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## **Making customer satisfaction measures work - 2 Problems with CSM**

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There is widespread dissatisfaction with customer satisfaction measurements (CSM). The main complaint against CSM is that it 'does not work'. In other words, CSM does not seem to relate to important business variables such as repeat purchase, customer retention, and profitability.

It is logical to assume that if customers are satisfied with us then they would return to us. They would be less inclined to switch. It would also make sense that if fewer customers switch, then the cost of marketing would be lower making the company more profitable. Almost by definition one would expect customer satisfaction to relate to loyalty and profitability.

If customer satisfaction does not accomplish these, then, from a business point of view, there would be little point tracking it. There is enough evidence to show (e.g., Fortune, December 1995) that customer satisfaction, as currently measured, does not relate to crucial business variables such as repeat purchase and loyalty.

What should we do to make of this? One possible conclusion is that customer satisfaction is irrelevant to business. This statement lacks face validity and does not make intuitive sense. Why would happy customers not continue to buy from us? Why would they not remain loyal to us? As noted before, even Reichheld (1995) who observed that customer satisfaction is "one of the least reliable and most common [measures in use today]" admits that it "is not that customer satisfaction does not matter... It is the manner, context, and priority of satisfaction measurement that has become a problem."

### **It is not satisfaction, it is the measurement**

A more rational hypothesis would be that it is the customer satisfaction as measured currently, rather than the customer satisfaction itself, that is unrelated to loyalty and profitability. Customer satisfaction should relate to loyalty and profitability and, if it does not, it is the measurement that is at fault. We will begin with a discussion of why customer satisfaction measurements don't often work.

Central to all CSM problems is the use of CSI, which, as we saw in the last article, is a faulty measure for the purposes for which it is used. Here are other problems associated with customer satisfaction measurements.

### **1. Using rear-view measurements**

Key measures change over time. Services considered exceptional once can become standard at a later point in time. For instance, many features that were optional until a few years ago, such as radios and airbags, are now standard in many automobiles. Such changes can make what were key drivers once into cost-of-entry variables. High prices may have little bearing on customer satisfaction under certain economic conditions and yet prices can be the driver under other economic conditions. Variables that contributed to customer satisfaction once may no longer do so. This is particularly true in the current context. Rapid technological developments can change key drivers within a short period of time. Yet, many customer satisfaction measurements are on autopilot and measure the same attributes over and over again, the main excuse being 'comparability' with past data.

Unless key drivers are tested on a continual basis for their contribution to satisfaction, we could be using variables that no longer drive satisfaction.

### **2. Measuring the wrong audience**

Most CSM systems avoid the mistake of grouping customers with obviously dissimilar needs. For instance, experienced researchers would probably develop different measurement systems for domestic and commercial users, even though the service being measured is the same (e.g., telephone services). However, there are several instances in which such intergroup distinctions are not so obvious. Questions relating to emergency admissions are relevant only to a small proportion of people using medical services. Sophisticated financial services offered

by a bank may be of little interest to those who rarely go beyond basic deposits and withdrawals. Attributes that relate to a variety of services provided by a hotel may not mean very much to those who never or sparingly use the services. As a result, CSM measures of these services will not truly reflect the discontent of those who use the services on an ongoing basis, unless the relevant subgroups are specifically identified, and the data carefully segregated and analysed. Even then, we may not have a sufficient number of cases that will enable us interpret the data adequately. Yet most CSM measures are global.

The inclusion of several customers whose views are not critical to the service in question can obscure the views of those whose views are. For example, if 90% of the businesses are not time-sensitive, then a courier firm that delivers on time and one that doesn't may get similar satisfaction ratings. However, if most of a courier firm's profits come from time-sensitive clients, then CSM would miss the point by diluting the views of the vital few customers who are time-sensitive.

### **3. Measuring the wrong things**

We measure the wrong things when the measurements

- are unfocused;
- concentrate on the wrong performance measure (chicken efficiency);
- include many trivial measures; and
- fail to balance employee satisfaction with customer satisfaction.

#### ***Unfocused measurements***

Not all companies have the same goals and objectives, aspire to be price competitive or be state-of-the-art. In fact, Treacy and Wiersema (1995) argue that a company needs to be good in only one of the three aspects - *operational excellence, product leadership and customer intimacy* - and be acceptable in the other two. In other words, if the company's mission less concerned with operational excellence than with customer intimacy, it is not necessary to measure operational excellence in great detail. Detailed measures of satisfaction in areas which a company does not intend to excel is similar to measuring many trivial variables, since they are not really actionable as far as the company is concerned.

