

"Steps To Create A Successful Customer Satisfaction Measurement System"

In developing a service strategy, survey results provide key compass headings to chart a customer focused course. Tactical service improvements are aided when using regular customer feedback to provide compass readings for mid-course adjustments. This paper provides a "navigational chart", intended to integrate the use of surveys into a successful Customer Satisfaction Measurement System.

Measurement: A Key Element In Creating A Customer Focused Culture

The desire to become customer focused must pervade the entire organization. To be driven by customer needs requires unfailing commitment of leaders and front-line employees, as well as affording adequate tools and resources to succeed in this aim. Hearing and responding to the voice of the customer is implicit in accomplishing a customer focused culture.

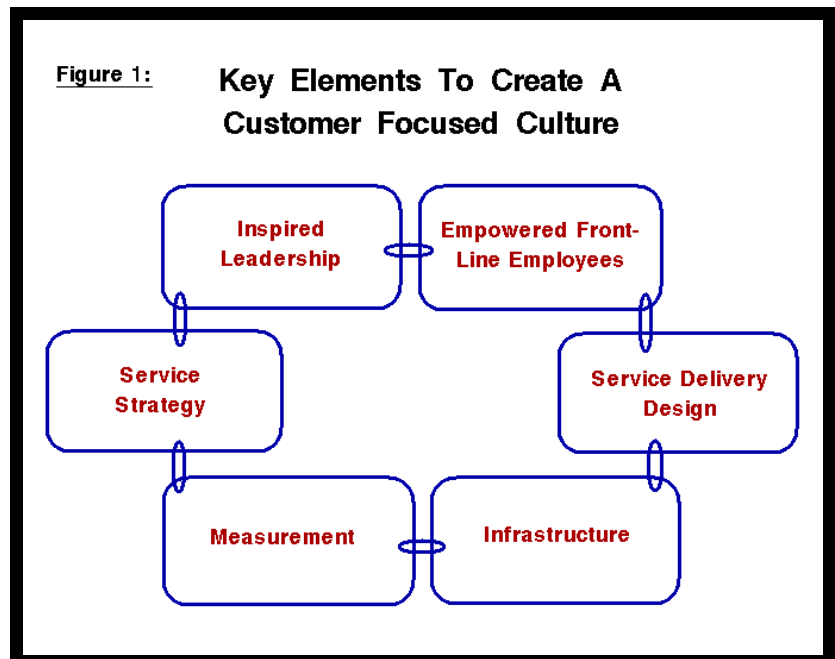
A holistic view of "customer focus" is a path that includes elements which promote synergy rather than sub-optimization of the emerging culture. Davidow and Uttal¹ identified six critical elements to create "Total Customer Service". These elements have been adapted and are illustrated in Figure 1.

While measurement is advocated in service improvement literature, little attention is given to systematic development of measurement systems.

Internal measures (such as customer complaint data, comment cards, warranty & service records, and sales force opinions) may indicate a high performing organization. However, reliance on these measures may misrepresent the true needs of customers.

Customer satisfaction and perceptions of performance are linked to expectations and actual experience. Surveys are useful in providing perception-based performance feedback. Customer perceptions are better predictors of future success than internal measures because they reflect criteria important to the customer, not the organization.

