customer satisfaction surveys

a practical guide to making them work

InfoQuest® Business Process Review

customer satisfaction surveys

CHAPTER 1

WHY DO SO MANY SUCCESSFUL COMPANIES EMPLOY THEM?

TO AVOID PREVENTABLE LOSSES?

TO DRIVE CONTINUOUS IMPROVEMENT?

TO BUILD MARKET SHARE?

TO CREATE CHECKS AND BALANCES?

ALL OF THE ABOVE?

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Why do so many successful companies employ customer satisfaction survey programmes?

Among the reasons are:

To Avoid Preventable Losses

There are three operating areas in which most customers will openly express displeasure if you fail to perform to expectations - price, quality and on-time delivery. The problem is, there are dozens, sometimes hundreds of additional touch-points in the average business to business relationship in which customers tend to bottle up displeasure. Sales rep performance, tech support, customer service in its many and varied forms, finance administration, all means and manner of communication, placing orders, processing returns - it can be a long list.

The Forum Corporation of America analyzed the causes of customer migration in 14 major manufacturing and service companies and found that 15 percent migrated because of quality issues, and another 15 percent changed supplier because of price issues. The remainder, 70 percent, moved on because "they didn't like the human side of doing business with the prior provider of the product or service".

Tom Peters, The Pursuit of Wow

And as if that's not bad enough, they don't "just" leave. Additional studies have consistently determined that the typical dissatisfied customer will also end up telling 8-10 people about their problem or experience.

The good news is, seven of ten complaining customers will do business with you again if you resolve the complaint in their favour.

The bad news is, for every customer complaint that you hear, there will be, on average, 27 others that will never be brought to your attention. Stated another way, roughly 96% of customer complaints will never be openly voiced.

Why do so many successful companies employ customer satisfaction survey programmes?

Among the reasons are:

To Drive Continuous Improvement

An old truism says that it's far easier for great service to overcome a second-rate product than it is for a great product to overcome second-rate service. Within that realm is a simple reality that many business operators fail to recognize:

> ***Your customers know your company's strengths and weaknesses, and they usually know them better than you do.***

- ✓ *They know what it's like to buy your products and services, from placing an order to having it delivered.*
- ✓ *They know how well you solve problems.*
- ✓ *They know how responsive you are to questions or special needs.*
- ✓ *They know if you make it easy to conduct business with you, or if it's a painful process that's riddled with red tape.*
- ✓ *They know if your employees are competent and courteous.*
- ✓ *They know if you keep promises or return phone calls.*
- ✓ *They know if you value their business, and show it to them, or if they are just taken for granted.*
- ✓ *They know if your products or services represent value for the money, and they know why or why not.*

And.....if that's not enough.....

- ✓ ***Customers can be the best source of innovative new ideas. Throughout history, in all sectors, it's often customers who come up with new ideas for improving an old product or launching a new one.***

Why do so many successful companies employ customer satisfaction survey programmes?

Among the reasons are:

To Build Market Share

The economics of customer satisfaction speak for themselves.

"Totally Satisfied" customers have a repurchase rate that is 3 to 10 times higher than that of "Somewhat Satisfied" customers. This is documented by research at Xerox and in other industry studies.

"All or nothing: Customers must be 'Totally Satisfied" Steve Lewis, Marketing News. Chicago: Mar 2, 1998. Vol. 32, Iss. 5; pg. 11.

"Its "Totally Satisfied" customers were six times more likely to repurchase Xerox products over the next 18 months than its "satisfied" customers.

Why Satisfied Customers Defect. By: Jones, Thomas O.; Sasser Jr., W., Harvard Business Review, Nov/Dec95, Vol. 73 Issue 6, p88, 14p

"The relationship between satisfaction and actual share-of-wallet in a business-to-business environment is not only a positive relationship but the relationship is nonlinear, with the greatest positive impact occurring at the upper extreme of satisfaction levels."

Timothy L Keiningham, Tiffany Perkins-Munn, Heather Evans, Journal of Service Research : JSR. Thousand Oaks: Aug 2003. Vol. 6, Issue. 1; pg. 37

"By examining contract renewal rates (Johnson Controls) found a one point increase in the overall satisfaction score was worth a $13 million increase in service contract renewals annually."

