MARGIT HUBER
MARTINA PALLAS
Editors

Customising Stakeholder Management Strategies

Concepts for Long-term Business Success

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Margit Huber · Martina Pallas
(Editors)

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Concepts for Long-term Business Success

With 57 Figures

Springer

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Preface

Stakeholder Management - From Management Philosophy to a Tool for Everyday Working Life

Use of Stakeholder Management Today

In times of growing globalisation and increasingly tough competition the use of stakeholder management tools is becoming much more widespread. Nowadays, the concept of stakeholder management is no longer limited to the specific focusing of all corporate activity on interest groups, such as customers, employees, shareholders or suppliers, but has become an integral part of a company's daily action.

Measuring the quality of relationships between companies/institutions and the relevant interest groups, developing actions aimed at improving these relationships (managing) and the continuous *monitoring* of the effects in line with the TRI*M approach, is gaining momentum in all areas and at all levels of companies and institutions.

Today, human resources departments usually measure the commitment of employees in all organisational units on an annual basis, and senior managers develop strategies with their employees to the level of commitment, the success of which will ultimately be reviewed through subsequent measuring. This greater focus on employee commitment has only recently been given priority. For a long time, companies have failed to appreciate that the motivation and engagement of employees is the most important basis for excellent customer experiences and, consequently, profitability. Only engaged and motivated employees will use all their skills and energies for the benefit of the company. It is now generally recognised that the commitment of employees is the best guarantee of a company's market success and profitability. This is why the results of employee surveys such as satisfaction analyses and assessments of senior managers are playing an increasing role in bonus systems for management.

Measuring customer retention has been a matter of course in sales and marketing for many years now. The analysis of specific customer segments is essential to ensure the market success of a company or a company branch. Aligning customer retention data with customer databases is a method widely used to set up successful dialogue marketing for customer segmentation.

Investor relations departments continuously monitor the company's relationship with its shareholders and creditors using a measuring instrument, similar to public relations where the role is the management of different interest groups. The experience-based measurement of this relationship quality has a huge impact not only on public relations, but also on the strategic issues concerning company positioning.

Even in purchasing, more attention is being given to measuring relationships involving interaction between a purchasing department and suppliers to increase the benefit for both and to reduce collaboration costs.

All of these approaches have been relatively isolated up till now and the first consolidation happens at management level where these approaches are initially implemented, e.g. by using the Balanced Scorecard concept. At this point the measuring results are drawn up for individual stakeholder groups and put alongside financial data as an early-warning system which enables the management to monitor the various areas continuously. Therefore, all relationships need to be measured with a tool which provides comparable results.

As a rule, a single figure is used for the entire company as a key performance indicator, which can also be broken down into smaller organisational units to enable precision control. In this way the extent to which customer retention or employee commitment contributes to market success and profitability becomes clear.

Since TRI*M has always committed itself to a holistic stakeholder management approach, this instrument makes it possible to both identify and manage the different interest groups. Today, this integrated approach is used most widely in quality management, where positive customer experiences are aligned with optimal business processes (aligning the voice of the customer and the voice of the business).

Tasks of Quality Management

Quality management ensures that development in line with the market, as well as the creation and competitive strength of products and services nationally and internationally are in a way that is profitable for the company. This means efforts must be made to guarantee not only the quality of the internal processes, but also the engagement and motivation of employees and assessment by customers of the services the company provides. Process management is therefore the starting point for quality management.

Internal Service Quality as Part of Quality Management

If we pursue process management in accordance with the ideas of W. Edwards Deming, we see that a very mechanical approach is taken initially is intended to make sure that as few processes as possible are used to deliver the best and constant quality, with the lowest possible error rate. This approach has proved extremely successful in the area of product development and production. As far as human resources, marketing and sales are concerned, although it has brought some improvements, it has in many cases proved too mechanical and limited in its range.

The breakthrough was only made possible by the idea of 'Six Sigma', which is not limited solely to product quality, but also examines all steps within a process in respect of their quality and variance. This is why linking the concept of stakeholder management with the 'Six Sigma' philosophy is an ideal solution for quality management. The acknowledgement that to achieve sustainable business success, the relationship of companies and institutions with their stakeholders needs to be based not on a one-off positive assessment of services, but on a continuous positive assessment is important. Processes are examined not only in respect of interaction with customers but also in respect of the service performance within the company (internal service quality).

Process weaknesses can be identified through the measuring of service quality between individual departments. If we consider not only the service relationship between two departments but the relationship in terms of an entire process within a company, the overall quality of the process can be followed over time and compared with error rates, complaints and customer retention.

Including Employee Commitment

Excellent internal processes do, however, depend significantly on the commitment of employees, which is why Employee Commitment also needs to be included in this analysis.

Thereby, employee commitment and internal service quality can be compared with one another the same way as employee commitment and customer retention.

If we compare employee commitment and the evaluation of the internal service quality of a section or a department with one another, four distinct types emerge:

- Both evaluations are positive – this is the desirable situation.
- The internal service quality is evaluated as excellent, but employee commitment is low. This usually involves a situation where there are numerous non-team players. Each individual performs outstanding work, but there is no cohesion between single employees and all the advantages a team offers are disregarded. This example is found particularly often in sales departments.
- A particular situation occurs when the employee commitment in a division is extremely high, but the division is evaluated as poor in respect of its service quality. Here we find the so-called ‘islander syndrome’. The employees in the division are convinced that their performance is excellent and at the same time systematically ignore the demands of the outside world. Interestingly, in divisions such as these we often find the highest employee commitment, because employees stand united against the outside world. This constitutes a highly dangerous situation for the company as a whole.

- Both evaluations are low. This is an example of a vicious circle as poorly organised processes lead to frustrated employees and frustrated, disengaged employees are not interested in working on improvements. Urgent action is therefore needed here. This requires management quality, which brings a company's management team under the spotlight. Analyses show that management quality is one of the strongest factors influencing employee commitment.

A comparison of employee commitment and customer retention produces similar results. In the end, it is of no importance whether internal customer or external customer relationship quality is involved. It is true, though, that the fact that one of the causes of poor customer retention very often lies in a lack of commitment on the part of the employee has been ignored for far too long.

The example of a call centre illustrates this: Customers rate a call centre as poor in that they criticise the know-how of call centre employees, their ability to answer questions, deal with problems properly, and the failure of rapid solutions to materialise. At the same time, the call centre employees complain that their senior managers do not support them, the specialist departments do not keep them up-to-date, and their efforts are not taken seriously, with the result that they are not in the position to carry out their tasks satisfactorily. In a case such as this it becomes clear that the customers' lack of satisfaction is based to a large extent on the lack of satisfaction of the call centre employees with the interaction with the specialist department, and that therefore the problem is not the quality of employees, rather that there is a clear problem with interaction. Enormous improvements in customer satisfaction can be achieved if a company decides to tackle this problem head-on.

This example shows how closely customer orientation and employee commitment are linked and how improvements in results can be achieved by optimising processes as part of quality management.

In this sense an integrated approach to the continuous management of different stakeholder groups can also contribute to ensuring business success and raising profitability.

Whilst the consistent use of the stakeholder management approach is today seen only as a way for a company to distance itself from its competitors, it could in the near future become a criterion for a company's survival.

Stakeholder Management and the measuring of Customer Retention, Employee Commitment and Internal Service Quality plays an essential role for companies and their business goals, quality management and corporate strategy.

As it has evolved from being a management philosophy in the past, today's sophisticated Stakeholder Management tools combine the analysis of the different interest groups in order to gain a holistic view on a company and its variables to use the results in a pragmatic and action oriented manner.

Our authors demonstrate how the title of this book "Customising in Stakeholder Management Strategies" is put into practice. Disregarding the different sectors and various experiences of all articles, they share a common ground - how effective Stakeholder Management can be customised to each unique environment and applied to improve any company irrespective of size, industry or history.

Moreover, authors explain how adaptable a sound Stakeholder Management System is. Not only can it be easily combined with other management concepts such as Six Sigma, but it can also be flexibly applied to different contexts such as complaint management, the public sector or corporate communications.

We would like to thank all authors for the substantial efforts they undertook to prepare and write these insightful articles as well as everyone who continuously supports the idea of this publication.

Once again, we are grateful to Sabine Kuhnt's excellent work in organising the entire layout of the manuscript. Finally, Martina Bihn from Springer provided us with the much needed support to get this third volume published.

Munich, January 2006
Margit Huber, Joachim Scharioth

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Phil Tysoe, Oliver Lucas

1.1 Context and Business Challenge

Comet are the UK's second largest specialist electrical retailer with a 250-store estate and a turnover of £1.4 billion. Although operating only in the UK, they are part of a wider pan-European electrical group, KESA.

In the last five years mass merchants, notably supermarkets, have aggressively targeted non-food sales, leveraging their low price credentials and benefiting from the commoditisation of some electrical products. Consequently their market share in electricals has grown by 10% points since 1998. Simultaneously, independent electrical specialists, contrary to market predictions, have recovered share, through an emphasis on personal service and product knowledge – demystifying complex technology for consumers.

These changes have squeezed the 'middle ground' occupied by Comet and other electrical "multiples", notably Dixons Store Group, resulting in reduced market shares. Supermarkets are predicted to continue this squeeze:

"Recent data issued by Verdict estimates that the value of the non-food market taken by grocers will increase from £11.6 billion to £19.9 billion over the next four years"

Retail Week 11 July 2003

Within the "multiples" sector Comet are largely undifferentiated from Currys, their closest competitor. Both offer very similar customer propositions in terms of store format, product ranges, prices and location; even logos are similar:

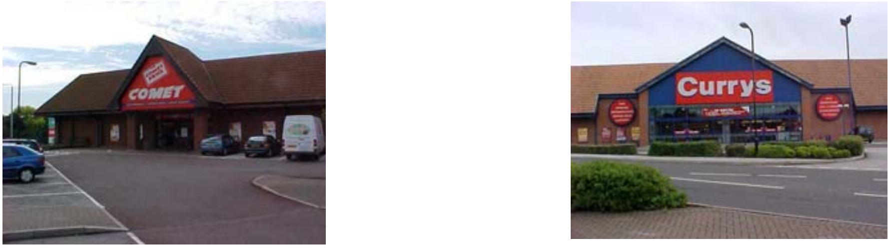

Fig. 1: Comet / Currys – Nottingham Arnold Retail Park

Both focus heavily on price in terms of strategy and communications which, coupled with generally negative customer perceptions of the sector, has bred disloyalty amongst consumers; shopping around is rife.

In 1999 Comet looked to counter this situation and increase market share via the introduction of “Destination” stores – a new store format, complete with new branding, ranges and layout – to differentiate from Currys.

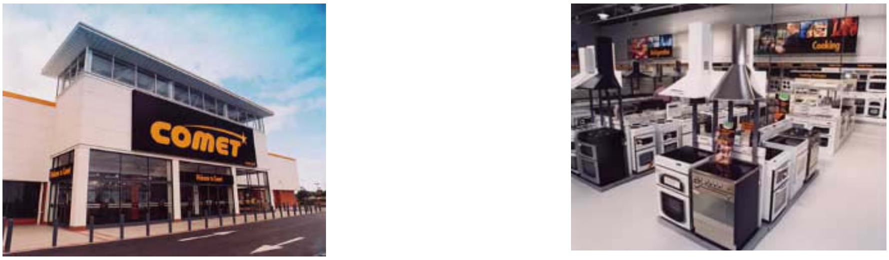

Fig. 2: Comet Destination Format – Hull

Therefore, in 2002/3 it was critically important for Comet to regain market share, understand the effectiveness of the “Destination” store format and seek to develop other ways of differentiating from the competition.

1.2 Research at Comet – Internal Challenges

Decision-making at Comet was traditionally based on internal, rather than external consultation, compounding the difficulty of conducting research to derive answers to these challenges. Therefore, engaging the business was critical. To this end a new "Commercial Information" team had recently been created, addressing the fact that there had been no formal research representation at Comet for 18 months. One of its first tasks was to address the challenges outlined above, establish the credibility of research within the business and provide a prioritised framework for future research; all within very limited resource.

1.3 Research Objectives

The overall objective of the research programme was to understand the in-store experience from a customer's perspective. We wanted to understand the level of engagement that customers had with the Comet brand as a result of their experience in store and, more importantly, we wanted to identify the areas which had the greatest influence or impact on retention. By then assessing our relative performance against these key drivers of customer commitment we would be able to prioritise actions against the areas that customers viewed as important and/ or those areas in which we currently performed poorly. Improvement on these drivers would help create an experience sufficiently satisfying to the customer that it would improve retention, frequency and, ultimately, drive sales performance.

Given the lengthy purchase cycle in the electricals sector there are fewer opportunities to convert browsers into buyers than in other markets. It was therefore important to understand any key differences between these groups so that future conversion rates could be improved.

Also critical to the customer experience was a new "Destination" store format, a large scale investment which will eventually be rolled out across the estate. It was therefore important to evaluate the relationship that customers had with this store format, and the extent to which it differentiated Comet from Currys, in comparison to traditional "Core" stores.

A final objective of the research was to address a wider cultural issue internally at Comet. Previous research usage was limited which meant that the approach taken needed to be highly engaging, credible and easy to understand for a business that was not research-literate. It was also highly important from the research team's perspective that the work generated traction internally; the new team needed to demonstrate its effectiveness as quickly as possible to establish credibility and a future research agenda.

1.4 Project Design

In consultation with NFO Worldgroup (now TNS) we felt that the objectives of the research would be best addressed using the TRI*M Methodology, with an approach tailored to our needs.

To understand which part of the in-store customer experience had the greatest impact on retention, it was first necessary to determine the components of the experience which should be evaluated. In this way specific elements could be easily identified during analysis as areas upon which to concentrate future activity. Accordingly, a host of attributes were identified during a workshop session between the TNS account team, who had specialist sector knowledge, and Comet who were closest to the business issues. They were designed to be actionable at the results stage.

Attributes were broken down into five categories:

A. Store environment
   Example: "The store is easy to move around in"
B. Staff
   Example: "The staff are knowledgeable about the products"
C. Price
   Example: "The store has the lowest prices"

D. Products
Example: "The store has the most modern and up to date electrical appliances"
E. Customer Service
Example: "The service at the till is quick and efficient"

It was important that those interviewed could accurately and specifically evaluate their in-store experience. With this in mind data collection took the form of exit interviews so that the visit was still fresh in the customer's mind, free from post rationalisation. This approach provided a real world snapshot of the customer experience.

To meet the objectives it was also important to interview buyers and browsers, to examine and isolate any differences between the two groups, and to uncover areas to improve the existing proposition. It was felt that examining these groups within the context of the two store formats would also yield insightful results. The size of these key subgroups had to be sufficiently large to allow robust analysis and ensure credibility within Comet. This had to be achieved within a limited budget.

Therefore, 600 interviews were conducted on weekends and week-day periods to be representative of Comet store traffic.

Store Type	**Shopper Type**
Core (300)	Buyer (150) Browser (150)
Destination (300)	Buyer (150) Browser (150)

*Fig. 3: Sample Structure of Comet TRI*M Study*

1.5 Results

The results of the research were clear, consistent and precise. Comet's customers did not have a strong relationship or commitment to the brand at an overall level. The drivers of satisfaction were almost exclusively staff-related and, because these were the elements of the customer experience in which Comet showed the greatest weakness, customers remained ambivalent towards the brand.

The new "Destination" store format, designed to differentiate and improve the Comet brand, actually led to weaker customer relationships than those recorded in the "Core" stores. TRI*M Analysis revealed that whilst the "Destination" stores were better shopping environments (in terms of layout, range and environment), they failed to deliver against staff attributes – the key drivers of customer satisfaction. One hypothesis arising from this finding was that the Destination store format was actually a victim of its own success. In delivering a better shopping environment it also raised customer expectations against the service they would receive – expectations that the staff in those stores failed to meet. Another was that Destination stores were less conducive to staff interaction with customers because they are physically bigger than Core stores hence reducing the opportunity to approach customers.

This disparity between "Core" and "Destination" store results is illustrated on the following chart:

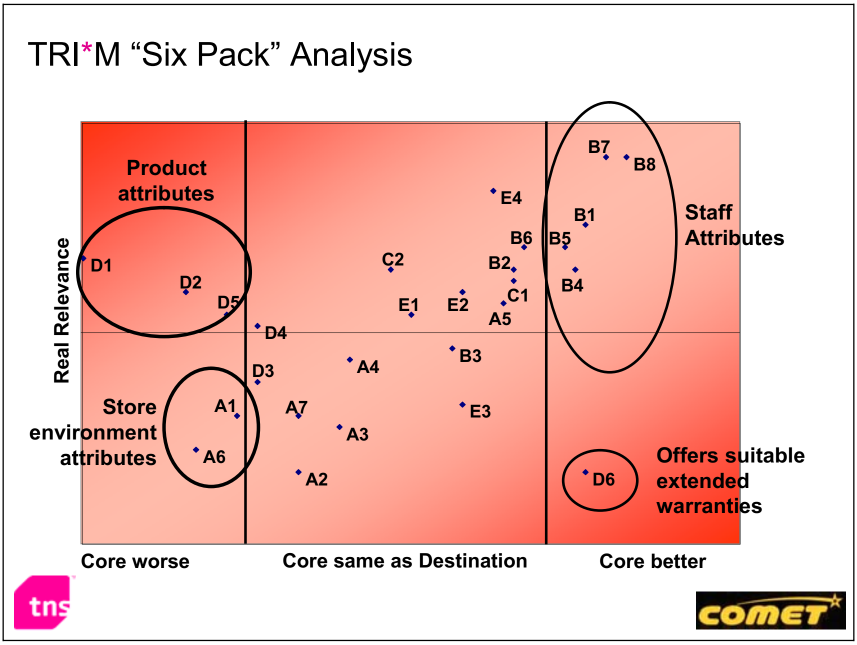

Fig. 4: "Six Pack" Analysis Comparing Core and Destination Stores

This type of visual analysis was enormously helpful in engaging the business. Each data point in the chart represented a different attribute but it was immediately apparent that it was not necessary for the entire business to understand each attribute individually – the key take out being that "Core" stores outperformed their "Destination" counterparts on most attributes that were highly relevant to consumers.

The research demonstrated that the electrical sector's obsession with price and Comet's pursuit of a new store format were not addressing key customer needs; friendly, knowledgeable staff who can sell increasingly complex products.

1.6 The Outcome – Impact of the Research at Comet

The research has had three significant impacts on Comet's business.

1) Providing some quick wins at peak performance times. It has significantly contributed to an increase in market share over the peak trading period and beyond, adding £7.5 million to turnover in the first two months alone.
2) Had a major influence on the strategic agenda within Comet.
3) Reversed traditional culture values to research itself within the company.

Each of these outcomes is discussed in more detail below.

1.7 Quick Wins – Driving Peak Performance

It was vital that the research results were shared with the business – particularly retail operations – as quickly as possible. Comet generate three quarters of their profit in their final trading quarter – influencing store behaviour in this time period is vital in driving business performance.

The output of the research was presented in a format suitable for a retail audience to ensure engagement – salient points highlighted and actions suggested. This was presented at Comet's pre peak conference ("PersonalBest@Peak") in September 2003 which ensured that all 250 store managers in the business were briefed.

To ensure that the briefing was not just an exercise in imparting knowledge Comet also used the results interactively with store managers to stimulate discussion and drive action planning. Store managers were asked to forecast the levels of engagement that customers had with their store – relative to customer engagement in other sectors (e.g. furniture retailers). Unsurprisingly they typically believed that customers were significantly more engaged with the brand than the reality. The removal of these misconceptions, backed up with statistically valid evidence, was vital in generating action in store. It was also very useful to position Comet's TRI*M Index relative to other sectors – this effectively provoked and harnessed the naturally competitive culture in the business. Once the reality was revealed (through the TRI*M Index) managers were asked to produce action plans to develop the experience for customers in their store.

The effectiveness of the pre peak conference, and the research's role in it, can be seen in Comet's trading performance over Christmas 2003 – delivering record sales numbers. Of most pertinence, in light of the business challenge for the research, Comet recorded a 0.1% point gain in market share in December 2002 and a 0.7% point gain in January 2003.

1.8 Directly Influenced Strategic Agenda Within Comet

Recognising the impact of staff on customer satisfaction and retention, and as a direct consequence of the research, Comet's strategic agenda for 2004/5 was to focus on addressing service issues; specifically the quality of interaction between staff and customers.

In March 2004 Comet launched a 10 store pilot in which the customer experience is designed to be radically different – principally because of fundamental changes in staff behaviour. 700 man days of training were allocated to staff in the stores to enable them to deliver effective customer service, have greater product knowledge and sell successfully. In addition, staff reward structures have been changed to encourage greater customer service orientation.

1.9 Reversed Traditional Cultural Values Toward Research

The research output was very engaging within the Comet business, whether the results were a shock or supportive of previously held beliefs. The output was delivered in a clear, visual format and could be presented to the wider Comet business in an easy to understand manner. As it was also seen to drive actions it greatly re-established the role of market research in the company.

The Commercial Information function was established as not just a credible information source but also ‘advisors’ on the best way to engage the business and action the research. Results have now been presented throughout the business, from the Managing Director right through to every store manager in the company. They have formed part of the Comet vocabulary for customer satisfaction.

That the research, and the Commercial Information team, is valued is evidenced by the commissioning of new research to qualitatively understand customer expectations of shopping for electricals, to measure the success of the 10 pilot stores and to investigate the resurgence of market share in the Independents sector.

Its value can be most felt, however, in the record trading performance over Christmas, the engagement of the whole business around customer service issues, and the new strategic agenda for Comet.

2 Quality Management and Customer Retention

Margit Huber, Joachim Scharioth

2.1 Identifying Customer Requirements

The close relationship between quality management and Customer Retention is demonstrated by the fact that a series of quality awards and guidelines for quality optimization perceive Customer Retention as one of the central components. This is demonstrated, for example, in the case of the Malcolm Baldridge National Quality Award, the EFQM Model or even ISO 9000/9001/9004.

One of the most important insights when intensively dealing with Customer Satisfaction and/or Customer Retention is that the increase in Customer Retention is, each time, to be seen in connection with the profitability of a company. As a result, it certainly makes sense from an economic perspective to offer customers the best products and services, as has been postulated in many macroeconomic surveys on Customer Retention [(take, for example, the American Customer Satisfaction Index or the German "Kundenbarometer" (customer barometer)].

From a business management point of view, however, the goal that should be followed in Customer Retention is to ensure greater loyalty of existing customers to the company, improve the profitability of individual customer relations and also to always win new customers. A company will only have an idea about the relevant status of Customer Retention if it carries out regular checks in the form of customer surveys.

If you follow the notion espoused by Deming, top quality is a value per se, and because of the low need for repairs or touching-up work and the low level of work carried out under warranty, it contributes to the efficiency of a company. If Quality Management were also to follow this theory in Customer Retention, this would mean the fulfilment of every customer wish, which would certainly not be very economical. From a business-management point of view, therefore, it is crucial to find out those customer requirements that contribute most to Customer Retention and which are rewarded by the customer.

To conduct a meaningful empirical survey in this regard, we need to look at the following aspects of Customer Retention:

- The definition of various customer groups/segments and the determination of their significance in the overall success of the company.
- The measurement of Customer Retention using an index which, on the one hand, allows comparisons of different customer groups to be carried out and, on the other hand, allows Customer Retention to be compared over time with the aid of follow-up surveys. In addition, it has proved to be extremely valuable for many companies to obtain bench-marking values in order to compare themselves with other companies in their own or a different sector. Further, this sort of index value offers the chance to be incorporated into the Balanced Scorecard as an indicator, thereby serving as a target value for bonus systems.
- The differentiation between different customer types in order to identify whether your own customers are more driven by price or quality and, above all, whether customers are loyal.
- The compilation of a strengths and weaknesses analysis can be used to reveal what the decisive quality components of a company are in terms of its products and services, as well as how high this contributes to Customer Retention. In this way, it is possible to show for each customer group what makes these customers loyal to the company, and where potentials for improvement lie. In addition, an analysis of this kind also shows how changes in strategy and market have an effect on Customer Retention.
- Further, a strengths and weaknesses analysis can be used for a comparison with the competition, making it possible for a

company to find out what the USPs are in the eyes of the customers.

- With the help of an "Actiogram", it is possible to work out those processes which, in the view of the customer, are in need of change.
- Lastly, a quality barometer makes it possible to track the connection between Customer Retention results, quality indices and complaints on a continual basis.

2.2 Definition of Customer Groups

When examining Customer Retention, the definition of customer groups according to their present and future significance has turned out to be a critical factor for success. In so doing, it is not enough merely to determine customers in terms of their current significance for sales and the profitability of a company, but it is also necessary to establish how high the future potential is for each customer (in the B2B sector) or each customer group.

In the business-to-business sector, this potential is repeatedly measured by share of wallet, i.e. the share of goods that a customer acquires from a supplier in relation to his overall requirement for comparable goods. Above all, those customers with whom sales are already generated but for whom your company is still not the main supplier are particularly attractive when it comes to increasing sales. For example, in the B2B sector, companies with more than one supplier obtain approx. 60% of all services from their preferred supplier, with approx. 25% from the second most important supplier and around 15% from the third most important. To help define future strategies for individual customer groups it can, therefore, be crucial to have knowledge of your status as a supplier.

With this information to hand, it is possible to analyse which strategies are suitable for which customer group. As a result, a defensive strategy may, for example, be a good idea for existing A customers with expected low sales growth, but also for C customers with low opportunities for sales expansion. An offensive strategy, on the other hand, is suitable for B and C customers with a high growth potential and the chance to clearly improve the supplier position by increasing the volume delivered.

In the business-to-consumer sector, the greatest significance is attached to customer segmentation in accordance with different requirement profiles, e.g. mobile phone customers broken down according to those who primarily use their phones for business and those who mainly use them for private use, or those who only make telephone calls and those who also make use of all additional services.

Since a separate Customer Retention value is determined for each of these target groups, it is possible to continually track the extent to which a company is in a position to meet the needs of the relevant customer group, as well as how strong Customer Retention to the company is as a result, and thus contributes to its profitability.

The biggest risk when measuring Customer Retention is to concentrate on customer groups which are only of little relevance to the company. For example, it is of no use satisfying a large number of C customers who only make up 20 % of turnover if, on the other hand, the small group of A customers making up 80 % of sales have no or only little loyalty towards the company.

2.3 Customer Retention Index

Because you can only manage what you measure and what is readily clear to comprehend, it is worth collecting empirical Customer Retention data and reflecting this with the use of an index. By determining a “Customer Retention Index” as a single number, it is possible for the management to deduce, at a glance, the intensity of the customer loyalty towards the company as a whole as well as for individual groups and regions, and to compare this with profitability in each case.

This is done most simply using standardised questions about Customer Satisfaction, recommendations, the intention to repurchase again and competitive advantage.

By using a Customer Retention Index of this type it is possible to identify at a glance those areas where Customer Retention is satisfactory as well as those where it is worthy of improvement and where changes take place over time. Only in this way can measures taken be checked in their entirety to monitor their efficiency.

