Beyond satisfaction: Connecting with customers to maximise business performance

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Abstract

In this slow growth/no growth business environment, many companies make the mistake of following three common myths about customer satisfaction: that merely satisfying customers is sufficient to garner improved business performance results; that tracking customer satisfaction scores will help improve performance; and that all that is needed to improve customer service results is a 'silver bullet'. J.D. Power and Associates data indicate that companies must do far more than just keep their customers satisfied however — they must truly delight them if they are to achieve the kind of customer loyalty that leads to significant financial results. Additionally, they must do more than simply measure their customers' satisfaction — they must create a customer-focused culture. Finally, companies must recognise that meaningful improvements in customer satisfaction are realised not by doing just one thing, but by a series of actions that are predictive of customer satisfaction improvements.

Keywords

customer satisfaction, measurement, best practices, business performance

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INTRODUCTION

In the past decade, the US economy has been buffeted by some unprecedented challenges: the dot-com bust, the housing bust, banking and financial crises, a near-collapse of the US auto industry, and massive layoffs and unemployment. As the lingering effects of the 'Great Recession' continue, many businesses and consumers continue to be anxious about the future and remain reluctant to hire new employees and spend money. Observers wonder if another recession is imminent or is already under way.

In the face of so much adversity, many companies continue to focus on understanding and meeting customers' needs, believing that this is the key to succeeding in adverse times. However, some companies still have not achieved the financial benefits that they expected and are either scaling back or simplifying their customer satisfaction efforts. In this paper, clear, effective guidance on what companies should do to strengthen their relationships with customers in order to improve business results in the face of adverse economic times is offered. By employing these best practices and by avoiding some common myths about customer satisfaction, companies may avoid costly pitfalls and become stronger and more competitive.

AVOIDING SOME COMMON MISTAKES ABOUT CUSTOMER SATISFACTION

Myth 1: 'Just satisfying our customers is all we need to do'

For decades, companies have made a variety of efforts to satisfy customers as a means of reaping financial benefits. To the surprise of some, these efforts have produced mixed results.[1–3] So the question remains, 'Does satisfying your customers result in superior business outcomes?'.

The relationship between the level of customer satisfaction[4] and various business outcomes was examined, including repurchase, recommendations, growth rates and acquisition costs. Assessment included a variety of industries, spanning both those that provide products and those that provide services. Across the board, a strong relationship was found between the level of customer satisfaction and demand-side benefits such as referral rates, repurchase intent and, in some cases, price sensitivity. However, it was also found that the relationship between customer satisfaction and loyalty outcomes varies notably across industries. In competitive, high-involvement industries where customers have many choices of service or product providers, delighting customers is critical to retention. In less-competitive, low-involvement industries with little or no choice of service or product providers, customers may remain loyal unless they are very dissatisfied (see Figure 1).

In short, the pathway to loyalty depends on the nature of the industry, yet in both high- and low-involvement industries, the impact of delighting customers should not be ignored. Customer retention is strongest when satisfaction levels are at or near the highest points, and weakest when satisfaction is at its lowest point. Without focusing on satisfaction, low-involvement service providers run the risk of allowing retention levels to slip.

More critical however, may be high-involvement service providers, whose focus on customer delight must be constant and set beyond merely pleasing customers to garner high levels of retention. In fact, as can be seen in Figure 1, the largest impact on retention occurs when companies go beyond satisfaction, and delight their customers.