American Society For Quality, February 2003

"IBM Rochester determined that if customer satisfaction levels increased *one percentage point, an additional $257 million* in additional revenue would be generated over five years. The ratio of revenue growth between *very satisfied* and *satisfied* customers was 3:1."

American Society For Quality, February 2003

And, of course, the old adage that we've all heard and lived by for years. ***It costs six times more to attract a new customer than it does to keep an old one.***

Why do so many successful companies employ customer satisfaction survey programmes?

Among the reasons are:

To Create Checks and Balances

Various studies performed over the years, beginning with one conducted by Xerox in the early 90's, have consistently shown that a Totally Satisfied customer is, on average, 3-10 times more likely to buy from you again than a customer who is merely Somewhat Satisfied.

Later studies conducted by InfoQuest took those findings a step further with development of a statistical model which determined that the financial relationship between customer satisfaction and revenues is both measurable and predictable. It found that, over time -

- **A Totally Satisfied Customer contributes 2.6 times as much revenue to a company as a Somewhat Satisfied Customer.**
- **A Totally Satisfied Customer contributes 14 times as much revenue as a Somewhat Dissatisfied Customer.**
- **A Totally Dissatisfied Customer *decreases* revenue at a rate equal to twice what a Totally Satisfied Customer contributes to a business.**

That last finding is particularly noteworthy in that it highlights that you can have twice as many satisfied customers as dissatisfied customers and still be losing ground.

What it all means in terms of revenue is simple. Maximizing business performance means doing everything possible to:

1. ***Turn Dissatisfied customers into Somewhat Satisfied customers.***
2. ***Turn Somewhat Satisfied customers into Totally Satisfied customers.***
3. ***Avoid undoing anything with customers who are already Totally Satisfied.***

And that's where the checks and balances come into play.

✓ Do key decision-makers in your company know which of your top accounts is dissatisfied, and why?

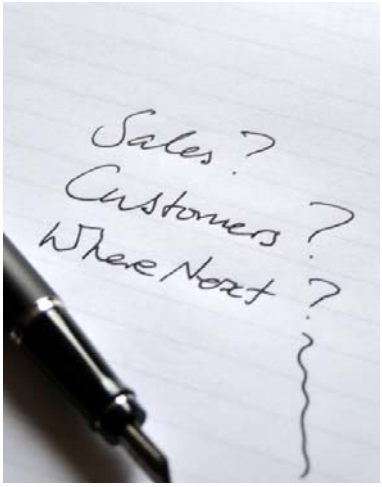
- ✓ Are priorities and initiatives aimed at improving customer satisfaction systemically known, universally pursued and routinely measured?
- ✓ Is everyone in the company, all departments at all levels, hearing and focusing on the same things?
- ✓ When your team looks at your business, do they see the same things your customers see? Do they *know* what your customers see?
- ✓ Does everyone understand who your top accounts are and what needs to be done to keep them?

Fundamental questions, right? Yet in many companies, purely informal means are employed to try to maintain a sense of customer needs. Using a combination of in-house metrics, anecdotal field tales, passive data collection and an abundance of hindsight, they wage a valiant attempt to keep their fingers on the pulse of customer sentiments, often collecting information with one hand and fighting fires with the other.

Of course, bad news does not travel up the corporate hierarchy very well, and the vast majority of customer complaints are never openly voiced, which means that informal means are rather like estimating the depth of the ocean by looking at the surface. Add in the effects of preconceived notions, wishful thinking, attitudinal biases and even the occasionally fragile corporate ego and..... .....well, good luck.

So customer satisfaction surveys have been developed and adopted to fill the knowledge void.

Which leads to the next challenge. Not all customer satisfaction surveys are created equal, so how does one go about finding the one that will best meet your needs?



For that discussion, see brochure entitled *Question 2 - How?*

CHAPTER 3

WHAT IS NEEDED TO MAKE THE INVESTMENT WORTHWHILE?

