

Understanding What Makes Your Customers Happy: What You Need to Know

Executive Summary

There has been quite a lot written on customer satisfaction, much of it high quality and very relevant. Our goals are to save you time by summarizing the most reliable information, to help guide your efforts related to measuring customer satisfaction, and to change how you interact with your customers, including why understanding it is crucial for the success of your organization.

Contact Carson Research Consulting for assistance developing a customer satisfaction measurement plan specific to your organization.

How Important is Satisfaction?

The better you understand your customers, the more likely it is you will be able to:

- Increase their loyalty
- Address any potential issues before they are tempted to defect
- Effectively attract—and keep—new customers

How Important are Customer Expectations?

Customer expectations can have a major influence on satisfaction, and you may not have control over the creation of those expectations. Customers are:

- Satisfied when they get more than they expected: more value, more fun, more use, etc.
- Satisfied when they get what they thought they would out of their experience
- Dissatisfied when they get less than they expected

The Relationship between your Employees and your Customers

Only 20 percent of customer dissatisfaction is due to your employees. It is more likely that the customer is unhappy with the product or service you supply, your company process, their own mistakes, or their unrealistic expectations.¹ However, 20 percent is a sizable amount, so knowing whether your employees are part of the problem can help you make them part of any solution.

High customer satisfaction can increase employee satisfaction.² Like consumers, employees prefer companies with satisfied customers. Therefore,

your company should mention any high customer satisfaction ratings when recruiting new employees.

Accessing the Right Customers

Who can best provide the information you need? If you want information from customers who can speak directly to functional performance and reliability, you'll need to contact the customer who uses your product or service, who may not be the person who purchased it.

Timing is Everything

Is it more appropriate to talk to your customer right after a purchase, or to wait a period of time? If too much time passes, their recollection of the original transaction may no longer be completely accurate.

Methods for Measuring Customer Satisfaction

The three primary methods for measuring customer satisfaction are focus groups, individual interviews, and surveys.

Focus Groups

Focus groups allow you to collect in-depth information from *specific* customer groups about exact expectations or experiences. The dynamic interaction that takes place often reveals underlying ideas and feelings, and can help get to root causes of satisfaction and dissatisfaction. Focus groups can explore not only customer experiences, but why certain items are important in the customer's decision-making process, and discover areas for improvement.

Focus groups can be combined with other methods, to provide a more complete picture of the topic or issue being discussed.

Individual Interviews

Individual interviews can be designed to understand the connections your customers or potential customers make between your products or services, their attributes, and the values of those attributes.

Using Surveys to Measure Customer Satisfaction

The critical first step is to determine what it is you want to know. Consider who will receive the survey and at what point in the purchasing process. Do you want to

¹ TARP, 1986.

² Luo and Homburg, 2007.

survey customers who interacted with your company but did not purchase from you? Or perhaps you need information about product durability that only long-term customers can provide.

Best Practices in Survey Design

- Carefully construct your survey scales (very unsatisfied, unsatisfied, etc) to ensure the survey is balanced and fair.
- Design a visually appealing survey consistent with the look of your other materials
- Word questions simply and briefly
- Use closed- versus open-ended questions. Closed-ended questions offer customers a limited number of choices from which to select a response. Open-ended questions allow the respondent to answer at length and without constraints.
- Avoid leading or double-barreled questions. Leading questions make the customer feel there is a right answer, and double-barreled questions ask two questions simultaneously, making it difficult to answer accurately and objectively.
- Include specific instructions. It may be necessary to include instructions for a question or set of questions.

Make Sure Your Surveys Get Returned

Find the method that gets you the information you need, in a way that is least intrusive and time-constraining for your customer. Survey response rates typically fall between 15 and 60 percent. There are things you can do to increase your response rate:

- Make customers aware they will be receiving a survey
- Use powerful, compelling language
- Remind people to return their surveys. Consider sending a replacement survey, if after several reminders the initial survey has not been returned.
- Use first-class stamps. There is evidence that using first class stamps instead of postal meters will increase your return rate.³

Using the Results

The feedback you receive, whether through surveys, interviews or focus groups, can help you:

- Better match your marketing efforts with your product or service

- Understand the risks of competition
- Positively influence performance and quality
- Improve customers' perception of equity

Improving Customer Satisfaction

Having unhappy customers can be an opportunity. Customers who complain but who are satisfied by the company's response are up to eight percent more loyal than those who have not experienced any problems with the organization.⁴

- Be accessible to your customers, to reduce the number of complaints you receive and increase the number of customers who report a concern.
- Obtain the minimum amount of information necessary to verify the customer's identity before allowing them to explain why they are calling.
- Be sure that customers have an easy way to reach a live person.

