

Kronos Incorporated: Managing and Marketing Customer Satisfaction

Introduction

Customer satisfaction is a core strategy for many companies providing IT services. More and more, companies look for innovative ways to leverage customer satisfaction to determine resource allocation and to drive growth in today's market.

In this case study, ITSMA examines the role customer satisfaction plays at Kronos Incorporated, a single-source provider of integrated human resources, payroll, and labor management solutions and the leading provider of frontline time and attendance solutions. The company strategically utilizes customer satisfaction findings to drive process improvements and organizational changes, particularly in the area of customer service and support. Kronos' intensive focus on satisfaction led to a 93% overall loyalty and satisfaction rate for customers in 2001. Appropriately, the firm's customer service marketing team highlights the company's high ratings in customer satisfaction as a strategic differentiator and a key reason to purchase Kronos products and solutions.

The *Case Study* explores the evolution of Kronos' customer satisfaction program from two perspectives: the internal process and the marketing of the program and its results. It looks at the role that services can play in initiating a satisfaction program, as well as its role in driving a customer satisfaction philosophy throughout the entire company.

Key Takeaways

- Services can and should take "ownership" for driving and developing customer satisfaction and loyalty priorities for the entire organization.
- Developing and leading an aggressive customer satisfaction strategy can place services in a central, customer-oriented role within the entire corporation.
- Customer satisfaction is not an all-or-nothing proposition. Long-term success and companywide buy-in can be achieved incrementally.
- Customer satisfaction programs must focus on building the processes, collecting the data, and analyzing and using the results. Companies must also place equal weight on marketing the results inside and outside the corporation.
- Incentives for employees play a key role in a successful customer satisfaction program.

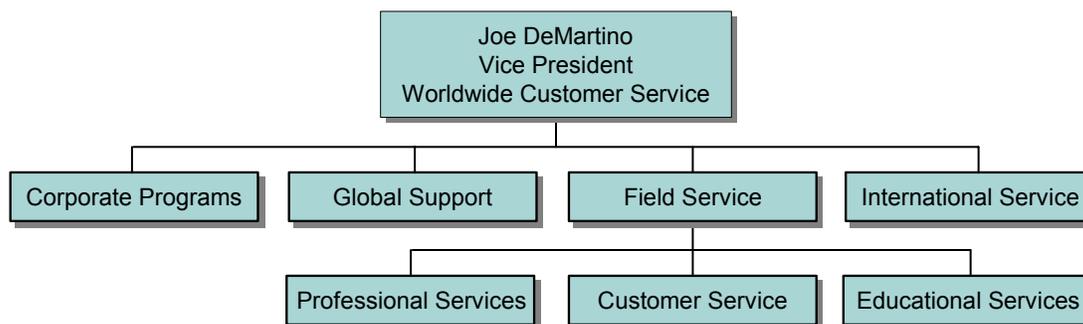
Background

Kronos is a single-source provider of integrated human resources, payroll, and labor management software, devices, and solutions. Founded in 1977, Kronos is a publicly traded company with FY 2001 revenues of \$293 million. It employs more than 2,000 people worldwide and has 40,000 customers.

Kronos' products and solutions help organizations align their people, processes, and technology to improve individual productivity and boost overall business performance. Its Frontline Labor Management solutions lead the market in the collection of labor-related data from every employee in an organization via the Web, telephone, desktop, personal digital assistant (PDA) devices, or traditional data collection terminals.

Kronos' Worldwide Customer Service organization provides a complete suite of services designed to help its customers realize the optimum value of their investment in Kronos products. These services include implementation, education, consulting, and ongoing maintenance services delivered in person or electronically as best meets the needs of its customers (Figure 1).

Figure 1. Kronos Worldwide Customer Service Organization



Source: Kronos Incorporated, 2002

Services revenue has grown dramatically in recent years and is now a substantial contributor to total corporate revenue (Table 1). Approximately one-third of Kronos' employees work within its Worldwide Customer Service organization.

Table 1. Kronos Product and Services Revenue, 1999–2001

	Fiscal (\$M)		
	1999	2000	2001
Products	\$164.3	\$152.1	\$153.1
Services	\$90.0	\$117.5	\$139.9

Note: The Kronos fiscal year ends September 30.

