Making customer satisfaction measures work - 3
Thinking in terms of processes

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In the last issue of *Imprints* , we discussed some reasons that customer satisfaction measurement does not work the way it is supposed to. We can attempt to improve the measurement system by removing the factors that lead to an ineffective measurement system.

Aggregate measures are inappropriate
Probably the single most serious mistake in measuring customer satisfaction is to treat satisfaction as an aggregate measure. An extreme manifestation of this fallacy is the creation of customer satisfaction indices.

Most customers are usually satisfied because...
To appreciate this problem, we need to understand the nature of customer expectations, especially in the service industry. An examination of customer needs would point to at least two facts:

1. Most customers have only predictable and nominal contact with us. For instance, most people who use a bank use it to deposit and withdraw money in predictable patterns. People who use multiple services and those with unusual requests form a minority.

2. Customers who have nominal and predictable transactions tend not to be dissatisfied. Even when customers who have nominal and predictable contacts do complain, the nature of the complaints tend to be predictable and easily remedied. If a person's main contact with a bank is confined to depositing his or her salary cheque twice a month, there is very little to be dissatisfied about, except perhaps the time one has to wait to be served and the impoliteness of the employee.

The first point - most customers have minimal contact - is in line with customer buying behaviour which tends to follow a negative binomial distribution. High quantity buying is limited to a small group of buyers. This is the commonly observed Pareto phenomenon. From a logical point of view, there is no reason for someone who has minimal and predictable contact with us to be dissatisfied, to rate us a 3 on a 10-point scale, unless out service is noticeably bad.

Or, to use another example, let us consider internal customer satisfaction with the legal department. Most employees or department heads may have no reason to contact the legal department and, as a result, will rate it more positively than negatively. Even if we isolate internal customers who have some actual contact with the legal department, the problem of measurement might still persist. Suppose that 95% of those who contacted the legal department did so to obtain routine material such as employee contract forms. Assuming such requests were handled with ordinary efficiency, we would expect the customers to be happy with the response they got. Further suppose that the remaining 5% needed some serious legal advice and they were highly dissatisfied with the quality of the service they got. Now, even if we aggregate customer satisfaction scores of only those who had some contact with the legal department, the voice of the 5% of dissatisfied customers will be completely drowned by the voice of the 95% of satisfied customers. Yet it is the view of the 5% who had significant legal problems that will be critical in determining how satisfactorily the legal department is functioning.

At an anecdotal level, I have a computer which I bought from a company that has a highly publicized customer satisfaction programme. I have several accounts in a financial institution that also has an active customer satisfaction programme. Yet whenever I had a genuine problem, neither of these two institutions could really help me, unless the problem was routine. I suspect that these institutions do not even know that they have several dissatisfied customers, because such customers can never be identified though the use of aggregated CSM measures. Since other people I have talked to have had similar problems, it is obvious to me that I am not an exception. (I apologize for having to resort to anecdotal evidence. To my knowledge, most CSM systems do not identify aggregation as a major measurement problem and have seldom attempted to identify how often it is a

problem.)

Most CSM systems do not focus on customers

The problem with most CSM systems is that they do NOT focus on the customer at all. Rather, CSM has become a naval-gazing measure and the management equivalent of carrot-and-stick. Whenever I have asked people whose organizations have an active CSM program what they expect of it, the most frequent responses are: "We want to know how well we are doing" (naval-gazing) or "We want to use it for employee compensation" (carrot-and-stick). I rarely come across someone who says that they want to understand the customer better (customer focus). It is not surprising that customers are unhappy with institutions that spend hundreds of thousands of dollars tracking customer satisfaction. The unfortunate part is, as we noted earlier, the institutions involved usually are not even aware of the extent of customer dissatisfaction because of the generally high scores they get on customer satisfaction. Most CSM supports the illusion of satisfied customers. The illusion had not even been recognized until recently.

Hypothesis 1. Customer dissatisfaction is usually localized

So my first hypothesis is this. *Serious customer dissatisfaction seldom arises across the board. Dissatisfaction is usually localized and limited to a small proportion of customers. Consequently, aggregate measurement of customer satisfaction is of limited value at best, highly misleading at worst.*

There are some instances where dissatisfaction is across the board. For instance, when a well-known Canadian company gave customers the negative option of receiving the new cable TV channels, dissatisfaction was not confined to a few customers. It was across the board. But such instances are rare. A more common phenomenon is localized discontent.

- Billing problems may affect only 1 or 2% of your customers.
- Delivery problems can be confined to a small region and may affect no more than 1% of your customers.
- A technical department may incur only certain types of problems which may arise in less than 5% of all cases.

None of these problems will be reflected in aggregate data, even if customers are segmented. Small numbers of dissatisfied customers are easily swamped by a large number of "satisfied" customers.

The small number of dissatisfied customers may be critical to our business

The argument is often made that we should be happy if a vast majority of our customers are satisfied. The fallacy in this argument is that it confuses input with output. Dissatisfied customers may be a minority, but they may be knowledgable, they may be heavy users and they may be highly profitable to the organization. There is also the possibility that discontent may spread. To ignore localized discontent is like ignoring cancer because only a small part of one's body is affected.