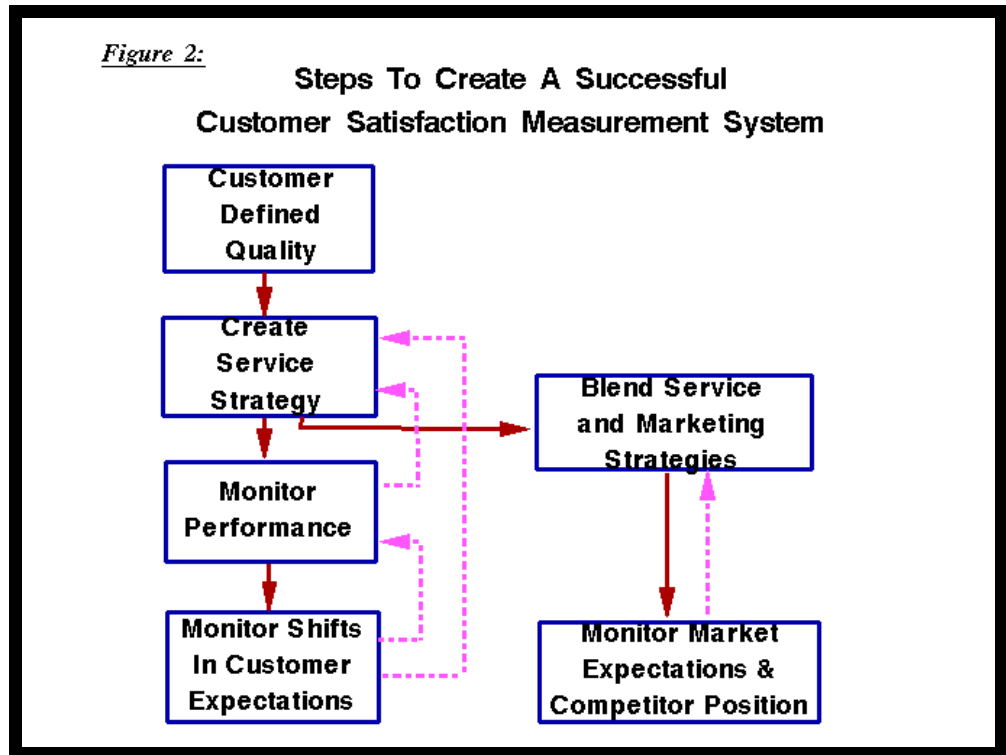
Increasingly, organizations pursue sub-optimal applications of customer satisfaction surveys, proceeding either on an ad-hoc or piecemeal basis. Although this approach commonly leads to service improvements, it falls short of driving a customer focus. It is not surprising that Goodman, Broetzmann, and Adamson² bemoan that many customer satisfaction surveys fail to provide data suggesting specific improvements.



Steps In Developing A Customer Satisfaction Measurement System

Identification of who customers are, what they expect, actually receive, and how their expectations are being managed are all requirements to building a customer focused culture. Figure 2 identifies the critical steps of a well conceived Customer Satisfaction Measurement System. Each step is integral to a successful measurement system.

The four steps on the left side represent customer-focused activities, while the two on the right are market focused.



This paper describes each step in terms of its role and inherent characteristics. In addition, two survey tools (Baseline Satisfaction and Satisfaction Tracking Surveys) are presented in some detail based on their importance in evolving a customer focused organization.

STEP I: Customer Defined Quality

Sheth³ and Levitt⁴ each describe customer motives in terms of specific values sought when deciding to obtain a product or service. Customers evaluate performance based on how well their expectations of value are being met. Each time a customer uses a product or service, they compare the value received with the total cost they believe they have invested.

If cost is too high, the customer will consider alternatives perceived as providing higher value. Knowing and providing the value sought by customers is the formula for satisfying customers and building customer loyalty.

Process for Customer Defined Quality

The following are key elements in determining customer defined quality:

- Identify customers.
- Identify service segments.
- Develop employee view of service priorities.
- Develop customer view of service priorities.

Identify customers

In order to be customer focused, employees must be able to identify with customers. Customer databases or warranty cards might be a starting point in developing profiles. If customers can be identified but little is known about them, profiles and descriptions may be prepared based on future surveys.

Identify service segments

Customers are not created equally. Service segments may be considerably different than market segments. The difference lies in the value different groups of customers must receive for expectations to be met. It is important to identify the segments having the greatest impact on viability of the organization.⁵ For example, if you apply the Pareto principle and learn that 20% of customers account for 80% of success (profits, sales, repeat business, etc.), these customers represent the primary segment(s) of importance.

When segments require separate service delivery systems (e.g. staff, equipment, policies), it is most practical to consider each distinct group as a separate population. For example, energy utilities usually serve industrial, commercial, and residential customers. Each is distinct in the way it is served.

