

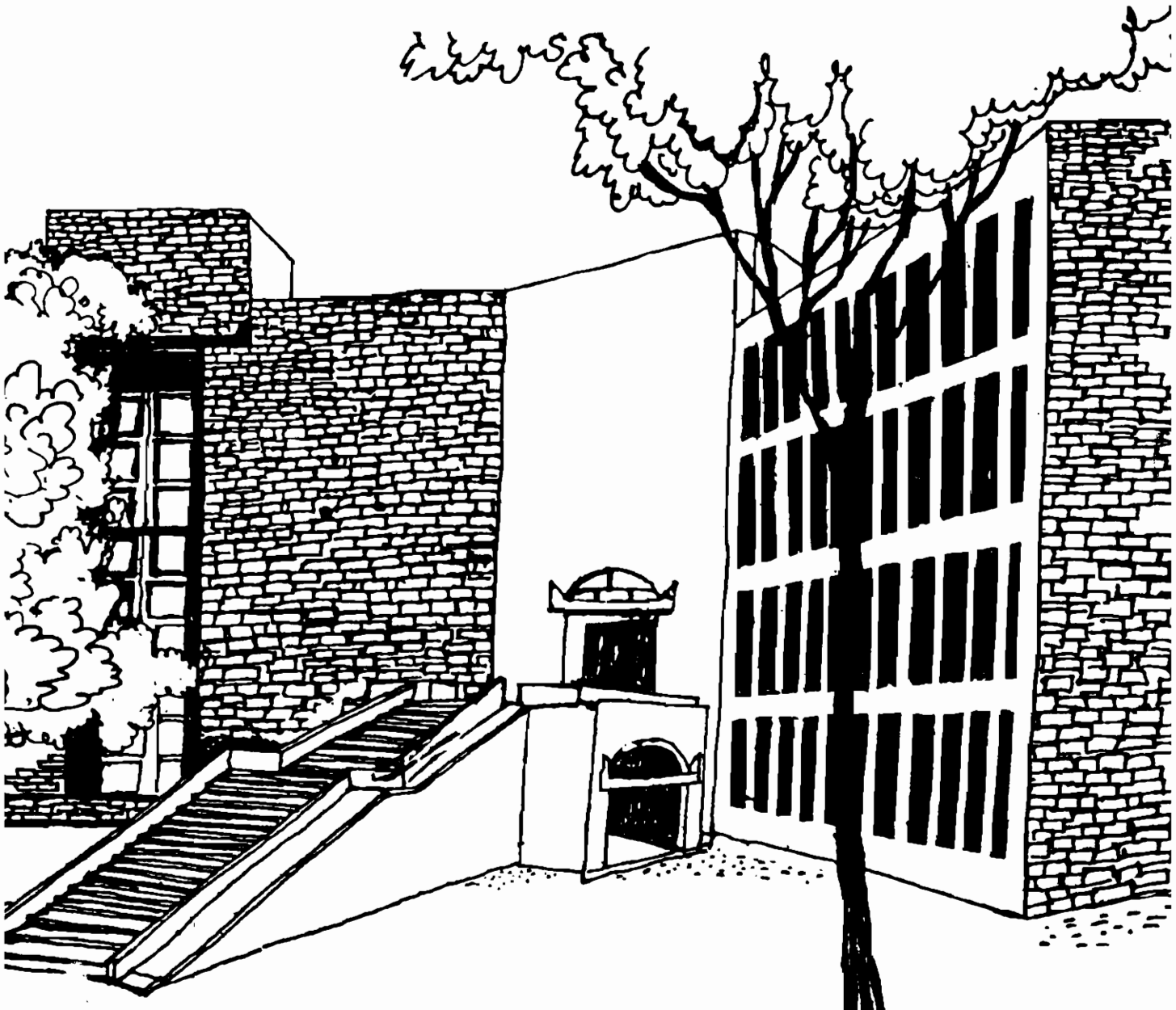


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Working Paper



ZERO CONSUMER DISSATISFACTION

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Zero Consumer Dissatisfaction

A stark reality of business is that not all the so called "well managed" companies survive the test of time for decades on. There are also instances of companies becoming active and growing after virtually stopping operations. Why does this happen? Simple, when they lose touch with the market and consumer. Why does that happen? What prevents companies from dynamically adjusting to the changing consumer needs and be in touch with them? Adequate efforts do not seem to have been made to make deeper enquiries to develop conceptual approaches to answer these questions with a strategic perspective. This paper introduces the concept of Zero Consumer Dissatisfaction and examines its relevance in finding answers to these questions and evolving sustainable competitive advantage in organisations.