Customers are not an amorphous group

If we accept this hypothesis, then our first priority in designing a CSM study is not to think of customers as an amorphous group, but to think of them as a collection of groups of customers with different needs and expectations. For instance, if we are doing an internal customer satisfaction study with regard to the technical services department:

- *We should avoid asking everyone whether or not they have used the service.* Positive feelings held byemployees who have not had any significant dealings with the technical department has no bearing on the performance of the technical services department. It in factdilutes the evaluations provided by more knowledgeable evaluators.
- *Neither should we believe that asking only those who have had dealings with the technical department will solve the problem.* It is once again very likely that most of those who contact the technical department may do so for relatively minor and routine services. There may not be very much at stake and, as a result, the dissatisfaction level may be low.
- *We should avoid general questions that can mean different things to different customers.* Consider the following question: "How satisfied are you with the timely response of technical services?" It looks sufficiently precise and focused and yet it may tell us nothing about how prompt the service has been. If most people who approach the technical department have requirements that are not time-sensitive, a week's turnaround time may not affect the customer satisfaction level. But if the request is time-sensitive

even a few hours delay can cause considerable dissatisfaction.

Our first priority, then, is not to think of customer satisfaction in general terms but to view it as a measure that has to be put through at least two other filters:

Filter 1.   What are the specific services or products against which we are measuring customer satisfaction? For instance, it is not enough for a financial institution to measure satisfaction with 'retirement products'. What precisely is being measured? Mutual fund sales? Advice on asset allocations? We cannot possibly increase customer satisfaction if we do not know what exactly a customer is not satisfied with.

Filter 2.   Is this customer a user of such products or services? If we measure customer satisfaction in relation to the mutual fund advice we offer, we need to confine ourselves to those who have the experience of buying mutual funds from us.

These two can then be filtered further in terms of heaviness of usage and the seriousness of the problem.

Most users of CSM do segment the market using demographics, psychographics, usage or geodemographics. Unfortunately, thesesegments do not relate to the service on which satisfaction measurement is sought.

This is not to say that we should not aggregate customers. Rather, we should first understand customers, and then, group them later on the basis of their needs . In practical terms, this means that the starting point for customer satisfaction measurement is the service on which the measurement is sought. When we think in terms of specific services, the questionnaire itself will have different versions. To continue our illustration. When we are measuring satisfaction, the rating on "timeliness" may not have very much meaning, if the customer is mainly using services that are not time sensitive. In such cases, we may want to ask how long the turn around time was and whether that was satisfactory. If we are asking about a time-sensitive service, then "timeliness" rather than the elapsed time, is critical. Once we start to think of the specific aspects of service on which satisfaction measurement is sought, then questions become focused and specific. The measurements we derive from specific questions provide important inputs to quality improvement.

Understanding the process
One of the fundamental tenets of the quality movement is that excellence achieved is through focusing on processes rather than on people. When we blindly segment the market and try to understand customer satisfaction by segment, we are concentrating on people. But when we look at each service and relate it to customer satisfaction, our focus is on the process. We will know if customers are dissatisfied and, if so, why they are dissatisfied. Because satisfaction is related to a specific service and process associated with it, we also have inputs to help us improve the quality of service.

If we want to make customer satisfaction measurements work, I believe we should move away from using customer satisfaction as a proxy measure for employee performance, simply because it is not. If we use CSM as a measure of how processes are working rather than how employees measure up (or as a progress report of our performance), then our questionnaires will relate customer satisfaction to the processes under consideration. As

quality experts from Deming to Crosby have pointed out, the most effective way to improve customer satisfaction is to improve the processes through which services are delivered - not by coercing employees to deliver it.

For instance let's assume that in an internal customer satisfaction study, the legal department gets a score of 8 and the technical department gets 7 on "timely response". What exactly are we measuring here? What conclusions can we draw? That the technical department is tardy? What if the work load of the technical department is four times as heavy as that of the legal department? Even if the technical department really is tardy, what do we know about the context? What processes are they supposed to improve? Is it a question of resources or competence? How serious is the problem? The more we consider such questions, the less meaningful the standard measures of customer satisfaction look.

So the first steps in creating actionable measurement systems are:

● *Think in terms of subgroups.*   We should think in terms of subgroups of customers. A measure like prompt service can mean different things to different customers depending on their heaviness of usage.

- *Think in terms of processes.*   Our measurements should be in terms of processes. This means, we should be wary of using a standard measure across different services. While comparability is a good thing, it should not come at the expense of meaning. If we need to use standard attributes, they should be followed by questions, probably open-ended, which will quantify the ratings.
- *Think in terms of feedback rather than of progress report.*   Treating customer satisfaction measurement as a progress report is the main reason why there is a widespread use of standardized measures. Once we eliminate the need to standardize, we can concentrate on the real business of measuring customer satisfaction.

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