Source: Kronos Incorporated, 2002

Building the Customer Satisfaction Program

Phase One: Relationship Surveys

Prior to 1995, Kronos relied primarily on dealers with defined geographic territories to serve its customers. A small group of direct sales and services offices supported the dealer network. As the company grew and expanded, it gained an increasing number of national customers. These customers sought uniform services offerings, a single services contract, and consistent, high-quality delivery across the country.

The change in market and customer demands drove Kronos to begin to build a direct services delivery capability. Often, the company acquired the assets and staff of existing dealers to build this new model.

With this organizational change, the company began to lay the groundwork for measuring and managing customer satisfaction.

In 1995, Kronos hired Omega Management Group to launch a customer satisfaction program for North American customers. The program began with a telephone survey—still in use today—that measures satisfaction with the overall relationship between Kronos and its direct customers. This survey incorporates importance ratings along with the satisfaction data. Omega highlighted gaps between perceived importance and satisfaction, the “Delta Difference,” to help guide Kronos in its efforts toward continuous improvement.

The initial surveys focused on satisfaction and importance in four areas of customer service:

- Product (hardware, software, and documentation)
- Ongoing phone support
- On-site services activities
- Customer loyalty

Phase Two: Transaction Surveys

Initially, Kronos organized its direct sales and services offices under the Sales group’s leadership. Service functioned as a cost center. In 1999 (the beginning of fiscal 2000), Kronos shifted to a Sales-and-Service partnership model, and the Worldwide Customer Service group became a separate, standalone profit-and-loss center.

As part of the shift, Joe DeMartino, vice president of Worldwide Customer Service, determined that he needed additional information to enhance the customer satisfaction program. He directed the addition of two transaction-based surveys: one triggered by installations, the other by completion of a service call. These transaction-based surveys provide performance snapshots and diagnostic information that is more actionable, timely, and focused on specific services delivery areas than the broader relationship surveys.

Phase Three: Integrating Telephone Support

Changes made to Kronos’ global support operations exemplify how the firm acts upon the results of its customer satisfaction research. The Global Support group provides direct phone support to Kronos’ many customers and dealers worldwide. During 2001 (the start of fiscal 2002), the company moved Global Support from being a cost center organization under Kronos’ chief operating officer to becoming part of Joe DeMartino’s Worldwide Customer Service organization.

Up to that time, relationship surveys showed a significant “Delta Difference” in the area of telephone support. Customers put great importance on telephone support but did not rate Kronos performance in that area equally well. Upon investigation, Kronos discovered that existing Global Support performance measurements encouraged practices that actually undermined customer satisfaction. For example, by measuring how many calls closed each day, the firm essentially encouraged telephone support representatives to dispatch calls to the field unnecessarily in order to record them as resolved or closed.

Along with moving the Global Support organization under Worldwide Customer Service, Kronos also changed policies and procedures to further highlight the importance of customer satisfaction. For example, the company now conducts a fourth “Global Support” survey and provides financial incentives for Global Support employees based on customer satisfaction measures. This and other changes encourage support personnel to take each customer interaction to completion and to the full satisfaction of the customer. Such changes led to improvements in telephone and communication skills and helped identify situations where additional training was required.

