

Advanced Subsidiary GCE

Applied Business

Unit F243: The Impact of Customer Service

Pre-Released Material

F243/CASE STUDY

Additional materials:

INSTRUCTIONS TO TEACHERS

- This case study may be opened and given to candidates on receipt.

INFORMATION FOR CANDIDATES

- You **must** make yourself familiar with the case study before you take the question paper.
- You **must not** take notes into the examination.
- A clean copy of the case study will be given to you with the question paper.
- The question paper may include additional information not originally included in this pre-release material.

This document consists of **6** printed pages and **2** blank pages.

Article adapted from <http://www.capeconsulting.com/articles/capecitroen2%20left.doc>

Profiting from Customer Delight
'The man without a smiling face shouldn't open a shop' - Chinese proverb

Benchmarking customer satisfaction

It is **ten** times easier to get business from an existing, happy customer than it is to find business from a new **one**. Research shows that a decrease in customer defection rate by 5% can boost a business's profits by 25-95%. Most of a business's existing customers will break their link to a business for **two** reasons; perceived lack of service or they just forget about a business's existence.

Good customer service is the **one** thing that separates a business from its rival competitors. Do you honestly know how many customers businesses lose because of poor attitude or lack of skills on the part of staff? Their front line employees have the greatest opportunity to influence a business's most important asset - customers. How many customers go to a rival competitor because someone doesn't have the skills to make the customer feel welcome, or to proactively resolve a complaint?



Radical success story proves that improving customer service increases profits

Focusing on customer satisfaction

Logic dictates that the more satisfied customers a business has, the more successful a business will be and the higher the profits. Of course, running a multi-million pound business means one cannot be at the front line making sure staff are delivering service to customers in the way one wants.

Radical UK has seen its share of the UK car sales market increase significantly over the past couple of years. Certainly the company has produced some very popular models but the company has also taken customer satisfaction very seriously. It has proved the link between customer satisfaction and profitability - and found in the process that just training front line staff in how things should be done isn't always enough.

Shifting the Customer Satisfaction Index

When Radical UK found that its Customer Satisfaction Index (CSI) had remained static for over **12** months, it started to look around for innovative ideas to make an impact on this very stubborn set of statistics. It wasn't that the figures were poor, but simply that they had hit a plateau. Radical UK knew there was scope for improvement. Standing still wasn't an option it wanted to consider.

In the search for a new approach that would increase Radical UK's standing in the CSI, Radical UK employed the Managewise Consulting Group to look at the very issues that Radical UK knew it needed to address: improving the CSI by motivating the people who interact with customers to improve their service performance.

The pilot study

Very quickly Radical UK decided to undertake a pilot study using Managewise. This involves analysing what constitutes 'ideal service' in the eyes of customers and then developing a data collection and measurement system to motivate staff to focus on ensuring customers' service priorities are met.

Involving staff

One of the important differences between the new process and traditional customer opinion surveys is that staff are involved in the process from the outset. They are consulted on their views of the issues that are important to customers, are able to help with the design of the questionnaires and are trained to ask customers directly about their own performance.

Involving staff in this way creates enormous buy-in for the process and makes them very aware of how their behaviour impacts on customers. The results of customer research are far more personal, providing a powerful incentive for improving performance and for acting on the feedback. Because staff know when the research has taken place, they are far more likely to believe in, and act on, the results than with other methodologies such as mystery shopping and post purchase telephone or postal questionnaires.

'The Difference is YOU!'

Branded within Radical UK as 'The Difference is YOU!' the starting point was a pilot programme involving **two** dealerships. There were **four** key objectives:

- engaging dealership staff in developing and delivering service behaviours that customers said were desirable;
- fostering a coaching culture amongst managers to provide support for change;
- creating a system capable of measuring behavioural aspects of service;
- supporting a monitoring process to ensure that improvements were sustained in the long term.

Radical UK already had very detailed customer research, so this was carefully analysed to define key customer-service behaviours about which customers would be asked.

The **two** areas for focus were sales and after-sales, where there are differing and distinct customer-service priorities. Managers from both groups attended events where their views about service performance were sought.

Collecting data from customers

The front-line sales and after-sales staff, who would be engaging customers in completing the questionnaires, were then introduced to the process. They contributed their ideas both to the questionnaire content and design and to the proposed reporting process. This ensured that the reporting process would fit with their working patterns and that the data being gathered would be relevant and actionable. Although some people were initially sceptical about finding the time to hand out questionnaires, they found it very easy to fit into the conversation and were pleasantly surprised by customer reaction. A Sales Advisor said 'Customers were pleased that the company thought their views were valued, and we found that people were happy to complete the questionnaire there and then.'

Personal results

There were **two** rounds of questionnaire collection and analysis. After each round the results were distributed to the individual staff who had been gathering data. They were encouraged to use the information to form a personal action plan, which they reviewed with their manager. Both staff and

managers found the results very useful. For example, a Service Adviser said the results 'highlighted a delay in our parts back order system which we have been able to resolve and now we can get information back to the customer more quickly'.

