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Using satisfaction measurement to

Improve Services and Reduce Costs

An actionable approach to using customer feedback to identify service failures, eliminate wasted costs and improve the effectiveness of local government processes

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Contents

Executive summary

What this case study is all about

With thousands of service requests received each month, the challenge for local councils is to ensure that the many processes for capturing, responding and actioning these requests are effectively managed to produce a satisfactory outcome for both customer and council.

Two attributes of local council services make this challenge all the more demanding:

- Firstly, the sheer range and complexity of issues that come under their responsibility.
- Secondly, the rising trend to outsource service delivery is making the management of the end-to-end process more complex, placing responsibility for managing service quality outside the council and into the hands of commercially-driven organisations.

However, CTMA has worked with a number of local councils to build structured customer feedback into their service quality improvement programmes.

This has helped to reduce wasted costs, identify service failures and improve the effectiveness of their internally and externally resourced service delivery processes.

The cost of poor service

CTMA has identified four key factors in the service request process that can lead to escalated service costs to councils and reduced support and advocacy from their customers. These factors are:

- Not being informed of problems
- Not acting on problems
- Not acting quickly enough (or as promised)
- Not acting correctly

To mitigate these risks and supplementing local councils' own inspection teams and preventative maintenance programmes, the eyes of the public provide a vital early warning system.

But when requests are not addressed, and reported problems are not actioned, public support wanes and further problems can go unreported.

The loop needs to be closed with the customer by adopting an effective programme of satisfaction tracking and continuous improvement.

This case study describes the approach taken with a number of local councils to achieve incremental improvements in service quality and customer satisfaction. It examines and describes:

❑ The cost of poor service – why it pays to deliver good service the first time

❑ Effective measurement – the why, who, what, how and when of effective customer satisfaction measurement

❑ Building a framework for change – how to turn satisfaction measurements into management actions to improve service and reduce costs

❑ Benefits and achievements – how progress has been made by individual councils

Background

The service management challenge faced by New Zealand local councils

Each request for service that local councils receive from their customers costs money to handle and even more to action. With thousands of requests received each month, the challenge is to ensure that the many processes for capturing, responding and actioning these requests are effectively managed to produce a satisfactory outcome for both customer and council.

Two key attributes of local government services make this challenge all the more demanding:

Firstly, the enormous range and complexity of issues that come under their responsibility. Each day, customers make contact with enquiries and service requests involving:

- Animal welfare
- Beaches
- Building consents
- Building inspections
- Car parking
- Dog licenses
- Environmental protection

- Noise-control
- Parks
- Roads
- Rubbish
- Sports facilities
- Storm and waste water
- Water supply

Secondly, the rising trend to outsource service delivery is making the management of the end-to-end process more complex, placing responsibility for managing service quality outside the council and into the hands of commercially-driven organisations.

However, CTMA has worked with a number of local councils to build structured customer feedback into their service quality improvement programmes.

This helped them to reduce wasted costs, identify service failures and improve the effectiveness of their internally and externally resourced service delivery processes.

The cost of poor service

Why it pays to deliver good service – the first time

The research conducted by CTMA has identified four key factors in the service request process that can lead to escalated service costs to councils and reduced support and advocacy from their customers. These factors are:

- Not being informed of problems
- Not acting on problems
- Not acting quickly enough (or as promised)
- Not acting correctly

Cost of not being informed of problems

Supplementing local councils' own inspection teams and preventative maintenance programmes, the eyes of the public provide a vital early warning system.

Councils can have development plans, maintenance programmes and repair schedules, but many of the issues raised by their service request processes are unplanned and unexpected.

Supplementing a council's own inspection teams and preventative maintenance programmes, the eyes of the public provide a vital early warning system to the many problems that occur under the council's watch. Having the support and co-operation of the public in reporting problems they see has become an important cost-control mechanism in a council's asset management strategies.

The value of public support

Acknowledging the role and value of public support in this capacity, many councils actively encourage customers to contact them with requests for assistance and to report problems. Many invest heavily in contact centres to professionally manage the numerous phone calls and emails that result from such programmes.

But when requests are not addressed, and reported problems are not actioned, public support wanes and further problems can go unreported. What councils don't know about – they can't fix.