The aim here should be to increase Customer Retention up to a certain ideal value, but not to strive for a maximum value since you can certainly invest too much in Customer Retention too. One example of this worth recollecting was an instance in the 1990s when a series of firms who had received the National Malcolm Baldridge Quality Award, not least because of this, had got into financial difficulties just a short time later because they increased Customer Retention at any price but did not concentrate on the bare essentials or an economically expedient increase.

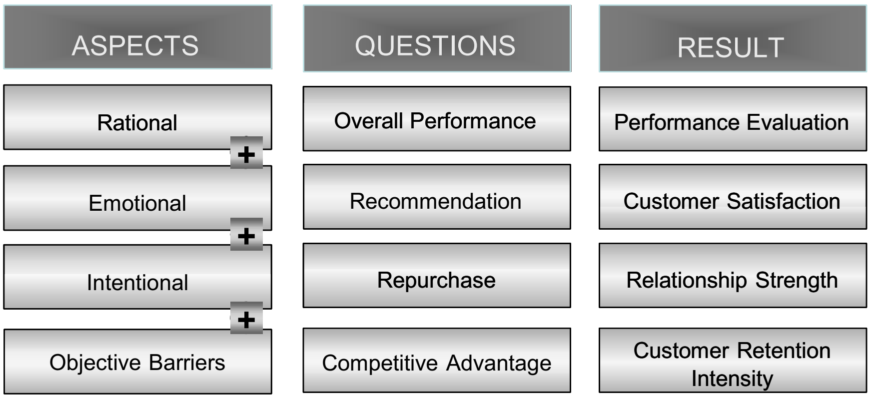

Fig. 1: Customer Retention Index

2.4 Customer Typology

Customer Satisfaction still does not mean that customers are also loyal to a company and that you can be sure that you will still be doing business with them in the future. Harvard professors Jones and Sasser have developed a typology for customers that has proved itself in practice:

- Apostles: these are customers who are highly satisfied and loyal and who massively support a business' own sales by making positive recommendations in the market. These customers are generally quality-oriented customers.
- Mercenaries: highly satisfied customers, who nevertheless are not loyal. When selecting their supplier, they are more likely to note differences in price rather than quality, and are always prepared to switch suppliers if they have obtained a more favourable offer. The mercenary group is relatively easy to win over, but this means offering better prices than the competition. On the other hand, they can quickly be lost as customers again if they are offered price advantages by competitors.
- Hostages are those customers who, although not satisfied, are loyal since they see a switch as too risky or too difficult or they are contractually bound to a company. Among software users today there is a whole host of Hostages, who although dissatisfied, shy away from the expenditure of new programs. These are certainly loyal customers, but unlike the Apostles they do not recommend their suppliers.
- Those customers who are dissatisfied and disloyal are described as Terrorists and thus present a major risk to the business. They tell people about their bad experience without being prompted and so contribute to failure in the market. A company that fails to keep its share of Terrorists at low levels will soon lose its market position.

As a world market leader involved with these customer groups in more than 7,000 studies, we are in a position to give an estimate of the size of these individual customer groups. Overall, around 50% of all customers are Apostles, 25% are Mercenaries, 10% Hostages and 15% Terrorists.

If you assume that, during the time in which an Apostle recommends a company to someone else three times, a Terrorist gives out ten negative statements – and that is a conservative estimate– then the word-of-mouth in the market is balanced (50 x 3 = 150 divided by 15 x 10 = 150 equals 1). For a company with a low number of Apostles and high proportion of Terrorists this means they need to have essentially higher selling power to sell just as many products as a company with a low number of Terrorists and a high number of Apostles. This ratio is one of the reasons why Customer Retention has such a strong influence on profitability.

TRI*M Typology –
Market Resistance Ratio

The TRI*M Typology provides information about the situation to be faced in the market with regard to word-of-mouth recommendations.

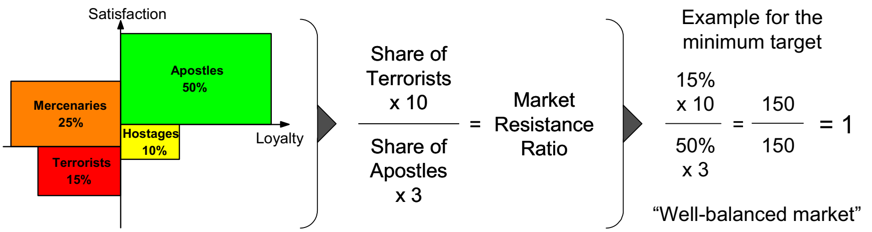

Fig. 2: Customer Typology and Market Resistance due to Negative Word-of-mouth

2.5 Strength/Weakness Analysis

Every measurement of Customer Retention shows a company its strengths and weaknesses, by the customers' evaluation of individual quality components.

Unlike in the case of quality management, it is important to know when dealing with Customer Retention what factors are relevant to the customer in his decision to purchase. Harvard University initiated a study during which it established, for example, that it is possible for a customer to evaluate 64 quality components in relation to an ice-cream on a stick. A manufacturer who wants to be better than his rivals in each of these components and who in addition also wants to be competitive on price will probably hardly win any earnings or at most will be able to cover a very high-price niche-segment with correspondingly low volumes and potential for growth.

The bulk of Customer Retention measures imply costs, which are only worth it if the customer then stays with the company longer as a result, generates more sales or accepts higher prices. Take, for example, a printing-ink factory at the start of the 1990s: it offered its customers an advisory service, free of charge, to help them optimise their printing. The result was that a lot of large print works covered around 10% of their requirement with this high-price supplier in order to enjoy this cost-free service. They acquired the rest of their requirements for printing inks from suppliers that were clearly lower in price, mostly from Asia. As a result, the business of the high-price supplier soon collapsed since the low sales could not cover the costs for the advice service. For this reason, it is fundamental that offers to increase Customer Retention be made at least in such a manner that they largely cover cost. The determination of the importance of additional product constituents and additional services for customers and their possible willingness to pay for such quality components is, therefore, one of the most important tasks of any Customer Retention assessment.

When it comes to the significance of various quality components of a company with regards to Customer Retention, it is important to differentiate between two criteria. On the one hand, it is necessary to find out what the customer considers to be important when asked directly. These aspects have to be communicated. On the other hand, it is important to analyse which quality components most influence Customer Retention. If, for example, you ask passengers about the significance of pilot expertise, the answer you get every time is that this is one of the most important quality aspects of all. In reality, when making a decision to buy a ticket, the customer rarely asks about the pilot's expertise. By contrast, for example, the speed of check-in is often a crucial factor when customers decide which airline to choose.

If you relate these two categories - verbal importance and significance for Customer Retention - you end up with four segments:

- Motivators are those quality components which are seen by the customer as important and therefore influence preference for a particular supplier. In this instance, a company has to be good since weaknesses in this field may, in a highly competitive market, easily lead to a switch in supplier.
- Hygienics: those quality factors which the customer regards as important but which are expected from all suppliers as a matter of course. Although these components have to be communicated, there are no competition advantages to be obtained thereby. At the same time, if such aspects are not fulfilled very well, improvement measures do not necessarily have to be initiated.
- Hidden Opportunities: these include quality aspects currently seen by the customer as not important, but which influence the choice of supplier anyway. They help a company identify future competitive advantages and are, therefore, vital for strategic alignment.
- '(Savers?) Potentials?': These quality components are only of very low importance for Customer Retention. They include components, which already have their life cycle behind them as well as those, which are only just emerging and are often only known to a small number of customers.

These four segments also serve to explain the life cycle of quality components. Often, individual components start in the field of '(Savers?)/ Potentials?' turning into Hidden Opportunities, and later becoming a Motivator and thus achieving their greatest significance for Customer Retention before they develop into a Hygienics factor, since all other suppliers are also offering similar services which makes them rather "matter of course", and often they ultimately end up back under '(Savers?)/Potentials?' once more.

Product quality, for example, is a typical aspect which is increasingly developing from being a classic Motivator in many sectors to become a Hygienics factor since it goes without saying that in highly developed industrial nations, high product quality should be offered. As a result, this makes it necessary to develop new Motivators which often lie in the field of supplier loyalty, consulting services or financial support.

A few attributes also take the opposite path. Mostly, these involve those that are less initiated by the company but rather by social need. For example, the discussion about electromagnetic radiation led to a situation where this quality aspect instantly became a Hygienics factor. Everyone talks about it but to date this has had no detrimental effect on the use of mobile phones. It now raises the question of whether this aspect will remain a Hygienics factor or whether it will develop to become a Motivator and thus make it necessary for companies to offer terminals that give off low levels of radiation.

When designing a customer survey, the question of the optimum number of quality components often arises. On the one hand, you want to design the survey so that it is as short as possible so as not to take up too much of the customer's time but often, on the other hand, a customer can be disappointed if he is only given the opportunity to provide superficial responses and is not asked about the points that are actually important to him. Furthermore, a rather short survey often does not allow detailed identification of the strengths and weaknesses and thus does not facilitate the introduction of specific measures on the basis of the survey. In practice, a questionnaire that asks about around 50 to 60 quality components is ideal.

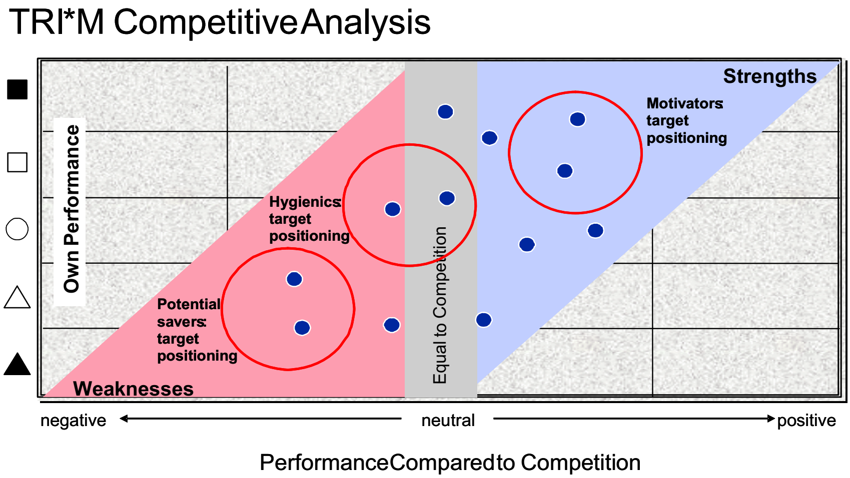

Fig. 3: Strengths and Weaknesses Analysis

2.6 Comparing to the Competition

It is not only important to know how the individual quality components are assessed by the customer and what is relevant to Customer Retention, but it is also important to know whether the customer assesses the competition more or less favourably in these aspects. A strength in the area of Motivators or Hidden Opportunities can be rated as a USP, if the business is better than the competition in the view of the customer. This guarantees a unique market position and justifies a higher price. A Motivator, which is judged more favourably by the customer in relation to the competition, compared to the company's own supplier, represents a threat to future customer relations. If, on the other hand, a company has a weakness but is still better than the competition then, although there is a need to work on this weakness, time is not of the essence to such a great extent.

However, at the end of the 1970s, the German motorcar industry failed to act upon the aforementioned and thereby allowed the Japanese to enter the German automotive market. German manufacturers were aware of their own quality problems and the even more pronounced weaknesses of their European competitors and did not tackle the technical quality problems.

As a result, with their superior quality, the Japanese managed to enter the German market and were even supported in their marketing by German road-safety organisation DEKRA, the government testing and inspection body, TÜV, and ADAC, the German equiva-lent of the British AA.

As a result, they obtained a market share of 10 to 15 %, which they have successfully managed to defend to this day.

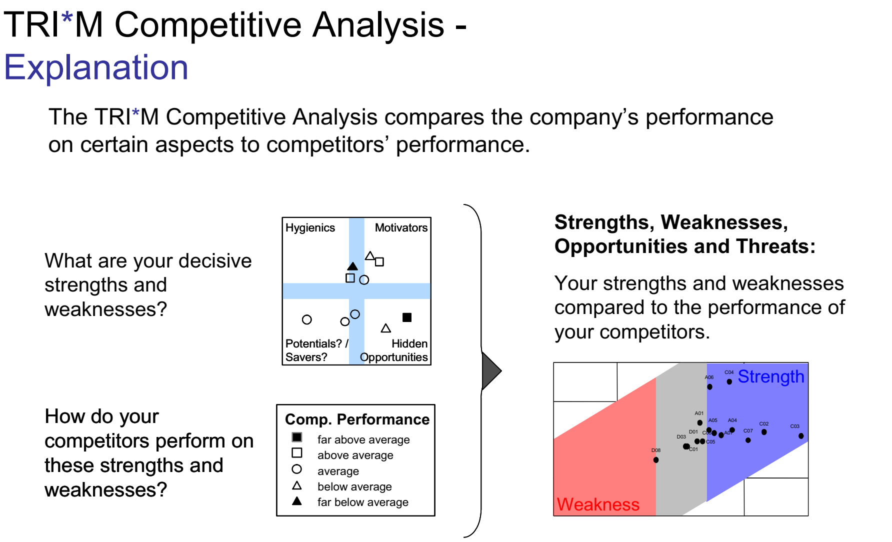

Fig. 4: Comparing the Competition

2.7 Actiogram

In Customer Retention surveys, customers only asses the products and services, that is to say: the output of a company. However, it is only possible to change the input, namely the processes and actions, within a company. To move from measurement to management, it is necessary to identify those processes to which the individual customer judgements refer. Often, it is established that a series of weaknesses refer to the same business process, which means that this process then needs to be worked on.

One mistake often committed in quality management is to let customers come forward with suggestions for improvements and then follow these up. As a result, one of the most important tasks, namely the professional direction of a company, is transferred by the management (and thus the professional) to the customer (or amateur).

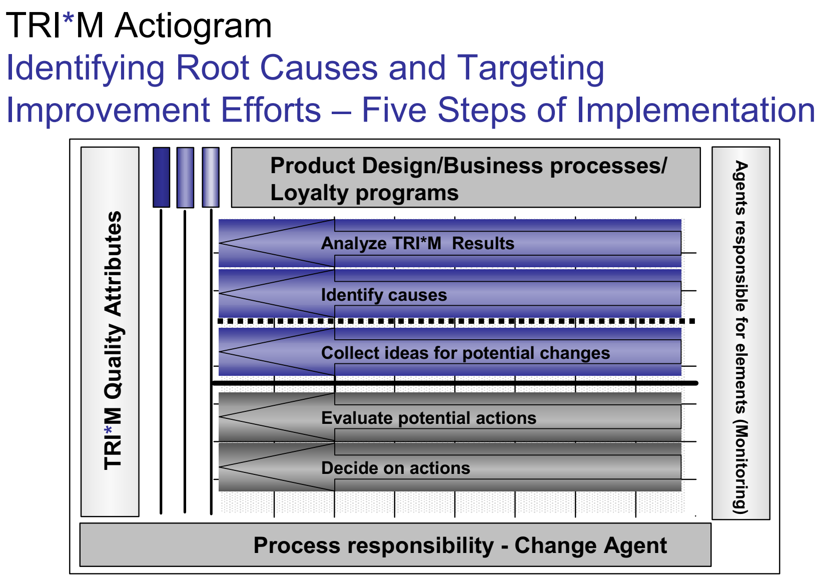

Fig. 5: Action Planning - Actiogram

2.8 Quality Barometer

The quality manager not only has at his disposal Customer Retention data, but he can also observe at the same time the development in quality indices and the level of customer complaints received.

The results obtained often seem to contradict themselves. As a result, the quality indices can, for example, increase without this having an influence on the corresponding aspect in Customer Retention. Or, the Customer Retention Index rises whilst complaints increase.

In Customer Retention, findings from customers, not the opinions, are measured against the products and services of a company. In so doing, negative findings in particular play a major role.

Masing has already shown that a negative experience can only be outweighed after a host of repeated positive experiences. Requirements need to be met well between three and 20 times in order to cancel out one negative experience. This has the consequence that, above all, those quality components that involve just a few moments of truth, i.e. customer contact, have a considerable latency period before an improvement in Customer Satisfaction is detected. If a specific quality component, such as 'the friendliness of the service personnel', requires six friendly telephone calls to compensate for one unfriendly telephone call, then an improvement is only of any use if at least six positive contacts follow a negative one.

Every improvement in the service below this threshold has no influence on the assessment of the quality components by the customer.

A further problem when comparing the results of Customer Retention surveys and quality indices is the often imprecise and not identical definition of the aspect being measured. For example, airlines measure punctuality both in their quality indices and in their Customer Retention surveys. However, it is not uncommon for a situation to arise where departure punctuality or touch down at the destination airport is measured in the quality indicators whilst the customer perceives punctuality as reaching his flight destination. Whether the flight is delayed touching down or whether it is waiting for a free gate at the destination airport or whether ground transportation is not ready, to the customer it is all the same: the flight is late and a series of on-time arrivals will be required to compensate for this negative experience.

In the case of complaints, the picture is different. In this instance, it is more a question of the consequences for the customer rather than the size of the discrepancy from the normal level of service. If the customer misses a connecting flight or an important business meeting because of a 15-minute delay it is considerably more important and is more likely to lead to a complaint than a 1-hour delay that has no knock-on effect for the customer in terms of appointments or meetings. In addition, a customer will only complain if his expectations are not met. The airline with the poorest punctuality record in the world hardly gets any complaints about poor punctuality as the customer expects this, but it is not possible to win new customers who expect good punctuality levels without improving processes to increase punctuality. By contrast, the most punctual airline in the world receives by far the most complaints about punctuality. Since the customers count on punctuality and arrange meetings around it, they instantly complain if a plane is late. As long as the reputation for being the most punctual airline is not lost, the customers remain loyal, however, and it is enough to say sorry with a small gift. In this connection, it is shown that quality indicators alone are not enough.

By making complaints, customers are expressing their disappointment; often it is enough to say sorry, and professional complaints management can even improve Customer Retention. However, if the reason for the complaint is poorly assessed in the Customer Retention survey, complaints can serve as a fountain for change.

Sometimes, however, the customer also values services badly, which is reflected neither in poor quality indicators nor results from poorly functioning business processes. In such cases, the reason can even lie in poor communication and/or marketing of its own services by the company.

In order to manage the quality barometer, it is important to place the individual quality components in relation to one another. In so doing, it has proven sensible to compare not only the quality components of Customer Retention, the reasons for complaints and quality indicators, and/or to clarify their correlation, but also to group these according to organisational responsibility.

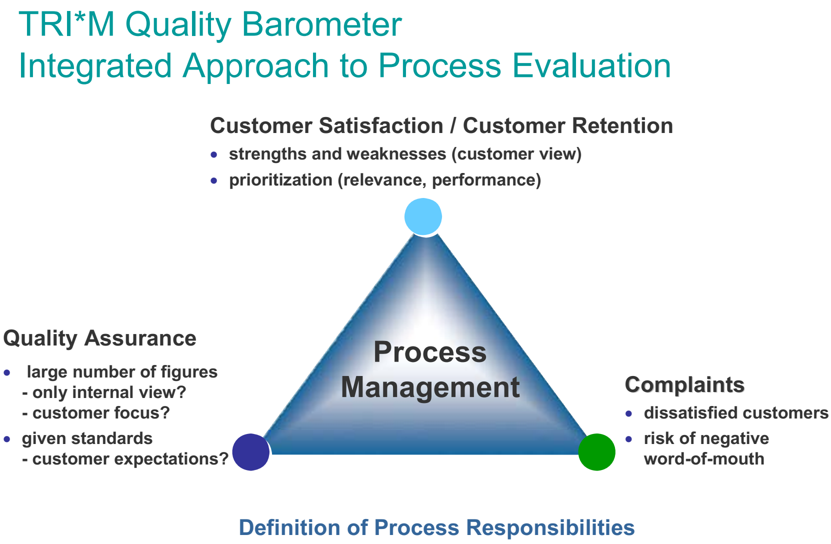

Fig. 6: Quality Barometer

3 How to Use TRI*M in a Six Sigma Project

Christine Theodorovics

The need for improving business results by improving the quality of products, services and processes is driven by macro-economic events and customer demands for better products and services at the lowest possible costs. The tools and techniques to achieve a greater level of quality in the past may not be sufficient for today. The changing needs of society, customers, shareholders and regulators are some of the reasons why an organization must continually improve.

In this article I would like to explain how Six Sigma, a commonly accepted method to improve processes, and TRI*M, a leading Stakeholder Management tool, can be used together in order to improve customer satisfaction and the efficiency of processes.

What Is Six Sigma?

Six Sigma is a method to improve processes. It is a rigorous and a systematic method that uses facts and statistical tools to measure and improve a company's operational performance, practices and systems by identifying and preventing "defects" in manufacturing and service-related processes.

The name "Six Sigma" derives form the statistical measure of a standard deviation (one sigma). A six sigma process implies that in the case of one million processes only 3.4 defects[1] happen.

Six Sigma can be subdivided into three areas:

"1. Metric: 3.4 Defects per Million Opportunities. DPMO allows you to take complexity of product/process into account. Rule of thumb is to consider at least three opportunities for a physical part/ component - one for form, one for fit and one for function, in

[1] A defect is defined as an output which does not correspond to the customer specification.

absence of better considerations. Also you want to be Six Sigma in the Critical to Quality characteristics and not the whole unit/ characteristics.

2. Methodology: DMAIC/DFSS structured problem solving road-map and tools.

3. Philosophy: Reduce variation in your business and take customer-focused, data driven decisions."[2]

One of the main differences besides the use of precisely defined statistical tools, is the fact that Six Sigma projects always start by analyzing the voice of the customer (VoC). This is where we, at Swiss Life, applied TRI*M as a tool to obtain the voice of the customer as a starting point of the project.

What Is TRI*M?

TRI*M is a Stakeholder Management system which helps to manage relations of all interest groups of a company. TRI*M is a holistic system which helps to develop measurable data for Stakeholder Management.

It uses different tools:

- The TRI*M Index is a one number tool which shows the quality of customer retention or, in the case of internal Stakeholder Management systems, the intensity of internal service quality.
- The TRI*M Grid reflects the „Moments of truth". It shows which quality attributes have the highest impact on service quality, which ones have the highest potential and which ones are the ones where everybody is talking about. Most importantly, the Grid shows where the future drivers of quality are.

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[2] www.isisxsigma.com/dictionary;
DMAIC: Define, Measure, Analyze, Improve, Control; DFSS: Design for Six Sigma

The Scope of the Project

The project described in this article dealt with the improvement of the service of the internal IT Helpdesk at Swiss Life. From a number of data and feedback reports we knew that the performance of the IT Helpdesk was not always corresponding to the expectations of the customers and that areas for improvement should be identified.

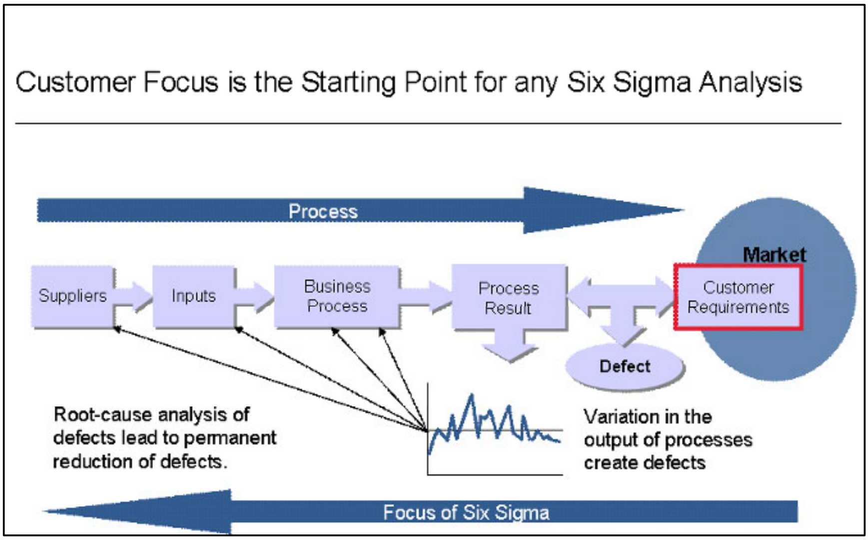

Fig. 1: Customer Focus and Six Sigma

Six Sigma uses five clearly defined phases – "DMAIC" (Define – Measure – Analyze – Improve – Control). In the Define Phase the project focus of the project is narrowed and the scope precisely defined. In the project charter several topics concerning the precise definition of the project, the scope, the process, the participants and the problem are being discussed and written down. At the end of this discussion two processes of the IT-Helpdesk services have been identified in order to be optimized:

- Orders of Hardware and Software
- Handling of access rights to specific data/application/folders.

The scope and the project set-up was defined in the project charter, which is a document that clearly scopes and identifies the purpose of a quality improvement project. Items specified include purpose, the sponsor, a business case, team members, scope and timeline.

At this point we needed to know whether the defined areas were real problems for the internal customers or whether the reports and feedbacks were rather random as well as whether the "sixth sense" of our project team corresponded to the perceived impression of the internal users. For that reason we used the starting point of any Six Sigma project - the Voice of the Customer.

The Voice of the Customer

The Voice of the Customer is a set of tools to translate what the customer of the process in question wants into measurable characteristics, the "CTQ's" (Critical to Quality[3]).

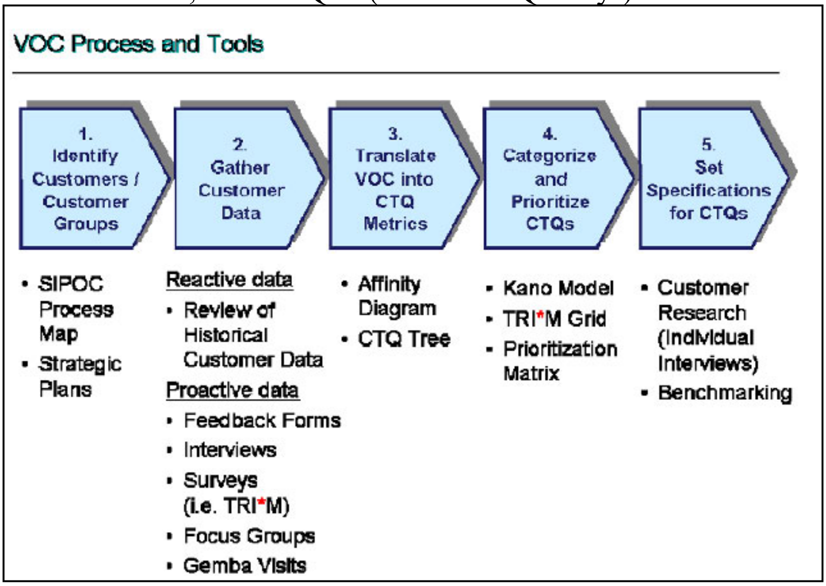

Fig 2: Six Sigma and the Role of the VoC[4]

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[3] Quality attribute that a specific product or service has to fulfill in order to comply with customers' expectations. Harry Mike, Schroeder Richard; Six Sigma, „Prozesse optimieren, Null-Fehler Qualität schaffen, Rendite radikal steigern"; Campus NY; 2000; p. 308

[4] Based on Valeocon and changes by the author; Green Belt Material; "Define-VoC"; Chap. 14; 2004.

