

## Chapter 10-Customer Satisfaction

Customer satisfaction is a marketing term that measures how products or services supplied by a company meet or surpass a customer's expectation.

Customer satisfaction is important because it provides marketers and business owners with a metric that they can use to manage and improve their businesses.

In a survey of nearly 200 senior marketing managers, 71 percent responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses.

### **Here are the top six reasons why customer satisfaction is so important:**

1. It's a leading indicator of consumer repurchase intentions and loyalty
2. It's a point of differentiation
3. It reduces customer churn
4. It increases customer lifetime value
5. It reduces negative word of mouth
6. It's cheaper to retain customers than acquire new ones

#### **1. It is a leading indicator of consumer repurchase intentions and loyalty**

Customer satisfaction is the best indicator of how likely a customer will make a purchase in the future. Asking customers to rate their satisfaction on a scale of 1-10 is a good way to see if they will become repeat customers or even advocates.

Any customers that give you a rating of 7 and above, can be considered satisfied, and you can safely expect them to come back and make repeat purchases. Customers who give you a rating of 9 or 10 are your potential customer advocates who you can leverage to become evangelists for your company.

Scores of 6 and below are warning signs that a customer is unhappy and at risk of leaving. These customers need to be put on a customer watch list and followed up so you can determine why their satisfaction is low.

See how satisfaction provides so much insight into your customers?

That's why it's one of the leading metrics businesses use to measure consumer repurchase and customer loyalty.

#### **2. It is a point of differentiation**

In a competitive marketplace where businesses compete for customers; customer satisfaction is seen as a key differentiator. Businesses who succeed in these cut-throat environments are the ones that make customer satisfaction a key element of their business strategy.

Picture two businesses that offer the exact same product. What will make you choose one over the other?

If you had a recommendation for one business would that sway your opinion? Probably. So how does that recommendation originally start? More than likely it's on the back of a good customer

experience. Companies who offer amazing customer experiences create environments where satisfaction is high and customer advocates are plenty.

This is an example of where customer satisfaction goes full circle. Not only can customer satisfaction help you keep a finger on the pulse of your existing customers, it can also act as a point of differentiation for new customers.

### **3. It reduces customer churn**

An Accenture global customer satisfaction report (2008) found that price is not the main reason for customer churn; it is actually due to the overall poor quality of customer service.

Customer satisfaction is the metric you can use to reduce customer churn. By measuring and tracking customer satisfaction you can put new processes in place to increase the overall quality of your customer service.

I recommend you put an emphasis on exceeding customer expectations and ‘wowing’ customers at every opportunity. Do that for six months, then measure customer satisfaction again. See whether your new initiatives have had a positive or negative impact on satisfaction.

### **4. It increases customer lifetime value**

A study by InfoQuest found that a ‘totally satisfied customer’ contributes 2.6 times more revenue than a ‘somewhat satisfied customer’. Furthermore, a ‘totally satisfied customer’ contributes 14 times more revenue than a ‘somewhat dissatisfied customer’.

Satisfaction plays a significant role in how much revenue a customer generates for your business.

Successful businesses understand the importance of customer lifetime value (CLV). If you increase CLV, you increase the returns on your marketing dollar.

For example, you might have a cost per acquisition of \$500 dollars and a CLV of \$750. That’s a 50% ROI from the marketing efforts. Now imagine if CLV was \$1,000. That’s a 100% ROI!

Customer lifetime value is a beneficiary of high customer satisfaction and good customer retention. What are you doing to keep customers coming back and spending more?

### **5. It reduces negative word of mouth**

McKinsey found that an unhappy customer tells between 9-15 people about their experience. In fact, 13% of unhappy customers tell over 20 people about their experience.

That’s a lot of negative word of mouth.

How much will that affect your business and its reputation in your industry?

Customer satisfaction is tightly linked to revenue and repeat purchases. What often gets forgotten is how customer satisfaction negatively impacts your business. It’s one thing to lose a customer because they were unhappy. It’s another thing completely to lose 20 customers because of some bad word of mouth.

To eliminate bad word of mouth you need to measure customer satisfaction on an ongoing basis. Tracking changes in satisfaction will help you identify if customers are actually happy with your product or service.

## **6. it's cheaper to retain customers than acquire new ones**

This is probably the most publicized customer satisfaction statistic out there. It costs six to seven times more to acquire new customers than it does to retain existing customers.

If that stat does not strike accord with you then there's not much else I can do to demonstrate why customer satisfaction is important.

Customers cost a lot of money to acquire. You and your marketing team spend thousands of dollars getting the attention of prospects, nurturing them into leads and closing them into sales.

Why is it that you then spend little or no money on customer retention?