If companies' goal is simply to satisfy customers, it's no wonder many fail to

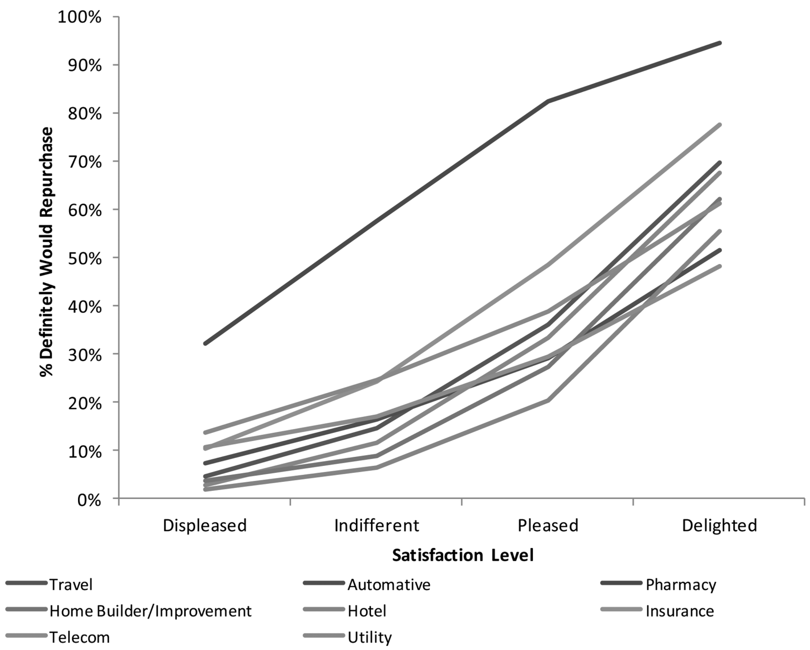

Figure 1 Cross-industry relationships between satisfaction levels and repurchase intention
Source: J.D. Power and Associates

reap financial benefits. Today's customers are demanding and price-conscious, and thus are more sensitive to the quality of the products and services they purchase or experience. As a result, merely satisfying customers is no longer enough to gain and retain their loyalty.

To not only create high levels of retention, but also to achieve reliable business results, companies must exceed customers' expectations and truly delight them on every level and at every interaction, and they must do so consistently.

Understanding brand dissuaders and brand advocates

There are notable differences at the beginning and end of the satisfaction continuum in customer word-of-mouth behaviours. When satisfaction is lower than 3.5 on a 10-point scale, customers become 'brand dissuaders'. These customers broadly share their negative impressions of a company, frequently articulating their displeasure to family and friends. As social media platforms such as Facebook, Twitter and YouTube continue to generate wider audiences, any negative appraisals posted on these platforms will reach a much wider audience, and at greater speed.

Conversely, customers who provide satisfaction ratings of 8 or above on the same 10-point scale become 'brand advocates', that is, they promote the brand to family and friends in contrast with their dissuader counterparts. Still, it is at this 8-point mark, past the satisfied plateau, where company performance and business results begin to materialise. An example of this is a finding in the *J.D. Power and Associates 2011 National Auto Insurance Study*.[5] Customers who provide ratings of 8 or higher are more than twice as likely to

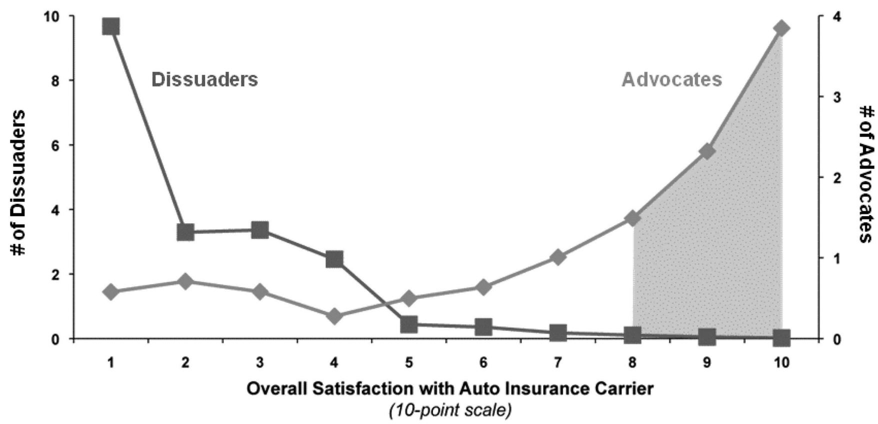

Figure 2 The impact of advocacy: auto insurance example
Source: J.D. Power and Associates 2011 National Auto Insurance Study

advocate or recommend a brand, compared with customers who provide lower ratings (see Figure 2).