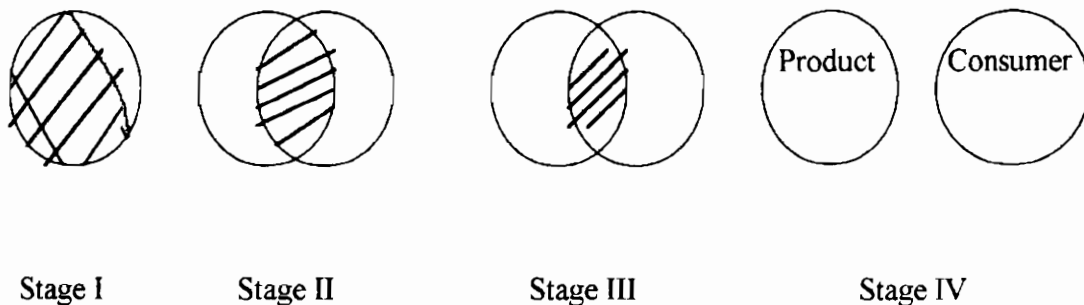
Conventional approach to consumer tracking

Of late, achieving consumer satisfaction (e.g. better, high, maximum, total) has become a key part of the mission of most organisations which set standards of performance accordingly based on assumptions (if not presumptions) about consumers and the levels of their satisfaction. Since words such as "high" and "maximum" do not have any absolute meaning, there are possible gaps in performance between what is needed by the consumer and what is offered by the company. In a dynamic world, where consumer needs change rapidly, there are also possibilities of this gap widening. This is the beginning of the end of a corporation.

Companies try to avoid reaching this by finding out the level of satisfaction consumers achieve from the use of their products and services. Different tools are used with a multiple-point scale being the most common one. Organisational implications of such a situation are far reaching. Normally, we are happy and content if the level of satisfaction is "high" or "very high" for "most" consumers.

Also, normally we do not bother about the remaining consumers some of whom may be "not at all" satisfied. In certain instances, we may ask consumers for suggestions for improvement response for which depends on what we ask and how we ask. A random survey of such questioning would show that companies do not often get worthwhile inputs. Again, it is only some companies which act on them or tinker with them while most others ignore them.

Often complacency sets in and the level of arrogance goes up especially when the satisfaction level is generally "high". Firms fail to keep track of consumers and the subtle changes in their needs. As shown in the figure below, by the time companies wake up, consumers would have moved on to firms which meet their needs better. It has to be noticed that this approach never enables and facilitates firms to meet consumer needs in totality on a sustained basis.



(The shaded area indicates the extent of consumer needs satisfied by the product/service)

- Stage I : Consumer needs almost satisfied
- Stage II : Consumer moves on
- Stage III : Company stays where it is
- Stage IV : No match between what is offered and what is wanted

Zero Consumer Dissatisfaction (ZCD)

Basically, we start with consumer dissatisfaction and not consumer satisfaction. This approach assumes that the corporate goal is to eliminate even an iota of dissatisfaction that is existing

explicitly or implicitly in all consumers. Since consumer needs are dynamic under the influence of a number of environmental factors, this approach assumes that such changes, both explicit and implicit are monitored constantly and action initiated where required. This also means that elements of dissatisfaction are removed and the consumer made totally satisfied with the products and services.

