Sri Lanka needs to develop Service Standards

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Listening to the customer is essential for success in businesses. In Sri Lanka this practice is not actively followed in many sectors. At the basic level, organizations need satisfied customers, but this is not enough – organizations need loyal customers – as they are the backbone of the business. Listening closely to them through a process called Voice of Customer (VOC) is so essential to gain loyalty.

In its simplest form, VOC is a process for capturing customers' requirements. It consists of a detailed set of customer wants and needs, which are organized into a categorized structure and then prioritized in terms of relative importance and satisfaction with current alternatives. VOC is all about understanding the customer's requirements and designing and delivering products or services that consistently meet their requirements.

A vigorous and objective VOC programme, which focuses directly on interacting with the customer will enable a company to reach its strategy of maximum revenue growth. The closer one is to the customer, the more one can understand their specific critical requirements. By meeting these requirements and anticipating their changing requirements, it is possible to build complete loyalty.

Customer loyalty

Customer loyalty is the essential true goal of any revenue strategy. Loyalty will always be more important than mere satisfaction for a business to become strong and sustainable.

To listen to the customer one needs more than surveys, focus groups and other passive data gathering techniques. A strong VOC effort involves deepening the level of understanding with customers to understand why they are loyal in the first place and continue to buy a company's products and services. If they are a former customer, the organization needs to know why they stopped buying for instance. What can be done to win them back? It's also important to learn from non-customers, asking what can the organization produce or deliver that will influence them to buy for the first time?

Being close with your customers, helps structure an approach where the organization and its employees are not only listening to the customers but are also working alongside the customers. This allows the organization to actually experience how customers are using the products and services in their everyday life and the value they experience from these.

How a company listens to its customers is a significant business activity that can have a dramatic impact on the overall business performance, whether this is revenue, growth or profitability. Whilst many Sri Lankan organizations know this, many encounter problems in how they go about listening to their customer. There are often issues with the gathering and processing of data they receive. This stems from fear of the negative repercussions, which will result if data collected from customers is negative.

However, if the data gathering process takes place regularly and is seen in a positive light - whatever the results, this is better for the business as true customer feedback can be integrated into strategy, product development and process improvement. Otherwise, the above factors cannot be developed properly and ultimately all staff in the organization will pay the price for this as the organization loses its market share.

When data is collected objectively, VOC data will drive product development efforts and become the basis for how a company innovates and improves its technology systems and processes. This will enable the organization to be agile and give it the ability to quickly change to meet the evolving needs and requirements of customers.

Most companies do not spend enough time focusing on the true measure of revenue growth – which is customer loyalty. Revenue strategies focus on market penetration, new product development and competiveness. To assume that their existing customer base will stay loyal is a false premise. It is critical not to neglect the need to continuously identify what value customers want when they buy. The only way a company can assure loyalty if their customers is to walk in its customer's shoes and actively listen to them experiencing first-hand how they use the product or service they are buying.

Upper and lower service limits

For instance, a study was conducted of a health clinic's service waiting time over a month. The data collected indicated that the service process had a mean wait time of eight minutes with a standard deviation or variation of one minute. How well does this process meet customer expectations? This is a question most organizations cannot answer. Unless we know what the customer will tolerate as an upper and lower time boundary while waiting for a service, we have nothing against which to compare our performance. Organizations can spend a lot of time and resources trying to drive wait times to zero, when that may not be what the customer expects. For instance in the clinic example given above, the customers said they would accept Upper Tolerance Limit of 15 minutes and a Lower Tolerance Limit of 5 minutes for waiting.

The real question for the organization is to understand how well this process meets its customer expectations? This is a question most organizations cannot answer since they do not know what their customer will tolerate as an upper or lower boundary for the delivery of service.

In the service industries, healthcare, and government, many processes do not have defined customer specifications. It is important to develop acceptable limits for processes for these. This tolerable variation must be identified by the actual customers of the process as an upper tolerance limit and a lower tolerance limit.

The questions we may need to ask a customer may be, "How long are you willing to wait for the doctor at a hospital, to check out of a hospital after being an in-patient, to wait to be served at a restaurant, to obtain a permit from the local authority, to get a bank loan, or to get a meal at a fast food restaurant?"