In Conclusion

If you want to see continuous improvement and the consistent growth and increased income that come from satisfied customers, measuring customer satisfaction should be a priority in your organization. Knowing how to ask the right questions, of the right customers, at the right time, will help you get the information you need. Only once you understand the data can you take action and improve customer experiences.

About the Author

Taj Carson, PhD, president of Carson Research Consulting, works with organizations of all sizes to help determine the information needed to make strategic business decisions, and obtain this information in a timely manner. Dr. Carson has over 10 years of research experience, with a strong background in both qualitative and quantitative methodologies, specifically in the area of performance measurement, including survey development, document analysis, individual interviewing, and focus group development and coordination. She has helped numerous organizations conduct assessments, develop strategic plans, implement data collection systems and strategies, evaluate programs, and build capacity for performance measurement.

³ Dillman, 2000.

⁴ TARP, 1988.

Introduction

The purpose of this paper is to summarize the most relevant, high-quality, and reliable information on customer satisfaction, which will guide your efforts related to measuring customer satisfaction and change how you interact with your customers. This document should be one of your greatest resources regarding the importance of customer satisfaction, what it means, and why gathering information about it and understanding it is crucial for the success of your organization.

This is not a how-to guide for setting up a customer service program, but rather a synopsis related to numerous aspects of customer satisfaction. The research we cite was culled from large-scale studies, professional associations, books, business journals, and peer-reviewed research journals. We've also included a number of examples to make the material more applicable to you.

Before beginning a customer satisfaction initiative, it is critical to think in depth about why your organization needs to understand and measure customer satisfaction levels. This knowledge is key to building and maintaining a quality relationship between your employees and your customers, and ultimately to improving the profitability of your company.

*Glean from this paper the ideas that will work best in your organization. **Contact us** as you're reading, or once you've had a chance to digest the information, for assistance developing a customer satisfaction measurement plan tailored to your organization.*

How Important is Satisfaction?

Before you can measure satisfaction, you need a clear understanding of what it is and what it is not. As mentioned in the first paper in our series, "**Customer Satisfaction and the Success of Your Organization**," customer satisfaction is the positive emotional state reached by a customer after purchasing a product or service. Customers are satisfied when they feel they have received at least as much out of a buying experience as the effort they put in. It's also their conclusion that their buying experience was as good as they believed it would be.

The better you understand your existing customers, the more likely it is you will be able to:

- Increase their loyalty,
- Address any potential issues before they are tempted to defect, and
- Effectively attract—and keep—new customers.

Your customers tell you they are satisfied with the level of service you provide, but just what does that mean for you and your business? Are you secure enough in your understanding of "satisfied" to accept that answer?

Knowing where you stand with your customers requires thought and analysis. Many companies wrongly assume that achieving four out of five (equivalent to "satisfied") points on a satisfaction survey is adequate, and that the additional work required to achieve five out of five ("very satisfied") is not worth the resources.

Very satisfied customers are considered very loyal, but customers who are *merely* satisfied are significantly less loyal—42 percent less. Loyal customers are repeat customers, and should be considered an asset to an organization. Ideally, a loyal customer will continue to purchase from you despite certain challenges, such as lower competitor prices. However, research shows that customers who are merely satisfied will defect if offered what they perceive to be a better alternative, such as a similar product at a cheaper price, or a more convenient location. A customer buying from a company with a monopoly in an industry only has two options: stay with a company they don't like, or no longer use the service or buy the product. Take, for example, a customer living in a community with only one electric provider; there's not much they can do if they are unhappy with the services they receive, unless they want to sit in the dark. But, if that same customer is only relatively unsatisfied, not extremely satisfied, and another electric company starts to offer service in that area, that customer is more likely to defect than an extremely satisfied customer would be.⁵

⁵ Jones and Sasser, 1995

Consider where your efforts are currently being spent. Are you focused on turning dissatisfied customers into satisfied ones, instead of turning satisfied customers into very satisfied ones? Would it make sense, as hard as it may seem, to consider letting go of the dissatisfied customers —once you determine the reason for their dissatisfaction —as they may not be a good fit for your organization?

