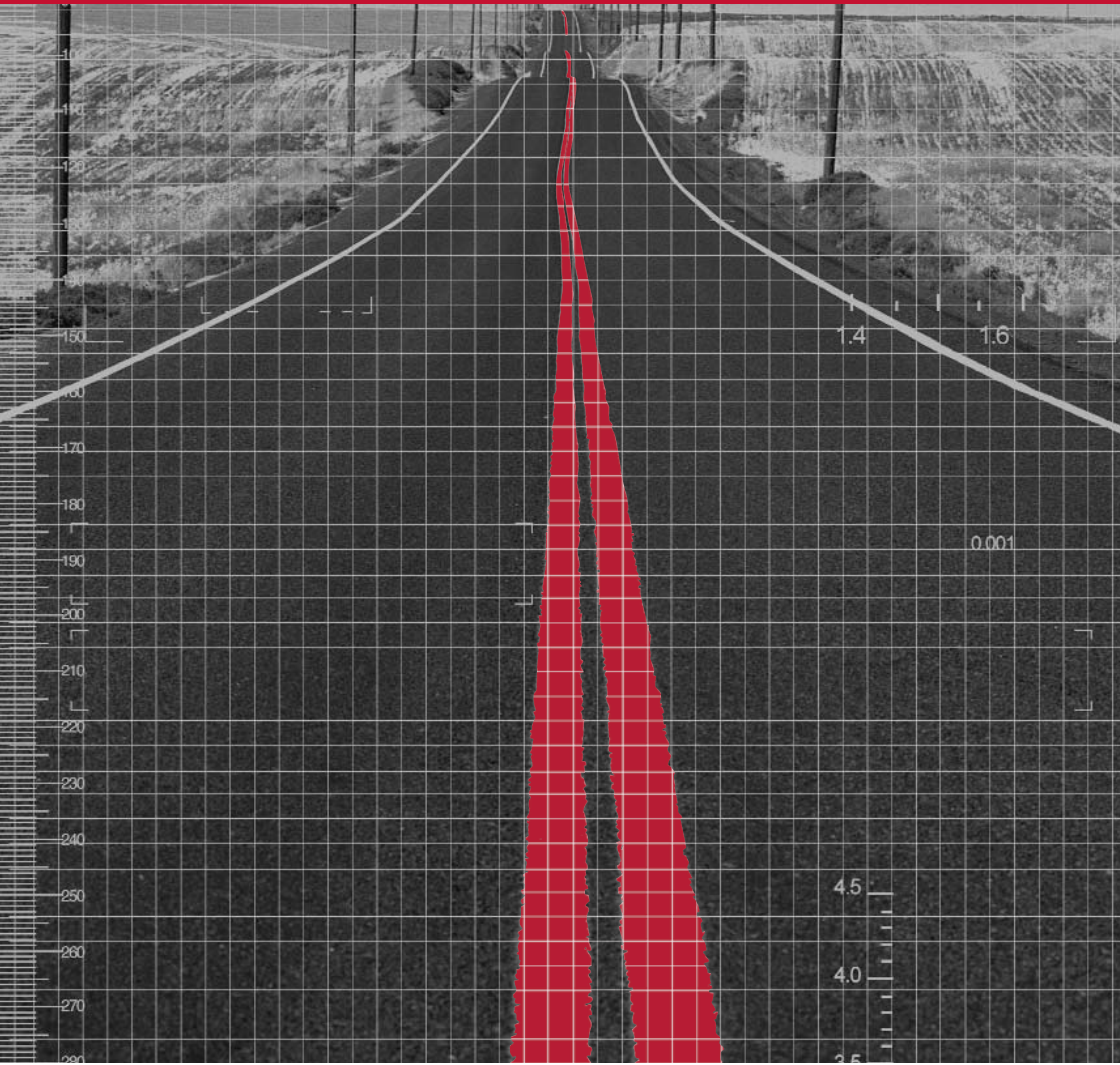


The Guide to Customer Satisfaction Measurement



About The Leadership Factor

The Leadership Factor Ltd is an international research company specialising in satisfaction and loyalty measurement. As well as conducting surveys for many blue chip companies, The Leadership Factor is the world's leading provider of education and training on customer satisfaction measurement. Seminars are run in 10 countries around the world and thousands of companies have attended. In addition to this guide, The Leadership Factor's consultants have written three books on customer satisfaction measurement. They are:

'Customer Satisfaction Measurement for ISO 9000:2000 (Butterworth Heinemann/IQA)
'The Handbook of Customer Satisfaction and Loyalty Measurement' (Gower)
'How to Measure Customer Satisfaction' (Gower)

The Leadership Factor's one-day seminars are run across the country and throughout the year. All seminars cost £295 (excluding VAT) with the exception of **Return on Satisfaction, Analysing and Reporting Customer Satisfaction Data** and **Customer Satisfaction 2: Advanced Techniques** which cost £325 (excluding VAT).

- Customer Satisfaction Measurement
- Analysing and Reporting Customer Satisfaction Data
- Improving Customer Satisfaction
- Customer Satisfaction 2: Advanced Techniques
- Improving Employee Satisfaction
- Advanced Customer Satisfaction Measurement
- Questionnaire Design
- Facilitating Focus Groups
- Return on Satisfaction - Modelling the benefits of investing in customers
- Customer Loyalty

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The guide to Customer
Satisfaction
Measurement

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I. Why measure customer satisfaction?

Organisations must meet the needs of their stakeholders. For most organisations, customers form the primary stakeholder group. Unless their requirements are met, the needs of shareholders, employees and other stakeholders will eventually become irrelevant.

The Value Profit Chain, illustrated in the diagram below, provides us with an organising concept that defines the relationship between the needs of key stakeholders.



Customer value perceptions are best assessed by means of customer satisfaction surveys that are:

- **Robust**
Methodologically sound
- **Relevant**
Based on what customers think is important
- **Representative**
Conducted with a reliable sample of customers
- **Regular**
Updated at least annually and possibly tracked

But surely all this measurement activity is expensive? Perhaps, but the rewards for doing it well will be well worth it. Why is customer satisfaction so important? In the first section of this Guide we will explain:

- Why loyal customers are more profitable
- How customer satisfaction drives loyalty
- Why measuring customer satisfaction is essential, though not an end in itself

1.1 Keeping customers is profitable

Ever since the American Consumer Association announced in the late 1980s that it was five times more expensive to win a new customer than to keep an existing one, organisations have become very interested in the economics of customer retention. Many case studies have confirmed this view. MBNA rose from the 38th largest bankcard supplier in the USA in 1982 to the 2nd largest by the late 1990s due to superior customer retention and more selective customer acquisition. MBNA selects its new customers very carefully and keeps them for much longer than other credit card companies. It measures customer satisfaction continually and pays staff a proportion of profit as a bonus for each day of the year that its customer satisfaction measure is above target.