Although, customers understand that waits are inevitable, it is important to compile an average from many customers on what the upper tolerance limit would be on wait time. Everyone would like zero wait time, but realistically people will accept a minimal wait. Defining that minimal acceptable wait as the lower tolerance limit is also important. A lot of resources can be used trying to get wait time to zero which may not be expected by the customer. What we need to do is to focus our scarce resources on improving our processes to align with customer expectations.

Research undertaken in the USA has demonstrated that the simple act of showing people why it is taking so long helps customers tolerate wait times more easily. If the customer understands what work is being done on their behalf while they are waiting they tend to value the service more. Communicating the reason for the wait while something is done on their behalf (authorization, copy a form, update records, collect a vaccine, and so on) helps the customer understand the wait. Regular communication with the customer keeps them informed, builds a relationship, and reduces complaints.

To understand how to draw up tolerance limits and obtain proper VOC data, we need to define our customers. This should follow various stages.

Determine your customer segments

Segmentation is the process of breaking down your customer base into key targeted groups in order to more successfully market and sell your products. Once your customers are segmented, you can identify the factors associated with a product and align it with the customer segment that would most benefit from it. Examples of segmentation include age, spending patterns, interests, time of arrival, location and so on. This of course varies according to the industry you are operating in.

Using data that already exists

Identify ways you already gather information from your customer and how you are currently listening to them. VOC comes through sales reports, complaints, the customer call centre, previously conducted surveys, product reviews, social media, and so on. With this data, you can implement a well known technique called Kano analysis, which addresses three main types of customer requirements and is a starting point for your VOC programme highlighting the basic requirements, which allows a company to get into a market, the performance requirements, which allows a company to remain in that market and finally the excitement requirements, which allows a company to excel in that market.

Analyze revenue by customer segments

You need to find out which customers generate the most sales. If the 80/20 rule applies you will know that this 20% becomes the primary target segment for your VOC data collection. Why are they your customers right now and why do they keep coming back? When you know the answers to this, you will have the understanding to build the capability to continue to design and deliver new products or services.

Understand the customers who stopped doing business with you

Which customers stopped doing business with you over the last two to three years? It is important to take a close look at this group to analyze why they stopped being a customer. It's important to be open and honest to drive to the root cause. Also winning these past customers back will be critical to your path forward.

Identify potential customers

Potential customers are another important group. These consumers are not currently using your products or services but would greatly benefit if they did. It is important to understand the reasons for this, further breaking this down to identify ideal customers to target.

Neglecting hidden costs

You need to understand the outcome expectations of your customers to meet current state needs and address innovation opportunities to serve them better. When you know the reasons why customers value your product or service, you are able to think beyond current requirements and identify opportunities for innovation, which will help you design products and services for your customers that they didn't know they even needed!

To understand your customers fully, your employees need to directly interact with the customer—to walk in their shoes and to stand beside them as they use your product and services. You need to know why they use your products or services. You need to know how your customers work with your services in order to complete the paperwork needed to request a service for instance. Ultimately you need to understand the value to the customer of the products or services they buy.

It is also important to understand that the final service or product delivered is not the whole service or product offering. The process, which precedes the delivery is also critical as this is where the customer often needs to wait or get involved with in terms of filling in documents or even travelling. This is the hidden transaction cost which involves time, money, stress and the opportunity cost for the customer. Unfortunately in Sri Lanka, this is often not seen as important or even considered! However, the customer also expends time and effort to acquire products or services and this also forms part of the total cost – that is their personal cost and the product/service cost. Where the personal cost is viewed as higher than the value obtained by the product or service from a particular supplier the customer will look for alternatives where possible.

In Sri Lanka, many organizations have not even considered upper and lower tolerance limits of wait time and this is deemed acceptable because this is also not offered by their competitors. Although, this may be current practice, it cannot lead to either satisfied or loyal customers. Simply because customers do not have a choice is not the reason for delivery of unreliable and poor service. If we wish to become more competitive as an organization and as a nation, we need to consider service standards and VOC critically and urgently.