THE METRIC

QUESTION STRUCTURE

THE LIBRARY OF CATEGORIES & QUESTIONS

DATABASE COMPARISONS

OVERALL SATISFACTION

PERFORMANCE CATEGORIES

PROBLEM IDENTIFICATION

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In today's competitive marketplace, the pressure on companies to find out, in detail, what their customers think of their products, their services and their people is relentless. Unfortunately, for every customer complaint the typical company receives, there will be, on average, 27 others that are never reported. The inevitable manifestation of that reality is something that every company has seen – the long-standing customer who one day takes their business elsewhere, usually without warning, often without explanation.

Early efforts to break that pattern first came into vogue during the 1980's when customer satisfaction surveys evolved from an occasionally used tool and instead became a fundamental element of the conduct of business. The underlying theory, of course, was sound; if customers can't be counted on to voluntarily express their opinions and frustrations, the thinking went, let's go out and ask them what they think.

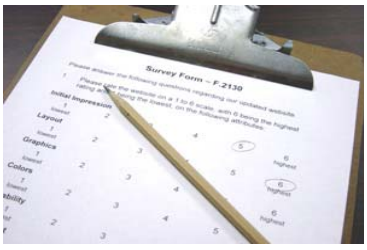
In the years that have passed, the conduct of such surveys has spawned an entire industry, yet despite explosive growth in their use, the available means for gathering customer opinions hasn't changed much.

Paper, telephone and face-to-face surveys existed in 1980, and are still in use 30 years later. Over that same time period we also saw the rise and fall of electronic surveys; first the short-lived survey on disk, then the Internet or web survey. Today the former is a relic while the latter clings to life.

Yet even if survey methodologies haven't evolved (well, there is one exception, but we're still coming to it), there can be no question that customer viewpoints on surveys have. It is an unavoidable reality, however, that not all of those viewpoints have changed for the better.

To many people, surveys have become an overused commodity - monotonous, repetitive, intrusive and, with few exceptions, utterly uninspiring. Many people see them as a waste of valuable time; the purpose of many of the questions unclear, the results seldom disclosed, and at the end of the day, scant evidence that any of it is being used to drive change. *What's the point?* is a commonly held view. *Why bother?*

Thirty years later, ***many people now associate telephone surveys with telemarketing, paper surveys with junk mail, and Internet surveys with Spam.***



That, in turn, leads to the dilemma, how can a company obtain vital commercial knowledge in a manner that will enhance, not hurt, the customer relationship?

There is an answer to that question, and it begins on the next page.

To understand if a survey methodology can or does perform, one must understand what it needs to accomplish in the first place.

The fundamental premise of customer relationship management is simple. If you can gain a clear understanding of customer needs, perceptions and desires, and then provide for those needs, you can keep customers longer and sell to them more often.

But how do you gain a candid and accurate view of your business? Of equal importance, how do you make certain that you'll actually be able to put the information you gather to productive use? After all, the real value of any survey lies in its ability to generate a strategic return on investment, which is to say that *unless you can actually do something with the results*, all you gain is a lot of paper.

To avoid that all too common outcome, an effective customer satisfaction survey has to deliver:

On The Front End

- A **high response rate***, enabling you to get an accurate picture of the opinions of your *top accounts*.

  * Response rates below 50% generally cannot be counted on to be accurate.

- **Immunity to biases and influences** that undermine the candour and accuracy of responses.

- At least a **perception of anonymity**, enabling customers to feel free to tell you what's really on their mind.

On The Back End

- **Fully attributable customer responses**, enabling you to pinpoint specific problems in specific accounts.

- **Actionable** (vs. merely interesting) **results**, enabling the development and implementation of effective action plans. If you can't act on the results, you can't change anything.

- **Prioritisation tools** that clearly and accurately show you where to focus your resources for maximum impact on improving customer satisfaction and loyalty.

- Deliverables that are built on **clarity and simplicity**, not arcane jargon and analytical filler.

Without those fundamental building blocks, conducting surveys usually proves to be a waste of valuable time and resources.

The Cassandra Phenomenon sits atop the list of biases and influences that undermine the candoor and accuracy of a customer satisfaction survey. It is defined as -

> ***In a survey environment where the respondent believes their identity is or may be known, a strong positive bias filters into responses.***

The problem is simple. When customers believe that their identity is or may be known, roughly 70% of the population will hesitate to openly voice a strongly negative opinion for fear of the potential consequences. That hesitancy is driven by concern over possible reprisals, the "hassle factor" of potentially being asked to explain or defend such comments, even misgivings about getting a business partner into trouble (however deserving) and thus detrimentally altering whatever relationship is currently in place.