The Voice of the Customer should be used to determine the problem and to verify the importance of the metric initially considered. At the beginning we had to clarify what is critical to the process customer. In order to obtain the opinion of the customers, different methods and tools can be used. These tools can be personal interviews with a number of selected customers, feedback forms, surveys, Gemba[5] visits, focus groups etc.

The first thing to do was to identify the customers or the different customer groups. This is done while developing a SIPOC[6] - a high level process map. In this map we had to define clearly who the suppliers of the process were and who the customers, which input was given and which output was being obtained. Also the process itself is briefly described in a SIPOC – with very few process steps, just to give a good overview. The essential thing at this point is to define clearly the start and the end of the process and then define the different customer segments.

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[5] A "Gemba" visit is the method of "going straight to the spot where it happens". This means that the research group of the Six Sigma project or the Belts go to the place – be it a factory or an office – where the specific process takes place in order to obtain a personal impression and spot areas for improvement.
"A Japanese word meaning 'scene of the accident or crime.' However, as construed by Japanese management, it refers to going to the heart of the matter on a regular basis to observe first-hand what is important. More Americanized managers might employ the acronym MBWA (Management by Walking Around). Make it a practice to get away from the home office and go where remote offices, facilities and employees are." Wes Schotten; Hayes Group International in HR Magazine; Society for Human Resource Management; USA, 2004

[6] SIPOC: Suppliers – Input – Process – Output – Customers. You obtain inputs from suppliers, add value through your process, and provide an output that meets or exceeds your customer's requirements.

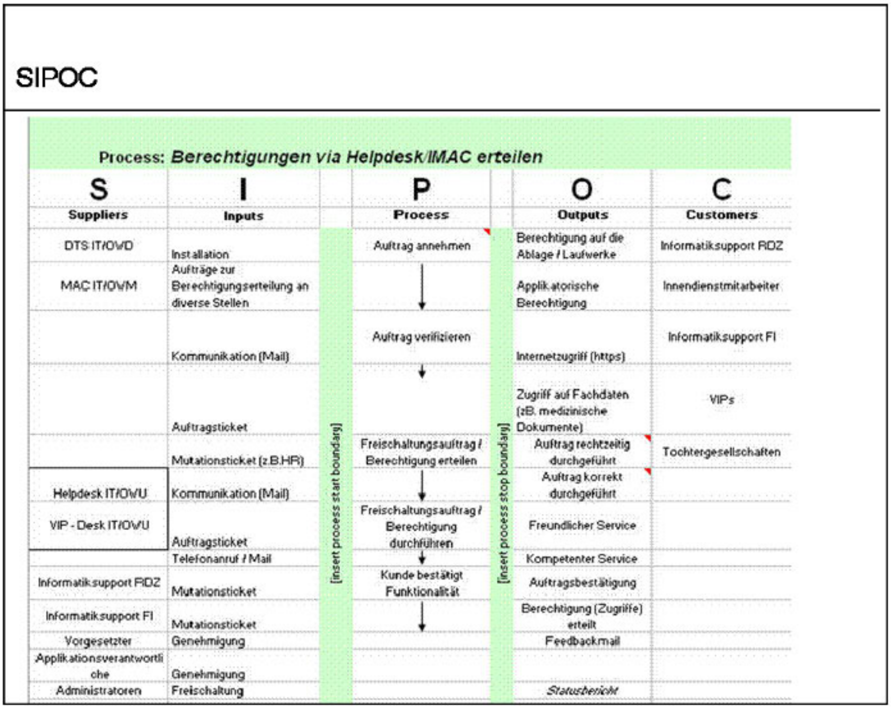

Fig. 3: Development of a SIPOC

This is the typical process you also apply in any TRI*M survey – so that's were the synergies between the two instruments kick in.

In the case of the IT Helpdesk the definition of the customers was quite straightforward. Since the entire staff at Swiss Life was a potential internal customer of the internal IT Helpdesk, we decided to conduct an online survey with a scope which covered the entire Swiss Life employee population in Zurich. We had this opportunity since we carried out the survey together with another department of the Information & Technology unit: the General Services[7].

We chose TRI*M as a method in order to carry out the online survey where all Swiss Life employees in Zurich could participate. One

[7] General Services at Swiss Life as the responsibility to keep the infrastructure of Swiss Life real estate organized and guarantee security. All the housekeeping and technical facilities are also part of that department.

reason why we chose the TRI*M approach was the TRI*M Index which would provide us with adequate benchmarks, another reason was the TRI*M Grid which would help us to prioritize the issues which should be changed in the eyes of the customers.

We then organized some workshops with different groups from the I & T department which are closely involved in the IT Helpdesk processes and started to define the content of the questionnaires, had the programming carried out and organized the communication strategy to announce the survey in more than one communication channel, in order to make sure enough people would participate.

The survey itself and the return rate were successful. When it came to the interpretation of the results we were glad to see that the overall results (the TRI*M Index) was slightly above the average of the benchmark provided. There were, however, areas for improvement which were clearly visible in the TRI*M Grid and which focussed mainly on software and hardware orders and the process of obtaining of access rights to specific data, applications or folders.

Also the area of incident management showed some weaknesses, but in order to keep the project scope clear and narrow, the previously mentioned two processes were defined as problem areas (so called Y's in Six Sigma talk).

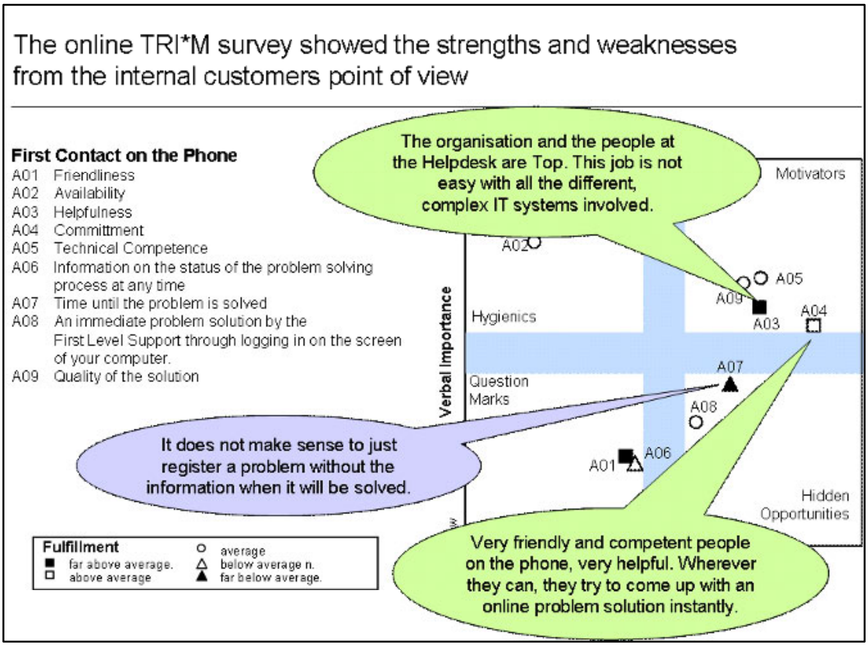

*Fig. 4: Results of the Online TRI*M Survey*

On top of the TRI*M Grid, which showed general fields of improvement or strength, but does not provide causes why customer have that perception, we also analyzed the open statements. A lot of explanations were derived from there and helped us to understand why customers perceived several areas as better or not as good as others and where their preferences were.

At this point we had quite a good impression of what the problems for the customer were, but we had not translated them into easily internally measurable elements (CTQ's).

Critical to Quality (CTQ)

For that reason the so-called CTQ's – the factors which are critical to quality from the customer's point of view – had to be elaborated. The challenge there was to define these factors from the general customer feedback. The customers, however, did not formulate their needs in CTQ's but in rather general statements, such as "The order took too long"; "In order to obtain the right to access a database I had to undergo a very complicated procedure" etc. The translation of these customer statements into measurable CTQ's was challenging and not always easy.

By setting up an affinity diagram the different areas of needs were grouped. Thus, an overview of the needs could be obtained and was fed directly into the process of deriving CTQ's out of the VoC. Here the clusters which could be derived from the TRI*M Grid also helped to categorize the quality elements in a first step.

We then started to identify the main needs the customers had and then derived reasons which would help to obtain the whished results. At the end of this process – the creation of a CTQ tree – the measurable CTQ's have been identified. A common mistake at that stage is to jump from the VoC to immediate solution (the X's) instead of trying to define measurable data which supports a customer friendly solution.

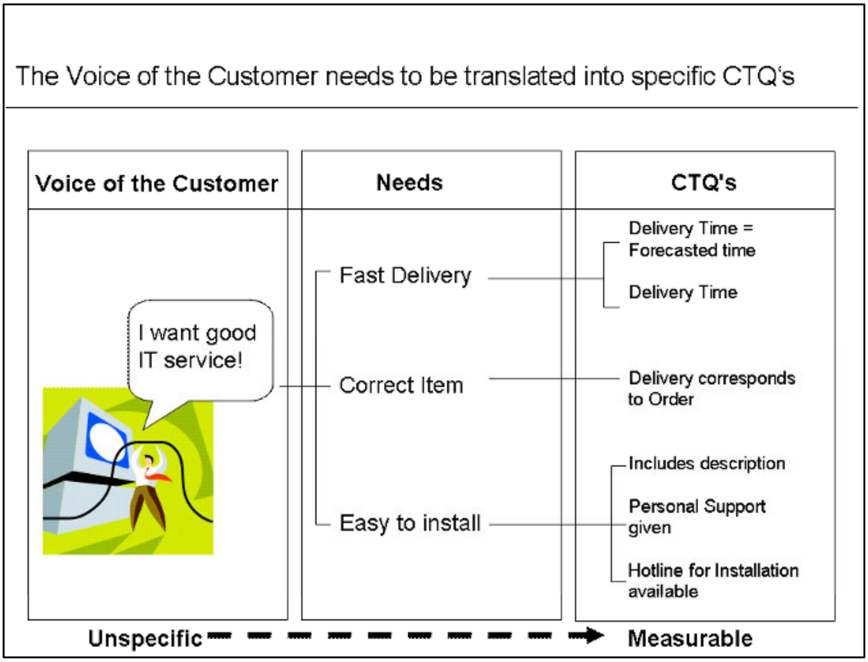

Fig. 5: Translating VoC into CTQ's

The next step in the Six Sigma method is to categorize and prioritize the different CTQ's.

In order to categorize usually the Kano model is used. To prioritize the prioritization matrix as well as the project sponsors opinion is being used.

Having used TRI*M to analyze the voice of the customer we already knew, which CTQ's derived from which items and where these items were situated in the Grid. So we clearly could distinguish between items which were Motivators, Hygienics, Hidden Opportunities and Question Marks. Knowing the prioritization as well as the categorization of the CTQ's made the ranking easier.

Within the project work we also went through the exercise of defining a prioritization matrix which was interesting, but did not provide us with any surprises. The ranking we had derived by analyzing the Grid and the CTQ's derived were the same.

At the end we had defined two main CTQ's which was the delivery time itself and the gap between the forecasted delivery time and the real delivery time.

These were the CTQ's we continued to work on.

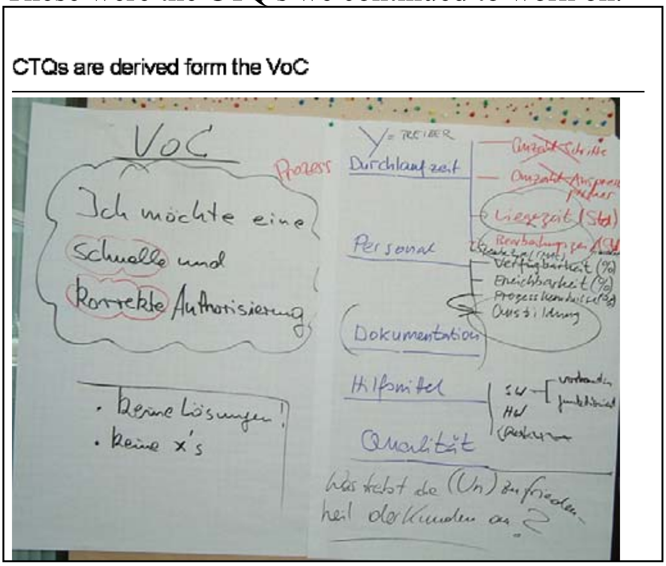

Fig 6: CTQ Tree of Orders

Specifications for CTQ's

In order to be able to calculate a process sigma and to define whether a process is under control or not, it is necessary to identify the specifications for the CTQ's. That is, the limits within the variation which the customer is willing to accept. If the specification limits are not met, the customer is dissatisfied. If the process is moving between the defined specification limits the customer will be satisfied. As soon as the process is exceeding these limits, the customer perceives this as a defect.

There are usually two specification limits – the Upper and the Lower Specification Limit.[8]

In our case the CTQ referred to the delivery time for orders and for obtaining the rights for applications and data. So we had to identify how long a customer was willing to wait. At this point it is again important to differentiate between different segments, since the specification limits might be different not only for different customer groups, but also for different services delivered.

In our case for example the IT staff was much more demanding in terms of delivery time and thus the Upper Specification Limit much tighter, than the ones from the average Swiss Life employee from the business side. On the other hand people were willing to wait much longer for specific software than for commonly used software tools, which should be able to be delivered within a very short time period. The general perception was that the more standardized a product is, the faster delivery should be. The critical issue was also the communication of the expected delivery time, since the communication itself rose expectations at the customers' side, which then had to be met. We found out, that if a specific software piece was hard to obtain the customer would still be satisfied if you communicated him, that he would obtain the ordered piece within a long

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[8] "USL: An upper specification limit, also known as an upper spec limit, or USL, is a value below which performance of a product or process is acceptable. Upper Specific Limit: representing the maximum acceptable value of a variable." "LSL: A lower specification limit is a value above which performance of a product or process is acceptable. This is also known as a lower spec limit or LSL. Lower Specific Limit: representing the minimum acceptable value of a variable." www.isixsigma.com/dictionary; 2003

time period, say three weeks. If, however, the delivery would last three weeks and we had communicated that it would arrive in two weeks, the same customer would be dissatisfied due to unfulfilled expectations.

Data Collection Plan

Once we had identified the CTQ's we mapped the processes and started defining the data collection plan - that is defining the different time stamps when to measure within a process. This is a very lengthy work and most of the data collection had been carried out manually.

This, however, is also common in Six Sigma projects. At the beginning lots of data analysis has to be made manually up to the point where you can prove the need for regularly measuring the process. Only then automated data collection methods are being introduced.

When we started measuring, we also carried out a VAFA[9], whereby each process step was analyzed on whether there was a value added or not. The process steps with no value added for the customer were eliminated.

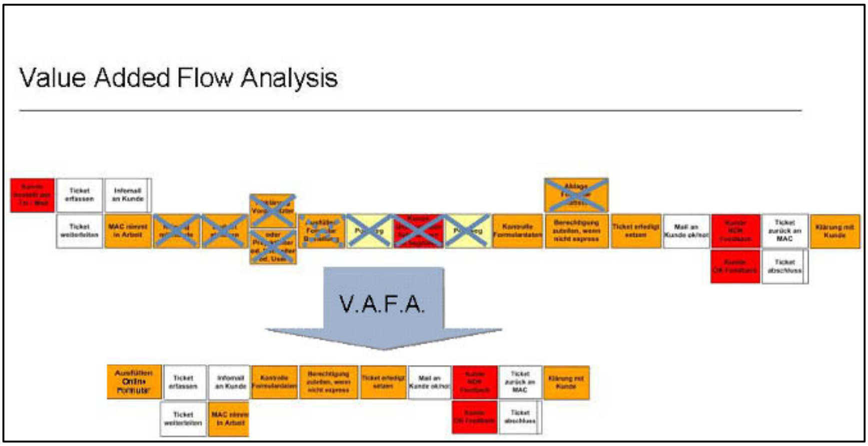

Fig. 7: Carrying out a VAFA

[9] VAFA: Value Added Flow Analysis.

Statistical Analysis

We chose three trial months for the measurement of the defined time stamps in the new process and consequently analyzed this data with different statistical tools in order to identify the highest leverage of action.

While streamlining the process and discussing different new options and opportunities for improvement, several hypothesis were established.

These hypotheses were tested with statistical hypothesis tests, whether the impression we had gained from the analysis was just an exceptional case or whether it was really some reason for the unstable or inefficient process. Soon it became clear that the processes in question involved far too many process loops and media interruptions. The person who ordered a software for example had to write an email. This information was fed in a workflow tool used by the IT Helpdesk, who in returned sent a paper copy of a form by the internal house mail to the person. This form had to be filled out and then to be signed by the superior. In other cases also the data owner or application responsible had to sign separate forms and then send them back via the internal mail. The result was then manually entered in the above mentioned workflow tool and in several other lists such as Excel lists etc. As easily could be seen, this process had streamlining potential.

When the impact of these loops was measured and could be made visible, it was not so hard to convince people to abolish certain process steps.

The New Way to Define the Process

In different creativity workshops and meetings we started to develop a new ordering system by putting the entire order process on the intranet (online forms) and to cut out all the time consuming loops. We still included for example the superior in the ordering loop – without, however, asking him or her for the signature anymore. The superior now receives a notification of the orders which his or her direct reports have been carried out. This was deemed to be sufficient as a valid monitoring instrument.

As soon as all measures have been defined the new, streamlined process has been mapped.

Communication and Implementation

Within the previously carried out stakeholder analysis, the people which had to be informed about the project as well as those people who would be affected by the new way of handling things, had to be informed. For that reason three presentations were organized (each attended by app. 20 people) and the new process was explained and questions were answered. This open and transparent communication has been highly appreciated.

After four months of defining, measuring, analyzing and improving, the implementation started. The new process started to be applied according to the new definitions and the measurements continued in order to check, whether the newly organized process had really improved the cycle time.

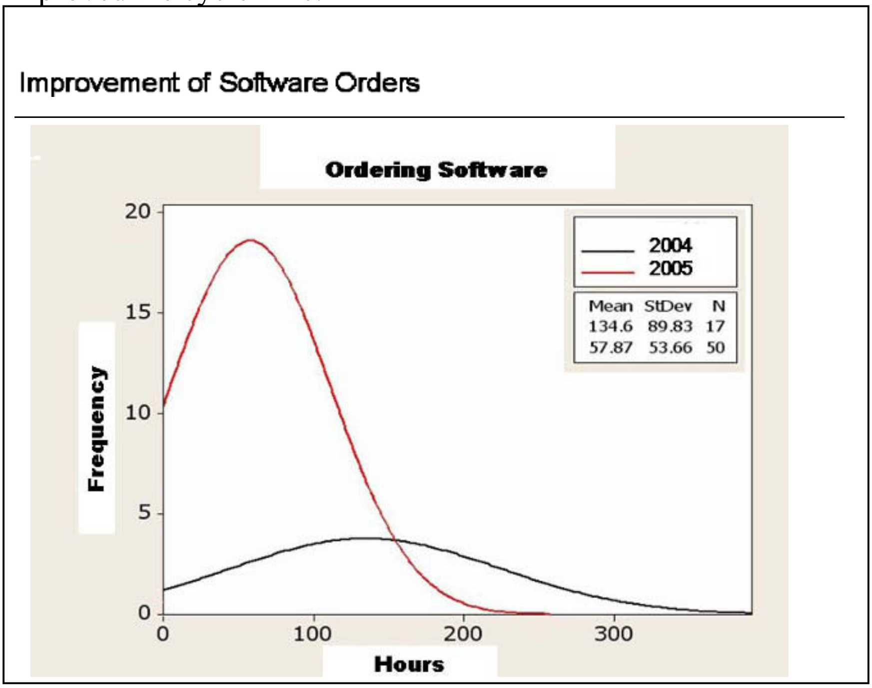

Fig. 8: Improvement of Orders 2004 - 2005

After three months of measuring the new process the first visible improvements could be shown. The delivery time of hardware orders had decreased by 18%, the of software orders even by 58% by improving the process itself. The variation of the process also decreased by 40%.

For the process of obtaining the rights for applications and access to data the average time period decreased by 55% and the variation improved by more than 70%.

Regarding the specification limits also an improvement could be made: In summer 2004 only 81% of the cases have been within the specification limits whereas in spring 2005 97% of all solutions have been found within the two required days. This was an improvement of 20% regarding the fulfillment of the specification limits.

These figures proved that the pilot project applying Six Sigma was successful. At this time more Six Sigma projects are being carried out.

What will be interesting is to continue to monitor the data also in the next months in order to check the sustainability of the processes and its improvements. In spring 2006 the next TRI*M survey is planned. These results will show whether the customers feel that the services of the IT Helpdesk have improved since the last time.

Learnings:

- A customer satisfaction survey is the base for any customer focused process analysis.
- Six Sigma always starts with a VoC, a very suitable tool being TRI*M.
- Continuous monitoring of the VoC, that is the TRI*M results is a prerequisite for sustainable success.

This shows very clearly that TRI*M and Six Sigma can be combined very well in order to meet the customers' needs better, to increase customer satisfaction and to streamline the process and make it more efficient.

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4 Public Sector TRI*M – Helping to Deliver Best Value

Mandy Littlewood, Anna Dudleston

4.1 Introduction

Local authorities throughout the UK have an obligation to strive towards continuous service improvements. In Scotland, these obligations are laid out in the Local Government in Scotland Act (2003). Local authorities are expected to monitor and measure their performance and deliver Best Value across the wide range of public services they offer.

Under the Act, local authorities have a duty to make arrangements that secure best value – that is, continuous improvement in the performance of the local authority's functions. In securing best value, the local authority is required to maintain an appropriate balance of quality in the performance of its functions and the cost of delivering that performance. Local authorities must deliver services with specific emphasis on efficiency; effectiveness; economy and the need to meet the equal opportunity requirements.

Nationally, the Audit Commission has also emphasised the need for residents surveys to determine not simply how satisfied customers are with services but to determine the extent to which customers' needs and expectations are being met.[1] The Audit Commission suggest a 'Gap Analysis' approach which measures actual performance against what a customer believes an 'excellent' service would offer. Though useful in some respects, the Audit Commission work starts from the position that each local authority must aim to deliver

[1] Audit Commission (1999) *Can't get no satisfaction*, Edinburgh

excellence in all that it does. Given the need to deliver Best Value in an efficient, effective and economic way, we would suggest the need to consider the extent to which customers consider services to be important. There is little point in delivering an excellent service in an area that customers do not think is a priority, if the impact might be a failure to deliver a satisfactory service in a more important area.

We wanted to deliver a methodology that helped local authorities to deliver Best Value but also recognised the budget constraints that authorities face in the choices they make. Striving for excellence in everything, while commendable, is not practical. We presented the TRI*M Model as a way of identifying public sector priorities.

The City of Edinburgh Council decided to use TRI*M to explore public perceptions and identify customers' service priorities, as part of an expanding programme of communication and consultation work. The Council recognised the importance of public perceptions in shaping and directing ongoing service developments and improvements. Therefore, the public perceptions work was a crucial component of not just performance monitoring but corporate planning in the medium and longer term.

While the annual tenant or residents survey has provided a great deal of important information, authorities have also become increasingly conscious of the limitations of the approach. This is particularly the case as the focus has shifted from simply measuring perceptions to trying to develop action plans and integrating customers' views into service and budget planning.

One of the main criticisms of the traditional satisfaction survey is that it focuses on service provision from the provider's perspective – how well are we doing what we do? – rather than from the perspective of the consumer. The model we proposed provides an opportunity to change this and identify the aspects of service provision that matter most to customers.

4.2 Study Objectives

The findings of the study were intended to directly inform the Council's proposed Annual Action Plans – setting out the detailed projects and programmes that will deliver the Corporate Plan. It was necessary to ensure that the public perceptions study clearly responded to and build on the key themes identified in the Corporate Plan.

The main objectives of the study were to:

- measure progress towards the achievement of the Council's strategic objectives
- monitor changes in perceptions and performance across time
- identify weaknesses in particular areas of existing service provision and so highlight priorities for improvement within services
- compare the performance of different services.

At the heart of the public sector the TRI*M Model is an assessment of residents' Overall Satisfaction with the Council's services and a measure of the importance and quality of the key aspects of the service. The analysis shows both the importance of individual service attributes and clients' perceptions of how well the Council is performing on these. In summary, the approach we adopted has the following characteristics.

- Measures performance on key indicators
- Identifies key attributes and measure performance
- Identifies customers' priorities and expectations
- Highlights areas for priority action
- Provides an understanding of the variation between different groups of residents
- Provides useful performance indicators to enable ongoing monitoring
- Links to customer care, staff training and communications strategies.

With these issues in mind, TNS Social designed and undertook a large-scale household survey with the purpose of examining public perceptions of the Council but with the added benefit of being able to identify the issues driving these perceptions and changes required to improve perceptions. Overall, 2,101 face-to-face interviews were undertaken by interviewers from TNS. Quotas were used to ensure that the sample of respondents closely reflected the profile of Edinburgh residents overall in terms of age, sex and working status. Around 350 interviews were undertaken in each of six administrative areas.

4.3 Developing the Service Priority Model

User surveys have traditionally focussed on attempting to measure what customers think of current service provision. This is usually done by asking them how satisfied they are with various aspects of the service provided to them by the Council. Although this is an important starting point, restricting this kind of research solely to examining satisfaction tends to produce findings that are difficult to interpret.

If, for example, 65% of respondents express satisfaction with the speed with which repairs are completed while only 35% say they are satisfied with the information provided about how repairs will be dealt with, the latter's lower satisfaction rating would seem to suggest that it requires more urgent attention. However, in the absence of information about the relative importance of each, there is no firm basis for that conclusion. It could be the case that the vast majority of respondents think that speed with which repairs are completed is crucial but do not consider information about how the repair will be dealt with to be at all important. Adding this dimension of importance allows us to provide meaningful interpretations of satisfaction scores and, thereby, identify priorities for action which will have the most significant impact on perceptions of service provision.

4.4 Identifying the Key Aspects of Service Provision

In order to identify which aspects of service provision have the greatest impact on respondents' opinions, TRI*M enables us to determine not only how satisfied residents are with various aspects of service provision but, crucially, how important these aspects are to them. By examining this second dimension of importance, gaps between expectations and day-to-day service provision could be identified and areas for action prioritised.

To allow us to use the TRI*M Analysis in the Council's survey, we asked questions about various aspects of service provision and, in relation to each, asked respondents to indicate how important each one is to them personally and how well they thought the Council performed in relation to each.

However, simply relying on how important respondents consider various aspects of service provision to be could be misleading. The factors that people say are important are not always the things that most influence their opinions. For example, if we were to talk to people about the important factors in their decision about purchasing a car, they might tell us that their new car must be environmentally-friendly. However, when it actually came time to buy the new car, it is likely that how environmentally-friendly it is would not, in fact, be an important consideration in the purchase decision.