The concept of ZCD has its roots in the concept of latent demand which is a continuum with "immature" at one end and "mature" at the other end. At the mature end, the latent demand for a product or service is so ripe that the moment it is introduced to the consumer, a natural pull is created for it making it an immediate success. Good Knight mosquito repeller and Nirma washing powder are examples of this. This is a manifestation of very high level of consumer dissatisfaction with existing products. This also shows that though people had been consuming the existing products such as skin cream and smoking coil, consumers have not been totally satisfied with all the intrinsic and extrinsic features of it. For instance, many people dislike applying a cream on the body before going to bed, and also breathing throughout the night the smoke emitted by the coil while burning. As always, some consumers would have stopped their consumption, the others would have continued their use for want of a better product. The introduction of Good Knight eliminated many of the elements of dissatisfaction that the consumers had kept suppressed. In the case of Nirma, the need was to have a cheap and effective washing powder for use by low income people. Although nobody articulated these needs, they had been existing as mature latent demand. In fact, the moment, Karsambhai Patel, the entrepreneur experimentally showed to his neighbours this cheap and effective product there was literally a mad rush for 'Nirma'. Consumer dissatisfaction need not always be related to new products and services, but covers other aspects of business as we will see later.

Immature _____ Mature
Latent Demand Continuum

At the other end of the continuum is immature latent demand; here consumers have absolutely no dissatisfaction either explicit or implicit with existing products. It is difficult to successfully

introduce a new product here. Some companies make special efforts to create dissatisfaction with the existing products through promotional measures. Here the effort is to move the product from the absolute immature end to the mature end even in a small way. This is not easy. There are plenty of examples of “excellent” products failing in the market place not for want of excellent advertisement support but because consumers did not think that those were needed by them. For instance, Real Value Appliances “Vacuumiser” failed miserably as the Indian consumers never felt the need for such a product.

The latent demand for a product gets mature as the level of consumer dissatisfaction goes up. Sometimes dissatisfaction originates from perceived product attributes too. However, the major factor contributing to consumer dissatisfaction is external environmental changes in the various constituents of the environment in small or big way, directly or indirectly which get reflected in consumer needs. The major constituents of the environment are technological, regulatory, socio-political, economic and competitive. This also means that latent demand gets matured, and consumer dissatisfaction goes up when changes happen or brought about in the external environment. For instance, demonstration of a higher quality product in a film may spark off this process.

It is clear from the above discussion that the dynamic nature of consumer demand results in the movement of latent demand for any product on the continuum. Since consumer demand is dynamic, very many companies tend to create perceived dissatisfaction through advertisements while introducing their new products in the market. Kelloggs' efforts to create demand for breakfast cereals in India falls into this category. Their recent focus on children as an entry point reflects their realisation that it is difficult to create dissatisfaction among adults for their traditional food practices. Also, the route through children means their preparedness for a longer wait before the market blossoms.

The ZCD approach enables an organisation to identify, monitor and take appropriate action to meet the changing consumer needs because of its focus on total elimination of even an iota of dissatisfaction that a consumer has. ZCD analysis follows the consumer like a shadow. A ZCD

analysis helps companies identify the extent of maturing of latent demand taking place for a product and facilitates taking appropriate action. Companies such as the Hindustan Lever are very successful because of their constant endeavour to achieve ZCD. Such companies successfully lead the process of changing the market structure and take consumers to higher levels of comfort.

ZCD analysis of competitors' products provides great insight into a number of dimensions of their operations including the gap that is existing between the two firms and the consumer. Similarly, diversification avenues can be clearly identified by studying ZCD for products in possible areas of entry. In short, a ZCD analysis is important for entry and growth of firms in any field.

Sources of Dissatisfaction

Consumer dissatisfaction can have its origin in the external or internal environment of the organisation. Initial success of the Novelty Bread in Kerala can be attributed to the innovative solutions adopted by the company to tackle consumer dissatisfaction in key areas such as product features, packaging and distribution. (See box for a brief description of the case). We shall now discuss the important external sources of consumer dissatisfaction.

External Sources of Dissatisfaction

Product : In a number of cases, the intrinsic and extrinsic features of products may not exactly match with what the consumer really needs. Also, in several cases, consumers do not have many options. The level of dissatisfaction that such situations creates may be high or low, but such gaps in satisfaction are opportunities for companies to improve or others to capitalise on.

The phenomenal success of Maruti-Suzuki car in India in the early 1980s is an illustration of the huge gap that existed between what consumers needed and what they were offered by the then existing companies. One may go back in history to learn from the success of General Motors when they came out with cars in different colours against the all black cars of Ford. Amtrex Appliance's 'Nidra model' air conditioner targeted at the bedroom segment became a success because of its

ability to adjust room cooling according to the body requirements and make the consumer totally satisfied always. Users of conventional A/cs have to get up in the middle of night to get blankets thus creating a lot of dissatisfaction. Nidra ensured that this source of dissatisfaction was removed. It has a built in intelligence system to recognise the slowing down of metabolic activity of the body while sleeping and control the flow of cold air accordingly.

