

The Importance of Customer Satisfaction Surveys

**Please rate your
Experience with**



Excellent



Good



Average

LORMAN[®]

Published on www.lorman.com January 2018

The Importance of Customer Satisfaction Surveys, ©2018 Lorman Education Services. All Rights Reserved.

INTRODUCING

Lorman's New Approach to Continuing Education

ALL-ACCESS PASS

The All-Access Pass grants you **UNLIMITED** access to Lorman's ever-growing library of training resources:

- ✓ Unlimited Live Webinars - 120 live webinars added every month
- ✓ Unlimited OnDemand and MP3 Downloads - Over 1,500 courses available
- ✓ Videos - More than 1300 available
- ✓ Slide Decks - More than 2300 available
- ✓ White Papers
- ✓ Reports
- ✓ Articles
- ✓ ... and much more!

Join the thousands of other pass-holders that have already trusted us for their professional development by choosing the All-Access Pass.



Get Your All-Access Pass Today!

SAVE 20%

Learn more: www.lorman.com/pass/?s=special20

Use Discount Code Q7014393 and Priority Code 18536 to receive the 20% AAP discount.

*Discount cannot be combined with any other discounts.

Several of the pillars of the total quality movement of the 1980s and early 1990s have persisted long past the rapt attention that Total Quality Management (TQM) used to command. Most of those foundational pillars have evolved under other names, however. Customer satisfaction is one of them. Customer satisfaction is not synonymous with the old adage that “the customer is always right,” primarily because there are plenty of instances where the customer is not right at all. Businesses still have to ensure that most of their customers – and particularly their most valuable customers – generally are satisfied with the products and services they receive. Satisfaction helps to maintain customer loyalty and repeat business. As repeat business costs far less to execute than does acquiring new business, customer service professionals and organizations’ senior management teams are wise to monitor the level of satisfaction among their customer bases. Repeat sales levels are good indicators, as are some of the customer satisfaction tools of older approaches to TQM. Likely the single most valuable tool is the customer satisfaction survey, however.

Origins of Customer Satisfaction

Total Quality Management (TQM) existed long before it gained its name, and by the early 1990s it was the then-current buzz term of business, a faddish

catch-all palliative in corporate culture that eventually spread to all types of settings. When business was able to progress past that phase, businesses of all types – manufacturing and service alike – were able to gain immense benefit from the approaches to management that successful TQM implementation and operation requires.

TQM was born of an effort to increase quality while simultaneously reducing costs. It originally was developed in a manufacturing context, but once “discovered” in the US in the 1980s, it quickly spread to include all aspects of business, regardless of sector. Attention to customer satisfaction was an integral component of the larger TQM approach to operations.

It was the Deming model that first gained widespread attention in the US in the 1980s when all of American manufacturing believed that the Japanese had a “secret” of manufacturing that they had developed. Rather, statistician Walter Shewhart had published in 1931 a work describing the benefits of bringing manufacturing under statistical control and the mechanisms for achieving that control. He and his protégé J. Edwards Deming transformed a war-time production plant in the time they spent there during World War II, demonstrating in real-world terms that it was indeed to increase quality, increase efficiency while

simultaneously reducing costs. This is the essence of the Deming model, and it is one that is most often associated with manufacturing settings.

Shewhart and Deming were involved in fine-tuning American manufacturing processes to supply the needs of World War II, and later were sent to Japan to aid in the reconstruction of that country after the war. Their original work focused on increasing production and quality, statistically tracking aspects of the manufacturing process at its various steps. Much later, Deming summarized his observations in what had come to be called TQM, a term that Deming himself did not use.

One of the strongest points of TQM is that it requires attention to the customer. Deming (1986) placed the customer at the end of the assembly line, in the position traditionally occupied by the individual assessing the finished piece for the purpose of either accepting or rejecting it. Ultimately, the customer does indeed either accept or reject what the organization offers. Whether the organization offers a product or service, the customer must see value in the output. A customer satisfaction survey can serve to point the organization in the right direction in terms of product offerings or in the ease of which the customer can interact with the organization.