It's ironic when you think about it. In most business settings, success is based on the development of personal relationships. Over time, people become acquainted, familiar with their business to business contact people, perhaps even develop something of a friendship. When they do, they tend to become more careful of hurting someone's feelings or expressing views that may get someone into trouble. In other words, personal relationships tend to suppress the expression of dissatisfaction or unmet need.

The Cassandra Phenomenon does not apply to everyone. Through long observed behavioral patterns we see that ***approximately thirty percent of the general population suffers no misgivings about clearly and openly expressing their views*** – both positive and negative. Those folks will look you in the eye and tell you precisely what is on their mind, regardless of how they think you might react to it.

When customers believe their identity is known, 70% will not openly voice negative comments for fear of producing unwanted consequences.

The problem is that the remaining seventy percent of the population harbours subconscious concerns about the ramifications or consequences of openly speaking their mind. For those people, the only safe approach, assuming they can't find a way to duck the survey in the first place, is to "soft-sell" or "back-peddle" on complaints rather than openly voice them or have them committed to paper, where the possible consequences cannot be measured or predicted.

And, of course, for both the interviewer and the company using the resulting data, there is no possible way to know – before, during or after the survey – which portion of the population any single customer belongs in.

The only possible way to mitigate these influences, and to promote the candid expression of accurate opinions, is to provide survey participants with a vehicle that will provide them a comfort level to openly express their views without fear of consequences.

How many of the available survey methodologies do you think provide for that need?

What Options Are Available?

Telephone Surveys

Telephone is an excellent vehicle for qualitative data collection, gathering detailed input on a very limited focus; a product's market potential or features, for example. Time limits apply, but a skilled interviewer with a very narrow focus can gather valuable information.

As to customer satisfaction, loss of candour and practical limits on number of questions make it poor vehicle for anything more than a cursory overview. May be used for quick transactional surveys, but can only scratch the surface on a full business evaluation.

Response Rate

Under 50% at best. Rapidly declines as number of questions increase.

Accuracy

Little thought given after first few responses. Extremely prone to interviewer induced influences on responses.

Candour

Cassandra Phenomenon undermines honesty of 70% of respondents.

Number of Questions

5 minutes, 10-12 questions, to maintain any sort of response rate.

Perceived Value

Highly intrusive and almost universally disliked. Associated with tele-marketing. Culturally unacceptable in various countries.

Perceived Anonymity

None.

Face to Face Interviews

Send in the reps in and pose questions to the customer face to face; let the reps massage, interpret and then record responses; let the sales manager filter the information; then spend weeks trying to figure out how to turn the data into a report, which inevitably turns out to be of little use.

Between the intrusion factor for everyone involved, the wildly expensive cost of travel, and undermined candour and accuracy, this approach may offer some minor PR value, but has nearly zero worth as a research tool.

Response Rate

Similar to phone for mid-management, far less for senior management.

Accuracy

Note-taking (recorders are frowned upon) is undermined by need to interact and promote discussion. Results heavily influenced by memory and interpretation.

Candour

If anything, Cassandra Phenomenon is magnified.

Number of Questions

Clipboards and forms are frowned upon, so interview must be conversational. Interviewer tends to lose control of discussion.

Perceived Value

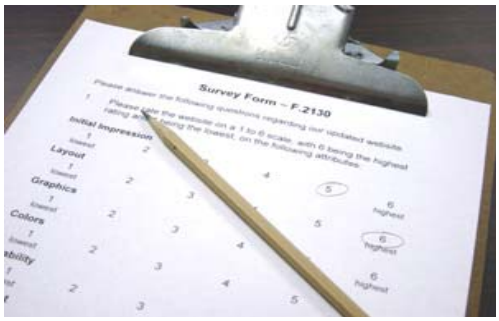
Tend to be lengthy and are highly intrusive on busy executive schedules; participants feel they are absorbing as much cost as interviewer.

Perceived Anonymity

None.

What Options Are Available?

