

Customer Satisfaction

Introduction:

Why Customer Satisfaction Matters



Customer satisfaction matters. It matters not only to the customer, but even more so to the business because **it directly impacts a company's bottom line profits.** Furthermore, it is one of the most important components of a company's positive brand image.

The reason for increased bottom line profitability is quite simple: it costs far less to retain a happy client than it does to find a new client. Businesses that have been successful retaining the business of their loyal clients have shown over time to consistently increase profits from their installed client base. The impact of customer loyalty is impossible to overlook. This white paper will examine not only the significance of customer satisfaction, but also some of the best practices businesses need to consider in order to accurately define, measure, and integrate this concept into actual business practice.



The Traditional Model

Market to the masses. Sell to those who come.
Service the problems that follow.

Despite its simplicity, this traditional model has effectively laid the foundation for many sales organizations – and succeeded. In fact, you would be hard pressed to find a successful sales organization without these entities – marketing, sales, and customer service – in place.

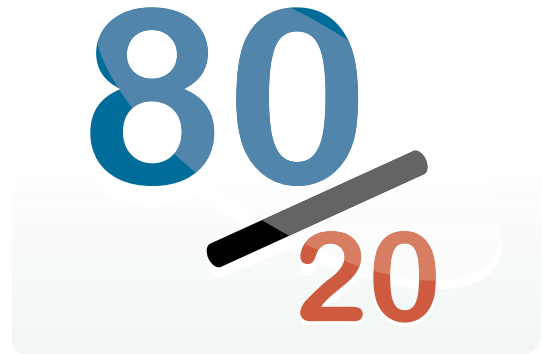
Indeed it would be naïve to assume that any “model” or “tradition” holds the secret to success, but there is incredible value in the basics. Businesses were able to effectively earn profits and maintain positive reputations for many years following this model.

Referred to many as the “marketing revolution” of the 1970s, a sudden shift toward customer oriented marketing became the newest “trend” in business – and it has held its ground since:

*Business starts with the **customer**.*

Find out what the customer wants, then produce it, then sell it. Customer oriented business philosophy, or any of its many synonymous monikers (customer-focus, customer-centrism, relationship marketing) has since gained near ubiquitous acceptance, but surprisingly, most companies are not practicing some of the most fundamental tenets of this school of thought.

Profitability and The 80/20 Rule



The 80/20 rule has been a very popular credo of business professionals in this era of customer oriented business strategy. It states that for most companies, **80% of their profitable revenue comes from just 20% of their clients.**

This highlights a very important element of customer-centric business: not only is it important to find the right customers, it is even more imperative that an organization **retains the continued business of these loyal clients.**

Understanding and fostering key relationships – relationships that create short and long-term value in customer loyalty or marketplace alliances – these are a just a few areas where surveying makes very sound if not fundamental business sense.

It is hard to ignore the profound business effect of those 80/20 relationships. Surveying is critical to the health and the vitality of those relationships and to the larger business itself.

Discovering, developing and nurturing these customers, then, is critical to the present and future success of most businesses. Identifying key customers is only one step of creating this profitable relationship; to maximize profits, companies must continuously collect ongoing data about these customers or groups. By doing so, a business can truly create one-to-one relationships with its clients and create opportunities for continued business with upsells, renewals, cross sells, and referrals.

This data is critical in laying the groundwork for a successful customer retention strategy because it allows companies to maintain

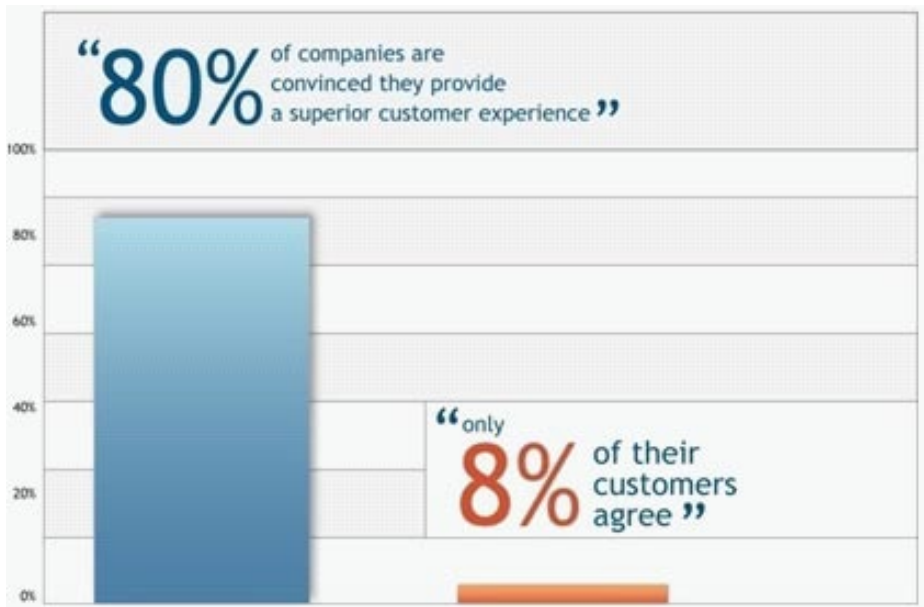
highly personalized, one-to-one, relevant communication.

