

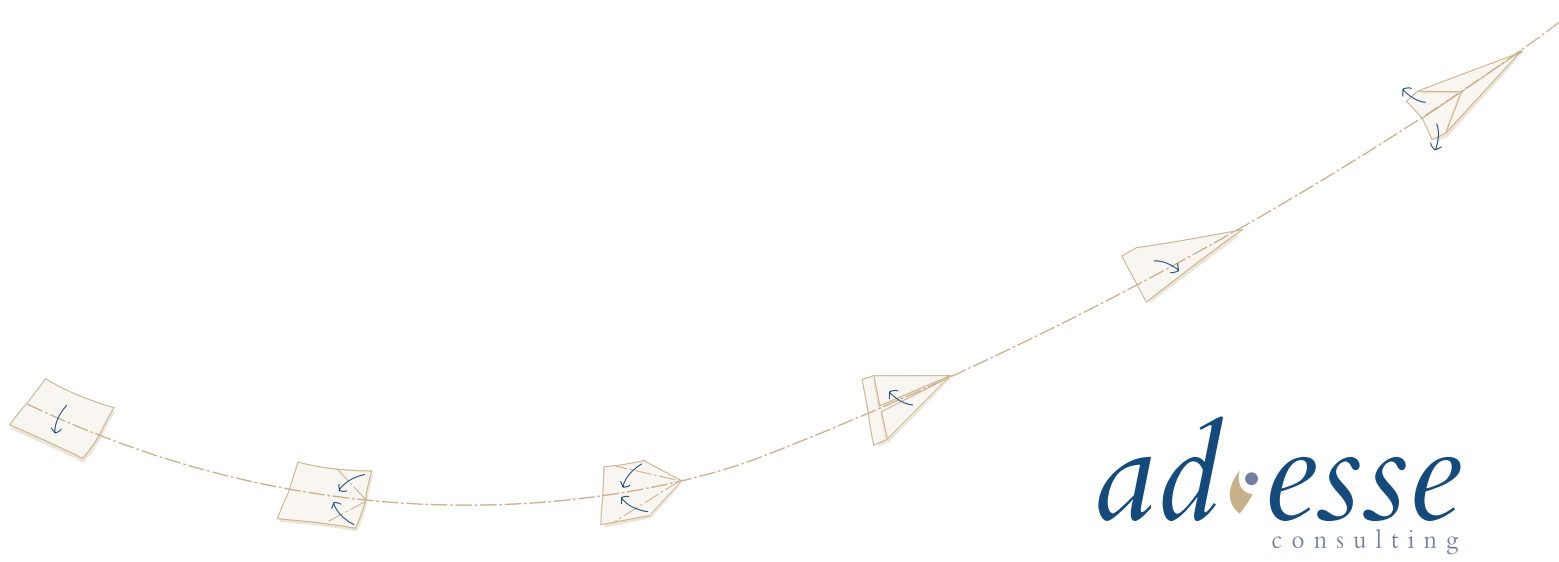
Who is the Customer?

In a previous article we have defined value as the relationship between price and Relative Perceived Quality (RPQ), that is quality as perceived by the customer relative to suppliers of similar goods and services. This importance of the customer is also reinforced by commonly used phrases such as the 'the customer is King' or 'the customer is always right'. This emphasis on the customer has generated a variety of management tools ranging from 'customer satisfaction surveys' to 'customer relationship management (CRM)', a potentially expensive software management tool. All endorse the importance of the 'customer' in delivering success and profit in the commercial business environment.

In simple transactions that we encounter every day, such as buying an item from a retailer, the customer and their requirements are very easy to identify, it is a clearly defined product or service and if the price is attractive then value is accepted and the transaction completed. This is applicable to most commercial transactions. When the concept of the customer is brought into the Public Sector it may at first appear simple to apply. Students and patients could be customers of Universities and Hospitals but describing offenders and prisoners as customers may be pushing the concept too far, so perhaps for these examples we should consider the courts, police or even society as the customer.

