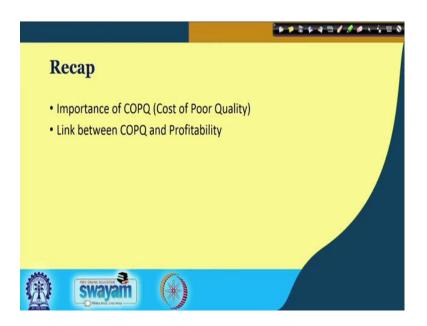
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Lecture – 10 Voice of Customer

Hello friends. I once again welcome you to our journey of Six Sigma and today we have lecture -10. We would be discussing about very very important topic that is called Voice of Customer.

So, Six Sigma is all about reducing variability and seeing that whatever product you deliver or whatever service you deliver that meets the customer requirement.

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So, here the customer is the focus and if you see the recap of couple of last lectures. And specifically the previous lecture we have talked about COPQ that is Cost of Poor Quality and broadly it was divided into cost of conformance, cost of non-conformance and there is a direct link between COPQ and profitability.

We have also seen in the previous lectures that customer focus involvement of the people as a part of TQM is extremely important to see that we deliver the quality that meets the customer requirement and satisfaction.

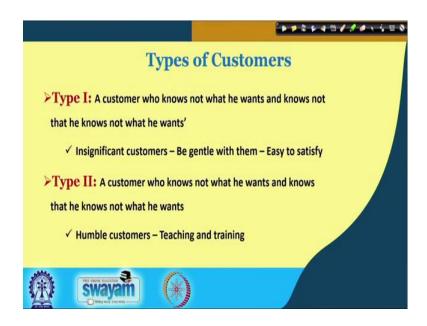
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So, today we will try to appreciate the importance of customer, what are the different types of customer, then how to tap the customer requirement. There is a very well known model which is called KANO model and this really helps the company organization to tap the customer requirement rightly, so that they can provide the product with necessary features at the competitive price. And then there is a relationship between VOC called voice of customer and the quality of consumer experiences.

So, these topics we will try to study in detail in this particular lecture.

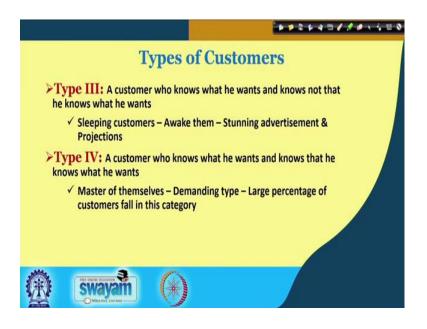
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Now, something interesting you just see that there are different types of customer and when I will read out you will even little bit get confused, but we will try to make it simple. There is a type I customer: a customer who knows not what he wants and knows not that he knows not he wants. So, very much confusing, but basically I want to say that these are the type of customer you may say them insignificant customers we need to be gentle with them and it is easy to satisfy because they have confusion, they do not know what they want and if we help them to understand their requirement as well as the offerings of the product then this kind of customers can easily be convinced.

Type II: a customer who knows not what he wants and knows that he knows not what he wants. So, this is second type of customer; little bit knowledgeable, but we need to tackle this customer differently. So, these are called humble customers. And basically teaching and training is required, so they can be upgraded about the product features and then they can appreciate the offerings.

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Type III: is a customer who knows what he wants. So, here little bit difference you can see that a customer who knows what he wants and knows not that he knows what he wants. So, this kind of customers typically they know that what they want, but they knows that not that he knows what he wants. So, there is a third category of customer and I would call them sleeping customers. Awake them and for them may be the

stunning advertisement, projections of the product would help them to get the attention and product can be say successfully sold to this kind of customers.

Type IV: a customer who knows what he wants. So, first part you just see is yes, he knows what he wants and second part knows that he knows what he wants. So, both the thing there is an awareness. First he knows what he wants and he himself knows that what he wants. So, many a times say we have seen in the different cases that customer is aware of the need, but he is not aware that actually he is aware of the need. So, this is type IV customer and they are master of themselves demanding type and large percentage of customer they fall in this category.

