

**TETRA PAK (B):
HEAR ME, KNOW ME, GROW ME
THE CUSTOMER SATISFACTION INITIATIVE**

This case was prepared by Research Associate Janet Shaner and Professor Kamran Kashani as a basis for class discussion rather than to illustrate either effective or ineffective handling of a business situation. Some information, including certain locations, has been disguised.

This case series won the Marketing Award in the 2005 Case Writing Competition organized by the European Foundation for Management Development (EFMD).

Four weeks after the failed enriched milk meeting with Pontero, the Tetra Pak Italy team returned armed with a new proposal. Fortina proposed that the dairy company introduce a “toddler” milk to shore up its lagging presence among households with young children. His team’s analysis had highlighted this weakness as partial explanation for Pontero’s declining performance in the milk market. The proposed unique formula would contain skimmed milk enriched with sugar, vegetable acids, milk protein, mineral salts, food fiber, lecithin, honey and vitamins. Fortina suggested that the new product be produced in two forms: liquid, using Pontero’s existing machinery capacity; and powder, packaged in non-Tetra Pak cardboard boxes.

The earlier discussions with middle management had signaled that an enriched toddler’s product idea had a high chance of being accepted by the CEO, Roberto Pontero. But it was still a big relief to Fortina and his key account team when Pontero said,

Finally you have recommended a product that fits Pontero’s brand strategy. With “toddler milk” we can enter the enriched milk category with little risk to our brand.

In a little more than a year after the launch of the toddler product, Pontero introduced in 2001 calcium-enriched milk--Tetra Pak’s original recommendation--in the new TBA Slim Recap packaging. Early results showed that both products, advertised heavily, were highly successful among households with children, a fact that contributed to stopping Pontero’s overall market share decline in liquid milk. Furthermore, the premium-priced new products carried higher margins. Per liter sold, for example, the toddler milk was 14 times more profitable than full fat.

*Copyright © 2002 by **IMD** - International Institute for Management Development, Lausanne, Switzerland. Not to be used or reproduced without written permission directly from **IMD**.*

Less Than Satisfied

Months after the toddler presentation, Fortina invited Roberto Pontero to a celebration dinner. Fortina wanted to talk about the early success of new launches and opportunities for future new products, but Roberto Pontero had other issues on his mind:

Look Fortina. My sales are better with enriched milk. But I spent money to launch the product, and I bought new equipment that I have difficulty running at top efficiency. All of this means my margins are still not where they should be. Tetra Pak knows how to make and sell packages. But you don't sweat like we do selling the finished product.

This was not the dinner conversation Fortina was planning. Yet he knew that Pontero wasn't the only Tetra Pak account with issues:

Our customers are more demanding today, more than ever before. Their business is also more difficult due to the rise of powerful retail chains and the arrival of private labels in a stagnating market. As suppliers we feel their pressure.

He recalled what other customers had been increasingly saying to him and his colleagues:

Tetra Pak blames us for machine breakdowns instead of accepting responsibility for them. Arrogance--it is a cultural thing.

Tetra Pak needs to initiate cost reduction solutions and then work cooperatively with us to pull costs out of the supply chain system.

Working with you people is getting worse with time... Things that used to have immediate answers are now taking months to get resolved... I am shifting my future business to your competition.

Attacking the Problem: The Customer Satisfaction Initiative

Fortina was not alone feeling the customer pressure. The senior executives at corporate Tetra Pak in Pully, Switzerland, were also familiar with and increasingly alarmed at customer complaints. Gunnar Brock, Tetra Pak's CEO from 1995 till 2000, met regularly with key customers, including Pontero. He and his senior management team knew something had to be done:

We feel the rising tide of customer discontent. There is an immense risk of customer defection. We have been asking, "How do we proactively manage this problem?"