To realise significant business and financial benefits, companies must minimise the number of brand dissuaders in order to reach a brand advocate threshold where satisfaction reaches the highest levels and customer loyalty is achieved.

Myth 2: 'Tracking our satisfaction scores will improve them'

While measuring performance has been shown to improve production efficiency, as shown by the Hawthorne effect,[6] this type of result is unlikely to apply to measuring customer satisfaction performance. In fact, recent findings show that customers actually become less satisfied when they give opinions to a company but do not see any changes based on the feedback given. However, when customers provide their opinions and the company takes explicit actions based on this feedback, customer satisfaction is enhanced.

Therefore, while tracking customer satisfaction is essential, it must also be acted upon effectively in order to achieve desired business results, with strategies and actions keeping pace with evolving customer demands. Additionally, companies must have a deeper understanding of where they stand relative to their competitors. To realise impactful and meaningful improvement, companies must not only know how they compare in the marketplace or with their customers overall, but must also gain insight into how well they are doing on executing key performance factors. This detailed level of insight will help companies effectively identify which actions to take to improve the customer experience.

Myth 3: 'There is a "silver bullet" that will improve our satisfaction scores'

Avoiding the first two myths is relatively easy, but in today's difficult financial environment it can be tempting for companies to look for the one 'silver bullet' that solves all their customer satisfaction concerns. Unfortunately, there is no single answer.

Despite there being a school of thought that asserts that there is just one measure a company needs to monitor (the so-called 'net promoter' score), experienced industry leaders and academics have shown there is no single measure that best predicts or explains business success.[7–9] These findings show that, in addition to satisfaction and stated advocacy, other measures such as customer complaints, and concepts such as 'fixed right the first time', serve as strong predictors of various desired business outcomes.

To succeed, companies must move up the information value chain from simply processing customer data to implementing activities and behaviours that influence customer perceptions. Companies also must understand that employees at different levels of the organisation use customer information to make different decisions. For example, middle management typically make decisions that directly affect business operations, whereas senior executives make decisions that affect the strategic direction of the organisation. It is therefore important to develop and implement actions that are aligned with the various decisions being made throughout the organisation in order to maximise performance improvement. Middle management want to know what to do to improve, whereas senior management want to know what the cost is of implementing recommended actions and what the benefits are of doing so.

It is crucial that companies have a clear understanding of the links between customer behaviour and business objectives. As customers' perceptions, needs and expectations evolve, companies must be nimble. While it is clearly advisable to stay on course when working to inspire customers to be delighted, the most successful companies engage customers at all satisfaction levels with equal dedication across multiple channels to enhance the customer experience on every front.

BEST PRACTICES TO CONNECT WITH CUSTOMERS

Avoiding the three most common myths about customer satisfaction is the first step in achieving better results. The following best practices include some examples of how the highest performers in customer satisfaction achieve excellence. These are best practices that any company can follow to chart their own path to excellence.

Focus first on customers

Communicate effectively and pro-actively with customers

Whether it is a price increase, loan options, product features, changes to processes or coverage choices, a company must communicate the right details effectively so customers know what to expect. This focus will help in taking the necessary steps to increase the number of positive customer interactions.

Customers increasingly communicate via the internet or their mobile device on a wide range of subjects and issues — which could include their opinions about their experiences with a company. They are also not shy when it comes to posting online comments about their service experiences, good or bad. In fact, one bad experience can be broadcast on a blog or spread across Twitter, Facebook, YouTube and beyond. Some may recall the Domino's Pizza YouTube video, taken via mobile device a few years ago, which revealed unpleasant incidents in a Domino's kitchen. However, the video, which went viral online, offered Domino's an opportunity to target subsequent advertising on their quality, providing a further lesson in how to turn the social media tide in the company's favour.