Castrol India's runaway success in India could be attributed to its efforts to achieve ZCD through a variety of ways. They introduced 20 ml sachets of lube oil because most two-wheelers required only that much oil for every filling of petrol. Castrol made several changes in packaging for assisting consumers in the use of lube oil. They also made entry through the repair garage route (a new channel not recognised till then by the existing players) and establishing close rapport with them, eliminating difficulties in purchasing Castrol. Castrol has been advertising aggressively to capture and retain consumer loyalty. [In fact, the sachet packaging revolution created by Rajkumar in the shampoo market is an excellent example of meeting exactly what is required by dissatisfied consumers].

It is only a ZCD oriented organisation that would be geared to identify the right mix of intrinsic and extrinsic features on an ongoing basis.

Positioning:

Products and services need to be positioned well to eliminate consumer dissatisfaction. For instance, Bata shoe company's attempts to position itself as a top of the range footwear company failed as the consumers in that segment were not totally satisfied with what Bata offered, partly because of the perceived quality and image of Bata as a company for the middle class. At the same time, its high-end pricing strategy left the people from middle income dissatisfied with the price. Bata regained its position after repositioning it in its traditional slot.

Promotion:

What, how, where and when of promotion need to be decided carefully to decide their implications for achieving ZCD. For instance, though 'Vep' brand mosquito repellents existed before the arrival of 'Good Knight', it was when 'Good Knight' sold the concept through a well made TV advertisement in the evenings when mosquito attack was at its peak that the market for it zoomed almost overnight. Also, those days, TV was used for advertisement only by big, established companies.

Distribution:

One of the major sources of dissatisfaction is related to distribution. In most cases, a number of players are involved in it, many of them from outside the organisation; the sources of dissatisfaction could be many such as choice of channels, attitude of people manning the channels, reliability and adequacy of outlets and physical availability of products. Lack of perfection in any part of the distribution process would lead to consumer dissatisfaction. For instance, during the time of virtual monopoly that Bajaj Scooter had in India, their distributors used to be very arrogant. However, the entry of new players with better quality products and rising competition forced the dealers to change their approach to consumers; but for this it would have been difficult for Bajaj to retain some of its past glory. In fact, poor choice of retailers resulting in poor product visibility in shops may leave many consumers dissatisfied.

Servicing is a major source of dissatisfaction especially for consumer durables. The process of servicing involves several layers of communication and delivery, creating gaps at every stage. The accumulated impact could lead to a lot of ill feelings in consumers which are manifestations of their dissatisfaction.

Pricing:

Consumer dissatisfaction may emanate from poor pricing strategies too. Frequent revision of prices would not only confuse consumers but also leave bad taste in their mind of getting cheated. Similarly, pricing without considering demand elasticity related implications is also harmful. It may be possible to price a product high due to monopoly powers, but that leaves many a consumer dissatisfied with that company and its products. Also, there may be a new entrant waiting in the wings to exploit this scene of dissatisfaction. Scarcity pricing is often counter-productive.

Packaging:

The purpose of packaging is not to protect and offer products in right sizes for convenient use but also to provide aesthetic and attractive looks. Since the purposes served by packaging could be several, deciding on the appropriate mix is important in eliminating consumer dissatisfaction. This is amply demonstrated by the run-away success of Castrol in the lube oil market when they introduced easy to pour plastic containers in convenient pack sizes. Lack of good packaging could leave an element of dissatisfaction in the minds of consumers. For instance, market leaders in the potato wafers market in India are yet to make the process of opening of the sachet easy. Consumers often use their teeth to tear the bag open out of desperation! This is a source of dissatisfaction though the product per se is excellent. Even in a vegetable market, these days consumers expect vendors to pack their things in strong polythene bags, and those who fail to do so find their consumers migrating to other vendors.

Internal sources of dissatisfaction

Since most of the value addition is taking place within the organisation itself, it is important to identify and eliminate constantly the sources of dissatisfaction there to ensure that elements of dissatisfaction do not exist at all. Actually, this leads to greater organisational flexibility in responding to changing consumer needs.

