSI & SSI industry measures in the US and the original customer-monitoring programme for Jaguar Cars Ltd.

¹ Linking bonus payments (or indeed dealer terminations) to performance on survey CSI measures is controversial. Some years ago, a US judge ruled against Chrysler's use of CSI in this manner.