So, today please remember that we have not only say one physical retail channel. We are operating with multiple channels and typically we have Amazon, Flipkart many other online retail sales channel available and customers they can compare the products, they can see the features, they can realize them, they can also compare it with the physical channel and then they are very much exposed to different kinds of product and they are more knowledgeable. So, majority of the customer today they fall in type IV category and they are master of themselves. Now, if we know that we are dealing with type IV customer today, than it is very much important to understand their requirement, tap the requirements timely, appropriately and see that our product can meet to their expectations.

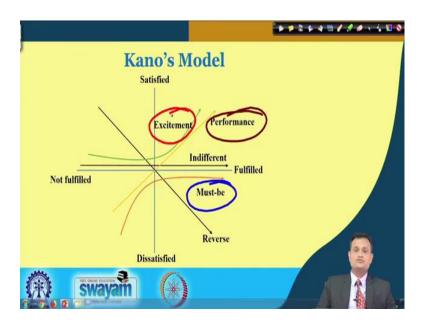
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So, understanding customer requirement mainly demands that who is customer. So, we cannot just generalize and there are different types of customer as I mentioned. Even if there is type IV customer which is highly knowledgeable, master of themselves even this kind of customer can be segmentised in different kind of say economic segment there is coming from a different strata, culture, society. So, who is the customer then what he wants second is.

Now, depending upon his expectation, need, what is actually his expectation or wants that also need to be appropriately identified and, typical Indian customer I would say that subtle, polite, diplomatic and may not come out openly. So, many a times it is difficult to tap the requirement of such customer, and if we make a mistake in designing our product or services this kind of customer may not speak, but they will simply refuse our offering in terms of products and services. So, we need to be very much careful dealing with the customer who are conservative, very much cautious about their spending, value of the money and typically they are polite and subtle. So, here the real need comes in identifying the customer requirement.

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Now, let us see one very very important model that is called Kano's model and typically this model beautifully classifies the customer say requirements. So, it would be a gross misunderstanding if I say that all types of customer requirements are same, it is not like that. Let us try to see through model as well as example showing Kano's model what you

can see that there is something called I will just market there is something call must-be needs. The another one there is something called say performance needs and the third one if you see then there is something called excitement needs.

So, typically there are three different kinds of needs and you can see through the graphs and the lines that on x-axis there are two extremes. If you go to right side it is fulfilled, left side it is not fulfilled. If you look at the y axis satisfied top on the top and dissatisfied at the bottom. So, obviously, you would like to operate in a region which fulfill the customer requirements and satisfy the customer. So, there are three different kinds of needs must-be performance and excitement.

Now, let us see that what exactly it means.

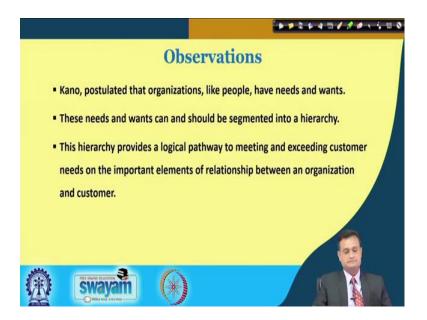
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So, this is basically proposed by professor Noriaki Kano and the model is based on the concept of customer quality and it provides a simple ranking scheme which distinguishes between essential and differentiating attributes. See remember that if you are just offering what your competitor is offering then it is extremely difficult to sustain and grow in the market. On the other extreme, if you are not even offering what your competitor is offering or customer is expecting, then simply within no time you will be thrown out from the market, from the customer side.

So, this model basically is a powerful way of visualizing product characteristics and stimulating debate say within the design team. So, design team can really stimulate, discuss and creatively see that how different types of products at the market expected price can be built in into the product.

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So, there are certain observations by professor Kano and it is postulated that organizations like people have needs and wants, we have to accept and we should also accept that these needs and wants, they are not equal. They must be segmentised, they must be put in different hierarchies; and these hierarchy provides basically a logical way for meeting these requirements at the design stage of the product or services and make our customer loyal and satisfied.