Because social media remain new to many business executives, and because there are many ways to measure their impact, there is still a lot of confusion about them. One thing remains certain — a company should be listening. However, too many companies rush to respond without understanding the potential consequences of responding. A company should be sure to understand the ramifications of social media and make an informed commitment before engaging with them.

Personal service throughout the life cycle of the customer relationship includes customer outreach, such as the type offered prior to a substantial change, or a follow-up thank you call after a service experience — demonstrating that clear, appropriate and timely communications are key. Even in low-involvement relationships, the moments of involvement are arguably more critical because there are fewer of them; successful companies make them count.

Provide multiple platforms for positive interactions with customers

Be there for customers, no matter where 'there' is. Whether it is at a retail or service location, or via phone or online, a company's presence should be where its customers need it to be. If the company is not there, another company will be, and no company can afford to lose opportunities. One caution — do not go where your company is not prepared to be. Develop a strategy, support the right resources and think before you leap. When in doubt, ask the customers.

Vernon Hill, founder and former president of Commerce Bank — one of the fastest-growing and most profitable banks in the USA — and now the founder of Metro Bank, the first new British-based bank in 138 years, knows the value of focusing on customers. Hill strongly believes that in banking it is critical to have a brick-and-mortar branch in a community rather than simply offering banking online or via ATMs. This belief is based on customer research, which shows that customers seek to do business with a bank nearby. This strategy does not end with the building of a branch, however. Both Commerce and now Metro have worked to build strong, lasting customer relationships through human interactions, and have implemented a culture-based hiring and training programme to ensure that their representatives who provide customer service have the right attitude and service orientation, and that they are empowered to deliver what customers want. In a considerable paradigm shift designed to build a culture of service, Hill urges Metro Bank managers to reply to customer requests with a *yes*, but requires two managers to respond when the answer is *no.* He further supports this philosophy with a simple mantra: 'no stupid rules' — thus seeking to build banking services around customer needs and desires rather than around the rules of the bank.

According to Hill, Metro Bank seeks to make customers into 'fans', aligning with the thinking that it is delight, not satisfaction, that will yield loyalty and lasting business results.

Empower from within

Know your employees

Regardless of the industry a company is in, one tenet applies: employees matter in the delivery of products or services. There are some questions that should be asked, however. Who are the company's customer-facing personnel? Are they engaged in the communication of price changes when they occur? Are they prepared and empowered to provide advance notice of a price increase and to discuss options? Customers expect employees to be prepared to answer their questions and will reward a company with their loyalty when this expectation has been fulfilled.

To develop a strategy that ensures the right employees are hired to engage the customers, it must first be understood what customers want and need. To do this, a company should position itself to listen actively, not just to annual trends, but to evolving customer opinions on a daily basis.

Companies such as The Savoy Hotel listen to their customers and include customer needs in their employee training. Empowering employees is such a strong part of The Savoy Hotel's long-standing business strategy that they have created the Savoy Academy to help build exemplary leaders in customer service for their London-based hotel. The Savoy Academy provides individualised professional training, both in the hotel environment and offsite, to help customer service personnel master the key traits the hotel has identified as being most important to their guests. The curriculum is hand-tailored for each colleague in order to focus on creating a service culture, empowering leadership and enhancing service skills. What makes the Savoy training programme so effective is that the hotel's culture permeates their training and service experience. According to General Manager Kiaran MacDonald, the hotel has crafted 'Savoy Service Signatures' — key attributes of the brand that every colleague of the hotel seeks to support in every guest interaction. These signatures are evident in The Savoy's Art Deco and Edwardian décor influences, which link charm and spontaneity, as well as blending what MacDonald calls 'Savoy Etiquette' to create memorable moments for every guest.