Internal consumers

Employees constitute the major component of internal consumers. In fact, dissatisfaction could possibly arise due to machine related or materials and other inputs related factors. Successful organisations consider their employees also as consumers, internally. In fact, everyone is a consumer and supplier at the same time. It is the ability of the management to ensure zero dissatisfaction among all the employees that make it a vibrant and entrepreneurial organisation. This depends on a number of quantifiable and non-quantifiable factors including clear organisation structure, systems, processes and values. It is when the employees find the organisation as a 'compelling place to work' that their dissatisfaction becomes zero, as was experienced by Sears Roebuck and Company in the USA during their revival in recent years. Sears realised that the cost of consumer migration to other stores due to poor servicing by dissatisfied employees is phenomenal. Add to this the cost of obtaining new consumers. There is enough research evidence on loss of revenue due to consumer dissatisfaction caused by employee dissatisfaction.

Amtrex Appliances tried with a '100% OK Movement' during its turnaround with considerable success. Similarly, such clear understanding of a consumer-centred relationship clarifies the role each member of the organisation plays, like that of a member of an orchestra. A wrong note of an isolated instrument in the orchestra will make a lot of noise, similar to the voice of a dissatisfied consumer. This also means that whenever there is a discord, the whole organisation should notice it and remedy it, as in the case of JIT. For instance, accumulation of inventory will be cause for concern for everyone as it creates some discord in the organisation.

ZCD Application

We shall now examine some of the areas in management where ZCD can be used to strengthen existing approaches.

ZCD and Value Chain

We have to realise that the value that we offer to the consumer is an aggregation of the value added at every point in the organisation. This process will not be complete unless everyone in the organisation contributes appropriately to it. Any amount of dissatisfaction at any link on the chain of activities that adds value to the product/service (value chain) leads to less than complete addition of value. This also means that the consumer will be left with some amount of dissatisfaction so long as any of the internal or external consumer is dissatisfied. There needs to be perfect synergy among the links on the value chain and complete understanding of what the consumer needs from them.

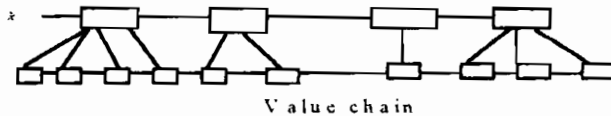
In reality, this is achieved only by an exceptionally few number of companies which are dynamically thinking, entrepreneurial and flexible in their approach to management. A quick look at any organisation would reveal that some links on the value chain are weak. For instance, a leading air conditioner manufacturer has excellent production orientation but poor after sales service. Similarly, a fast growth outerwear garment manufacturer has everything in place except that the shirt buttons come off after the first wash. Lack of alertness for timely delivery can leave the consumer of a courier company high and dry.

Existence of some dissatisfaction in the minds of consumers is an indication that something is wrong on the value chain. There may be instances of irrelevance of some links either because of changes in consumer habits or technology for processing or delivery. For instance, technological changes in packaging or development of new channels such as internet lead to modifications in the structure of the value chain. Li & Fu in Hongkong, the largest garment exporters in the world have modified their value chain for ready-made garment business and used IT effectively in such a way that they are now able to deliver products to their European consumers in six weeks as against four-five months earlier, without adding further cost to operations. They have supplier-manufacturers located in many of the South East Asian countries with whom they are constantly in touch, and whom they help in their operations management. The phenomenal success of the JIT philosophy is a reflection of such innovativeness in organisations. In short, changes on the value

chain to achieve and sustain zero consumer dissatisfaction may be in respect of raw materials, machinery, attitude, cost of operations, distribution channels and so on.

ZCD and Value Chain

* A product/service consists of several parts and processes adding value at every step



The concept of value chain as shown above needs to be extended to both suppliers and buyers and in short, all input providers and output receivers. Building on Michael Porter's five-forces framework, each link on the value chain is both a supplier and a buyer. The bargaining power of each link on the value chain as a supplier of some value depends on the extent of satisfaction it is able to provide to the next link ahead (the buyer). Therefore, when it achieves ZCD, it maximises its bargaining power. The "buyer" link also tries to maximise its bargaining power as a supplier to the link ahead by achieving ZCD, and thus neutralises the effect of the relative bargaining power between the two links. When this process is extended to all the value adding links on the chain, we achieve ZCD for the final consumer. This is the situation when a company achieves maximum bargaining power over its consumers, at least in comparison to its competitors. This "business ecosystem" needs to be ZCD oriented for the overall development of that industry and achieving excellence by individual firms: After all, the loyalty and support of consumers for any brand depends on extent of dissatisfaction eliminated by it.