How Important are Customer Expectations?

What do your customers expect when they purchase one of your products or services? Are they cheap and quick? Long-lasting? Part of the latest trend? Customer expectations can have a major influence on satisfaction, and you may not have control over unrealistic expectations.

Customer satisfaction is not only determined by a quality product or service. Consumers are satisfied when they get more than they expected: more value, more fun, more use, etc., as well as when they get what they thought they would out of their experience. They are dissatisfied when they get less than they expected, and are only moderately satisfied when their expectations and outcomes meet. In reality, customer expectations may be a more significant predictor of satisfaction than performance.^{6,7}

Companies who promise more than they can deliver are more likely to have unsatisfied customers. Conversely, producers of previously underperforming products and services may see a temporary increase in satisfaction if customers with very low expectations are pleasantly surprised by previously inadequate products and services.⁸

Customers view equity as the comparison between the efforts exerted to purchase a product or service versus what they receive in return. Sometimes equity is more strongly related to satisfaction than to performance and expectations.⁹ Apple counted on the iPhone meeting or exceeding expectations, even after buyers stood in line for hours to be among the first to own one. Apple created so much marketing hype around its release that they risked buyer let-down,

even if the phone performed as well or better than its competitors’.

The Relationship between your Employees and your Customers

There is some debate about causes of customer dissatisfaction, but most research agrees that only 20 percent of dissatisfaction can be attributed to employee action. It is more likely that customer dissatisfaction is due to an unpleasant experience with a product/service or company process, customer mistake, or incorrect or unrealistic expectation.¹⁰

However, as 20 percent can translate to a large number of unsatisfied customers, employees are an important part of any plan aimed at improving satisfaction levels. 20 percent of customer dissatisfaction in a retail setting can be attributed to the failure of employees to follow store policies and procedures. This shows that that even when programs are in place to enhance customer satisfaction, failure of employees to follow them can still create a poor customer experience.

Did you know that high customer satisfaction can also increase your employee satisfaction?¹¹ If employees are constantly encountering unhappy, dissatisfied customers, there is a good chance the negative environment will cause them to be unhappy and unsatisfied with their jobs. Like consumers, employees prefer companies with satisfied customers. Therefore, your company should mention any high customer satisfaction ratings when recruiting new employees.

Employees are responsible for satisfactory customer complaint resolution. How do you know when you have an employee who is skilled with customers and can resolve issues when they arise? Managers and customers might value different qualities in employees; it is essential to consider which qualities will allow employees to work best with your customers. Perhaps you’ve been counting on employee performance evaluations to determine whether you have an employee who can deal effectively with customers. While the ability to work

6 Szymanski and Henard, 2001

7 Johnson, 2000

8 Szymanski and Henard, 2001

9 Szymanski and Henard, 2001

10 TARP, 1986

11 Luo and Homburg, 2007

well with customers is an important performance measure, and certainly one you should track, determining which of your employees have this skill can be tricky.

The Gallup Organization found that employees who placed a high value on responsibility and getting along with others performed very well in evaluations,¹² but they were not necessarily those who were the most successful with customers. Many managers like employees who show up on time and take initiative, but employees who do well with customers, according to satisfaction surveys, are positive thinkers and good problem solvers who value learning.

Measuring Customer Satisfaction

Your first question should be “what needs to be measured”? Just as it is critical to take precise floor measurements before installing carpet, you need to consider the specific aspects of customer satisfaction you want to measure before moving forward with any customer satisfaction measurement program.

One way to examine customer satisfaction is to look at its relation to a customer’s overall experience with your company. There are three distinct categories, or dimensions, of company performance in the eyes of your customer:

- Transactional performance,
- Functional performance, and
- Reliability performance.¹³

Transactional performance is the interaction between your customer and your organization, including delivery time or ease of ordering.