Cost of not acting on problems

Service failure, delays and inaction can have serious implications on maintenance costs and public health and safety.

Service requests involve issues that are often time-sensitive and need to be professionally assessed and actioned by council staff and contractors. Service failure, delays and inaction in many areas can have serious implications on maintenance costs and public health and safety.

Damaged roads and pathways can lead to accidents and, if left unattended, can deteriorate rapidly and require more extensive and costly repairs later.

Water leaks can undermine public and private property, causing costly damage to buildings, infrastructure and compromise water quality and supply. Recently, an unattended "coin-sized" leak was reported to have resulted in a 25 metre crater in a residential area of Sydney. It consumed two cars and a telegraph pole and ruptured a gas main. The leak had apparently been reported twice during the preceding week.[1]

The behaviour of animals and their owners can seriously impact the safety and well-being of a community.

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[1] Source: Australian Associated Press – 3rd June 2009 (Woollahra Municipal Council)

Excess growth of shrubs and trees can lead to interference with power lines, obscure road-user vision and sometimes lead to accidents.

In the U.S. even "user delay costs" resulting from road repairs are being included in best practice cost-effectiveness calculations where repair options require different numbers of lane closure.[2]

The importance of prompt action is also well described in "Broken Window Theory". Here numerous social experiments have shown that to act quickly on problems such as broken windows, litter and graffiti, when they are small, discourages further offending.[3]

For so many council services, the proverbial "stitch in time", nearly always "saves nine".

Cost of not acting quickly enough (or as promised)

Apart from the escalating repair costs of deteriorating problems and potential collateral damage there are other costs associated with delayed actions.

Failure to set correct expectations with customers or failure to take action within the promised time-frame can lead to a number of other escalating costs.

Call-backs from the original caller

It is not unusual for customers to contact the council several times about the same issue before it is fixed. Although many council contact centres keep detailed statistics of the number of calls they handle, few record how many are actually follow-up calls about the same unresolved issue.

With each follow-up call made by the customer, call handling costs increase and customers become less satisfied with the action taken
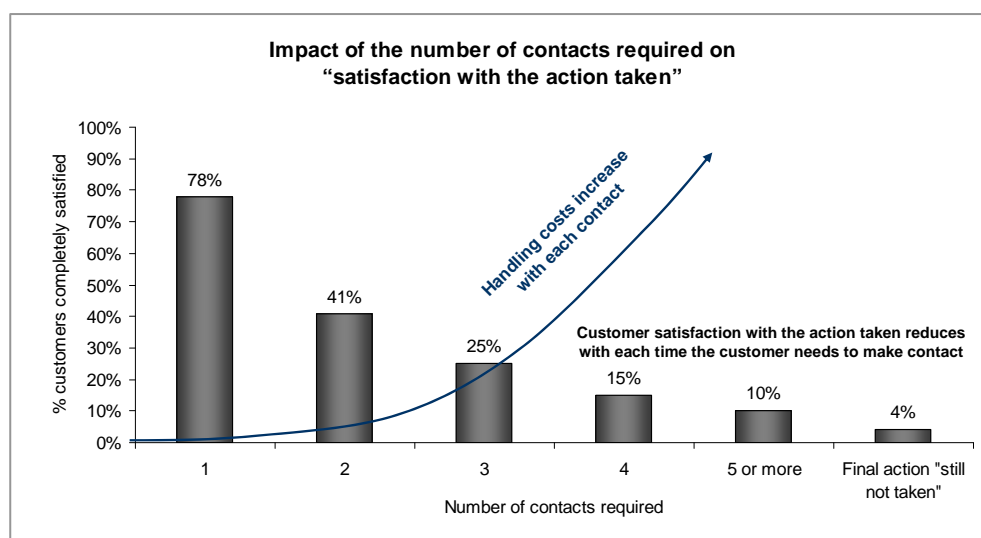
With each follow-up call made by the customer, call handling costs increase. For example, even with a conservative estimate of 1.2 calls made per request, this suggests that a council's contact centre might be operating with a 20% higher load than should be necessary. Further, as is confirmed by CTMA research, with each follow-up call needed, the customer becomes less satisfied with the eventual action taken by the council. [4]

Figure 1.   Impact of the number of contacts made by customers on their satisfaction and call handling costs

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2 Source: "Manual of Practice", Federal Highway Administration, U.S. Department of Transportation

3 Source: "Broken Windows" by James Q. Wilson and George L. Kelling. The Atlantic Monthly, March 1982

4 Source: CTMA's industry-specific research into customer satisfaction with local government requested services in New Zealand

Calls from others

Left long enough, many problems will be noticed and reported by other customers, leading to a further increase in call volume and additional service management tasks to reconcile newly-reported problems from those already reported.

