

Six rules for keeping customers happy

Janet Richards and Jeff Resnick, ORC, find a major US retail customer satisfaction programme has international application

One of the main advantages of being part of a global research company is that we benefit from the different approaches used by our colleagues around the world. When it comes to customer satisfaction research for retailers, there is little difference between the research methodologies used in the United States and those employed in Europe; the key contrast lies in how the research is used to drive business decisions.

For many years, ORC International conducted a major research programme on behalf of one of the leading grocery retailers in the north-eastern USA. This study has helped to crystallise our thinking on how to make sure a customer satisfaction programme truly succeeds.

In this article, we list what we feel to be the six key success factors. Although in this instance these have been demonstrated for a retail client, we have explored them in many other market sectors (retail banking, financial services, capital equipment, the chemical industry included) and they still hold true.

1. There has to be commitment throughout the client's organisation to improving customer satisfaction

Our clients' motivation for starting a CSM programme was that they saw delivering high levels of customer satisfaction as:

- the best way of providing differentiation at a time of increasingly tough competition
- a prerequisite to customer retention

Customer satisfaction was adopted by the client at board level, as a central platform of company strategy. As a result of this, there was an on-going commitment to making improvements and to supporting the satisfaction monitoring programme.

2. Increasing customer satisfaction levels has to result in an improvement to the bottom line

As with any other investment, the expected rates of return for improving customer satisfaction needs to be quantified. If this cannot be done, why bother?

The first objective was to understand the relative value of satisfied and dissatisfied customers. To achieve this we therefore asked a series of questions relating to spend and loyalty (in the form of share of grocery spend), as

well as overall satisfaction, propensity to recommend, etc. The initial wave showed that satisfied customers tended to:

- Spend more of their weekly grocery shopping budget in the store
- Purchase more per trip

We also observed that the difference between 'fairly satisfied' and 'very satisfied' customers, in terms of their spend and loyalty levels, were statistically significant, causing us to recommend that the client focus was on maximising the proportion who were "very satisfied". As part of this analysis, it became apparent that we were talking about sizeable revenue gains – in other words, it was definitely worth investing in improving customer satisfaction.

As part of the monitoring process, the client collected sales and profitability information from all their stores. From this we were able to show that the improvements in customer satisfaction were indeed being reflected in the financial data.

3. Survey research is a vital part of the programme, but it is negated without consistent and positive action to improve things

The survey process was just one part of a much broader exercise, in which we were information providers and facilitators. After the initial wave of research:

- The client identified which areas of its offering to focus on. In general, these were the product, range and service elements that drive overall satisfaction
- The company set up task forces, responsible for identifying how best to improve these elements. Part of this entailed visiting stores that already achieved high levels of satisfaction ('best in class') to understand exactly what it was they were doing that other stores didn't. The task forces were also responsible for communicating with and involving shop-floor staff in the process
- The company identified areas where additional skills training was needed to overcome barriers to delivering high-quality service
- A number of test programmes, of new skills training, improved product range and better store environment were initiated, reviewed and then rolled out

- Follow-up customer research was then undertaken, in order to measure the impact of the initiatives on spend, loyalty and satisfaction

This process was, in fact, iterative, since each wave of research flagged new opportunities to improve the service the client provides to its customers.

4. Improving customer satisfaction must be seen as everyone's responsibility. However, creative thinking is required to break free of organisational constraints

The managerial task forces included representatives of virtually every department, whether they directly interfaced with the end customer or not, but some participants were constrained by their opinions of what their department should and should not do, rather than starting from the customer's point of view. By helping our client come to terms with this new way of thinking we were able to help their managers to 'think out of the box'.

Providing managers with a greater understanding of their core customers was instrumental in this. For example, like many grocery stores, this one offered cookery demonstrations for customers, generally 10am–3pm on weekdays – precisely the times when high-spending, highly profitable customers are least likely to be in-store.

What to do about this was a stark enough choice: shift the times of the demonstrations or cut them out completely. Without the survey data, managers would not have been able to make such decisions.

In addition to customer research, ORC International undertook regular research among the client's staff. Because of the way the company had embraced customer satisfaction, we were able to integrate the findings from the two surveys, as we discuss below. If only this happened more often in the UK, where customer satisfaction 'belongs' to marketing or planning and employee satisfaction 'belongs' to human resources – and, so it seems, never the twain shall meet!

5. Staff play a crucial role in customer satisfaction

Including staff research within a customer satisfaction programme is beneficial for several reasons:

- Staff have a broader perspective than customers do, on which problems are commonplace and which seldom encountered
- They can flag elements within the company's own procedures that act as barriers to delivering the highest quality service
- It shows that the client company listens to and values their opinions, which is beneficial for staff morale and, ultimately, for the company and customers

To investigate the relationship between staff satisfaction and customer satisfaction, we took the company's chain of stores and stratified them according to levels of staff satisfaction. On top of that, we overlaid the proportion of "very satisfied" customers and found a strong and positive correlation.

Further analysis showed that the relationship was not a crude causal one. It was rather that satisfied employees tend to stay longer in their job. Staff are therefore more experienced at serving customers, as well as being better motivated. As a result, stores' departmental managers have to spend less time inducting new staff and can also be more customer-focused. And, of course, this sets up a 'virtuous circle', in which staff satisfaction is further reinforced by having fewer dissatisfied customers to deal with.

6. Focus on what matters most to your customers, but watch your competitors too

Our client succeeded in increasing both customer satisfaction and bottom-line performance, thanks to focusing on improving those things the customer values most highly. After the first couple of years, however, customer satisfaction continued to rise but revenue figures plateaued.

After much investigation, we discovered that certain competitors were improving faster and had set themselves higher, tougher targets than our client had. To avoid this situation developing, we now strongly recommend:

- Asking satisfaction ratings relating to the competitor store(s) customers use, in as much detail as the questionnaire length allows. Seeing the competitor trend line improving faster than your client's performance indicates that prompt and major action is needed
- Conducting mystery customer work at our client's stores and competitor stores. This enables us to see more clearly the kind of service aspects on which our clients are losing ground

There are no hard and fast rules about survey methods, sample sizes or frequency of reporting on customer satisfaction surveys. We have found that the six rules listed can be applied to any retailer wishing to launch a satisfaction programme, provided there is a planned approach and management commitment to improving their company's business performance. Indeed, the six rules can be widely applied outside the retail area too.

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