Focus on Customer Satisfaction

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We turn *information* into *power*.

"The three most important things you need to measure in business are customer satisfaction, employee satisfaction, and cash flow."
Jack Welch – Lessons for Success, 1993

There is a simple and logical correlation between customer satisfaction and corporate profitability. Common sense tells us that a company, whose clients are completely happy with the products and services they provide them, is less likely to lose that customer. A study published in the *Harvard Business Review* found that "companies could improve profits by at least 25% just by reducing customer defections by 5%." (*Zero Defections: Quality Comes to Service* Harvard Business Review 9/1/1990 by Frederick F. Reichheld). At the same time, according to Frederick Reichheld's 1996 book *The Loyalty Effect*, the average U.S. company loses half of its customer base every five years. The negative financial implications of rampant customer defections as observed in many industries today are staggering.

So Why Do Customers Leave?

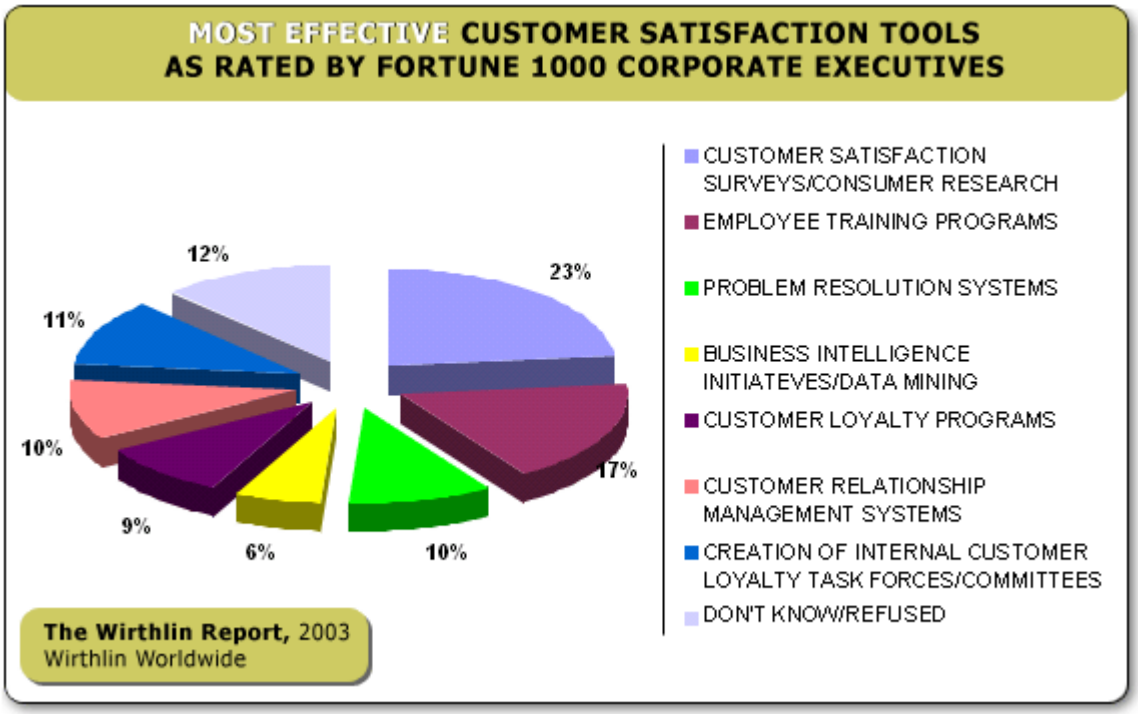
Each company has a unique set of products and services that it provides to potential clients. Understanding what drives consumers to choose a product or service, and why they choose to continue or discontinue their use is vital to a company's ability to maintain profitability in the long run. So, the "million dollar question" is: *Why do customers leave?* Studies show that customers are usually lost for three primary reasons: bad service, bad products, and competition.

Unfortunately, this information provides answers in only the most general of terms about the problems that may lie beneath. "Customer loyalty comes from satisfying not just customers themselves, but also the employees and partners that interact with them (a company's three constituencies)" says Siebel Systems in the white paper *Customer Loyalty: The New Competitive Advantage*.

The Siebel white paper also states that "No company can safely assume [which drivers are most important to customers] without first surveying members of its three constituencies as to exactly what drivers they consider important. Relying on generic 'value markers' will only lead to misperceptions. Loyalty factors must be determined **'*by* each company' '*for* each company**...'. According to The One Number You Need to Grow by F. Reichheld, "Because loyalty is so important to profitable growth, measuring and managing it makes good sense."

SO HOW DO WE DETERMINE WHAT DRIVES LOYALTY?

If loyalty is made up of a unique formula determined **'*by* each company' '*for* each company...'**, then how do companies establish what factors to focus on? Wirthlin Worldwide, a customer satisfaction and loyalty consulting company, recently found the following:



Given that almost a quarter of Fortune 1000 executives consider surveying the "most effective" tool they use in improving customer satisfaction, shouldn't every company start doing more surveys? Not necessarily. Think of it from the customer's perspective. If your bank made you fill out a lengthy survey every time you tried to use their ATM, how long would you stay with them? Given that companies are limited in the number of "touch points" they can make to a customer, it is imperative that these touches provide informative and actionable information. In other words, it's not about doing lots of customer surveys, it's about conducting just a few customer surveys the *right way*.

SURVEYING THE *RIGHT WAY*

Most people are familiar with the phrase GIGO (*garbage in, garbage out)*. "A survey instrument is a measuring tool – and as with any measuring tool, the measurements it takes are only as accurate as the tool itself. Since measuring customer sentiment is tricky, we consider the questionnaire design stage the most sensitive in the process." (Jared Heyman, Infosurv Senior Project Manager, *AMA Marketing News,* Nov. 14, 2004).

Many internally designed survey instruments, though written by well-intentioned managers, lack the validity and reliability of a professionally developed survey. There are numerous common pitfalls faced by companies when designing a survey: leading questions, biased questions, ambiguous questions, complex questions, "pet" questions, incorrect survey length, incorrect survey sequence, improper survey scales, and improper response choice options to name a few.

Utilizing an experienced and knowledgeable survey partner can help prevent these and other mistakes that could invalidate the results of a survey and waste one of the few opportunities a company has to get meaningful feedback from its customer.