To allow us to distinguish between what respondents say is important and what are the key factors that drive their attitudes and opinions, it is important to distinguish between two types of importance

1. Stated Importance – this is the importance that respondents place on the various attributes of service provision when asked directly about them i.e. what respondents say is important to them in the questionnaire.
2. Impact on Real Relevance – this is the impact each of these attributes has on respondents' opinions of the Council. This dimension of importance is derived from statistical analysis and cannot be asked explicitly of respondents.

4.5 Interpreting the Results of the Model

The key to our approach is producing output that is easy for Council staff to interpret and highlights key areas for action, factors often lacking in traditional attitude research. To explain the survey results in relation to the two dimensions of importance outlined above, we created classic TRI*M Grids in two-dimensional space as shown in figure 1.

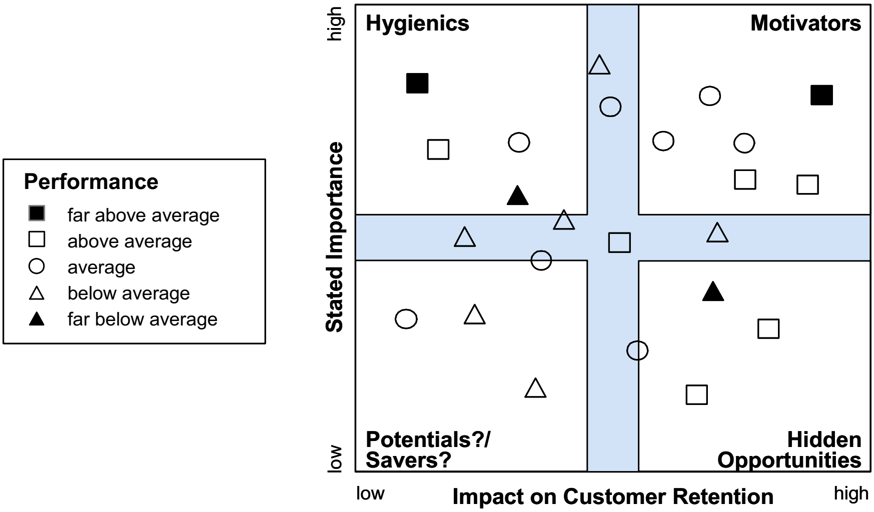

*Fig. 1: The Analysis TRI*M Grid*

As shown in figure 1, this two-dimensional space (or Analysis TRI*M Grid) is segmented into four quadrants, each having specific relevance to respondents' attitudes towards and opinions of the Council –

- Motivators – in this quadrant, both Stated Importance and Real Relevance are high. Attributes which fall into this quadrant are not only rated as being important by respondents when asked about them directly in the questionnaire but are also shown by statistical analysis to have a real impact on their attitudes. Attributes falling into this quadrant are crucial to respondents' perceptions of the service provided to them by the Council. An example might be the effectiveness of street cleaning.

- Hidden Opportunities – although not generally perceived as important (i.e. having a low Stated Importance), these attributes are, in fact, shown to have a real impact on respondents. These represent real opportunities to impact positively on attitudes towards the Council. An example might be the ways the Council communicates with its residents.
- Hygienics – these are the areas that respondents often rate as highly important (i.e. Stated Importance is high), however, analysis shows they actually have relatively little impact on attitudes and opinions (i.e. Real Relevance is low). These attributes basically represent the essentials of service delivery. An example might be providing street lighting, once the basics have been provided, further improvement has limited impact.
- Potentials?/Savers? – in this quadrant, both Stated Importance and Real Relevance are low. Attributes falling into this quadrant have little impact on respondents' perceptions of service delivery. An example might be having good facilities in Council offices.

The next stage is to map the various attributes onto this Analysis TRI*M Grid according to their Stated Importance (which determines their position on the y-axis) and Real Relevance (which determines their position on the x-axis).

The final stage is to assign a symbol to each attribute that shows how respondents rated the Council's performance on the particular attribute.

4.6 Analysing the Council's Performance

In the analysis of results we first consider the overall service provided by the Council as a whole – looking at the relative importance and perceived performance of a whole range of Council services to assess overall service priorities. We then examine specific services or sets of services to assess service priorities and improvements for the different Council services. As the TRI*M Model works by assessing the relative importance of attributes against each other, in some cases the services will be positioned and rated differently within the Overall TRI*M Grid and the service specific Grids.

Figure 1 summarises the relative performance of a range of Council services and how the different attributes of these services impact on Overall Satisfaction with the Council. The aim is to look behind the views on satisfaction and value for money to see which factors drive these views. The TRI*M Grid shown is based on the forty different service elements shown in the key below the Grid. The elements span several different Council departments and services but do not include all services provided by the Council.

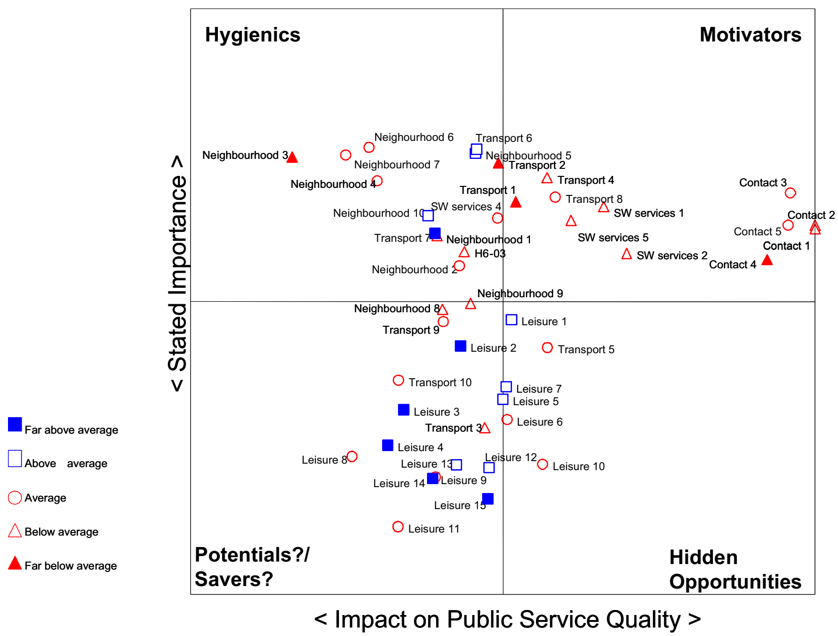

*Fig. 2: TRI*M Grid for All Residents*

Key to Services

Neighbourhood issues	Travel and transport issues
Neighbour 1 Area free of litter **Neighbour 2** Grassy areas tidy and well kept **Neighbour 3** Area free of dog dirt **Neighbour 4** Free of vandalism/graffiti **Neighbour 5** Vermin/pests controlles **Neighbour 6** Feel safe walking at night **Neighbour 7** Low risk of burglary/car crime **Neighbour 8** Somewhere for children to play **Neighbour 9** Jobs for local people **Neighbour 10** Local shops and services	**Transport 1** Maintenance of roads **Transport 2** Maintenance of footpaths and pavements **Transport 3** Providing and maintaining cycle ways **Transport 4** Snow/ice-clearing and gritting **Transport 5** Financial support for buses **Transport 6** Maintaining street lighting **Transport 7** School crossing patrols **Transport 8** Improving road safety **Transport 9** 20mph and traffic calming **Transport 10** Regulating and enforcing parking restrictions
Contacting the Council	**Care services**
Contact 1 You can get things done with a quick phone call **Contact 2** It is clear who to contact for queries **Contact 3** Staff know how to deal with queries	**SW services 1** Support at home for vulnerable/elderly **SW services 2** Access to housing and housing support **SW services 3** Work between agencies to support children

Contact 4 The Council keeps you informed about ongoing problems or queries **Contact 5** Things are explained in plain language	**SW services 4** Support for children with disabilities **SW services 5** Support for children who cannot live with their own families
Leisure and learning	
Leisure 1 Parks **Leisure 2** Library **Leisure 3** Museums **Leisure 4** Theatres **Leisure 5** Sports Centres **Leisure 6** Playgrounds **Leisure 7** Swimming pools **Leisure 8** Sports pitches **Leisure 9** Community Centres **Leisure 10** Out of school activities **Leisure 11** Public Internet Access **Leisure 12** Adult Education **Leisure 13** Learning opportunities **Leisure 14** Festivals **Leisure 15** Christmas events	

In terms of service provision, six service elements are rated far above average (in relation to the other services provided by the Council) as represented by a black square in the Grid. They are as follows:

- Organising Christmas Events – The 'Capital Christmas' and Hogmanay
- Organising Festivals throughout the year
- Theatres
- Libraries
- Museums
- School crossing patrols

Conversely, the Council are rated as well below average (in relation to their provision of other services) in relation to four elements – indicated on the Grid by a dark triangle. These service elements are as follows:

- The Council keeping individual residents informed about ongoing problems or queries
- Maintenance of roads
- Maintenance of footpaths and pavements
- Keeping areas free from dog dirt

Service Priorities

However, knowing which service elements the Council is seen as performing above and below average is not enough to decide which services should be prioritised in order to increase satisfaction. The Council might be seen as excellent at organising the Edinburgh Festival and Hogmanay events but this particular element is not a key driver of Overall Satisfaction.

The key to using the Grid to target service improvements is to focus on elements most likely to impact on Overall Satisfaction (those in the top right quadrant or near the border) which the are currently perceived to be performing poorly (blank or black triangle). For longer term planning, it would also be prudent for the Council to look at plans for improving those which are currently average (a circle) and make sure those which are currently performing well are maintained at their current levels.

Additionally, it is well worth considering giving priority to elements which fall into the ‘Hidden Opportunities’ quadrant (bottom right quadrant) although not generally perceived as important (i.e. having a low Stated Importance), these attributes are, in fact, shown to have a real impact on respondents. These represent real opportunities to impact positively on attitudes towards the Council.

From figure 3 this means that the following service elements should be prioritised for improvement as they are currently seen as performing poorly (well below average) and are clear drivers of Overall Satisfaction:

- The Council keeps you informed about ongoing queries or problems
- Maintenance of roads
- Maintenance of pavements and footpaths

Next level priority should be given to elements currently performing below average and in or near the top right quadrant:

- Being able to get things done quickly with a telephone call
- It being clear who to contact about specific problems or queries
- Having access to the right kind of housing and housing support to meet needs
- Support at home and in the community for vulnerable and older people
- Support for children who can’t live with their own families

Clearly, the response to these issues has differential budget impacts, with the need to provide more information to residents with ongoing queries or problems having less resource implication than spending on the maintenance of roads and footpaths across the city, for instance.

Several elements relating to the provision of services to vulnerable people within the community appear in the list above. However, it is probable that many residents perceptions of these services are not based on experience - it might be that priority needs to be given to raising awareness of the support provided is needed rather than necessarily considerable changes made to service provision. A high proportion of respondents said they did not know how well the Council performed in relation to such services.

There are also some attributes that appear to be key overall drivers of satisfaction for which the Council currently performs averagely. Improvement in these areas could have a positive impact on Overall Satisfaction.

- Improving road safety
- Having Council staff who know how to deal with queries
- Having things explained in plain language

There are also three service elements in the ‘Hidden Opportunities’ quadrant which appear to have a correlation with Overall Satisfaction but for which the Council is currently performing at an average level as follows:

- Financial support for buses
- Playgrounds
- Out of school activities (sports, play schemes, homework clubs)

Although service elements fall into either the ‘Hygienics’ or ‘Potentials?/Savers?’quadrants does NOT mean that they are not important services – it rather means that they have relatively little impact on attitudes and opinions – for example, improving museums is not likely to have a positive impact on Overall Satisfaction with the Council.

Specific Services

Here we have separately presented the detailed analysis conducted for the Council in three key service areas – neighbourhood services, contacting the Council and travel and transport.

Neighbourhood Services

The TRI*M Grid below shows the relative importance of the various neighbourhood attributes and services included in the questionnaire, as well as how highly they were rated by residents (indicated by the various symbols – see key next to Grid).

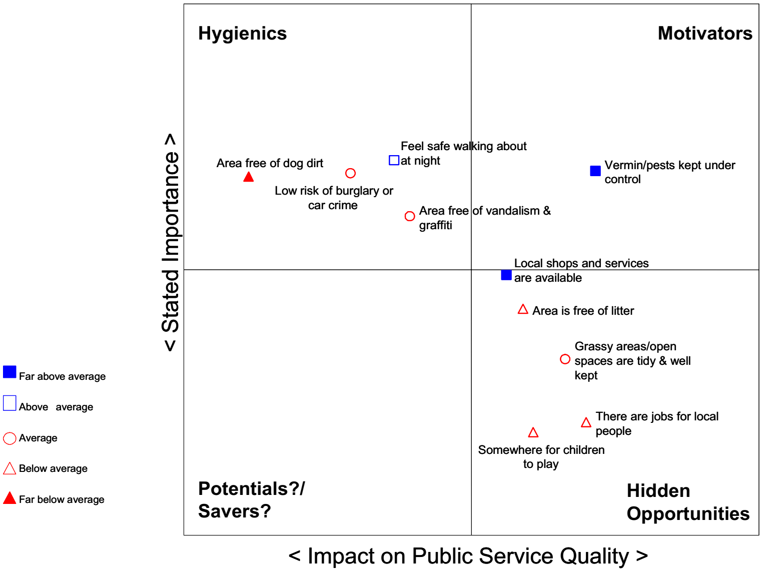

*Fig. 3: TRI*M Grid for Neighbourhood Characteristics and Services*

As shown in figure 3, aspects of the neighbourhood emerge as very important overall, with no attributes in the 'Potentials?/Savers?' quadrant. In fact, neighbourhood or community related issues tend to cluster in the 'Hygienics' and Hidden Opportunity' quadrants. These are key areas to maintain or increase investment, particularly in relation to the 'Hidden Opportunities'; the area being free of litter, jobs for local people and there being somewhere for children to play.

These were all rated relatively poorly (as indicated by the triangle symbols). Further, although these three areas were not rated as being as important as other aspects of their local neighbourhood by residents (they have relatively low Stated Importance), in fact, statistical analysis shows that these areas do appear to have an impact on Overall Satisfaction with the Council. Thus improving these areas should have a positive impact on overall perceptions of Council services.

Contact with the Council

A key area of customer care is the contact and communication between the Council and residents. Figure 4 shows the relative performance of the Council in terms of contact with residents. Communication with the Council was rated relatively poorly in terms of enabling residents to get things done with a quick 'phone call, and satisfaction with this factor impacted on residents' Overall Satisfaction. This suggests that focusing on to the time taken to deal with (simple) queries would have a beneficial impact on resident's perception of the Council. There would also be some benefits in providing more or clearer information about which department to contact for different types of problem as better performance on this would be likely to improve Overall Satisfaction levels.

Although being kept informed about ongoing issues does not have a significant impact on Overall Satisfaction, it is an area that the Council is performing less well in and therefore may wish to review. This measure may also relate the 'getting things done with a quick 'phone call issue. If the Council resolves the responsiveness during phone calls, the need for better performance in relation to ongoing issues becomes less important.

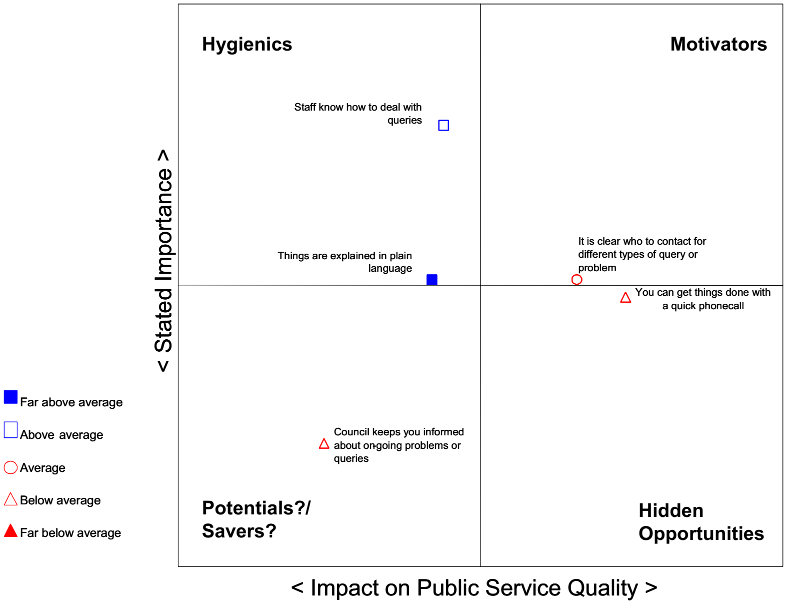

*Fig. 4: TRI*M Grid Relating to Contact with the Council*

Travel and Transport

The Grid for travel and transport issues shows good performance on two ‘Hygienics’ services - the provision of school crossing patrols and maintaining street lighting. Most other services are considered to be ‘average’ except maintenance of roads and maintenance of footpaths that are well below average. These are key areas for future investment. More investment in snow and ice clearing/gritting and improving road safety may also improve these areas to above average scores. Also, in terms of the relative importance of policies, the Council may take the view that improving road safety directly and by virtue of winter snow and ice clearing and gritting is more important. Improving these services alongside the ongoing maintenance of pavements, footpaths and roads is likely to have a clear impact on Overall Satisfaction.

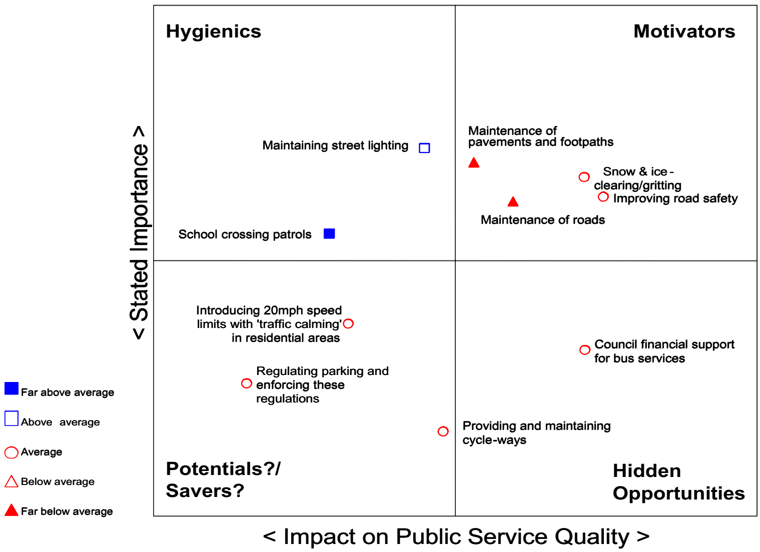

*Fig. 5: TRI*M Grid for Travel and Transport Services*

Council financial support for bus services appears to have lower Stated Importance but high Real Relevance. The Council is only rated as ‘average’ in provision of this service so it is important to make sure service in this area is at least maintained (if not improved) as it does have an impact on Overall Satisfaction.

The positioning of the introduction of 20 mph speed limits and regulating and enforcing parking relations in the bottom left quadrant of the Grid indicates that the Council’s performance in these areas may not have a significant impact on resident’s overall attitudes and opinions. This does not mean that it is not an important issue – particularly for some residents – just that it is not likely to impact greatly on overall perceptions of the Council’s Overall Performance.

Conclusions

In the provision of local services, local authorities are in the unenviable position of being required to allocate scarce public resources in an efficient and effective way across a wide range of competing services. Local authorities also need to fulfil their commitment to continuous improvement in public services and the delivery of Best Value, while keeping public expenditure within reasonable limits.

The results shown above demonstrate how the Council can prioritise resources in the short and medium term. We have suggested concentrating efforts of the areas that appear to be most important for customers (with high Stated Importance and high Real Relevance) but which the Council is not excelling at the moment. We have also suggested secondary emphasis to be placed on 'Hidden Opportunities'.

Of course, local authorities always need to counterbalance their own strategic and policy objectives alongside public opinion. It may be that political imperatives mean that resources need to be directed towards some 'Hygienics' or 'Potentials?/Savers?' areas. These may be key policy areas, such as traffic calming in residential areas, improving communication with customers and tackling crime and fear of crime.

This paper shows how the TRI*M Analysis can also be used to inform the budgeting priorities local authorities must make, allowing them to spend their available resources in areas that would appear to be of most concern to local residents and impact most on their views of the Council's performance. Using TRI*M as a service prioritisation tool can, therefore, directly contribute to the goals of continuous improvement and the delivery of Best Value services.

5 Customer Satisfaction with Commerzbank's Retail Banking

Michael Schroth

5.1 10 Years of TRI*M – A Report of Past Experiences

5.1.1 TRI*M Development Process Within the Commerzbank

For more than ten years now, Commerzbank has used the TRI*M Monitoring Tool in a very successful way.

However, a tool like TRI*M is similar to a small autonomous company, that is, in order to be successful it cannot afford to ignore constant change, but rather, has to be continually adapted to changing conditions on both the customers' and the corporation's side. Even though basic aims remain largely unchanged, episodic structural changes and the processes of adaptation that result in the "large" corporation, influence this small TRI*M company on a multitude of levels.

It is for this reason, that I would like to discuss in this document, the process of development of this tool in our corporation; including necessary adjustments, related problems, and their solutions. It is my intention to describe to the reader, very simple practical steps, for day-to-day working with this tool; moreover, I am confident that at several points in this document, some TRI*M users will recognise their own queries, problems and experiences.

TRI*M's methodical approach is undoubtedly excellent; but, this type of tool can only continue to thrive and survive in a corporation, if the necessary and frequently quite simple steps required for targeted application and implementation, are continuously used and adjusted in a pragmatic manner; and more importantly, geared towards sales.

We started out with a company-wide TRI*M study in 1993. In the first year, we had representative, very interesting results indeed, based on a survey across the whole banking group. Due to the relatively large sample, of approximately 3,000 surveyed customers, we were able to analyse the data using all the classic approaches, thus enabling a split into different sub-groups of targeted criteria, e.g. sociodemographic and bank-specific segment criteria such as customer types, revenue categories and product usage.

In the case of banking-specific analysis criteria it was of course necessary to include these attributes to the survey - either beforehand or afterwards - using internal databases, as customers were not always aware of these details or not able to disclose these details, or indeed not willing to divulge them.

This procedure happened on two levels, whereby the sampling process was initially split in line with our targeted sales-groups, namely: individual customers, retail customers and small business customers. The need to achieve an adequate response rate for “smaller” segments, which would include in our case small business customers, was an important reason for this approach.

Information relating to customers’ product usage or annual revenue was only merged into the raw data after the end of fieldwork, for the benefit of Data Protection (DP). Although it would obviously be better to simply include the data as fields of the individual record during the sampling process, this was at that time not possible, either for reasons related to DP (e.g. the sampling application accessed different urns of source data), or, in any case the procedure had had to be done over the course of two sampling runs.

Furthermore, it made also more sense to merge in data - related to the customer’s annual revenue for the running year - at the end of the year, i.e. at the point when the TRI*M Survey data was actually analysed, rather than during sampling, as annual revenue can only be determined at the end of the year; or as may be the case, is much simpler to estimate based on 10 months rather than just 3 to 4 months.

Up to the present day, we have kept the structure of content for this company-wide banking survey largely unchanged. Although adjustments relating to specific details within the list of questions (e.g. modifications/ additions to performance/ rating criteria) were obviously made during the course of previous years.

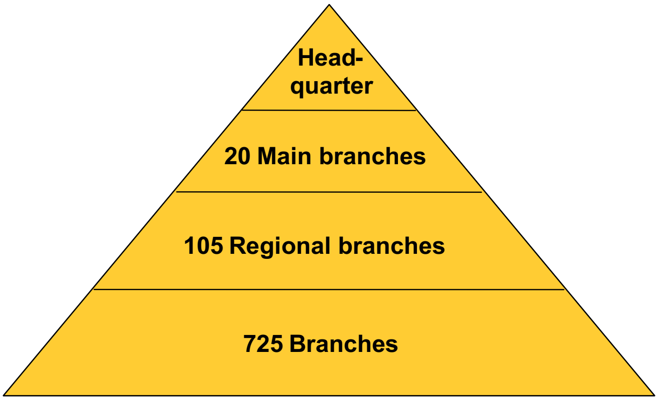

*Fig. 1: Form and Structure of Commerzbank's TRI*M Survey*

Commerzbank's retail banking sector has for quite some time been controlled via regional sales units: regional headquarters, main regional branch and local branch (see: figure 1, for Commerzbank's Regional Sales Structure).

Most marketing or sales managers are painfully aware of how the findings and assessments of company-wide surveys are received by the individual sales units when it comes to monitoring these units. Naturally, this applies not only to findings derived from customer satisfaction surveys, even though some target segments can be separated out; on each occasion the following problems continually arise.

Naturally, sales managers responsible for a specific sales unit (e.g. regional branch areas) always view their own units as performing much better than “that” company-wide average, which has always been brought down by “some other” (worse-performing) sales units. Unfortunately, with the findings from a survey that collects data across the whole of a corporation, this sentiment cannot be disproved.

Even when results are broken down into areas (Commerzbank has a total of 20 areas reporting to their main regional branches), the range can vary to such a great extent based both on regions and the branches within them. Thus, it is clearly not possible to assume low ratings for all regions or branches within an area, based on a low rating for the overall area.

This meant that, in order to use TRI*M as a monitoring tool also in the sales context, it was imperative that regional results needed to be split by sales units far more strictly – by branch areas if at all possible, and at the very least by regional branch areas.

This was then, a very important step, which we implemented two years after the general commencement of TRI*M at Commerzbank.

We have retained the option of splitting by region until the present day – albeit with a number of stronger modifications.

Apart from the two “classic” Commerzbank customer satisfaction surveys (company-wide TRI*M and regional TRI*M), we also established in the years that followed a TRI*M Survey for our subsidiary: comdirect-Bank.

Six years ago the “retail banking” business sector, set up a customer satisfaction survey that is now repeated at regular intervals. We have also conducted product-specific TRI*M Surveys (see figure 2) for

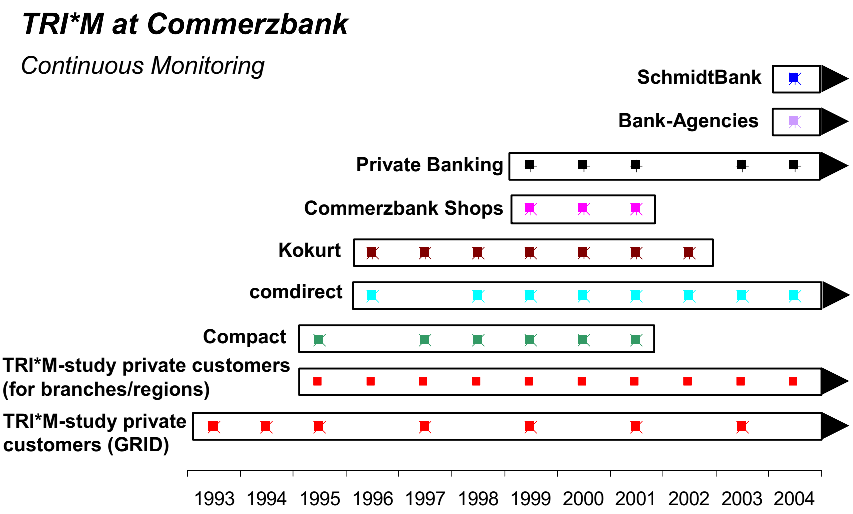

Fig. 2

certain complex products e.g. standardised asset management (Compact). It is not my intention to discuss these specific "customizations" of our TRI*M Surveys within the Commerzbank group any further. I have merely mentioned them for the sake of being comprehensive; in order to illustrate that at Commerzbank we are using the TRI*M Methodology in both a very intensive and far-reaching manner.