Dangers of double-dipping

CTMA has also found instances where follow-up calls have been logged as separate jobs and either re-allocated to the same contractor or allocated to a separate contractor to action. This can lead to doubling the cost to the council for the original problem.

Cost of not acting correctly

Excess costs can be incurred inspecting the wrong footpath, trimming the wrong tree and searching for reported leaks.

Communication of the exact nature of the request is essential, both between customer and council and then throughout the process, to the point at which the corrective action is taken.

If field staff or contractors are misdirected or fail to correctly interpret requests passed on through the contact centre, excess costs can be incurred inspecting the wrong footpath, trimming the wrong tree and searching for reported leaks. In addition, the original request may remain un-actioned, the original customer become dissatisfied, and further inconvenience or risks may be experienced by additional members of the public.
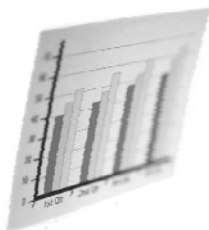
Mitigating cost through service improvement

Because of the combined costs involved in potential service-failure, councils are now placing great emphasis on the communication between their contact centre staff and customers, and on the accurate capture and actioning of customer requests. The loop needs to be closed with the customer by adopting an effective programme of satisfaction tracking and continuous improvement.

CTMA's experience with councils in New Zealand has shown that such a programme needs four key elements in order to succeed:

- Senior management acceptance that many aspects of poor service expose councils to financial risk and that customer service should be subjected to an ongoing process of performance measurement and improvement.
- An effective and well-communicated council-wide vision that drives a culture of business improvement and customer excellence
- The adoption of an effective approach to customer experience measurement that can act as a robust external source to identify shortfalls in service and help manage continuous improvement.
- A framework for change that provides the resource and mandate to take the findings from the measurement programme, work with managers, staff and outsourced agencies to identify and implement changes to improve service and, in many cases, reduce financial risks.

On the following pages we describe how this approach can bring real and measurable benefits by identifying service failures, eliminating wasted costs and improving the effectiveness of local government services.

Effective measurement

The why, who, what, how and when of effective customer satisfaction measurement

Limitations of traditional approaches

Despite such a wide range of services (and each supported by diverse teams of internal staff and external contractors) many councils have traditionally only received a single, annual, department-level assessment of customer satisfaction. This assessment has been typically limited to a departmental score against which targets are set and future improvements "encouraged". There has often been little else to help identify what they might do to improve, or indeed, if the score they achieved is actually good or bad.

An alternative approach trialled by some organisations involves a comparison between the importance customers place on specific service attributes and the degree to which they perceive the organisation performs against each. Some organisations have also attempted to make comparative national and international benchmarks between their performance and the performance of other organisations providing similar, and even dissimilar, services.

CTMA has found four significant limitations that often arise in these approaches.

- They fail to measure customer satisfaction and performance in terms of strategic or financial outcomes. Remedial actions are therefore often driven by anecdotal influences and un-calibrated expressions of customer "importance".
- They seldom identify where specific action needs to be taken and typically result in general solutions, organisation-wide initiatives and improvement initiatives with unnecessarily high deployment costs.
- They often fail to identify what specific remedial action should be taken to improve service quality. Opportunities for simple and cost-effective improvements can, therefore, remain elusive.
- They typically fail to provide feedback often enough to identify problems soon enough to take action or to monitor the impact of improvement initiatives so that further timely adjustments can be made.

Criteria adopted for success

We describe below how a number of New Zealand local councils broke this mould and worked hard to build their customers into their service quality improvement programmes. They turned satisfaction measurement into an ongoing process of performance improvement and prioritised management actions.

