

Increase customer satisfaction, gain loyal customers and maximize profitability

Tobias Thalbäck

About measurable
effects of customer
satisfaction



Netigate

High customer satisfaction generates greater returns

Companies with high levels of customer satisfaction generate greater returns than companies with lower levels of customer satisfaction. Among companies that continuously assess business won and lost the operating margin on average is 2-6 percentage points higher and the annual sales growth on average is 5-10 percentage points higher.

Therefore, there is a very clear link between a company's success and how satisfied its customers are. If we can learn when and how we can best ask customers and prospects questions, there is a lot to be gained by today's companies.

In order to achieve this, we need to create a process whereby the results of a survey prompt direct action instead of yet another PowerPoint presentation.

In this whitepaper I tell you more about my experiences of how many companies could get more out of their surveys by thinking a little differently. I present concrete figures on the relationship between **customer satisfaction** and success, and give you advice on how you can work with the results of the surveys in the easiest way to reach the right people.

The author

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Do not needlessly lose your customers

Have you ever wondered why some customers have stopped buying your products or services? Or maybe why your customers are less keen to recommend your company than they were three months ago? Did we manage to close that big deal because we were able to present a unique solution or was it just lucky timing? You probably have, these are just some of the questions which CEOs, marketing and sales managers and other decision-makers today have to find the answer to, often more than once a year.

Customer surveys to get answers

Against this background, it is often a natural step to carry out a customer survey in order to find out the answers to these questions and on the face of it, this is a smart move. At the same time however, we need to realise that the recipients, our customers, are subjected to a deluge of surveys, messages via social media, etc. There is an immediate risk of survey fatigue and of the message not getting through, which in turn could result in falling response rates. This is a challenge for many companies and is one of the things mentioned in the Surveyology report (2012) (1)

We must also take into account the time and effort required internally to process all the information and feedback received from a survey. On a number of occasions I have seen examples where a survey has been carried out, but the results have sat on the marketing manager's desk only to become yet another complex Excel spread sheet or PowerPoint presentation.

Before sending out the survey

We should therefore ask ourselves the following questions before sending out another more or less considered survey to our valuable customers.

1. Can we measure how much impact customer satisfaction has on a company's success? Is it worth subjecting our customers to another survey if we are not sure what information we will receive?
2. If this is the case, how do we ensure that the results we receive prompt action that is followed up in order to make sure that no customers slip between the cracks?

Why do some customers stop buying your products or services?



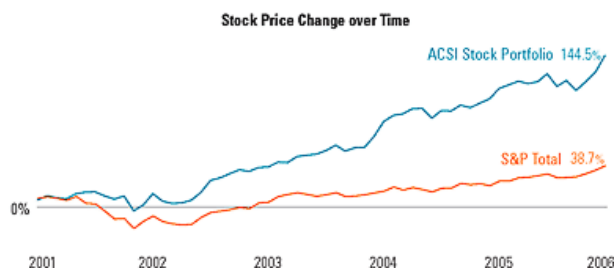
Can we measure the effects of customer satisfaction?

A question that I often get when I am out meeting different companies is how much impact customer satisfaction actually has on the company's profits? The fact that having satisfied customers is positive should come as no surprise to anyone, but the question is whether it is possible to measure this in numbers? Before we proceed to invest time and resources in a range of surveys and measurements and before we call our consultants, we need to take a closer look at whether it is actually worth investing in customer satisfaction in the form of another customer survey.

Clear link between customer satisfaction and results

The research report, *Customer Satisfaction and Stock Prices: High Returns, Low risk*(2), shows that there is a very clear link between customer satisfaction and a company's profits. The authors successfully and neatly demonstrate this by creating a portfolio containing shares in companies which have achieved high marks in terms of customer satisfaction according to the American Customer Satisfaction Index (ACSI)³. They confirm that companies with higher levels of customer satisfaction generated higher returns and also enjoyed lower risks compared with their competitors. The graph below shows how these companies "outperform" others on the list.

Why Service Matters
A study of 200 companies shows a clear correlation between higher levels of customer satisfaction and higher stock prices.



Systematic and continuous data collection a success factor

In addition to this report, a number of other studies have come to similar conclusions about clear links between, for example, high levels of customer loyalty and low churn (lost customers). Prosales, a Swedish company which conducts research in the field of sales, confirms in its latest report, *Win/loss analysis* (4), [Win/loss analysis is as a tool for increased growth] that companies which frequently assess business won and lost achieve, on average, operating margins that are 2-6 percentage points higher and an improvement in annual sales growth of 5-10 percentage points. Furthermore, Prosales believes that one of the factors of success is that data is collected systematically and continuously over time in order to be able to identify trends and that ad hoc solutions should be avoided.

