



## *Newsletter*

Northwest Indiana Section 1011  
P.O. Box 705 Griffith, IN 46319

**March / April 2003**

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### ***Mission Statement***

*ASQ – NWI Section 1011 seeks to align the diverse skills of its members into a high-performance team committed to the advancement of quality in personal, professional, and social contexts by providing opportunities to acquire relevant knowledge through social programs, training sessions, and formal instruction.*

### **Section News**

#### **Officers and Committee Chairs for 2003-2004**

During the February executive meeting the section officers voted to approve the officers and committee chairs for the 2003-2004 membership year. The nominees were a result of the January meeting, phone calls, and several members coming forth and volunteering to fill positions so the section can continue along the road of improvement. This represents a great step forward for the section. Almost two years ago when we began working on revitalizing the section, one of our goals was to make sure we had enough people involved with the section affairs and that future officers and chairpersons would be available in order to ensure the continuation of the plans. Some familiar names are on the list as well as new additions. Jennifer, Mark, and Walter move into more responsibilities, and Dave, Milton, and Phil keep the some of the vital committee positions going. Paul will take over with the auditing of the section books at the end of the 2003-2004 year.

The arrival of new names and faces on the scene is exciting and great for the section. Keith Poole will be taking over as treasurer and Colleen Robison will be taking over the newsletter and website. Their bio's will be posted on the website soon. The section is sure to benefit from the new ideas, skills, and professionalism they add to the board.

#### **Education and Health Care Events**

The section's general membership meeting topics in April and May are about quality in Education (April) and Health Care (May). These should be very interesting and informative meetings for everyone. Our section roster indicates the majority of our members are in manufacturing or general business, and these are great opportunities to learn how these other critical sectors face the challenges of improving their product and service quality.

In April, the Lowell School system will make a presentation on their on-going efforts to improve the quality of education using the Baldrige Criteria for Excellence. They have been using the criteria for several years now along with other initiatives and have positively impacted the student's ISTEP scores.

In May, the LaPorte Hospital will provide speaker(s) to our section that will present some of the challenges facing the health care industry, and how they have been successful in planning for and facing those challenges.

Members and nonmembers can register on-line for these meetings on our website, [asq-nwi.org](http://asq-nwi.org).

***Dan Kelley***

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## The Myth of Customer Satisfaction

from [strategy-business.com](http://strategy-business.com)

by [Mark Klein](#) and [Arthur Einstein](#)

At first glance, creating an army of satisfied customers seems an obvious way to build a business. But as a leading computer software company has learned to its surprise, satisfied customers aren't necessarily good customers. Indeed, the company discovered in a recent survey that there was no correlation between customers' satisfaction scores and their actual purchase behavior.

Why are customers who say they're satisfied not necessarily repeat customers? Because satisfaction is a measure of what people say, whereas loyalty is a measure of what they actually do. Many managers still don't recognize this fundamental difference, so they use *customer satisfaction* and *customer loyalty* interchangeably, as though they were synonyms.

What customers report in satisfaction surveys is their attitude, which usually reflects their recent experience in transactions with the business in question. The survey and the report it generates take the temperature of customer feelings about events that have already occurred. The importance that businesses ascribe to these surveys is profound. Indeed, measuring customer attitudes has become an industry in its own right, and such groups as J.D. Power and Associates, the University of Michigan Business School's National Quality Research Center, the Customer Satisfaction Institute, and other similar organizations have become powerful shapers of business practices.

There's no question that satisfaction measurements can be valuable. They allow customers to vent frustrations. They can highlight problems with product quality and customer service. But satisfaction surveys also have limitations. The larger the customer base, the more expensive and time-consuming it can be to survey. Because of the time and expense they require, surveys can be conducted only periodically, which means they may not reflect current attitudes. Additionally, surveys cannot include all customers — and results can be biased when customers either are excluded or don't bother to respond. Most important, surveys measure opinion and are not reliable predictors of future behavior. Even surveys that ask customers about their intentions do not necessarily shed light on the future because customers don't always do what they say they'll do.