A New Car Sales Executive was surprised by some of the results: 'I learned that I was falling short on closing sales, so I got my manager involved so that I could learn from him.'

The front-line staff's individual scores improved over the **two** rounds of data collection, demonstrating that personal action planning was effective. As **one** of the Service and Body Shop Managers said 'It is difficult to get honest, reliable and instant feedback; this programme allowed us to do so.'

Rolling out the programme

The majority of Radical UK dealers are franchisees and **one** of the first, and major, challenges had been to persuade the franchisees involved in the pilot they would derive benefit by investing their time in this programme. High on the dealers' agenda was whether there would be a direct business benefit, so when the pilot was judged Radical UK knew that the dealers were seeing a return on their investment.

Following the success of the pilot, Radical UK decided to extend the programme to the **50** dealers who were performing least well. Moving their scores and improving their profitability was a real challenge.

Success criteria for the roll-out included each participating dealership signing a contract of commitment to the process.

Payment by results

Formal measures for success included the scores for the roll-out showing an improvement over the scores from the pilot, and clear evidence of a positive impact on the CSI scores for participating dealers. Managewise Consulting was certain that CSI scores would improve; so certain that a part of its fee was staked on meeting the success criteria.

Business results

Over **150** managers and **450** sales and after-sales staff from **55** dealerships participated in this phase of the programme and the results were impressive.

The scores for the dealerships involved in 'The Difference is YOU!' programme increased across all the agreed indicators and by a greater percentage than those not in the programme. The improvement was reflected across both sales and after-sales experience.

This was clear evidence that involving staff and developing their skills through coaching was a highly effective way of improving customer service. To measure performance and profitability, Radical UK groups dealerships of a similar type (size, location, number of staff) into **six** leagues. Across every league, the results of the top performing dealerships in terms of CSI score are also reflected in higher average net profit. In addition, the top 10% of dealerships in terms of CSI scores contribute almost one-third of the total net profit for the whole of the dealership network. The motivation to improve the CSI scores could not be more compelling.

The conclusion is inescapable. There is a direct correlation between customer satisfaction and profitability. It clearly pays to invest in keeping customers happy.

Appendix A

Radical UK first to launch new online parts service

Radical has become the first manufacturer to introduce a specially dedicated website which allows independent repairers, bodyshops and fleet operators to order genuine manufacturer's parts and accessories online.

The new service is absolutely free and, thanks to the benefits of Internet access, is quick and easy to use. Users can view parts on-screen and the fail-safe ordering system cross-references orders against a vehicle's chassis number (VIN) to ensure that only the correct part is ordered. A separate search module also allows users to find parts using diagrams or by entering a key word.

Companies can register to use this safe and secure service either via the dedicated website or through their nearest Radical UK dealer. They are then issued with a unique password and ID which helps combat the threat of fraud.

The convenience of the on-line system allows companies to order parts **24** hours a day, **seven** days a week, whilst additional information can be requested from the dealer via a handy dialogue box. The new service may be seen by many as a means of expanding the company's retail operation through the ability to provide the full range of Radical UK accessories and car care products.

The service has been piloted in **80** of Radical UK's dealerships that belong to another recent Radical UK initiative, the Trade Parts Association (TPA), which was established last year to help the company's franchised dealers develop training and service levels with firms in the independent retail and repair market.

Commenting on the new service, Bob Lawton, Radical UK's Services and Parts Director, said 'many businesses have already registered for the scheme, and with the industry likely to do more business like this in the future, Radical UK is considerably ahead of the game.'

Appendix B

Radical UK sales reach an all time high

Radical UK has announced record UK sales of some **153 619** vehicles in 2002, continuing the company's recent run of success in this country and helping to consolidate its position in the top six of the automotive premier league, with a car market share of over 5%, well ahead of rivals such as Toyota, Nissan and MG Rover.

The Allargo was the country's best-selling MPV for the second year in a row, while the newly-launched Supermini clocked up sales of over **15 000**, combining with those of the ever-popular Togo to give Radical UK a record share of the growing small car sector.

Further notable achievements saw sales of the family saloon D5 rise by 50%, as did sales of the multispace van. Not only was this model the UK's most popular budget MPV, but in December alone it sold almost **900** units – more than in its first full year!

And in a year in which UK diesel sales rocketed to an all time high, with almost a quarter of all new car sales, Radical UK reinforced its reputation in this rapidly growing sector by performing even better than the market with an increase of almost 47%, overtaking Vauxhall to move into fourth place in the diesel sales table.

Radical UK also made great gains overseas, with global sales in excess of 1.3 million vehicles – the company's sixth successive record year. This performance helped Radical UK to an all time record, strengthening its position as Western Europe's second biggest manufacturer.

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