

NVF-VIA NORDICA 2008

Session: Optimal Accessibility and Safety in Winter

Developing a Customer Satisfaction Bonus

Jukka Karjalainen

Procurement Director

Finnish Road Administration,

tel. int + 358 (0)405863035

jukka.karjalainen@tiehallinto.fi



M.Sc.Tech. Anne Leppänen

Finnish Road Administration,

tel. int + 358 (0) 204 22 2411

anne.leppanen@tiehallinto.fi

M.Sc. Pasi Patrikainen

Finnish Road Administration,

tel. int + 358 (0) 400327948

pasi.patrikainen@tiehallinto.fi

Best Procurement Practices

"Finnra has the best procurement practices in the infrastructure market"



Good quality (for road users, customers)



Economically (for Finnra, society)



Reasonable profit (for contractors)

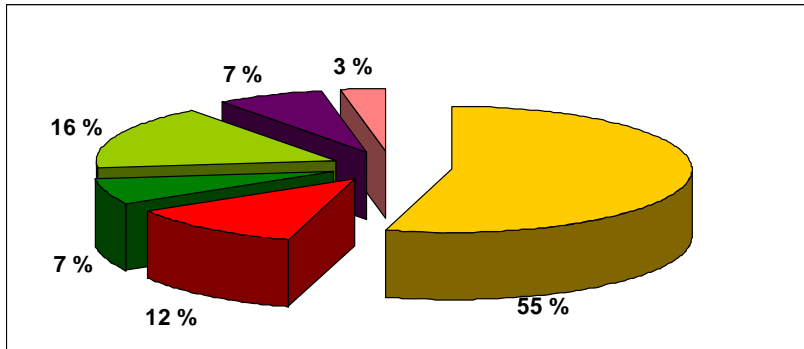
Maintenance Area Contracts in Finland



- 78000km of public roads
- Maintenance is contracted out entirely
- Executed in the form of maintenance area contracts
- Road Administration specifies works and desired quality
- Contractor organises work, chooses procedures and is also responsible for quality control
- Road Administration checks randomly the quality and audits contractor's processes

