



INCREASING BUSINESS SUCCESS: Building Customer Satisfaction

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It's indisputably better to have satisfied customers than dissatisfied customers. The research on the business benefits of superior customer satisfaction in both academia and business is extensive. Satisfied customers:

- Buy more of your products and services
- Buy your products and services more frequently
- Have a lower cost of sales and marketing for your business
- On average, are willing to pay higher prices for your products and services
- Generate positive word of mouth
- Refer others to your products and services
- Are more likely to try your new products and services

Moreover, the benefits go beyond sales and marketing. Having superior customer satisfaction can create a competitive differentiation for a me-too product as well as build your brand image. Employees would much rather work for companies with happy customers than with unhappy customers.

Large businesses have emphasized the value of customer satisfaction for a long time, but the same dynamics hold true for smaller business. According to a recent survey of 300 U.S. small businesses, those who describe themselves as "successful" are significantly more likely to measure customer satisfaction than small businesses who are struggling. Apparently, it's not enough to work hard, and have a great idea. You also need to talk to and listen to your customers.



The first question to consider when developing a customer satisfaction measurement program is the type of measurement you want to use. In general, there are two types of measurements. The first is the transactional survey. This survey evaluates recent customer transactions with your business. These surveys are typically administered very soon after the transaction, so that the experience is fresh in the customer's memory, and they focus on aspects of the experience, such as how long you waited, whether you were greeted when you entered the business, whether the company representative was knowledgeable about your problem, and so forth.

The other common type of measurement is the relationship survey. This survey is administered to customers less often than transactional surveys, often only one time per year. The relationship survey focuses at a higher, more emotional level, asking questions about overall satisfaction, repurchase intent, and willingness to recommend your business to others.

Customer satisfaction surveys often have transaction and relationship elements in the same survey, so they are not mutually exclusive. But the timing and methodology of the survey will be determined by the primary purpose of measuring your customer relationship, or the more tactical issues that are addressed by the transactional survey.



"A satisfied customer is the best business strategy of all."

*Michael LeBoeuf,
American business author
and former management
professor at the
University of
New Orleans*

Once you determine why you are conducting the Customer Satisfaction measurement program and how you want to do so, you need to think about what you want to measure. You first need to assess factors such as, your customer type (B2C or B2B), your business type (product or service oriented or both), how frequently your customers purchase, their average purchase size and value, and other purchase decision making variables. You should consider how frequently you want to survey your customers (Monthly? Annually? Once every few years?) Of course, you also need to project what you want to do with the information you get back. Are you planning to use these metrics for coaching your staff? Are you planning to incentivize leadership for improved customer satisfaction? Your research partner can help you think through these scenarios and match your needs with the appropriate methodology.

Generally, marketers agree that any customer satisfaction measurement program must include four key metrics, combining emotional, cognitive and behavioral elements to yield a valid picture of customer satisfaction:

1. Overall Satisfaction

This traditional measurement is usually worded: "Overall, how satisfied are you with _____." The response scale is another decision, but typically, a balanced five or seven-point labeled scale is used: Extremely satisfied, Somewhat satisfied, Neither satisfied nor dissatisfied, Somewhat dissatisfied, Extremely dissatisfied.

2. Factor-Level Satisfaction

In order to understand what is contributing to your customer satisfaction or dissatisfaction, it is important to measure their experience with various factors or features that make up the customer experience. For example, you might ask about your product reliability or performance. For services, the elements tend to relate more to the customer experience of the service delivery, such as wait time, staff professionalism, helpfulness, and so forth. If you are just developing your measurement program, you may not really know what features are most important in creating satisfaction and dissatisfaction. You might consider conducting qualitative research with your customers to gain more insight into their evaluation process. Additionally, conducting a baseline measurement of customer satisfaction and then analyzing which factors are most important for tracking can also provide valuable information.

3. Loyalty

In short, how much can you count on these customers for future purchases? Are they loyal to your products and services, or will they switch the next time your competitor offers them a coupon? Loyalty builds brands, so it is important to understand the dimensions of loyalty among your customers and how you can leverage that loyalty and relationship with your customers to strengthen your brand image. Customer loyalty is the holy grail of customer satisfaction: it is loyalty that leads to repeat purchase, increased purchases, paying higher prices, and being immune to competitive offers.

