

Customer Insight

*"Be obsessed with your customers, not communities.
A community never paid a council tax bill, or needed a
place in a school of its choice"*

I should start with an apology to Tom Peters, the celebrated management guru, who rose to fame in the 90s, because my headline above is a distortion of something he said:

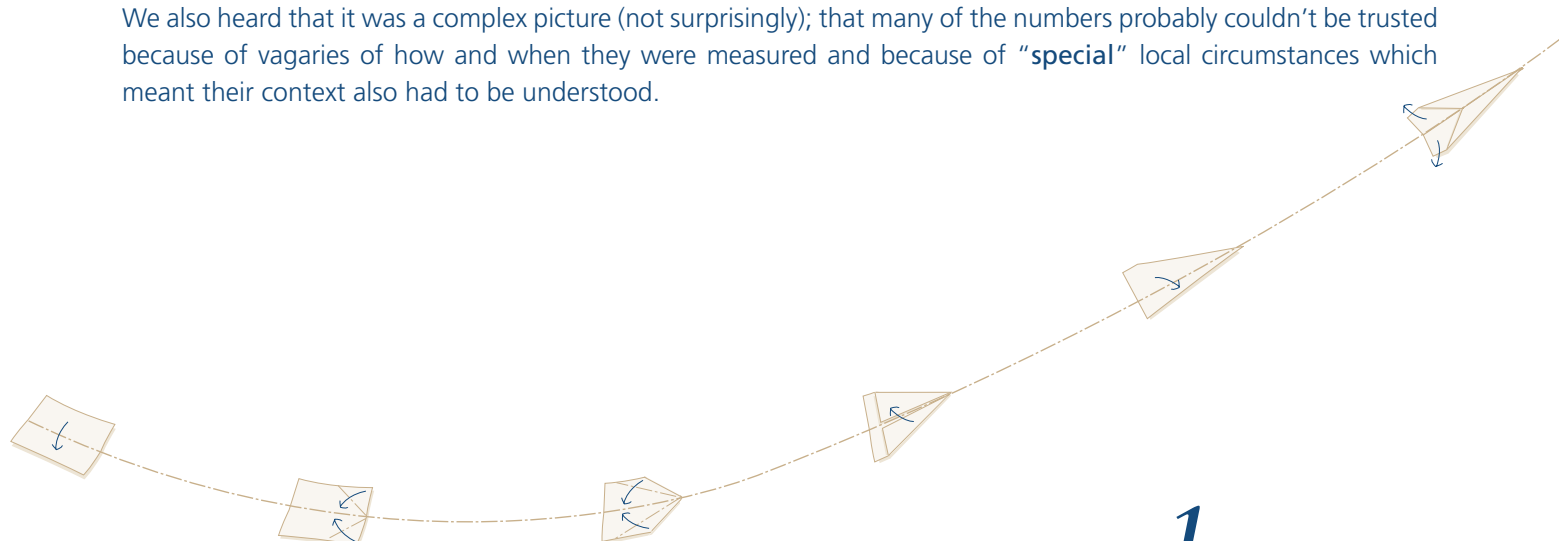
*"Be obsessed with your customers, not markets.
A market never paid a bill."*

We all acknowledge the fundamental differences between markets/private sector customers and communities/public sector customers. For some public sector services, customers' choice is often removed, e.g. we have no real choice as to whether we pay council tax (eventually), or there is only one provider (e.g. planning applications).

This is the first of a series of articles inspired by our attendance at the recent LGA Improvement Conference "Beyond CPA" (28 Feb. - 1 Mar. 2006). This well-attended conference was buzzing with talk of customers, performance ratings, leadership for improvement and capacity for improvement.

Along with the talk about customers there was a recurring message that, despite a track record of improvement as identified by CPA ratings, customers' satisfaction with the performance of their local authority is often still low. One of the reported statistics was that customer satisfaction had declined by about 10% between 2001 and 2004 and was averaging out at around the 50% level.