Some companies make the value of customer retention more tangible by calculating and promoting to employees a customer lifetime value figure based on how much typical customers spend and how long they stay with the business. The most famous early example of customer lifetime value was provided by Domino Pizza where Phil Bressler came up with a figure of \$4,000 as the lifetime value of a typical customer. He encouraged his employees to think of customers as worth \$4,000 when delivering an \$8 pizza.

Carl Sewell considered that the lifetime value of a typical customer of his Cadillac dealership was \$332,000 and encouraged employees to suggest ways of enhancing service levels to recognise such high value customers. Initiatives implemented included painting the workshop floor white and mopping it every time a car was driven over it to keep it spotless. Customers, who were also invited into the workshop to meet the mechanic who had worked on their car, would hopefully think that if they took so much care over the floor, they must be really thorough with the car.

Keeping customers paid very handsomely for MBNA, Domino Pizza and Sewell Cadillac. It also pays for other organisations. In his book, 'The Loyalty Effect', Frederick Reichheld demonstrates the value of customer retention across several very diverse industries whose customer loyalty economics he studied in depth. Figure 2 shows the impact of a 5 percentage point increase in customer retention rate on customer net present value across a range of business sectors.

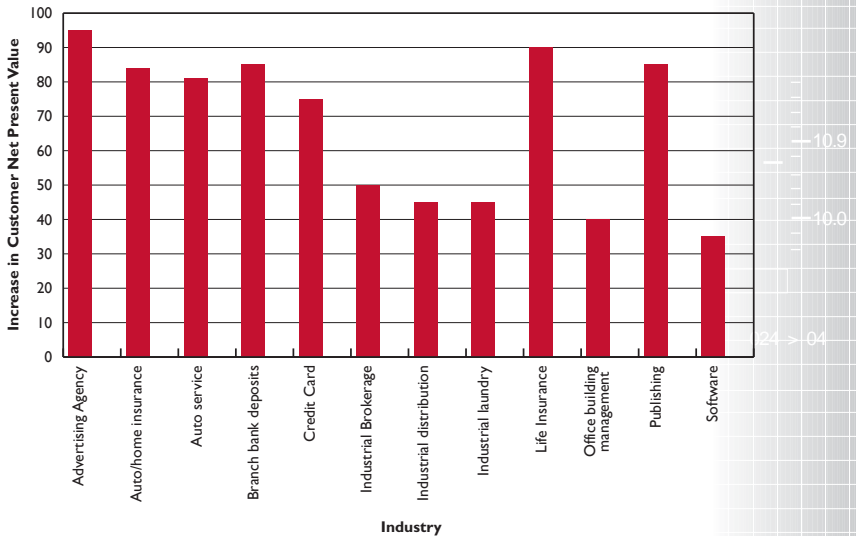


Figure 2: The value of customer retention (Source, 'The Loyalty Effect' by Frederick Reichheld, Harvard University Press)

Reichheld went on to demonstrate why customers become more profitable as organizations keep them longer: Figure 3 shows that a significant profit increase is generated because customers buy more as they get to know and trust your organization. As you get to know each other, the cost of servicing customers decreases. New customers need more help, make more enquiries, complain more and return goods more. Over time they are more likely to buy mainstream products or services that you recommend and, because they have developed accurate expectations about what will be provided, are more likely to be satisfied with the outcome. If they are satisfied, or even better delighted, they will recommend your organization to others. New referral customers are highly profitable because you didn't have to invest marketing budget to get them and, since your existing good customers tend to recommend people like themselves, they usually end up being good customers who are well suited to your organization. Finally, loyal customers will usually pay a small price premium (estimated at 9% on average) because they have become convinced of the value provided by your organization. Harvard Business School has coined the phrase 'the three Rs' (retention, related sales and referrals) to summarize the value of keeping customers.

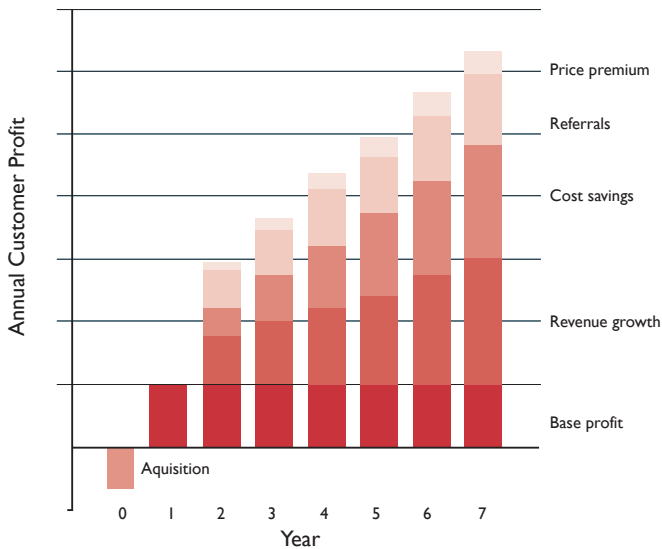


Figure 3: Why loyal customers are more profitable (Source, 'The Loyalty Effect').

1.2 Satisfied customers are more likely to stay

There is growing evidence of the link that we all intuitively know to exist between customer satisfaction and loyalty. Not surprisingly, many companies have discovered that there is a strong correlation between satisfaction and loyalty only at the highest levels of customer satisfaction. The chart overleaf, which has been corroborated by companies such as AT&T, Rank Xerox and The Royal Bank of Scotland, shows that on average 95% of customers scoring '10/10', 'excellent' or 'very satisfied' (so-called top box scores) subsequently remain loyal compared with only 65% who score '8/10', 'good' or 'satisfied'. Not surprisingly the loyalty rate then plummets even more dramatically to 15% for 'average', middle box scores, and soon tails away to very low or zero loyalty levels for dissatisfied customers. This explains why many organisations that are experienced in customer satisfaction measurement say that only 'top box' scores can be regarded as an acceptable level of performance.