The main intention of my article is to provide a detailed sketch of the development and questions and problems that arose due to the practical implementation of TRI*M in the business sector of retail banking. Finally, I will give a brief outline of those future applications that are currently planned.

Our company-wide TRI*M Survey was initially based on postal questionnaires, which presented itself as a "cost-saving" alternative for the years to come, particularly compared to the very extensive survey at branch-level, due to the raw sample).

For the survey at branch-level, the raw sample had to be increased by several multiples, in order to achieve a result of at least 100 responses per branch (which was our minimum requirement for analysis).

As a result, we posted a total of more than 800,000 letters to our customers in 1995, the year we began analysis of the TRI*M Survey down to branch-level. At the same time, the questionnaire differentiated between the company-wide survey and the branch survey. In the context of the TRI*M Grid, we asked questions regarding the importance of aspects in the company-wide question-naires only – the so-called "long version". There were generally between 2000 and 3000 completed questionnaires. We no longer asked about the relevance of individual aspects in the branch-level surveys. In this "short version" of the questionnaire, apart from the standard TRI*M Questions, we confined ourselves two questions concerning the satisfaction with individual aspects.

This obviously assumed (an assumption duly justified by many years of experience) that the relevance of aspects was almost identical amongst Commerzbank customers throughout Germany. We were also able to support this assumption with the fact that, with respect to aspects, no notable differences were apparent between different federal states in regional splits; based on the sample of the company-wide survey.

As is usually the case with postal surveys, response rates proved to be a fundamental problem. To ensure a representative spread as well as for reasons of cost, we were naturally concerned to achieve as high a response rate as possible. Meaning, that we had to increase the respondents' motivation to complete and post the questionnaire by, for example, offering incentives. With this in mind, we tested several alternatives during the first years of TRI*M Surveys at branch-level.

The initial incentive concept we employed for the postal survey proved very costly (both in financial terms and in terms of time consumed) and was a prize-draw for very valuable prizes indeed. This concept, however, resulted in the highest response rates achieved.

In one year, for example, the first prize in the draw was a Mercedes and the second and third prizes were holidays abroad. In this specific case we were able to achieve an average response rate well in excess of 20%.

During the following years, we “only” offered holidays as the top three prizes and some smaller prizes consisted of consumer goods. Here, the response rate was still over 15%. In both of these scenarios, however, the expense of processing was very high (apart from the direct cost of the incentives, considerable resources in terms of personnel and time were needed to be committed). For this reason, these types of incentives were discontinued in the years that followed (largely due to reasons of limited capacities in terms of personnel, and the highly complex administrative requirements entailed; rather than due to considerations of cost).

In subsequent years, we mostly worked with altruistic incentives: donations to charitable organisations. Customers were informed in the covering letter, that we would donate a fixed amount (usually between 1-3 Euros) to a charitable institution for each returned questionnaire.

With this approach, the response rates were no longer quite as high, but still reached 10 to 12%. One reason for us to continue with these kinds of incentives to this day was the limited amount of time required to internally administrate them.

In addition to this, we were able to market these incentives in terms of PR (e.g. press releases regarding the handing over a cheque to a particular charitable institution); which is definitely an advantage in terms of our public image.

During the postal survey, we tested a concept for the so-called “short version” of the questionnaire, which involved a slightly enlarged postcard (nonetheless, in a stamped return envelope). Behind this was the hypothesis that the shorter and simpler the questionnaire, the higher the response rate. This however, did not in fact turn out to be the case. This reply card consisted of only 4 TRI*M Questions and the 6 most important aspects from the Commerzbank’s TRI*M Grid as its content, really very short, and completion would take a respondent under three minutes.

In spite of this, the response rate reached only 8% and consequently was far lower than expected. The agency conducting the survey, TNS Infratest, believes that a possible reason for this is may be an assumption by many customers of a low importance with regard to the topic at hand, due to the very fact that it is presented to them in postcard format; and thus they decide not to bother to reply, as they do not deem completion to be of any importance.

This experience made us decide to revert in the years that followed to the original format, of two A4-sized pages; and this is the very format that we have continued to employ, in our postal surveys up to the present day.

During the course of 2000 and 2001, Commerzbank's branch network underwent a period of downsizing and structural change.

On the one hand, more than 200 branches were closed or merged with other branches; while on the other, specific consulting services (e.g. mortgages) were combined in so-called consultation centres, so that one consultation centre could be responsible for several branches.

As a matter of course, this had considerable consequences for our survey, which had to be adjusted both in terms of sampling and analysis. We could now no longer be certain, when we asked a customer about their satisfaction or dissatisfaction, whether a low rating at the TRI*M Questions was due to negative experiences at their account-holding branch (the branch at which the customers generally conduct their business), or whether this was due to a bad consultation received from a consultation centre.

While it would most definitely have been possible, to portray these structural changes in the questionnaire while incorporating an appropriate method of differentiation, this, however, would also have entailed difficulties in terms of survey methodology and would probably not have been wholly comprehensible from the customers' perspective. As well as making the questionnaire less clearly structured, it would have also increased the survey's length even further; such changes would constitute a considerable hindrance to the postal survey's response rate.

There is also though, another consideration: the expense of posting the letters containing the questionnaires. In 2000, we achieved a total of approximately 130,000 returned responses, from a mail-out of slightly less than a million letters.

In 2001, taking the aforementioned into account, we completely revised the survey in conjunction with TNS Infratest with respect to sampling (both in terms of sample size and structure).

Commerzbank used to have well in excess of 900 branches, but following restructuring this figure has dropped to 725. These branches are assigned to regions, and dependant on size each region comprises 5-10 branches, and 1-2 consultation centres, which contain highly trained specialists with responsibilities for more complex consultations (e.g. mortgages, fund/asset management) and for the customers of all branches of the region in question. These regions themselves were combined into a total of 20 areas (see illustration 1).

We then decided to make these regions, numbering a total of 105 (=areas of main regional branches), the smallest unit of analysis and no longer the branches themselves, as had previously been the case.

We wanted to achieve a minimum of 100 valid interviews in each of these regions. Thus, we were aiming for a total of at least 11,000 completed interviews per year.

This was a tenth of what we previously had to process and spent on postage.

Each of the head branches of our 20 areas (these are the sales areas, each of which is responsible for several regions) received the results for the separate regions in their area.

These results indicated, with regard to the TRI*M Index, the 4 separate TRI*M Questions and the most important performance-related aspects, on the one hand the changes of the individual regions compared to the previous year; and on the other hand deviations from the overall average, across the whole of the company (see figure 3).

This regional level of analysis has also been retained to the present day.

5.1.2 Postal Surveys or Telephone Surveys?

One topic, which was a subject of regular discussion at our company, was the form of conducting interviews. We started TRI*M as a postal survey. In the years to come, fieldwork by phone was also considered as an alternative, but time and again we decided against this approach. Partly due to the increased cost (which, in hindsight, would really not have been that excessive), but also due to the possibility of negative reactions from customers (passing on contact details to a market research agency is a sensitive topic, especially when it comes to the customers of banks).

However, in 2001, in spite of these concerns, we decided to try and conduct part of our customer satisfaction survey by phone.

In order to alleviate the problem of the sensitivity over the passing on of contact details, the customers selected during the sampling process, received written information in advance. This stated that they were to be contacted by TNS Infratest during the course of the following weeks, and asked to participate in an interview. The customers were offered the option to call a hotline, prominently displayed in the letter, in order to either refuse participation or to gain further information about the survey from Commerzbank.

Contrary to our initial expectations, with only a few exceptions, customer reaction was moderate. Relatively few customers requested to be removed from the survey, and others – the majority in fact – wanted simply to get more detailed information e.g. confirmation that the survey was genuinely anonymous.

Additionally, some customers directly called their consultant at their local branch (naturally, consultants had been internally informed regarding the survey) to confirm that it was a bona fide enterprise i.e. a legitimate survey sponsored by Commerzbank. Proactive consultants geared towards sales, used this opportunity to talk to the customers about new offers – which was quite a pleasant side effect from the point of view of sales.

The phone number cited in the letter, connected callers to our call centre, which had received in advance documentation relevant to the exercise, containing both potential queries that might arise, and corresponding answers to these. Over the years, we were able to fine-tune this documentation to such an extent, that the call centre is now pre-prepared for almost any queries a customer might have.

Only a very small number of calls were received from annoyed customers seeking to complain about our intention to pass on their contact details to a market research agency. Yet even with these individuals, it was possible to either change their perspective during the course of the telephone conversation; or at least offer them some reassurance.

TNS Infratest then conducted a total of 36,000 telephone interviews for Commerzbank during 2001, which constituted a response rate of almost 50% of the total sample. With this kind of response rate, sample distribution by specific regions or target segments was superior to that encountered with postal surveys; which proved to be a considerable advantage, as it resulted in significantly less effort being required for weighting the data.

As a result, we currently conduct our TRI*M Survey partly by phone and partly using postal questionnaires.

Nevertheless, the postal survey still constitutes a slightly lesser expense, as the telephone interviews also involve informing prospective respondents in writing, and thus incur both postage and telephony costs; as opposed to the sole cost of just a letter and return postage. (Notwithstanding the fact of a much larger mail-out volume due to an expected response rate of less than 10%). Nonetheless, the amount of internal time required for conducting a postal survey is much higher, which is a fact frequently neither precisely considered or factored, when calculating overall costs.

There is also, apart from cost, another important reason for continuing to conduct part of our TRI*M Survey by post.

As part of our internal data mining efforts at Commerzbank, we aim to continually feed information about our customers' satisfaction into our 'data mart' on a 1:1 basis (not via a data matching model – more on this later!); in order to, for example, directly identify dissatisfied customers and react appropriately.

This direct feed of satisfaction-related information also enables us to improve our lost-customer index; which is continually calculated as part of our data mining efforts.

In addition to this, we have provided the option for customers of a tick-box within the postal survey, to indicate if they want to be contacted by their consultant – irrespective of whether they are satisfied or not.

Customer IDs are printed on the postal questionnaires, and this visibility to the customer, increases their awareness that data is not collected in an anonymous manner. In addition, this is also implied by the above-mentioned option for the customers to tick whether they wanted to be contacted by their consultant.

For customers who tick this question, we provide in the DP-based sales-information system corresponding information to the relevant customer service representatives at branch-level. They can then contact these customers directly, and thus will also be provided with a good basis for a cross-selling conversation.

Additionally, we have also combined sales-information with a corresponding remark to the relevant consultants responsible, for all customers who have ticked “less than satisfied” or “dissatisfied” at the question asking about satisfaction. In this case also, through the ensuing conversation, the consultants have been tasked with approaching the customers and establishing the reasons for their rating. We have had quite positive reactions from this approach, as with the method mentioned above.

In many cases, it was possible to resolve the concerning issues during an open conversation, and quite often, this conversation has been successfully used to sell another financial product, or to increase the present level of assets.

In this regard, we have been able to make an observation based on further analysis; or rather we have been able to confirm a finding that will surely be familiar to experts in the area of TQM. Notably, dissatisfied customers, who had a conversation with their consultants, did not leave in the following quarter. Conversely, as expected, we found that the rate of lost customers during the quarter following the survey was decidedly above average, amongst those dissatisfied customers who were not approached by their consultants (in comparison with normally incurred customer loss).

However, amongst those that were approached, we recorded a notably higher rate of lost customers in the next quarter: which apparently occurred in cases where the conversation with the consultant did not lead to either a positive development or action.

For us, this is an indication, particularly in the context of our complaints management procedure, that it is crucial to take ownership for a problem resolution, both in a timely and satisfactory manner, from the customers' perspective.

Using this approach, in addition to its purpose as a tool for making both strategic and tactical business decisions, we have created the opportunity of utilising the TRI*M Survey in day-to-day operations, in a successful targeted manner.

Another application made possible by the postal (non-anonymous) survey, is the capability now to, for instance, observe how within our company dissatisfied customers are dealt with during the course of time. In this way, we can precisely monitor at what point in time, which of these customers terminate their business, cancel certain products, or withdraw larger assets.

As expected, an initial analysis showed that dissatisfied customers much more frequently terminated their business i.e. they completely cut all ties to the bank. In numerous cases (although at this stage this is still a hypothesis) it appears that they initiate this “process of disassociation” with the cancelling of individual products and a reduction in the size of their assets.

By utilising the information that a customer’s dissatisfaction is most likely a reason for his or her action, we are able to influence this development through the consultant; and, in many cases, facilitate positive change.

5.1.3 Communicating the Results

Communicating the results in a manner geared towards different audiences, is of paramount importance for implementing the results and findings of the TRI*M Survey. At Commerzbank, this is facilitated by using both centralised and decentralised approaches.

Principally, the executive management at company headquarters, are presented with the overall results at the end of the year, which is combined with particularly interesting findings which relate to individual segments (e.g. customers split by product usage, revenue, or length of business relationship). The consequence of the presentation of these results, are assignments, designed for the different specialised sub-divisions of our retail banking business, whose aim is the central initiation and implementation of corresponding company-wide measures e.g. the modification or supplementation of training/coaching programmes, changes or additions to product features, and so on. One measure implemented within the area of current accounts, for example, was to switch the account statement's size to A4; after it was recognised that the comprehensibility of these statements (hygienic aspect), was rated poorly over the course of several consecutive years: due to the limitations in the amount of text that could be shown, on the smaller statement slips.

Splitting by levels of revenue can lead to interesting findings with regard to the sub-segments, as part of the analysis of company-wide results. Generally speaking, it is found that customers with higher levels of revenue also have higher commitment ratings; but they also show very quick and sensitive reactions to negative developments.

It is as a consequence of this, that we noted a very sharp drop in customer satisfaction amongst our highly profitable customers with stock portfolios, during the poor stock market results of both 2001 and 2002.

Naturally, as part of this centralised presentation, regional developments are also covered.

We find again and again in this context, that in the business of banking: customer retention and customer satisfaction are largely shaped by the local branches and their employees. Consequently in 2003, a range varying from 35 to 75 was exhibited by the TRI*M Index of our regional branch areas. Therefore, the sales managers at company headquarters, with responsibilities for certain areas, have clear points to start from, in approaching their regional executives in a focussed manner.

Of equal, if not greater importance, to the informing of the executive management is the communication of these findings to the regional sales teams; as this is where the majority of the findings derived from the results, are actually implemented. The main drivers of customer satisfaction take effect at a local level.

As I have mentioned already, Commerzbank no longer splits its results by branch, but by the 105 regions each comprised of between 5 to 10 branches.

Each of these regions (for which a main regional branch manager is responsible) receives once a year the results of the sales area covered, shown both in comparison with, the other regions within the whole branch area, and also in relation to, developments in the previous year (see figure 3).

Marketing-support with TRI*M-results

e.g. Online-Reporting (Intranet) for all regions

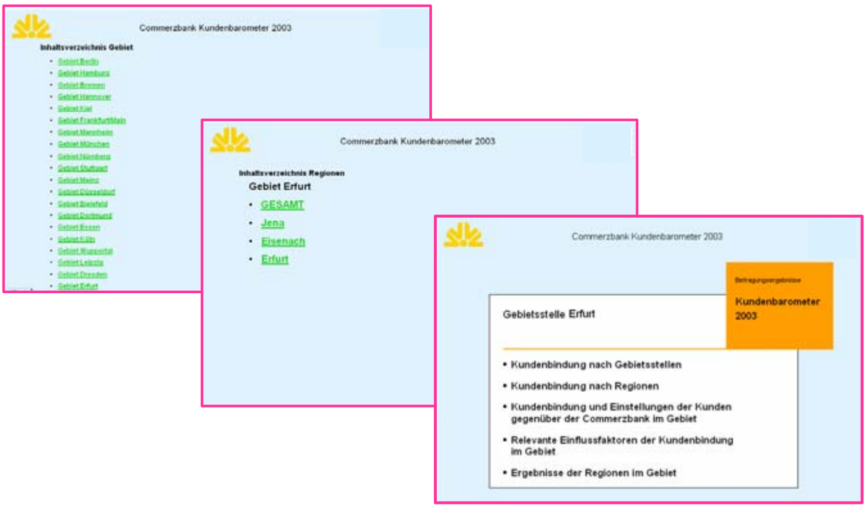

Fig. 3

These results include both, the TRI*M Index in comparison, as well as the 4 separate questions and the ratings for the most important performance-related aspects (which are typically the Motivators, and some standard aspects).

In the past (when the results were still split at branch-level) we had also attached a ‘to-do list’ to these reports, including suggestions and hints for measures to be implemented. However, as this proved to be a very demanding task in terms of monitoring, we chose to, by and large, discontinue this section; yet, this turned out not to be a sensible decision.

Many employees, particularly in operational units – although this might prove hard to believe – work in a more focussed manner, if they are in possession of a to-do list that they can adhere to. It may sound like an exaggeration to some, but based on our experience of day-to-day operations, this has become our certain and unmistakable conclusion; and it will probably prove to be true beyond the financial sector, that most operational personnel only implement what is provided to them in the form of a printed “instruction”.

Although we still won't be able to realize, as strictly as necessary due to limited manpower, a consistent level of control of measures planned in relation to customer satisfaction; we nevertheless intend, to provide the above-mentioned documents to the regions once again, as well as establishing a controlling measure of sorts, through the us of so called "league tables," based on the main TRI*M scores.

But even in the absence of strict measures of controlling (in this context, in terms of control rather than directives), sales teams, particularly managers, have become markedly more aware of the fact, that investing in increasing customer satisfaction, also, eventually leads to increases in revenue (and thus to increased bonuses for themselves).

As already mentioned, the development of the main TRI*M scores will be more strictly monitored in the future as an annual overview; and thus, these scores will show most clearly, whether, or to what degree, measures have been successfully implemented, in the respective regions in question.

5.1.4 Future Plans

Data mining:

Besides monitoring customer retention, customer satisfaction and performance-related aspects, this year, we are planning to use the results of TRI*M more extensively, in order to analyse the behaviour of customers with respect to their retention and satisfaction; and use this, to facilitate our marketing and sales activities on both strategic as well as tactical and operational levels.

To this end, we have expanded the part of the survey conducted over the phone; that is, the "long version" of our questionnaire, by including a so-called VoC (Voice of the Customer) section. This supplementary section of the survey, which did not directly form an original part of TRI*M, aims to establish the customers dealings with Commerzbank on the one side, and our competitors on the other, with regard to their private financial affairs - over a specific period of time (within the past 4 to 6 weeks). It includes questions like:

Has the customer bought a product from us?

Has the customer bought a product from our competitors?

Has the customer cancelled products he/she held with us?

Has the customer cancelled products he/she held with our competitors?

Has the customer shifted a proportion of his/her assets to us?

Has the customer shifted a proportion of his/her assets away from us?

Has the customer been annoyed with us?

Has the customer complained about us?

How have we reacted to the complaint? etc.

Furthermore, we use this opportunity to attempt to establish whether the customer has had a consultation with one of our consultants in the recent past, and what action the customer has taken as a result. For example, we are interested to discover whether the customer has been actively approached by his consultant over the phone, and with what reaction this contact was met; in addition, to whether the customer has received advertising (direct mail) from us, and how this was reacted to.

While all the responses to these questions, are of interest to us if taken out of context; they also enable us to conduct far more revealing analyses, when they are put into the context of the relevant customer's satisfaction.

Through this process, we can gain a deeper insight into the question of whether, and particularly, which specific correlations exist, between specific methods of approaching customers, customer satisfaction as well as very specific reactions (such as product acquisition and cancellation).

Alternatively, we have the opportunity of examining the question of how dissatisfied customers, as opposed to very satisfied ones, react; with respect to the shifting around of assets, the acquisition of products from competitors, etc.

We want to use this initiative, in order to pursue opportunities in data mining and data matching processes, with greater determination than previously. Although, there is no doubt that satisfied customers are generally more loyal; and in the long term yield a higher level of revenue, it is still to be debated, as to the correlations between specific actions, customer satisfaction, the customers' reactions, and most importantly: the combinations which lead to the strongest degree of leverage.

Therefore, we can ask the question of, to what extent customers who have more frequent conversations with their consultants are more satisfied; and, whether conversations over the phone have the same effect as face-to-face conversations; and, what combination yields the highest probability of a product acquisition with our bank, or a shift of assets to our bank, taking place.

Moreover the correlation, of under which circumstances customers' tendencies to acquire products from our competitors are at their strongest or, preferably, at their weakest; are a very interesting aspect indeed; and its relationship to satisfaction, methods of approaching customers etc. are of major interest to us.

5.1.5 TRI*M Employee Commitment

Even though we have given for some years consideration to the possibility of supplementing the Customer TRI*M with an Employee TRI*M in accordance with the stakeholder concept; we have repeatedly postponed this step for a multitude of internal and external reasons; but as everyone knows, all's well that ends well, and so:

This year, for the first time, we will be conducting a satisfaction survey of all employees working in the retail banking sector, using the TRI*M Methodology. The topics covered will include the classic areas, such as the importance of, and satisfaction with: the workplace, salary, information, leadership etc. In addition, a so-called ‘mirror image evaluation’ section will be included. This mirror image evaluation, examines how the employees estimate the customers’ evaluation, of their satisfaction with Commerzbank. By comparing these results to those from our customer satisfaction survey of this year, we will clearly be able to see where we rated ourselves too high, and where too low.

Additionally, the employee survey provides a scale similar to the TRI*M Index: the OCI (Organisational Commitment Index). This index is compiled from questions relating to satisfaction with the terms of employment, the likelihood of recommending the employer, the likelihood of re-applying, how colleagues’ motivation is perceived, and an evaluation of performance in the marketplace.

The appeal of this approach, is that just like our customer TRI*M, we are able to use a single score for internal and external benchmarking.

An exiting question from our perspective how do the regional TRI*M scores compare to the OCI?

These two steps form part of our market research using TRI*M, and they are specifically geared towards facilitating customer loyalty and increases in revenue. We are convinced that they will help us to improve, even more.

6 The Czech Beer Market: A Brief Introduction – Understanding Consumers and Customer Needs

Zuzana Heleyová

Czech beer and Czech culture seem to go together very well. When asked, consumers themselves (spontaneously) mention beer as being very much a part of Czech culture. The beer market in the Czech Republic has a number of characteristics which make it unique in comparison with other beer markets globally.

The average per capita consumption of beer in the Czech Republic occupies the first place on a global scale at about 160 litres per year. This consumption has stayed quite level in recent years. Despite this high number, the beer market (from the product point of view) does not offer a very colourful picture. Beer consumption is covered almost completely by domestic brands - imports account for only about one per cent. About 98% of the overall domestic production is covered by Pilsner-style lager; the other 2% is dark beer variants and speciality beers. Another feature differentiating the Czech beer market from other strong beer markets is the trend in the package ratio development: due to a relatively lower price premium when comparing draught and packaged beer (which goes hand in hand with the high density of pubs, restaurants and other places for on-trade consumption), the share of draught beer has grown in recent years at the expense of packaged beer, currently reaching over 54% of the total domestic market.

Apart from channel consolidation (growing on-trade accompanied by a better-profiled retail universe), the dynamics of the overall market in recent years have not been so great. Due to the quite traditional or even conservative approach of beer drinkers to “their beer”, the changes are only minor and do not result in dramatic or substantial movement in the market. It should therefore be obvious for every beer producer that keeping or further improving the position reached on the market is a task which requires an in-depth understanding of the market, good insight into consumers’ and customers’ needs, their habits, preferences and behaviour, and for them to excel in operational performance in order to implement the potential changes and adjustments in real life.

Plensky Pradzdroj, as a company that has retained its position for several years with the highest share in the Czech beer market, is well aware of the need to understand the market in detail, from different perspectives. One of the areas where it has felt it has had a lack of in-depth knowledge in recent years is the on-trade channel. Before dealing with this problem, it is first worth describing this particular channel in a little more detail.

On-Trade and Off-Trade Channels

As with many other FMCG (Fast Moving Consumer Goods) categories, the off-trade channel (mainly the retail market) is quite straightforward when producers communicate with consumers through the brand - through its product characteristics, price, place-ment and promotional activities. More-over, the performance in the off-trade channel can be measured from different angles via a set of retail audit methodologies, which have had growing validity in recent years.

On the other hand, the communication with the consumer on-trade is less simplistic and straightforward. The difference is perhaps well described by the traditional belief of many beer lovers:“The brewery produces the beer, but it is the barman who creates it”.

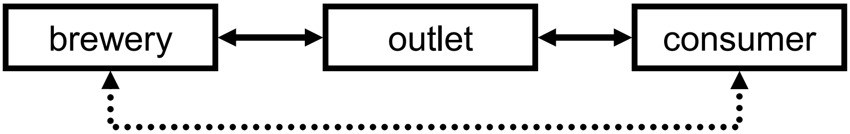

Fig. 1: Communication to Consumers: Outlets Own the Brewery's Core Consumers

The density of on-trade outlets in the Czech market is relatively high (about 3.5 on-trade outlets per 1000 inhabitants); the natural question that arises is therefore the need to understand what attracts consumers to the most popular pubs: what really matters when choosing a pub for the next beer, which details are appreciated and which are less relevant, and to what extent the selection of the pub is influenced by the brand available, the price, etc.

To move ahead in understanding this area of consumer behaviour we (PPAS) decided to apply the TRI*M Methodology in several areas of our work.

1st Step: Better Understanding the Consumer's View

We first applied TRI*M Methodology in 2003 when we used this approach for evaluating the retention of on-trade beer drinkers, in particular on-trade outlets. Due to the quite high requirements of the study, we proceeded in regional waves. In one year we monitored a small panel of outlets in each particular sales region and afterwards we shared the results at internal workshops with S&D teams. The workshops quickly helped us to gain feedback for further steps and make improvements in the study. Also, direct discussion between the research team (research agency) and the key users of the results about the information gained from the trade was highly useful. It helped break in the barriers between the "theoretical" knowledge of the research agency and the "real life" experiences of the sales force. It was not possible to avoid high emotions sometimes - mainly when the results may not have been fully in line with users' expectations. Still, the strength of the results allowed open discussion that helped us to reach mutual agreement at the end of each workshop.