If value is to be supplied to customers their requirements need to be identified and delivered within agreed timescales. This would however be difficult to apply if we are uncertain who the customer is. Perhaps the customer does not exist in the Public Sector, or perhaps there are many competing customers or customers may not be the recipients of the service delivered.

The Compact Oxford Dictionary defines a customer as 'a person who buys goods or services from a shop or business'. The examples mentioned earlier refer to recipients of a service for which they do not pay, so by this definition they are not customers. Following this logic the customers are the providers of funds to those organisations that deliver services such as hospitals, schools and prisons but this too can cause confusion, is a Ministry, the Government or the taxpayer the customer or are all of them customers?



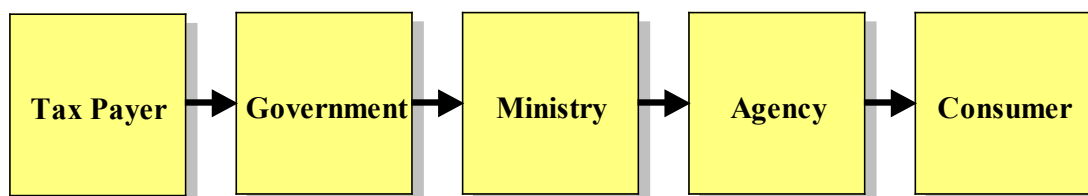
The patients, students, offenders and prisoners are all subjected to a process; this can be a standard medical operation, three years of structured education or a five year sentence. If these processes are successfully completed then positive outputs will be delivered such as someone regaining their health so they can return to work, become self sufficient and contribute to the economy or someone achieving knowledge and qualifications so they too can become productive members of the community. These processes are not too dissimilar to what one would find in the private sector but it tends to be 'products' which go through a process to create value for customers.

A manufacturing company can take a piece of metal, put it through a process of fabrication to make a finished item to a customer's requirements and deliver the finished product within an agreed timescale. A person can be managed through a process but is clearly treated better than a piece of metal or any other raw material used in manufacturing. Similar processes can be found in farming where the raw material may be an animal. As a society we agree that our treatment of farm animals should meet certain standards that are policed by both the public and formal bodies. It is not too difficult to then compare these processes to those in the Public Sector and see prisoners and others as 'products' passing through a process that complies to public views of fair treatment.

If we agree that this is a valid model then students, patients, offenders and prisoners are not customers and cannot directly be used to assess the value being delivered. It would however be wrong to label them as 'products' but they may be seen as consumers. A consumer receives a service but does not pay for it directly, whereas a customer exchanges value, often money, with a supplier, both parties benefit from the exchange.

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So who is the customer? If we have discarded the consumer as the customer in the Public Sector then the customer could be a Ministry, the Government or the Taxpayer. All of which can be seen as purchasers of the services being delivered.



If we see the line from the taxpayer to the consumer as a chain, with each link exchanging value; either as funding or the delivery of a service, we can consider their relationships to be not too dissimilar from normal commercial transactions between businesses. The example of the manufacturer taking a piece of metal and fabricating it for a customer is a similar process as the metal would probably have been purchased from a steel mill which in turn would have purchased ore from a mining company. The business to business transactions are in many respects similar to the Public Sector value stream except the consumer does not pay the delivering agency direct and the taxpayer's requirements of government are not as clear as a normal commercial customer's would be.

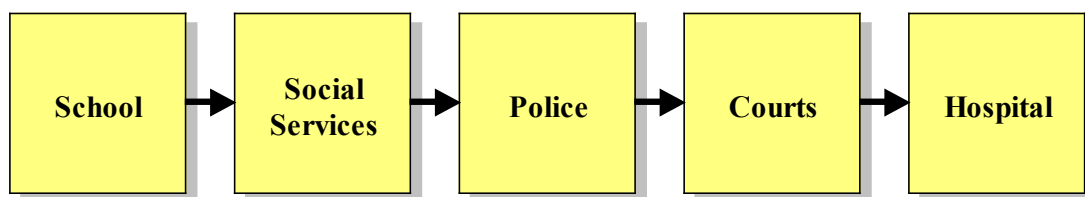
The taxpayer is often described as the ultimate customer perhaps in recognition of their role as the source of funds for all Public Sector services. We would however find it difficult to assess everyone's view of the quality of a Public service and although we could find services from which they may all benefit there may other services which individual taxpayers believe they do not benefit or should not be supplied. At this point it may be useful to introduce the concept of the noncustomer to the discussion. A noncustomer in the commercial world may be someone who does not at present buy a service or product. If the supplier focuses only on meeting the needs of