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So, let us see one by one. The first one is the types of attributes if you see the first one is basic or threshold attribute. So, here this is the attribute which must be present in order for the product to be successful and this is the price of entry, you cannot compromise with this. This is the bare minimum thing that your customer is expecting and this is the price of entry. The customer will remain neutral towards the product even with improved execution of these aspects. So, here you cannot say that I improved on this basic or threshold attribute, customer will feel happy, he will feel neutral because this is the most basic requirement we will see some of the examples also.

The another one is one dimensional attribute or performance attribute. You are purchasing a car; obviously, you are not just purchasing a car to protect yourself from sun and the say rain just have you cannot spend so much of money. You would also like to see the performance of the vehicle in terms of mileage, in terms of speed and whatever the other technical parameters. So, here performance or linear or one dimensional attribute are directly correlated to the customer satisfaction. So, little bit it is one step ahead and my customer would feel extremely satisfied if this kind of needs are appropriately or competitively met.

So, conversely there is a caution that decrease functionality results in greater dissatisfaction. So, if you just go back and once again see that particular diagram then we can just see that ok. So, here is the Kano's model and we can just see that there is

satisfied, dissatisfied, fulfill and not fulfilled. So, if you are talking about the performance requirement typically this particular straight yellow line then this performance requirement if there is lack of knowledge, features built in the product or service which can satisfy the customer so far the performance is concerned, then you will simply go down and that would be the region of dissatisfaction.

So, this is something that every company must appreciate that performance needs if it will go down it will lead to say dissatisfaction to the customer. When you talk about basic need must be need your customer will remain neutral even if you improve upon that, but in case of performance if your vehicle is giving say only let us say a 5 kilometers per liter, now the petrol prices, diesel prices are very high then your customer will get extremely dissatisfied.

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Now, let us see the third requirement typically it is attribute which adds to the attractiveness, delight, excitement to the customer. So, this is something which goes beyond and customer derive great satisfaction pleasure from this feature and are willing to pay sometimes a premium price.

So, here satisfaction will not decrease below neutral if the product lacks the feature, please remember. Satisfaction will not go down if this feature is not added, but definitely if you are providing some additional let us say safety feature, some ambience to the automobile then this will delight the customer, excite the customer and obviously, the

overall satisfaction will increase, but absence of this will not decrease the satisfaction. So, company needs to be extremely critical about the delighters, exciters and the additional cost that will be passed on either to the company or to the customer and this features are often unexpected by the customer

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So, many a times they are called as unknown or latent needs. You have hidden need, but you as you as a customer do not express, but when these hidden needs are taped an appropriately satisfied you feel delighted. So, if you see then same classification in a more detailed way then there is a must-be needs, expected requirements and these are those so obvious to the customer that they do not state requirements overtly. When these requirements are not met customers says nothing and probably does not even notice. So, these are not present, if these are not present customer complaint.

So, this kind of need does not elicit customer loyalty or delight and you just see the example telephone dial tone. So, if it is slow in coming or missing, customers are not happy. This is must-be need, basic need and when it is present the customer does not; notice, who bothers this should be there. So, much less become loyal to the provider if your let us say in this example telephone dial tone is low.

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The second example we can see about one dimensional need or as I said performance need then it is the price performance and delivery. My product must extend the competitive performance and if it is much inferior then my competitor, this will definitely lead to customer dissatisfaction and customer may like to change their royalty.

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And the third one dimension is the delightful. So, customer have needs which are hidden, latent they are not able to express, but if you are a smart company and if you are marketing department can tap such requirements. For example, providing a small cup

holder in a car it will not add much cost to your automobile to vehicle, but such a small thing can really make your customer happy. So, likewise there are many delighters and this kind of delighters for example, if you are purchasing an apartment; obviously, you are paying for your apartment say space and the facility and whatever, but suppose you are given RO system, water purification system as an additional advantage, it may add to your delight.

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So, likewise say you can classify the customer requirements. Now, the issue is that I cannot offer everything and anything, because I do have to respect and obey the cost constraint and if I am not competitive in terms of my price my customer will not appreciate. So, the solution is very simple. There are basic must-be needs and there is no choice, no excuses. You must understand that your product must include all these basic features and needs.