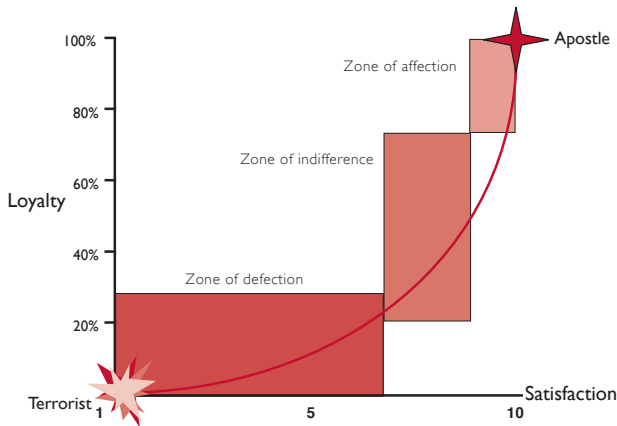


Figure 4: Satisfaction - loyalty links (Source, 'The Service-Profit Chain' by James L Heskett, W Earl Sasser Jr, and Leonard A Schlesinger; Free Press.)

Some companies have put numbers against the value of customer satisfaction. IBM calculated that each 1% rise in its customer satisfaction index was worth \$500 million in additional sales over the following five years. Toyota demonstrated a clear difference in financial performance between its dealers who were most and least successful in satisfying customers. Figure 5 shows the far superior financial performance of the dealerships with the most satisfied customers.

	Top dealers on Customer Satisfaction	Bottom dealers on Customer Satisfaction	Difference	Gain
Net profit	\$102,158	\$69,693	\$32,465	47% better
Net profit as % of total sales	1.61%	0.89%	0.72%	81% better
Net profit per employee	\$1761	\$1056	\$705	67% better
New vehicle selling expense: % total new vehicle sales	4.72%	5.09%	0.37%	7.3% better
Net profit as % gross profit	12.12%	6.97%	5.15%	74% better
Salesperson turnover	23.6%	41.2%	17.6%	43% better
Advertising	\$79,032	\$112,858	\$33,826	30% lower

Figure 5: The benefits of customer satisfaction at Toyota. (Source, Toyota Motor Sales, USA)

1.3 You can't manage what you don't measure

Customer loyalty and corporate profitability are maximized in the long run by satisfying customers. Customer satisfaction is based on meeting or exceeding customers' requirements. To achieve this you have to organize the business to 'do best what matters most to customers'. Only an objective and robust customer satisfaction measurement programme will provide the information you need to maximize the beneficial financial effects of having satisfied and loyal customers. Customer satisfaction measurement will enable you to:

- Accurately identify customers' requirements and their relative importance.
- Understand how customers perceive your organization and whether your performance meets their requirements.
- Identify PFIs (priorities for improvement) - areas where improvements in performance will produce the greatest gain in customer satisfaction.
- Pinpoint 'understanding gaps' where your own staff have a misunderstanding of customers' priorities or their ability to meet customers' needs.
- Set goals for service improvement and monitor progress against a customer satisfaction index.
- Increase profits through improved customer loyalty and retention.

Whilst a CSM survey can deliver very accurate data on customers' level of satisfaction and can highlight the areas where customers are least happy, it can't solve the problems, improve the service and increase customer satisfaction. That relies on decisions, action and a lot of hard work. In our work with clients we have seen a huge gulf between the most and least customer focused organisations both in terms of their speed of reaction to CSM results and the effectiveness of actions taken. CSM is one element in a cycle of measurement, feedback & improvement summarised in section 1.4.

I.4 CSM - an overview

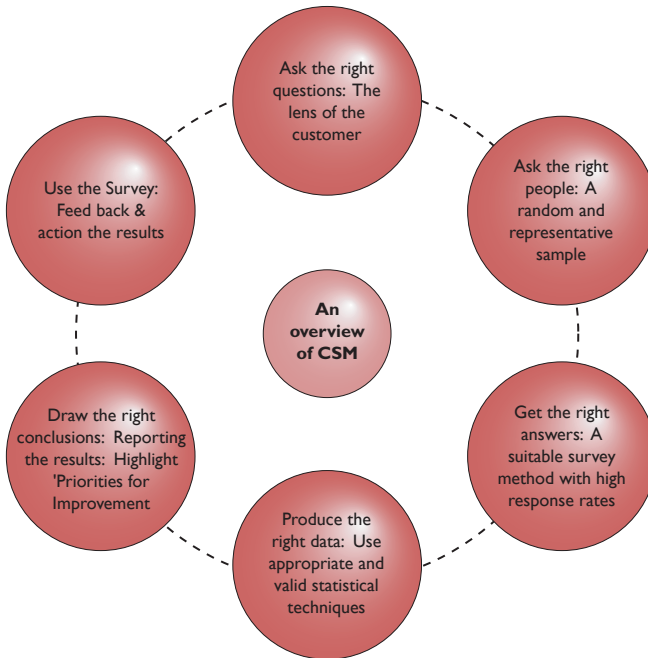


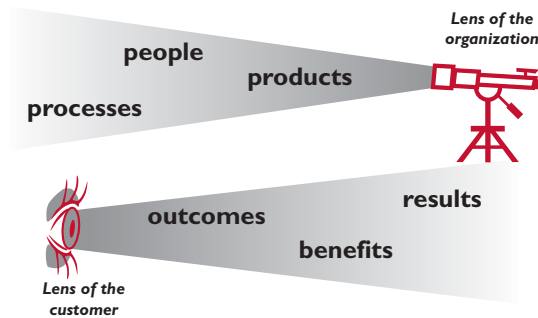
Figure 6: An overview of CSM

Many organizations conduct worthless customer surveys, using flawed methodologies to produce inaccurate measures of customer satisfaction. Whether you do your own surveys in house or use an external agency, if you follow the advice in this guide you will be using a tried and tested CSM methodology, validated by over two decades of CSM research worldwide. It will provide an accurate and robust measure of how satisfied your customers feel and a clear indication of where you need to focus your efforts to improve satisfaction.

This guide provides an overview of the fundamentals of CSM and will help you to decide on the best way forward for your organization.

2. The lens of the customer

The starting point for a CSM survey is to ask the right questions. Many organizations design questionnaires based on what people inside the organization think is important to customers. This type of questionnaire is often easy to action, as it tends to cover issues that the company already focuses on. However it may not measure customer satisfaction if customers' judgements are based on other factors. These different ways of thinking have been described by the University of Michigan as the 'lens of the organization' and the 'lens of the customer'. For an accurate measure you have to make sure that you are accessing the lens of the customer.