4. Willingness to Recommend

In their best-selling book, *The Ultimate Question*, Fred Reichheld and Bain & Company posit that willingness to recommend is the only metric needed to determine the health of the business and the likelihood for success. While most companies find it useful to use additional metrics to determine how to make customer recommendations more likely, the power of the customer actually advocating for purchase with their colleagues is undeniable. It only makes sense that we listen to the evaluations of our friends and colleagues – after all they are the people whose knowledge we trust most. Moreover, if they are willing to recommend a brand, that is a very strong endorsement.

Beyond these four standard metrics, Infosurv believes that there are two other key areas of inquiry that can provide key insights to your whole organization.

1. Brand Image

What do customers think about your brand or your competitors' brand? How does buying your product or service make them feel? Happy, proud, safe, smart, etc. or disappointed, frustrated, confused, ripped-off? What is the perceived cost/value relationship of your product or service. What is the relationship of your brand to their level of customer satisfaction?

2. Employee Attitudes

How are your employees perceived in the eyes of customers? Are they happy, helpful company advocates or are they sour, curt, and difficult to work with? What is the relationship between your employees' level of satisfaction with their job and with customer satisfaction with your product and service?

By adding these two metric areas, you can get a complete picture of what factors have the greatest positive, and negative, effects on the level of customer satisfaction that you have and clues as to how to make improvements. After all, in the words of former Ritz Carlton President Horst Schulze, "If you're not at 100% customer satisfaction...you must improve."

If you're already tracking customer satisfaction: good for you. Make the most of this information by checking the trends and identifying timely quality improvement goals. Start to think about the impact of your satisfaction levels on your brand strength and image. Discover the relationships between your level of employee satisfaction and your customer satisfaction.

If you measured customer satisfaction once, but it's been a while since you repeated that effort, now is the time. Dust off your old files and figure out what you need to add and what is still valuable for tracking how customer satisfaction might be changing. Check out your employees' perceptions of customers as well – they are the ones on the front line every day.

And finally, if you're not measuring customer satisfaction now and never have...what are you waiting for? Remember, you can't fix what you don't know. Satisfied customers are the engine that creates more business efficiency, stronger brands and greater profitability – you can't afford not to benefit from that.



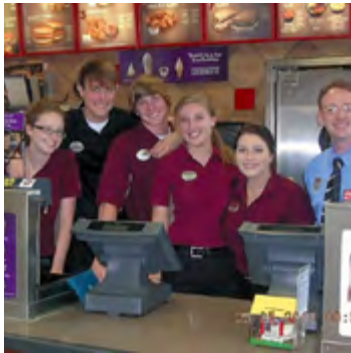
There are many, many examples of companies who have insanely satisfied customers. However, rather than list these paragons, let's take the time to dig a little deeper about how they create this level of customer satisfaction. Because, while each of these companies is in a different industry, we can all learn something from each of them.



Lesson #1:

What Gets Measured Gets Done

First, let's look at Chick-fil-A, the Atlanta-based chicken sandwich restaurant. Defying the odds that a fast-food restaurant can also deliver attentive service, Chick-fil-A sets its service by measuring. Chick-fil-A spends over \$1 million dollars annually in measuring customer satisfaction at the store level, at the corporate level and every way in between. Every Chick-fil-A operator gets a monthly report on how their store compares to all the other stores. Each store manager uses their results to make incremental improvements in operations and service delivery that keep customers happily returning to their stores.



Lesson #2:

The Devil is in the Detail

One small way Chick-fil-A creates customer satisfaction is in its attention to detail. Chick-fil-A operators are encouraged to share even the smallest details so that they can be standardized system wide. For example, when you thank your server as you leave the restaurant counter, your server will say, "My pleasure." When your call is transferred from the receptionist at Chick-fil-A headquarters, the receptionist will also say "My pleasure." In another recent example, Chick-fil-A is borrowing a tip from other hospitality companies and is folding the toilet paper in the restrooms into triangles, making it easier for patrons to access. This consistent attention to the even the smallest detail communicates the similar level of attention being paid to the bigger issues. Moreover, that helps create satisfaction.