Imagine if you allocated one sixth of your marketing budget towards customer retention. How do you think that will help you with improving customer satisfaction and retaining customers?

### **Here are some customer retention strategies to get you thinking:**

- Use blogs to educate customers
- Use email to send special promotions
- Use customer satisfaction surveys to listen
- Delight customers by offering personalized experiences
- Measure satisfaction to see how happy your customers really are

### **Methods of measuring customer satisfaction;**

The number one objective of any business should therefore be to create happy customers. Businesses that do, grow and flourish; those that don't, stagnate and perish.

### **Customer Satisfaction Surveys:**

The customer satisfaction survey is the standard approach for collecting data on customer happiness. It consists of asking your customers how satisfied they are, with or without follow up questions. Three useful variations:

- In-App Surveys
- Post-Service Surveys
- Long Email Surveys

**In-App Surveys.** With this you integrate a subtle feedback bar inside your website, with generally not more than one or two questions. It's one of the methods with the highest response rates, thanks to the fact that the customer is asked for her opinion while she's engaged with your company. In-app surveys are especially handy to measure some of the standard customer satisfaction metrics,

**Post Service Surveys.** This type of survey focuses on the customer's satisfaction with a specific service she's just received. You ask it right after the delivery, when it's still fresh in the mind. This can be done in email support with a rating link in the mail, or in live chat with a rating view that appears after the chat. It can also be done over the phone, but

it's somewhat problematic because it takes more time from the customer, and she might not feel comfortable sharing an unfiltered opinion.

In certain cases, you have a face-to-face touchpoint with your customer after the service, for example in a restaurant. This is an excellent opportunity to collect feedback on the spot using a tablet. A great iPad survey tool is Survey Anyplace, which also offers offline surveys: you can collect survey responses without internet connection and sync the data afterwards.

**Email Surveys-** The above survey methods aren't suitable for in-depth insights about your customer happiness. Why are they happy or unhappy? Email surveys, on the other hand, are a good tool for this. Although they have a downside of low response rates (10% - 15%, according to survey), they do allow your customer to take their time in answering multiple questions. Google Forms is an excellent free tool for this purpose.

### **Customer Satisfaction Score (CSAT):**

This is the most standard customer satisfaction metric, asking your customer to rate her satisfaction with your business, product, or service. Your CSAT score is then the average rating of your customer responses.

The scale typically ranges between 1 – 3, 1 – 5, or 1 – 10. A larger range is not always better, due to cultural differences in how people rate their satisfaction. An article in Psychological Science, for example, showed that people in individualistic countries choose the more extreme sides more frequently than those in collectivistic countries. An American is more likely to rate a service as “amazing” or “terrible” than for example a Japanese, who will stick to “fine” or “not satisfactory.” Such differences are important to be aware of with an international customer base.

**Social media metrics-** Customers are more vocal on the social media, today. They flaunt their purchases online while dissing the brands who dissatisfy them. Social media is a two-way sword. Keeping that in mind, it can be used to understand what the customers are saying about your product. Most social media platforms come with a business account facility that provide an analytics dashboard. Observe your audience and focus on their comments, on their recommendations. Customer support teams can gather these data and formulate strategies to improve the satisfaction/engagement levels for better social media presence.

**Comment Cards-** In the age of Twitter, Facebook and integrated customer relationship management (CRM) programs, comment cards seem like a leftover from the pre-digital age. They do not offer the immediacy of online customer interaction, and they lack the data-tracking bells and whistles of state-of-the-art CRM dashboards.

When they are designed well and used as part of an overall voice-of-customer initiative, however, customer comment cards offer distinct advantages. Understanding the pros and cons of comment cards can help you use them effectively for your business.

### **Advantages of Comment Cards**

Comment cards are relatively inexpensive, even when you factor in the cost of postage if you ask customers to return them by mail. They ask customers for feedback when their experience

with your company is fresh in their minds, which gives you a more immediate sense of how well your company is meeting their expectations. Because the comments are in writing, you are less likely to forget compliments or complaints. If customers choose to identify themselves, you can contact them to resolve issues or thank them for compliments.

Finally, and perhaps most subtly, customer comment cards provide an emotional release for customers who may have had an unsatisfactory experience. Writing down their complaints gives them a feeling that they have done something to address the problems and may make it less likely that they will air their gripes in a more public forum.

### Disadvantages of Comment Cards

The response rate for comment cards is low. By most estimates, only about 30% of customers fill out the cards you leave on the table or place by the front desk.

Another one of the disadvantages of customer feedback from comment cards is that you are also getting a skewed view of the typical customer experience if you rely solely on customer comment cards. The few customers who take the time to fill them out tend to fall to the extremes in customer satisfaction. They are either very happy or very unhappy. While those views contain valuable information, standard customer comment cards will not give you a lot of insight into how your typical customer feels about your business.