#### ***Chicken efficiency***

Related to the above is the problem that Brown (1996) calls 'chicken efficiency'. Fast food restaurants chain cook their food so customers can be served quickly. However, once it is cooked but not sold within a given period of time, it has to be thrown away. When the chains' managers are judged on the basis of the number of chickens that they throw away, managers can become "efficient" by not cooking the chicken until a customer shows up. This might increase the "efficiency" of the manager at the expense of the customer who may have to wait longer to be served. Such measures drive the wrong performance. For instance, if employees are judged on the basis of the number of mistakes they make in dealing with customer complaints, they might find subtle ways of avoiding customers altogether.

#### ***Using too many measures***

In an attempt to make measurements comprehensive, many researchers fall into the trap of including far too many variables, making the many trivial variables dominate the few vital variables. While this approach might be useful at exploratory stages, it is usually inappropriate at later stages of measurement. Measuring many trivial variables as opposed to a few vital variables has several disadvantages: it can diffuse our focus and distract our attention away from the important to "interesting" variables, it can make the data collection process more difficult, it can put a burden on the data collection process and, as a result, decrease the quality of the data collected.

#### ***Using measurements that create imbalance***

Quality in service is created by the interaction of three distinct forces - employees, processes, and customers. Many organizations make the mistake of emphasizing customer satisfaction to the exclusion of employee satisfaction. When employees are simply rewarded and punished on the basis of what may be faulty measurements of customer satisfaction, it introduces fear, which is one of the fundamental enemies of quality (Deming, 1985). As Deming repeatedly points out, attempts to achieve quality through employee intimidation are bound to fail. Customer satisfaction has to be balanced with employee satisfaction. Employees are internal customers and, in the long run, employee satisfaction is critical to customer satisfaction. The purpose of customer satisfaction measurements should be to improve customer service and not to intimidate employees. As McConnell (1991) puts it, "... as long as fear prevails, your people will continue in a survival mode and the

implementation of a quality approach to management will remain an impossible dream."

#### **4. Measuring things wrong**

Even when we measure the right things, we may go wrong by using the wrong measurement techniques. For instance, we could be measuring our performance versus our competition using a 11-point scale. If such a scale turns out to be inconsistent or insensitive in detecting differences, then, even though we are measuring the right thing, our measurement will be flawed. Similarly, customers' stated importance of a given attribute may have little to do with its real importance of that attribute. Using metrics that are not tested for their validity and reliability can provide a misleading measure of customer satisfaction.

Social measurements can never be as precise as physical measurements. Consequently, the critical criterion for a good customer satisfaction metric is not necessarily accuracy but usefulness. Is the metric sensitive enough to detect differences in service quality offered by two companies? Can the metric spot the changes in customer satisfaction between one time period and the next? When we do not pay enough attention to such aspects of measurement, we are likely to end up with measures that are useless at best and misleading at worst.

From another point of view, using the wrong technique (such as the use of multiple regression analysis to assess the relative contribution of different attributes to customer satisfaction) can also result in distorted measurements.

#### **5. Having no key measures of satisfaction**

Not all measures contribute to customer satisfaction. Even those that do, do not contribute to the same extent. When we don't specifically identify key satisfaction measures, we accord equal importance to both key measures and trivial measures, to measures that are of marginal importance and those that are not. Key measures can be *a priori*, *a posteriori* or both. An organization can decide, based on its mission, what the key measures are. Alternatively (or, in addition), it can derive the importance of the attributes being measured. Customer satisfaction measurements tend to be less effective when there are no key measures. Because key measures can change over time, they also have to be continually retested.

#### **Towards an actionable CSM system**

Customer satisfaction measurement systems that suffer from one or more of these shortcomings tend to be less effective. In some cases, they can be misleading. Therefore, what we need, is a customer satisfaction system that is actionable, one that can overcome or will minimize the impact of the problems we discussed so far.

#### **Prerequisites of an actionable CSM system**

If we were to develop a CSM system that would minimize the problems of current measurement systems and replace it with a better one, what should we do? What are the prerequisites of a system of customer satisfaction measurements that will retain all the positive aspects of current measurement systems and improve what can be improved.

Based on our discussion so far, I would suggest that there are at least six prerequisites for such a system.

First and foremost, no CSM system can work well if it is reduced to a single number like the customer satisfaction index. Indexes are for the record. They are neither diagnostic tool nor sensitive measures of performance.

Second, what we measure needs to be updated on a continual basis. Just because some attributes measured CSM extremely well in 1995 does not mean that they will do so in 1997. Consistency is not a virtue in a changing market.

Third, it is important to focus on the right audience. We should make sure that the information we get is not diluted by the inclusion of customers whose ratings are not relevant.

Fourth, we should make sure that we measure the right things. Measuring too many attributes, measuring attributes that are incidental to our mission and measures that drive the wrong performance should be avoided.

Fifth, it is critical to use the right metric. We might get different results depending on the metric we use to measure customer satisfaction.

inally having no key measure of satisfaction can result in measurements that are difficult to understand and

interpret.

These themes will be expanded in forthcoming articles.

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