

Customer satisfaction



CUSTOMER MEASURES – WHICH DIAL?

Predicting what customers want is more difficult than establishing whether they are happy with the service they have enjoyed in the past. But it is a vital part of customer retention and acquisition. Alan Pennington looks at how this can be achieved.

The area of customer measures has been the focus of much corporate attention over recent months as businesses grapple with the problem of how to measure their newfound enthusiasm for all things customer.

This is an area which has been dominated over recent years by the ubiquitous Customer Satisfaction Index or CSI, an invention which has been the cash cow of

recurring revenue for countless global research businesses. It has become hallowed as the benchmark, both for monitoring internal performance and for measuring relative performance against external competitors. The question we should be asking is, does it live up to its billing and indeed 'billings' in pounds or dollars?

More recently we have seen the emergence of the Reicheld inspired Net Promoter score which relies on a single question, the answer to which he has shown with empirical evidence correlates to business performance. This is an attractive proposition indeed and one whose siren call is increasingly answered by very substantial businesses.

Put simply Reicheld is saying that if you ask customers to score your performance on a scale of one to ten, and take the net of the scores you will have a measure that shows the proportion of your customer base who will be growing, or shrinking, your business and this will impact on business performance over time. This measure now appears on senior managers' and executives' key performance indicators and personal KPI's with a note writ large to 'improve this score at all costs'.

The question we should be asking in this case is, how do we operationalize this in order to effect the required improvement? In short the answer is to do more of what you are doing well and less of what you are doing badly and focus on the detractors in the first instance and to monitor the trend of your results over time.

Getting to the single reason why a customer gave a particular score will give some clear focus for the business to follow up. Typically half a dozen themes will recur across a customer grouping if the question is posed at the same time as customers are being asked to give a score. This approach can apply equally to customers and staff. Finding out what the staff issues are and how they link to customer issues is hugely revealing and our work continues to confirm that employee advocacy driven through an inclusive approach has an impact on the end customer loyalty.

Customer Satisfaction Indices – fools gold?

Consider for a moment what the CSI is designed to tell the senior manager and the junior manager, whether conducted as an external customer or internal staff satisfaction survey. The survey has a largely fixed set of questions, to allow tracking. But by whom are these questions fixed and on what basis, given that at worst they are based on, and reinforce, existing prejudices? How has our relative performance moved over time?

Many of the studies are undertaken on an annual or bi-annual basis. Results are compiled and power point decks developed articulating the key movements, positive and negative. The completion and analysis can take several weeks and in the case of large surveys even months before the results are communicated throughout a business.

Having received the key messages the business is then left to work out what to do – again taking time. Actions are usually focussed on either spreading best practice or resolving issues. In our experience this is rarely a rigorous execution and often results in no action at all.

The worst case scenario is where the results are comparable with the previous year or possibly better – at which point executives tend to draw it around them like a comfort blanket believing that all must be well with customers and staff and no action is needed over the next three months, six months or a even a year.

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What this high risk response to such a set of results assumes is that the questions being asked were the right ones and remain the right ones and that nothing will change in the competitive environment over that time frame to change a customer's view of satisfaction.

The reality is that to accept such a hypothesis is to forget what we already know ourselves, given that we are all customers too. This is a fact which too many forget when they enter the working environment – thinking like a customer should be second nature when considering what customers or staff are really saying in CS surveys.

If we stop for a moment to consider what would impact on our personal view of how satisfied we are with a particular product or service, it will be tempered by a range of variables including perhaps, the question being asked, the timing of that question, your comparison set against which you are making such a value judgement, your personality and a whole range of others.

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To illustrate the point that CSI can be hugely misleading as a result of these factors we need only review the impact of the comparison or competitive experience set via which we make value judgements.

For example when Virgin Atlantic launched its Upper Class airline service it captured swathes of previously loyal and highly satisfied British Airways first class passengers. In effect what British Airways first class passengers were satisfied with was what they knew about the service relative to other current competitive airline offerings. When Virgin changed the rules of the game – cars to the airport, quick check-in, bars, lounges, massages – the CSI results were instantly rendered redundant as a customer measure, given that it was viewed as a proxy for loyalty.