The Peril of Ignoring Customers

Most measurements of quality do not exist in isolation, or at least are not useful in that frame of reference. There are several approaches that provide indication of the organization's progress along the path of the journey to increased quality, however. Benchmarking and gap analysis are two of those tools; six sigma provides a more quantitative approach.

The Six Sigma approach enables organizations to compare largely dissimilar processes for the purpose of identifying statistical variability that affects total quality. It allows comparison of "different processes using a common metric. This metric is defects per million opportunities (DPMO)" (Chase, Jacobs and Aquilano, 2006; p. 86), which requires three pieces of data: unit, defect and opportunity. Whereas benchmarking and gap analysis measure conditions as they exist at the time of measurement, six sigma has the ability to monitor changes over time. It contains within it the "define, measure, analyze, improve, and control (DMAIC) cycle" (Chase, Jacobs and Aquilano, 2006; p. 86), which is a more detailed approach to Deming's PDCA (plan-do-check-act) cycle that provides the basis for continuous improvement.

Chase, Jacobs and Aquilano (2006) stress a point of six sigma that all managers

need to keep in front of them at all times. That point is that the “overarching focus of the methodology ... is understanding and achieving what the customer wants, since that is seen as the key to profitability of a production process” (Chase, Jacobs and Aquilano, 2006; p. 89). To stress this point, the DMAIC measurement also is known as “Dumb Managers Always Ignore Customers” (Chase, Jacobs and Aquilano, 2006; p. 88).

This revisits a point made by management professor and champion of TQM in the late 1990s. A plant manager moaned, “Before we invested in TQM, the rap on our company was that we churn out poorly made products that customers don’t want. Now, after TQM, things have changed. We now churn out well-made products that customers don’t want” (Harari, 1997; p. 37). “Dumb Managers Always Ignore Customers” (Chase, Jacobs and Aquilano, 2006; p. 88). The end result should be that the organization “churns out well-made products” (Harari, 1997, p. 37) – or services – that customers do want, which requires the organization to establish and maintain close customer contact. A well designed customer satisfaction survey can assist the organization in finding that end.

Wade (2004) reports that Milton Jones, six sigma officer for Bank of America at

the time, explains that “What we’re finding is that by improving our quality of service, customers have fewer problems, and that makes them more loyal to us ... And that improvement in process, which can be measured, is contributing to that improvement in service” (p. 1). These improvements then contribute to even greater customer satisfaction, of course. The closer the organization can stay to the customer’s true perspective of the goods or services it offers, the higher level service the organization can offer.

The National Institute of Standards and Technology (NIST), an agency of the U.S. Department of Commerce, manages, assesses and awards the annual Malcolm Baldrige National Quality Award. There are seven criteria classes included in the rigorous assessment process, the last of which is customer focus and satisfaction. While all the other six factors in Baldrige award determination are important to sound management and quality, none of them mean anything without the customer’s approval. The customer votes with dollars, and will stay away in droves even when the product is of high quality if it is not something that meets their needs or expectations.

First published in 1960 and then reprinted every few years, Harvard’s Theodore Levitt wrote in his landmark “Marketing Myopia” that the purpose of any business

of any kind is to keep, and then maintain, a customer. While every business needs to continually create new customers for itself, it also needs to retain the ones it already has. Maintaining existing customers is far less costly than attracting new ones, and the company often sees a return on its investment in marketing activities only when the new customer becomes a repeat customer. A well designed customer satisfaction survey can highlight those areas that customers like as well as those they do not. Further, it can bring to light things that customers would like to have available to them that senior management may not have identified. Offering what customers want encourages them to remain with the company they know rather than wandering off to a competitor. There is no reason for senior management and marketers to sit in offices wondering what customers truly want without actively seeking customers' direct input. The customer satisfaction survey has the ability to provide that information.