Why is personalization so important? The high level reasons are obvious. Modern communications technology (email, telemarketing, television advertising) has simply created too much “white noise” or “static” in the marketing airwaves. As a result, **people have become increasingly callous to marketing messages.** Recent research

found that people are inundated with over 3,000 messages every day. Taking just office email as an example, the average U.S. office worker receives 90 to 100 messages per day in his or her inbox. Most of these emails are ignored, deleted, or dismissed. What messages *do* get read? It’s simple: the ones that matter. Messages that are personally relevant to the recipient are the ones most likely to be given due time.

Personalized communication is easier said than done. Twenty years ago, mail merge technology piqued many an unsuspecting reader’s attention with a simple “Dear [name]” header. Today, nearly every credit card application and mass email addresses the recipient by name – again, we’ve grown callous to this. The shocking fact, however, is that most of these companies still feel they are fostering high quality customer relationships.

A recent Bain research study reveals that there is clearly a **breakdown in communication between most companies and their customers:**



Simply stated, most companies are improperly measuring or defining **customer satisfaction.** These businesses continue to rest upon false laurels and suffer the consequences of lost revenue opportunities and possibly negative branding.

Customer satisfaction is in the eye of the customer. To properly measure satisfaction and to be able to effectively leverage this information to enhance profits and branding, **it is imperative that customer analysis be conducted in a manner that yields an accurate profile of each individual customer.** This includes correctly defining, then accurately measuring customer satisfaction. While there is no single universal method of doing so, there are certain best practices that are essential to aligning a business with its customers. Once an organization is able to gauge customer satisfaction, the opportunities for making profitable decisions are endless.

Step One: Defining Customer Satisfaction

The most common mistake companies make when assessing customer satisfaction is asking the wrong questions. Too many companies utilize generic questions such as:

“How satisfied are you with *Product A*?” (Very Dissatisfied, Dissatisfied, Fairly Satisfied, etc.)

Or

“Please rate your level of satisfaction with *Service B*!” (1 2 3 4 5 6 7...)

Vague questions generally elicit vague responses, and customer satisfaction surveys are no exception. The word satisfaction can mean different things to different people, subsequently diluting the accuracy of data a company receives. Satisfaction of a hotel catering service is very different than satisfaction with a computer purchase.

Furthermore, there are so many dimensions of an individual product or service, satisfaction should not be limited to one generalized construct. For example, the quality of food may have been excellent, but the portion quantities and delivery may have been under par. Companies cannot expect respondents to divide these dimensions in their head, weight them on importance, then provide an accurate aggregate rating. The hotel catering service may receive an overall rating of “75% Satisfied” but that yields little or no actionable insight; in other words, management can do little with this information to improve the business.



Once these dimensions are defined, the final data becomes much more meaningful. The “75% satisfied” now reads:

- *95% believed the food was excellent,*
- *60% thought the price was unreasonably high,*
- *79% responded that the portion sizes were too small.*

This is actionable insight – a manager can now make knowledgeable decisions to, say, find more affordable food wholesalers or to make price adjustments. **A customer satisfaction survey doesn't tell you what decisions to make, but a quality survey can give you valuable information to make quality business decisions.**

Best Practices:

1. Work backwards.

Determine what data will help you make decisions first, *then* create the questions that will accurately yield that data.

2. Be specific. Try not to use the word satisfaction if you can help it; determine what dimensions of satisfaction are meaningful to your organization and customers.

3. Be complete. If there are multiple dimensions, measure them separately. You can always do data aggregation later.

Step Two: Measuring Customer Satisfaction

Once you have defined the dimensions of satisfaction to measure, special consideration should be taken to properly measure them to yield meaningful data for analysis. Determining the appropriate scale is very important to collect accurate and significant data. For instance, when using a numeric scale (i.e., 1 to 5, 1 to 10), the range needs to be defined clearly, and should be utilized consistently throughout the survey. A 10-point range, for example, may not be appropriate when asking about one's level of satisfaction. Most respondents will not be able to distinguish the difference between a score of 3 or 4; as a result, data quality can suffer. Generally a 5 point numerical scale, or 5 or 7 point Likert scale, are accepted as effective measurement techniques for satisfaction questions.

“only ask questions that are relevant.”

Another important consideration when measuring satisfaction is to only ask questions that are relevant. Not only does it keep your survey length to a minimum (nobody likes long surveys), it also prevents the risk of mismeasurement. For instance, a customer who purchased copper piping from your website should not be asked for feedback about wordworking tools. In fact, the survey respondent should never even see the question (even with a N/A choice). The question holds the risk of being randomly answered for the sake of quickly completing the survey.