We also heard that it was a complex picture (not surprisingly); that many of the numbers probably couldn't be trusted because of vagaries of how and when they were measured and because of "special" local circumstances which meant their context also had to be understood.



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One possible reaction (solution) to all of this would be to say that local authorities need to get better at measuring customer satisfaction. And, we might envisage a prescriptive measurement regime being handed down from Whitehall, perhaps via the ODPM or Audit Commission, to ensure “**better**” data collection. Of course, while this might reduce some of the variation caused by the measurement method, it does nothing to get to the heart of the issue:

“how do local authorities get the same level of insight into their customers that is commonplace in other excellent organisations and businesses?”.

Without that insight, it will be impossible to design services and processes to meet customer needs and equally impossible to develop staff to have the competencies required to deliver those services.

WHAT DOES GOOD CUSTOMER INSIGHT LOOK LIKE?

Some of the best examples of organisations that are obsessed with understanding their customers are in the retail and financial services sectors. Everybody probably knows the story of how retailers like Tesco use their loyalty cards to collect information about their customers. They gather the data from every single transaction through the till and analyse the data to see who is purchasing what, where and when. The segmented data can be used for:

- product planning
- service and process design (e.g. store location and layout)
- marketing campaigns (e.g. which discount vouchers to send to individuals)
- up-selling and cross-selling

This is a brilliant example of what my favourite guru, Tom Peters, called “**mass customisation**”. If I recall it correctly, he was almost proposing services needed to be tailored to the level of each individual customer. That might sound a bit extreme, but there are plenty of organisations that are applying techniques such as Lean Thinking to drive waste out of their processes and make them so agile that mass customisation is nearly a reality.

ACHIEVING CUSTOMER INSIGHT

Customer insight is a process that begins with knowing and understanding what your customers want, and ends with proof of their satisfaction with you as an organisation. It includes:

- Identifying customer needs and expectations, not only of your unique products and services, but also of the level of service you provide
- Examining your processes and functions to ensure they are customer-centric
- Encouraging and enabling your employees to be able to focus entirely on the customer
- Implementing actions to improve the customer experience
- Measuring internal performance, customer behaviour and customer perception to determine what further action is required

In this article, I am focussing on the first of these points – identifying customer needs and expectations. This is probably going to require a combination of face-to-face data collection (internally and with customers), and analysis of existing performance data (e.g. complaints and enquiries, service delivery and usage). Our approach has 4 main steps:

1. Decide what you are trying to achieve, with which customers (or customer groups)
2. Develop the data collection approach, including use of existing data
3. Gather and analyse the data so it can be presented in a clear and concise way that highlights segmented customer requirements, expectations and service usage
4. Develop priorities for improvement and establish teams to work on these

HERE ARE A FEW KEY LEARNING POINTS FOR EACH STEP:

Step 1: Focus. Decide as specifically as possible what it is you want to measure. Do you need to understand existing customers' requirements and satisfaction, or the views of potential, or lapsed customers? What aspects of your service are you most interested in; for example where the customer gets the service, or where they use the service, if the two are different?

What level of demographic information do you need for individual customers? Remember, you will probably have data at the "transaction" level for named, individual customers, so issues of confidentiality and data protection have to be considered.

Step 2: Planning. For gathering perception data, we often use Focus Groups to develop customised survey questions and to ensure that customers can actually answer the questions. Are they clear, concise and unambiguous? Are they the questions that the customer would want to be asked, or have they got experiences that would be worth investigating?

For gathering "hard" data, you will probably have to interrogate multiple databases (which is the reality for most local authorities who don't a single customer database). We did some work recently and were told that each customer had a single "Unique Reference Number" (URN). That turned out not to be true and resulted in significant challenges in understanding what happened to each customer as they interacted with different parts of the organisation and its processes.