Develop employee view of service priorities

Traditionally, management has decided what aspects of service should be measured. A better approach is to go to the front-line, where employees have contacts with customers on a daily basis. Ask these employees to identify customer problems, difficult service situations, and sources of customer anxiety. Have them identify barriers to providing superior service to customers (e.g., outdated policies, inferior equipment, poor systems-design, employee values, culture, leadership). These results add balance and augment customer survey results, thereby aiding the process to prioritize customer driven service improvements. Solutions compatible with customers' service priorities should be incorporated.

Tools include organization climate surveys, focus groups, and personal interviews with employees. These establish an inside-out view of customer service priorities. Although unequal with the customer view, employees can identify opportunities to eliminate or reduce obstacles that prevent superior service.

Develop customer view of service priorities

While front-line employees can relate first-hand experiences in providing service, they cannot speak for the customer regarding motives, expected value, or perceived performance. To construct a customer view on service priorities, a combination of qualitative and quantitative research tools is most effective in collecting needed information on customer expectations.

Qualitative customer research

In general, qualitative research is loosely structured, in that the nature of responses tend to be open-ended and subjective. Focus groups and one-on-one interviews are qualitative methods that identify key issues relating to a subject and provide feedback on why issues are important.

In defining customer expectations, qualitative methods are effective in identifying the values that customers associate with particular products / services, as well as in identifying key aspects of service on which they judge performance. In addition, they are an excellent forum for customers to express perceived strengths and weaknesses of a company based on their actual experiences.

Specific areas to address in qualitative research include:

- Discuss product / service value.
- Identify customer requirements.
- Determine the components (aspects) of service.
- Identify sources of problems.
- Discuss loyalty and perceptions of competition.
- Develop customer definitions of excellent service.

Quantitative customer research

In general, quantitative research is thought of as using closed-ended questions which are objective, and measurable. Survey results provide hard data, which may be projected to the targeted population. A baseline customer satisfaction survey is predominantly quantitative.

Baseline Customer Satisfaction Survey

A customer satisfaction baseline survey is used to determine customer requirements and expectations regarding performance. The baseline survey serves as the mechanism to identify and prioritize service improvements that are most responsive to customer needs. Respondents should represent either all customers, or customer segments of critical importance.

Baseline surveys provide opportunities to evaluate individual service aspects (such as reliability, courtesy, responsiveness, etc.) in terms of importance; performance; and customer expectations. Questions also include measures of overall satisfaction and customer loyalty. Results identify root causes of customer problems, problem frequency, and impact on customer satisfaction and loyalty.

Key objectives for baseline surveys should include:

- Determine the values sought and/or expected by customers.
- Determine service aspect importance.
- Determine service aspect expectations.
- Evaluate service aspect performance.
- Measure overall satisfaction.
- Clarify reasons for failed expectations.
- Measure extent of customer loyalty.
- Determine problem experience and complaint behavior.
- Collect customer segmentation data.

Other objectives may surface from the employee view on service priorities.

Survey Methods

Survey methods include telephone, mail and in-person interviews. In-person and telephone are best in providing high quality responses to open ended questions, but are also most expensive. When addressing more than one segment, a survey that incorporates a core group of questions for all customers, and customized questions for individual segments is often better than separate surveys for each segment. This provides comparability (apples-to-apples) across segments, and specificity within segments.

Using Results

Improvement priorities should be set based on identifying which customer problems have the greatest negative impact on customer revenues. Asking the right questions allows estimation of customer value; incidence of specific problems; and the magnitude of defections likely due to specific problems. Combined, these factors result in market damage,⁶ which represents revenues lost when loyalty is impacted by specific problems. Once problem areas for improvement are established, a review of the qualitative reasons for failed expectations are likely to suggest solutions to improve perceptions of performance.

STEP II. Create The Service Strategy

The second step is to create a service strategy that will facilitate customer satisfaction and loyalty objectives. More than anything else, service strategy must indicate the unique value provided by the company's offerings. A lack of focus results in blurred customer perceptions and too much service being provided in the wrong areas.

Once customer segments have been ranked by their value, the company must concentrate on adapting service delivery to meet their expectations. To regularly meet expectations, it is important to under-promise and over-deliver.⁷ If customer segments were not identified in Step I, data from the baseline survey can provide the basis of segmentation.