### Collecting the Right Data

One of the biggest problems with customer comment cards, however, is that it takes a lot of planning and work to collect the right data, analyze it and act on the insights gained. In order for the collected feedback to have any value, your company must define its goals, identify the information needed to accomplish them and establish procedures for collecting, categorizing, analyzing and acting on the information gathered.

### Using Response Cards Effectively

A well-designed data collection strategy can help you identify things your company is doing right as well as where things are going wrong. If one department in your business consistently exceeds targets, for example, you can pull up the comment cards associated with that department to see what they do differently and find a way to replicate it in other departments. Similarly, if you are losing sales, comment cards can help you pinpoint the problems that need to be addressed.

Telephone calls-It is one the most common, old and convenient ways of taking feedback.

Here are 10 of the main benefits of measuring satisfaction over the phone:

1. Quality of feedback

The level and quality of communication is better when it results from human interaction. Aside from the literal meaning of the words, lots can be learnt through tone of voice and the emotion, it conveys. A human can pick up signals and patterns more quickly and easily than will necessarily be conveyed through the data alone.

## 2. Call Recordings

Capturing a conversation on a call recording, which can be listened to and analysed after a call, gives extra clarity to the feedback provided and ensures it is properly understood.

## 3. Response Rates

As it is difficult to ignore the phone, response rates are generally much higher than those of other channels. If you need to reach a certain sample size, lower response rates from channels such as email can make this difficult.

## 4. Open Questions and Insight

Customer Satisfaction Indexes and Net Promoter Scores are useful for benchmarking but provide little insight into what issues are, or what to do about them. With open questions during a phone conversation, it is possible to identify patterns and develop a good understanding of the customer viewpoint.

## 5. Rapport

The personal nature of a phone conversation enables the caller to build rapport with a customer. An experienced agent will make the customer feel secure so they are comfortable opening up and sharing their opinions, perhaps more so than with other, less personal, approaches.

## 6. Qualitative and Quantitative

Phone research can be both qualitative and quantitative, either combined or used in a staged approach, where qualitative research identifies key areas of focus for a broader quantitative survey. A phone conversation can be scripted; presenting a set of pre-defined options for consistency or include open questions that capture insight that may not have been foreseen, or a mix of both.

## 7. Additional Value-

A phone call can provide outcomes and value, in addition to the survey's planned objectives. Additional information gleaned during the call, either as notes or through the call recording, can help with organisation and market mapping, or provide valuable competitor insight. Other outcomes such as database updates and email opt-ins can also be obtained in the same call.

## 8. Regulatory Compliance-

For industries subject to regulation, including financial services, telephone research can be particularly effective in getting the right level of feedback in the format required for legislative compliance or to meet TCF (Treating Customers Fairly) standards. Aside from the call recordings as a reference point, a bespoke framework can be established within a specialist CATI system, which provides the paper trail and capture of verbatim response often required. Call recordings also help maintain interviewer performance and allow the correct behaviors to be incentivized where standards are critical.

## 9. Targeting-

As phone research is based on data, it is easy to control and target your survey according to your priorities and required criteria. You may, for example, need to target a particular geographical area or a specific demographic group. As it is data-led, telephone research enables you to focus your efforts only where they are needed.

10. Prioritization-Whilst it is generally accepted that repeat business is more profitable, it is also true that most companies have a broad mix of customers with varying costs to acquire and maintain, depending on their profile. Pareto's principle or the 80-20 rule, suggests that on average 20% of customers provide 80% of a company's revenue.

## **Handling Guest Complaints-(Refer to Front office notes for additional information)**

The following are the steps to handle guest complaints-

1. Listen with concern and empathy.
2. Isolate the guest if possible, so that other guests won't overhear.
3. Stay calm. Don't argue with the guest.
4. Be aware of the guest's self-esteem. Show a personal interest in the problem, Try to use the guest name frequently.
5. Give the guest your undivided attention. Concentrate on the problem, no on placing blame. Do NOT Insult the guest.

6. Take notes. Writing down the key facts saves time if someone else must get involved. Also, Guest tends to slow down when they see the front desk agent trying to write down the issue.
7. Tell the guest what can be the best done. Offer choices. Don't promise the impossible, and don't exceed your authority.
8. Set an approximate time for completion of corrective actions. Be specific, but do not underestimate the amount of time it will take to resolve the problem.
9. Monitor the progress of the corrective action.
10. Follow up. Even if the complaint was resolved by someone else, contact the guest to ensure that the problem was resolved satisfactorily.