Lesson #3:

Be Customer Obsessed

Amazon.com, for the fifth consecutive time, tops the 2014 24/7 Wall Street Customer Service Hall of Fame list. That is perhaps not surprising, given CEO Jeff Bezos' passion for creating excellent customer service experiences in the digital era. In the early days, Bezos used to bring an empty chair with him into meetings, explaining that it was for "the most important person in the room – the customer." More recently, he has said, "We're not competitor obsessed, we're customer obsessed. We start with what the customer needs, and we work backward." Which may explain why the Kindle HD Fire was introduced with a "Mayday" button, which connects the user to a customer service person in less than 10 seconds – an unprecedented level of responsiveness.



Lesson #4:

Tell A Great Story

Trader Joe's is a grocery store chain known for their insanely satisfied customers. Beyond fast checkout, good selection, and good value, how can a grocery store drive customer satisfaction? (And here we distinguish between customer frequency and satisfaction: you may go to the same store every week, but you might not be completely satisfied with the experience.) The 'typical' grocery store is merely a clean warehouse," said Adrian Weidmann, principal, StoreStream Metrics. "The two most challenging, elusive and yet most effective operational 'home runs' for your brand are atmosphere and courteous staff. When you go to Trader Joe's, you are experiencing a 'story'. Trader Joe's is a brand that is very good at storytelling and bringing that story to life."



Lesson #5:

Do It, Even if You Don't Have To

It is easy to learn lessons from those companies who excel at customer service. However, what can you learn from companies whose customers are among the least satisfied. The 24/7 Wall Street poll revealed not only the best companies for customer satisfaction, but also the worst companies. How can they get away with customers who are not satisfied? Apparently, those companies with the lowest rated customer satisfaction for the most part don't have to worry about customer satisfaction as much because their customers don't have many good alternatives. Satellite and cable television companies such as Dish and Comcast and telephone companies fall into this category. The lesson here is, even if you don't have a problem with customer churn and feel you don't have to, you should still seek to fully satisfy your customers. At some time your customers may have a better alternative, and you will have no accumulated good will to keep them as customers. Ask Blockbuster Video. Satisfying your customers is just good business.

"Your most unhappy customers are your greatest source of learning."

Bill Gates, Microsoft

Maintaining high levels of customer satisfaction inoculates your company against potential business downturns, strategic miss-steps, and competitive inroads. Periodically measuring your customers' satisfaction to understand how your business is doing is a critical business activity that all strong businesses undertake. After all, if you don't know whether your customers are satisfied, you're missing a big piece of the puzzle.

The benefits of strong satisfaction are well documented in terms of business success. So the important thing is not just measuring customer satisfaction, but developing programs that will drive that satisfaction level higher.

But how do you know what to do? If your customer satisfaction measurement program has been well-designed, you have good metrics for overall satisfaction, loyalty, repeat purchase and likelihood to recommend to others. Additionally, you have satisfaction measures on selected benefits and features delivered by your product and service.

For example, you know that 67% of your customers are very or somewhat satisfied, and you also know that 45% rate their satisfaction with your technical support as "very satisfied". Further, 52% say they are very satisfied with product reliability. Does that mean that you need to work on your technical support? Or is it possible that improving product reliability will deliver a bigger bang for your buck in improving overall satisfaction and loyalty metrics? How can you tell?

Infosurv Research recommends conducting additional analysis on your customer satisfaction research data to "tease out" the relationships between the various benefits and features you are measuring and their potential impact on your overall measures. This additional analysis provides the "derived importance" of any factor. Derived importance analyzes the trends in customer behavior to understand the underlying factors influencing that behavior.

While we could ask respondents how important each factor is, that takes more time (increasing research costs) and also is less reliable than determining importance through derived importance analysis. Customers can't always tell you what is really influencing their satisfaction or loyalty. And, when asked directly, customers tend to rate everything as important.

