Marketing a technical business

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Abstract Until recently most water utilities have operated as a public service. The market is still predominantly a natural monopoly. The significant infrastructure requirements militate against service duplication and competition. Generally customers do not have the option of changing service providers. With the arrival of competition policy, water utilities have initiated some customer service programmes. However, the driver for this change has been the reporting requirements of the regulator rather than customer focused imperatives.

However, there are benefits for water service companies to conduct professional market research focused on customer satisfaction. This paper reviews the concepts of market customer satisfaction analysis. It discusses the shortfalls of generic methodologies which focus on the performance of the service provider rather than the needs and expectations of the customer. The application of Benchmarking or Best Practice, is also reviewed within this context.

A conclusion of this paper is that the application of focused, professional customer satisfaction analysis is an effective quality management tool and leads to a better understanding of water services customers’ needs and expectations. The outcome is more effective application of customer service resources, enhanced community perceptions and the achievement of higher levels of customer satisfaction.

Keywords Benchmarking; customer satisfaction; marketing; relationship management

Introduction

Dictionaries refer to the derivation of the word marketing from the Latin word mercor – to buy. However, volumes have been written expanding or dissecting the definition of marketing. Drucker (1973) summarised marketing as “… so basic that it cannot be considered a separate function. It is the whole business seen from the point of view of its final result, that is, from the customer’s point of view.”

This paper focuses on one aspect of the marketing process the identification of customers’ needs and expectations: customer satisfaction analysis. For some the validity, role and application of customer research may not be established. To develop a common starting place for this paper we explore the credentials of marketing within a technical services market by asking the following questions:

Marketing … a technical business?

Is marketing an art or a science? Properly applied, customer market research and customer satisfaction analysis is a technical service. It is dependent upon professional expertise and rigorous methodologies. It requires a detailed understanding of the technology and capabilities of the service provider. It employs similar process concepts, analysis and applications to those used in many technology, engineering and scientific fields.

Marketing a technical business?

Is it necessary to market a technical service business? A technical business and its customers can benefit from professional customer market research and customer satisfaction analysis as much as other infrastructure businesses such as the communications industry, the insurance market or the airline business. Then again, some recent corporate examples
within those market sectors in this country have demonstrated that if one overlooks any of
the “technical” aspects of running a large business, for example effective administration
and accounting systems, corporate strategy and focus or competitive positioning, the large
business can soon become a small business or cease to exist. Triple bottom line reporting is
a dream concept if one cannot get one bottom line right.

Marketing: a technical’s business!
Is marketing a role of technical professionals within a technical service business? With
whom does the responsibility of marketing reside? Kotler (1988) quotes Professor Stephen
Burnett of Northwestern University as saying “…in a truly great marketing organisation
you can’t tell who is in the marketing department. Everyone in the organisation has to
make decisions based on the impact on the customer”. So marketing is also the role of the
technical, engineering and scientific staff within a water services organisation. But what
happens when those staff drive or influence the marketing process or the customer satisfac-
tion analysis programs? Is there a risk that internally set goals or targets are not in line with
customers’ actual priorities and expectations?

Approach
The concepts outlined this paper have application to the whole of the water services
industry including supply water and waste water companies and all the support industries
that service those companies including operators, designers, engineers, laboratories and
consultants.

The paper explores three fields. It reviews the technical processes of customer satisfac-
tion methodologies. It draws reference to some of the issues and practices from the applica-
tion of customer satisfaction analysis in the water industry and it identifies the benefits for
the water industry through the application of effective and focused customer satisfaction
research.

The challenge
A lack of regard for market measurement and customer satisfaction feedback is not unique
to the water services market. In a recent study conducted by Styles (2001) from the
University of New South Wales’s School of Marketing it was reported that only 12% of
marketers considered it was important to measure the effectiveness of their marketing
programs – that is conduct some form of customer satisfaction analysis or performance
assessment.

Correspondingly, in the same study, 62% of marketers considered customer satisfaction
measures were important but data reached the Board in only 14% of cases. It is not surpris-
ing therefore that there is a wide spread low valuation of the importance of customer satis-
faction analysis across markets in general.

Increasingly, the investment community and shareholders are looking at non-financial
elements in their assessment of company performance, for example customer retention,
customer loyalty and hence customer satisfaction. Triple bottom line reporting systems and
require structures whereby a customer’s total relationship and interaction with a company
can be measured, evaluated and tracked. The challenges for water service companies and
their suppliers operating in a less selective market are even greater.