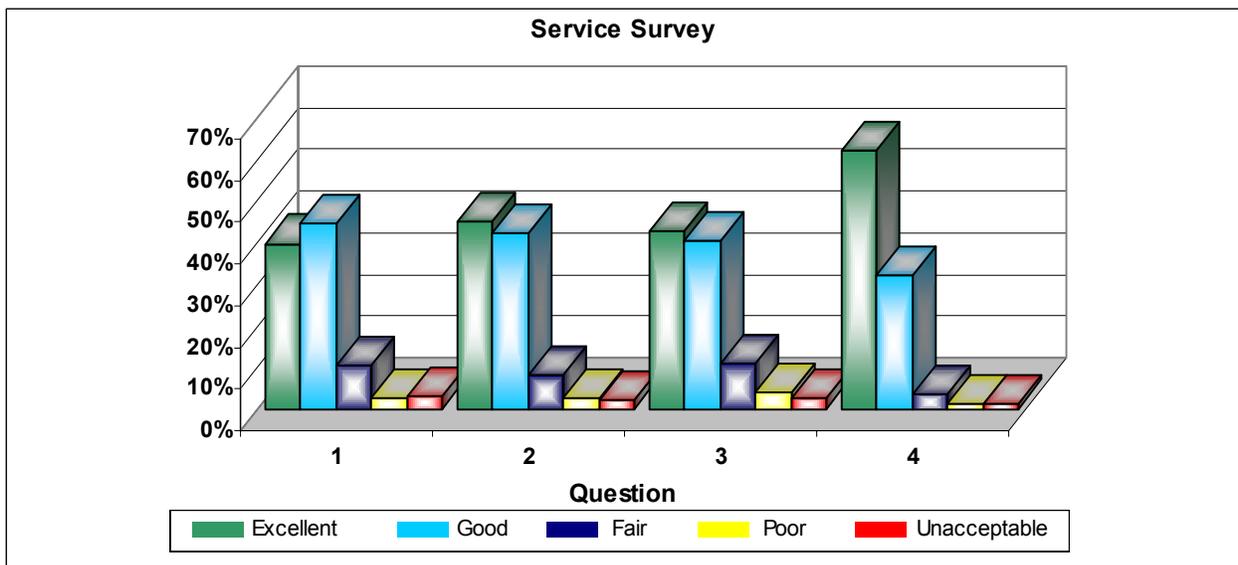
Managing Customer Satisfaction Today

From the beginning, Kronos assigned ownership and management of the customer satisfaction program to the Field Service organization, which manages all professional, educational, and customer services for North American customers. Today, Norman Young, service quality manager, manages the program. Young's responsibilities include implementing the program on a daily basis and working closely with Joe DeMartino to determine the direction and strategy for ongoing initiatives.

Omega conducts four surveys each month to assess the performance of customer service in North America. The surveys reach approximately 10,000 customer contacts annually. At the end of each month, Omega delivers a series of charts and graphs known as the Scoreboard, a proprietary methodology and reporting structure. The Scoreboard includes aggregated responses by organization, question type, and topical area. Figure 2 provides a rollup of data from the last quarter of 2001.

Figure 2. Sample Omega Customer Satisfaction Scoreboard for Kronos

OMEGA GROUP Scoreboard		Service Survey										Oct - Dec 2001	
Category: Customer Service													
Base: North America													
Questions	Responses	Ratings											
		Score		5		4		3		2		1	
		Sat.	Rate	#	%	#	%	#	%	#	%	#	%
1. Ability to Respond in a Timely Manner	636	94%	4.1	252	40%	283	44%	65	10%	16	3%	20	3%
2. Ability to Work with & Understand Your Problem	637	95%	4.3	287	45%	269	42%	52	8%	16	3%	13	2%
3. Effectiveness of Solution Provided	624	94%	4.2	266	43%	251	40%	67	11%	25	4%	15	2%
4. Professional Attitude & Courtesy	630	98%	4.5	391	62%	201	32%	23	4%	7	1%	8	1%
TOTALS	2527			1196		1004		207		64		56	
		Overall	95%	4.3									



Source: Kronos Incorporated, 2002

Kronos' long-standing partnership with Omega Management Group adds substantial value to the customer satisfaction program. Omega's expertise in satisfaction ensures a high-quality survey effort, and having a third party conduct the surveys and analysis adds integrity to the process and credibility for Kronos customers. Most important, the regular provision of independent data provides a regular check on

how the firm is doing with satisfaction, and thus a great tool for Kronos to use as it works to improve quality and satisfaction.

Table 2 highlights recent improvements in customer satisfaction ratings. Overall ratings are up since 2000, and the scores of the best-performing region each year have similarly increased. By the end of the third quarter of fiscal year 2002, 60% of Kronos field service regions were rated above 4.0 on a five-point scale.

Table 2. North American Customer Satisfaction, 2000–2002

	North America Customer Satisfaction	
	All Field Service	Best-Performing Region
Yearend FY 2000	3.751	3.947
Yearend FY 2001	3.989	4.136
Year-to-date FY 2002	4.045	4.230

Source: Kronos Incorporated, 2002

Ensuring Continuous Improvement: The Monthly Review

As noted earlier, customer satisfaction provides the foundation of Kronos' continuous improvement strategy. A key element of the strategy is the monthly distribution and communication of detailed satisfaction data throughout the Customer Service organization. This monthly distribution includes data disaggregated to the regional and area service management levels where Kronos manages the day-to-day interface with its customers. It is at this level of line management that the organization can most rapidly implement operational and procedural changes.