ZCD and Total Cost Management

Bulk of the consumers are very price sensitive about most products. Since price is an important driver in purchase decisions especially in Asian countries, it is important to deliver products and services at low price. A ZCD oriented effective cost management. An internal ZCD analysis would

bring out pockets of inefficiency, wastages and give leads to better ways of doing things, all with the objective of achieving better cost management.

Yet another benefit of ZCD in the context of total cost management is its ability to identify 'what consumer really needs and avoid expenses on what consumer does not need or value. Very often, product features, including intrinsic and extrinsic dimensions, are decided without having adequate understanding of consumer needs. We need to remember that any cost incurred without converting it into benefits to consumers that they value is a waste. We should avoid it.

It is quite possible that 80 percent of the consumers are dissatisfied with 20 percent of activities. Similarly, there may be 80 percent extra benefits derived from making 20 percent extra investments. It is noticed that for many a product/services, problems/bottlenecks exist only in a few areas, as we saw in the case of packaging of potato wafers and buttons on ready made shirts.

ZCD and Benchmarking

Benchmarking is undertaken to set standards of performance which are often fixed against better performers in the same industry or elsewhere. Often different benchmarks are fixed for different functions or activities. One flaw in this approach is the possible selection of performance levels either at levels much lower or much higher than the requirement to make consumer dissatisfaction zero; when the benchmark is lower than the level to achieve ZCD, some consumers are still left partially dissatisfied, though the company may be under an illusion of doing the best for the consumers. Similarly, when the benchmark level is higher, unnecessary expenses are incurred on something that is not valued by the consumers. Hence benchmarking could be slightly tricky in the conventional way. However, a two-pronged approach can solve their problem. First an effort is made to understand consumer dissatisfaction and its elements first. This should be followed by identification of benchmarks in the conventional way to achieve the same. Such an approach and its regular review will enable companies to set benchmarks and sustain competitive advantage.

ZCD for Organisational Vision, Mission and Entrepreneurship

Since the consumer focus in the ZCD approach is based on their changing needs and satisfaction levels, there are only limited chances of getting trapped in 'marketing myopia'. This facilitates clearer organisational vision. It is to be reiterated here that under ZCD the focus is not on the sale of a product but on providing solutions to consumer problems. Implicitly, both the company and the consumer travel together in their journey up in search of better products and services.

ZCD is a powerful way to keep the organisation alert and flexible. The impression created by a statement such as "one percent consumers are dissatisfied" and another "99 percent consumers are satisfied" are different. We take note of the first one much more seriously. There is a natural need to explore the first statement further, but not the latter. Besides, a ZCD approach ensures natural growth of innovation and deep corporate entrepreneurship in the organisation. Any slight lethargy that is growing in the organisation would be quickly identified by ZCD. This is the way to remain at the top. Following from the above, it is clear that a ZCD approach is a journey to keep the consumer and organisation together.

A key to success through the ZCD approach is cost awareness. A cost-value matrix of activities would show that not all efforts to achieve ZCD are cost-effective. In fact, this is yet another source of innovation. Possibilities always exist for process related or input related innovations to overcome cost related problems. Thus, an apparent weakness of ZCD can be used as a source of strength for promoting innovation.

Methodology for Measuring ZCD

A variety of methodological approaches can be used to identify and measure ZCD iteratively. One of the key techniques used to identify the fundamental consumer needs is the repertory grid technique. This is especially useful for new product introduction. The learning from this exercise can be used to create a multiple point scale for a questionnaire survey to identify areas and the extent of dissatisfaction that consumers have.

Some of the ideas either generated from within the organisation or outside through the questionnaire survey and reportory grid analysis can be the basis for a focus group discussion. Group members for such discussions should all be consumers whether they are from within or outside the organisation. Observations and learnings from the focus group discussion can be the basis for further consumer surveys to identify, ways and means of achieving ZCD. All these techniques may have to be used iteratively to bring out areas of consumer dissatisfaction to the surface. In fact, a focus group discussion on competitors' products can also be very beneficial while formulating competitive strategy. Since this exercise has to be an ongoing organisational activity, it is useful to have an internal monitoring team with multi disciplinary representation to interface with the internal and external focus groups.