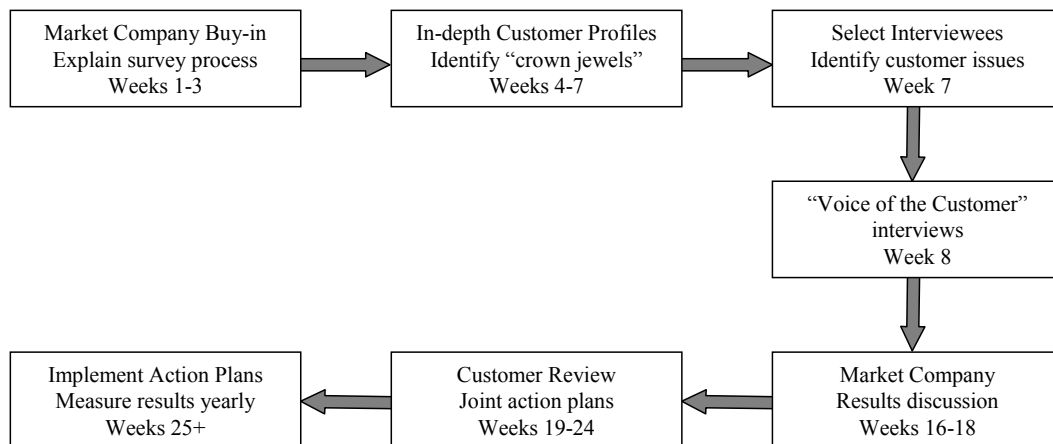
Jan Carlsson, Human Resources Vice President and a member of the top management team, commented:

Now that our major markets have slowed down we realize that we have been all too sales oriented, too narrow for today's more competitive markets... Our customers have told us we don't listen enough.

To hear the voice of the customer loud and clear inside Tetra Pak, late in 1999 Brock had appointed a market company general manager to lead a task force of consultants to design and pilot a comprehensive program for improving customer satisfaction and loyalty. The task force reported to Brock and Nick Shreiber, the President of the Americas who had already embarked on such an exercise in his region. After three months of benchmarking and planning, the task force recommended a comprehensive program labeled Customer Satisfaction Initiative (CSI) as a tool for proactively addressing customer issues. Following the program's adoption, a small head-office unit was set up to launch and administer the program.

The Route Map

CSI recommended a “route map” with eight process steps for its implementation. It started with getting internal buy-in among market companies, followed by identification of key customers (labeled the *crown jewels*) for the satisfaction survey, customer interviews, discussion of results and action planning and implementation of agreed plans. The crown jewels were defined as the large and strategic accounts representing about 15% of Tetra Pak's customers, but 60% of its worldwide sales.



The route map required in-depth analysis of customer feedback, internal workshops to identify root causes of customer dissatisfaction, and joint action planning between Tetra Pak people and their counterparts inside the customer organization. Under a global framework to ensure consistency, the entire process was to be managed locally, with designated outside consultants collecting and analyzing the data and reporting their conclusions to local MD's and to a newly appointed headquarters executive. The latter reported to Brock and Nick Shreiber (who was later appointed the CEO) as designated “co-owners” of the CSI. The program was launched with an internal slogan reflecting what the task force believed were customer expectations: *Hear me, Know me, Grow me.*

Survey Questions

The CSI program used a standardized questionnaire that needed on average two hours to complete. Several managers inside a customer organization (including the CEO, purchasing, technical service, marketing and sales) were interviewed and rated Tetra Pak along a 1-to-5 scale, from “*Extremely Dissatisfied*” to “*Completely Satisfied*.”¹ The benchmark for comparison and rating was the customer’s “best supplier”--in any product or service category. In addition to an overall “Top of Mind” satisfaction score for Tetra Pak, given at the beginning of each customer interview, the survey measured satisfaction levels in four different areas:

1. **Customer Focus:** Knowledge of customer business; customer service; marketing support;
2. **Order to Billing:** Administrative steps of pre-order to delivery to invoicing;
3. **Product and Service Focus:** Innovation; packaging line; technical support; operational efficiency;
4. **Strategic and Value Focus:** Strategic alignment with customer and attention to profits.

Furthermore, the survey asked the customer to identify the three most urgent actions that Tetra Pak could undertake to improve customer satisfaction, allocating 100 points among the three.

A “Customer Satisfaction Wheel” was developed summarizing customer ratings along 17 dimensions of performance. The wheel was to facilitate a comparison of survey results across market companies and over time. (Refer to **Exhibit 1** for an example.)

Reactions

Reactions to the CSI varied across Tetra Pak’s organization. Some market companies were enthusiastic, but many remained skeptical. The latter group included those who believed that their key accounts were generally satisfied with the company’s performance and others who were concerned with the interference of the head-office in their local operations. Typical reactions were:

Our performance should be measured by our share of the business and financial results.
How we achieve our targets, and our customer relations, should be local issues.