Kronos' senior service executives also review the data and take action when necessary. Because of the level of detail in the reporting, they can take an active role in identifying areas of concern and driving initiatives down to their line managers. For example, when data from a particular region indicates problems in services delivery or performance, management reaches out to specific, previously surveyed customers for additional feedback as well as bringing in process experts and best-practices managers to take corrective action.

It is important to note that Kronos presents each group with its satisfaction data in the context of the performance of the entire Customer Service organization. This approach inspires "healthy competition," according to Norman Young, and encourages individuals and teams to improve continuously. The service organization encourages specific units or geographic areas that excel in customer satisfaction to share information. This helps the company replicate "best practices" across the entire organization. At the same time, groups with excellent customer satisfaction ratings continue to look for additional improvements so "competing" groups won't overtake their "lead."

Omega also actively helps Kronos identify hot spots. Within 24 hours of identifying a critical services need or uncovering a sales opportunity during the survey process, Omega notifies Kronos via an Action Alert e-mail. These Action Alerts help Kronos respond quickly to festering customer issues that may have gotten past normal sales or services processes.

Marketing Customer Satisfaction

With several years of proven results, Worldwide Customer Service management began to place a high priority on gaining additional exposure and buy-in for its customer satisfaction program and its results. Today, Norman Young and his team place great emphasis on spreading the good customer satisfaction news internally and externally.

Internal Marketing

The near-term goal of the internal marketing effort is to gain both awareness and support for the customer satisfaction initiative across the entire company. Longer term, Young hopes to make customer satisfaction a key driver in all strategic corporate decisions.

As a first step, Young focused on distributing monthly satisfaction data to all parts of the services organization. Young then developed highly-customized reports designed to highlight customer issues that reflect or impact the priorities of other Kronos organizations. Today, he distributes these reports every month to the corporate marketing, product management, manufacturing, and engineering organizations.

Executive management also receives a high-level summary e-mail that is graphical but backed up with essential data. Similarly, Kronos' board of directors receives updates on customer satisfaction at each of its quarterly meetings. Increasingly, the services organization sees that customer satisfaction data and findings are being included in corporate presentations to financial and software industry analysts.

Incentives

Internal marketing is complemented by an incentives program. From the beginning, Omega's metrics formed a core element of Kronos' incentive compensation plan for all levels of field services management. Since fiscal 2000, Kronos has awarded incentive compensation to eligible employees in all regions that meet or exceed customer satisfaction goals (which have increased every year). Almost 95% of all eligible employees now earn this incentive.

Also since 2000, the region with the highest level of customer satisfaction for the entire fiscal year has won a Customer Satisfaction Cup. Winning "The Cup" has become a source of healthy competition and a point of pride and determination for the regional services organizations.

External Marketing

Young's team also realized that despite strong performance, Kronos' sales organization had no tool to communicate this element of the company's value proposition. Over the last several years, Young has developed several marketing tools to highlight customer satisfaction as a critical reason to purchase Kronos solutions.

The most important tool is Kronos' *Customer Satisfaction Annual Report*, which is an expansion of Omega's customer satisfaction annual report concept. Now in its second year of publication, this glossy, 16-page brochure has become a valuable sales tool for the entire Kronos sales force. "This is our most frequently ordered and used piece of collateral," according to Carolyn Ricciardi, service marketing manager.

The sales force uses the report to help overcome potential client objections concerning services and support. Although Kronos' services are not suspect, the mission-critical application industry suffers generally from the perception that services fall short of expectations. With the report, the Kronos sales organization has objective insight into the company's highly lauded services organization.

The annual report gives salespeople more confidence in highlighting the value of services and provides their prospects with a persuasive document that contains extensive details to back up the company's claims. As a result, the sales force now positions services as a strength. As one sales manager recently noted, "My sales team never makes a sales call without the *Customer Satisfaction Annual Report*."

To complement the annual report, Kronos also developed a one-page summary sheet. This highly graphical tool enables salespeople and prospects to quickly scan the highlights of customer satisfaction research. Carolyn Ricciardi also works with corporate marketing each year to produce press releases promoting the annual customer satisfaction results. These press releases further communicate the results internally and externally.

