

Response to RSH request for feedback on the consultation paper on measuring customer expectations by DIN LAB and Promising Outcomes

Thank you for inviting responses to this consultation paper.

We are pleased to share a joint response on behalf of Promising Outcomes (PO) and the Disruptive Innovators Network (DIN). We have submitted this response because while we believe that gathering the opinions of residents about their landlords is an important component of transparency and accountability, we also believe that using the concept of satisfaction to do this is flawed, unhelpful to organisations wishing to improve, and not as useful to regulatory bodies as an alternative measure.

Our response covers:

- a. Problem with the word satisfaction
- b. What does the measure achieve?
- c. Objectivity, independence, and avoidance of bias
- d. Cost of Living
- e. Our recommended approach
- f. Proof of Concept

DIN and Promising Outcomes response

1. Problem with the word satisfaction

22 Satisfaction indicators are proposed, of which 12 are based on “perception” and derived from engagement with residents themselves. There are problems with satisfaction.

Since research conducted in the 1980s organisations have been seeking solutions to the “Loyalty Problem”. Knowing that loyal customers are more profitable, researchers set out to understand what made them loyal. This research had one conclusion: Loyalty, trust and advocacy are an **outcome** of expectations being met. Edelman produce a report each year about trust, and their 2020 report shows that trust in organisations is increasingly more important than ever before.¹

At the time of the 1980s research no one had a way of measuring performance against expectations. Instead, they chose a surrogate: satisfaction. It did not take organisations long to discover that satisfaction was far from satisfactory². Satisfaction has been used ever since even though it has been known for decades NOT to be a reliable predictor of loyalty, trust and advocacy.

All of this changed when methods for gathering and measuring performance against expectations were introduced in the late 1990s.

Our first observation is that expectation measurement is a better approach than satisfaction measurement because:

- a. Landlords are very keen that tenants’ expectations are met as it means lower costs and less repeat or wasted work for the landlord.
- b. Satisfaction is a sub-optimal concept. A tenant can be satisfied with the landlord and might not be happy with elements of the service. The idea of

¹ Edelman Trust Barometer Special Report 2020: In Brands We Trust?

² HBR Article 1995: “Why satisfied customers defect” Jones and Sasser

- averaging a basket of satisfaction measures to create a single overall measure is flawed.
- c. In the commercial world a customer has, in most cases, an obvious alternative. It has long been known that satisfied customers can and do defect to an alternative supplier. In the social housing sector this is generally not possible without moving home.
 - d. This does not prevent the Regulator from permitting a tenant to opt to have the services component supplied by a provider other than the current one, even if the tenant remains in the same home.
 - e. As satisfaction has long been known as not a reliable predictor of customer or tenant behaviour and advocacy, it should not be used.
 - f. Today expectations can be measured, and an assessment conducted to ascertain performance against them.

In summary, satisfaction should not be used as the measure and the overall approach should be based around expectations. Below you will see our recommendations about how this is achieved.

2. What should be measured?

Before deciding on a measure, it is important to decide what the desired outcome of the measurement and metric system is. We suggest that:

- **From a government perspective** there is a need to ensure landlords are delivering the right services, in other words **those that matter to tenants** and in the way that matters to them. This requires measurement of the extent to which delivery performance meets the tenants' ideal expectation. The regulator needs to be able to see how landlords are performing on this and be able to take remedial action if required.
- **From the tenant's perspective**, it is important that landlords understand what tenants expect - in other words what matters to **them** - and then have a way of measuring the degree to which the landlord meets those expectations or not. Tenants expect that this measure should give the landlord clear direction of what must be improved and in what priority. The measurement system therefore needs to have a multipoint and not a single point form of measure. We recommend using the Zone of Tolerance (ZOT)³ as it is well established and proven to work for over 30 years.
- **From the landlord's perspective**, they need a set of measures derived from the tenant (and **not** from their own, or the Regulator's, perspective) that gives them an "outside-in" view of how they are doing and:
 - i. A focus for their relationship with the tenant.
 - ii. A way of measuring their performance that diagnoses what they need to improve. Diagnosis is done by the ZOT.
 - iii. From that, a prioritised list of areas for improvement that they need to focus management attention and investment on.
 - iv. An overall "score" or index.

³ The ZOT represents a range of service performance that a customer considers acceptable, which recognises multiple expectation standards, specifically minimum and ideal expectations. ZOT scoring permits the identification, and subsequent ranking, of performance gaps. By using ZOT scores an organisation can easily see what the priority areas for improvement are.

- The overall outcome we suggest should be:
 - i. Tenants: who score the tenant experience (TX).
 - ii. Landlords: who use tenant driven data to make improvements in the tenant experience.
 - iii. Government agencies: who can see the overall performance of the sector and individual landlords over time, track trends and intervene where necessary.

3. Objectivity, independence and avoidance of bias

It has been known for decades in the performance measurement industry, that certain behaviours can skew data obtained from surveys. Consequently, this can produce landlord investment in improvement that focuses on the areas that don't matter to tenants, or worse, a lack of investment in the areas that do.

These behaviours are the result of:

- a. Landlords creating the questions in surveys themselves and not obtaining the questions from the tenants by qualitative research, first.
- b. Landlords administering the survey themselves.
- c. Gaming behaviours with employees of the landlord or contractors in their supply chain "encouraging" tenants to give a good score in surveys.

4. Cost of Living

Many tenants are being hit by the rises in the costs of living. There is a cost associated with Housing Providers doing those things that tenants don't want, and NOT doing things they do want. By focusing on what matters to tenants, obtained in qualitative research from them, the sector may avoid unneeded costs.