In order to establish the lens of the customer you need to identify the factors that determine customers' evaluation of an organization like yours. This is done through exploratory research. Typically the techniques used are focus groups (in a consumer environment) or individual depth interviews (in a business-to-business market). These 'qualitative' research techniques are designed to thoroughly explore customers' motivations and priorities.

2.1 Depth interviews

These usually consist of individual face-to-face interviews of about 30-90 minutes, depending on the complexity of the customer-supplier relationship. Around 12 interviews would be sufficient for most markets, but more may be required with a very heterogeneous customer base. You should interview a sample judged to be representative of all parts of your customer base and every level of the DMU (decision making unit).

An interview would often start by asking the customer to imagine that they had no supplier of [widgets] and describe the sequence of events from the first suggestion that a supplier was needed to the selection and then evaluation of a supplier. This should cover who is involved at every stage, what role they play and what things they are looking for from the supplier. From this discussion a

list of (neutrally worded) requirements should be generated and then scored in order to assess their relative importance. The 15 or 20 most important requirements across all respondents would typically be included on the questionnaire for the main survey, as this will cover customer priorities without being too lengthy.

2.2 Focus Groups

These are group discussions with about 6-8 people lasting around 90 minutes. Four groups are usually enough, but again this depends on the homogeneity of your customer base. Recruitment is a key area, and crucial aspects of this include a personal invitation (with a reminder the day before the focus group) and offering an incentive (£25 on average). The venue should be easy to get to and feel comfortable to respondents.

The first half of the group should be an open discussion using a variety of projective techniques and stimuli (such as theme boards). Past instances of particularly good or poor performance are often a good way to get respondents talking about what's important to them. The second half of the group should be more structured, asking the respondents to help generate and then individually score a list of requirements for relative importance. Again the 15 or 20 most important requirements as judged by all respondents should be carried forward to the main survey.

Once you have established the factors that are the most important for customers you can move on to design your main questionnaire in the knowledge that it will be an accurate measure of your customers' feelings.

3. Questionnaire design

Customer questionnaires frequently contain mistakes that will jeopardise the accuracy of your measure. Common pitfalls include:

- Unbalanced scales - "Very good - Good - Average - Poor"
These inevitably bias responses.
- Leading questions - "The service was friendly"
Frequently seen with the Likert Agree-Disagree scale, these also tend to bias responses.
- Double-barrelled questions - "The staff were friendly and helpful"
Confusing for the respondent - what is being scored?
Difficult to action - which aspect is the problem?

Three other crucial questionnaire design decisions are what to measure, the length of the questionnaire and the choice of rating scale.

3.1 Measure importance as well as satisfaction

Customer satisfaction is a relative judgement, based on the extent to which customers feel their requirements have been met. Just measuring satisfaction therefore produces only half the picture. To fully understand how satisfied your customers feel you must measure both sides of the equation:

- An importance score to understand the relative importance of customers' requirements
- A satisfaction score to reveal customers' perceptions of your performance.

3.2 Length of questionnaire

50 questions is the maximum number that you can reasonably expect customers to answer whether they take part in a telephone interview or fill in a self-completion questionnaire. Since each customer requirement must be scored for importance as well as satisfaction, 25 customer requirements will generate 50 questions. Avoid asking too many additional questions about unconnected issues, but you may want to ask a few, plus some classification questions. A good formula is therefore 20 customer requirements (generated by exploratory research) with up to 10 questions covering additional issues and respondent classification. It's better to have a longer, but uncluttered questionnaire. For example choose a widely-spaced A3 questionnaire over a cramped A4 one.

3.3 Rating scale

Your first decision is type of scale to use - numerical or verbal? Numerical scales (with only the endpoints anchored) are preferred as they can be more validly used for a variety of statistical analyses. Verbal scales are sometimes chosen because they are easily understood by respondents, but it is not valid to produce mean scores from these as they can only be considered to have ordinal properties (the points are not considered to be equidistant, they can only be ranked).

The number of scale points to use is dependent on a balance between sensitivity of the scale and ease of use for respondents. The consensus is that using fewer than five points is throwing away information while more than ten or eleven points is confusing for respondents. The ten-point numerical scale is advantageous because it is very sensitive to small changes while being easy to use because of its familiarity (for example in grading homework at school).

Advantages of the 10 point numerical scale

1. This is the most suitable scale for advanced statistical analysis since it maximizes response variance.
2. Verbal scales have only categorical or ordinal properties, severely restricting the choice of statistically valid analytical techniques.
3. Ten points are better than five because they allow more choices (which respondents prefer) and can track smaller changes in performance. Fewer scale points give a blunter measurement tool.
4. Only the numerical scale is appropriate for all methods of data collection (see Section 6) and is consequently most suitable for benchmarking against other organisations.
5. The American Customer Satisfaction Index uses a ten point numerical scale. Sponsored by the American Society for Quality (ASQ), it is run by the University of Michigan which is widely recognised as the leading worldwide academic centre of excellence in customer satisfaction measurement.

4 Sampling

To get an accurate measure of customer satisfaction, you must have a 'robust' sample. This will depend on three factors:

- A sufficiently large sample
- A random sample
- A representative sample

Sampling is an area that can be remarkably complex if you choose to make it so. This section provides a brief overview of some of the most important things you'll need to understand before undertaking a survey.

4.1 Sample size and reliability

First of all, to set aside a common myth, the reliability of a sample does not depend predominantly on what percentage of the population it is, but on the absolute number of respondents. This is basically because what we're countering is the possibility that we could have come across a sample that was part of an extreme. The chart shows the 95% confidence interval (the range above and below the sample score that we are 95% certain the population score will fall into) for various sample sizes assuming a standard deviation of 1.5 on a ten point scale (which is typical on customer satisfaction surveys). Beneath this technical information is the truth that we're interested in - the law of diminishing returns applies. In other words, above about 500 there is very little to be gained by increasing the sample size. A sample of 200 respondents will be adequate for most organisations. Below 100, samples become rapidly more unreliable.

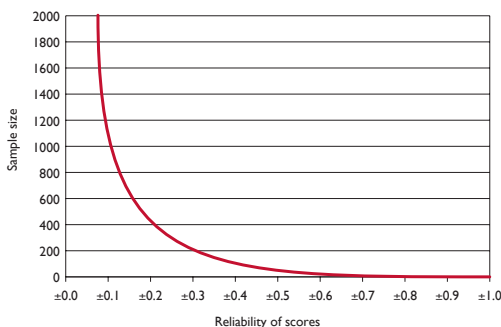


Figure 8: Sample size and reliability
- diminishing returns

Whether you have a customer base of 1,000 or 500,000 a sample of 500 will provide an equally reliable result. Normally the deciding factor will be the level to which you want to drill down into the data. A minimum sample size of 50 is recommended for segment reporting.

