



When Satisfied Customers Aren't Loyal Ones

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Increased Focus on Customer Satisfaction

A recent MAPI survey asked member CEOs and division leaders to rank a list of 13 metrics by their value in 2010. Members told us that they expect customer satisfaction to be the single most valuable metric for measuring the health of their businesses, beating out demand forecast accuracy, on time delivery, flow through, ROIC, etc. In fact, nearly half of respondents indicated that customer satisfaction will be more important in 2010 than it was in 2009, which was already an unprecedented year for protecting the “core.”

How Meaningful Is Satisfaction?

Getting data around customer satisfaction is relatively simple. At many companies, the market research team assembles a set of questions, most likely based on those from your most recent customer satisfaction survey. A few modifications are made, to ask about new products or services that have since been launched. A web survey is then deployed to the contacts in your CRM database. A few months later, the results are in and you begin crunching numbers. After some analysis, you proudly tell your CEO that 82 percent of your customers are satisfied or very satisfied, up from 69 percent in 2006.

This is good news, right? Not necessarily. Customer satisfaction is not the same as customer loyalty, and it does not do a great job predicting desired behaviors such as repurchasing. Some interesting data points include:

- As many as 80 percent of lost customers report being satisfied or very satisfied before promptly defecting to a competitor.
- One telecommunications company noted that a customer's willingness to recommend the firm precipitously drops the longer (*in seconds!*) that it takes a customer service representative to answer a service call.¹
- Ninety percent of a particular automaker's customers say they are satisfied, but only 40 percent will actually repurchase from that manufacturer.²
- Happy employees do not necessarily make for happy customers. One study found, in fact, that the variables that increased customer satisfaction actually *decreased* employee happiness!³

Making Satisfaction Data Actionable

This is not to say that there are no connections to be made between satisfied customers and a successful business. For example, the American Customer Satisfaction Index (ACSI), which tracks consumer satisfaction with household goods and services, suggests that customer satisfaction performance can be correlated to stock price. Companies whose ACSI scores improved in 2009 saw their

stock prices increase by 75 percent, while companies with declining ACSI scores saw a stock lift of only 22 percent.⁴

Further, there are several alternative methodologies in the marketplace (such as the Net Promoter Score® or Customer Effort Score®) that seek to make customer insights more actionable. While not wholly discarding satisfaction, these approaches focus on customer loyalty, how easy it is to do business with a given company, and the customer's willingness to recommend a company. But these methodologies are not without their detractors. For example, several have criticized the Net Promoter Score for being overly simplistic (it consists of one question, “How likely are you to recommend my company?”). Clearly, there is no one-size-fits-all approach, but for companies frustrated with their existing customer satisfaction surveys, there are alternatives.

Current Practice in Our Membership

To help members navigate these uncertain waters, the MAPI Marketing Council conducted a survey looking at how frequently members conduct customer studies, how those studies are resourced, and what challenges they have encountered. According to our results:

- Sixty-two percent of respondents have conducted a customer satisfaction survey within the previous 12 months.
- Thirty-nine percent have conducted a customer loyalty study within the previous 12 months.
- Forty-four percent of respondents have been able to tie customer satisfaction or loyalty scores to business results, but most members (even those armed with several years of data) have found this to be a major challenge.
- The top obstacles to measuring customer satisfaction and loyalty are tying the scores back to business results, having internal agreement on what to measure, and overcoming organizational complexity.

Across almost all respondents, making that critical connection between customer satisfaction scores and business results (especially repurchase behavior) is their greatest challenge. In the words of one marketing executive, “We would like to see a connection, but at this point after four years of data, we have not seen a tie to results.”

Some Best Practices

Several best practices for collecting and acting on customer satisfaction data can be found in the recent MAPI survey as well as the general literature. Tactics include:

- If you do not have the internal expertise, contract with a reputable third party to help develop and/or deploy the survey. Survey writing is a science and should be done by professionals.
- Thoughtfully develop a set of questions, and then use them repeatedly to collect trend data.
- Collect data on customer lifetime value.

¹ Adam Braff and John C. DeVine, “[Maintaining The Customer Experience](#),” *McKinsey Quarterly*, (December 2008).

² Frederick F. Reichheld, “[Learning from Customer Defections](#),” *Harvard Business Review*, (March-April 1996), or Thomas O. Jones and W. Earl Sasser, Jr., “[Why Satisfied Customers Defect](#),” *Harvard Business Review*, (November-December 1995).

³ Rosa Chun and Gary Davies, “[Employee Happiness Isn't Enough to Satisfy Customers](#),” *Harvard Business Review*, (April 2009).

⁴ Press Release: [Customer Satisfaction Resilient—Essential for Economic Recovery According to ACSI](#), Business Wire, February 16, 2010.

- Collect multiple inputs from each company: engineer, purchasing agent, operations, etc.
- For companies farther back in the supply chain, survey multiple customer segments (your customer, your customer's customer, distribution partners, etc.)
- Do not assume that customer satisfaction and customer loyalty are one and the same.

- Conduct regular meetings with customers to review satisfaction metrics.

While customer satisfaction data can be especially helpful to compare trends over time or differences between competitors, it is just one piece of the much larger puzzle of customer loyalty and repurchase behavior.