Functional performance refers to how well the product or service meets customer needs. *Reliability performance* examines the product or service over time, such as product durability or consistency of service. Customers will have different opinions within each of these dimensions and it is important to consider each individually.

Order a book from an online bookseller. If you find the Web site easy to navigate and the book arrives as promised, you will rate the transactional performance high. However, if the book that arrives is not what you ordered, you would rate functional performance low,

and if the book falls apart in a month you might not consider the product very durable, and would rate it low on reliability performance.

Each dimension is a separate area of satisfaction requiring a unique response. If you are the online bookseller’s marketing manager and you hear through customer satisfaction channels that a book wasn’t delivered on time, your shipping department might need some process improvement. If the book received was not as it was described on the Web site, perhaps the marketing department needs to work with the web group to ensure there are no programming problems. And if the book is not as durable as it should be, there could be an issue with the supplier.

Measuring each of these elements separately will help you make better decisions with your customer satisfaction measurement data. Decide which type of performance (transactional, functional or reliability) you are most concerned about, and design a customer feedback system that will capture that element in the right timeframe.

Timing is Everything

Now that you know what to measure, you will want to accurately time your information gathering. Is it more appropriate to hear from the customer right after they make the purchase, or to wait a certain period of time? If too much time passes, the customer’s recollection may not be completely accurate. If you want the customer to report on the sales experience you need to follow up quickly, but if you are examining functionality the customer will need time to explore all the features of the product.

Accessing the Right Customers

Who can best provide the information you need? If your organization is reselling an item manufactured by a third party, you may not be as concerned with measuring reliability, but you would want to know whether customers had positive experiences with your staff (transactional performance), or got what they expected (functional performance). If you want customers’ opinions on functional performance and reliability, you’ll need to contact the user of your product or service, who may not be the person who purchased it.

¹² Buckingham, M. and Clifton, D., 2001

¹³ Vavra, 1997

Begin by thinking about the *what*, *who*, and *when*. Know *what* information will help you make important decisions. Know *who* has the information you need, whether it's a distributor, reseller, or end user. And be sure to ask the questions *when* the time is right, whether right after the sale or after time has passed.

To clearly understand the three dimensions (transactional, functional, reliability) of satisfaction, and to understand how they relate to your organization, you need to understand your customer demographics, your market segments and when and how customers interact with your company and your products and/or services.

Think about who can provide you with helpful information. Are they prior, current, or potential customers? These are different target populations, and a customer satisfaction measurement program may need to target each differently. Depending on the dimension you're researching, there could be many different groups, or combinations of groups, in your target population.

Sometimes you need past or present customers to answer questions about their experiences with your organization. At other times the most useful information may come from former customers, if, for example, you want them to explain why they are no longer using your products or services. Or perhaps you are looking for information to attract new customers, which could come from various customer groups. If you want to know more about experiences (such as poor performance by your competitors) that could bring you new customers, you might want to talk to potential customers.

How strong is your customer database? Establishing and maintaining a customer database is a lot of work, but it is a powerful tool with multiple uses. If you invest the energy up front to reliably track your customers, you will have a long-term tool that will have many purposes, including marketing and product development.

Once you determine what you're looking to measure and who you need to reach, you can then decide the best way to reach them.

Methods for Measuring Customer Satisfaction

There are many ways to measure customer satisfaction. Think carefully about the methods that will get you the information you need, when you need it. The three primary methods are: focus groups, individual interviews, and surveys. While surveys are the most common method, focus groups and individual interviews can provide important insight into the thoughts and feelings of your customers.

Focus Groups

Customer listening groups, or focus groups, allow you to collect in-depth information from *specific* customers about exact expectations or experiences. These discussion groups usually contain eight to ten individuals who meet to discuss a particular topic of interest. This dynamic interaction often reveals underlying ideas and feelings, and can help explain root causes of satisfaction and dissatisfaction. The personal interaction in a focus group is crucial, as participants reflect and react to each other's statements. Focus groups can explore customer experiences, help us better understand a customer's decision-making process, and discover areas for improvement.