Generic research
Much of the customer satisfaction analysis commissioned by the water utilities is generic in
it source and application. It is often conducted to meet statutory reporting requirements,
operating licence conditions or customer service charter principles. Effective Market
and Customer Satisfaction Research should be an integral part of a continuous quality improvement program. Generic customer satisfaction analysis can incur the following shortcomings:

- inappropriate focus;
- subjective;
- not reflecting customers’ expectations;
- data compression;
- lack of action priority.

**Focus**

Customer Satisfaction Research is often commissioned, from generalist researchers, without any real understanding of a particular industry’s technical or market requirements. Recommendations and findings that result may be made outside the specific context of that market or customer’s requirements. The water industry has a particular matrix of technology, health and safety regulations, environmental constraints and National Competition guidelines. Customer service issues cannot be canvassed or addressed without due consideration of the effect of these external factors on the market and industry.

Customer Satisfaction Research focused on the service provider, rather than the service user, may report the number of service failures, the length of service delays or the number of customer complaints. But such reporting fails to capture feedback regarding customer’s perceptions or service expectations.

For example, an organisation may set a target for an automated voice activated telephone system to answer calls within five rings. But the priority for the customer may be for personal interaction with someone who actually responds to their requirements once the phone is answered.

A recent survey by a large international water authority indicated that 35% of customers were dissatisfied with automated voice activated call response, the industry continues to invest in the technology. A U.K. water authority reported at a recent workshop that across 4 million customers their service failure call complaint rate was 1.75%. That is 70,000 unhappy customers. At the same workshop a French Water company outlined their customer service assurance target for its call centre which included a maximum of 10% abandoned call rate (International Water Association, 2001).

How were these targets set? Do they reflect the customers’ needs and expectations? Would a service failure rate of 1.75% be acceptable with the local doctor, an aircraft manufacturer or construction contractor? Effective customer satisfaction research must reflect the customers’ needs and expectations.

**Subjectivity**

Customer satisfaction can be conducted through qualitative or quantitative methods. Qualitative research is often conducted through “open ended” interviews. It has no numerical reference for the reported findings. Therefore, it often invokes subjective assessments by the interviewer or can reflect strong opinions of a single respondent. This distracts attention from the underlying message of the whole customer base. By its nature qualitative data is difficult to summarise or compile into representative feedback sections.

Quantitative research yields a numerical representation of customer satisfaction. Customer satisfaction research is most effective when it includes a combination of qualitative and quantitative performance assessment. This can be achieved through a semi-structured interview technique supported by simple numerical analytical techniques.
Customer expectation

Some customer satisfaction research quantitative methodologies are based on a flawed correlation. Customer satisfaction research should consider the three factors: attribute importance, customer expectation, and competitive performance. However, some methodologies project customer expectation from the attribute importance. Therefore they can not indicate that customers may place a high importance on a service attribute but may have concurrently, a different scale of expectation which reflects their perception of the “achievable” of a service level.

Within the laboratory market, for example, customers may place a high importance on “timeliness” of the service. However they may project a low expectation for “timeliness” in a research or method development environment, while expecting a high level of “timeliness” from process analytical service providers.

Data compression

Quantitative methodologies which collapse attribute importance into a single weighting factor and the performance assessment data into an aggregated “Customer Satisfaction Index”, compress valuable source data which prevents more detailed comparisons.

Again by way of example, a particular customer group’s weighting of 8.5 for the attribute of “timeliness” might be translated into a weighting factor of 13.5% across 12 performance attributes. Another customer group’s weighting of 7.5 for the same attribute may also be translated into a weighting factor of 13.5% due to the different weightings of the other attributes. However the differential between the weightings (8.5 minus 7.5) across the two groups is lost.

Additionally a survey may report an overall “Customer Satisfaction Index” of say 78%. However, it can be unclear what this represents. For example, are 22% of the respondents totally dissatisfied, or 100% of respondents only 78% satisfied. Alternatively are all respondents dissatisfied with performance in 22% of the attribute performance areas.

Priority

For quantitative customer research which does report across a range of attributes and also compare that to customers’ expectations there still can be a reporting shortfall.