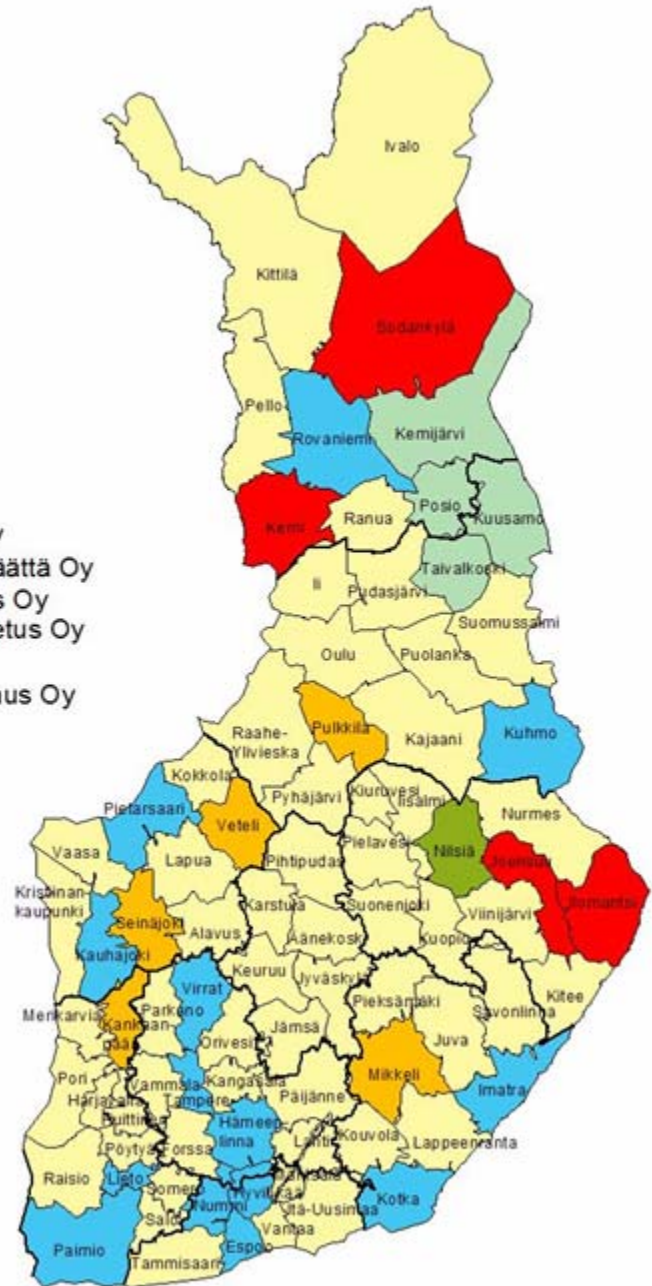
Area Maintenance 2007-2

Costs of Regional Maintenance Contracts

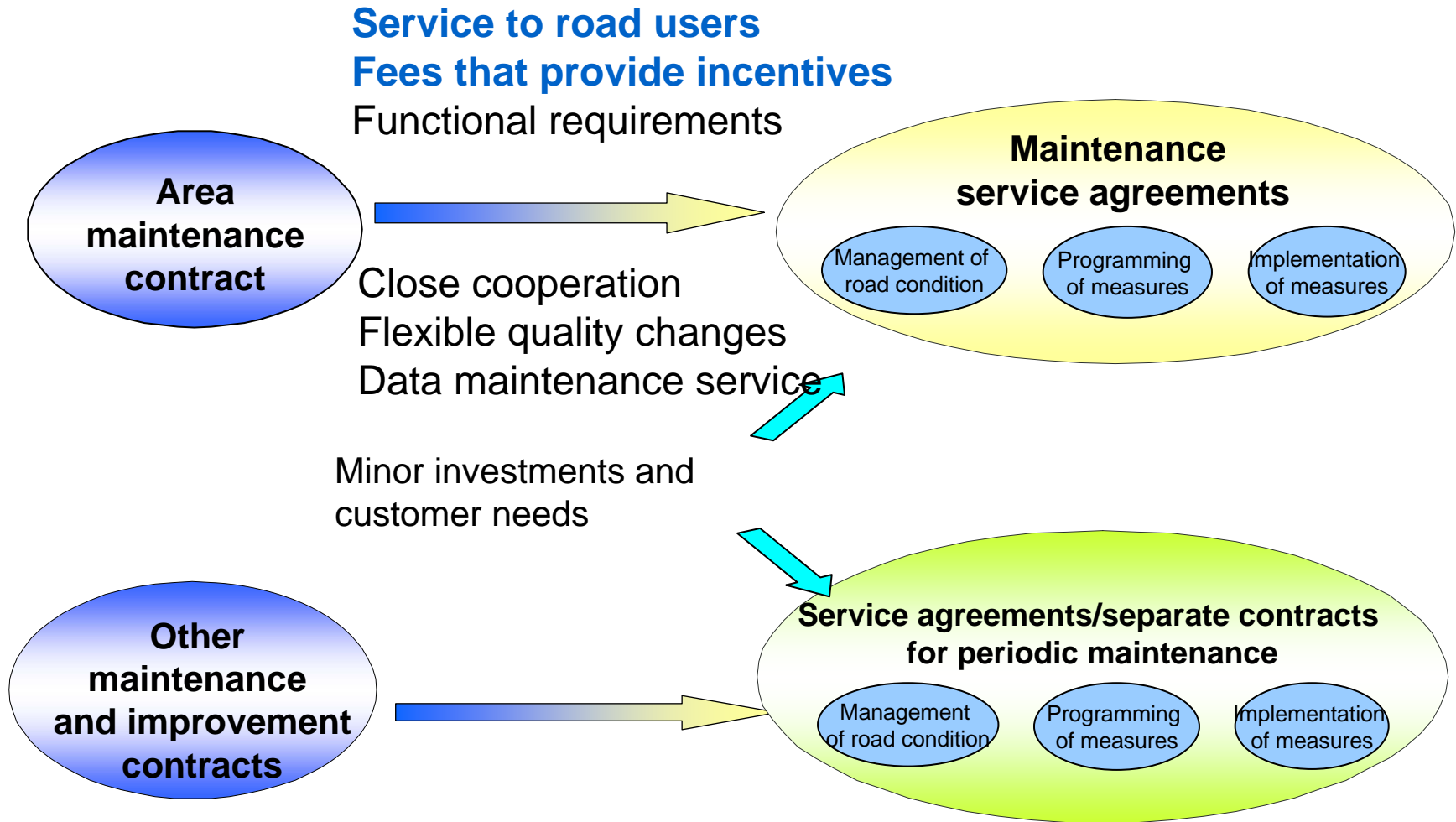


- Winter Maintenance
- Maintenance of traffic environment
- Maintenance of structures and facilities
- Maintenance of gravel roads
- Periodic Maintenance
- Minor Investments

- As Teho Oy
- Koillistie Määtä Oy
- NCC Roads Oy
- Savon Kuljetus Oy
- Destia
- YIT Rakennus Oy



Towards Maintenance Service Agreements



The Customer Satisfaction Bonus