Having a system to display only appropriate questions has a double benefit of facilitating accurate responses and reducing survey length (again, nobody likes long surveys).

Transforming Customer Satisfaction Data into Business Value

Best Practices:

1. Use the appropriate scale for each question type. Satisfaction scales work best when limited to 5 point numerical ranges or 5 to 7 point Likert scales.
2. Ask only relevant questions. Use a logical routing, or pathing, method to only display questions that are pertinent to the respondent in question.
3. Keep it short and simple. Shorter surveys reduce survey fatigue, and increase the accuracy of data by allowing respondents to thoughtfully answer the questions. Typically, respondents should be able to complete an entire survey within 8-12 minutes.



As mentioned previously, measurements and data are little more than subjective insights unless they are part of an actual business plan for action. Successful companies recognize this fact and do not survey simply to get a feel for “how we’re doing.” Rather, the customer satisfaction survey is an integral component of one or many processes

that directly impact a company’s bottom line. Satisfaction survey data can establish valuable benchmarks for production, pricing, and many other critical business processes that affect profitability, performance, and a company’s brand / corporate image.

“a company may be able to greatly increase profits by focusing efforts on installed base marketing”

Using customer satisfaction surveys to pinpoint the likes and dislikes of a company's "top 20" customer base can reveal valuable insight.

By having a robust database of customer analysis data, a sales organization can, for instance, determine the best strategies for maximizing marketing and sales results. For example, if a company's "best" customers show significant affinity for a certain product, or if they are from a certain geographic area, an organization can ramp up marketing efforts for that product or that territory. Recall the aforementioned 80/20 rule. **With this in mind**, a company may be able to greatly increase profits by focusing efforts on installed base marketing – **cross sells, upsells, renewals.**

Accordingly, this organization can also determine which products should be discontinued or what territories should receive less advertising budgets. In either case, customer satisfaction data enables businesses to make informed decisions that can greatly increase profits.

Customer satisfaction surveys can provide extremely useful data to sales executives, who usually have little more than a company profile and company information when making calls and visits. When a sales organization can effectively implement a complete customer satisfaction program, the results of this analysis can be excellent tools for "warming" a cold call, or sending relevant sales materials and messaging to prospects. By analyzing buying trends and establishing associations between different data points, a sales force can approach their leads very tactically. For example, if a company discovers a significant correlation between customer satisfaction data and a specific industry vertical, a

sales manager can focus more call time and lead generation resources toward that niche.

Customer satisfaction surveys are also invaluable in effectively budgeting for production and development of products. It enables a business to avoid spending time and resources fixing trivial mistakes, or developing unnecessary enhancements. Most product managers recognize the value of customer feedback when gathering requirements. The problem, again, is effectively collecting accurate and sufficient response data. Using the proper methodology in managing customer satisfaction feedback is essential to provide product developers with accurate information to continuously produce quality products that customers want.

Customer Satisfaction Survey Best Practices and Tips

Here are a few customer satisfaction facts that businesses should consider:

- Increasing loyalty and customer retention by just 5% can increase profits by 75%
- Most dissatisfied customers will eventually tell 9 other people about their problem.
 - Only 4% of dissatisfied customers actually complain to the company.
- Satisfied customers, on the other hand, tell 5-6 other people about their positive experience.

Managing dissatisfaction, then, is a critical consideration in planning a customer satisfaction and retention marketing program.

Best Practices in Customer Satisfaction Management

1. Use automated notifications to alert the appropriate managers of potential problems. Triggered alerts in real time can help prevent a problem from elevating.
2. Maintain a robust database of the customer knowledge and transactional history in order to provide personalized follow-up. No customer wants to explain their problem more than once.

Use the Correct Technology to Make the Survey Process Efficient

Many companies can provide a range of services to assist with the implementation of a customer satisfaction program. Choosing the right supplier is crucial to ensuring that such an initiative be carried out with business value objectives in primary focus. A quality survey solution should be able to streamline the integration of many of the aforementioned best practices into your current business processes. Some things to look for:

- An actual **database** of customer knowledge that dynamically serves as a central repository for all your customer information (survey history, transactional history, etc.)
- Real time email alerts to address customer issues immediately
- Question scoring to use variable weighting on different dimensions of customer satisfaction
- An easy to use interface with a manageable learning curve

- Pre-survey consultation with real consultants and survey experts—not just software—that will ensure your deployment is on the right track

About Cvent

Cvent delivers the commercial-grade survey software solutions and services organizations need to cost-efficiently implement a superior customer satisfaction survey program. Established in 1999, Cvent is the largest strategic meetings management and site selection company in the U.S., with over 400 employees worldwide. More than 10,000 professionals use Cvent per year to create over 100,000 surveys, events, and marketing campaigns. Cvent's users have sent over 175 million invitations and have processed over 5 million registrations and survey responses. Over \$20 million in research and development has been invested into Cvent's proven technology solution and services.

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