5. Our recommended approach

Our recommended approach has the following characteristics:

- a. It is externally measured and managed by an independent organisation so that objectivity and independence is maintained, see above Para 3. This organisation needs to be appointed by the regulator.
- b. Is 100% tenant driven. This means the questions in all surveys to be completed by tenants must be obtained by qualitative research from the tenants and not from the landlords. The survey questions are derived from expectations obtained from the qualitative research. This research is independently conducted and checked annually.
- c. It uses a diagnostic method (the ZOT) that shows what areas for improvement must be addressed by the landlords and in what order.
- d. It does not use satisfaction as a measure but assessed performance against ideal expectations.
- e. The measurement method creates a performance gap index known as the Tenants' Expectations Gap Index, TEGI, that identifies and shows how well the landlord is performing against the tenants' ideal expectations. This requires a survey method using ZOT that creates performance gap scores for each expectation. For each landlord the TEGI is the average gap score across all expectations. More information is shown below.

- f. The TEGI score should be taken every six months so that landlords focus on continuous improvement driven by what matters to the tenants. The regulator can then compare each landlord's TEGI score and rank them. TEGI is our recommended name.

6. Proof of Concept

While some of our recommendations may be unfamiliar to the regulator, they have been used and tested in 2021 on five Housing Associations. The DIN Discovery Lab used all of the methods shown in the recommendations with great success. The CEO of one of the five Housing Association is happy to describe the benefits of this method, should that be necessary.

The Discovery Lab engaged 10,868 tenants of the five HAs and invited them to participate in the research. 429 responses gave valuable insights in the form of:

- An Expectations Map of Tenant expectations
- A Performance Assessment by the tenants of how the five HAs performed against the expectations identified by tenants.
- 267 text suggestions for improvement

The results were workshopped with the leaders of the five HAs and actions are underway to make improvements directly identified by the research. Below is a slide that shows some of the results from the DIN Discovery Lab.

1. Tenant expectations of the five Housing Associations (HA) who were involved in the DIN Discovery Lab.
2. The aggregate performance gaps of the five HAs.
3. The TEGI score is the average of the gap scores shown here. In this example it is -1.22. An ideal overall TEGI is -0.80 or smaller. It may be obtained for a single HA.
4. The TOM icon indicates that this expectation is a "Top of Mind" item for tenants.
5. The "E" icon indicates that the ZOT scores are showing "Essential" status, meaning they need careful attention by the HA.

Performance Gaps – Best to Worst

Expectation	Gap score	
Set fair affordable rents (4 th)	-0.86	E
Employ friendly courteous staff	-0.95	
Provide reliable repair and maintenance services (2 nd)	-1.11	
Have identifiable points of contact	-1.13	
Be open and accessible at all times convenient to tenants	-1.16	E
Keep properties and materials safe and secure (e.g. security cameras, gas/ fire checks, pest control)	-1.20	
Exhibit honesty and integrity in all that you do	-1.21	E
Provide us with regular updates and status reports	-1.21	E
Provide excellent properties (e.g. condition/ facilities)	-1.29	E
Communicate well and effectively through various channels	-1.30	
Be concerned about the surrounding environment (e.g. Refuse, litter, landscaping)	-1.36	
Provide excellent support (e.g. customer service, complaint handling, advice etc)	-1.38	E
Be tenant focused (3 rd)	-1.38	
Understand tenants needs and requirements	-1.39	
Maintain and execute safety and security policies and procedures, (e.g. anti-social noise control, problem neighbours)	-1.41	
Respond in a timely manner (1 st)	-1.42	E
Maintain regular two-way contact with tenants	-1.45	
Be proactive to head off potential problems (e.g. maintenance inspections, problem tenants etc)	-1.51	
Regularly upgrade, modernise or add new properties	-1.73	E

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7. Conclusions

We accept that this approach is totally new to many people. We therefore suggest an A-B test. The Regulator can run a trial to compare the method outlined here with a parallel test of a Satisfaction based method. To obtain an accurate data set, several cycles would need to be run.

The proof of the test is how fast the landlord executes tenant desired improvements. We thus suggest also that the measure of success of such an A-B test would be the rate at which the improvements identified in the data are implemented.

About us

Promising Outcomes (PO)

Formed by a team of research and consulting professionals in 2009, Promising Outcomes' works with organisations to reveal what matters most to customers, employees and partners. The PO techniques involve defining the expectations of an ideal experience and then measuring performance against them. From this the organisation gains clear, prioritised, and actionable insight highlighting why, and where, action needs to be taken to improve performance, address weaknesses, improve-protect relationships and heighten competitive advantage. The PO team are all facilitators of change and facilitate workshops to ensure results are understood and lead to the development of action plans supported by senior leaders. PO also provide structured follow-up reviews that help maintain focus, momentum and teamwork to achieve results. The virtual PO team is diverse and based in many countries. In the team are data experts, project managers, facilitators, and research professionals with over 35+ years of experience. PO works across many industries and countries.

Disruptive Innovators Network (DIN)

Since our formation in 2018 DIN has become the fastest growing membership community for social housing organisations interested in innovation and service transformation. We now have over 100 subscribing organisations who recognise the sector needs to change and requires new tools, skills and ways of operating to do so. We are about purpose, collaboration, sharing and learning together. We have a passion for thinking creatively and doing things differently. By capturing the best insights and knowledge from different sectors and embracing new innovations we inspire social housing leaders wanting to transform their organisations. With a hands-on approach, we explore better ways of working, test new and emerging technologies as well as different business models to help our members understand how to more effectively deal with disruption and become better landlords.

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