For these councils to move from the limited traditional approach they needed to adopt a deliberate strategy to gain a clear and unambiguous insight into what their customers actually experience. These councils had to surrender the customary "avoidance of issues" and actively seek out problems experienced by their customers and work with staff and contractors to take actions to improve their processes and services.

With this new culture in mind, these councils re-defined the why, who, what, how and when of customer satisfaction measurement.

Why they measure

These councils were seeking a more demanding outcome from satisfaction measurement. They regarded it as a key window into understanding how their customers see them and how they perform. They see it as a vital operational management tool to help monitor and support the management and improvement, of ongoing service quality in specific customer processes.

Who they measure

To "manage" overall performance, as distinct from simply "measuring" it, these councils need to measure and manage the performance of individual staff, contractors and processes.

The traditional "overall" measurements of performance are only helpful in monitoring "overall" performance retrospectively. Overall performance is only the aggregate performance of the many individual staff, contractors and processes that the council delivers. In order to manage performance, as distinct from simply "measuring" it, these councils have found that they need to measure and manage the performance of individual staff, contractors and processes that deliver the services.

For example, an organisation seeking to manage staff attendance would make very little progress (and be very unpopular) if it was to reward or penalise its entire staff based on an organisation-wide average attendance. Instead, a system to identify individual staff who fail to turn up for work, and deal with them as individuals would focus attention on "where" and "what" action needs to be taken.

Similarly, "managing" satisfaction, as distinct from simply "measuring" it, requires an intimate insight into the performance of individual parameters at the level at which remedial actions can be taken. Hence these councils can obtain and analyse performance from the customer's perspective by individual:

- Customer service representative
- Request type and department
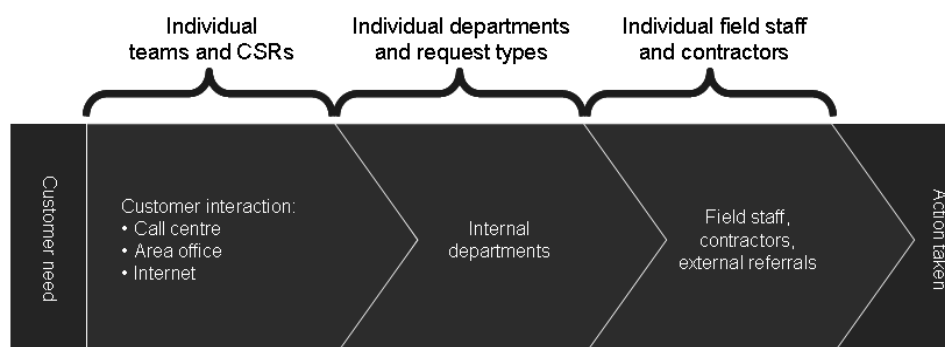- Field team, actioning officer or sub-contractor

Figure 2.   Overview of a typical local government service request process

What they measure

For each specific customer process, measurements are taken of the key outcomes and diagnostic attributes of the service being provided.

For example, in the "request for service" process, these councils typically measure the following outcomes:

- Satisfaction with the action taken by the council in response to the request
- Overall satisfaction with the contact centre in taking the call or responding to the email
- Likelihood that the customer will recommend contacting the contact centre if friends or neighbours need help from the council in the future.

Measurements of these three strategic outcome objectives can help establish an overall measurement of the council's performance and the overall performance of each customer service representative, each department, each request type and each contractor.

In addition, the performance of specific diagnostic attributes is measured to help determine precisely "why" an individual may be obtaining a higher or lower overall score than their peers or why one request type may result in more or less customer satisfaction.

How they measure

The satisfaction measurement is performed using a combination of short mail-based and web-based survey instruments. Questions are focussed on the customer's experience with council's performance responding to the specific request they made.

When they measure

Customers are asked to provide feedback once the job has been signed-off as "complete" and their original request fulfilled. Questionnaires are typically mailed (or emailed) weekly and responses are received from customers on an ongoing basis.

Analysis and reporting

Such performance visibility makes it possible to observe precisely where performance is high and where (and what) remedial actions need to be taken, at the individual level, when it is poor.