Often, the emphasis will be on the largest performance gap. However, of more significance is the performance gap for those attributes, which are ranked most important. Weak performance, in attribute areas of low importance to customers, is inconsequential. Attention should be focused on those areas where incremental change can induce significant improvement in the level of customer satisfaction.

Customer satisfaction research should be an integral marketing tool and part of a continuous quality improvement program. It should be consistent with the Japanese principles of Kaizen and Iciban. Kaizen, the term for continuous improvement and Iciban, the term, for “being the best”, seeking pre-eminence through the pursuit of excellence and superiority compared to others.

Application

Analysis Pty Limited, conducts quantitative Customer Satisfaction Analysis through a proprietary process Comparative Performance Analysis (CPA). CPA is focused on customers’ perceptions. It assesses attribute importance, customer expectation, and competitive performance, providing evaluations across a range of performance attributes. It reflects the principles of Kaizen and Iciban.

CPA has been applied to many service providers within the Australian water service market. Some common themes emerge as noted below.
Customer projection

To respond to the service void created in the transition from a “Public Service” entity, to a Corporation many water service organisations created an organisational structure comprised of internal service divisions. One division became another division’s internal customer. Whilst internal harmony is an element in achieving customer satisfaction, the ultimate focus must be the satisfaction of the ultimate end external customer – the person drinking the water, paying for the service and phoning that ubiquitous, automated, voice activated, call centre.

Correct identification of the ultimate customer and the access to their needs expectations and evaluations is essential to a successful customer satisfaction analysis program. The issue of customer expectation is exacerbated where there is projection by internal sections as to what the actual customer expects.

Sales versus marketing

Although many water service companies believe that they have invested heavily in Sales and Marketing, often the emphasis is on Sales not Marketing. Frequently there is little or no real marketing activity and the concepts of an integrated approach to Customer Relationship Management (CRM) are yet to be discovered. Marketing and CRM is about expanding the opportunities not just the short term opportunism.

The Analysis CPA process commences with the customer list. This provides the contact data for the telephone interviews, upon which the process is based. Often, in the water industries these lists cannot be produced readily. Often they contain superseded contact data or are just debtor contacts. In such situations there is no basic CRM process in place.

Adherents to CRM principles, ensure that the customer contact data is up to date, reflects all the significant contacts across the customer’s organisation and integrates prospects, contacts, purchasing decision and payment data. Without a current, active customer sales and marketing contact there will be no long term requirement for a debtor contact.

Cost versus value

Often, the Sales function is focused only on price. CPA assesses an organisation’s performance and customers’ expectation across 12 core attributes including “Cost” and “Value for Money”. Universally, customers place a low ranking of the importance of “Cost”. “Value for Money” is usually ranked in the mid-order of attribute importance weightings. Yet frequently suppliers to the water utilities, such as the hydrographic service providers or the laboratories bemoan the fact that cost is the only selection criteria on which they can compete.

Kaizen charting of the CPA outcomes identifies those attributes that are important to customers and where there is a significant performance gap. Frequently the CPA Kaizen charting indicates that the highest priorities for customers are the areas of “Timeliness”, “Reliability” and “Responsiveness”. It is these attributes that water industry customers – both business and consumer, place a high importance. However often the performance of the service supplier is below expectation. “Cost” therefore becomes the selection attribute, where there is no superior performance in the attributes that are important to customers.

For technical service organisations such as Consultants and Engineers, “Problem identification and resolution”, “Communication” and “Responsiveness” appear to be key priority areas. Yet again, few organisations appear to have sought to capture the “high ground” and differentiate their service offering in these areas.
Observations

Relationship development

Some academics such as Professor Graham Dowling of the Australian Graduate School of Management, are sceptical about the application of CRM, citing that customers do not want to have a relationship with the organisation that supplies their basic goods and services and that suppliers cannot benefit from such relationships. That may be the case with your local petrol station which provides an undifferentiated but essential commodity.

But should the same principle apply to an essential service provider where the relationship cannot be easily severed? Can the natural monopoly, community service obligation engage the principles of basic marketing? Surely there is an advantage to both parties – supplier and customer, if a more effective relationship can be developed. Is there not an obligation on the part of a natural monopoly to develop and nuture a service relationship with its service users?

Is this not more so the case where there is a trend to multiple service utilities? One would assume that Energy Australia will seek an accurate and effective Customer Relationship database to leverage its new gas service off its existing electricity customers. For ACTEW, (the Australian Capital Territory Electricity and Water Corporation), now in partnership with the gas company AGL one would expect the same approach to maximising the value of its customer base.

