

July 30, 2001

TO: Dottie Kingsley
FROM: Howard W. Bell, Jr.
RE: Analysis Best Practices

According to the 1998 Best Practices book by Arthur Andersen, a “universal process-based” approach should be used to identify best practices.¹ This provides a flexible approach that can cut across industries enabling the identification of best practices across a larger playing field and opening the way to a widespread exchange of creative solutions. This approach, which Accenture has used a variant of with SFA, cuts across internal functional boundaries allowing managers to view the company as a whole, map each process, and precisely target where improvements can be made.

In support of this approach the book identifies 6 processes, and an associated set of sub-processes, connected with excellence in customer relationships.² Two of these processes – 1) understanding markets and customers and 2) managing customer information – seem most relevant to the issues the Analysis Function seeks to address.

Understand Markets and Customers

Understanding markets and customers involves three sub-processes that should be undertaken in sequential order: 1) understanding the market environment; 2) diagnosing customer needs; and 3) segmenting customers.³

Understanding the market environment requires gathering and analyzing information about an organization’s “customers, suppliers, and competitors, other industries, and any relevant aspects of society and government that may have an impact on its business.”⁴ This analysis goes “beyond merely identifying key players in the marketplace. It must profile them, specifying their relative size and growth rates, evaluating their strengths and weaknesses, and studying key events and alliances in their value chains.”⁵ For SFA this means profiling at least six (6) stakeholder communities – students, schools, financial institutions, and the executive, legislative, and judicial branches of the federal government. Within SFA, the Program Development Division profiles the executive, legislative, and judicial branches of the federal government. A discussion with a representative of the Financial Partners Channel has identified a need to have this type of analysis done on the impact of changes in regulations and SFA programs on market share and market shifts amongst the various financial institutions

¹ Best Practices: Building Your Business with Customer-Focused Solutions, Arthur Andersen (Robert Hiebeler, Thomas B. Kelly, and Charles Ketteman), Simon & Schuster, copyright 1998, page 21.

² Ibid. page 44.

³ Ibid. Pages 47 and 48.

⁴ Ibid. pages 50 and 51.

⁵ Ibid. page 52.

servicing FFELs. A similar need may exist within the Schools and Students Channels. At present, outside of the Program Development Division, analyses of this data on an integrated basis appear to be on an ad hoc basis.

Diagnosing a customers' wants and needs involves: 1) assessing "value-in-use" benefits (the "immediate gratification a customer derives from a product" or service); 2) measuring critical incidents; and 3) analyzing customers' purchasing patterns.⁶ Best-practice companies use a variety of external and internal sources for collecting and analyzing information relevant to these areas.⁷ The proposed Customer Service Delivery Model may eventually address these data gathering issues. Once the Customer Service Delivery Model is in place SFA will need to address the method for addressing the assessment of "value-in-use" benefits, analysis of trends, and proposed action plans arising from the analyses of the collected data.

Segmenting customers can involve dividing large, "heterogeneous groups of customers into smaller units defined by unique needs, purchasing characteristics, or other criteria such as economic and demographic factors".⁸ Segmenting customers can involve tracking every customer interaction and using this information to determine their special needs wants and real time reactions to services. Segmenting customers enables marketing strategies and service offerings to be tailored to fit individual needs. SFA has identified three customer segments – Financial Partners, Schools and Students. Further segmentation of these customer groups should be the role of each of SFA's Channels..

Managing Customer Information

Managing customer information involves: 1) building customer profiles; 2) establishing service information; and 3) measuring customer performance and satisfaction.⁹ Managing the customer database and analyzing the data in it should be seen as a competitive advantage and not a logistics nightmare that someone must undertake.

Building customer profiles produces a database that can be used to determine which services suit which customers and to identify which customers are the most valuable or the most problematic based on selected criteria. For example, if SFA understand why students default on their loans or the extent to which student/parent income changes from year to year it could do a better job of serving their needs, might be able to significantly reduce default rates, and might save a considerable amount of time energy, and money in processing fees. At present there does not exist a single customer database that aggregates all of SFA's customer information. While building this database will require an extensive planning and coordination effort within SFA amassing the data needed to answer basic questions about SFA's customers is doable, could produce large returns, and is within the skills set of the Program Analysis Division.

⁶ Ibid. page 59.

⁷ Ibid. pages 58 and 59.

⁸ Ibid. page 67.

⁹ Ibid. page 203 and 204.

The **establishment of service information** is designed to determine how customers actually use an organization's products or services.¹⁰ The risk to an organization whose customers do not understand how to use its products or services is the underutilization of them. For SFA, understanding why some student and their parents choose not to use the aid programs available to them could significantly increase the financial rewards for all of SFA's customers. Within SFA, there does not currently exist a unit tasked with analyzing, on a regular basis, how well customers understand how to use its services.

Measuring customer performance and satisfaction begins with a definition of what is customer satisfaction.¹¹ SFA currently has a very extensive program in place to measure customer satisfaction. The unit within SFA tasked with measuring customer satisfaction is the Program Measures Division.

Conclusion

A review of the six sub-processes leads to the following conclusions. Segmenting customers has already occurred at SFA and further efforts to segment customers should be occurring at the Channel level. Diagnosing customers' needs is being addressed though it will take a number of years to achieve. The Program Measures Division is currently measuring customer performance and satisfaction. The Program Development Division is currently analyzing the market environment for the various branches of government; however, this form of analysis does not appear to exist for non-government market sectors. No significant analyses of service information appear to be occurring at this time. While building customer profiles will require a long term strategy to achieve, there is currently data that can be collected and analyzed by the Program Analysis Division to begin the process of building these profiles.

Recommendation

In addition to continuing the analysis functions currently underway by the Channels and the Program Development and Measures Divisions, it is recommended that the Program Analysis Division be charged with leading a coordinated approach to the analyses done at SFA. As part of this charge the Program Analysis Division would:

- 1) Chair a committee composed of representatives from the Program Measures and Development Divisions, the Channels, and the CFO's office to identify analyses currently underway, planned, or needed by one or more of the participating parties.
- 2) Lead teams of Channel and CFO staff, dedicated for a defined period of time, and augmented by external experts to examine cross Channel issues and questions.

¹⁰ Ibid. pages 210 and 211.

¹¹ Ibid. page 215.