Empower employees to solve problems

Good employees are more than knowledgeable and pleasant. Customers expect employees also to be their partners in solving problems, so an environment should be created that turns employees into pro-active problem-solvers. Hire the right people, provide them the necessary training and tools, give them the right opportunities to succeed with customers, and then measure and reward the high performers. Performance is a process that should be constantly revisited to ensure that employees remain top performers.

Get employees involved and listen to them

Some of the best ideas for improving the service a company provides to customers are locked away in the heads of employees. The highest-performing companies recognise this fact and involve their employees accordingly — other than customers, who has a better perspective on the interface between a company and its customers? Customer-facing employees should not be ignored. Companies whose employees have a voice have higher employee satisfaction. As with customer satisfaction, employee satisfaction provides positive results.

Train and enable employees to talk to customers

Communicating with customers about options strengthens their relationship with a brand. For example, discussing alternatives in advance of a price increase signals to customers that they have an advocate, someone who understands the impact that a price increase may have on them and respects them enough to advise them in advance and wants to discuss options. In the insurance industry, options such as bundling an auto policy with a home or life insurance policy is one way for customers to earn discounts, and raising deductibles or exploring alternate coverage are other options for lowering costs. Whatever the options offered, these personalised interactions in advance of a price increase strengthen customer trust and often increase satisfaction.

Be well-informed and share what has been learned

Measure and understand customer expectations

In today's world, it is easy to get data. Make sure you measure what has a demonstrable impact on your business. Customer opinion changes quickly in a world dominated by Twitter, Facebook and YouTube. Research is no longer an annual process — it is now a daily requirement. Customers should be listened to wherever they share their opinion, whether it is on the phone, on their blog, in stores or service locations or on their favourite social media site. If a company is not listening, it should understand that another company is.

Companies now have more access to the tacit or unspoken nature of customer and consumer behaviour than at any other time in history. They should listen carefully to what is being said and gain a deeper understanding of their customers, then use that knowledge to improve the service experience and brand messaging, and to inform new product development.

An example of a company that failed to listen to their customers in advance of a branding action is the clothing retailer, The Gap. In 2010, The Gap decided to launch a new marketing campaign online to introduce their new logo. The original logo featured a solid blue box surrounding 'GAP' in white type. The new logo, released on their website, showed 'Gap' in black over a light background with a small blue box partially showing behind the letter 'P.' Consumers responded almost immediately — they hated it. More than 2,000 comments on Facebook criticised the decision to abandon the well-known logo. A Twitter account set up to protest against the new logo yielded nearly 5,000 followers and a 'Make your own Gap logo' site went viral on the internet, prompting visitors to create more than 13,000 mock versions of the new design. Mark Hansen, president of The Gap brand in North America, responded with a statement:

> 'We've been listening to and watching all of the comments this past week. We heard [consumers] say over and over again they are passionate about our blue box logo, and they want it back. So we've made the decision to do just that – we will bring it back across all channels.'

This was no doubt an expensive and damaging lesson on what happens when the voice of the customer is not the prevailing voice in a company's strategy. What The Gap failed to do was start first with the customer and build their brand and marketing strategy from the customer's vantage point. 'There may be a time to evolve our logo', Hansen also stated, 'But if and when that time comes, we'll handle it in a different way'.

Be transparent with information and results

Measurement of the right things works only if the appropriate employees see the results. From product development and sales, to contact centre and web design, the only way to incorporate the voice of the customer fully into a business is to be transparent with what they say — share it broadly and openly with employees, not only when the news is good, but also when there is something to learn.

Make it fast and keep it easy

Speed and convenience are most important to customers

Speed and convenience remain constant desires of customers, regardless of whether a company provides a product, a service, or both. With increasingly better technology, immediacy and simplicity have become basic expectations. This is true in all industries, not just in the technology-related industries. This means that everyone's job just got harder — the bar is set higher, the expectations are greater and the need is clear: eliminate the nice-to-haves of internal processes and focus on the have-to-haves.