4.2 Random sampling

How do you decide which customers to include? Ideally the technique to use is random sampling, since it is only random or 'probability' sampling that will guarantee an unbiased result. In practical terms it consists of dividing your population by the sample size you want. For example if you had 2,000 customers and you wanted a sample of 200 (i.e. 1 in 10 customers) you would select every 10th customer from a random starting point (e.g. 2nd, 12th, 22nd...) for interview. This way your sample is totally unbiased. If human beings start to interfere with the sampling process (excluding certain customers for subjective reasons) you will end up with a biased and unreliable result.

4.3 A representative sample

In principle, a representative sample is a simple concept. If 24% of your customers are in Scotland, 24% of your sample should be Scottish. This is easily achieved by sorting your customer database into appropriate categories (e.g. first by region then by age then by gender) before sampling every nth customer. In business-to-business markets, however, a representative sample requires customers to be included in proportion to their value. To achieve this your customer list must first be sorted in order of account value then, typically, be divided into three strata - large, medium and small accounts. You can then sample randomly within each group. You would typically survey a census of your large accounts (often with more than one contact from each if large customers represent a very high proportion of your business), a large sample of medium value customers and a small sample of low value accounts. This will ensure that your sample is representative and the survey covers a large proportion of your business.

5. Data collection

There are three methods of surveying customers. The pros and cons of each are discussed below.

5.1 Face to face interviews

Advantages

- Easier to build rapport.
- Easier to achieve respondent understanding, so more complex questions can be used.
- Visual prompts can be used (e.g. cards showing range of responses).
- Can be cost effective with a captive audience (e.g. passengers on a train).
- A good deal of qualitative information can be obtained because of the level of rapport.
- In some situations (e.g. in people's home or workplace) interviews can be quite long.

Disadvantages

- Usually the most costly data collection option.
- In a business-to-business market you need high-calibre 'executive' interviewers.
- High cost of travel if customers are located in a wide geographic area.
- There is a tendency for respondents to try to avoid giving offence (for example by giving low satisfaction scores), so they may be less frank. This is a particular problem if the interviewer is from the organisation conducting the survey.

5.2 Telephone interviews

Advantages

- Usually the quickest controllable way of gathering data.
- Relatively low cost, especially compared to face to face interviews.
- Two-way communication means risk of respondent misunderstanding still low.
- Qualitative information can be gathered (e.g. customers can be probed for reasons behind low scores).
- High response rates can be achieved.

Disadvantages

- Interviews have to be short (c.10 mins. for consumers at home, c.15 mins. for a business interview during the day).
- Questions have to be quite short and straightforward.
- It can be difficult to get hold of respondents - multiple call-backs are inevitable.
- Telephone surveys require skilled interviewers. As with face to face interviews business markets need 'executive' level interviewers.

5.3 Self-completion questionnaires

These are usually administered in the form of a postal survey, but other methods such as email, point of sale, fax or web surveys can be used.

Advantages

- Usually the cheapest method of data collection, although hidden costs such as handling and printing boost the real cost. Web surveys are very cheap.
- There is no risk of interviewer bias.
- Most respondents see a self-completion questionnaire as the least intrusive way of being surveyed.
- Anonymity is easier to guarantee on self-completion questionnaires, though this can be compromised by anything that looks like an individual code. Many people mistrust the anonymity of web and email surveys.
- Self-completion questionnaires are ideally suited to surveys of internal customers. They are low cost and it is easier to implement measures to ensure a good response rate, e.g. collecting questionnaires back.
- For similar reasons, self-completion questionnaires are also good at the point of sale immediately after the 'customer experience'.

Disadvantages

- Postal surveys are very slow. Without a clear deadline for responses, some questionnaires will come back weeks after they were mailed out.
- Response rates tend to be low, sometimes less than 10%.
- Questionnaires have to be short.
- Questions have to be simple. People will tend to make a quick judgement about the time it will take to complete a questionnaire, based on a combination of the questionnaire's length and perceived difficulty.
- Questions cannot be explained to respondents.
- You lose control over the way questionnaires are filled in, and who they are filled in by.
- The main problem is that samples can be unrepresentative. It has been demonstrated that self-completion surveys suffer from 'non-response bias', meaning that responses tend to come mostly from people with extreme opinions.

On balance, self-completion questionnaires will be very cost-effective only if a good response rate can be achieved. This will depend on the level of involvement that your customers have with your organization - will they feel strongly enough about their relationship with you to spend time filling in a questionnaire? Only organizations with a large customer base will be able to guarantee a sufficient number of responses from a postal survey. For most organisations that are not in a particularly high involvement product area, and don't have a large customer base, telephone interviews are the most cost-effective option. They also provide a wealth of qualitative information that postal surveys cannot.

6 Data entry

Data can be entered in a number of ways:

Manually

- Very time intensive and expensive for more than a few questionnaires
- Subject to errors - needs to be verified
- A specialist package such as Snap/Keypoint is recommended.

By scanner

- Very fast
- More reliable than manual entry, but no 'intelligence' applied
- Expensive to buy equipment and software (£5,000-£30,000).

By outsourcing to a data entry firm

- Cost-effective for large amounts of data
- Likely to be faster than processing internally
- Results require verifying unless double entered.

7. Data analysis

7.1 Software

Only very advanced statistical analyses require software more specialized than a spreadsheet package such as Microsoft Excel or OpenOffice.org. A specialist package such as STATISTICA, SAS or SPSS will make standard analyses much easier and quicker; and offer more in the long run. However, investment (buying and learning) in specialist software will be justifiable only for those conducting large-scale surveys frequently.

7.2 Data types

- Nominal - categories that label responses but do not place them in any logical order (e.g. Male/Female).
- Ordinal - Categories that have a natural ordering (e.g. Very likely/Quite likely etc).
- Interval - Scale responses have equal spacing, usually on a numerical scale.

