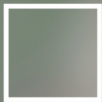


the importance of **customer satisfaction and loyalty research**



listening carefully to the voice to the consumer



Why is customer satisfaction and loyalty research so important? One word: Revenue.

The Importance of Customer Satisfaction and Loyalty Research

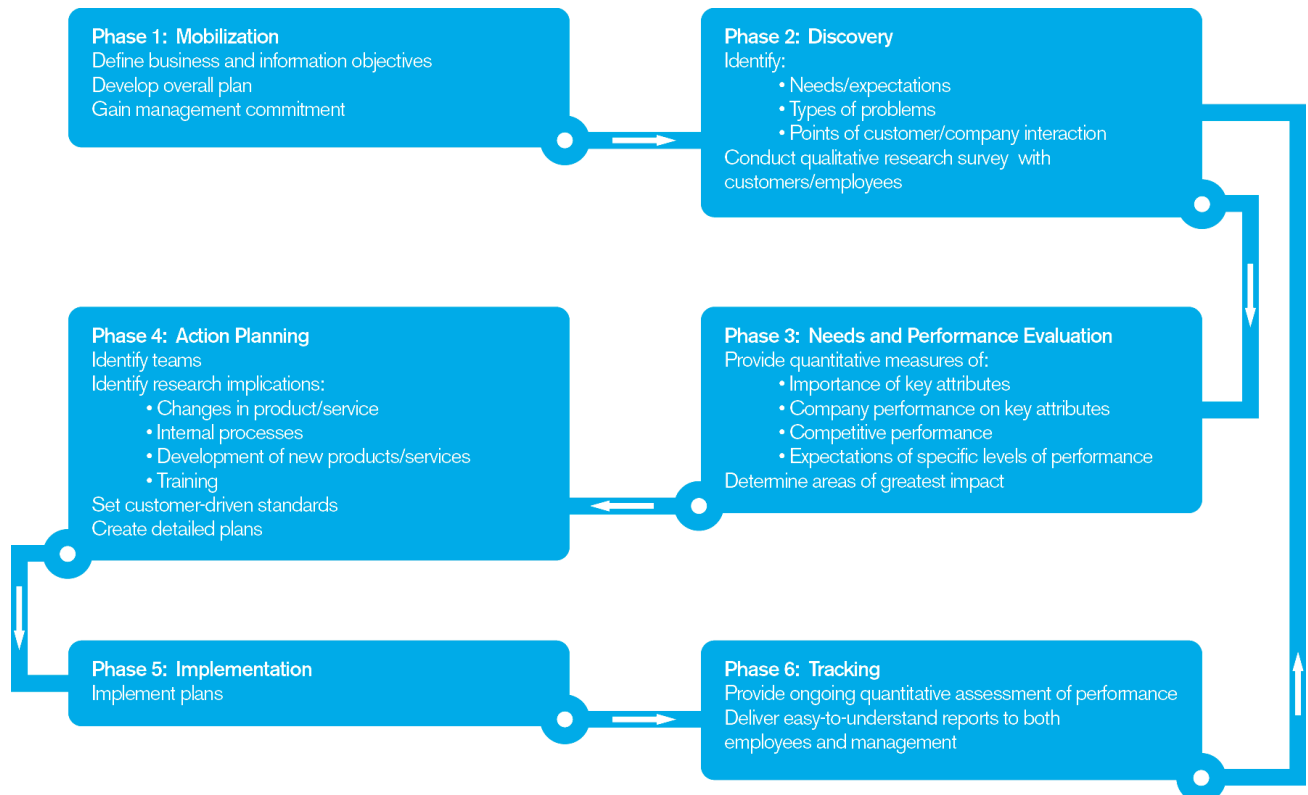
Why is customer satisfaction and loyalty research so important? One word: Revenue. Satisfied customers spend more money, refer more customers and patronize businesses longer than unsatisfied customers. This all leads to more revenue for businesses that can keep their customers satisfied. Therefore, companies striving to maximize revenue must seriously consider investing in a customer satisfaction and loyalty research program.

Customer satisfaction and loyalty research is so powerful primarily because it enables companies to communicate directly with customers about their needs - assuring that the quality standards you establish reflect the "voice of the customer" - and not just the company line. This type of research can help you:

- Learn about your strengths and weaknesses
- Determine strengths and weaknesses relative to competitors
- Allocate resources for optimal impact and satisfaction
- Indicate your seriousness about improving the quality of products and services to both your employees and your customers
- Gain additional insight into the sources of dissatisfaction and areas requiring improvement
- Provide a system for informing management of problems or situations requiring immediate attention

The Customer Satisfaction Measurement Process

Every company is different, so a “one size fits all” approach rarely is very effective - a specific approach is usually required to meet the needs of individual companies. However, the overall process can be divided into six interactive phases.