The accumulated results from this first "consumer" part of the project gave us quite a clear overall picture of the market. The accumulated map of the market gave us evidence of how emotionally intense the connection between consumers and the pub can be. In more detail, some of the best-evaluated outlets were particularly well rated (as above-average motivators) in the area of service (including clean tablecloths, a variety of tables (for bigger groups), friendliness and willingness of the personnel, and letting the guests finish after closing hours). The perceived quality and impor-tance of beer differed according to the type of outlet: while in some places the beer itself was almost in the savings area (even with high volumes of it drunk at the pub) we discovered several types of outlets where the role of the beer was very important, including the beer brand itself.

2nd Step: Better Understanding the Customer's View

The natural continuation, after positive acceptance of the TRI*M result during the first year, was to focus on the mutual relationship between the supplier and customer. We started with a more-or-less standard approach. To agree with the list of characteristics monitored we initiated an internal workshop involving the key people responsible. We followed this with qualitative research with pub managers and sales reps, then another internal workshop, collection of feedback, fine-tuning the questionnaire, etc. Neverthe-less we faced another difficult task - how to define the sample structure that would actually deliver us actionable results. To base our decision on as strong information as possible, we decided to undertake another preparatory step in the whole project and used phone interviews for measuring the TRI*M Index only amongst a selected sub-sample of our on-trade customers. Several interesting aspects were learnt at this stage of the study. In first place was the extremely positive factor that the response rate reached about 70% of the sample used. The final results gave us clear evidence that the beer market in the Czech Republic is a "good-relationship" market. More precisely:

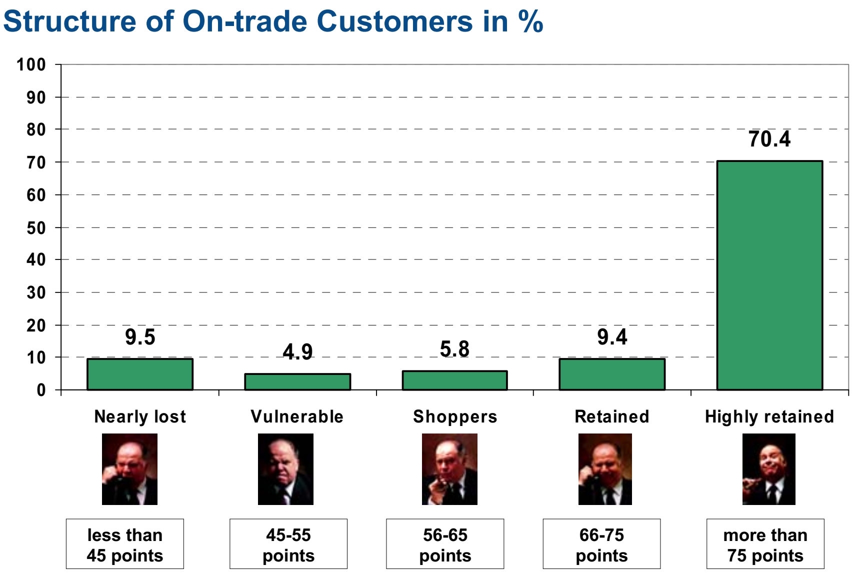

Fig. 2: Customer Structure

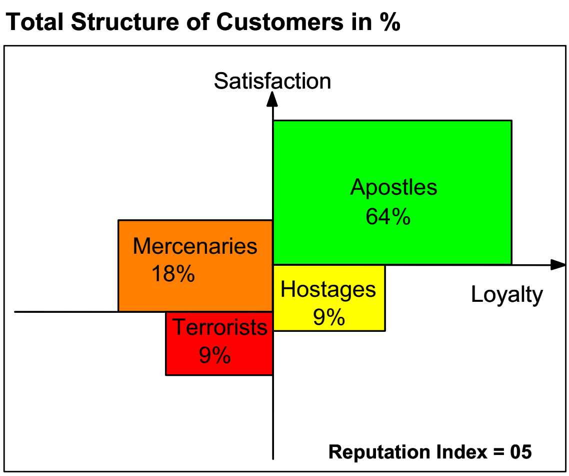

*Fig. 3: TRI*M Segments in Total*

Despite the very good retention overall amongst on-trade customers, we continued the study with detailed interviews of 700 customers across all regions, including some outlets with competitor brands on tap as well. For revealing the key issues of cooperation with our customers, we decided to increase the proportion of terrorists, mercenaries and hostages at the expense of apostles in the sample (a fair split of each segment amongst our customers). The final results allowed us to compare groups of long-term customers, multi-brand customers and recent switchers. When thinking about the sample structure, one of the working hypotheses was to include quite a high share of multi-brand outlets into the study. Some members of the team expected the customers who dealt with different beer suppliers at the same time to be the best experts in comparing our and our competitors' performance, and our weak and strong sides. The final agreement was to include only a quarter of the multi-branded outlets in the sample. Still, the results collected in this subgroup were very surprising for us.

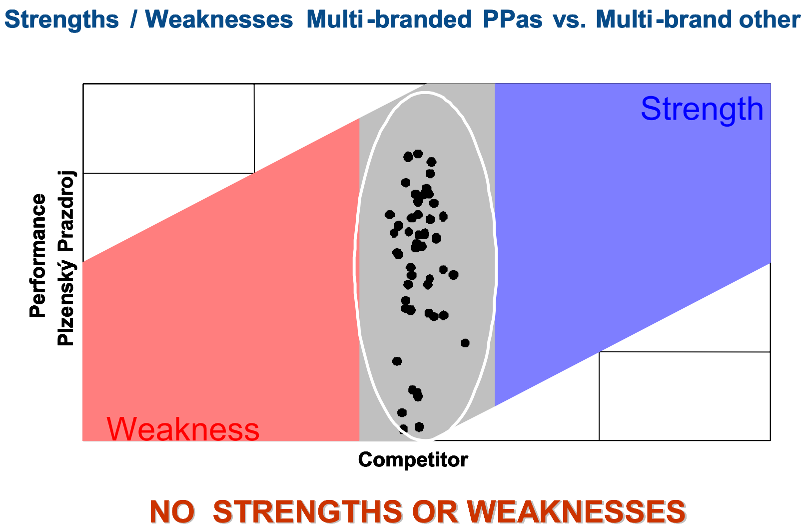

Fig. 4: Comparison of Competitive Advantages Between Multi-Brand Outlets

Another thing learnt from the study was the important role of time in people's evaluation of both the positive and negative aspects of mutual cooperation. It was good that some (at first glance) less popular principles applied from us for our customers (mainly in the area of very strict conditions of cooperation) was finally accepted and rated on an average level. On the other hand, amongst some long-term customers the excellent quality of all the brands in our portfolio moved to the hygienics area - customers had simply got used to it and took it for granted.

As in the previous year, except for the summary presentation given at senior management levels, to make the S&D teams familiar with the results, we prepared several “country region” workshops where results from a particular region were shared and discussed.

Overall, this type of study was well accepted by the S&D team, and was based on their requirements. This autumn we will be initiating the next part of the detailed TRI*M study (another 900 outlets). We believe that by connecting both these waves of the study we can get sufficiently reliable information on each sales region.

Due to difficulties with defining the representative sample, the TRI*M Index and TRI*M Segment information from these detailed studies play only a secondary role. Nevertheless, we plan to repeat the phone measurement of the TRI*M Index on a yearly basis. We expect that by connecting these two types of approaches (detailed diagnostics on a smaller sample and reliable measurement of the TRI*M Index and segments) we can obtain suitable information for tactics and strategy for customer service adjustments; and evaluating changes in company performance in the market (as an important part of the company scorecards).

Next Steps

We are now using the TRI*M Tools in different types of studies. Next year we envisage to implement the positive experiences from the on-trade channel on the Czech market onto the Slovak market as well. We are applying for the TRI*M Reputation Manager for measuring perceptions of the company’s reputation in the Czech Republic, and again a similar study will follow on the Slovak market in the near future. We applied the TRI*M Grid with very good results in evaluating a newly launched product (Frisco) on the Czech market, amongst different subgroups of the target audience.

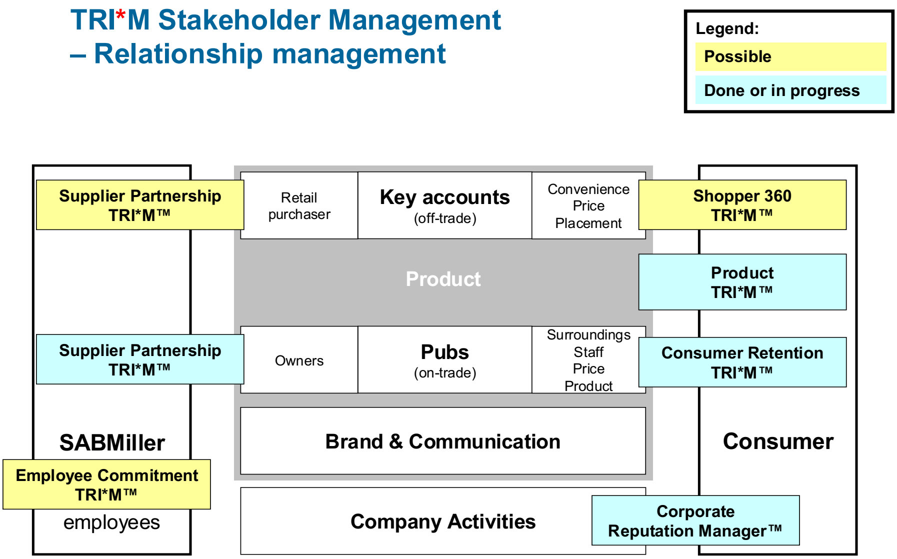

*Fig. 5: The TRI*M Product Has Different Modules that Help to Manage Any Mutual Relationship Related to the Company: Currently Used TRI*M + Identification of the TRI*M Applications in the Next Period*

7 Measuring and Monitoring Stakeholder Relationships: Using TRI*M as an Innovative Tool for Corporate Communication

Susanne O'Gorman, Peter Pirner

The importance of corporate communication for the management of stakeholder relationships is no longer a matter of controversy. This article demonstrates firstly (using the example of customer loyalty) how the communication between a company and individual groups of stakeholders can be analysed with the help of TRI*M Customer Retention and which options are available to companies as a way of dealing with this. Secondly, it shows how integrated and comprehensive control of corporate communication is rendered possible using TRI*M Corporate Reputation Manager.

7.1 The Importance of Communication for the Management of Stakeholder Relationships

Communication is a necessary prerequisite for corporate success (cf. Pfannenberg 2004) and as such is at the same time the foundation of stakeholder relationships within a company: employees, customers, suppliers, retailers, shareholders, the general public. The relationship to these stakeholder groups is characterised not only by the exchange of benefits (products and services in return for payment) but also at least equally strongly by communication. The manner in which communication takes place with the groups of stakeholders is by definition crucial to the success of a company. As a result the way in which this communication is managed becomes a central function of the management. At the same time communication in modern stakeholder management also has to take into account the stakeholders' communication with one another ("what our customers are talking about").

Frequently, however, insufficient attention is paid to this multi-dimensionality of communication in stakeholder relationships. In many cases companies have a number of different performance indicators (compliance with quality standards, number of com-plaints, technical availability of hotlines, etc.) but seldom regard themselves as being in a position to measure the factor of "communication". It is true that companies know how great their expenditure is for PR and advertising, but they are seldom clear about how well their sales department communicates with customers or how a complaints hotline can be responsive to customer needs – and as a result they are foregoing essential information for managing the business. Overall this frequently results in it becoming impossible to syste-matically evaluate the targeted communication with stakeholders when the management makes decisions as an entrepreneurial option and thus also ultimately to it not being possible to manage this efficiently.

7.2 Communication with Individual Stakeholder Groups – Taking TRI*M Customer Retention as an Example

TRI*M (= Measuring, Managing, Monitoring) was developed at the beginning of the 1990s and since that time has been successfully implemented in more than 900 companies worldwide. TRI*M Syste-matics permits the analysis of all stakeholder groups using compa-rable, standardised performance indicators and thus enables this in-formation to be integrated into the Balanced Scorecard: as well as measuring customer retention using TRI*M Customer Retention, TRI*M also, for example, facilitates analysis of employee commit-ment (TRI*M Employee Commitment), measurement of the strength of the management (TRI*M Management Evaluation) and process-oriented measurement of the internal service quality of a company (TRI*M Internal Service Quality).

7.3 The TRI*M Index

The TRI*M Index is a performance indicator for measuring the status quo of a stakeholder relationship – whether it be the intensity of customer retention or, for example, the commitment of the employees. This "one number tool" consists (in our example of customer loyalty) of four questions which reflect the different aspects of the stakeholder relationship: the overall performance of the company, the recommendation of the company to others, the repurchasing of products / services and the competitive advantage of a company. An index value of 70 stands for a high level of intensity of customer loyalty, whilst an index value of 40 implies that the company has not succeeded in creating real customer retention. In terms of corporate communication, the level of the TRI*M Index gives information about possible deficiencies in communication with stakeholder groups. In addition, the TRI*M Index also facilitates external benchmarking which can be carried out by country, region or sector. Here TRI*M falls back on a database with over 7,000 customer studies and more than 10 million interviews and enables companies not only to compare themselves with the average in their sector but also gives information about the level of customer retention for example, in the top 10% and bottom 10% of companies.

	Bottom 10%	Bottom 33%	**Average**	Top 33%	Top 10%
Worldwide	51	65	**71**	78	89
Western Europe	48	62	**68**	74	86
US	59	71	**75**	82	90
Asia	50	62	**67**	73	86

Source: TRI*M Benchmarking Database 2004

*Fig. 1: TRI*M Index Benchmarking / Customer Retention According to Regions*

7.4 TRI*M Typology and Market Resistance Value

It is generally known that customers speak more frequently about the bad experiences than about the positive experiences that they have had with a company: angry customers ("Terrorists") speak more than three times as frequently about their bad experiences than satisfied customers ("Apostles") speak about a positive experience. "Terrorists" is a label given to dissatisfied customers who show little loyalty and who because of their negative word-of-mouth can seriously damage a company. "Apostles" on the other hand are extremely satisfied and loyal customers who recommend the company to other people and thus contribute to a positive mood in the market. Both types of customers are part of the TRI*M Typology whose proportions are determined mathematically from answers to the four TRI*M Index Questions (cf. also Huber/ Scharioth 2002: 56; Jones/Sasser 1995).

How customers experience the business performance of the company– the TRI*M Typology describes the customer base with four relationship types built on these customer experiences.

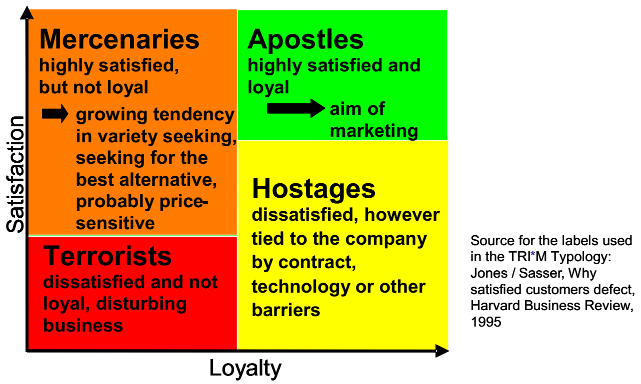

*Fig. 2: TRI*M Typology of Customer Experience*

Thus for there to be a “balanced” mood on the market, ten very satisfied customers are necessary to offset three dissatisfied customers. The market resistance value reproduces this mood on the market:

$$\frac{\text{Share of Terrorists} \times 10}{\text{Share of Apostles} \times 3} = \text{Market Resistance Ratio}$$

Example for the minimum target

$$\frac{15\% \times 10}{50\% \times 3} = \frac{150}{150} = 1$$

Fig. 3: Market Resistance Ratio

If the market resistance value is < 1, then more positive experiences than negative ones are being passed on. If the market resistance value is > 1, then the negative experiences are clearly prevailing. If there is little market resistance, the company can use the high level of customer satisfaction offensively and emphasise this as strength in its communications with the stakeholders. If the market resistance is negative, then in the first instance the company must again create confidence among the stakeholders by good performances and focus the communication on those aspects which (despite negative experiences) are still being rated as good from the customers' point of view.

7.5 TRI*M Grid

In order to manage communication efficiently, a company has to know which products and services are important for the stake-holders. Information about this is shown with the help of the TRI*M Grid (cf. fig. 4).

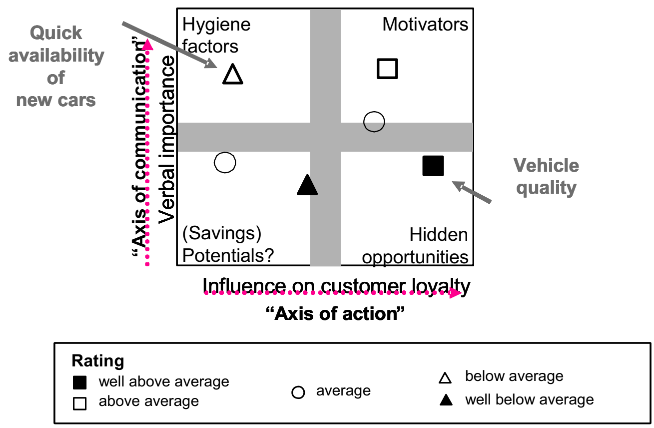

*Fig. 4: TRI*M Grid: An Example from the Automobile Market*

With its simple graphics tools the TRI*M Grid gives clear-cut answers to three pivotal questions (cf. Scharioth/Pirner 1999: 332ff).

1. What aspects do the stakeholders talk about particularly frequently? (Position on the axis of communication)
2. How is the company rated in these aspects? (Symbols showing the Quality element)
3. Which of these aspects actually have an influence on loyalty to a company? (Position on the axis of action)

The positioning within the TRI*M Grid gives an indication of how corporate communication can be managed. In the example shown here, vehicle quality has a high level of influence on customer loyalty and at the same time the customers are extremely satisfied with the quality achieved. But on the axis of communication it can be seen that the customers speak significantly more frequently of other aspects. Therefore vehicle quality ought to be communicated more offensively and more clearly in order to become a real motivator for customer loyalty. On the other hand, in this example customer satisfaction with the availability of new cars is below average – this weakness has already got around in the market and is strongly anchored in the consciousness of customers. Here the focus of the company's actions must be on improving the delivery process. So long as no improvement takes place here from the customers' point of view, this aspect needs to be dealt with rather more defensively in corporate communications.

For each aspect that is investigated the TRI*M Grid gives concrete pointers towards a sensible communications strategy as regards to the customers. As a result, communication measures can be developed in a targeted manner and implemented where they achieve the greatest effect.

Comprehensive control of corporate communication using the TRI*M Corporate Reputation Manager.

The advantages of a good reputation for commercial success are beyond dispute in theory and practice. A company with an outstanding reputation achieves higher prices even in markets where the competition is intense, is a motivating environment for achievers within the company, is more attractive for new employees ("high potentials") and forms an effective barrier against new competitors entering the market.

But what makes for a good Corporate Reputation? How can it be influenced? And what is the framework of reference which should form the basis of how it can be controlled efficiently?

Corporate Reputation is the emotional and rational assessment of a company by its stakeholders. This assessment can be influenced by active, targeted corporate communication. Each item of communication that is addressed to a stakeholder group also has at the same time an effect – directly or indirectly – on other stakeholders. News about an improvement in a company's financial situation is not only received positively by investors but also has an effect on employees: for example, with regard to security of employment. At the same time a company's customers and employees themselves have a considerable effect on the building up of its reputation, for to a great extent recommendations and experiences "at first hand" come across as credible. They can even interfere with corporate communication and thus lead to desirable or undesirable side effects.

The TRI*M Corporate Reputation Index determines whether and (if yes) in which stakeholder group the company's reputation is endangered. The indicator is comparable for all groups. Insights from existing theoretical approaches and assured results from a large number of practical market research projects were combined in the TRI*M Corporate Reputation Manager. In less than three years since 2002 it has already proved itself as a tool for comprehensive analysis and management in more than 30 customer projects worldwide. On the basis of five individual questions, the TRI*M Corporate Reputation Index summarises the central rational and emotional aspects which are equally relevant to all stakeholders in the form of a measured value. It then implies that a company has a very good reputation if the stakeholders are of the opinion that

- the company generally has a good reputation among the general public
- it is appealing to the respondent (Emotional Attractiveness 1)
- they can trust the company (Emotional Attractiveness 2)

- the products and services are of high quality (Attractiveness as a result of Competence 1), and
- the company is commercially successful (Attractiveness as a result of Competence 2).

The five partial indicators selected have proved themselves with different stakeholder groups and in over 40 countries. According to this, the concepts of emotional attractiveness and attractiveness as a result of competence also apply cross-culturally. On the basis of the TRI*M Benchmarking Database, regional peculiarities in the manner of responding can be taken into account in the interpretation of the results.

With the TRI*M Corporate Reputation Index the interrelationships between good reputation and the behaviour of individual stakeholders can be proven: in several studies it was observed that the index value of customers was significantly higher than that of people who were not customers of the company – an indicator of the positive effect of a good reputation in the opening up of sales markets. Using the TRI*M Reputation Index it was also possible to contextualise the tendency to make applications to a particular company.

7.6 A Holistic View Using Reputation Radar

TRI*M Corporate Reputation Radar combines the results of the Reputation Index for all stakeholders. As a result it is possible to get a differentiated 360° view of all the stakeholders that are relevant to the company – customers, suppliers, employees, investors. The Radar detects very quickly whether the level of reputation is homogeneous or whether individual groups of stakeholders show lower values than others. This would then point to the fact that the communication strategy for this group must be looked into more closely and that the causes of the inferior reputation values need to be established.

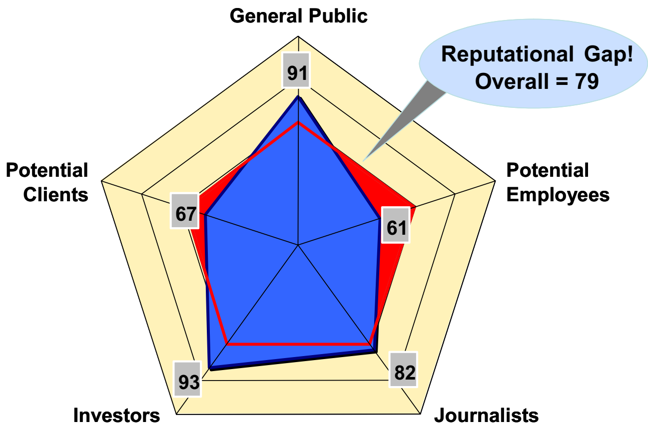

*Fig. 5: TRI*M Corporate Reputation Radar*

The Benchmarking Database helps in the recognition of “normal” differences in the levels between the stakeholders. In this database 10 stakeholder groups are identified and systematically recorded. As experience with the project grows, the insights previously gained for customers, non-customers and employees are also extended towards other stakeholders. In customer projects which have already been carried out, up to five stakeholder groups have been surveyed at the same time. The flexibility in adapting the system to the actual corporate situation and the possibility of extending the frame of reference within the time limit are yet more reasons for the high level of acceptance of the process in practice.

7.7 Derivation of the New Measures on the Basis of the TRI*M Grid

The TRI*M System Grid Analysis makes it possible to identify the driving force behind the reputation and to derive appropriate communication strategies. Even when setting up the system it is necessary to include central aspects of the company's image which have regularly been the subject of corporate communication (core values). In addition, other potential driving forces behind the company's reputation which are well-established but which may not have been investigated up to now should be integrated, e.g. an ethical behaviour, quality of management, etc. Finally, starting from this basis set of 20 – 30 reputation drivers which is comparable across all stakeholders, another 5 – 10 specific driving forces should be surveyed for each stakeholder group. This increases the practical benefits of the tool enormously.

The open statistical analysis model used enables one to reconcile the driving force analyses with the experiences of the stakeholders in the best possible way. By determining the common ground among all the stakeholders, the core values of the company for the overall strategy can be scrutinised and optimised. At the same time, synergy potentials can be recognised in the way things are presented to the outside world and made use of in proactive reputation management.

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8 Customer Satisfaction and Retention Improves with Six Sigma

Lynnette Leathers

8.1 Background

CHEP has reported three year revenue results with a compound annual growth rate (CAGR) of 10% for the years ending 2005 stated in constant currency terms. During the same three consecutive years CHEP has improved Customer Satisfaction and Loyalty between two and three percentage points. As measured with the TNS TRI*M methodology this translates to approximately two index points per annum. Although all variables can not be isolated; this indicates that if you improve Customer Satisfaction and Loyalty by at least two percentage points, per year revenue is likely to increase by 10%.

CHEP is a division of Brambles Group, which is a leading Industrial Service provider that operates in almost 50 countries across six continents and employs approximately 28,000 people. The group's other major on-going business is Recall, which provides secure storage, access, retrieval and tracking of important information. Brambles' global headquarters are in Sydney, Australia, and the group maintains corporate offices in Sydney, London, and Atlanta. Headquarters of the major businesses are in Orlando, USA (CHEP Americas), Weybridge, England (CHEP Europe), and Atlanta, USA (Recall).

The companies have some 100,000 private and institutional shareholders. Brambles posted revenue of over A$8 billion (approximately US$6 billion) for Fiscal Year 2005.

CHEP EBITA represents more than 50% of the Brambles business portfolio and has global headquarters in Orlando, Florida. CHEP is the global leader in pallet and container pooling services, serving customers in a wide range of industrial and retail supply chains, including consumer goods, fruit and vegetable, meat, home improvement, beverage, raw materials, petro-chemical and automotive industries.

CHEP partners with raw materials and ingredients suppliers, manufacturers, growers, transporters, distributors and retailers to move their products through the supply chain, improving efficiencies, reducing costs and meeting their customers' needs. This enables CHEP's customers to reduce the need for capital expenditures and concentrate on their core business competencies.

CHEP manages the daily movement of over 280 million pallets and containers from a global network of over 440 service centers in 42 countries. With more than 300,000 customers worldwide, CHEP's customers are global giants such as Procter & Gamble, SYSCO, Carrefour, Kellogg's, ESSO, Shell, Woolworths, Kraft, Nestle, Lion Nathan, The Home Depot, Tesco, Unilever, Hewlett Packard, Ford and GM, "Handling the World's Most Important Products... Everyday."