A focus group is led by a moderator, who guides the discussion without bias and solicits detailed participant viewpoints. The focus group can also be combined with other types of information gathering. For example, you may conduct a focus group in conjunction with a customer satisfaction survey. The focus group will help you better understand and interpret your survey results by providing a more complete picture of the topic or issue being discussed. Conducting focus groups before designing and implementing a customer satisfaction survey can help clarify survey questions and give you a clear understanding of what most influences your customers' purchasing decisions and experiences.

Individual Interviews

Individual interviews can be designed to help you understand the connections your customers or potential customers make between your products or services, their attributes, and how they value those attributes. (This idea is known as laddering.¹⁴)

14 Gutman and Reynolds, 1988

You may consider interviewing key employees for their views on the wants and needs of your customers. Some employees interact regularly with many customers, and can help identify trends and patterns. An interview can uncover issues that you hadn't thought to ask about in a survey. It can also help you to identify things that your company does that delight your customers, things you may not have previously valued.

Using Surveys to Measure Customer Satisfaction

The survey is one of the most common methods for measuring customer satisfaction. The critical first step is to determine exactly what you want to know. Discuss with key staff what you would like to learn from your customers. Are you, for example, more interested in their assessment of your sales process, or their overall view of your company?

Consider who will receive the survey and when in the purchasing process you want their feedback. Do you want to survey customers who interacted with your company but did not purchase from you? Perhaps you need product durability information that only long-term customers can provide. Make an exhaustive list of the topics you want to cover. Then begin to narrow your focus, which will help avoid developing a survey that doesn't address the right need(s). Try to narrow your list to the ten most important topics; more will lose a customer's attention. It is also wise to keep a survey as short as possible, preferably one page or less.

Before committing your resources to survey implementation, be sure you are using best practices in its design, including writing and ordering the questions, determining follow up mechanisms, and, if the survey will be seen by the customer, formatting it to be pleasing to the eye.

Survey Scales

How will customers rate or rank their answers? Surveys that are used to measure customer satisfaction often involve scales. While many of us are familiar with scales of one to ten, most surveys use a five-point scale, known as a "Likert Scale," which often looks like this:

- Very unsatisfied
- Unsatisfied

- Neither unsatisfied nor satisfied
- Satisfied
- Very satisfied

This type of scale has been widely tested and is generally considered to be the most effective. Some surveys use a four-point scale, which does not allow the customer to answer that they are neither satisfied nor unsatisfied. It forces respondents to lean one way or the other, towards satisfaction or dissatisfaction, which makes it easier to interpret the results. With a five-point scale many respondents choose the noncommittal middle point, which makes it more difficult to act on the data. There is no clear consensus among researchers about the use of a four-point scale versus a five-point scale, but in general a five-point scale is more effective with larger groups of respondents (more than 200).

Whether using four or five points, it is critical that the scale be balanced. For example, the following scale is unbalanced and leaning toward the positive:

- Fair
- Good
- Very good
- Excellent

Where is *poor*? On this scale there is no way to indicate a truly negative experience. By the same token, a scale that lists only *poor*, *fair* and *good* does not allow the respondent to indicate an overwhelmingly positive experience with your organization. Make sure your scale has an equal number of positive and negative choices, and that the scale is balanced.

Best Practices in Survey Design

As you prepare to conduct your survey, consider some best practices that can help prevent costly mistakes.

- **Design a visually appealing survey, one that is consistent with the look of your other printed (or electronic) materials.** This branding will help customers recognize the source of the survey. Customers recognizing the logo or other brand elements from your company will be more likely to consider the survey and not see it as junk mail. Keep the survey clean; one that isn't too crowded appears easy to complete.