Levitt's 1960 article gave rise to the question, "What business are we in?" Levitt used the railroad industry as his example. The railroads were at their peak before the automobile became available. The railroads saw themselves as transporting people, but the advent of the automobile meant that people could control their own transportation. The people themselves would have told the

railroads what they wanted, had railroad management thought to ask. This is the impetus behind today's customer service survey. A well designed survey can indicate to management precisely what customers want from any company in any industry.

Strategic positioning requires the organization to define not only what it wants to provide to customers, but also how it wants to accomplish its delivery. The US auto industry as it existed in the late 1970s serves as an example. Detroit wanted to provide customers with an array of heavy, fuel-inefficient, low-quality land yachts at a time that consumers already had learned that they could have quality, fuel efficiency and low cost all in the same package, in the form of cars from Japanese auto makers that had been focusing on the principles of TQM – increased quality and lower price – for nearly two decades. Detroit tried to compete on price, even enlisting the US government to impose heavy import tariffs on Japanese cars. The "big three" walked themselves into a showdown with Japanese auto makers that they could not possibly win. Ultimately, it was Detroit that changed its ways and its product offerings.

In an industry where there is little differentiation among products, competitors will compete on price (Attention Kmart, 2002). No business can

operate for long without generating a profit, however. Recognizing what customers want and then delivering those benefits directly affects the organization's ability to achieve market leadership. This is a point where the customer satisfaction survey can be invaluable.

Identifying the “Right” Customers

The “ideal customer” is one that has been retained over time and consistently represents repeat business. The company can assume it is doing “something right” in the view of such customers. If the company can identify what that “something right” is, then it can apply that approach to other existing customers and new ones acquired in the future. That “something right” may be related to products, selection, service, accessibility or any other feature that customers label as important within the industry in which the product or service exists.

Astute senior management will call for a survey of the company's best customers in terms of characteristics of each. The survey can be conducted by in-house personnel or by an outside vendor company, as long as the entity creating and administering the survey approaches the task ethically and without bias. The goal should be to produce a comprehensive, collective profile of the “typical” best customer and how the company meets that customer's needs.

When the Customer Is Not Always Right

An adage of the past was, “The customer is always right.” Many seemed to adopt the same position in applying Deming's (1986) tactic of virtually placing the customer at the end of the assembly line, in the position traditionally reserved for the quality inspector who would accept or reject the work of the line. To an extent, the saying presents the organization as being one that will go to any end to please the customer, though there are times that position is counterproductive. Kjerulf (2006) writes about a customer of Southwest Airlines who would write in with a complaint after every flight. One of her letters seemed to be difficult, so difficult it found its way to the desk of then-CEO Herb Kelleher. “In sixty seconds, Kelleher wrote back and said, ‘Dear Mrs. Crabapple, We will miss you. Love, Herb’” (Kjerulf, 2006).

Every company has (or has had) a customer that could not be pleased in any manner. Most customer service matters are not so bleak, however, and the organization needs to find a middle ground from which it can address the needs of both internal and external customers. Certainly external customers pay the bills in the form of exchanging revenue for the firm's product or service, but it is the internal customers that keep the external ones returning over time.

Internal customers can be as important as external ones. Southwest's Herb Kelleher built his company on the premise that they are of even greater importance than external customers who are more easily replaced.

In the beginning it was Southwest Airlines' purpose to provide alternatives for those who otherwise would choose to drive. Southwest eschewed the frills that other airlines lavished on customers, choosing economy over attempts at luxury. As other airlines supplied full meals to give passengers something to complain about, Southwest offered up low fares along with a package of peanuts and smiling faces at every turn. The company gave minimal attention to items passengers had no interest in so it could give full attention to those qualities passengers look for in air travel: safety, price and arriving at their intended destinations on time and on the same schedule as their luggage.

How Customer Satisfaction Surveys Can Help

Two common characteristics of successful and growing companies are that they "Anticipate customer needs -- and be a solution provider" (Heffes and Sinnett, 2006; p. 36) and "Measure the profitability of every detail of every business" (Heffes and Sinnett, 2006; p. 36). Further, "doing more with less

entails making precision choices" (Foote, 2008; p. 46).