For example, if you asked airline passengers to rate the importance of Safety as an attribute for airlines, almost all would rate Safety as an important attribute. After all, all flyers want to get to their destinations safely. But, if you conduct a derived importance analysis on the factors that drive choice of airline, the safety attribute has little impact. Why? Because nearly all airlines are considered "safe", so safety is not a discriminating factor. Think of "derived importance" as a way to read you customers' minds: the analysis will tell you what your customers might not be able to tell you even if you asked the question directly!

In derived importance, we are looking for relationships between variables and we have no need to understand whether one actually causes the other; only that the states of selected variables influence the state of customer satisfaction, and to what degree. For this we use either correlation analysis or regression analysis, specifically Product Moment Correlation or Bivariate or Multiple Regression.

Derived importance analysis can help give you the answers to operations and marketing questions such as:

- What programs should I fund in my customer satisfaction improvement plan that would have the strongest impact on customer satisfaction and/or loyalty?
- Will I improve customer satisfaction more by investing in better customer support or better product quality?
- Can a change in customer satisfaction be explained by a change in customer service?
- How is customer satisfaction related to repeat purchase? To customer loyalty?
- What can I do to get customers to recommend us to others more frequently?

**Why
measure
customer
satisfaction?
So you can
improve it!**

You can't fix everything, at least not in the short run. And guessing what is important is not a good tactic. Measuring derived importance can lead to far more targeted, effective and impactful customer satisfaction improvement programs and a more efficient use of your budget. And while derived importance does rely on more advanced analytical techniques than other approaches, the impact on customer satisfaction and cost savings more than make up for that additional effort.



There are many business benefits to having strong customer satisfaction, including lower cost of sales, increased repeat purchase and happier employees. But one of the most important is enhancing your brand image. Satisfied customers help you build your brand in three important ways:

1. Differentiation/Distinction

One of the main goals for brand building is establishing a competitive differentiation. This is more difficult than ever in today's environment, where it is increasingly easier to copy just about anything your competitor does. However, strong customer satisfaction and loyalty can differentiate your brand in the marketplace. Research has shown that customer satisfaction is declining overall in the U.S. During the first quarter of 2014, customer satisfaction decreased substantially from 76.2, down from 76.8 in the previous quarter (on a 100-point scale), according to the American Customer Satisfaction Index (ACSI). This first quarter drop in the ACSI was the biggest since the University of Michigan created the index and began recording customer satisfaction 20 years ago. This general declining customer satisfaction creates an opportunity for companies with superior customer satisfaction to stand out in the crowd.

2. Positive Word of Mouth/Advocacy

Satisfied customers tell others about your brand, in person and, increasingly, in social media. If your happy customers are talking about you, you don't have to. And we all find greater credibility in what our friends and colleagues are saying about brands than in what the brands are saying about themselves. Additionally, satisfied customers will go to bat for you, becoming your advocates and encouraging others to give your brand a try. Not convinced? Consider these statistics:

- Marketing-induced consumer-to-consumer word of mouth generates more than twice the sales of paid advertising (McKinsey Quarterly)
- Customers referred by satisfied customers have a 37% higher retention rate. (Deloitte)
- Brand advocates are 50% more likely to influence a purchase by others. (Marketing Charts)

3. Co-Creation

Smart brands work with their loyal customers to create value. According to Y&R, a "brand's future value lies principally in the community it creates. More than 50% of Fortune 500 companies have made co-creation through community sourcing an integral part of their innovation strategy." And of course, satisfied customers are more likely to engage with you in communities to develop marketing programs, new products and services, and greater value for the customer.

"Smart businesses should come to realize that the customer service bar is lower— and that today, it's easier than ever to differentiate your company from the pack with (crazy as it seems) actual quality customer service."

*- Brad Tuttle,
Senior Editor at
Time*

Here are some examples of brands and customers co-creating:



Doritos co-created their 2014 Super Bowl Commercial by holding a contest for customers to submit advertisements, with the winner to be televised during the Big Game. After an internal panel had identified the finalists, customers voted for the winner.



Some brands are built to deliver customer content. Trip Advisor, Angie's List, and Yelp all rely on customer reviews, ratings, and responses to deliver their product to the customer. Without co-creation from a devoted and involved customer base, these brands simply wouldn't exist.