Are you going to tell me things I don’t already know about my customers?

¹ Customers assigned scores along the following 5-point scale: 1=*Extremely Dissatisfied*; 2=*Dissatisfied*; 3=*Indifferent*; 4=*Satisfied*; 5=*Completely Satisfied*. Reported scores were averages among interviewed managers.

Senior management was, nevertheless, not swayed by the skeptics. Their attitude was captured in the words of the Vice President of Human Resources, a member of the top management team who had approved the CSI:

We tell them “Don’t trust your gut feel (about customer satisfaction). Measure it.” The CEO has urged everyone to get used to the CSI because it’s going to be a part of their lives.

Another source of controversy was the definition of “crown jewels”--those accounts targeted by CSI. Kandarp Sing, the Director of CSI, explained:

In the past we treated all customers equally. But we have realized that not all customers want the same treatment. The target accounts for the CSI program are those showing a willingness to cooperate with Tetra Pak and invest for category growth, and who also have a capacity to innovate. This definition of key accounts was too narrow for some front line people. For them all accounts are crown jewels.

Pilot Test Results

In mid-2000 Tetra Pak piloted the CSI in eight representative countries in Asia, Europe and North America. Altogether 18 important accounts were surveyed in this phase. Each survey cost between €50,000 and €70,000 to administer, analyze and report back to management.

When the reports were finally in, to the surprise and dismay of nearly everyone, the pilot test results were deemed far from satisfactory. Tetra Pak’s consolidated overall rating was **3.2** (out of 5), with the highest and lowest reported scores at **3.6** and **2.9** respectively (*refer to **Exhibit 2** for the pilot’s consolidated Satisfaction Wheel*). One senior head-office manager called the overall ratings and the spread between the highest and lowest satisfaction levels “an eye-opener.”

Now What?

Not represented in the pilot runs, Tetra Pak Italy decided in late 2000 to participate in the next phase of CSI. Altogether 12 customers, including Pontero, were included in this first-time survey.

Fortina and his colleagues were waiting with much anticipation when the results arrived. The overall satisfaction score for Italy averaged **3.8**, with Pontero’s standing at **3.6**. The three most urgent priorities for Pontero were identified as: operational efficiency (upgrade line efficiency: 54 points), strategic alignment (improve alignment with customer objectives: 31 points), and attention to profitability (reduce supply chain costs: 15 points). (*Refer to **Exhibit 3**.*)

The Italian survey revealed a general satisfaction gap not anticipated before. Fortina and his team believed any overall satisfaction score below 4.0 was just “not good enough” for an important customer like Pontero. “We risk defection,” he said. He felt humbled by the results.

Following the initial test results, managers in Italy and elsewhere were hotly debating a number of questions on CSI:

1. To what extent should the quantitative test results be relied upon as reliable indicators of true customer satisfaction?
2. Should the CSI program be continued? If so, should Tetra Pak set a company-wide target score for customer satisfaction?
3. What should be the priorities for improving customer satisfaction?