The strategic target is to make contractors recognize the area contract as a maintenance service agreement, where road users are also their customers.

What?

- technical quality
- specified by the quality requirements

How?

- operational quality
- practices of the contractor

Overall quality

- level of service experienced by road users

The objective is to improve service for the road users.

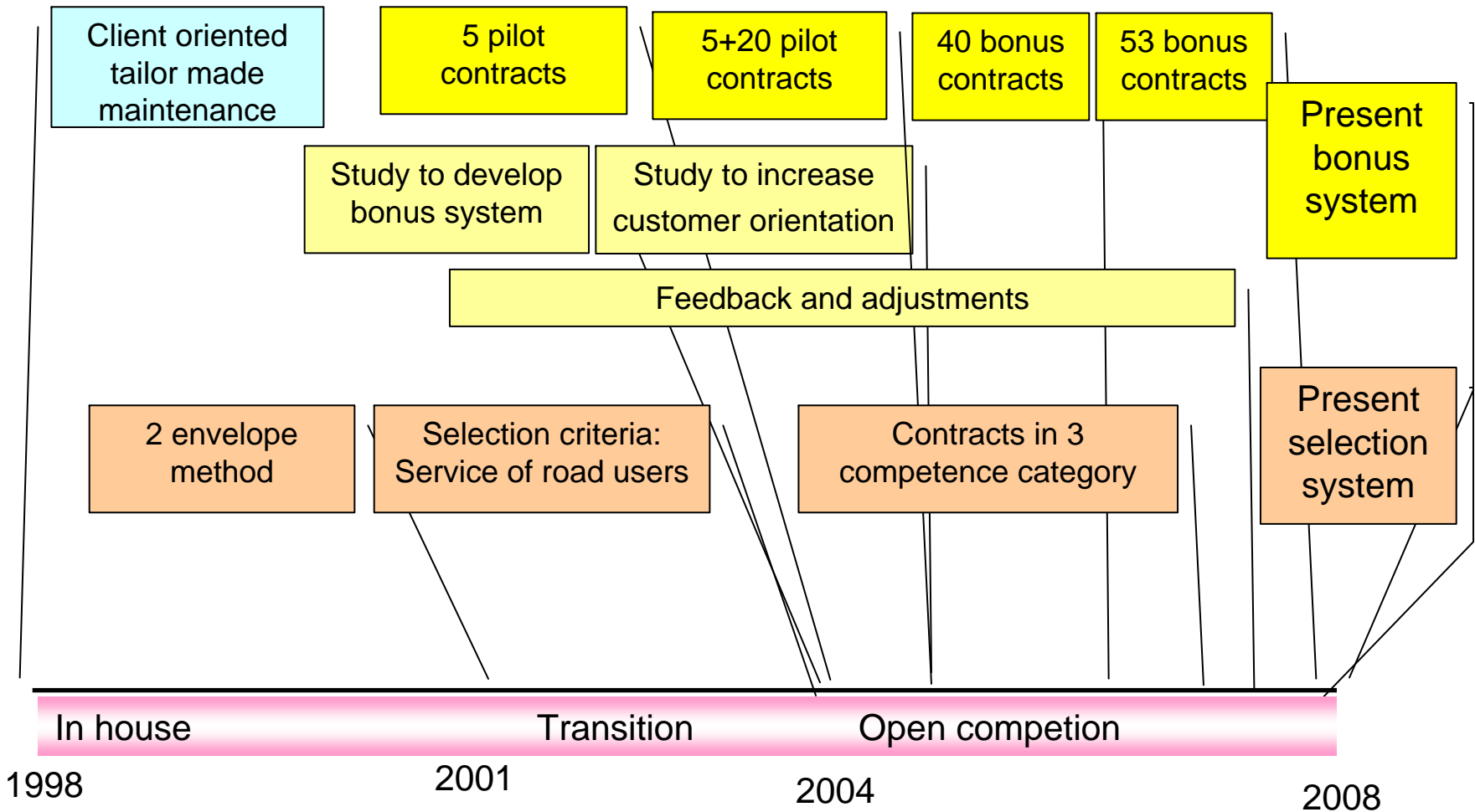
Motivate contractors to take the road users actively into consideration and provide good and timely correct service