The simple logic which had prevailed was that very satisfied customers are de facto loyal and unlikely to defect. In effect the CSI proved to be an inflexible measure. The question which remains unanswered is, would the outcome have been different if a lead measure had been in place to complement the CSI 'hygiene' feedback?

At the heart of the problem is the desire to use CSI as a tracking or benchmarking measure, which largely negates the ability to make changes at the question level. Given the perceived value of this tracking, it represents a huge barrier to change. What this means in practice is that once the question set is established – presumably based on an understanding of what is important to customers and staff at that moment in time – constrained by the trend analysts, it is unlikely to evolve significantly.

Faced with these constraints, respondents get bored, fail to respond, spend little time completing surveys and if you are lucky, may use the odd free text area to add any really meaningful insights and focus. Indeed these free text comments are like gold dust.

However the job of reviewing them remains largely manual and as such can be de-prioritised out of existence. Much work is now underway to develop the intelligent software to read and mine these rich free text seams.

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Another example would be the world of hotels where traditionally satisfaction surveys have been as much a part of the fixtures and fittings in a hotel room as the bed. As every business traveller knows they can expect to see a survey left on the bed and included as part of the checkout documentation and a quick glance reveals that the questions being asked are predictable too.

This seems to match an enduring view about what is important to us as customers. How was check-in? Was the bed comfortable? Is checkout efficient? In reality in three to five star hotels these have become hygiene factors. What is of real importance to the business traveller in particular tends not to be measured. For example how easy is it to access the Internet? How good are technical help desk facilities? At a personal level it can be as simple as whether fresh milk is available for tea and coffee. Given that all rooms have a fridge it may be infinitely preferable to UHT sachets.

The point here is that beyond the hygiene factors there are a range of more detailed issues which will actually be the ones that make the difference between

a future booking being made or the recruitment of a loyal customer. These issues remain undetected because of the in-room presence of a standard CSI form which is assumed to do the job, when in reality it is a 'hygiene' check which relates to the minimum stakes required to be competitive in today's market.

It may be that front of house managers should spend more time listening to customers to hear what little things will crank up loyalty – an approach which applies cross-sector and is certainly relevant in financial services.

So a tracking study such as CSI may have its place but it is essentially a lag measure and one which relies on history and as the old adage notes, "experience is good so long as the past is the same as the future". In the case of the airline industry the past was not the same as the future and never has been since the emergence of Virgin Atlantic.

