

## Why are Customer Satisfaction Surveys Important

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### 1. Introduction

Today's market is increasingly driven by the customers' personal opinions and needs. This is only one of the reasons for the growing significance of customer satisfaction surveys.

This article is based on a research conducted by InfoQuest, which explains "Why?" as well as "How?" customer satisfaction surveys can assist companies in modifying their activities in order to assure customer satisfaction and increase brand loyalty.

Below are the article's key topics:

### 2. How to prevent potential churn by studying customer satisfaction

There are three issues regarding which customers voice their dissatisfaction: price, product/service quality, and service promptness. It should be noted that there are dozens of potential contact points between the customer and the company, during which customers can express their dissatisfaction.

According to Tom Peters' "The Pursuit of Wow", a churn analysis that was conducted for US service companies in 14 different industries shows that 15% of churners do so because of service/product quality issues, and 15% others churn due to price issues. The other 70% churn because "they didn't like the service reps of their previous providers". However, the analysis also shows that 70% of complaining customers will not change service providers as long as their demands are met to their satisfaction.

Though this may seem encouraging, other researches have found that for every expressed complaint, there are 27 cases of customers who didn't complain, despite their dissatisfaction from services rendered. In other words, out of 1,000 dissatisfied customers, over 900 will not express their disappointment until it is too late. Additionally, it is safe to assume that we will not be able to retain all of the customers who did complain, and that a certain percentage of those will, indeed, churn.

In order to reduce churn, customer satisfaction should be monitored before or after the complaint is handled. Before – after interacting with the customer, simply ask them whether they are satisfied with the manner in which the issue was handled, or whether they consider the matter resolved. After – some time after the issue is resolved, a simple analysis in the form of a survey or feedback questionnaire regarding the service should be presented to the customer. This way, up to 700 potential churn cases can be avoided (out of each 1,000 dissatisfied customers).

### **3. How customer satisfaction surveys support constant improvement strategies**

They say that it's much harder for a great product to compensate for a second rate service than for an excellent service to compensate for a mediocre product. This cliché reflects a simple truth overlooked by many organizations: your customers know your product/service and its characteristics, sometimes even better than you do!

There are certain things only customers know about the company and its products/services. For instance:

- They know what it takes to purchase your products/services, from the order to the shipment.
- They know if and how your organization solves problems.
- They know if and how you react to questions, requests and special needs.

- They know how easy or how hard it is to do business with you.
- They know if your employees are professional and courteous.
- They know if you keep your promises or get back to a customer who was promised a response.
- They know if you value them or take them for granted.
- They know if your products are worth their price, and they know to ask you "why?" or "why not?"

In fact, not only can your customers tell you what you are doing wrong, they can also specify exactly how you should improve your service and fix the problems. In many cases, customers can be the best source/inspiration for innovative ideas.

#### **4. How customer satisfaction surveys help enhance market share**

The financial influence of customer satisfaction speaks for itself, according to the research: the recurring purchase rate of customers labeled by satisfaction surveys as "completely satisfied" is 3-10 times higher than that of customers labeled as "quite satisfied".

In the field of B2B, Johnson Controls found that a one point increase in the overall score of its customer satisfaction surveys equals a \$13M growth in the total sum of annual contract renewals.

#### **5. How customer satisfaction surveys help create balances and breaks in the organization**

As mentioned above, according to various researches, a "completely satisfied" customer is 3-10 times more likely to repurchase when compared to a "quite satisfied" customer. Other researches prove that the financial ratio between the customer's satisfaction and his expenditure on the brand is measurable and predictable.

There is a model that compares satisfied and dissatisfied customers. This model shows that:

- The revenues from a "completely satisfied" customer are 2.6 times higher than those of a "quite satisfied" customer.
- The revenues from a "completely satisfied" customer are 14 times higher than those of a "quite dissatisfied" customer.
- The effect of revenue loss from a "completely dissatisfied" customer is nearly twice as high as the effect of the revenue growth from a "completely satisfied" customer.

It should be noted that the third finding highlights the fact that an organization can have twice as many satisfied customers as dissatisfied customers, yet experience a continued decrease in revenues.

This fact reinforces the premise that all efforts should be invested in turning "completely dissatisfied" customers into "quite satisfied customers", and "quite satisfied" customers into "completely satisfied" ones, in addition to retaining customers who are already "completely satisfied".

This is where balances and breaks kick in. Below is a list of sample questions decision makers should ask themselves:

- Out of your best customers, do you know who is dissatisfied and why?
- Are initiatives aiming to improve the organization's customer satisfaction clear to all employees, and are they being regularly measured?
- Are all position holders (in all levels of the company) focused on the same goals and strategies?
- When the company's overall status is examined, do you see the same things your customers see? Do you really know what your customers see?
- Does everybody understand who the best customers are, and what needs to be done in order to retain them?

## 6. Conclusion

Many companies try to send a message of "knowing what the customer needs", using a combination of internal evaluations, anecdotes, passive data gathering, and a plethora of "hindsight". These companies try to be on top of things, but in actuality they are immersed in case studies on one hand and putting out fires on the other, since "bad news", as well as most complaints, don't usually reach the top of the organizational hierarchy. As a result, the company's management is usually unaware of most customer complaints. And the complaints that do manage to reach all the way to the top will be used as an impractical form of data gathering. Add to that the preexisting prejudice, wishful thinking, and sometimes even the fragile ego of the organization, and we can begin to understand why, in today's market, customer satisfaction surveys are increasingly becoming a vital need, rather than a mere choice.

### About Synergy

**Synergy** is a consulting company specializing in information based customer management and assisting organizations to maximize the business potential of their end customers, while providing them with tools for improving their marketing, service and customer retention activities.

**Synergy's** solutions revolve around customer management, and include Analytical CRM, Operational CRM, Loyalty and Web solutions, as well as Marketing Resource Management solutions.

**Synergy** was established in 2003 and operates from Israel, the UK and Poland, working with local and international organizations. Among our customers are the foremost industry leaders in the Israeli and international markets, in industries such as communications, finance and retail, among which are banks, credit card companies, insurance companies, mobile operators, internet service providers, international call providers and television networks, as well as large membership clubs in the food, fashion and aviation industries.

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