Loyalty (be it to a king, a brand, or a relationship) is most definitely not a matter of opinion. It is a measure of commitment and a strong indicator of future behavior. In a business setting, sales data (such as the transaction date, amount, and product description) can be used to profile customers' past behavior, and can be a reliable basis for predicting their future actions. If, for example, past measurement shows that the Ajax Partnership has been buying supplies regularly every three months for the past two years, and then it begins purchasing smaller amounts at less frequent intervals, you can be fairly certain that Ajax's loyalty is at risk.

In a small organization with few customers, this kind of behavior measurement is usually a matter of eyeballing the records. There are, however, new and sophisticated mathematical techniques that allow an

enterprise with hundreds of thousands (or even millions) of customers to extract data automatically from accounting databases and convert it into an early warning system that segments customers on the basis of their loyalty profiles, and then identifies potential defectors. In this way, enterprise accounting records can be transformed into valuable marketing intelligence.

Loyalty profiles can predict defections and the amount of revenue that will be lost as a result of those defections. Loyalty measurement can also identify when customers will buy next, what they're likely to buy, and how much revenue these sales will generate. It can identify the customers who are likely candidates to buy more than they now do, and predict how much enterprise revenues will grow if these candidates can be upgraded.

But do loyal customers generate more profits than the merely satisfied? There is every indication that they do, though measuring the revenue impact of satisfaction is far harder than measuring the impact of loyalty. What can be said for certain is that when a company acts on what it learns from loyalty analysis — marketing to selected customers instead of the entire customer population, targeting customers who are candidates for incremental purchases, protecting revenue by spotting potential defectors before they defect — both margins and return on dollars invested in marketing improve significantly. Tenfold returns on investments in loyalty analysis are not unusual.

Loyalty and satisfaction are decidedly different indicators of business vitality, but as management tools they complement each other. Good satisfaction measurement can help identify what's broken in your business today (although fixing it is up to you). Good loyalty measurement is an easily applied forward-looking tool that sales and marketing can use to devise strategies to hold on to customers they want to keep — and also to earn more from every relationship.

The myth that a satisfied customer will become a loyal customer is just that — a myth.

## **Authors**

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**Mark Klein**, [markk@loyaltybuilders.com](mailto:markk@loyaltybuilders.com)

Mark Klein founded three software companies that made tools for communications and business intelligence. Most recently, he was general manager of enterprise integration at the Lotus Development Corporation, which purchased his third company, an infrastructure supplier. Mr. Klein is CEO of Loyalty Builders.

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**Arthur Einstein**, [arthur@arthureinstein.com](mailto:arthur@arthureinstein.com)

Arthur Einstein was a cofounder of and principal at the advertising agencies Lord Geller Federico Einstein and Lord Einstein O'Neill. For the past decade, Mr. Einstein has been a marketing communications and agency review consultant, working with technology and financial-services companies, including IBM, Compaq, The New York Stock Exchange, and Oppenheimer Funds.

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## Building a Quality System What's Next?

*The following article has been submitted by Mr. Robert Kubacki, a fellow member of the NWI section. Mr. Kubacki is a 1978 graduate of the University of Wisconsin – Milwaukee with a BS in Engineering Material Science. He has experience in the steel, steel service, aluminum extrusion and bearing industries as a Metallurgist and Quality Manager. He has been involved in the implementation of QS-900 and ISO 9000-1994 quality systems. He has been a member of ASQ since 1985 and currently holds his CQA.*

I recently wrote an article called “Where to start?” when you write a quality system. I did this for a couple of reasons. I have now been involved in three other quality systems that were not written from the procedure level. It is difficult and frustrating to work in these systems. I had also hoped that it would help someone involved in writing a quality system to realize the best of all starting points is at the procedure level.

I would like to continue with my suggested course and take you to the next step. I think that everyone will by now know that QS is dead and long live TS 16949. The new TS revision follows the newer ISO 9000 version that looks at the flow of the business and the quality system.

Let's assume that you are now taking my suggestion that you start at the procedure level. Well, how do you do that? In a perfect world, I would assign each department to generate a flowchart on how they do what they do. Then I would look at each one of them and blend them together.

The reality is simple. Production Managers are concerned about production, Purchasing buys stuff, and Human Resources takes care of people issues. The fact is, when it comes to an overall view of an organization, the Quality Department is usually the only one that gives a rat's bum about it.