Customer Satisfaction Awards

Kronos focuses considerable marketing effort on earning the NorthFace award, an annual award sponsored by Omega Management Group. Omega gives this award to clients that meet four criteria:

- Senior management commitment to exceed customer expectations
- Ongoing customer satisfaction program that identifies and corrects customer problems
- Continuous measurement of customer satisfaction with products and/or services
- Achieving an overall score of 4.0 or better (out of a possible 5.0) for a full year

Kronos was one of only five Omega client companies to receive the award for the last two years in a row. Omega presented the 2001 award to Kronos and others at the DCI Spring 2002 Customer Relationship Management Conference in Chicago. Kronos itself promotes this achievement in press releases, internal company newsletters, and the company Website.

Next Steps

Kronos' Customer Service organization has made great progress during the last several years in gaining internal support for the importance of customer satisfaction. Operational improvements inspired by the monitoring program have led to increased satisfaction, and the program now counts supporters throughout the company, including, perhaps most critically, in the Sales organization.

Much more can be done, however. Only recently, for example, has Norman Young added key members of Kronos' engineering organization to the distribution list for the monthly customer satisfaction reports. Engineering has committed to incorporating more customer input in its product planning. A new vice president for engineering has just assigned staff responsibility for reviewing the customer satisfaction data and providing feedback for product and engineering issues.

Norman Young also plans to expand customer satisfaction surveys to include subsidiary activities in Australia, Great Britain, and Latin America, along with dealer geographies outside continental North America. These are first steps toward building consistent services delivery models and measurements globally.

Looking a bit further into the future, the next phase of the customer satisfaction program digs more deeply into questions of customer loyalty. As Norm Young notes, customer satisfaction is only "the first date." It focuses on the customer as a "buyer." A greater commitment to measuring and understanding customer loyalty, according to Young, will help focus the company more on long-term, retained customer relationships.

Young envisions that the spread of loyalty will follow the path of customer satisfaction. It will start in the Customer Service organization but will slowly and steadily pervade the whole company. Success will be gained by methodically proving the relevance and importance of the data to the success of the entire organization.

Conclusion

Customer satisfaction is a two-pronged initiative. As the Kronos experience demonstrates, a comprehensive approach requires generating meaningful, actionable information that helps drive change and continuous improvements across the organization. However, companies must also complement the data-gathering and change process with a strong marketing plan that communicates the importance of customer satisfaction both internally and externally.

A good customer satisfaction program evolves and improves over time. Kronos' iterative approach has served the company well by focusing on making important changes within the services organization, measuring their impact, and then sharing the story more widely across the company. Success in one area breeds interest and involvement in other areas. Today, the Kronos program helps focus the company on the customer in ways it never had before, providing a common goal around which to unite.

Recent and Related Publications

- ***How Customers Choose IT Services: Insights Into Winning More Business***, August 2002.
In today's economy, IT service buyers are scrutinizing potential financial returns extremely closely, and relying more than ever on services providers with which they have had previous experience. This *ITSMA Focus Report*, based on interviews with 200 IT and business unit decision makers, provides extensive data on the selection and purchasing processes, sources of influence, use of ROI and TCO analysis, and customer switching behavior.
- ***Meeting the Solutions Challenge***, June 2002.
Driven by changing customer needs and the desire to create differentiation, information technology product and services companies are rushing to transform themselves into solutions providers. But the investments and organizational changes required can be overwhelming. This *ITSMA Update* focuses on a number of organizational and cultural changes required to accommodate a solutions orientation.
- ***Dashboards and Beyond: Building a Value Measurement System for Marketing***, May 2002.
Pressure on marketers to demonstrate the value of marketing has prompted great interest in building online dashboards that aggregate data for review and analysis. But building a useful dashboard may require a substantial upgrade to the entire program of gathering marketing performance data. This *ITSMA Update* provides an overview of the most important elements of a measurement system for marketing and recommendations for designing an effective dashboard tool.
- ***IBM's Continuous Strategic Evolution: Constant Planning for Rapid Innovation***, April 2002.
Over the last several years, IBM has transformed its annual strategic planning process into a continuous effort that involves ongoing review of major issues and executive decision making on a twice-monthly basis. This *ITSMA Case Study* describes IBM's Continuous Strategy Evolution program, with a detailed review of the three key elements of the process: issue screening, issue analysis, and executive decision making.

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