Paper Surveys



Paper is an inexpensive option for a company with a very large customer base and little to no revenue stratification between accounts. The data may be flawed, but even a 5% response rate can at least produce a statistically valid result.

But, when accounts are stratified (the so-called 80/20 or Pareto Rule), a vastly higher response rate is needed. Without it, you disproportionately hear from those at the far ends of the opinion spectrum. Your ability to focus on the accounts that drive your company's revenues is sacrificed.

Response Rate

5-10% Average. The longer the survey, the lower the response.

Accuracy

Low response rate is dominated by "far end of the spectrum" responses - those who would be delighted to endorse your company, and those who are giving you one last chance to get it right.

Candour

Format is prone to patterned responses and compared answers. People become more concerned about the "appearance" of their answers than what their answers are.

Number of Questions

1-2 pages is practical limit.

Perceived Value

Overused. Soulless. Associated with junk mail.

Perceived Anonymity

None due to common use of bar codes or other arcane coding systems.

Internet Surveys

Like paper, a web survey is an option for a company with a very large customer base and little to no revenue stratification between accounts. Like paper, they are also quite inexpensive to conduct.

Their primary obstacle is low response rate, which undermines the ability to focus on your top revenue generators. They are also nearly impossible to conduct without email addresses for all desired participants, which a surprising number of companies do not possess.

Response Rate

5% average. Response rates have been steadily declining in recent years.

Accuracy

Low response rates produce same "far end of spectrum" influences as paper.

Candour

Depends on format. Paper survey on a computer screen suffers same influences as written survey.

Number of Questions

Shorter is better, but 30-50 or more questions feasible. Completion status must be visible or respondents will tire and cancel out.

Perceived Value

Associated with SPAM. Frequently blocked by filters, recognized sender's lists and firewalls.

Perceived Anonymity

Typically assumed to be traceable, undermining honesty.

What Options Are Available?

Well, There Is One More.....

It's called ***InfoQuest***. Here's how it works.

A survey of 36 to 60 questions and statements is reduced to a deck of cards, each about the size of business card, and then placed inside the InfoQuest survey "box". After the survey is delivered by mail, the participant reads each card, then simply drops it into one of the five labeled compartments to record their answers. Each participant is also given the opportunity to provide additional open-ended written comments, which the majority take advantage of. Postage paid return mail material is included with each survey. Average completion time is 10, perhaps 15 minutes.

Customers you select to participate are pre-validated through a multi-step process that raises awareness of and interest in the process. Following our recommendation to offer to share relevant highlights of the survey adds further interest, which contributes to what is the ***highest average response rate on the planet - just a bit over 70%***. And that's a global average. InfoQuest surveys have been ***delivered to customers in 77 countries and in 25 languages***.

Is the survey "box" a gimmick? Sure it is. But there is sound structural thinking behind its design. Among the reasons it works so well:

ACCEPTANCE - Unlike the drudgery of other survey formats, most customers view the ***InfoQuest*** survey as fun - sort of like a game.

DELIVERY - Telephone surveys are easy to avoid. Paper surveys are frequently screened by assistants as "junk mail". Web survey emails fall prey to spam filters. ***InfoQuest***, on the other hand, with its unique appearance, and because the customer always knows in advance that it's coming, almost always makes it to the intended recipient.

VISIBILITY - Conventional surveys, if they are not discarded upon receipt, frequently get lost under mountains of paper. Emails about web surveys, if not responded to within 36 hours, probably won't ever be. The ***InfoQuest*** approach is a visible attention getter that is large enough to avoid getting lost, and viewed as too valuable to throw away.

EASE OF USE - ***InfoQuest*** is not intrusive - surveys are conducted at the convenience and leisure of the customer. Because all return mail material is provided in the package, even sending it back for processing is an easy task.

TRACEABILITY - Each survey is uniquely coded, enabling us to track the identity of each respondent. That, in turn, allows full insight into individual customer responses. However, because most customers will be unaware of the coding system, they will assume the survey is anonymous, thus giving them the freedom to tell you exactly what is on their minds.

ACCURACY - ***InfoQuest*** produces highly accurate results. Score-keeping, patterned responses, comparisons of answers and interviewer-based or -induced biases are eliminated. Most importantly, because customers tend to assume their responses are anonymous, thereby mitigating the effects of the Cassandra Phenomenon, their replies are much more candid than other methods.