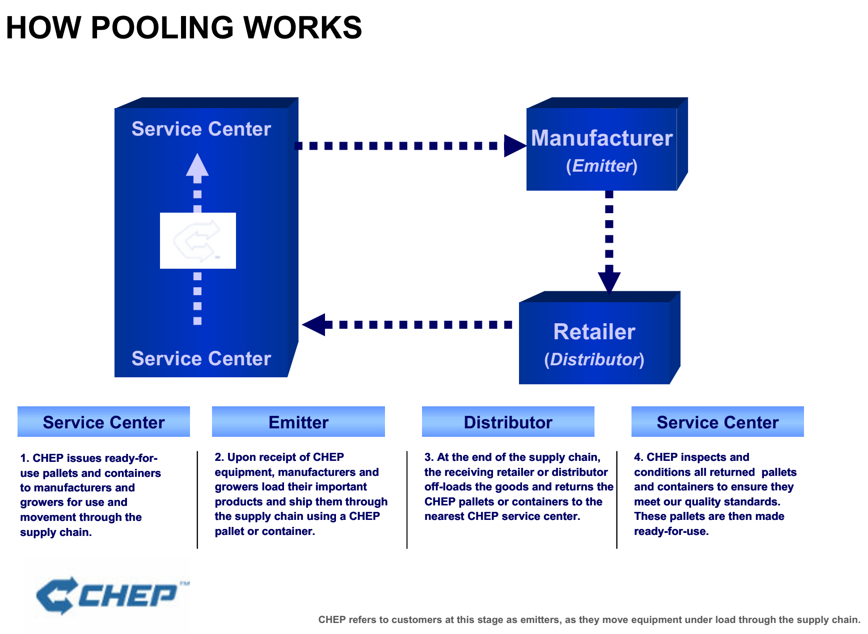

Fig. 1

Fig. 2

In its simplest form, pallet and container pooling is the shared use of CHEP STANDARD pallets and containers by multiple customers or users. Pallet and container pooling is a strategic business option for companies that wish to improve their day-to-day supply chain operations and reduce their capital expenditures.

Commitment to Customer Satisfaction and Loyalty

CHEP globally was experiencing year on year double-digit growth by expanding business with existing customers, expanding into new countries, enhancing products and services, and adding customers. However, there was rapid growth in some markets and entrenchment in other markets. The level of competition varies by country and product. Due to the fast growth, some infrastructure issues need to be addressed to support the business. It was important to determine a benchmark for customers in each market to identify key risks in the business and clearly determine which markets were more successful and would allow the opportunity to share best practices across markets. In addition, the business model that CHEP utilizes may vary by market. Therefore, there is variation in business models, business processes, product dimensions, the number of competitors, the maturity of the CHEP pooling system in the market, and the emerging nature of some markets themselves (i.e, Central Europe, Asia, and Latin America). A common measurement and language were needed to measure customer satisfaction, customer loyalty (retention), determine opportunities to improve, and establish best practices.

CHEP chose TNS as a research provider and utilizes the TRI*M Methodology to meet the business needs. This is a significant commitment for a Business to Business (B2B) company. Large consumer package goods companies typically invest in customer satisfaction research to a much greater extent than B2B companies. In fact, assuming that B2B companies met the average B2B investment it would still be less than .02% of revenues[1]. A benchmark TRI*M study was completed across all businesses. Subsequently, the largest markets are measured on an annual basis (USA, Europe, and Asia Pacific) and the developing markets are measured on a biennial basis.

The CHEP survey includes 30-40 attributes which are critical to quality (CTQs) that were developed by obtaining qualitative feedback from customers and employees. The attributes are reviewed and refined each year based on the verbatim responses of Customers. The attributes utilized by CHEP are related to pallet and container management, customer focus and relationship, responsiveness and quality of staff, invoicing and transactions, and value. The results of the TRI*M surveys have been essential in helping the company focus on opportunities to improve that are important and relevant to the customer, which are classified as “Motivators” in the TRI*M Prioritization Grids. CHEP made a number of business changes in markets that were monitored by the annual TRI*M survey. The first step is to be aware of issues that impact customers and the relative importance of these issues to the overall satisfaction and ultimately retention of a customer. There are two challenges in communicating across a broad range of markets. The first is to

[1] TNS London estimate of B2B spend on customer satisfaction research in 2005.

communicate in a way that would be a call to action for each market. This involves educating a business to business company on the research methodology and clearly bringing the voice of the customer into the decision making process. In addition to the attributes that are key to the CHEP business, the survey has two open-ended questions that allow the customers to provide feedback in their own words to CHEP. This has been beneficial to bringing the voice of the customer (VOC) into the business.

One of the open-ended questions is an unaided question to customers who did not rate CHEP performance as Excellent or Very Good (Top 2 box). The customers are asked what CHEP could do to be rated excellent or very good. The other question involves problems. If a customer called the company in the last 12 months with a problem, what was the problem and was it resolved to your satisfaction? There is a correlation with problem resolution and customer satisfaction. If there is a reduction in the number of problems and an increase in the percentage of problems resolved satisfactorily, the probability of increasing the TRI*M Index improves. Often improvements are made or projects developed on the basis of these answers, which are coded and provided by country. Successful projects and improvements are then used to establish best practices.

There are many diverse markets with varying opportunities and abilities to improve. Therefore, some markets are improving while others remain flat or declining, even when it is identified that the Index should increase to be more consistent with the CHEP Global Business Index. This was one reason the company adopted the Six Sigma methodology commonly used by notable companies like Motorola[2], GE, Honeywell, and Allied Signal.

Six Sigma

Six Sigma is an organized and rigorous methodology for the continuous improvement of all business processes – Process, Variation, and Customer.

Six Sigma is a statistical concept that represents the amount of variation present in a process relative to customer requirements or

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[2] Motorola holds the Six Sigma trademark for the Six Sigma Methodology.

specifications. When a process operates at the six sigma level, the variation is so small that the resulting products and services are 99.9997% defect free.

The term Six Sigma also refers to a business philosophy of focusing on continuous improvement by understanding customers' needs, analyzing business processes, and instituting proper measurement methods. The goal is to get as close to six standard deviations between the mean and the nearest specification limit) in any process. At CHEP this can be a manufacturing or a transactional process or a process for a product or service.

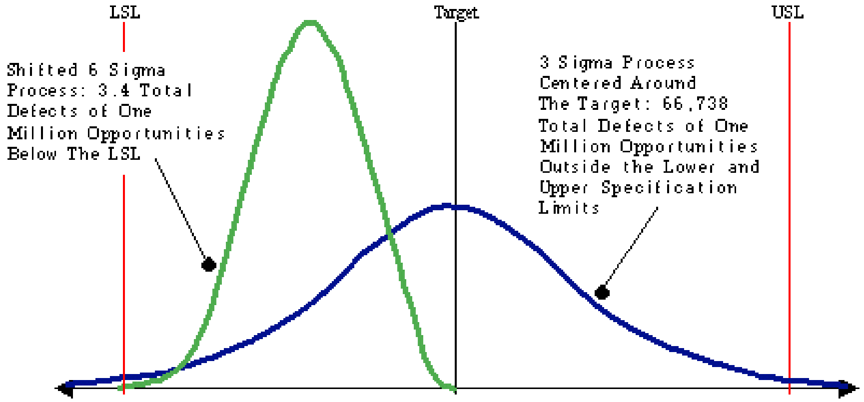

Fig. 3

A process sigma may mean its standard deviation, which is a measurement of variability or its capability to operate within the specifications. As the process sigma value increases from zero to six, the variation of the process around the mean value decreases. With a high enough value of process sigma, the process approaches zero variation and is known as 'zero defects.' An important concept is that the Defects Per Million of Opportunities (DPMO) is a measure in terms of sigma and quality levels (specifications).

Sigma Level	DPMO	% In Specification
2	**308,500**	**69.1**
3	**66,800**	**93.3**
4	**6,200**	**99.4**
5	**233**	**99.98**
6	**3.4**	**99.9997**

Fig. 4

A commonly used example of the difference between 99% quality (3.8 sigma) and 99.9997% quality (6 sigma) is the difference between 200,000 wrong drug prescriptions each year and 68 wrong drug prescriptions per year.

The Six Sigma process is to build a culture that is committed to excellence, which will benefit all stakeholders: Customers, Stockholders, and Employees. The methodology is considered by many to be a tool box to provide employees with the tools to be able to solve the problems of corporations. This empowers employees to directly impact customer satisfaction and loyalty; and therefore, improve the bottom line. Within the "tool box" are common definitions, project management and statistical methods to drive this data driven approach.

The process begins with understanding and measuring customer needs and building a project charter. The DMAIC model provides a disciplined approach of project management and is considered to be essential to the Six Sigma methodology. It provides a project framework, a common language, and prevents skipping critical process steps.

The DMAIC model consists of the following basic steps:

1) Define the project.

2) Measure the current situation.

3) Analyze to identify causes.

4) Improve.

5) Control.

Within each of these steps there is an opportunity to use statistical and project management methods to progress the project.

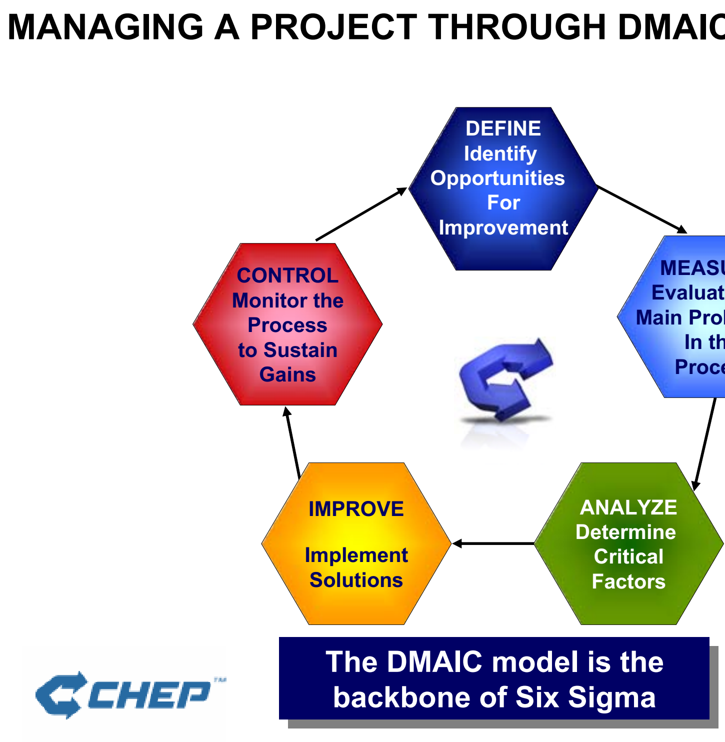

Fig. 5

If you decrease variation (by improving quality) the end result is greater customer satisfaction and lower costs[3]. Operational and manufacturing processes traditionally benefit from Six Sigma improvement. “Hard" discrete data can be counted and expressed as ratios. "Soft" data (opinions, attitudes, satisfaction) can also have statistical process controls applied if the appropriate data is avail-

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[3] Michael D. Johnson and Anders Gustafsson, Improving Customer Satisfaction, Loyalty, and Profit, p.101, (Jossey - Bass Inc., 2000)

able. Market research provides quantitative data to what have traditionally been less definable processes. Examples are customer service processes and problem resolution processes.

The argument can be made that Market Research is the most sensible function for Six Sigma to reside provided you consider that typically all processes exist to deliver seamless service and value to customers. Therefore, the link between market research and stringent quantitative as well as qualitative feedback to the process provides additional opportunities to apply business process (Six Sigma).

Precursors to Six Sigma, such as, Edward Demming's Total Quality Management (TQM) theory focus on tangible quality. The arguable difference between TQM and Six Sigma is that business criteria must be applied to the decision. Improving quality may not be the best use of resources and the relative return may be small. Therefore, it is important to recognize the relevance of quality or any other dimension is not mutually exclusive of other business criteria.

CHEP Canada TRI*M Six Sigma Case Study

CHEP Canada has a TRI*M Index in top tertile of the TNS database. CHEP Canada began an annual Six Sigma Workshop to drive continuous improvement in the business. The workshop was facilitated by Market Research and two Six Sigma Blackbelts. It is important to note that the process has support of the senior leadership in CHEP Canada, including the president of the company[4]. The appropriate areas of focus were developed utilizing the DMAIC model and Pareto charts were prepared prior to the 2-day workshop. The Six Sigma projects are based on the TRI*M survey results. The workshop kicks off with a Customer Satisfaction presentation. The team members were people who had accountability in the business (not selected by title, included all levels - front line employee to VP) and cross functional representation.

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[4] Mike Dimond, President CHEP Canada; Travis Ratnam, Six Sigma Black Belt; Jeff Doman, Six Sigma Black Belt; Lynnette Leathers, Head of CHEP Global Market Research, Six Sigma Green Belt.

Each of 4-5 groups was assigned a six sigma project. During the 2 days critical, key milestones and the deliverables were required at time intervals. The workshop goal was to complete as much of the project as possible during the workshop. At the end of the first day of the workshop, each team presented their project, and the top six sigma projects were agreed upon by management and resourced on the second day.

The first workshop (2003) served as a benchmark from which the Six Sigma projects were resourced to impact key attributes that would affect overall satisfaction and ultimately the TRI*M Index. The next annual Customer Satisfaction Survey and TRI*M Index was completed in 2004, and a 4 index point improvement was recorded. This is significant at a 95% confidence level. In addition, CHEP Canada indexes in the top tertile of the TNS database. Further analysis was conducted to determine if the Six Sigma process influenced the TRI*M index improvement.

TRI*M Six Sigma Validation for CHEP CANADA CASE STUDY

Measuring, Managing and Monitoring quality is a common and well-known management practice in the context of manufacturing processes. But measuring sales and service processes of non-manufacturing businesses and units is not because “Defects” come in all shapes and sizes. Measuring the quality of such processes becomes a complex task. In sales and service organizations – like CHEP – value is created when the business interacts with the customer. If such organizations are going to achieve sustainable growth and profitability the customer-business interface must be managed with great care. Customers define the quality of the business.

THE VOICE OF THE CUSTOMER AND THE BUSINESS MUST BE SYNCHRONIZED

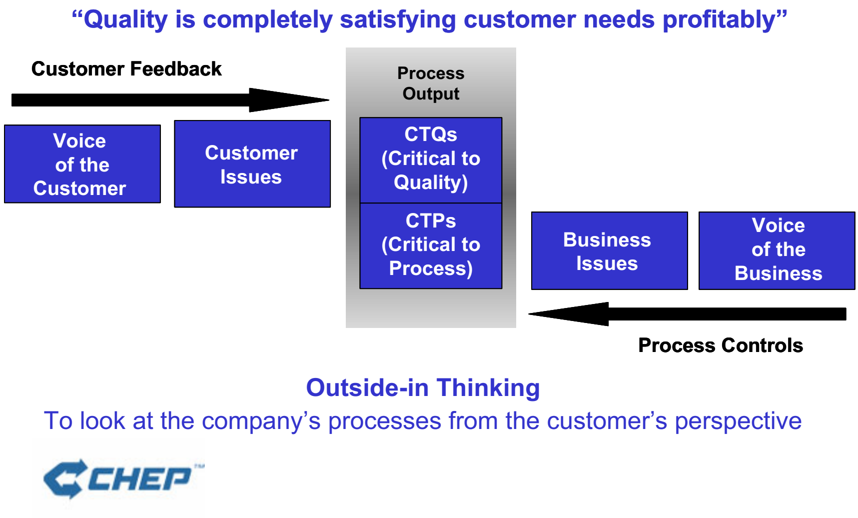

Fig. 6

Business Excellence requires the organization to look at the processes from a customer's perspective. In other words, the company must look at its processes from the outside-in. The TRI*M Six Sigma Case Study provides CHEP Canada with the customer's view of its individual service processes. TRI*M measures the Voice of the Customer in a standardized and consistent way and provides robust and comparable information over time. The survey data are translated into actionable insights for CHEP Canada.

The process of turning attitudinal data into information is two-fold: knowing what to extract and knowing how to display. Taking into account that customers not only value high performance, but also consistent, predictable services, the TRI*M-Six Sigma Plot combines the analysis of process performance with the variation in customer ratings. From this, not only areas of service and processes that do not meet customer needs can be identified; insight is also gained in how consistently the company is able to deliver products and services to its customers.

Displaying process performance versus consistency suggests where to start looking for improvement opportunities. Consistently low performance indicates a systematic problem: procedures and methods that, in general, are static may be a root cause. Any inconsistent (high variation) performance suggests that people, who are dynamic, are influencing the variation: training, leadership, working conditions, etc. might be areas to consider for improvement measures. With this, the TRI*M-Six Sigma Plot provides actionable insights and valuable information regarding where to look, what to fix, and what to exploit.

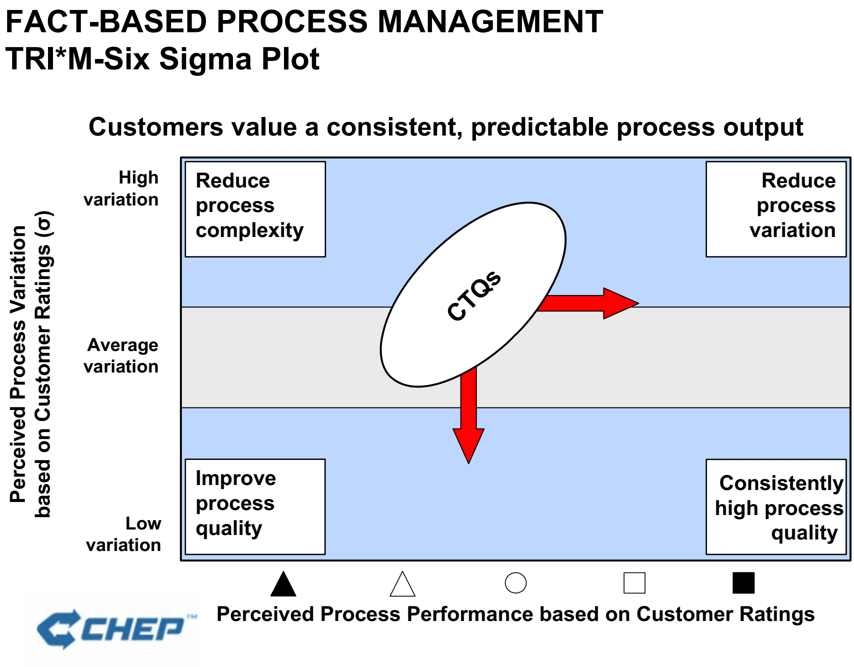

Fig. 7

The CHEP Canada 2003 analysis validates a strong correlation between the perceived process variation and process performance. Consistency at the customer touch-points leads to strong performance ratings and therefore drives overall customer retention. Customers expect high performance, and value reliability. However, they feel the variance in each transaction if a process does not meet their expectations.

Each dot on the chart represents a performance indicator of an individual process that is critical to customer retention.

TRI*M – SIX SIGMA PLOT
CHEP Canada 2003 – Overview of all CTQs

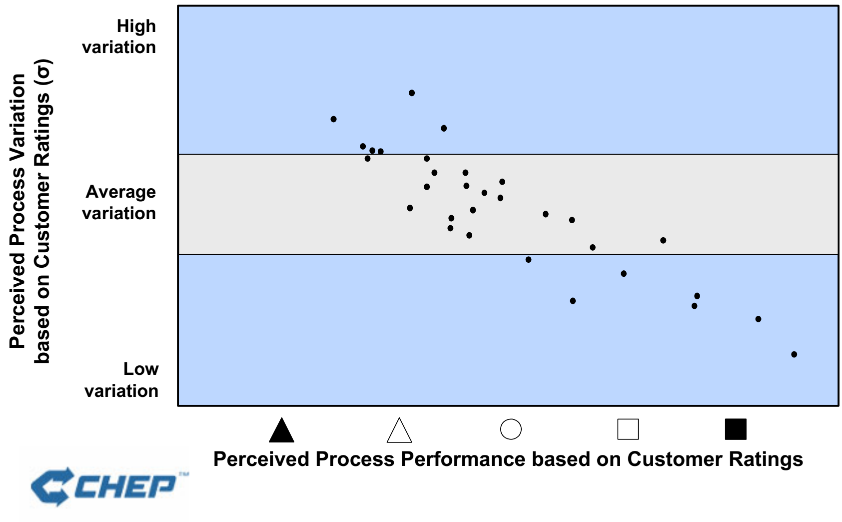

Fig. 8

Comparing the results of 2003 and 2004, a positive trend illustrates that overall perceived process variation decreased in 2004 where there were areas of Six Sigma focus. CHEP Canada's efforts to achieve stable operations and to drive continuous improvement ensures higher customer satisfaction on critical to quality attributes.

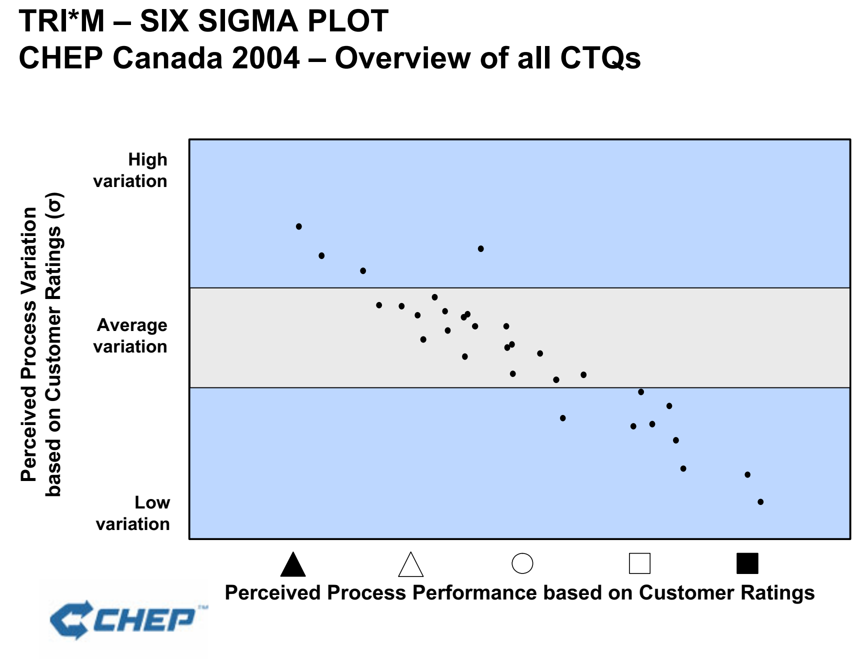

Fig. 9

Looking at the key motivators of customer retention from a customers' perspective, these processes operate on a weaker Sigma-level than all other customer processes. The analysis identifies for individual processes (i.e. D06) a strong need for process improvements. As described above, the TRI*M-Six Sigma Plot helps to review the processes and conduct root cause analysis, and thus supports the development of targeted improvement measures.

TRI*M – SIX SIGMA PLOT
CHEP Canada 2004 – Motivators only

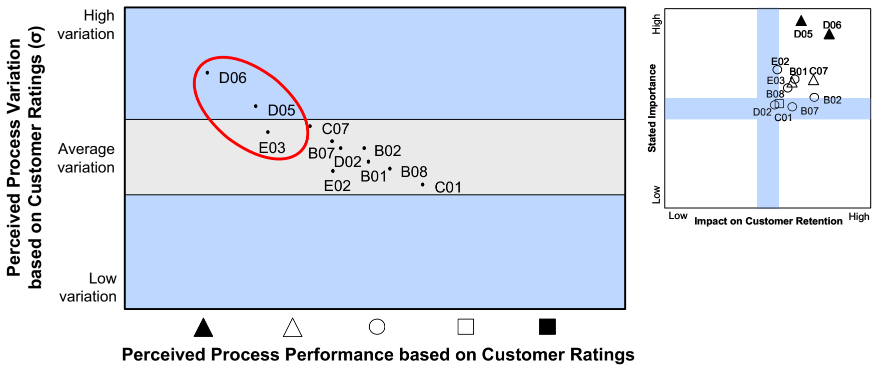

Fig. 10

Conversely the charts can show the processes that have the lowest variation and operate on a well above average Sigma-level. As noted earlier, the TRI*M Index as a measure of the strength of customer retention has increased significantly in 2004. The TRI*M-Six Sigma analysis identifies issues Critical To Quality (CTQs), for which the process output is in line with customer expectations and needs. Therefore, CHEP Canada knows where to prioritize focus for further improvements and strengthen its market position.

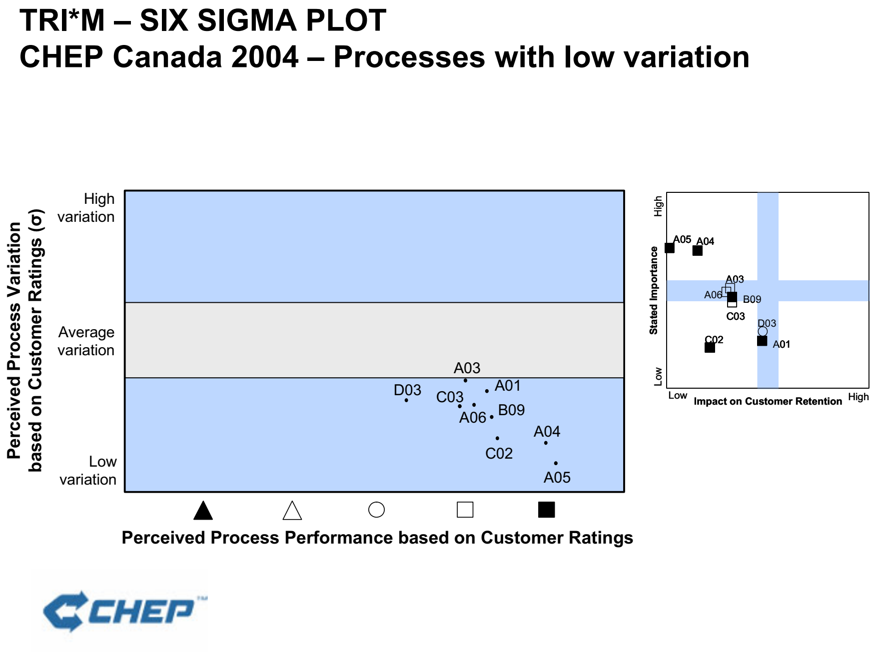

Fig. 11

Conclusion

Employing proven methodologies such as customer satisfaction and loyalty as measured by TRI*M with Six Sigma has the potential to provide focus on those attributes that are Critical to Quality. This will reduce variation, improve quality, improve customer satisfaction, increase customer retention, and provide the baseline for continuous improvement.

9 Focus on Loyalty

John Salusbury

Endress+Hauser is an international group of companies, offering process control devices and systems for all major parameters in industrial measurement and automation technologies. The Endress+Hauser Group maintains its own subsidiaries in all leading industrialised nations and has representatives in practically all other countries. Since the foundation in 1953, Endress+Hauser developed from being a specialist in level measurement, to a supplier of complete solutions for industrial measurement and automation. Proudly independent, the group is the largest privately owned process automation company in the world and is wholly owned by the Endress family.

Like many other companies, Endress+Hauser realised that only by consequent relationship development with its customers is it possible to have continued success on the long run. The challenges of today are many including: mature markets, rising competition, ambitious and price-conscious customers and products which are often viewed by the users as commodities. It's therefore important to focus on not just the product deliverables but also the relationship with the customers concentrating on the aspects of service which satisfy customers the most, to build trust and create loyalty. To achieve this long-lasting and profitable customer retention it was therefore recognised that Endress+Hauser had to regularly measure and analyse customer satisfaction.