The future of customer measures – predictive and 360°

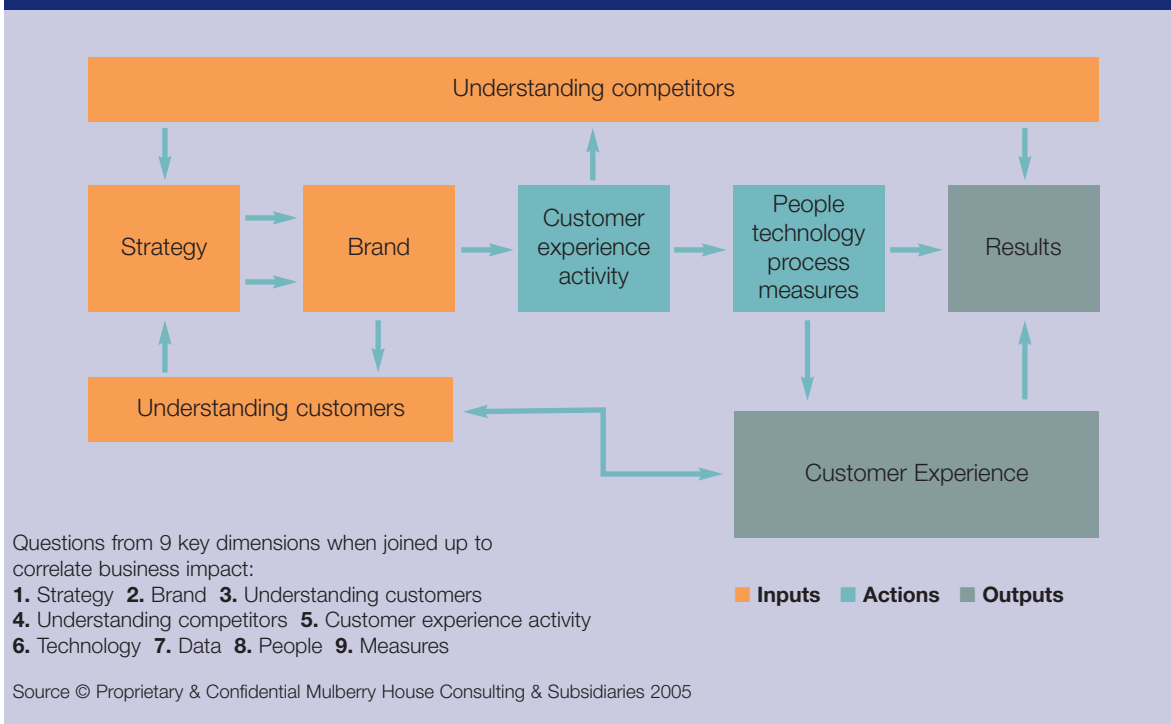
At MHC we provide clients with an alternative to the CSI recommending both Net Promoter and our own Experience Excellence™ (EEA) measure. Both of these have the benefit of being real time and potentially predictive measures, giving an early indication of both positive and negative impacts on the customer. Both link direct customer feedback with internal analysis to provide a customer validated priority list of remedial actions.

Indeed when used together we believe they provide a very strong internal and external set of measures linked to the ability to diagnose the root cause of both the positive and negative impacts. Most importantly having identified the issues we put the tools and measures directly into the hands of those people in the organisation who can do something about them and impact on results. It is critical to remember that, this is not about the numbers it is about what happens as a result of those numbers. Findings must drive actions and then further measurement to see what is working.

The Experience Excellence™ mechanism allows a business to review each of its internal capabilities that impact on the customer against best practice across up to 262 different variables across nine dimensions covering everything from strategy to enablers such as people and technology. It is also flexible enough to allow a regular, narrow focussed drill down in a particular area should it be highlighted as an issue by the internal assessment, net promoter comments or direct customer feedback.

Importantly its questions are configured to take account of the fact that different customers are at different stages in their lifecycle with the business. Their needs are therefore different and the actions which will have an impact on their NPS for the business are also

Figure 1: Experience Excellence® Model



different and place a different set of demands on the delivery of an experience.

Even if no other segmentation of the customer base takes place – for example by value or profitability – there is a need to segment by stage in the customer lifecycle. For a number of years the mobile telecoms sector concentrated its mind on the acquisition experience – not least because that was the dial the analysts used to assess share values – and ignored the different experience expected by existing customers.

As a result it suffered huge levels of churn. Indeed a well known financial institution has used this issue as the focus of an advertising campaign, albeit focussed on product rather than linking to the wider service experience using the line ‘new customers only’ to highlight how its competitors discriminate against existing loyalists in favour of acquiring new customers.

Whilst tracking is achievable using the EEA approach it also allows a business to sharpen and switch focus over time to address issues as they arise. Used regularly on a monthly basis, and critically surveying the same factors with customers and employees, the questions mirror the internal questions with a matching set of customer facing questions.

This allows the business to regularly build a 360-degree view of the key areas of importance to customers and employees, highlighting dissonance between the internal and customer views and to focus on those areas that are of high value to customers which will over time change the Net Promoter corporate

score. Indeed it is possible to carry out just the customer element of the Experience Excellence work and predict some of the likely internal causes.

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It is no longer sufficient to use a single Customer Satisfaction index as the customer leg of a balanced scorecard. What is needed are more dynamic, flexible and practically applied measures which whilst retaining an element of tracking actually act as predictors of problems and can flex to meet the changing needs of real customers. □

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