Quality info

Measuring and Managing Customer Satisfaction
It takes continuous effort to maintain high customer satisfaction levels

"The gulf between satisfied customers and completely satisfied customers can swallow a business." —Harvard Business Review, November/December 1995

As markets shrink, companies are scrambling to boost customer satisfaction and keep their current customers rather than devoting additional resources to chase potential new customers. The claim that it costs five to eight times as much to get new customers than to hold on to old ones is key to understanding the drive toward benchmarking and tracking customer satisfaction.

 Measuring customer satisfaction is a relatively new concept to many companies that have been focused exclusively on income statements and balance sheets. Companies now recognize that the new global economy has changed things forever. Increased competition, crowded markets with little product differentiation and years of continual sales growth followed by two decades of flattened sales curves have indicated to today's sharp competitors that their focus must change.

Competitors that are prospering in the new global economy recognize that measuring customer satisfaction is key. Only by doing so can they hold on to the customers they have and understand how to better attract new customers. The competitors who will be successful recognize that customer satisfaction is a critical strategic weapon that can bring increased market share and increased profits.

Customer Satisfaction Measurement Facts
- A 5-percent increase in loyalty can increase profits by 25%–85%.
- A very satisfied customer is nearly six times more likely to be loyal and to repurchase and/or recommend your product than is a customer who is just satisfied.
- Only 4 percent of dissatisfied customers will complain.
- The average customer with a problem eventually tells nine other people.
- Satisfied customers tell five other people about their good treatment.

The problem companies face, however, is exactly how to do all of this and do it well. They need to understand how to quantify, measure and track customer satisfaction. Without a clear and accurate sense of what needs to be measured and how to collect, analyze and use the data as a strategic weapon to drive the business, no firm can be effective in this new business climate. Plans constructed using customer satisfaction research results can be designed to target customers and processes that are most able to extend profits.

Too many companies rely on outdated and unreliable measures of customer satisfaction. They watch sales volume. They listen to sales reps describing their customers' states of mind. They track and count the frequency of complaints. And they watch aging accounts receivable reports, recognizing that unhappy customers pay as late as possible—if at all. While these approaches are not completely without value, they are no substitute for a valid, well-designed customer satisfaction surveying program.

It's no surprise to find that market leaders differ from the rest of the industry in that they're designed to hear the voice of the customer and achieve customer satisfaction. In these companies:

- Marketing and sales employees are primarily responsible for designing (with customer input) customer satisfaction surveying programs, questionnaires and focus groups.
- Top management and marketing divisions champion the programs.
- Corporate evaluations include not only their own customer satisfaction ratings but also those of their competitors.
- Satisfaction results are made available to all employees.
- Customers are informed about changes brought about as the direct result of listening to their needs.
- Internal and external quality measures are often tied together.
- Customer satisfaction is incorporated into the strategic focus of the company via the mission statement.
- Stakeholder compensation is tied directly to the customer satisfaction surveying program.
- A concentrated effort is made to relate the customer satisfaction measurement results to internal process metrics.

To be successful, companies need a customer satisfaction surveying system that meets the following criteria:

- The system must be relatively easy to design and understand.
- It must be credible enough that employee performance and compensation can be attached to the final results.
- It must generate actionable reports for management.

What is customer satisfaction?

Because the concept of customer satisfaction is new to many companies, it's important to be clear on exactly what's meant by the term.

Customer satisfaction is the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service.

The achievement of customer satisfaction leads to company loyalty and product repurchase. There are some important implications of this definition:

• Because customer satisfaction is a subjective, non-quantitative state, measurement won't be exact and will require sampling and statistical analysis.
• Customer satisfaction measurement must be undertaken with an understanding of the gap between customer expectations and attribute performance perceptions.
• There should be some connection between customer satisfaction measurement and bottom-line results.

"Satisfaction" itself can refer to a number of different facts of the relationship with a customer. For example, it can refer to any or all of the following:

• Satisfaction with the quality of a particular product or service
• Satisfaction with an ongoing business relationship
• Satisfaction with the price-performance ratio of a product or service
• Satisfaction because a product/service met or exceeded the customer's expectations

Each industry could add to this list according to the nature of the business and the specific relationship with the customer. Customer satisfaction measurement variables will differ depending on what type of satisfaction is being researched. For example, manufacturers typically desire on-time delivery and adherence to specifications, so measures of satisfaction taken by suppliers should include these critical variables.