7.3 Averages

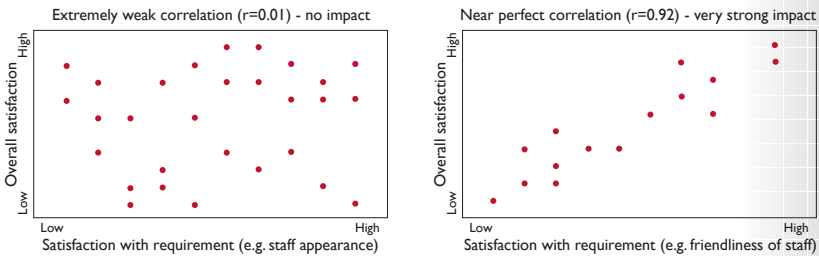
There are three types of average, with differing properties and suitable for different types of data:

- Mode - the most commonly occurring response, can be used with all data types.
- Median - the central response, can be used with ordinal but not nominal data.
- Mean - the most common average - the sum divided by the number of responses, can only be used with interval data.

For a survey conducted using the ten-point numerical scale a mean is the most appropriate figure. Means should always be reported with the Standard Deviation (which can be thought of as the average distance that data points are away from the mean) as it gives valuable information about the variety of responses. For example you could have an average satisfaction score of 7.5 out of 10 for a specific attribute such as 'helpfulness of staff'. However it is possible that whilst most respondents are very satisfied (scoring 8, 9 or 10) some are highly dissatisfied (scoring below 5). If so you would need to understand what types of customers are dissatisfied, with the aim of addressing their concerns. For example, you might find that elderly customers are less satisfied with staff helpfulness because they need or expect more help. It is the standard deviation that would highlight the wide variety of views behind that average score for staff helpfulness. On a ten point scale, a standard deviation above two indicates a wide diversity of opinion and should be investigated.

7.4 Correlation

Correlation is a measure of association between two variables - if one goes up does the other go up? For instance, temperature is correlated with sales of ice cream. It allows us to identify links between variables and measure the strength of the relationship. In satisfaction data analysing the correlations between each satisfaction item and overall satisfaction enables us to draw conclusions about which items are having the highest impact on overall satisfaction - how variations in performance on each requirement cause overall satisfaction to vary. The correlation coefficient that such an analysis provides is in the range -1 to +1, where -1 is a perfect negative relationship and +1 is a positive relationship. 0 indicates that there is no relationship at all. For satisfaction data we would only expect values in the range 0 to +1.



Based on the two examples, it is clear that staff appearance has no impact on customers' overall satisfaction whereas friendliness of staff makes a large impact.

7.5 Comment coding

Comments provide a depth of understanding about the results of the survey. An aid to reporting these is to group the comments into categories. The categories used should be specific enough to be of some use while not being so specific that there only one or two comments in each group. (see section 8.2 for an example)

7.6 Indices

The use of indices is standard practice in state-of-the-art modelling, and brings advantages to any survey. All survey measures consist of two components - the true information and error. Combining a number of measures into a single index increases the proportion of true score to error, and provides a better picture of the true score, the common element in each measure.

A Customer Satisfaction Index is the best single measure of how satisfied your customers are overall, in relation to what matters most to them. To calculate a Satisfaction Index you need to combine your importance and satisfaction scores to produce a weighted average score, usually presented as a percentage of the theoretical maximum.

7.7 Calculating a Customer Satisfaction Index

First you need to calculate a 'weighting factor' for each requirement by dividing each requirement's importance score by the total of all the importance scores. This weighting factor is multiplied by the satisfaction score to produce a weighted score for each requirement. The CSI is the sum of these scores as a percentage of the maximum (10). The table below illustrates this process:

Requirement number	Importance mean		Weighting factor	Satisfaction mean		Weighted score
	A	A/SUM(A)=	B	C	B*C=	D
1	9.6	9.6/77.5 =	12.4%	9.4	12.4%*9.4 =	1.17
2	7.8	7.8/77.5 =	10.1%	8.8	10.1%*8.8 =	0.89
3	7.3	7.3/77.5 =	9.4%	7.6	9.4%*7.6 =	0.71
4	8.2	8.2/77.5 =	10.6%	8.8	10.6%*8.8 =	0.93
5	6.3	6.3/77.5 =	8.1%	5.2	8.1%*5.2 =	0.42
6	8.9	8.9/77.5 =	11.5%	9.1	11.5%*9.1 =	1.05
7	8.3	8.3/77.5 =	10.7%	7.6	10.7%*7.6 =	0.81
8	6.8	6.8/77.5 =	8.8%	6.4	8.8%*6.4 =	0.56
9	7.5	7.5/77.5 =	9.7%	8.5	9.7%*8.5 =	0.82
10	6.8	6.8/77.5 =	8.8%	8.2	8.8%*8.2 =	0.72
Total	77.5					8.08
					CSI:	80.8%

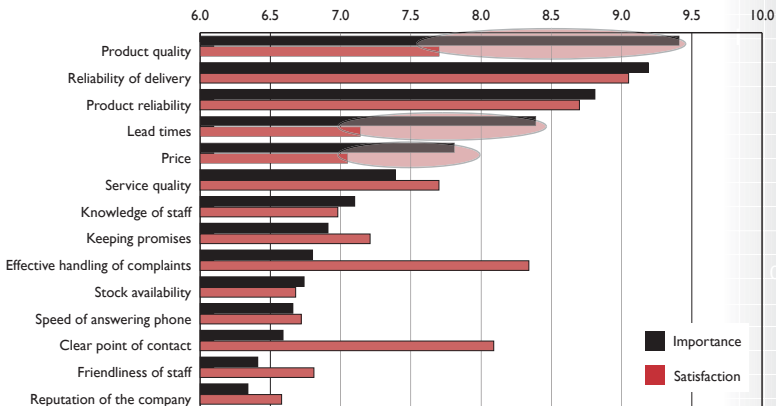
8. Reporting the results

8.1 Gap Analysis

Even a short questionnaire (of 10 or 15 requirements) can leave you baffled about where to focus process improvement. The answer is not necessarily to concentrate on the areas where satisfaction is lowest. In order to make sure that you are 'Doing Best What Matters Most' you should analyse the gaps between importance and satisfaction.