The Coke Freestyle Machine is an example of evolving co-creation. By offering hundreds of combinations of Coke products and flavorings, the Freestyle Machine lets each customer create their favorite beverage. Using social media to promote the machine and the resulting customized drinks, Coke leverages satisfied customers both in delivering and in marketing the product.

Harnessing the power of satisfied customers to enhance your brand is simply smart business. Listening to your customers and letting them share their voice in your brand will lead to a truly differentiated brand supported by a strong community of fans. While brand building is more difficult today than ever, starting with satisfied customers can give you a head start on strengthening your brand in the market.

Chaos Theory argues that, if you change one thing, you change everything, because of the innate interdependence of everything in the world. Customer satisfaction is a lot like that. Whether your customer has a good or bad experience, they take that out into the world by telling their friends and family about your company. And now with social media, a single customer's reach is endless. You want to be sure that what they are saying is positive.

Research previously completed by the White House Office of Consumer Affairs shows that:

- A dissatisfied customer will tell between 9-15 people about their experience.
- Around 13% of dissatisfied customers tell more than 20 people.
- On the other hand, satisfied customers tell about 4-6 people about their experience.

Now consider the impact of social media. Today, consumers can spread negative word-of-mouth globally through online forums, online reviews, video sharing sites, and personal blogs. Indeed, many internet sites encourage consumers to share their product and service experiences with consumers worldwide.

As Pete Blackshaw states in the book *Satisfied customers tell three friends, angry customers tell 3,000*,

"Consumer-generated media is the endless stream of comments, opinions, emotions, and personal stories about any and every company, product, service, or brand which consumers can now post online and broadcast to millions of other consumers with the click of the mouse."

You've no doubt heard the story of Bob Carroll and his guitar that was damaged on a United Airlines flight. Bob wanted to be compensated \$1,200. United had a policy against such compensation. So, singer-songwriter Carroll made a video called "United Broke My Taylor Guitar", about the trials of trying to get United Airlines to compensate him for damaging his guitar. The original video went viral and currently has over 14 million views on YouTube, which led to more video (versions 2 and 3) and a book: *United Breaks Guitars: The Power of One Voice in the Age of Social Media!* Then the story was also picked up by CNN, NBC, and CBS, adding who know how many million viewers?

How much did the viral video with 14 million views cost United? Perhaps more than \$1,200? And how did United respond? United issued a press release saying that the video was a "unique learning experience" and they would be using the video internally for training purposes. Do you think that this "spin" overcame the negative impact on this well publicized negative customer experience?



You can play with the numbers and say that one unhappy customer will be balanced out by three happy customers. But that means you are still at ground zero – you are not generating any net satisfaction or loyalty for your business. Any way you slice it, with even a small base of dissatisfied customers, you are losing ground. The reality is that you can't allow any of your customers to be dissatisfied – or you may find yourself the subject of a YouTube video that is viewed around the world. After all, it only takes one!

"It has been said that something as small as the flutter of a butterfly's wing can ultimately cause a typhoon halfway around the world." – Chaos Theory

SUMMARY

Thanks for downloading Infosurv Research's Customer Satisfaction eBook!

Without a doubt, customer satisfaction is a key metric of an organization's health and likelihood of success. In order to maximize your company's profitability, you need to measure, understand and manage the satisfaction level of your customers.

Infosurv Research's Customer Satisfaction Research has been used successfully by many companies to measure and improve Customer Satisfaction. To learn more about Customer Satisfaction Research and other Customer Research Surveys with Infosurv Research give us a call 1-888-262-3186 or send an email to sales@infosurv.com.

The research is in! Customer satisfaction is a requirement for businesses to be successful in our digital world. Download our INFOGRAPHIC here!

ABOUT INFOSURV RESEARCH

We are Your Research Department.

As your marketing research department, Infosurv Research helps you find the information you need to connect the dots between consumers, your customers, your employees, and your brand. These connections between audiences lead to valuable insights that drive better business decision for immediately improved results.

By developing a better understanding of your business through the application of our marketing research expertise, we provide cost-effective solutions to solve your business challenges and deliver a great return on your research investment.



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