The Customer Satisfaction Measurement Process

A well-designed customer satisfaction approach can eliminate much of the guesswork regarding how customer satisfaction directly impacts business outcomes. It can provide direct estimates of the bottom line improvements you'll achieve from specific increases in satisfaction levels.

A Customer Satisfaction program helps you determine:

- Key drivers of satisfaction
- Items that make the greatest contribution to the driver
- Overall satisfaction level's effect on business outcomes

Strategic analysis identifies critical areas for improvement:

- High priority
- Potential resources for reallocation
- Leverage opportunities
- Low priority

Identifying specific levels of performance helps you set targets and establish key indicators allowing you to more effectively:

- Allocate resources
- Focus on objectives congruent with customers' expectations

The Best Way to Determine What Is Important to Your Customers

There is no single best way to assess the relative importance of specific aspects of performance and that the choice of a method depends on your particular needs. There are, however, several approaches:

- **Multiple Paired Comparisons** – This technique avoids the problem of little differentiation among attributes and allows customers to make trade-offs regarding the importance of specific attributes the same way they would evaluate products or services in the real world.
- **Constant Sum** – In this method, customers are asked to apportion some number of points, generally 10 to 100, that reflect their relative importance in determining overall satisfaction.
- **Competitive Leverage Map** – This map integrates both importance and performance information to identify areas of competitive strength and weakness.
- **Regression Analysis** – This is a useful method for assessing the relative importance of attributes when customers are unable or unwilling to directly state their views. It examines the extent to which customer satisfaction or performance ratings for specific attributes are related to customers' overall satisfaction levels.
- **Key Driver Analysis** – This method quantifies the relationship between 1) the key drivers and satisfaction and 2) satisfaction and a business outcome. This analysis suggests where to allocate resources to get the best return on investments.
- **Structural Equation Modeling** – This is a sophisticated structural model development process that takes into account - and quantifies - the interplay of attributes on one another in driving or influencing the satisfaction of customers.

Transitioning Customers from Satisfaction to Loyalty

There is a complex relationship between satisfaction and loyalty. Satisfaction is the first tier in the relationship between a customer and the company. In order for a company to differentiate itself from the competition, it will have to move customers from the first tier of this relationship, satisfaction, to the second tier, loyalty.



Companies can derive direct estimates of the bottom line improvements they'll achieve from specific increases in satisfaction levels through a loyalty model that incorporates two different techniques: **Factor Analysis** and **PLS (Partial Least Squares)** regression.

To develop this model for your company, SSRS would develop questions about the importance of certain attributes surrounding your service. These attributes would be thought of as encompassing all of the dimensions of your product and service that can be rated – the “Key Drivers” of overall customer satisfaction. Your customers would rate the importance of these attributes, and SSRS would use the results to perform a factor analysis. The results of the factor analysis give us a conceptual foundation for the customer satisfaction model. (This step may not be necessary if a conceptual foundation already exists.) Then, the results of the factor analysis are submitted to a Partial Least Squares (PLS) analysis or regression. Unlike some other models (LISTREL, Confirmatory Factor Analysis) this model produces direct numerical values for performance and satisfaction.



This Customer Satisfaction methodology addresses the following types of questions:

- What are the key drivers of satisfaction?
- Which items make the greatest contribution to the driver?
- Where should I invest my money?
- What is the overall level of satisfaction?
- How does overall satisfaction affect business outcomes?

In addition, this type of customer satisfaction analysis can be performed for your company vs. your competitors. This enables you to see how you are performing on these same key drivers of satisfaction in comparison to your competitors.

About the Author:

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Tim Pokalsky is an SSRS Account Executive whose constant curiosity drives him to take on client research initiatives as his own. He consults clients in the utility, telecom and home/home improvement industries – among others. Every year, Tim oversees tens of thousands of interviews for his clients, helping them turn data results into actionable plans.

In his more than 15 years of market research experience, Tim has had extensive experience conducting large-scale projects for Fortune 100 clients. In his current position, Tim focuses on problem definition, study design, analysis, reporting and the presentation of study results.

Over the past decade Tim's research has been cited in academic journals, business magazines and on TV. He presented "Telephone and Internet Survey Methodologies – Current and Future Approaches" at the Home Improvement Research Institute's Spring 2010 Conference.

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