Analysis and reporting is conducted monthly such that departments, managers and team leaders can be briefed frequently enough to incorporate the findings into their regular review meetings and coaching sessions.

Such performance visibility makes it possible to observe precisely where performance is high and where (and what) remedial actions need to be taken, at the individual level, when it is poor.

It also provides visibility on the potential cost of poor service and allows improvement initiatives to be priorities in terms of their financial or strategic return.

Building a framework for change

How to turn satisfaction measurements into management actions to improve service

Councils that have had most success leveraging value from their satisfaction tracking programmes are those with a deliberate management strategy to move from simply measuring customer satisfaction to actively managing service improvements.

They have adopted a formal framework for change that has included three key actions. They have:

- Allocated resource in the form of an individual service improvement champion or a service improvement team, with a specific mandate to work with other departments and managers to improve service quality.
- Tasked individual staff, team leaders, managers and external contractors to make customer satisfaction a significant part of their ongoing review and appraisal processes and have provided them with the necessary internal and external support and coaching.
- Publicised service improvement "wins" throughout the council in recognition of those who have made improvements, and as an example of positive actions to others.

The champion approach

The disciplines required to maintain the momentum of a service quality improvement programme are constantly at risk of being displaced by "more urgent" management issues.

This can eventually overtake and overwhelm the ongoing process of uncovering a constant flow of improvement opportunities and, in far too many organisations, the most likely place to find the results of satisfaction tracking programmes is in the department manager's bookcase or filing cabinet.

Where councils have appointed a "Service Improvement Champion" or team, with a cross-functional mandate focussed on customer satisfaction and service quality improvement, CTMA has seen a significant increase in the benefits derived from satisfaction tracking programmes.

The service improvement champion performs a detailed review of each monthly tracking report. Following the review, they brief departmental managers on current issues, participate in planning remedial actions, co-ordinate cross-functional improvement initiatives and track and report on outcomes and improvements achieved.

Depending on the size of the organisation, success can become limited by the time-constraints of a single service improvement champion. The role can grow with time to encompass a wide range of service quality and business improvement activities including process improvement, project management, training and coaching, system reviews, cross-functional negotiations and executive reporting.

In larger organisations, a natural growth-path for this function is facilitated by the establishment of a service quality and business improvement team of change champions. They work together to bring the range of skills and resources required to support the whole organisation on a journey of continual customer-driven innovation and change.

Benefits and achievements

Progress made by individual councils

By adopting CTMA's customer satisfaction measurement and service quality improvement framework, a transformation can occur that enables informed decisions to be made that maximise strategic and tactical returns on service quality investments. In many cases, savings can be achieved and significant improvements made without incurring any additional service costs.

Actual savings have varied, but the following is an example of what has been achieved through a co-ordinated effort between call centre, field staff and contractors:

- Call centre service request call-handling demand reduced by 13%
- Prematurely-closed service requests were reduced by 30%
- Customer satisfaction improved by 10%
- Customer advocacy and support improved by 8%

The following examples demonstrate how this approach enables improvements by:

- Establishing customer-driven service levels
- Managing customer expectations
- Defining individual training and coaching needs
- Identifying business process failures

Establishing dynamic customer-driven service levels

Service levels are often established by reconciling available budget with an estimate of how urgently customers may expect a resolution. Without feedback from customers, these standards can be set unnecessarily high and sometimes too low.