- **Word questions simply and briefly.** Wording the questions is often the most difficult part of survey design. Questions should be written and re-written to elicit necessary information and ensure proper meaning. It is often helpful to have someone else review for clarity; a question that makes complete sense to you may mean something else to a respondent. Questions should flow logically and be grouped according to topic. This prevents frustrated, confused readers who might not complete the survey. Simple questions allow for clear answers and quick completion. In today's hurried environment, speed is critical. While you want to cover the most important elements, you also need to be sure customers don't have to take too much time to complete your survey. A long survey reduces return rate and can make the survey more expensive. Respondents make a decision when they look at a survey. If a paper survey has too many pages, they may put it aside for later, or simply throw it away. A long online survey may never get completed. Respect your customers' time and keep it brief.
- **Use closed- versus open-ended questions.** Closed-ended questions offer customers a limited number of choices from which to select a response. Examples include responses using the Likert scales discussed above, multiple choice responses, or those requiring a numerical response. Open-ended questions do not give customers answers to select from; respondents can answer at length and often without constraints. In general, open-ended questions can help explore issues in more depth, and can reveal new information or ideas. However, they require more time from the customer and significantly more IT resources to code and analyze. Closed-ended questions are good when you want specific information, and when time and money are issues, as the answers can be summarized quickly.
- **Avoid leading or double-barreled questions.** These are two common survey development mistakes. Leading questions make the customer feel there is a right answer, and they are harder to answer objectively. An example of a leading question is "how well did our *excellent* service team do in meeting your needs?" This example is extreme, but there are more subtle ways surveys

are written to influence responses, including the use of uneven scales. As discussed earlier, a scale that includes *excellent*, *good*, and *fair* is not balanced. The opposite of *excellent* is *poor*, and with an *excellent* to *fair* scale, customers don't have an opportunity to indicate that the service or product was truly bad. Double-barreled questions ask two things simultaneously, and are very difficult to answer accurately, though allowing a write-in (open-ended) answer can help. An example would be, "have you been satisfied with our products *and* services in the past six months"? What if the customer loves your products, but dislikes your services?

- **Look for other ways to avoid influencing customer responses.** For example, a large hotel chain uses a one-to-ten rating scale. Visitors are bombarded with the message that only a ten is a measure of good service. The staff wears buttons that say "We Strive for a 10." Intentional or not, these messages influence customer responses, and render any data collected on a one-to-ten scale virtually meaningless.
- **Include specific instructions within the survey.** Customers should be able to read detailed instructions before starting the survey. Depending on how and if the format of the questions change, you may need to include instructions for each question or set of questions. Perhaps you want customers to focus on their experiences within the last 30 days. An example could be: "think about your experiences with us in the last 30 days and answer the following questions based on your experiences *within that timeframe*." Another type of instruction might be simply "please circle the answer that best indicates your experience with us." The more complex the questions, the more explicit the instructions should be. Without clear instructions, there is a greater chance the customer will not complete the survey.

Ensure your Surveys Get Returned

How will people receive and return the survey? Do you want respondents to complete a survey on the spot and drop it in a comment box? Will they receive it in the mail, or via email, after a purchase? Or will they be asked a few questions over the phone? Find the

method that gets you the information you need, in the way that is least intrusive and time-consuming for your customer.

You send your customers a well-researched, well-written, thoughtful survey, and then you wait. Did you receive the number of responses you anticipated? Perhaps you remember the times you received a survey and discarded it without a second thought. Given all the mail we receive daily, it's not surprising that response rates to surveys are decreasing dramatically in the United States.^{15,16}

The response rate for surveys typically falls between 15 and 60 percent, depending on the survey method and follow-up strategy. In addition to having a well-designed survey and ensuring you have the correct customer contact information, what other factors determine whether customers return your survey?

There are a number of things you can do to generate interest and increase your survey response rate, in addition to clearly communicating its purpose and encouraging people to respond. These include:

- **Make customers aware they will be receiving a survey.** Let your customers know at the time of purchase or receipt of service, or immediately after by postcard or email, that you are interested in learning about their recent experience, and you will be contacting them within a set timeframe for specific feedback. This is a great time to make the customer feel both individual and special. It is a practice common in automotive service departments, where technicians and/or service representatives tell customers they will receive a call or survey to ask about their experiences. This expectation-setting helps legitimize the follow up survey and puts customers in the right mindset to complete the survey when it arrives.
- **Use powerful, compelling language.** The opening should clearly and succinctly state who you are, explain that you are seeking feedback in a specific area, and indicate why that feedback is critical.
- **Remind people to return their surveys.** Phone, mail and email are all efficient ways to remind customers that their feedback is necessary to

improve the service they receive. If after several reminders the initial survey has not been returned, consider sending a replacement.