their customers they may be focussing on a small part of their potential market which may be declining. There are many examples of businesses which were very good at understanding their customers and focussing on their needs but found they had overlooked noncustomers. Guinness is an example of a company who found they had a strong and loyal customer base that was ageing and not being replaced by a new generation, the noncustomer. A marketing campaign that focussed on noncustomers improved the situation. Government, from a survival standpoint does consider the noncustomer but agencies delivering services should also take the noncustomer (or non consumer) into consideration. Examples of this do exist in the Public Sector; the health sector is very good at identifying noncustomers and encouraging them to change their behaviour to avoid becoming one of their consumers.

So the customer is the direct supplier of funding and the recipient of the service is the consumer. These descriptions cover many of the stakeholders in the Public Sector but they do not clarify the relationship between agencies. Are the courts customers of the police and are prisons the customers of the courts?

VALUE STREAM MAPPING (VSM)

Value Stream Mapping is a useful tool for exploring the value added in any process stream even if the processes runs across an organisation or several organisations. If once more we consider a consumer as similar to a product then it is possible to see for some individuals, over a prolonged time, a value stream which may pass through many agencies.



This model cannot but help introduce the concept of the internal customer. As someone is passed down the value stream then the receiving agency is considered to be the customer of the previous agency. The responsibility of the customer is to ensure that their supplier fully understands their requirements. The responsibility of the supplier is to meet their internal customers' requirements. There are of course time frames to be considered. If there is a long time between processes then any information available to the internal customer may not be up to date or inappropriate.

It is a relationship that can be abused as it is not a true customer relationship there is no value exchange so unreasonable demands can be made by the internal customer (consumer) which can cause the supplier to incur unbudgeted costs. This potential problem in a commercial organisation is overcome by senior management intervening into any disputes. In the Public Sector this is equivalent to Government becoming involved in a dispute, something neither party would wish. The model is therefore dependent primarily on goodwill and good communications.

THE CUSTOMER

The customer is the direct supplier of funds, the recipient of a Public service is the consumer and other agencies may be internal customers/consumers or internal suppliers.

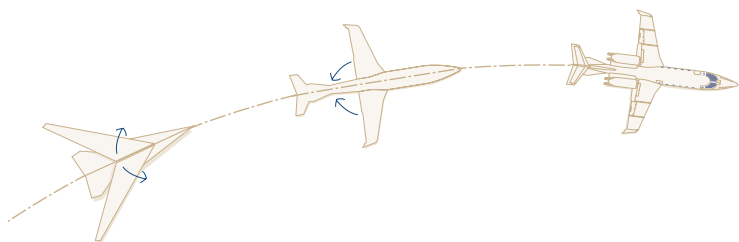
The customer of Public Sector agencies such as universities hospitals, prisons and probation services are their funding agencies. If value is to be delivered the funding agency must clearly specify their requirements which will cover the quality of service to be delivered to the consumer.

There have been some initiatives over recent years to try and pass some of the powers of a customer to the consumer so that universities for example may be rewarded for the number of students they educate. It is a crude model and always will remain so for many consumers in the Public Sector will never be in a position to fully understand their needs and will remain dependent upon the advice of specialists.

Maintaining their focus on the needs of true customers and delivering the required value will remain a challenge for most Public Sector agencies.

DEFINITIONS

Customer	Exchanges value with their supplier
Consumer	Is the recipient of a service for which they do not pay directly
Noncustomer	Does not currently receive a service but may become a consumer in the future
Internal Customer	Is an organisation that receives a direct service from another agency



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