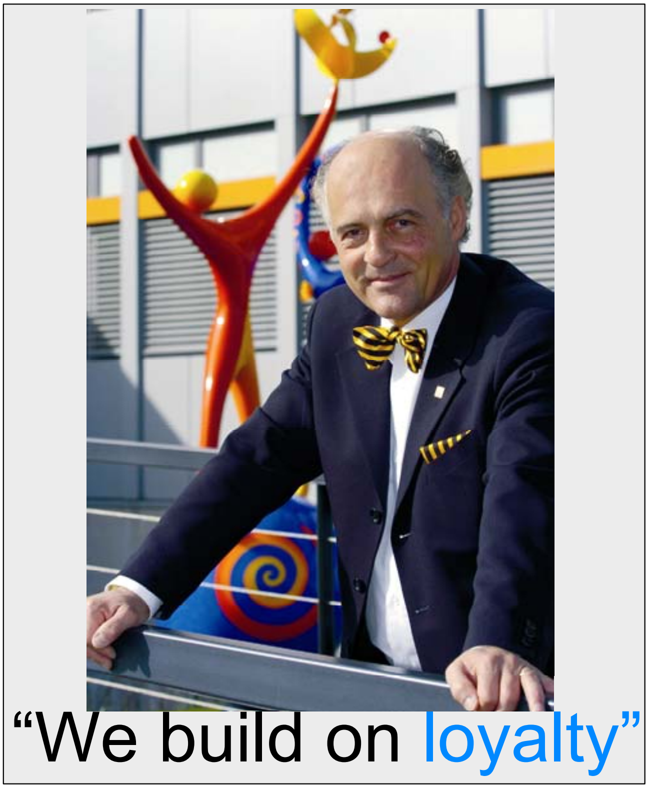

Fig. 1

Not only is customer satisfaction stated as strategically important for the group it has been identified as one of the key and central objectives for company development. This is exemplified in the motto of the Endress+Hauser Group for 2003/ 2004 which was "Focus on Loyalty" and to quote the CEO Klaus Endress. "Loyalty is not about following someone blindly – but knowing that you can completely rely on your counterpart, that they are honest and trustworthy in their actions."[1]

[1] Citation of Klaus Endress, CEO of Endress+Hauser, 2004.

9.1 Loyalty Benefits Everyone – Loyalty Ensures Long-Term Success

A bridge made of nine multicoloured building blocks. One brick supports the other. Together they give each other support; collectively they form a strong bond – a long-lasting bond that is able to withstand a heavy burden. This simple analogy could not better illustrate the effect of loyal relations. This can be between companies on the one hand and customers, employees and shareholders on the other hand. (Reproduced from Changes 2004 the annual company report and magazine of the Endress+Hauser Group)

Fig. 2

It is not surprising to see in almost every corporate strategy the target to increase customer satisfaction which is influenced by their loyalty.

In 2000 one of the Product Centres (PC) of Endress+Hauser in Maulburg (Germany) decided to conduct a satisfaction survey to gain market feedback on one of their product groups. They selected TRI*M and the results gave insights on a number of aspects of the company's activities and in particular a view on customer satisfaction in relation to the products. This gave a focus on new developments ongoing at the time; the product was launched later in 2002 and has subsequently been proven a marketing success. Whilst the study pointed Endress+Hauser in the right direction it could also be noted that the products being produced at the time were voted as having very high quality, and viewed overall in a positive light.

In 2001 it was decided that not only did Endress+Hauser need to analyse their customers satisfaction with the products but they also needed to rate the satisfaction of customers in aspects of service beyond the product. Again Endress+Hauser decided to conduct the customer satisfaction survey with TNS Infratest using their TRI*M Methodology. The pilot project was carried out in the Sales Centre (SC) Switzerland. Whilst the survey by PC Maulburg focused on satisfaction in relation to the products, the second survey in SC Switzerland assessed customer satisfaction overall.

Endress+Hauser created in cooperation with TNS a master questionnaire adapted to the company structure. All Endress+Hauser companies have to use this master questionnaire to enable the group to benchmark the survey results afterwards. Of course, each country has the possibility to change items in the questionnaire, but generally this is less than 5 %. To change items it is necessary to observe the structure of the text in the master document. If an item is printed bold than it must not be changed. It has to be in the questionnaire like suggested. An italic printed item is recommended and should be included in the questionnaire if possible. A normal printed element is optional and can be changed or replaced by another item.

The following figure shows this in more detail:

How important are the following attributes in your opinion concerning „general company attributes“. **A General company attributes**	Extremely important =5	Very important =4	Fairly important =3	Not very important =2	Not at all important =1
A1 Market leader / Recognised brand	☐	☐	☐	☐	☐
A2 Worldwide presence	☐	☐	☐	☐	☐
A3 Provider of after sales service	☐	☐	☐	☐	☐
A4 Reliable partnership	☐	☐	☐	☐	☐
A5 Customer orientation	☐	☐	☐	☐	☐
A6 Innovative	☐	☐	☐	☐	☐
A7 Control system supplier	☐	☐	☐	☐	☐
A8 Technical and professional competence	☐	☐	☐	☐	☐

Fig. 3

Following another successful and informative telephone survey in the USA in 2003 Endress+Hauser decided to carry out further customer satisfaction surveys in 2004 in Austria, Germany and France. All three surveys were conducted at the same time. In 2005 the surveys where extended to include Canada, South Africa, United Kingdom, Denmark, Norway and Sweden. With the results out of the surveys in Europe, Africa and the USA it is again possible to benchmark different continents. With the results from Germany, Austria and France it is possible to verify if there are any regional coherencies or not.

With this special master questionnaire it is possible to benchmark results of Endress+Hauser companies from all over the world against each other but also more importantly by using the historical data of TNS to benchmark Endress+Hauser against similar organisations operating in the same regions. Next steps will to conduct further surveys in Europe but in 2006 extend the approach to Japan and South East Asia.

9.2 Customer Satisfaction Survey in Europe

Endress+Hauser Germany, Austria and France decided to again take advantage of telephone surveys. Despite the increased costs of this method the companies could see a great advantage in getting feedback directly from the nominated target person or target group in a very short period of time. Both would be more difficult to control and guaranteed using the mail survey. To get representative results it is important to select the right customers. Of course, this requires a complete, maintained and accurate customer database.

Within the scope of the survey Endress+Hauser defined the focus groups on which they required feedback. Germany preferred on the one hand to ask mainly A and B Customers. These customers are equally listed with commercial and technical contact persons to enable a more detailed differentiation. On the other hand they focused obtaining information across customers of different branches to obtain a more detailed view on their customer retention in main focal industries. (A and B category customers tend to be the bigger users of Endress+Hauser products and offer the potential for continued business development).

Endress+Hauser Austria had a preference to view their results from a regional perspective. As one sales person is responsible for one region and additionally each of them is accountable for about one to two key customers, the feeling was that the survey could help each sales person to develop and improve his area based on the strengths and weaknesses perceived by the customers. Endress+Hauser Austria also received the anonymous but separate results of each key customer.

The customer selection by Endress+Hauser France was similar to Austria. Additional to the A-B &C-customers of each region they wanted to have the results more divided in application areas and different branches of their customers. This was achieved in an excellent way and despite the short Fieldwork of only 3 weeks it was possible to fulfil all five criteria France requested. This on the one side showed that the customer database was in a very good condition and the on the other that customers are willing to participate to the survey.

For future surveys Endress+Hauser will continue to use such Methodology to look at their business from different aspects that are aligned to their strategic targets. The following figure highlights this approach in more detail. By identifying the focal business area on the customer database that is submitted to TNS prior to the survey it is possible to guide the interviewers to get completed questionnaires within the business group required.

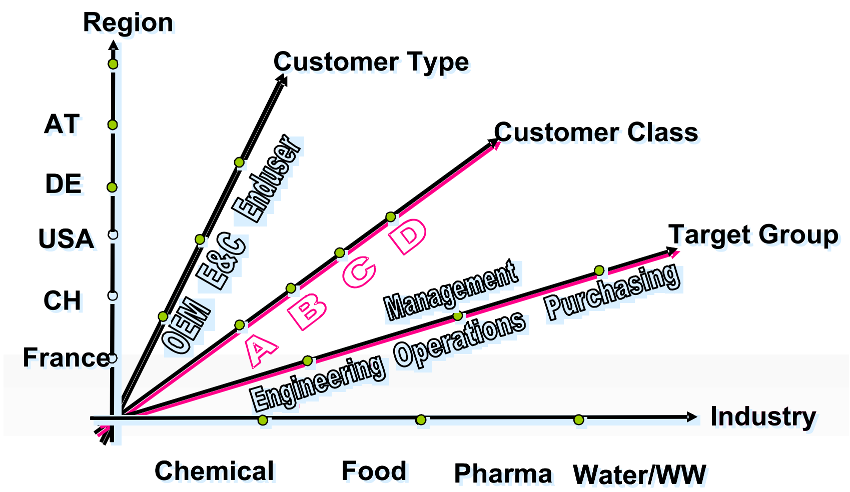

Fig. 4

After each survey or group of surveys a workshop was conducted with TNS with an analysis of the results and a specific focus into the strength and weaknesses as reported by customers. These workshops allowed Endress+Hauser to analyse on the one hand each country's activities where they have to focus on to improve in their region. On the other hand with the combined benchmarked results of all surveys Endress+Hauser were able to isolate the customer perceived strengths and weaknesses which are in relation to the group of companies. This has resulted in several group projects aimed at improving communication to users of strengths and also two projects to tackle two areas where improvement of company performance will enhance satisfaction and gain a competitive advantage in comparison to other suppliers of automation products.

With the accomplishment of satisfaction surveys with TNS Infratest to date and on the strength of the information delivered, the acceptance of the TRI*M Methodology is high within the Endress+Hauser group companies. TRI*M Methodology along with TNS will be employed further on by Endress+Hauser for future external studies. The nature of the questioning techniques will be developed and in 2006 it is envisaged that a number of hybrid surveys can be carried out combining on line questionnaires with focussed telephone surveys towards the key customer personnel. The aim is to reduce the cost of the individual surveys so that the Methodology can be rolled out to all major sales centres of Endress+Hauser.

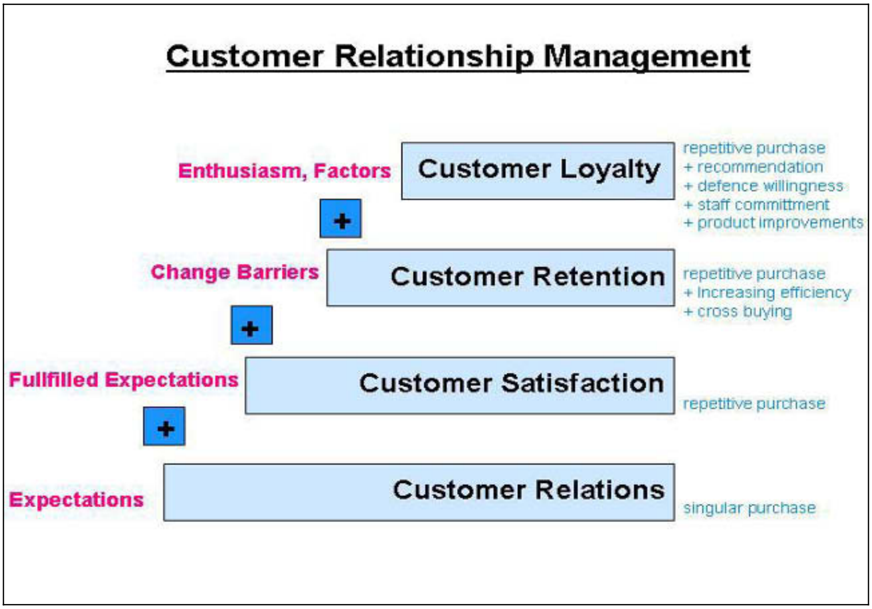

Fig. 5

10 The Customer as Process Manager: Utilization of the TRI*M Methodology to Continually Increase Customer Satisfaction

Anja Regnat, Fabian Schwarz

10.1 PAYBACK – Germany's Largest Customer Retention Programme

Collecting bonus points when making a purchase has become almost a habit for the consumers in Germany. With over 28 million cards currently deployed, PAYBACK - Germany's leading bonus programme - has greatly contributed towards this trend; and done so within a very short period of time. The PAYBACK-brand was launched as the first ever multi-partner-bonus programme by Loyalty Partner GmbH in March 2000. Ever since this point in time, PAYBACK-members are able to collect bonus points from a multitude of sales and service companies.

Through PAYBACK, Loyalty Partner have established themselves to be the most successful providers of bonus programmes. The "success formula" is simple and complex at the same time: All processes should be customer-oriented. All programme-relevant areas such as "registration", "collection" and "redemption", as well as the service beyond these processes, should be included in this task.

The complexity lies in the multitude of existing part-processes inherent for the running of the individual programme areas. The process of collecting, for example, contains over 64 sub-processes computing up to 4 million transactions a day and managing all accounts via a complex account-management-system. These highly automated sub-processes run million-fold and are controlled by high-performance monitoring tools.

Despite the process-complexity, PAYBACK remains a programme that is easily manageable for the customer and responds analogous to its core idea: “To collect points from all partners with just one card”. The ease of use is an essential prerequisite for the acceptance and usage of the PAYBACK-programme - just as a perfect service can only generate complete customer satisfaction if its approach remains straightforward.

A closer look at customer satisfaction can indicate insufficiencies in the alignment of company-related processes with the customer and is therefore an immediate indicator for customer retention. Given this criteria, it is not surprising that customer satisfaction is the central entrepreneurial goal of Loyalty Partner. The overall success of the PAYBACK-programme depends to a great deal on it.

10.2 The Core Indicator for Customer Retention: The Measurement of the Customer Satisfaction in the Customer Service Centre

In order to safeguard and to continually increase customer retention, in 2003 Loyalty Partner conducted the measurement of customer satisfaction with the Customer Service Centre for the first time. The aim of the initial measurement was the assessment of all individual customer-related processes of the PAYBACK-programme through the measurement of the overall service processes. The attainment of the customer’s viewpoint should enable the alignment and the improvement of the programme with the requirements of the customer.

10.2.1 Selection of the TRI*M Methodology and the Suitable Research Design

For the selection of an appropriate measurement tool, the requirements were clearly defined before conducting the initial measurement. Customer satisfaction should be measured in such a way that it is:

- valid und reliable
- comparable (benchmarking)

- including individual relevance of different target groups
- containing all contact channels (call, letter, email)

Additionally, the tool had to be accepted by all stakeholders and integrable into the Balanced Scorecard of the company.

In order to meet the aforementioned requirements for the measurement tool, Loyalty Partner chose the TRI*M methodology from TNS Infratest. The decision for this methodology was easy: Even before commencing with the regular measurement of customer satisfaction, this methodology proved successful in the context of other company-wide studies.

The structuring of an adequate research design for selecting a suitable sample proved to be more of an effort. Existing statistics of the PAYBACK Service Centre were analysed according to volume, frequency and contact channels. A sample, representing the following areas, had to be generated:

- Organisational structure of the Service Centre regarding share of workload (front office, back office)
- Different contact channels (call, letter, email) as well as their significance regarding volume
- Handling of queries and complaints and their respective significance for the overall customer satisfaction
- Different levels of complaint handling (initial complaint / repeat complaint / complaint escalation)

The intended sample, therefore, represented three levels of complaint handling, encompassing three target groups in accordance to contact channels. The handling of queries and complaints could be analysed separately. Through weighing according to the proportion of queries and complaints, an overall value for customer satisfaction could be identified. The performance for all target groups was established through the TRI*M Index and was therefore easily comparable.

As the customer is being asked to remember a certain point in time in the past regarding an incident or service, it is essential that only those are selected whose contact with the Customer Service Centre has been just a few days or weeks ago.

10.2.2 Results of the Initial Measurement 2003

The results of the initial measurement in 2003 were of a mixed nature: The customer satisfaction for the whole Customer Service Centre was near the benchmark set by TNS Infratest and thus assessed as ‘competitive with potential for improvement’. With regards to the contact channels, the TRI*M Index for the handling of telephone queries was very positive; the handling of written queries (letter or email), however, was below average. The overall handling of queries was dealt with to the satisfaction of the customers for the most part. The handling of complaints, however, indicated a lot of room for improvement: All three satisfaction levels were of a low standard; in one case the TRI*M Index was below zero (see illustration: Extracts of index values).

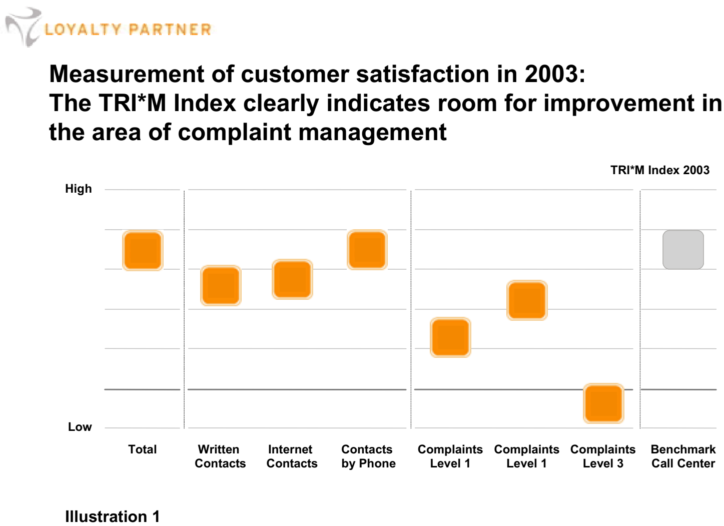

Fig. 1

The Strengths-Weaknesses analysis through the TRI*M Grid indicates clear starting points for the improvement of complaint handling - particularly in the field of Motivators (see illustration).

From a customer's viewpoint, the following aspects show up in particular: "Response addresses the issue in question", "Reliable information", "Competent response", "Reliable Statements" and "Promises are kept".

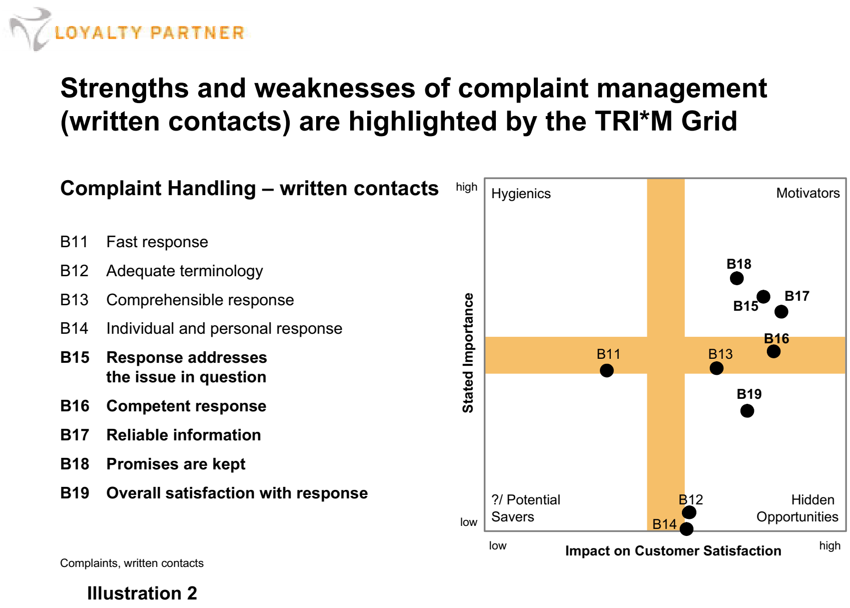

Fig. 2

Aspects relating to the performance of the agents in the Service Centre ("courtesy", "friendliness" and "comprehensibility of the agent"), were evaluated by the customer as far above average.

10.2.3 Analysis and Optimization of the Before Mentioned Processes

The results indicated that during the process of definition and implementation of improvement measures, special attention should be given to the area of complaint management. First recommendations by TNS Infratest instigated an extensive process analysis by Loyalty Partner.

In the context of the analysis, it became apparent that the actual core problem was not the serviceability of the Customer Service Centre, but its integration into the overall programme. In many respects, the agents could not supply satisfactory solutions to the customers because:

- There were no encompassing organizational structures for controlling the Service Centre in place
- There was not enough information / knowledge management put into practice
- There was a lack of process know-how or a lack of insight into the processes by the Service Centre
- There was no adequate system support

On the basis of these findings, the company-wide project, “The customer as focal point” was launched. With this project, a clear shift in perspective took place, namely from the operational viewpoint to the perspective of the customer. Improvement measures were initiated in the following four areas:

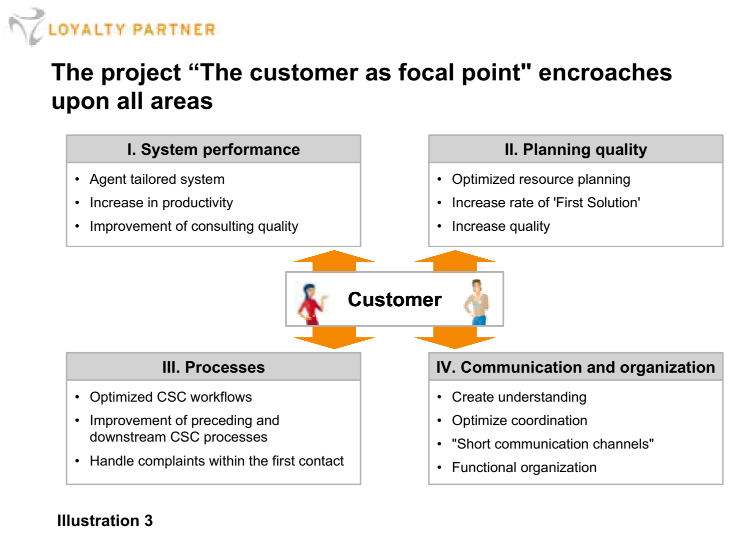

Fig. 3

The project could only be made a success because of the strong commitment of the management. Furthermore, it was necessary to realize that the close-knit link between the service and the operational side of the programme provides the prerequisite for satisfied customers. Because, only if the agent of the PAYBACK Service Centre feels as a part of the overall programme and shows his/her satisfaction, he/she will be able to affect the customer in the same fashion.

10.2.4 Measurement of Customer Satisfaction 2004

The results of the customer satisfaction survey 2004 confirmed the chosen path:

For each target group examined, improvements could be registered by means of higher index values. The overall TRI*M Index was increased by 6 index points, the performance by different contact channels by 5 to 11 index points.

A tremendous success was achieved with regards to handling complaints:

Customer satisfaction for the first complaint level was improved by 24 index points in 2004. For repeat complaints, it was improved by 18 index points.

Complaint escalations occurred less in 2004 than in the previous year and only few customers could be interviewed. However, these customers were clearly more satisfied with the handling of their complaint (Improvement by 49 index points).

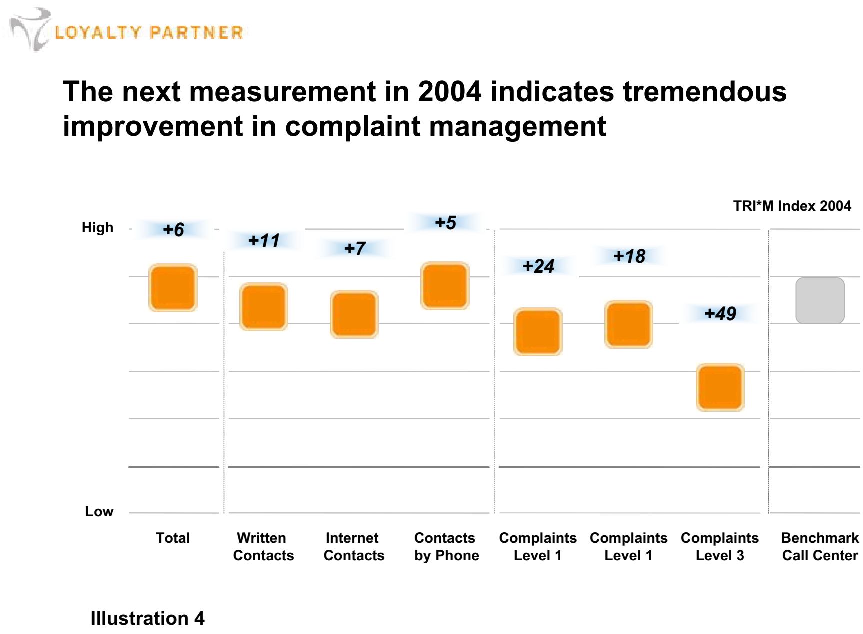

Fig. 4

10.3 Regular Utilization of the TRI*M Results in Order to Derive Measures to Increase Customer Satisfaction

The success, which has been achieved through the measurement of the customer satisfaction in the Customer Service Centre within one year, has prompted the company to measure on an annual basis. This means that every year, the customer of the PAYBACK Service Centre is given indirectly the role of a process manager, who contributes to the continual improvement in customer satisfaction.

The processes to increase customer satisfaction need to be continually driven:

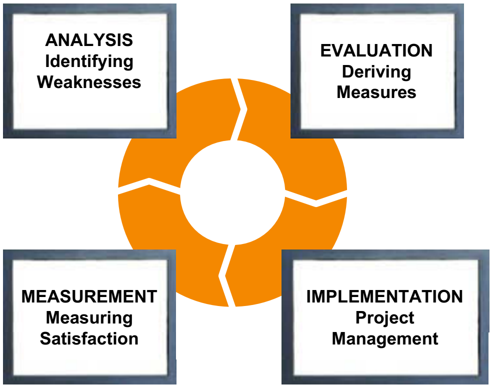

Illustration 5

Fig. 5

The TRI*M methodology has proved itself when it comes to measurement, management and further development of customer satisfaction. And as such, supports Loyalty Partner's 'success formula', to offer through PAYBACK a product that has all its processes aligned with the customer.

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Chapter 1

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He has published an array of research articles and papers in the Stakeholder Management area over the last 15 years.

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Fabian Schwarz is Customer Service Manager at PAYBACK, Germany's largest and most successful loyalty programme. He is responsible for the entire service side of the business, the creation of customer friendly processes and the integration of customer trends into the business. Beforehand he worked as a process manager in the tourism and airline industry.

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Chapter 1

Mandy Littlewood is a Managing Consultant based in Edinburgh. She joined TNS in May 1998 from the Centre for Housing Research and Urban Studies at Glasgow University, where she was a Research Fellow. Mandy has a first class honours degree in Sociology. She has directed a wide range of housing research projects. Mandy has designed and managed a number of tenants and residents surveys incorporating TRI*M to identify residents' service priorities.

Chapter 4

Anna Dudleston (Managing Consultant) joined TNS in 1999 from Nottingham Trent University where she was studying for a PhD examining the inter-relationships between the housing and labour markets. She has a degree in Social Policy and Administration from the University of Nottingham. Anna has recently managed studies on homelessness strategy and housing affordability as well as the TRI*M residents survey on which this paper is based.

Chapter 4

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