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Making customer satisfaction measures work - 7

A step-by-step guide to measuring customer satisfaction

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The first six articles in this series (Imprints, October to December 1996 and January to March 1997) covered various aspects of customer satisfaction measurement (CSM). It is time to consolidate our knowledge and create an action plan that can be used as a blueprint for designing customer satisfaction studies. Creating actionable customer satisfaction studies involves the following 10 steps.

Ten Steps to Creating An Actionable Customer Satisfaction Study			
Conceive	1. Gather background data	2. Choose attributes to measure	3. Choose the right audience
Develop	4. Choose the basic CSM questions	5. Choose the right metric	6. Make analysis action-oriented
Interpret & Track	7. Consider segmenting the market	8. Interpret the measures correctly	9. CSI can be useful, but be cautious
		10. Create a tracking system	

Step 1. Start with background data

We have two purposes at this stage: (1) to gather effectively all preliminary information we have and need and (2) to bring focus to the measurement system by defining how the information will be used.

In starting a CSM program, it is always helpful to begin with some qualitative research - focus groups, brainstorming, nominal group technique, and laddering. Preliminary measurement of customer satisfaction can also involve eliciting and analyzing complaints. Data obtained through internal and external focus groups and insights gained from customer complaints can provide very useful inputs for developing a customer satisfaction measurement system. We may also want to specify how the information we collect will be used.

Step 2. Choose the attributes to measure

For a CSM system to be effective, we need to choose only the relevant attributes so that we measure the right things. Nobody purposely sets out to measure the irrelevant attributes, but we often end up measuring things that do not contribute to the understanding of customer satisfaction. Here are four ways to select the right attributes to measure:

1. Measure attributes that are relevant to the mission of the organization. Concentrate your efforts on the one or two targeted areas your organization aims to excel in.

2. Measure attributes that contribute to customer satisfaction. Not all measures contribute to customer satisfaction, even when they appear relevant. To identify the relevant attributes, use derived importance measures.

3. Avoid measures that are no longer valid. We live in a changing marketing environment. Do make sure that the measures you use are not outdated.

4. Avoid measures that are detrimental to customer satisfaction. Certain kinds of internal efficiency (e.g., number of customers served in one hour) measures may conflict with adequate customer service.

Step 3. Choose the right audience to measure

Because marketers and researchers are very familiar with the concept of target audience, very seldom would they deliberately measure the wrong audience. However, it can happen in subtle ways - the researcher can include respondents whose responses are not relevant for the survey under consideration, resulting in high customer satisfaction scores. For instance, we may believe that a customer is a customer and include all our customers in our survey, assigning equal weights to their responses. Yet it is quite likely that (1) most customers have only predictable and nominal contact with us and (2) customers who have nominal and predictable transactions tend not to be dissatisfied. This could (and often does) result in artificially high customer satisfaction scores. So it is important to define clearly the audience and seek ways of assigning greater weight to those customers who have more than superficial dealings with us.

Customer dissatisfaction is usually localized. Customers who are unhappy may be members of a specific usage group, living in a specific geographic region, or be users of a specific service. The opinions of such groups tend to be swamped by those of a large number of apparently satisfied customers.

Step 4. Decide on the basic CSM question components

Five basic questions relate to the basis of customer satisfaction measurement. These are incidence, frequency, importance, per-formance, and an overall criterion measure. It is not absolutely essential to ask all five types of questions, but we need to give them sufficient consideration before deciding to discard any of them.

Step 5. Choose the right metric

Attributes we choose to measure can be measured on a number of different scales. What type of scale should we use? Do we use a numeric scale (e.g., a 10-point scale), a verbal scale (e.g., Good, Average, Poor), or a binary scale (e.g., Satisfied, Not satisfied)?

The measuring instrument we use influences satisfaction scores. For instance, if the average rating of overall satisfaction is 7.8 on a 10-point scale, what average rating can we expect the same attribute to have if it were measured on a 5-point scale? The current evidence is that different scales provide different ratings, and they are not directly comparable. It is important to make sure that the scale you choose is adequate for your purposes.