Prioritize customer satisfaction

Supported by these studies and by our own experiences with our customers, it is clear that customer satisfaction is something we must prioritize. It has a clear and measurable effect on how well our company actually performs. What we have to think about now is how we ensure that the feedback we receive from a survey prompts the right action. By action, I mean the various measures we must take in order to ensure that no customers slip between the cracks.

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How do we use the results of our surveys?

Consider the following example. A customer of company X has recently been sent a customer survey. It has been over three months since the customer last had any contact with the company and she does not have that much to say other than everything is fine. There is a strong likelihood that the customer will respond with a 3 (OK), or she might even give a 4 (good). The company notes the response and puts the customer in the category of “satisfied customers”; all is fine so far.

Two weeks later the customer has to contact the company’s customer support regarding a problem she is having with the service purchased, and this is where the dilemma occurs. The treatment the customer receives is far from satisfactory and it takes the company far too long to solve the problem.

Is it reasonable then for the customer to still be in the category of “satisfied customers”? Highly unlikely! Nevertheless, this is how most companies currently do things. The survey is sent out once or twice a year, often in the same week as the previous year, because routines are important. The problem is that your customer will carry with her the bitter taste of her last customer meeting with the company for a whole year, or at best six months, before she get the chance to express her opinions again. There is a risk, however, that this person will no longer be a customer by the time the next survey lands in the inbox.

Evaluate immediately after activity

If we want to collect feedback from our customers, we need to do so when they have been in contact with us regarding a problem and we have to act fast.

As soon as the support case was concluded, a follow-up should have been sent to the customer, giving her the opportunity to evaluate how well the company

managed to solve the problem. Company X should also have added a question about whether she is satisfied overall and a question about how willing she would be to recommend the company to others.

Two clear benefits

There are two clear benefits to this approach. The first is that the customer will be more inclined to respond since the survey is relevant to that particular customer. The second is that the company has an immediate opportunity to act on the responses when the customer is unhappy, significantly increasing the likelihood of the company managing to retain the customer.

A blue rectangular graphic with a white line connecting three circular profile pictures of diverse people. Below the photos, the text 'Netigate' is in white with a stylized 'N' logo, followed by 'Community' in a lighter blue. Below that, it says 'Be a part of the biggest community for survey and research' in white. At the bottom, a purple rounded rectangle contains the URL 'community.netigate.net' in white, with a white curved arrow pointing to it from the right.

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Customer responses automatically to the right person

But how can we work smart if we are receiving responses more or less every day? Doesn't it take up a lot of time and resources internally at the company? This is, of course, the case and that is exactly why companies should design a structure that enables the right person or persons to be notified, depending on the response given by the customer.

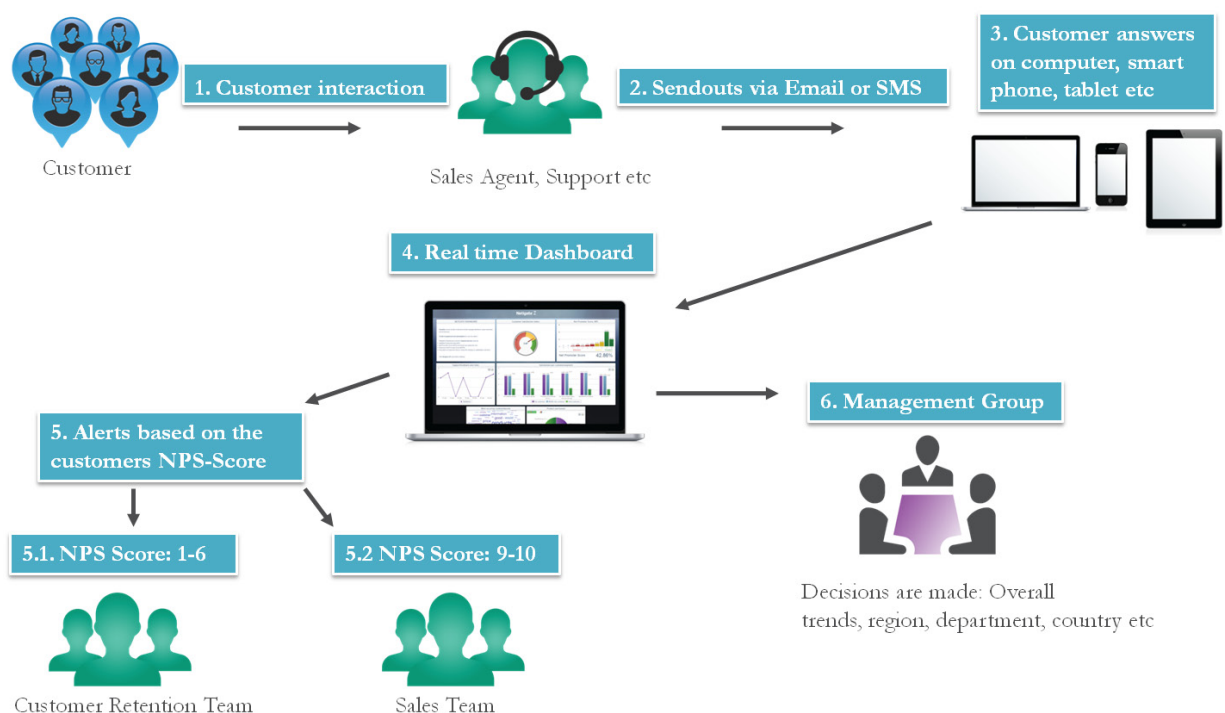
A good example is the result from a [NPS survey](#) that divides customers into three categories based on how they answered the question, "how willing are you to recommend the company?" on a scale from zero to ten. With an automatic process, the customer replies go directly to the most relevant person to follow up on it.