InfoQuest

If you have a stratified customer base wherein a large portion of your sales and profits are being generated by a small portion of your customers, your survey needs to generate a high response rate, it needs to gather candid feedback, and the results need to be accurate.

This is the survey that can do all of that.

It is the only one that can.

Response Rate

70% global average since 1989; the highest in the world.

Accuracy

Unique design eliminates "far end of the spectrum" effects, score-keeping, patterned responses, comparisons of answers and interviewer-based or -induced biases.

Candour

Perceived cloak of anonymity eliminates the effects of the Cassandra Phenomenon, so customers feel free to tell you exactly what is on their minds.

Number of Questions

36-60 without loss of response rate.

Perceived Value

Unique, innovative and different. Stands far above the crowd in terms of creating a perception of value.

Perceived Anonymity

The vast majority of respondents assume the survey is being conducted anonymously.

Because InfoQuest can touch on so many performance areas with so many people, there is a little something in it for everyone in the company.

- ✓ For the **sales department**, ***InfoQuest*** identifies problems, issues, unmet needs, and areas of subtle discontent that are costing you sales. It identifies specific customers who are approachable by your competitors, and tells you why. It helps minimize customer defections by isolating and correcting problems that can affect purchase decisions - *before* they become critical.

- ✓ For the **marketing department**, it is an effective way to measure brand equity and to obtain vital insights that will help you to enhance the value of your products and services.

- ✓ For the **quality department**, it is an effective solution to meeting customer communication requirements under QS, ISO and other quality related certification programs.

- ✓ For the **executive team**, it is a way of determining how remote areas of the company are performing. It also gives you the tools needed to get all company personnel involved in eliminating issues that affect the sales force's ability to generate new and repeat business.

It's been called the most cost effective, dynamic actionable customer survey process on the planet. See the brochure entitled *Question 3 - What Do You Do With It?* to understand why.

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So, you're going to conduct a customer survey.

Having decided what is going to happen on the front end of a survey, far too many people fail to stop and consider what they are going to do on the back end.

What are the results going to look like?

How actionable will they be?

How much time and effort, how many resources, are going to be required to address them?

What kind of return on investment can be expected? When will it be realized?

Will it be realized?

A few years back, a Fortune 100 company commissioned a customer survey. The good news was, the dual volume reports, which were delivered twice a year, offered the company tremendous detail. The bad news was, the reports contained so much material - the filler-laden page count was on par with the New York City phone directory - that when all was said and done, no one in the company even had time to read it all, let alone to try to understand or do anything with it.

Another company was taken in by a vendor who was offering web-based surveys with a twist - in this case, *real-time reporting*. Any authorized person in the company, the pitch went, could go online at any time, pull survey results on all or some customers, then act on whatever results were downloaded. A high-tech firefighting tool, it was called, giving the company the ability to identify and address small problems before they became large problems.

Sounds neat, right?

Except.....the results being downloaded entailed raw data - none of it cleansed, processed, analysed or subjected to anything resembling a prioritisation mechanism. Not surprisingly, people in different parts of the company were soon running around taking disparate actions, whatever they felt was appropriate on behalf of whomever they felt needed assistance. There was no consideration as to whether their actions addressed a systemic or personal need, a high or low priority, or whether there might be an unintended consequence somewhere else. It soon became what was later characterized as a free-for-all, with many of the actions taken being little more than knee-jerk reactions.

And finally, there are the legions of companies that have been seduced by such marketing legerdemain as "The Ultimate Question", where they embraced a simple survey and later found themselves staring at bills for tens and even hundreds of thousands of dollars, pounds and euros in order to find the answers to all of the questions that were never asked.

Three different companies. One facing incomprehensible results and zero return on investment. A second facing random, disorganized results and a total inability to even estimate an ROI. A third where only the tip of the iceberg was visible in terms of both results and cost.

Three circumstances which stand in testimony to the old adage, if you can't dazzle them with brilliance, baffle them with.....

Well, you know how it goes.

On the pages that follow is a discussion of what to look for and what you will need in order to avoid the all-too-common story of wasted time, wasted energy and wasted money.

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