An analysis of the impact that the "time to take action" has on customer satisfaction can identify where the "drop points" are in satisfaction and allows councils to make informed decisions on what their service levels should be. For the example shown in Figure 3, if the council's policy was that satisfaction should never fall below 65%, it must ensure that this specific request type is always actioned within 2 days. Similarly, costs might be saved by relaxing the service level if it had already been set for "same-day-service".
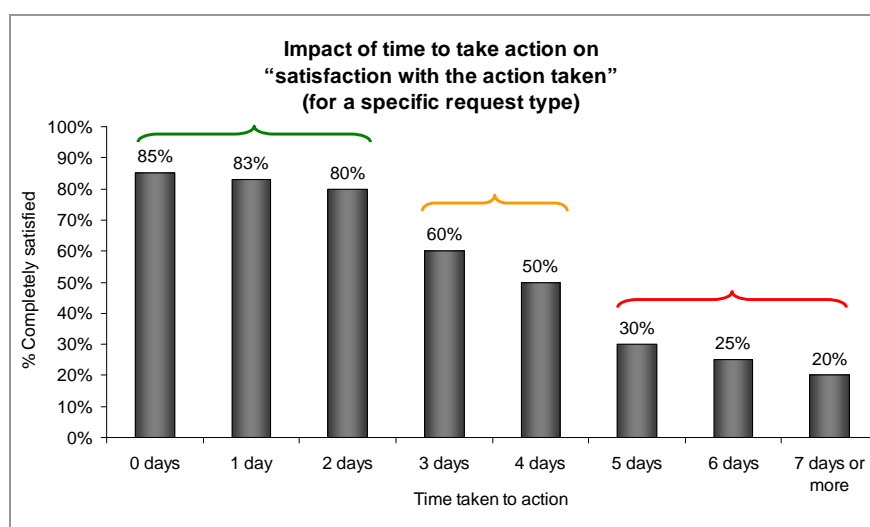

Figure 3.   Impact of time to take action on customer satisfaction with the action taken

By identifying which request types are more time-sensitive than others, councils can establish dynamic customer-driven service levels, freeing resources from less urgent issues and allocating them to where customers look for a faster turnaround.

Managing customer expectations

Councils using this approach have also found that by establishing customer-driven standards and then managing customer expectations, the overall relationship between satisfaction and the time-to-take-action can almost be levelled. Figure 4 compares satisfaction levels achieved in a scenario where customer expectations have been effectively managed to one where they are unmanaged.
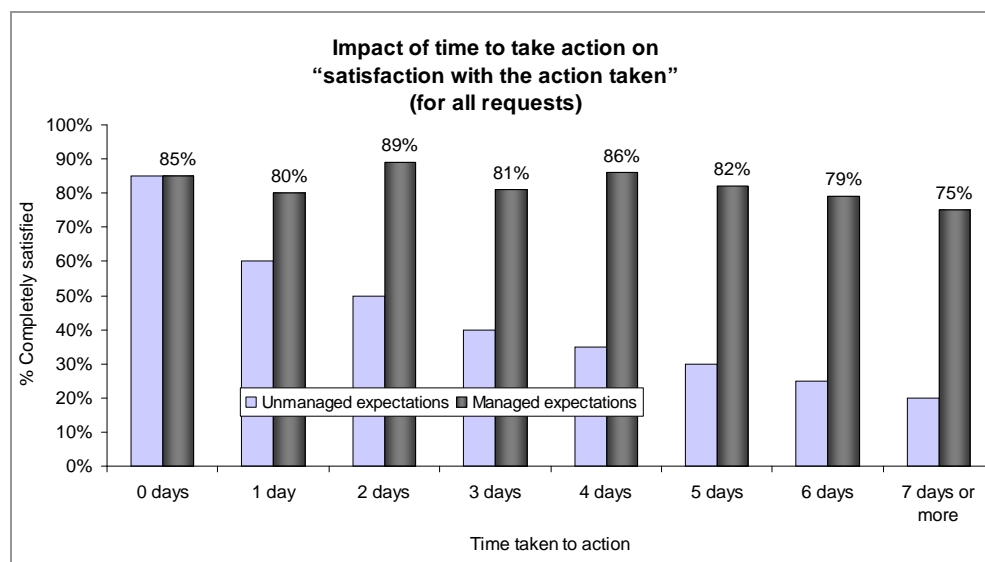

Figure 4.   Benefits of actively managing customer expectations

Councils have made significant improvements to customer satisfaction by putting simple steps in place to keep customers informed of progress.

Although the process of managing customer expectations begins with making the right promises to customers when they first make contact, CTMA's research has shown the importance of following through on those promises and keeping customers informed of progress when delays occur. Councils have made significant improvements to customer satisfaction by putting simple steps in place to keep customers informed of progress.

Defining individual training and coaching needs

Many organisations engage in comprehensive training programmes at recruitment and refresher courses at regular intervals. However, widespread training can be costly and also takes staff away from their work.