Customers expect fast, but also easy. If they are required to do more work than they expect just to reach a company or engage a product and service, a key dissatisfier has been provided — and very possibly an invitation to seek competition, which may prove easier to deal with than your company.

Tony Hsieh, president of Zappos, the online shoe and clothing retailer, has built the company's brand on a platform of core values and culture, including delighting customers through fast, easy and pleasant service. Employees are hired and fired based on their cultural fit within the Zappos organisation, and the working premise is that if they get the culture right, then everything else will fall into place.

According to Hsieh, the company chose its fulfilment centre location, which is directly next to a central UPS shipping centre, so they could take advantage of last-minute timing on shipping. This enables Zappos to promise same-day shipping on nearly every order received before 5pm, which is part of the brand's inherent desire to surprise and delight its customers. Similarly, Zappos takes extensive steps to remove the risk and fear that often characterise online clothing purchases among customers who worry about ordering a garment that may not fit right. Zappos provides 360-degree, high-resolution views of their products online so consumers can have the most visual information about the products they purchase. Zappos also employs a no-questions-asked return policy, eliminating customers' concerns about being stuck with a product they ultimately do not want — and the company will even pay for the return shipping. These touches — same-day shipping, risk-free shopping and no-question returns — support Zappos' self-stated strategy to 'deliver happiness' and give the brand a competitive advantage that makes it among the most successful brands in customer satisfaction.

THE PAYOFF

As noted earlier, high levels of satisfaction garner higher levels of customer advocacy, and customer-focused companies achieve other payoffs even in today's business climate in which many companies experience little or no growth. These other payoffs include greater share of wallet, longer customer tenure, increased customer advocacy and the ability to charge higher prices or premiums when customers perceive they are receiving more value.

The hotel industry provides an example of greater share of wallet: moving the level of guest satisfaction from dissatisfied or satisfied to delighted increases ancillary spending per room by 17 per cent in the luxury hotel segment, which equates to an increase from US$47 to US$55 (see Figure 3).[10]

In another example, this one from the insurance industry, achieving average satisfaction increases retention by 5 per cent and recommendations by 11 per cent, compared with satisfaction levels below

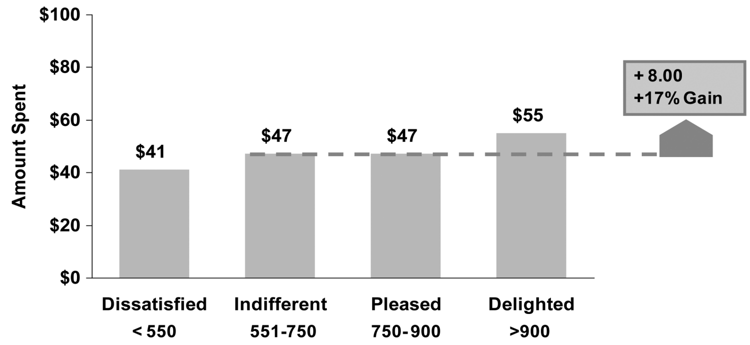

Figure 3 Average amount spent on ancillary services per room
Source: Pingitore, Seldin and Walker[10]

	Retention Related			Acquisition Cost-Related					
Insurer Satisfaction Tier	Actual Retention	% Definitely will Renew	% Definitely Plan to Shop	3-Year Growth	Acquisition Cost	% Definitely will Recommend	Avg. No. of Positive Mentions	Avg. No. of Negative Comments	% Will Not Switch for Any Price
High Satisfaction	94%	61%	3%	3.2%	15.2%	58%	2.4	0.1	22%
Average Satisfaction	87%	44%	7%	-1.9%	17.2%	40%	1.8	0.2	14%
Among the Rest	82%	33%	9%	-16.5%	17.1%	29%	1.3	0.2	10%

Figure 4 Financial value of customer satisfaction in the motor insurance industry
Source: J.D. Power and Associates 2011 National Auto Insurance Study

industry average (referred to in Figure 4 as 'Among the Rest'). Achieving high satisfaction results in an additional 7 per cent retention and 18 per cent higher likelihood to recommend, compared with industry average.

