What Customers Want

Identifying customers as described in the previous assignment not only clarifies work processes but also makes it possible to determine what customers want. The best way of doing that is to ask them. The next assignment will describe and explain the use of common methods of gathering and analyzing information from customers. This assignment looks in general terms at what researchers have found that customers want. It should provide helpful background on the kind of information organizations need to understand customer expectations as fully as possible.

Quality Strategically Defined

Quality means to meet or exceed customers' needs.

Continuous improvement is based on a strategic definition of quality, that is, a definition that helps organizations decide what to do and how to do it. Simply put, the strategic definition of quality is *to meet or exceed the needs of customers*. If quality means meeting the needs of customers, identifying customers and determining their needs are two prerequisites to quality. Many continuous improvement advocates have restated the strategic definition of quality as an operating objective. That objective calls for *the continuous improvement of every output, whether a product or a service, through the removal of unwanted variation and by improving work processes*.

The continuous improvement operating objective concentrates on *work processes* and *outputs* in order to ensure quality. Three key ingredients to what customers want include Quality measures, Quality criteria, and levels of expectations.

Quality Measurement

As was pointed out earlier, quality, especially in service businesses, is subjective and based on expectations. Organizations that wish to ensure customer satisfaction must try to translate the subjective into the objective, to find a way to measure their performance. Continuous improvement advocates have found that this can best be accomplished by measuring performance on three levels—the work process level, the output level, and the outcome level.

Work Process Measures

Work process measures establish targets for operations and help coordinate employees, equipment, and material.

Work process measures apply to the activities and operations that produce outputs. They establish measurable targets for functions and provide a way to coordinate people, equipment, and material. The purpose of these measures is to help predict the characteristics of outputs.

For instance, an insurance company could have a standard operating procedure that states that policies must be issued within two working days of receipt of all required information. This operating procedure provides two kinds of work process measures. First, it sets a time limit for acceptable performance by the policy issuance group—all policies are to be issued within two working days. Second, it establishes "supplier requirements" for underwriters and others who provide the policy issuance group with information—all required information must be received by the policy issuance group before policies will be processed.

These two work process measures make it possible to predict two characteristics of the outputs, the issued policies. First, policies will contain all of the required information. Second, policies will be processed in no more than two working days. If the work process measures are met, these output characteristics will be consistently achieved *without a need to inspect the outputs*.

Output Measures

Output measures apply to specific characteristics, features, or attributes of a product or service.

The **voice of the process** refers to output measures that describe actual outputs and capabilities of the process.

The **voice of the customer** refers to output measures that describe customers' needs, wants, and expectations.

Output measures apply to specific characteristics, features, or attributes of a product or service. They are developed from two points of view—the point of view of the process and the point of view of the customer—and then the two points of view are compared.

Output measures developed from the process point of view describe actual outputs and imply what the process is capable of producing. These output measures are called *the voice of the process*. Output measures developed from the customer point of view describe outputs the customer wants and imply what customers need or expect. These output measures are called *the voice of the customer*.

In the work process measures example, the policies will be issued within two working days of receipt by the issuance group of all the required information. From the process point of view, that two-day turnaround can be an acceptable standard consistently achieved. From the customer point of view, however, the variation in the amount of time it takes the company to issue a policy can be extreme and consistently below expectations. From the point of view of the customer, the time taken to gather and provide complete information to the policy issuance group is part of the process. Customers could wait weeks or even months for their policies even though the policy issuance group consistently meets its process measure of a two-day turnaround. In this case, there is a gap between the voice of the process, that is, what the process actually delivers, and the voice of the customer, that is, what the customer actually needs or expects.

Outcome Measures

Outcome measures apply to how the customer uses the product or service.

Outcome measures apply to the effect of the output on the customer. They depend on what the customer does with the output, no matter whether it is a product or a service. The outcome level is the most important level of performance measurement, but it is the most difficult to grasp and use because it is highly influenced by the customer's work process. For this reason, outcome measures *cannot be determined before delivery of the product or service*.

For instance, many personal lines insurance purchasers might put their auto and homeowners insurance policies in a safe place after receiving them without even reading them. All they want to do with them, in effect, is to keep them as a proof of purchase. For such customers, when they receive the policies might not matter a great deal. They will be satisfied if the policy arrives within a reasonable amount of time after they have paid the premium. A risk manager for a large chemical manufacturing firm, on the other hand, might need the insurance policies to do other things—provide copies to the accounting and legal departments, prepare for a quarterly meeting of a corporate safety committee, or meet with the heads of manufacturing departments and the human resources department to develop and implement a training program that will fulfill a loss control procedure required by a workers compensation underwriter. Clearly, in this case, *when* the policies are received is crucial for the work process of the risk manager. An unanticipated delay in the delivery of a policy could not only cause scheduling problems for the risk manager but could also keep the chemical manufacturer from complying with a condition of coverage stipulated by an underwriter—implementation of the underwriter's required loss control procedure.

All three levels of measurement are necessary and should be coordinated. But since outcome measures are most directly related to customer satisfaction, they are the most important. Process measures and output measures should be aligned to achieve satisfactory performance at the outcome level.

Quality Criteria

These three levels of performance measures are keys to determining what customers want. But using them effectively can be difficult, complex, and at times confusing. For the sake of clarity, the example used here—policy issuance—represents a "manufacturing" insurance operation. Using these three levels to measure performance for services is even more complex and difficult. Continuous improvement researchers have used the three levels to establish performance criteria that are more concrete and specific. These criteria also add to an understanding of what customers want.

Researchers have established quality criteria as a way for organizations to begin to listen to the voice of the customer, that is, as a way to give