

CAN CUSTOMER LOYALTY AND SIX SIGMA WORK AND PLAY WELL TOGETHER?

By Jeff Cole

An exciting trend in the area of customer focus is the movement from a paradigm of 'customer satisfaction' to one of customer loyalty management (CLM). At the same time, the number of companies adopting a Six Sigma approach has rocketed off the charts. If you have both in your organization, you may wonder "Can they work together?" or "How can I create synergy between them?"

I often see companies with both CLM and Six Sigma in place. Sometimes these efforts were started independently at different times and may have different owners. I'm excited when I see both because of the leverage a sound CLM program can lend to a Six Sigma approach and vice-versa. Having had the opportunity to spend years working in both areas, this article provides readers with practical tips for helping the two "work and play well together."

WHAT IS SIX SIGMA?

Six Sigma means different things to different people. In a nutshell, Six Sigma is a management philosophy to improve business results and delight customers by reducing process variation and eliminating defects. The Greek letter sigma (σ) also represents the defects per million opportunities in a process. A level of Six Sigma (6σ) indicates a yield of 99.9997 percent or only 3.4 defects per million opportunities – near perfection.

Estimates have been made that most business processes are operating at 3-4 sigma, reflecting anywhere from 6,200-67,000 defects per million opportunities. For example, if the airline industry gets 98 percent of the luggage it handles to the right place at the right time, it's operating at about 3.5 sigma. However, given the volume of luggage it processes, the mishandled 2 percent translates into 20,000,000 lost bags a year – quite an improvement opportunity (especially if it's your bag).

In Six Sigma, a defect is defined from the perspective of the customer. Thus, part of the philosophy is to delight customers by driving toward defect-free service and products every time.

The path Six Sigma takes to providing this is reducing variation in the processes. A slight variation in a golfer's swing can make the difference between a straight, 250-yard drive and a slice out of bounds. Similarly, variation in business processes can cause defects. Reducing defects leads not only to increased customer loyalty but also decreased costs and cycle time.

Six Sigma uses several different models depending on the type of improvement desired. If process improvement is the goal, the DMAIC (Define-Measure-Analyze-Improve-Control) model is used. If the goal is to design a new process or an existing process needs large, breakthrough improvement, a model called DMADV (Define-Measure-Analyze-Design-Verify) is often employed.

Six Sigma projects focus heavily on facts and data, with a series of tools, methods, and deliverables attached to each step. 'Tollgate' reviews are done between steps to ensure methods are followed with rigor, each step's deliverables are in place, and to provide a positive environment for success.

There's no shortage of books on Six Sigma, and it may be a good investment of your time to learn more. A few favorites are listed at the end.

CONTINUED

MAKING THE CONNECTION

How then, can Six Sigma and CLM help each other? Here are some tips:

- **CLM data should be considered when selecting potential Six Sigma projects.** A well-rounded Six Sigma project portfolio includes both customer-focused and internal cost-reduction projects. One company applied Six Sigma to address low scores in their key CLM drivers of “easy to do business with” and “invoice accuracy”.
- **Consider the CLM effort itself as a potential Six Sigma project.** One team used Six Sigma when less than 50 percent of the management was acting on the data as per plan. The results? Usage improved to more than 98 percent with cycle-time and cost reductions on the program side and enabled loyalty, revenue, and retention goals to be met/exceeded.
- **Every Six Sigma project should have a charter document,** part of which addresses why the project should be done and potential benefits. CLM can often be a source of data for these charters.
- **One deliverable from the Define step is to translate the voice of the customer (VOC) into product or service attributes critical to the customer’s perception of quality** (called CTQs).
- Obtaining the VOC information takes time as we first need to determine which accounts and people within accounts to approach. A segmentable CLM database, such as the Walker SmartLoyalty® System, can often help project leaders identify those people (with correct contact data) in minutes/hours versus days otherwise.
- Often, customer verbatims from a CLM system can support VOC work. The ability to sort and segment verbatims and feed those into an affinity analysis can be very helpful to project teams.
- Sometimes, depending on timing and questions asked, the CLM results themselves may provide sufficient VOC for a project. It’s worth checking what’s available prior to launching additional VOC data gathering.
- Some of the conjoint-based methods used in CLM efforts like New Product Assessment or Concept Testing can be very useful in winnowing down lengthy CTQ or feature listings into the vital few.
- **Throughout the DMAIC and DMADV steps,** data segmentation is encouraged to look for underlying patterns in the data. Traditional segmentation includes geography, product type, customer size, work shift, etc. CLM allows for additional segmentation categories worth exploring – by loyalty category, by loyalty key driver score, by prospective vs. new vs. existing vs. lost customers, etc.
- **Sigma teams can attack very specific problems** and, therefore, have equally specific questions for their customers – beyond what you may capture in your CLM effort. Having a CLM infrastructure/system in place to allow for rapid generation and deployment of customized, project-driven surveys can save teams valuable time in gathering VOC up front, and gauging the impact of their improvements later.

In summary, CLM and Six Sigma can indeed work together well on several levels. Hopefully you have found these tips helpful. Certainly there are more ways in which to link CLM to Six Sigma. If you are doing something creative in this area, I’d love to hear about it.

Author’s Recommended Reading:

The Six Sigma Revolution by George Eckes (John Wiley & Sons, Inc., New York: 2001)
Customer Centered Six Sigma by Earl Naumann (ASQ Quality Press, Milwaukee: 2001)

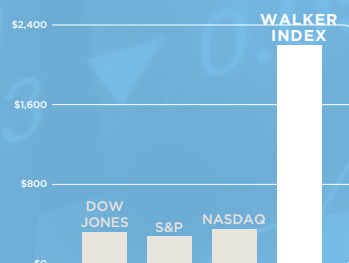


JEFF COLE
 Owner and Principal
 JCG, Ltd.

Jeff Cole is owner and principal of JCG, Ltd., a consulting practice specializing in improvement strategies. A former quality executive in a Fortune 500 firm, Jeff has more than 20 years experience in improvement techniques and human change. He holds an M.B.A. and industry certifications in Six Sigma, Quality Management, and Change Management. Jeff also served on the 2002 and 2003 board of examiners for the Malcolm Baldrige National Quality Award. He is a frequent speaker at conferences and has worked with clients across a variety of industries.

SEE THE DIFFERENCE

This image represents what is happening in business today—customer-focused companies are outperforming the marketplace. The customer-focused culture within these companies has allowed them to develop less risky, more stable business models. This results in companies delivering better results by putting their customers at the center of their business.



To learn more about Walker's work with clients, contact us

1.800.334.3939
 +1.317.843.3939

info@walkerinfo.com
 www.walkerinfo.com