Conclusion

The above discussion shows that a paradigm shift in thinking towards achieving zero-level of consumer dissatisfaction is the need of the day to be competitive. There are enough indications to suggest that the level of turbulence in the environment is going to remain permanently high, and hence corporate survival depends on each company's ability to be with consumers constantly. Zero Consumer Dissatisfaction appears to be one of the paths to follow.

ZCD approach in Novelty Bread

Novelty Bread entered the bread industry and registered a turnover of Rs. 14.36 million in 1981-88 in its first year of operation; its turnover went upto Rs. 59.05 million in 1995-96, in a market dominated by Modern Bakeries, a public sector food company.

Modern Bakeries, Kochi had an installed capacity to produce 100,000 loaves per day around 70 percent of which was in the form of white bread and the remaining as sweet, milk and fruit bread.

While their sweet bread was a big success, milk bread was a failure in the market. A third of the

bread produced was consumed by government hospitals where it had a monopoly market through a government order. Consumers often complained about the low quality of Modern Bread but had little choice. Also Modern's packing was of poor quality as they used wax coated paper which opened up very easily. Since Modern wanted to extract advertising mileage from its neatly designed packaging, it advised the retailers not to wrap the loaves again in newspapers or polythene bags.

Modern distributed bread through a network of distributors and retailers spread all over the state using their own vans. However, there have been consumer complaints of irregular supply especially in smaller towns.

Near 100 percent literacy with almost all children attending schools regularly and very high level of health and hygiene consciousness among all sections of people made even small towns in Kerala attractive centres for bread. Also, since Kerala's villages are extensions of nearby towns, the influence of urban living permeated much faster into rural areas compared to several other states. Bread has been traditionally baked during the morning and sold in the bakeries in the evenings. Modern stuck to the tradition and distributed bread during early afternoons for sale in the evenings.

With growing consumerism and changing eating habits children started liking bread for snacks and also sometimes for lunch. Another slowly growing segment was people switching over to western style of eating out of fashion. This was further pushed up by the Keralites who returned home on leave or permanently from the Middle East countries. Several consumers were working couples who found hardly any time in the morning to prepare traditional breakfast. Some people used bread

as a delicacy at parties too. Workers in the sea food industry which constituted an important component of Kerala's economy also consumed bread in significant volumes.

Novelty Bread started with an installed capacity of about 50,000 loaves per day. Their major product was a milk and sugar bread which constituted about 75 percent of the production and became a run-away success since introduction. Novelty also introduced other bread varieties such as fruit bread and sweet bread, besides about 15000 loaves of white bread which was introduced as 'Superlite'. Later in 1994, Novelty introduced a larger size bread called 'Family Loaf' which became a big hit in the market. Modern's White Bread sales fell by about 15,000 loaves soon after the introduction of Novelty. Later, Novelty's bread sales went up steadily using up all their production capacity.

Novelty had imported production facilities from the UK to ensure production of world class quality bread from day one. For them quality of the bread is quite important. They said, "we want consumers to identify Novelty by feeling and eating it". They ensured that hygiene was given top priority in the factory. They also established a laboratory where the quality of raw materials and finished products were tested for each batch.

Novelty despatched bread from their factory early in the morning to ensure that bread was available at the retail outlets when the shops were open in the morning.

Each retailer had a fixed overall daily requirement of bread, and they generally bought more quantity of the brand which was delivered to them first. This was done to ensure that they had enough stock of some bread for sale. This was so despite the fact that retailers had their own preferences for one brand over the others, often influenced by the choice of their consumers.

From the very beginning Novelty decided to go for polythene packing of bread. They used an automatic packing machine which also had a twisted sealing technique. Consumers liked it as they could see and judge the quality of bread through the packaging. In fact, Modern switched over to poly packing in November 1989. Novelty paid 5.66 percent as distributors commission in 1996 as compared to 5.50 percent paid by Modern. Novelty paid retailers 8.65 percent compared to 9.04 percent paid by Modern.

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