For example, if the customer responds with a 10 to the question of whether or not they would recommend the company to a friend, the sales department should be notified because we have a potential ambassador who could generate new leads.

If the customer instead responds with a 1, a message should be sent to the Customer Retention Team, who can act fast thanks to the information from the survey and contact the customer in order to solve their problem and keep the customer.

Automatic processes save time

In the long term, we must also create an automatic process so that minimal involvement is required from the support department. The only things they should act on are the warnings or messages which are automatically sent by e-mail or which pop up in a to-do list in the CRM system. At the same time, those responsible for the survey, along with the management group, must also be able to continuously monitor the overall results using a real-time dashboard.



Increased customer satisfaction pays off!

Experience and lot of studies show that investing in increased customer satisfaction has a definite and measurable positive effect on a company's business. Whether we look at the company's share price, sales growth or operating margin, there are clear links to how we measure and follow up on the satisfaction of our customers.

Surveys as an integral part of the overall customer experience

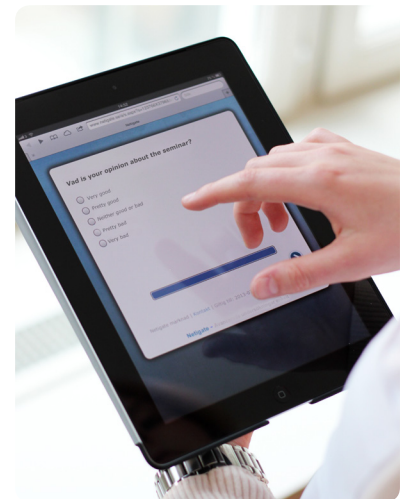
We need to set up a smart process for gathering our customers' feedback. The process must generate actions to be followed up on without delay in order to ensure that no customers slip through the cracks. We have to stop thinking of customer surveys as a "once-a-year thing" and instead continuously assess what our customers think by making our surveys an integral part of the overall customer experience.

We have to stop thinking of customer surveys as a "once-a-year thing" and instead continuously assess what our customers think.

Companies that work with continuous customer feedback already have an advantage. When compared to companies which believe that their customers only change their opinions once a year, I am convinced that those who adopt and develop this way of working will reap much greater rewards. This will be of particular significance in markets where competition will only increase as a result of technological advancements.

My ambition with this text is that more companies which are working with customer surveys should open their eyes to how they can work with the results in a more efficient manner. I am sure that with the right system all companies would increase their customer satisfaction and become more profitable.

If you want to hear more about this, or if you want to discuss it further, please contact me! Tobias.Thalback@netigate.se. ■



References

1. Sakarias Fasth, Surveyology (in swedish) – enkla tips somhöjer kvaliteten på dina undersökningar, [Surveyology – simple tips to increase the quality of your surveys] (2012)
2. Claes Fornell, Sunil Mithas, Forrest V. Morgeson III & M.S. Krishnan (2007) Customer Satisfaction and Stock Prices: High Returns, Low risk, Journal of Marketing, 70, 3-14
3. ACSI: The American Customer Satisfaction Index (ACSI) is an independent national benchmark of customer satisfaction. Each year, roughly 70,000 customers are surveyed about the products and services they use the most. The survey data serve as inputs to an econometric model that benchmarks customer satisfaction with more than 230 companies in 43 industries
4. Henrik Larsson-Broman, Win/loss-analys som verktyg för ökad tillväxt [Win/loss analysis as a tool for increased growth] (2013), Prosales

About Netigate

Netigate is a leading European provider of cloud based services for online surveys that are primarily used for voice of customer (customer satisfaction), employee performance and market research. Through Netigate's user friendly interface, the users can conduct surveys in a very effective way compared to other alternatives.

Top 5 reasons

... why Netigate makes your research more effective

1. Easy to use enterprise feedback management
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4. Slick & easy-to-read reports
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