Baseline survey results may be used to develop or revise customer service strategy. Results provide customer-driven benchmarks, such as overall satisfaction, loyalty, and perceptions of performance for selected aspects of service. In addition, insights are revealed on how to prevent problems, improve customer contact management, and to build customer loyalty.

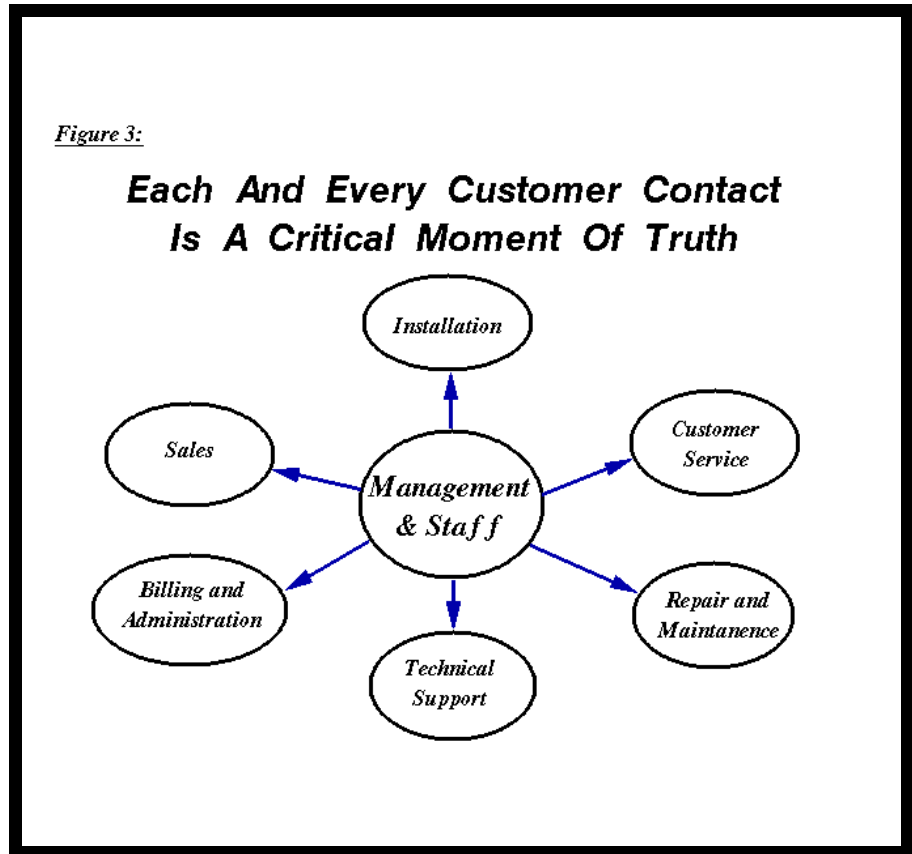
STEP III. Monitor Performance

Once improvement goals are established and implementation is underway, performance monitoring should be established as an on-going process. The objectives are to track customer satisfaction and loyalty, as well as perceptions of performance for key aspects of service. In addition, tracking provides continuous feedback on reasons for failed customer expectations. Over time, measurements indicate the successes (or lack thereof) of service improvement efforts.

Two key differences exist between satisfaction tracking and customer baseline surveys. Tracking surveys are considerably shorter than baseline surveys. The second difference is in sampling method. While baseline sampling is generally a random sample of all customers within a targeted group of customers, samples for tracking surveys are often composed of customers having had recent contact with the organization.

Transaction-based sampling is not new, but the method has gained popularity in context of the ideas of Jan Carlzon.⁸ Carlzon recognized the relationship of "Moments of Truth" on customer satisfaction. He highlights the importance of effectively managing to meet or exceed customer expectations with each and every contact.

Figure 3 identifies likely contact points within an organization. As illustrated, customers may have contact in any of a number of areas. Ideal tracking samples often include transactions across all functions. Transaction-based sampling is valuable because it provides real-time performance data and because customers provide better feedback when their recollections of service are still clear in their minds.