Exhibit 1 Tetra Pak Customer Satisfaction Wheel: An Example

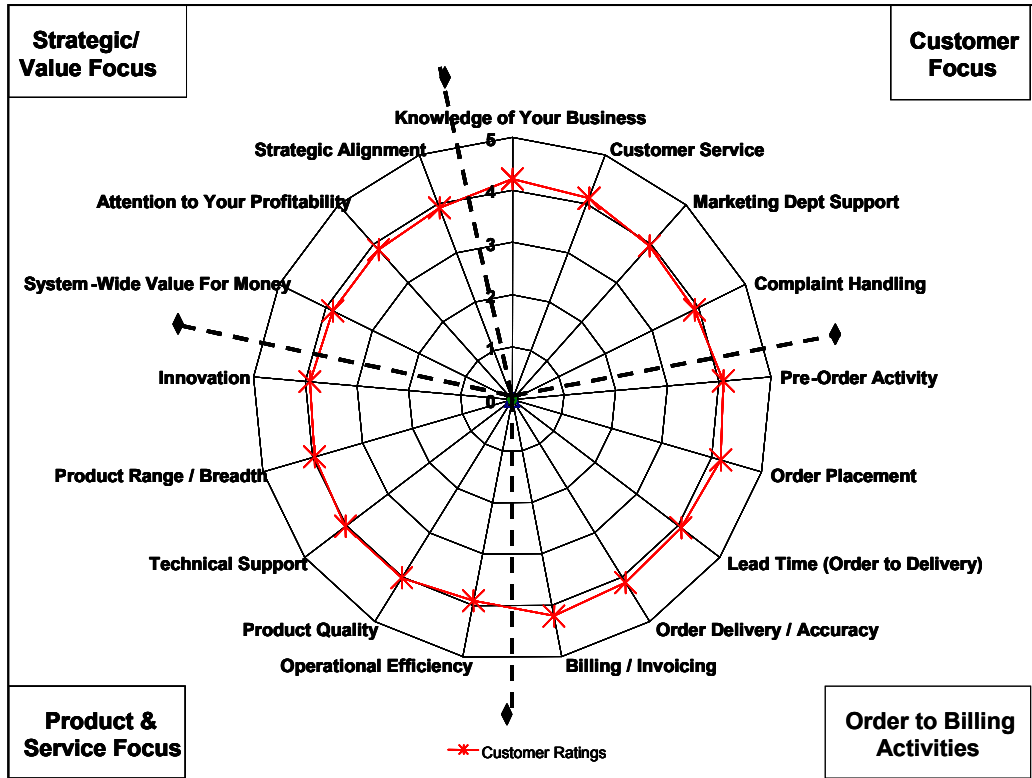


Exhibit 2 Consolidated Pilot Test Results

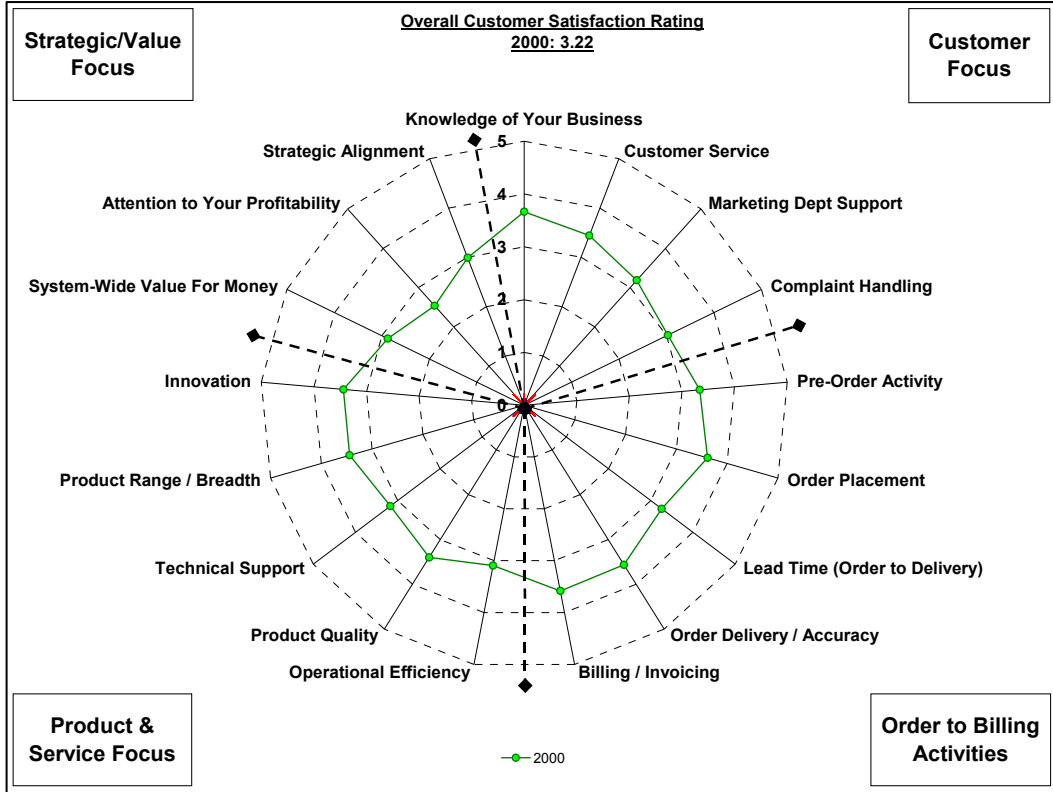


Exhibit 3 Pontero's Satisfaction Wheel