Customer Satisfaction Worldwide

- Monitoring customer satisfaction is a common practice.
- In addition to Finland, satisfaction affects contract payments only in British Columbia, Canada.
- The Finnish model of using Road users' satisfaction as a basis for contract bonuses is new in a worldwide perspective.



Steps to develop customer orientation and bonus system



The Bonus Trial in 2004

5 contracts were included in bonus trial

Bonus indicators were:

1. development of customer satisfaction based on a customer satisfaction survey, where grading is done on a scale from 1 to 5 (5=extremely satisfied)
2. customer satisfaction compared to the road region's average
3. *the development of spontaneous customer feedback in the contract **
4. *the development of the amount of spontaneous customer feedback compared to the road administration region's average **
5. timing of winter maintenance and (evaluation group)
6. level of service in summer maintenance (evaluation group).

* These were left out later

The 2004 Bonus Trial




A bonus was paid for the first time for the 2004 – 2005

- The assessment for each item was either positive or neutral.
- The amount of the bonus was determined by the number of positive assessments
- Bonus was paid if at least 2 (of 4) bonus assessment were positive and the contract had no severe defects.

The amount of the bonus was 1.0 –1.5% of the annual costs of the contract.

Customer satisfaction bonus 2005 - 2007

	Number of bonus contracts	Contracts receiving bonus	Bonus paid (euros)
2005	5	2	39200
2006	25	12	188300
2007	40	4	76200

There are no sanctions due to the customer satisfaction

Contractors feedback of bonus

- Bonus should be bigger
- Finnra better judge of quality than road users: Quality in the contract is not always comparable to what customers are expecting.
- Basis for the bonus: how the contractor works in extraordinary situations.
- Client could take part and invest money in the development work..

Customer Satisfaction Bonus System 2008

- Included in all new contracts.
- Paid annually.
- Bonus is more difficult to achieve. Fewer will get it, but it can be bigger than earlier
- There are 6 aspects to be estimated :
 - 4 based on special survey of customer satisfaction
 - 2 based mainly on the observations and estimation of evaluation group

Customer satisfaction bonus criterions 2008

Assessment	Evaluation
1 Main roads compared to the previous year (The Customer satisfaction for the winter maintenance)	+ / neutral
2 Other roads compared to the previous year.	+ / neutral
3 Main roads compared to the average of Road region.	+ / neutral
4 Other roads compared to the average of Road region.	+ / neutral
5 The timing of the winter maintenance works. (Estimation of the evaluation group.)	+ / neutral
6 The summer maintenance works. (Estimation of the evaluation group)	+ / neutral

At least 0,2 change/difference is demanded (scale 0-5)

The bonus is calculated based on the annual tender price
Annual bonus is 0,0-2,0 % and can be up to 70.000 euros

Conclusions

- Bonus is useful tool to get contractors to see road users as their customers
- Customer satisfaction is not absolutely accurate indicator of the contractor's actions.
- Evaluation group increases stability of assessment.
- Finnish Road Administration continues to develop incentive payments