8 Nortel–Ameritech Service Improvement Program

8.1 INTRODUCTION

Alliances with customers lower a firm's marketing costs, help deliver unique value, and lead to more of each customer's business. The following case study examines Nortel's alliance to build synergies with a customer organization. Nortel responded to a customer's restructuring by analyzing the new organization, accepting new terms, and proactively responding to concerns. The alliance was developed at the VP level and carried the full support of Nortel executives.

In 1984, Nortel won a major equipment bid from Ameritech, taking the business away from AT&T. In 1991, Nortel won almost all of Ameritech's switch business totaling about 4 million of the 5 million lines tendered. The upgrade replaced the AT&T IESS and the 1E electromechanical Central Office (CO) switches. The Nortel digital DMS-100 switches replaced the AT&T equipment from 1991 to 1996. Ameritech replaced equipment in the Wisconsin, Illinois, Indiana, Michigan and Ohio service regions. Winning this account significantly increased Nortel's North American presence.

Ameritech's 1992 restructuring programme was designed to reduce costs, improve services, and diversify revenue streams. One area targeted for cost-cutting was customer–supplier relationships. Ameritech relied on AT&T, Siemens and Nortel for most switch purchases. The Supplier Management Program (SMP) was instituted to provide suppliers with a single point of feedback from Ameritech. Feedback was only given relative to other suppliers. Each supplier's relative rankings in reliability, cost and responsiveness were presented in a report card (see Figure 8.1).

The reasoning behind the relative rankings was based on an AT&T study. Ray Kordupleski of AT&T found that,

absolute, raw customer satisfaction scores do not predict changes in market share. Rather, relative customer satisfaction scores and ratios are leading indicators of changes in market share.
Since Ameritech wanted to effect real changes from suppliers, SMP relayed Ameritech’s opinion of how each performed in relation to the others. The results of each assessment were available to all participants of the program.

In 1993, Nortel received its first ratings. Of main concern was software quality on the DMS-100 and the lack of attention specific problems were receiving. Nortel had already lost business from other customers for software quality issues. Nortel’s customer support organization in Schaumberg, Illinois, began a ‘crusade’ to meet Ameritech’s demands. In January 1994, Ameritech turned to Nortel President Jean Monty and explained how dire the situation was. A number of high-level meetings followed and Nortel created a strategic alliance called the Ameritech Service Improvement Program (ASIP).

Nortel began the program by listing all the major complaints from Ameritech presented along with their solutions. The major areas of dissatisfaction are shown in Table 8.1. Aiken proposed improvements for each area of dissatisfaction and the potential impact this would have on report card scores.