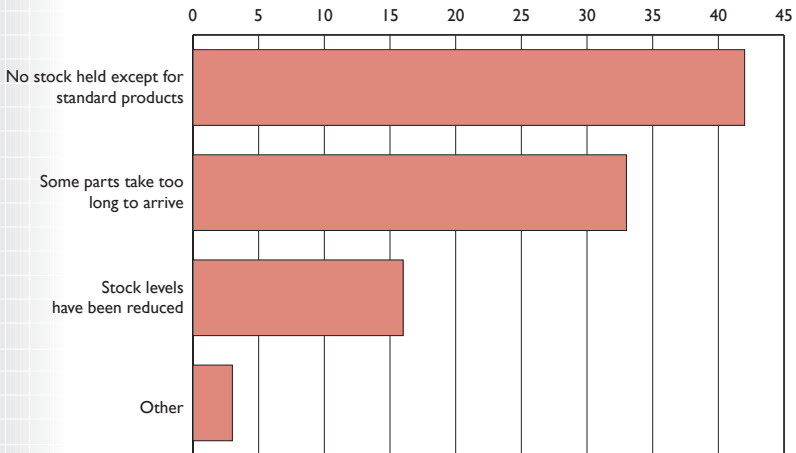
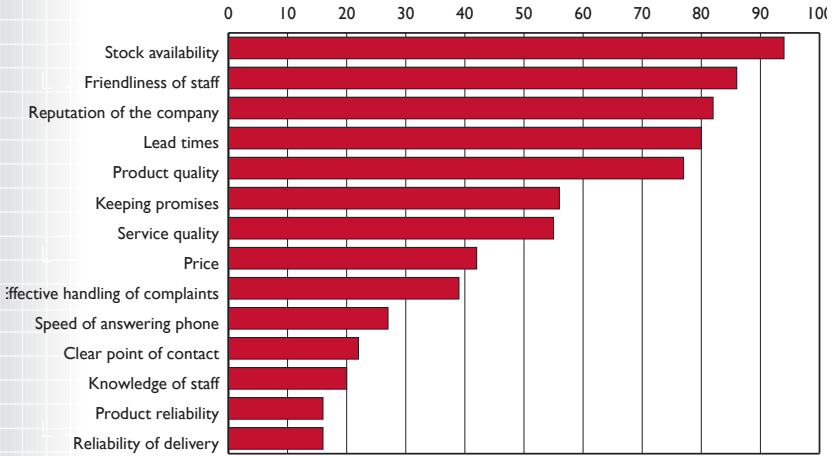
In order to understand what these results mean, it is vital that as well as measuring satisfaction you should measure how important the various requirements are. The key to customer satisfaction is 'Doing Best What Matters Most' to customers. In other words satisfaction should be highest in the areas that are priorities for customers.

An effective way to target improvement is to focus initially on areas that have large satisfaction gaps, but are relatively easy and cheap to address. These 'quick wins' are an excellent way to bring rapid improvement in customer satisfaction and give the important message to customers that change is being initiated as a result of the survey.



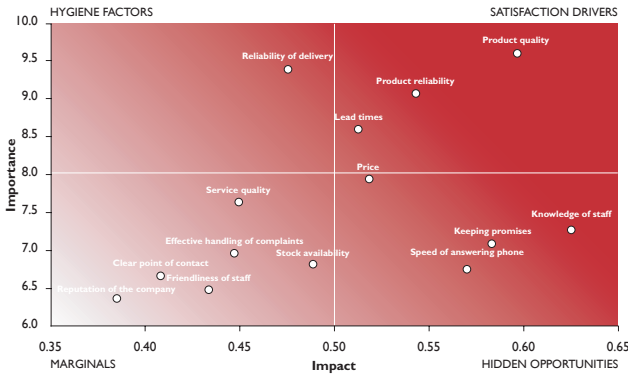
8.2 Dissatisfaction drivers

It can be interesting to see which areas are causing particular dissatisfaction. One indicator of this is the number of adverse comments made about an area. For a greater depth of understanding these comments can be grouped into specific problems.



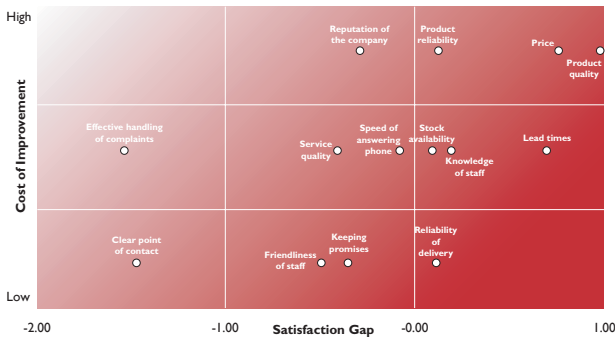
8.3 Satisfaction drivers

Combining stated importance scores with the coefficients obtained by correlating the satisfaction items with overall satisfaction identifies the 'key drivers' of customer satisfaction. A quadrant chart is the most efficient way to present this information. The crucial area is the top right-hand quadrant - these are the satisfaction drivers.



8.4 Business Impact

Again, a good way to identify the quick wins is to use a matrix chart plotting size of gap against a figure representing cost/difficulty of improvement. The cost figure is typically quite general, say on a scale of three or five points from low to high. Requirements in the bottom right-hand section are 'quick wins'.



8.5 PFIs (priorities for improvement)

Trying to balance all these things against each other in order to narrow your focus for improvement can be confusing. A good way is to use an outcomes table as shown below to summarise your key findings.

REQUIREMENTS	SATISFACTION GAP	SATISFACTION DRIVER	DISSATISFIER	COST - BENEFIT	TOTAL
Product quality	▲	▲	▲		▲▲▲
Reliability of delivery				▲	▲
Product reliability		▲			▲
Lead times	▲	▲	▲	▲	▲▲▲▲
Price	▲				▲
Service quality					
Knowledge of staff				▲	▲
Keeping promises				▲	▲
Effective handling of complaints					
Stock availability			▲		▲
Speed of answering phone					
Clear point of contact					
Friendliness of staff			▲		▲
Reputation of the company			▲		▲

From the outcomes table it is easy to identify PFIs (priorities for improvement). In this example the PFIs are:

- Product quality
- Lead times

Don't make the mistake of trying to improve too many things at once. It is far more effective to make large, noticeable improvements in a small number of areas. Small improvements often go unnoticed by customers and satisfaction levels stay the same.

9. Using CSM to improve customer satisfaction

Actioning the results of a CSM survey can seem like a daunting task. The key is to start immediately, commit wholeheartedly to addressing the results, and not expect miracles. The after-survey process is outlined in this section.

9.1 Set targets

Organizations need a target to aim for. However it is important not to aim too high in terms of satisfaction improvement, as it tends to be a slow process. The higher satisfaction levels are in the first place the harder they are to improve. For example, it is very difficult to make significant improvements on a Satisfaction Index that is already above 90%. By contrast, a Satisfaction Index below 60% suggests a level of performance that could and should be improved substantially, perhaps by 5% in the first year. An average Satisfaction Index of 75-80% can realistically be improved by 1% to 1.5% per annum.