Let me offer two suggestions. Now recognize that this is the real world and my suggestions need to be tempered by your current business climate. The first suggestion is something that I saw some time ago and it makes sense.

First, you will need a place that will not be disturbed for sometime. This may be a conference room or training facility. Get a roll of brown or kraft paper and stretch it around the room. Starting at order entry or product receiving, create a general flow of how things are done.

Then I would track down all the forms used in an organization and tape them up placing them in the flow as many times as they are used. If you are in an ISO or QS system, you should be able to trace the forms back to the procedures and work instructions. List your procedures and work instruction on the process flow that you have created. You have just created a process flow for your company, which is an ISO requirement.

The second suggestion is not as simple, but it also works. Simply interview each department and determine all their functions. Create simple flow charts of each area. Blend each area together and create the process flow for your company.

Once you have created the process flow, I suggest that you review the standard to which you are working and develop or revise the necessary procedures. Again, I strongly suggest using flowcharts to depicts procedures. Work instructions and forms can be revised to developed as called out by the procedures.

## Calendar of Events

**Event:** Midwest Regional Lean Network Group  
**Topic:** Avery-Dennison Plant Tour  
**Date:** **March 10<sup>th</sup>**, 2003  
**Time:** 6:00 – 7:30  
**Place:** 270 West Meadow Place  
 Lowell, In  
**Cost:** \$15 for Dinner after the tour  
 Tour size is limited to 30 people so reservations are required.

**Event:** NAPM-NWI and ASQ Section 1011 Joint Meeting  
**Topic:** Supplier Development and Performance Improvement  
**Date:** **Mar 19<sup>th</sup>**, 2003  
**Time:** 6:00 – 8:30  
**Place:** Tiebel's Restaurant, Schererville IN  
**Cost:** \$20 includes Dinner  
 Reservations are required

**Event:** Midwest Regional Lean Network Group  
**Topic:** Simplified Pull Systems and Scheduling  
**Date:** **April 14<sup>th</sup>**, 2003  
**Time:** 6:00 – 8:30  
**Place:** Andorra's Restaurant, Schererville IN  
**Cost:** \$15 includes Dinner  
 Reservations are required.

**Event:** Lowell Schools  
**Topic:** Quality in Education  
**Date:** **April 17<sup>th</sup>**, 2003  
**Time:** 6:00 – 8:30  
**Place:** Rodney's, Highland IN  
**Cost:** \$20 includes Dinner  
 Reservations are required.

**Event:** Midwest Regional Lean Network Group  
**Topic:** Sustainability of Lean and Quality Programs  
**Date:** **May 12<sup>th</sup>**, 2003  
**Time:** 6:00 – 8:30  
**Place:** Andorra's Restaurant, Schererville IN  
**Cost:** \$15 includes Dinner  
 Reservations are required.

**Event:** LaPorte Hospital  
**Topic:** Quality in Healthcare  
**Date:** **May 15<sup>th</sup>**, 2003  
**Time:** 6:00 – 8:30  
**Place:** Roskoe's, LaPorte IN  
**Cost:** \$20 includes Dinner

**Event:** Midwest Regional Lean Network Group  
**Topic:** Plant Tour, Tri State Industries, Inc. (with Bar-B-Que)  
**Date:** **June 9<sup>th</sup>**, 2003  
**Time:** 6:00 – 8:30  
**Place:** Tri State Industries, Inc.  
**Cost:** \$15 includes Dinner  
 Reservations are required.

**Event:** ASQ Section 1011 Networking Meeting  
**Topic:** Introduction to 2003-2004 Officers  
 Network with fellow ASQ members over a round of miniature golf, pizza, and hot dogs.  
**Date:** **June 19<sup>th</sup>**, 2003  
**Time:** 6:00 – 8:00  
**Place:** Cedar Creek Family Golf Center, Cedar Lake IN

## 2002 – 2003 Section Officers

Dan Kelley-Chair  
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Phil Pope – Vice Chair  
Hiler Industries  
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Mark Fleishman – Secretary  
Aeromet Industries, Inc.  
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Paul Stoudt – Treasurer  
Avery Dennison  
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## 2002 – 2003 Committee Chairs

Luke Janavicus-Auditing

Milton Krivokuca – Examining  
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