- **Use first-class stamps.** There is evidence that using first-class stamps instead of postal meters will increase your return rate.¹⁷ Customers have a hard time throwing away something with intrinsic value, like a stamp; it goes against human nature. Think about the free address labels you receive in the mail from non-profit organizations. They're not exactly free; the organization asks for a voluntary contribution. Individuals feel uncomfortable discarding the labels and often send a donation in return.

Using the Results

So you discover that 83 percent of your customers would recommend your company to a friend, but 21 percent don't like your automated call center technology. What do you do with that information? To act on your customer satisfaction findings, you must first understand which factors influenced the responses. The feedback, whether through surveys, interviews or focus groups, can help you:

- **Better match your marketing efforts with your product or service.** Marketing impacts buyers' expectations, as well as their long-term satisfaction. Advertising that promises more than a product or service delivers can lead to customer dissatisfaction. Customer desires (whether influenced by marketing or not) have unique impacts on satisfaction. Remember that satisfaction can change over time simply because the customer's desires or needs have changed.¹⁸ When customers' satisfaction levels change, review your marketing strategies to determine whether the marketing of your product or service needs to change, or whether the desires and/or needs of your customers have changed.
- **Understand the risks of competition.** Consumers are more likely to experience buyer's remorse—the feelings of regret that sometimes occur after a purchase—if they considered purchasing a similar product or service from a competitor before purchasing yours. Purchasing products and services in today's competitive market can lead to

15 Salvucci et. Al. 2002
16 Vavra, 1997

17 Dillman, 2000

18 Spreng, MacKenzie and Olshavsky, 1996

buyer's remorse because there is a perception that an alternative might have met expectations and needs differently. The more alternatives a buyer considers, and the more attractive they believe those alternatives to be, the more likely it is the buyer will experience remorse,¹⁹ which a survey could identify. Since competition influences expectations, consider separately analyzing satisfaction data for products and services with competitors.

- **Positively influence performance and quality.**

Basic elements of a product or service (such as price, function, and appearance) and customer expectations of those elements have a positive influence on customer satisfaction, as do support services that make the product or service easier to use.²⁰ We expect Hondas and Toyotas to be reliable and would be seriously disappointed if they were not. Likewise, when shoppers buy shoes at Nordstrom's—a high-end department store known for its customer service—they expect service that addresses their specific needs. This level of personalized service also helps to increase customer satisfaction.^{21,22}

- **Improve customers' perception of equity.** Price, difficulty obtaining the product or service, and a number of other factors, impact customers' experiences and subsequent evaluations. If the product or service is easy to acquire and inexpensive, the customer may expect less in terms of performance. But if the customer has to pay more or do more to get the product or service, equity shifts and customer satisfaction is more likely to decline with each negative experience. Think about the paperclips you need for the proposal due tomorrow morning. If one breaks, you pick another without thinking; you have no concern about price or quality. But what if the photocopier stops working when you're making 30 copies of the proposal needed for tomorrow's meeting? Here price and quality take on a greater role. In the same vein, if your competitor improves performance or lowers prices, it impacts the satisfaction of *your* customers; they may feel that because they are paying more relative to your competitors, they should receive more in return.

Improving Customer Satisfaction

Being accessible to your customers is one of the most important things you can do to reduce the number of complaints you receive, and increase the number of customers who report a concern.

Telling customers how to contact you and proactively providing this information is critical, since being unreachable may translate to being unlikeable. Making this interaction simple and easy is equally important.

Obtain the least amount of information necessary to verify a customer's identity before allowing them to explain why they are calling. The value of using technology wisely cannot be overstated. Any information the customer gives to the first contact (live or automated) should follow them as they are transferred throughout the organization. Use your voicemail and interactive voice response (IVR) systems to make your employees more accessible, not less. Be sure that customers have an easy way to reach an employee while using your IVR. Studies show that having four or fewer options in an IVR system minimizes user frustration.²³

Customers who speak with an employee are twice as likely as customers who encounter an IVR to do business with the company again. Once they do reach a company representative, one fourth of customers using call center technology have to repeat information already given, which makes them less likely to be satisfied with their experience.²⁴