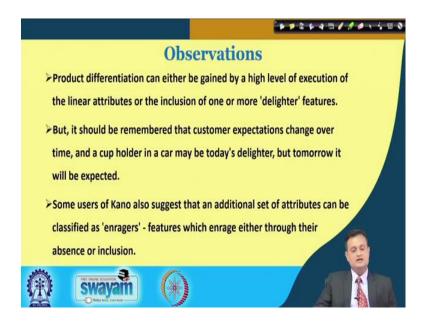
Second is performance; one dimensional need. So, choose the right set at the right level to ensure and attractive competitive product. So, nowadays when you go to market suppose you want to purchase a refrigerator or you want to purchase air conditioner, you will see that there are 3 star, 4 star, 5 star rating. So, there are technological superiority features and here if you are operating in a particular price bracket, then customer would always like to compare that suppose in 20000 rupees I am getting a fridge from LG

which is 5 star then why should I spend 20000 rupees or maybe 19000 rupees on 3 star product.

So, here this is the performance needs and you must meet the market standard technological as well as offering the various features which are expected by your customer as is exposed to the competitive products and the third one is attractive delightful needs. Here you need to be little bit cautious and careful and judicially you can pick one or two for customer delight and competitive differentiation. So, you will not put much burden on the company as well as the customer in terms of additional cost or price and you can make your customer happy.

So, for example, say suppose you have booked a room in a hotel and if this hotel say; gives you say pick up and drop facility, cab facility free then that can add to your say delight and this will enhance your satisfaction.

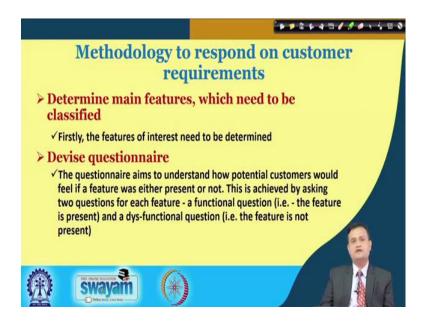
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So, there are observations critically made that product differentiation can either be gained by a high level of execution of the linear attributes or the inclusion of one or two delighters. But, there is a caution that it should be remembered that customer expectation change over time and as I gave you the example cup holder in a car may be today's delighter, but tomorrow it will be say expected as bare minimum needs or the basic need.

Some user of Kano also suggest that an additional set of attributes can be classified in addition to this these three as enragers and features which enrage either through their absence or inclusion. So, this is something that if you take it out or if you include it then that has additional effect on the customer satisfaction and this is something that could be seen as the fourth dimension in meeting customer requirements.

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Now, when we agree that meeting customer requirements and classifying these requirements into various levels and hierarchy is extremely important it is also necessary that we have a methodology to respond on customer requirement or identify the customer requirements.

So, determine main features which needs to be classified and firstly, the features of interest need to be determined. So, this is the first thing that a company or your marketing department should see that the minimum features of interest must be determined. So, we can follow one very simple method that is devise questionnaire. So, you can devise questionnaire to understand how potential customers would feel if a feature was either present or not and this is achieved by asking very simple questions on each feature a functional question; that means, the feature is present and a dys-functional question the feature is not present. So, you may simply ask that I will let us say add an additional feature like this into the product and I will not add then what is the customer response.

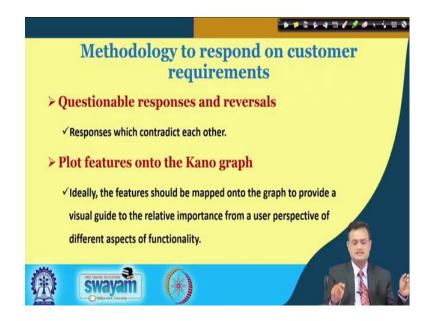
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Then, you sum responses as with any interview method sufficient responses must be sought and you can figure out what is the average response and that can be used then to understand the customer requirements.

Identify classification: so, you have received the responses and the type of features can be determined in different responses these are attributes to which the customer pays no attention. So, if they are present it is nice, if they are not present it does not matter.