Pricing concepts

Although it has been noted above that often service providers to the water utilities focus on the price that they can charge for their service, pricing for the utilities is a different scenario. What are the similarities between Coca-Cola Amatil or Schweppes and Sydney Water, Brisbane Water or Power and Water in the Northern Territory? All have customers. Those customers include the likes of you and me “… the mums and dads” that politicians are recently keen to relate to, and their children, uncles, aunts and their businesses.

All the above organisations distribute the product water. However, Coca-Cola Amatil and Schweppes sell their water product to their customers for $1,300 per kilolitre compared with the $0.70 to $0.90 per kilolitre that the metropolitan water authorities charge their service users. Furthermore, some water service providers in this country charge not for the volume or quality of their product but by reference to the value of an unrelated commodity – such as the value of the land that they own. Imagine the uproar if Coca-Cola Amatil charged for their products based on a person’s height, weight or age. Could it be that Coca-Cola Amatil have asked their customers what they want and know how they want it presented. Corresponding the 1,450 order of magnitude difference in water pricing cited above is accepted when the supply choses to differentiate their product by offering a feature with a benefit and perceived advantage attractive to the customer. Corresponding the 1,450 order of magnitude difference in water pricing cited above is accepted when the supply choses to differentiate their product by offering a feature with a benefit and perceived advantage attractive to the customer.

It is not the purpose of this paper to discuss water pricing policies. However, the variance above may be explained by examining each service provider’s approach to market research and customer satisfaction analysis – understanding what the customer needs, expects and perceives about the product, its service and delivery.

Benchmarking

“Benchmarking”, is increasingly common practice across the water services industry. This research is often initiated only to meet statutory requirements, operating licence conditions or customer service charter principles. We see comparative reports across water service providers.
The New South Wales Department of Land and Water Conservation and the Australian Water Association publish such reports covering water service providers. These reports contain comparisons such as the size and number of sewage pumps at a plant, the population serviced and the plant capacity against serviced population.

These reports are focused on the technical performance aspects of the service provider. Furthermore they are focused on the service provider rather than the service user. These are technical reports by the technicians for the technicians. Where are the customers’ needs and expectations evaluated? The customer is not so interested in the filtration or flocculation technology. Nor do they care if their Adelaide plant is comparable to a plant in Wessex or New Hampshire.

The customer has a service expectation and wants to know that to will be met or when it is targeted to be met. Sometimes none of the service providers in a market are meeting customers’ expectations. Therefore achieving a performance, benchmarked against that peer data set, will not lead to the fulfilment of customer satisfaction.

A customer-focused performance assessment is a more appropriate benchmark comparison. Applied over time it will also indicate if customer service principals are being achieved.

Customers’ weightings and expectations change over time. The relative performance of the service providers also changes over time. A robust, quantitative customer satisfaction methodology can provide an ongoing measure of movements in performance and customers’ expectations. It will provide a valid benchmark of performance and an indication of the effectiveness of management initiated performance changes over time.

Market sector targeting
Customer satisfaction research can also be used to guide service providers in their transition from one market sector to another – for example from analytical services to a full consultancy service providing results interpretation and recommendation, or from water supply to energy.

To compete effectively in a new market a service provider must address the service shortfalls of the established service providers. It must also develop initiatives to overcome weaknesses in its own performance, in those attribute areas important to customers in the targeted market sector. Competent and comprehensive customer satisfaction analysis will indicate the areas of strength and weakness, opportunity and threat.

Conclusion
In a fully deregulated, free market the first sign of customer dissatisfaction is customer loss. That is too late. Effective customer satisfaction analysis provides a quantitative measure of performance and customers’ expectation. It also provides an indication of service performance trends and customers expectation trends.

Has the water services industry really embraced the concepts of marketing and customer responsiveness? Is there a role for effective Customer Satisfaction Analysis in the water market? Customers are still captive and have few, if any switching options. There may be perceived little imperative to market a water services organisation, its products and services, however there is the opportunity, the benefit and the advantage.

When integrated with other management processes it can be a pivotal marketing tool within the quality environment. The outcomes are priorities for future customer service action. The result is a better understanding of customers’ needs and expectations. The effect is higher levels of customer satisfaction. The benefit is more effective application of customer service resources and enhanced community perceptions.
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