Customers who only have to repeat a small piece of information are also twice as likely to do business with the company again. A recent study determined that only one out of seven customers contacting a company via an IVR system is ever given the opportunity to speak to an agent, and once they do over half of those are forced to repeat information.²⁵

Once customers do contact your company, whether through voicemail, IVR, or an employee, it is critical to provide a satisfactory response to their concern, during that first contact if possible, and to follow

19 Peter and Olson, 1990, Herrmann et. al, 1999

20 Jones and Sasser, 1995

21 Fornell and Wernerfelt, 1987

22 Fornell and Wernerfelt, 1988

23 Aspect Software, Inc., 2007

24 Aspect Software, Inc., 2007

25 Aspect Software, Inc., 2007

through on commitments to customers so that they do not need to call a second time.

Over 30 percent of consumers report that their issue is not resolved during their first contact. 69 percent of customers who are unsatisfied with a call center experience say they will conduct less business with the company in the future.²⁶ Using good call center strategies like the ones mentioned above can have a fiscal impact as well as an impact on customer satisfaction.

The Benefits of Unhappy Customers

One might think it would be easy to spot an unsatisfied customer, but half of all customers who have a complaint never voice it. Less than half of those that do complain only tell frontline staff who never forward the problem to management and who often mishandle the problem.²⁷ Very few customers (one to five percent) escalate their complaint to a local manager or corporate headquarters.²⁸

In business-to-business environments, where the customer is expected to be savvier than the average consumer, 75 percent never move their complaints beyond the first line of customer service.²⁹ If this frontline person is an employee of a distributor or retailer, it is likely that the problem will never be reported to the manufacturer or corporate office.

Having unhappy customers can be an opportunity. Customers who complain but who are satisfied by the company's response are up to eight percent more loyal than those who have not experienced any problems with the organization.³⁰ Think about your phone service. If you have never had a service problem, you probably have a good impression of the company but have had limited interactions on which to base that impression. What if your line develops static? You call the company, reach a representative, and a technician comes out right away. He fixes your line on the first attempt. You are now likely to think more of the company than before you had the problem and

interacted with an efficient staff. Before the problem occurred you weren't aware they had an effective and courteous repair staff, and you are now confident that the next time something goes wrong with your phone they will fix it quickly.

Most customers understand that not everything goes as expected, but your response to their disappointments can transform their perception of your company. There is a positive relationship between managing customer complaints effectively and retaining customers.^{31,32} Customer dissatisfaction can decrease if you respond quickly to complaints. Customers with a problem who receive appropriate and timely responses to negative experiences are less likely to view the provider as the culprit.³³

It is important to have a recovery process in place to mitigate bad experiences. For example, an auto repair shop that makes customer service a priority, when learning a problem wasn't corrected the first time, may pick up a car from a customer's home or office.³⁴ Here, the company is doing what it can to overcome a negative experience and help to ensure that customer's return.

In Conclusion

Measuring customer satisfaction should be a priority in your organization if you want to see continuous improvement and the consistent growth and increased income that come from satisfied customers. Knowing how to ask the right questions of the right customers at the right time will help you get the information you need. After you have the data, understanding the dynamics of customer satisfaction will help you to take action and improve the experiences of your customers.

Once you see customer satisfaction as an on-going, living, and breathing process that needs constant care and attention, **Carson Research Consulting** can help you put a program in place for measuring it.

26 Aspect Software, Inc., 2007

27 Goodman and Ward, 1993

28 Goodman, John, 1999

29 Goodman, John, 1999

30 TARP, 1988

31 Fornell and Wernerfelt, 1987

32 Fornell and Wernerfelt, 1988

33 Smith, Bolton, and Wagner, 1999

34 Jones and Sasser, 1995

About the Author



Taj Carson, PhD, president of Carson Research Consulting, works with organizations of all sizes to help determine the information needed to make strategic business decisions, and obtain this information in a timely manner. Dr. Carson has over 10 years of research experience, with a strong background in both qualitative and quantitative methodologies, specifically in the area of performance measurement, including survey development, document analysis, individual interviewing, and focus group development and coordination. She has helped numerous organizations conduct assessments, develop strategic plans, implement data collection systems and strategies, evaluate programs, and build capacity for performance measurement.

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