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So, there are as a classifications to see that what kind of customer requirements are there in different levels and hierarchies; so questionable responses and reversals. So, responses with contradict each other. You may encounter this situation and you have do then judicially think or conduct the survey or questionnaire study or one to one interview in order to resolve such kind of contradictions.

Plot features on to the Kano graph. So, the feature should be mapped on a typical graph to provide a visual guide to the relative importance from a user perspective of different aspects of the functionality. And this will clearly help you to understand that a particular feature falls into the threshold category or performance category or delight category. And then you can appropriately say design your product or service.

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Kano's model of quality to investigate quality features in the web environment. So, typically result suggests that Kano's model provides a framework to control for website quality. Today we like to have the online banking account, we like to purchase the product from a particular online retail channel where we can have better comfort, convenience in selection making payment. So, you can even take it as a case and analyze that what are the different features of a good competitive website and the Kano model can be applied in evaluating the various features which are not of equal importance in web environment.

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So, just see the formula for maximizing customer experience. Doing the right thing right job right the first time and if I had it, effective customer contact management. Then there is a spiral you can see that respond to individual customers, identify sources of dissatisfaction, conduct root cause analysis, feedback on prevention, improve product and service quality and then this will lead to doing the right job right the first time.

So, I want efficiency and effectiveness both and I hope you understand; what is the difference. So, when I say doing the things right and doing the right things that is where the difference between efficiency and effectiveness lies. So, when you can do this then maximum customer satisfaction loyalty and WOM that is word of mouth publicity.

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So, there are six basic ideas from strategic customer service that typically drives customer experience management. Number 1: staff does not cause most customer dissatisfaction – sales, products, processes and customers do. It is cheaper to give great service then just good service, the revenue payoff is 10 to 20 times the cost and people are still paramount – make the front line successful with flexibility and clear expectations.

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Deliver technology that customers will enjoy. Delivering say psychic pizza via any channel, just to say. Then sensibly create remarkable delight and effective voice of customer managed by a chief customer officer has many kinds of data. So, today say here is the example of pizza when you order Dominos pizza or McDonald, you can really see that what is the status of your pizza from say receipt of the order, where is it in transit and exactly at what time it will be delivered, you can even customize your product. So, this is something that we must appreciate.

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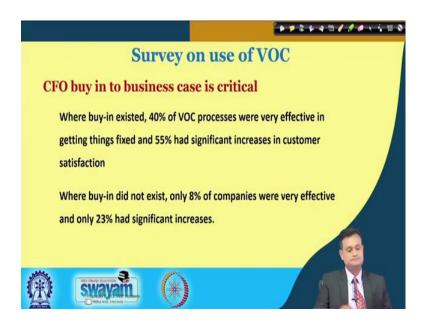
There is worth referring statistics on voice of customer and some of the service it is reflected that overuse of rearview mirror. So, most company primarily use traditional survey and complaint data. So, many a times this approach may not really help you to figure out the customer requirements. You may directly say put your product under pilot study and get the customer feedback or you can have one to one direct interview and see that what customer really feel and experience about your product vis-a-vis the products of the competitor.

Underutilization of early warning devices, only 25 percent use operational data, only 30 percent currently monitoring social media for voice of customer. So, we are doing lot of research in analyzing, customer rating and typically various engines are available which collects the data and then synthesizes it and to see that we can have an appropriate

recommender system to meet the customer requirements or to expose them to various features which basically they are looking for.

Only 13 percent are using speech analytics. So, this survey was conducted. And we can see that really there are many options and opportunities for a company to really work on customer requirements if they adopt the right approach.

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So, CFO buy in to business case is critical and where buy in existed 40 percent of VOC, that is voice of customer processes were very effective in getting things fixed and 55 percent had significant increase in customer satisfaction. So, where buy-in did not exist, you can see only 8 percent of companies were very effective and only 23 percent at significant increases.

So, it is very important that we accommodate the customer requirements appropriately not only identify and this can say bring enormous benefits to the company.

