



Featured Author Article

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Strengthen Your Competitive Position – Apply Continuous Process Improvement to the Process for Managing Customer Loyalty

Management practices are seldom subjected to process improvement, particularly in small to mid-size companies. The management practices established early in the life of a company often continue with little change as the company grows in size and complexity. This is true also for the process used to manage customer satisfaction.

It is just as important to improve the process of management as it is to improve the processes used to create products and deliver services. Some of the benefits of applying process improvement to management include:

- increased sales, improved cash flow, and enhanced profits
- reduced cost of re-selling to lost or at-risk accounts
- better business decisions based on complete info on market expectations
- enhanced detection and elimination of conditions that jeopardize sales/profitability
- strengthened competitive position
- increased customer loyalty
- reduced time spent reacting to fires created by unhappy customers

This article describes a seven step process improvement method that reveals where opportunities exist to improve management practices that impact customer loyalty. According to the model, customer loyalty or disloyalty results from customer experiences at six critical points of contact with a supplier as follows:

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|------------------------------|---------------|
| 1. Core products or services | 4. Procedures |
| 2. Non-core functions | 5. Properties |
| 3. Policies | 6. Personnel |

The process for managing customer loyalty consists of thirteen factors grouped into three sets. The first set consists of seven factors that control the job performance of individual employees. These include:

- **expectations** -- the standards that customers use to evaluate a company's core products and services, policies, procedures, properties, non-core business functions, and their interactions with a supplier's personnel
- **feedback** -- data showing how well customer expectations have been met
- **consequences** -- what happens to employees when customers' expectations are met and when they are not
- **abilities** -- skills required for job performance to meet customer expectations
- **resources** -- tools, procedures, and materials required to perform as customers expect

- **capacity** -- physical capabilities required to perform as customers expect
- **preferences** -- willing to perform as expected under the physical and social conditions that exist at the job site, for the rewards that are available when performance meets or exceeds expectations, and for the available compensation and fringe benefits

The second set of factors controls the output of work processes. These factors are:

- the number, sequence and difficulty of steps to perform a task,
- how well the job performance of internal suppliers meets the requirements of their internal customers, and
- how closely the specifications for the output of a work process meet the requirements of the internal and external users of that output.

The third set of factors controls the job performance of employees and includes:

- performance appraisal process that holds every employee accountable for meeting the expectations of their internal and/or external customers,
- compensation practices that recognize employees whose performance consistently meets the requirements of their internal/external customers, and
- a mission statement that explicitly dedicates a company to satisfying its customers.

Customer loyalty is under-managed when a management team lacks information about weaknesses in its management practices that inadvertently result in employees upsetting customers or making it difficult for employees to serve customers. Follow the seven steps that follow to determine if any opportunities exist to strengthen your company's management practices that impact customer loyalty.

1. Select a position in your company that has a significant impact on customer loyalty.
2. Answer the following questions as they apply to that position. (Space limitations prevent including all diagnostic questions for the 13 factors that control customer loyalty.)
 - Do these employees know in detail the features your core products and/or services must have in order for customers to buy from you instead of a competitor?
 - Do these employees know the standards their work unit must achieve in order to consistently meet the requirements of external and internal customers?
 - Do these employees know in specific detail how prospects and customers expect to be treated by these employees?
 - Do these employees have current information about how closely your core products and/or services meet customer expectations and how well their work unit's performance meets the requirements of its internal customers?
 - When the performance of these employees consistently meets the requirements of their external and internal customers, are they regularly given non-financial recognition such as appreciation, praise, and thanks?
 - When these employees consistently annoy or upset external or internal customers, do their managers deal effectively with this poor performance?
 - Do the current procedures for selecting people for this position show whether candidates have all the skills and knowledge needed to meet the requirements of external and internal customers?

- Do these employees have the equipment, materials, supplies, work space, procedures, and tools in the quantity and quality needed to consistently meet the requirements of their external and internal customers?
 - Are the work procedures used by these employees regularly reviewed to determine if their outcomes would improve by eliminating unnecessary steps, combining steps, changing the sequence of steps, simplifying steps, or eliminating repetition?
 - Does the performance appraisal/review process clearly and explicitly hold these employees accountable for how well their individual job performance meets the requirements of external and/or internal customers?
3. Answer the questions in Step 2 as they apply to the position that manages the position you selected in Step 1.
 4. For each 'No' answer in Steps 2 and 3, identify how the current situation could hurt your company's efforts to attract first time buyers, convert first time buyers into customers, retain existing customers, and increase the value of purchases by existing customers.
 5. Review your answers to Step 4; if the negative consequences identified are unacceptable, revise your company's management practices as indicated by your answers to the questions in Steps 2 and 3.
 6. Complete Steps 1 – 5 for all positions in your company that significantly impact customer loyalty.
 7. Continually fine-tune your company's management practices that control customer loyalty by repeating Steps 1 – 6 annually.

Applying process improvement methodology to management practices will uncover weaknesses that threaten your company's success attracting first time buyers, creating loyal customers, and enhancing internal communications and team work -- weaknesses that previously might have been unknown.

By eliminating these weaknesses, you'll be better able to meet and exceed market expectations. The results will be accelerated growth in customer base and sales. Other benefits of applying process improvement to management practices include fewer fires created by upset customers, strengthened competitive position, and fewer resources spent acquiring new customers to replace those who have switched to another supplier.

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Article by Bob Cicerone, Aaron Hekele and Jason Morado. The authors are employees of ETC Institute in Olathe, KS. The firm's market research services provide information that helps organizations to make better decisions. Aaron, Bob, and Jason can be reached at 913-829-1215 or by email at: (rcicerone@etcinstitute.com; ahekele@etcinstitute.com; jmorado@etcinstitute.com).