Conventional wisdom growing from Levitt's original 1960 position holds that a company "can retain seven existing customers for the same cost as acquiring a new one" (Use interactive for customer retention, 2008; p. 12). Certainly every company needs to attract new customers -- particularly those better matched to what the company does well -- but it also needs to retain those customers that already mesh well with it. Appropriate measures are customer longevity; increasing numbers of new customers; and profitability of each customer. All of these are quantitative measures with which the finance department can be comfortable and that a well-designed customer satisfaction survey can predict.

Herb Kelleher has been retired for years, but the airline he cofounded retains its original philosophy of pleasing most of its customers most of the time. In 2011 as air passengers had little good to say about most airlines, Southwest "led all airlines in passenger satisfaction, rising to a score of 81 to match its largest gap ever compared to the rest of the industry" (McWilliams, 2011; p. A7). That was the conclusion of the American Customer Satisfaction Index, which assesses customer satisfaction with 225 companies in 47 industries. In contrast, Delta Airlines ranked in the bottom of its

industry. One consistent advantage in conducting regular customer satisfaction surveys is that the company with which is highly satisfied gains high marks, free publicity and the power of word of mouth advertising. Those businesses with the lowest ranking customer satisfaction ratings are those that fall into the bottom ranges of all or most survey categories. Those ranked highly can expect to generate more business as well as more loyal repeat business. Those who may be undecided about what company to use are often influenced by negative customer satisfaction ratings. If groceries cost the same at one store with positive customer relations as they do at the nearby location of a national and even international retailer discount merchandiser, then it is likely that consumers will choose the location that has more friendly and uplifting employees and better customer service.

Gifford (2001) explains that there are three major steps in building customer relationships. They are:

- “determine mutually satisfying goals between organization and customers
- “establish and maintain customer rapport
- “produce positive feelings in the organization and the customers (Gifford, 2001).

The customer satisfaction survey can accomplish all of these three ends. Each is valuable in its own right in that it provides insight or revenue to the organization, but the three steps taken together carry even more weight in terms of customer satisfaction. The customer sees that the company does care about the customer’s needs, at least to the extent that the company seeks the customer’s input. The customer satisfaction survey gives the customer an opportunity to voice complaints or compliments. As customers and businesses seem to grow increasingly apart, the customer satisfaction survey gives both the customer and the organization some positive feelings about the other side of the equation when feedback is positive (Gifford, 2001).

Among customers, the inclination to practice more patience with the organization’s employees or operations systems may increase. Within the organization, employees gain a greater sense of the customer as being a “real” person in every sense of the word, someone with their own needs and with things going on in their own lives. Often, as companies rank higher on broad based customer satisfaction surveys, understanding and patience between customers and the organization’s direct “front line” employees increases substantially.

Conclusion

Customers are more than willing to relay what they want from providers of goods and services. All the organization needs to do is ask for their input. Organizations need to take care in how they devise survey questions and how they

administer the surveys so that they do not introduce bias into the results. A biased survey is of no use to anyone. On the other hand, an unbiased and statistically valid customer satisfaction survey can be invaluable in the insight it can provide to senior management of virtually any company in any industry.

The material appearing in this website is for informational purposes only and is not legal advice. Transmission of this information is not intended to create, and receipt does not constitute, an attorney-client relationship. The information provided herein is intended only as general information which may or may not reflect the most current developments. Although these materials may be prepared by professionals, they should not be used as a substitute for professional services. If legal or other professional advice is required, the services of a professional should be sought.

The opinions or viewpoints expressed herein do not necessarily reflect those of Lorman Education Services. All materials and content were prepared by persons and/or entities other than Lorman Education Services, and said other persons and/or entities are solely responsible for their content.

Any links to other websites are not intended to be referrals or endorsements of these sites. The links provided are maintained by the respective organizations, and they are solely responsible for the content of their own sites.