Contact centre managers use the monthly individual CSR results from the satisfaction tracking programme in conjunction with their call monitoring programme and other traditional performance management techniques. This approach helps to make their coaching sessions and training recommendations more selective and relevant to each individual CSR's skills and training needs, and helps to reduce ongoing training costs and maintain contact centre capacity.

Identifying business process failure

Even the most carefully developed business processes can sometimes fail when the unpredictable nature of staff, contractors and customers is introduced into the mix.

In one instance the programme identified that a particular service type, although being captured and then entrusted to a reputable external agency, was frequently being reported as "not actioned" by customers. The poor result led to an investigation that soon uncovered that for several months the council had been forwarding the requests to an obsolete FAX number.

For one council the programme revealed a weakness in the case management process where as many as 30% of logged requests were not being correctly linked to a customer. When customers were calling to follow-up requests, the council was unable to find a record of the customer's original contact. Customers were reporting that their calls were not being taken seriously, duplicate requests were being logged and jobs were being allocated to multiple contractors.

Contractor-specific reports from the tracking programme now make it possible for councils to incorporate specific customer satisfaction parameters in their contracts with external agencies and service providers.

Contractor-specific reports from the programme have now made it possible for councils to incorporate specific customer satisfaction parameters in their contracts with external agencies and service providers. By using these reports to set targets and then incorporating them into their ongoing service review meetings, councils are improving service quality and external contractor accountability.

Publicising achievements

The programme has also helped to identify where individual council staff and external contractors have performed well. The positive feedback from customers has been used as an example to others as to what is valued by customers and how customer satisfaction can be achieved.

Other benefits

In addition to the tangible benefits derived from the programmes, the survey process itself is sending a powerful message to customers and ratepayers about the councils' commitment to service quality and cost control.

It is also helping to make customers aware of the relationship between council and the contractors delivering the service on their behalf.

And finally, where serious service failure is reported, councils are able to follow up individual cases, giving them a "second bite of the cherry" to recover the support and confidence of the customer and reinforce internally the culture of "do-it-right the first time".

About CTMA and how we help

From voice of the customer to management action

"We believe that customers are one of the best sources of insight for innovation and business improvement. Our job is to help organisations capture that insight and then turn it into management actions". (Paul Linnell, Founder and Managing Director of CTMA)

CTMA is a customer experience management and service quality improvement firm with a portfolio of consulting and measurement services to help organisations improve service quality and customer experiences, and reduce the risks from poor service.

Organisations hire us to provide insights about their performance from their customers' perspective, and to help them drive service quality improvement by turning those insights into management actions.

The CTMA Framework for Customer-Driven Value Creation

The CTMA framework for customer-driven value creation helps turn a customer experience vision into a customer experience reality. It forms a strategic foundation for an enterprise-wide self-sustaining programme of customer retention, performance measurement and service quality improvement.

Leadership workshops and seminars

Our leadership workshops and seminars provide a kick-start on the road to customer-driven value creation. They can be delivered "in-house" tailored for specific industries and organisations, or presented to larger groups from multiple organisations. Our workshops can also be adapted to be incorporated into conference programmes as 45-90 minute primers or a series of full-day workshops.

Customer experience baseline studies

CTMA's customer experience baseline studies provide a strategic snapshot of your organisation's current levels of customer satisfaction and loyalty, identify and prioritise the problems customers experience doing business with you, and provide a measure of your effectiveness responding to customers who contact you for help.

External assessments and consulting services

Our external assessments and consulting services help to establish transition roadmaps and remedial action plans and provide the drive to bring about positive change and improved customer experiences. From strategic reviews to project support for major customer experience change programmes, we can act as an external catalyst to help drive transformations and provide ongoing assistance with executive coaching and leadership workshops.

Ongoing tracking programmes

CTMA's ongoing measurement programmes provide the tools and insights needed to help you monitor and manage the service quality of specific customer interactions and processes. They provide regular feedback on service performance allowing management to review the results quickly as part of their routine performance management process and plan remedial actions with minimum effort.

Customer feedback channels

Our online customer feedback channels provide organisations with systematic and cost-effective feedback from their customers. Our voice-of-the-customer solutions make it easy for customers to provide feedback, and help you learn more from your customers.