In the current economy, the importance of price of products and services has increased. For many companies, it is common to reconsider pricing strategy as a way of addressing declines in market share. Some companies may choose to *lower* their prices to recharge customer interest in their products or services. Lowering prices, of course, brings risk of lost revenue and is often paired with cost reductions, staff reductions and other undesirable actions necessary to offset the pricing action.

Likewise, companies seeking to regain profits in lieu of market share decreases may elect to *increase* their prices, risking long-term market share in trade for short-term profits. Increasing prices brings its own risk of further market share losses as customers avoid or leave the brand for lower-priced competitors. Even loyal customers have their limits, particularly in bad economic times.

It is clear that, for many companies, price becomes the proverbial fork in the road, both for them and their customers, but how have companies implemented a price increase successfully without affecting satisfaction? Practices used in the insurance industry provide some insight, as this industry arguably offers greater differentiation in the service it provides than in the products it offers. In the *J.D. Power and Associates 2011 National Auto Insurance Study*, motor insurance customers who had more than one year of tenure with their current carrier were asked whether they had experienced a premium hike from the prior year. More than one-fifth indicated that they had — an increase of 5 percentage points from 2009.

How did this increase affect satisfaction? The answer lies in how carriers handled discussing the increase in premium with their customers. Results from the *2011 National Auto Insurance Study* show that overall satisfaction was notably lower (83 points on a 1,000-point scale) among customers whose premium increased with *no* advance notification of the increase than among those who were notified of an increase in advance and received a discussion of alternative policy options (807 points). Of those customers who did experience an increase, one in ten received prior notification with options discussed.

Whatever the options offered, these personalised interactions in advance of a price increase strengthen customer trust and often increase satisfaction. The pricing power of high satisfaction has also been reported in research conducted by Homburg, Koschate, and Hoyer,[11] which found that customers who are highly satisfied are, in fact, willing to pay more for products.

SUMMARY

For companies that score in the lower quartile of customer satisfaction, raising satisfaction levels typically takes organisational realignment, sponsorship at all levels of leadership and coordination across all customer-facing channels. This coordination, or multi-channel integration of customer focus, is very likely to need varying degrees of improvement in each of the five critical-to-customer components: product, people, process, presentation and price. Therefore, senior leadership must commit to making changes across the spectrum of the organisation, and possibly to addressing some underlying cultural issues within the company. Realigning an organisation to be more customer-focused is no easy task, and many companies have experienced difficulty in implementing and sustaining change.

What remains clear is that delighting customers requires that multi-channel integration becomes multi-channel management. Interdepartmental coordination and planning are core to overall improvement and form the point where real culture change becomes solidified. Customer satisfaction is not an initiative or a programme. It is also not a departmental responsibility, or something that just happens independent of product development or sales. Delighting customers means that a customer focus is part of the company's mission and plays a key role in every decision and action taken.

A company that delights customers is one where the customers' perspective — their voice — is represented in every meeting and in every decision, and remains the company's central focus. Delighting customers must become part of the company's DNA and be a common part of daily language and discussions. Sales and product development decisions and processes do not just consider the customer experience — they are the result of the customer experience.

Whether a company operates in a low-involvement industry or a high-involvement industry, customer interactions should be intentional, positive and focused on their needs and expectations, with a goal of exceeding those expectations in a memorable way.

Good enough is no longer good enough. Improvements and advancements in manufacturing and service delivery processes foster a customer expectation of zero defects. Expectations of speed, accuracy and quality extend to the customer service experience as well. In the end, it is the voice of the customer that is the loudest.

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