9.2 Feedback

a) Internally

Soon after reporting the results at a senior level they should be publicized to all levels of the company. This need not be a complete report of the results, but it is important to involve all employees. A good option is to run a set of workshops on each of the areas that you've addressed as being of primary concern. Employees often have good ideas about how problems can be resolved, and this will make them feel involved, helping buy-in at all levels. An action map allocating PFIs to relevant departments or teams is a useful aid to internal feedback.

▲ major ■ minor ● all clear

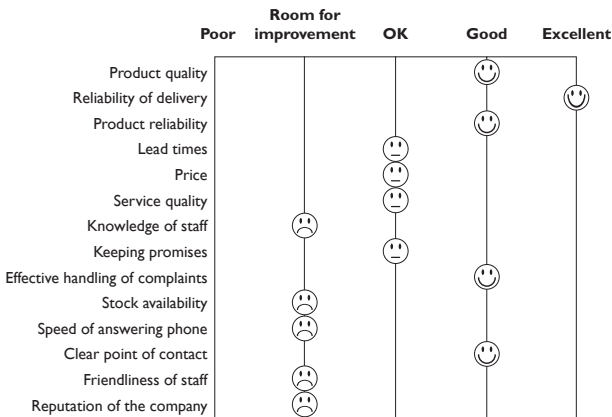
Action Map	Logistics	Shop floor	R&D	Sales
Product quality	●	▲	▲	●
Reliability of delivery	▲	■	●	■
Product reliability	●	■	▲	●
Lead times	▲	▲	●	■
Price	●	●	▲	▲
Service quality	●	●	●	■
Knowledge of staff	●	●	●	■
Keeping promises	●	●	●	■
Effective handling of complaints	●	●	●	●
Stock availability	●	●	●	●
Speed of answering phone	●	●	●	●
Clear point of contact	●	●	●	●
Friendliness of staff	●	●	●	●
Reputation of the company	●	●	●	●

b) To customers

Sometimes customers have an unfair perception of your service, but that does not mean that you can ignore their concerns. The chances are that more effective communication of your performance would improve their perception of you. Just reporting the fact that a survey has taken place sends customers the important message that you are interested in them and will start to address any perception gaps. In the case of a business-to-business market with only a few customers a short feedback report may be appropriate.



It is best to be as transparent as possible, but if you want to avoid giving actual scores then alternative forms of representation can be used.



On an ongoing basis actions taken as a result of the survey should be communicated to customers - they may not notice otherwise!

9.3 Take action

The first positive action to take should be on the areas identified as 'quick wins'. By their nature these should be relatively cheap and quick to address while bringing a large reward.

Other areas may not be as quick or easy to address. Some organizations introduce bonuses based on customer satisfaction levels in order to keep customer satisfaction at the top of the agenda for all employees, while others use posters or employee newsletters.

9.4 Remeasure

Progress should be monitored on a regular basis - quarterly for example. This would not normally be a full survey, but might monitor improvements made on the PFIs, or go into more detail about where remaining problems lie. Between surveys organisations use other sources of customer information such as complaints, feedback from customer contact staff and internal measures to monitor progress. The ultimate test, however, will be customers' perceptions, so the customer survey must be repeated annually, or more frequently in fast-changing markets. Exploratory research need only be conducted every three years as customers' requirements change more slowly.

10. Beyond CSM

So where does that leave you? Well if you've followed the steps outlined in this booklet you will have established a rigorous survey methodology that will provide an accurate and reliable picture of how satisfied your customers are.

That's no mean achievement, but you may well want to extend the survey to answer other research questions, especially in future years.

Some possibilities for extending your customer survey include:

- Measuring customer loyalty
- Measuring brand perceptions
- Competitor comparisons

10.1 Measuring customer loyalty

What is customer loyalty? Usually people mean retention, repurchase, or perhaps frequency of purchase. If you have a rich database of customer measures you may be able to use actual retention rates, but it is normal to measure intended retention etc. with a question along the lines of "How likely or unlikely do you think it is that you will still be a customer of XYZ in 6 months time?"

Other aspects of loyalty behaviour include recommendation and cross-purchasing, but it is also important to measure loyalty attitudes such as commitment, involvement and the perceived switching barriers that may prevent customers from changing supplier.

Ultimately the goal of loyalty measurement is to build the links backwards to satisfaction and other key drivers of loyalty by using techniques such as regression and correlation. These models are a powerful way of justifying investment in customer research.

10.2 Measuring brand perceptions

Customer satisfaction surveys are vulnerable to a problem that is particularly dangerous with service quality surveys - they tend to concentrate on concrete aspects of the relationship between customers and suppliers.

The very act of undertaking a survey has been shown to alter the way customers think about the supplier by activating the "rational" part of the brain, leading them to cite rational drivers of their purchasing decision.

In many markets (especially in business to business markets) this is an accurate

reflection of the way decisions are made, but in others there is a danger that such an approach will miss the important but more difficult to articulate subconscious drivers.

Brand research is geared towards the influences that are not down to product or service or even relationship quality perceptions, but those that relate to marketing and the “personality” of a particular brand.

Adding such measures can extend your understanding of the role played by these factors as well as satisfaction in terms of driving customer loyalty and business success.

10.3 Competitor comparisons

Although it is important to look outside your immediate market to find best practice and to benchmark your performance on various criteria, it can also be useful to know where you stand relative to your direct competitors.

Comparing yourself to your competition can be done in a number of different ways. The simplest option is to ask your customers (only) for a direct rating along the lines of “How would you say XYZ compares to other suppliers of ABCs?”

At the other end of the scale you can conduct a full Market Standing Survey, effectively conducting a customer satisfaction survey with customers of all major suppliers in your market in order to see how each compares in detail on the various requirements listed on the questionnaire. You may even find that different requirements are important to customers of different suppliers.

In between these two extremes, a good compromise is to ask a few overall questions to your customers (e.g. about Price, Products Quality and Service Quality) and to use these to calculate the “Relative Perceived Value” of your organisation compared to others in the market.

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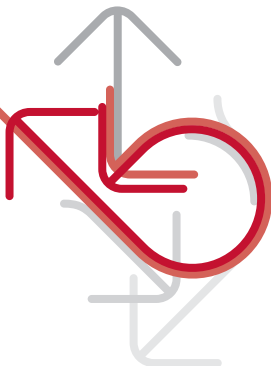
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