Clearly defining and understanding customer satisfaction can help any company identify opportunities for product and service innovation and serve as the basis for performance appraisal and reward systems. It can also serve as the basis for a customer satisfaction surveying program that can ensure that quality improvement efforts are properly focused on issues that are most important to the customer.

Objectives of a customer satisfaction surveying program

In addition to a clear statement defining customer satisfaction, any successful surveying program must have a clear set of objectives that, once met, will lead to improved performance. The most basic objectives that should be met by any surveying program include the following:

• Understanding the expectations and requirements of all your customers
• Determining how well your company and its competitors are satisfying these expectations and requirements
• Developing service and/or product standards based on your findings
• Examining trends over time in order to take action on a timely basis
• Establishing priorities and standards to judge how well you've met these goals

Before an appropriate customer satisfaction surveying program can be designed, the following basic questions must be clearly answered:

- How will the information we gather be used?
- How will this information allow us to take action inside the organization?
- How should we use this information to keep our customers and find new ones?

Careful consideration must be given to what the organization hopes to accomplish, how the results will be disseminated to various parts of the organization and how the information will be used. There is no point asking customers about a particular service or product if it won't or can't be changed regardless of the feedback.

Conducting a customer satisfaction surveying program is a burden on the organization and its customers in terms of time and resources. There is no point in engaging in this work unless it has been thoughtfully designed so that only relevant and important information is gathered. This information must allow the organization to take direct action. Nothing is more frustrating than having information that indicates a problem exists but fails to isolate the specific cause. Having the purchasing department of a manufacturing firm rate the sales and service it received on its last order on a scale of 1 (terrible) to 7 (magnificent) would yield little about how to improve sales and service to the manufacturer.

The lesson is two-fold. First, general questions are often not that helpful in customer satisfaction measurement, at least not without many other more specific questions attached. Second, the design of an excellent customer satisfaction surveying program is more difficult than it might first appear. It requires more than just writing a few questions, designing a questionnaire, calling or mailing some customers, and then tallying the results.

Understanding differing customer attitudes

The most basic objective of a customer satisfaction surveying program is to generate valid and consistent customer feedback (i.e., to receive the voice of the customer, which can then be used to initiate strategies that will retain customers and thus protect the most valuable corporate asset—loyal customers).

As it is determined what needs to be measured and how the data relate to loyalty and repurchase, it becomes important to examine the mind-set of customers the instant they are required to make a pre-purchase (or repurchase) decision or a recommendation decision. Surveying these decisions leads to measures of customer loyalty. In general, the customer's pre-purchase mind-set will fall into one of three categories—rejection (will avoid purchasing if at all possible), acceptance (satisfied, but will shop for a better deal), and/or preference (delighted and may even purchase at a higher price).

This highly subjective system that customers themselves apply to their decisions is based primarily on input from two sources:

The customers' own experiences—each time they experience a product or service, deciding whether that experience is great, neutral, or terrible. These are known as "moments of truth."

The experiences of other customers—each time they hear something about a company, whether it's great, neutral, or terrible. This is known as "word of mouth."

There is obviously a strong connection between these two inputs. An exceptional experience leads to strong word-of-mouth recommendations. Strong recommendations influence the experience of the customer, and many successful companies have capitalized on that link.

How does a customer satisfaction surveying manager make the connection between the survey response and the customer's attitude or mind-set regarding loyalty? Research conducted by both corporate and academic researchers shows a relationship between survey measurements and the degree of preference or rejection that a customer might have accumulated. When the customer is asked a customer satisfaction question, the customer's degree of loyalty mind-set (or attitude) will be an accumulation of all past experiences and exposures that can be indicated as a score from 1 (very dissatisfied) to 5 (very satisfied). It can also be captured with other response formats with an odd number of choices (e.g., 1 to 3 or 1 to 7) to allow for a neutral response.

Obviously, the goal of every company should be to develop customers with a preference attitude (i.e., we all want the coveted preferred vendor status such that the customer, when given a choice, will choose our company), but it takes continuous customer experience management, which means customer satisfaction measurement, to get there—and even more effort to stay there.

"Get closer than ever to your customers. So close, in fact, that you tell them what they need well before they realize it themselves".
Steve Jobs- Apple

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