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Business cases can include four dimensions. As per survey they have researched that loyalty, margin – great experience and innovation, word of mouth and risk reduction in terms of liability, warranty, regulatory and PR. So, if you tap the voice of customer also keeping these dimensions in mind, then your customer requirement capturing mechanism would be extremely effective.

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So, using VOC to drive the quality of customer experience, produce a unified picture of quality. Quantify the implications to create economic imperatives for the consumer and

suggest innovative solutions. So, as I said customer they are never happy with one type of need met today. They always look at the competitive offering and their requirements keep changing.

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So, typically if you just try to consolidate our discussion then service of the customer satisfaction and loyalty, why they give their loyalty and satisfaction plus customer contact an interaction data and plus internal process and quality data in employee input. Your internal customers should not be ignored. Many good suggestions or the difficulty what an external customer may face that is very much visible to the internal customer and when you include their opinion in identifying the customer requirement. Putting these three things together you will have total view of customer experience.

So, it is not about only customer requirement you should try to simulate visualize that this kind of offering will lead to what kind of customer experience.

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So, there is a small case study where application of Kano's model is demonstrated for a hotel. So, just see that the case of a hotel must-be needs. These are would include and good reservation system, whether online or offline, clean room and bathrooms. I cannot compromise with this. These lower level needs are supposed to be fulfilled and customer do not ask for them explicitly. When I book a room I should have convenience in booking, I should have cleanliness and this thing. So, that is bare minimum expected.

One dimensional leads or we say performance needs. So, hotel room rent is an example. So, if a customer are provided an option many of them may demand discount and nowadays you can see that there are many many say online channels through which you can compare like you can book through Make My Trip or even on Trivago you can compare many many hotels. So, today customer is highly knowledgeable and this performance need is very much exposed and customer would like to get the discount or at the best price.

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And, the delighter a customer received a welcome drink or maybe a drop and pickup free of charge and a cheese of tray maybe along with a welcome drink then he would feel delighted, he would feel relaxed and more welcomed, but unfortunately they had assigned him let us say to dirty room.

So, now let us say you have given in a welcome delight, but you offered him a dirty room. Please remember, that delighter did not have the desired effect, it will in fact, have negative effect. Customer will think that by offering me simply some 10 to 15 rupees days of delighter you want me to compromise with the basic needs or the performance needs which must be met.

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So, there are implications. As we discuss that if you do not really tap customer voice and the experience of the customer. Then today your products and services they really lose the importance.

So, I would like to end the lecture with couple of think it question that will help you to improve your understanding on voice of customer and customer experience and help you to internalize the various concepts.

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So, question – 1: how the customer requirements are classified? Once again review, go through and try to appreciate that what is the importance of this classification. Question – 2: if a firm does not provide the delighters, how it impacts its market performance? There is a catch because when I say that whether you offer a delighter or not it will not reduce the satisfaction of the customer, but customer will feel excited. So, in this case you may like to express your view with example that suppose if this is not included, then how will it impact the market performance.

Number – 3: how the Kano model helps the business to improve it is market share and goodwill? So, I am adding not only one component here market share, also the goodwill and you can see that today you being a company is not enough, you need to be a smart company and here the question comes that how you can create a good will. Finally, what are the benefits to invest in collecting voice of customers and can you really translate visualize and simulate this voice of customer into customer experience and if you can do I will say you are running a world class business and definitely your products and services will not only excite the customer bit, but make your customers loyal lifelong.

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So, please go through couple of references in order to strengthen your understanding and gain better knowledge on this topic.

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So, finally, we can conclude that customer does not talk anything about their must be needs, rather they assume these are taken care of at management end and, management should research on one dimensional needs and delighters to improve their business.

So, with this I would like to conclude the session. Thank you very much. Consider this as a very very important topic, because if you fail to identify the customer voice or requirement then subsequently whatever effort you will put-in in manufacturing the product or selling the product you cannot really reap the advantages or the benefits in terms of profitability or customer satisfaction sustainable.

So, we will continue our journey of Six Sigma; keep adding the new flavor every time. And I hope you are enjoying this journey, and gradually making yourself comfortable and more knowledgeable in the adoption implementation of Six Sigma.