Customers with recent contacts are selected at random and surveyed within three to ten days of their contact. The methods used are either telephone, mail, or in-person surveys. Surveys can be conducted continuously, with periodic reports providing feedback every one to three months.

Tracking Objectives

The overall purpose of tracking is to provide regular feedback on performance and to drive continuous improvement. Standard core questions are asked in each and every wave. In addition, several customized questions may be asked from time to time to get feedback on future service enhancements under consideration. Specific customer satisfaction tracking objectives should include:

- Evaluate service aspect performance relative to expectations.
- Identify reasons for failed customer expectations.
- Measure overall satisfaction.
- Measure customer loyalty.
- Identify frequency and nature of customer problems.

For maximum effectiveness, survey results need to be formatted to meet the needs of management and front-line employees. Since management is responsible for service strategy, their reports should be formatted so changes in key performance indicators may be easily identified. Problem incidence and market damage analysis should also be provided. This information will aid in setting the service improvement priorities with each wave of surveys.

Reporting to front-line employees enables participation in the improvement process. Results for specific functional areas should be distributed to quality teams accountable in that area. Reporting results on a regular basis (monthly, bi-monthly, or quarterly) is ideal.

As a result of tracking performance, modest adjustments to service strategy and tactics can be made on a regular basis. This is a valuable feature for organizations embracing continuous improvement.

STEP IV. Blend Service and Marketing Strategies

The fourth phase of a Satisfaction Measurement System, is to link service strategy with competitive market factors, problems, and opportunities. Service strategy and marketing strategy are unique but need to exist in a symbiotic relationship. Marketing aims to attract and keep customers, while service aims to meet customer expectations, and not only retain customers, but to transform their loyalty into steadfast advocacy.

The key to success in this phase is learning to transform the company's service strengths (value) and capabilities into a differentiated product / service of value to targeted competitors' customers. The advantage of this approach is to bring in new business consistent with service capability, identifying market segments similar to current customers. This focus will strengthen product and service differentiation.

Competitive Market Assessment Survey

To blend service and marketing strategies, protect competitive position, and target competitors' customers, competitive market assessment surveys are used. This survey is market focused rather than customer focused. It is similar to conducting customer satisfaction baseline surveys for each of your major competitors. In addition to evaluating key aspects of the service they actually receive, respondents rate their perceptions of the service they feel they would receive from competitors.

This method results in the ability to compare the product positions and customer profiles of competitors with those of the company. The results highlight company strengths and weaknesses relative to competition. Customers at risk are identified, as are non-customers most likely to become customers in the future.

STEP V. Monitor Shifts In Customer Expectations

High levels of competitive intensity lead to rising customer expectations. Expectations may rise with the advent of aggressive marketing; rapid product/feature innovation; price cutting; or, niche cloning (me too products). These competitive forces influence customer requirements as well as expectations for value and performance.

The impacts of competitive activity may be determined by repeating the customer satisfaction baseline survey. How frequently this needs to be done depends on the extent of competition and the degree of product differentiation in the market. Erosion of market share may indicate competitors are attaining a favorable competitive position relative to the company's customers requirements and expectations. If customer values have shifted since the last baseline study, the customer service strategy and satisfaction tracking instruments should be revised accordingly.

STEP VI. Monitor Shifts In Market Expectations & Competitor Performance

Over time, competitive activity will create shifts in competitors' product positions which will result in customer migrations among all competitors. Tracking these shifts by repeating competitive market assessment surveys provides early signals regarding future increases or decreases in market share. In addition, results identify competitor niches which are approaching or moving away from the niche served by the company. The insight gained in these comparisons with competitors, as well as with their customer segments, will suggest specific offensive and defensive marketing tactics and strategy.

Summary

Well conceived Customer Satisfaction Measurement Systems can drive the improvements valued by customers and create customer focus. Customer surveys provide important details needed to transform service vision into service strategy. In addition, they identify opportunities to improve service and accelerate assimilation of customer-centered values among employees.

A good system identifies employee training and development needs, and, can justify infrastructure investments using convincing return on investment (ROI) criteria. Effective measurement systems help align service delivery and policy in ways that maximize customer satisfaction, loyalty, and competitiveness.

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