Even if you choose your metric correctly, there is still a possibility that the ratings will be inflated. If this happens, you may want to consider statistical procedures available to correct for inflated scores.

Step 6. Make the analysis action oriented

Once we have collected the data, it is important to use the right analytic techniques. The application of a variety of techniques such as factor analysis, discriminant analysis, regression analysis, and gap analysis help us answer very specific question with regard to making our results actionable.

Step 7. Consider segmenting customers

Not all customers expect the same benefits from an organization. For example, some customers may use a financial institution because it provides a variety of services, while others may use it because it provides the best advice. In a segment mainly interested in good advice, its opinion on variety of services is of minor relevance. Similarly the rating on good advice by the segment that is mainly interested in a wide variety of services is of little relevance. Information collected from a non-relevant segment dilutes the relevance, as we noted earlier. This is probably the single most critical reason why many institutions get a higher customer satisfaction score than is warranted by the actual customer satisfaction level.

Step 8. Interpret the measures correctly

It is important to interpret the customer satisfaction measures correctly. More specifically, we need to differentiate common cause and special cause variations. If we are tracking customer satisfaction, we may want to plot the results on a run chart, use upper and lower control limits, and interpret the results (as explained in an earlier article).

We have repeatedly emphasized that most customer satisfaction measures look alike, and it is more common for CSM measures to be nondiscriminating rather than discriminating. So it is important that we pay greater attention

not only to how we collect the data but also to how we interpret them.

Step 9. A Customer Satisfaction Index can be useful; but be cautious

Many organizations that institute a CSM program also create a Customer Satisfaction Index (CSI). This is subject to measurement errors and tends to be insensitive to customer dissatisfaction, especially when such dissatisfaction is localized. Since this is often the case, CSI cannot spot dissatisfaction until it is too late.

Step 10. Create a tracking system

Measuring customer satisfaction is an ongoing process. It is preferable to track customers on a continuous basis (such as every month or every quarter) rather than at longer intervals such as once a year. If there are budget constraints, we might measure fewer customers more frequently rather than a large sample of customers less frequently. If we employ smaller samples, we can use rolling averages to smooth out small sample fluctuations and identify the underlying trends.

Conclusion

Over the past few years we have been hearing the charge that customer satisfaction is irrelevant because research shows satisfied customers do not necessarily buy from us. I have made the point that this not quite so. There is no basis for the assumption that satisfied customers will not be loyal customers. More importantly, we have no reason to believe that dissatisfied customer will be loyal.

So why the seemingly irrational argument that customer satisfaction is irrelevant? I believe that it is the way that CSM is measured and interpreted that is irrelevant and not customer satisfaction itself. Throughout our discussion in this series of articles, we have identified how we can get high customer satisfaction scores by simply asking unfocussed questions, by using wrong metrics, by including customers whose views are not relevant, by not distinguishing the sources of variability, and by using the wrong dependent variable. When a measurement system is riddled with so many shortcomings, it is no wonder that it 'does not work'.

Another major problem with CSM systems is that, in most cases, there is an emphasis on oversimplified quantification in the form of mean ratings, multiple regressions, and customer satisfaction indices. The measures themselves continue to be ill-defined, ill-understood, and often misinterpreted.

In this series, we have attempted to substantiate, with examples, why CSM does not seem to work. Measuring customer satisfaction is hard work, and there are many pitfalls. Our attempt to reduce customer satisfaction to a single number (or a set of numbers) has resulted in measures that are artifacts created by the process of measurement itself. As they stand, many customer satisfaction measures have little to do with whether the customer is satisfied.

The critics of customer satisfaction measures are right. If customer satisfaction measures do not measure customer satisfaction properly, how can they 'work'?

This 10-step process may not eliminate all the problems associated with customer satisfaction measurement, but I hope they will contribute to avoiding the common pitfalls associated with CSM.

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