Step 3: Analysis. It's all too easy to present pages and pages of data (either graphically or, worse, in Tables). The challenge is to present information which will be useful in relation to the objectives set at Step 1. What you're aiming to do is to identify meaningful customer segments that can be used for targeted improvement action. This last point is key: the purpose is to drive improvement in specific services and processes.

At the LGA conference Chris Naylor from Hammersmith and Fulham Council presented their twelve customer segments which are used to describe the type, behaviour and requirements of their customers. They talk about one customer segment whose members are "cash-rich, but time poor". They are typically young professionals, whose preferred access route to the council is by the internet. So, making them visit the town hall to renew their parking permits is not a great way to make them "satisfied". Other typical segments might include those on benefit, who may prefer accessing services at locations close to where they live, or the elderly who may want face-to-face help with services.

Clearly, the segmentation will be different in a shire county to that in a metropolitan borough. And, this geographic dimension is another essential aspect of segmentation. The ability to use a Geographic Information System (GIS) can paint a rich picture of where customers are, where they use, or need to access, services and where the local authority actually provides a service. Many Planning Departments will already have access to a GIS, and there is real opportunity to use it to gain customer insight. Of course, there are already some good examples of GIS usage in the area of crime statistics analysis. New York City pioneered the use of GIS to identify crime hotspots and then to target police officer resources in Mayor Rudy Juliani's campaign of zero tolerance.

Step 4: Improvement. How many times have you come across a Customer Survey (or Staff Survey) that leads to no improvement? The data and analysis is only of use if it is used to initiate improvement activities. If you have been careful in designing the data collection approach, you may be able to identify specific services or processes that need improvement. For these, process improvement teams are the obvious approach, perhaps using a Kaizen Blitz approach to achieve rapid changes.

Where the areas to address are broader, e.g. poor communications with customers; it may be necessary to set up problem solving teams whose first task is to establish a robust definition of the problem. This may involve further analysis of the survey data, or additional investigation of customers' experiences to discover the root causes of the problem. Remember, improvement happens project-by-project and that simply gathering and analysing the data does not tell you how to do improvement.

Good customer insight, from effective segmentation analysis, will almost certainly allow you to make better decisions about how and where to target scarce resources. It may challenge decisions like “we need a One Stop Shop”, or “we need to put internet access points in shopping malls”. Often these decisions have been made with an anecdotal, rather than evidence-based, view that they will solve an access problem and that “it will be good for our customers”. The hidden agenda behind some of these decisions is sometimes about cost-saving and not only will a contact centre that is under-used actually cost more, it will further annoy customers.

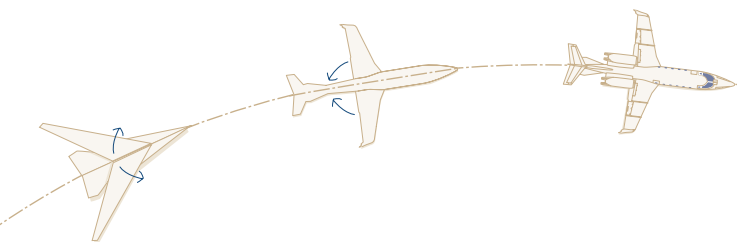
BUT DON'T WE ALREADY KNOW ALL THIS STUFF?

The sceptics among you might say you already know intuitively that you have different customer segments, with different needs and therefore all this data gathering and analysis is a costly waste of time. If that's true, then presumably you also have rising levels of customer satisfaction and are actively applying the principles of mass customisation and Lean Thinking to your services and processes.

I'll leave you with a final piece of data from the private sector. The PIMS database (Profit Impact of Market Strategy) was analysed in the 1990s to understand the impact of good service delivery on profitability. It was discovered that the better service performers were able to charge, on average, 9% more for their products.

One possible question to ask in the local authority sector is

“what would be the impact on your customers' perceptions of the value for money you deliver and their satisfaction with Council Tax levels if you were also seen as a better service performer?”.



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