

Customer Satisfaction and Your Company's Survival

Customer satisfaction is one of the more important issues affecting a company's survival. Despite this fact, most companies haven't a clue as to what their customers really think. They believe that if their customers were anything less than 100-percent satisfied they'd hear about it. Or they take surveys that imply high customer satisfaction yet see their sales drop. The problem is that many companies still have not accepted that many dissatisfied customers never complain. They just leave.

The Problem

While old, the following study revealed facts that still hold true. In the American Society for Quality Magazine, Quality Progress, January, 2003, "Understand Customer Behavior and Complaints," by John Goodman and Steve Newman, the following was noted:

- 25-37% of customers with problems never complain.
- For packaged goods such as small ticket items, one in 50 encountering a problem will write to the manufacturer and only two will use the toll-free number.
- Fewer than half who complain at the retail level are ultimately satisfied and only half of those who were dissatisfied bothered to escalate their complaint to the retailer's headquarters or the manufacturer.
- For companies with multiple market centers or a wide spread field organization, the ratio of complaints in the field to those heard in headquarters was 6 to 1 for serious problems and 2,000 to 1 for less serious problems.
- In a survey where the potential loss was more than \$100, 54% of those who complained and were satisfied remained brand loyal whereas only 19% of complainants who were not satisfied remained brand loyal. Only 9% of those who did not complain at all remained brand loyal.
- Customers with problems who don't complain tell twice as many people as satisfied customers who don't experience problems.

Specific examples included:

- Satisfied complainants told an average of four to five people about their positive experience; dissatisfied complainants told an average of nine to ten people of their negative experience. (Coca-Cola)
- Many purchasing agents will not complain but just switch vendors (In the electronics business sector, 50% of purchasing agents did just that.)
- Fewer than half of those experiencing a billing problem will contact the company (telecommunications supplier). Those who do not contact the company will, if able, switch companies.
- Customers who complained to headquarters had used the routine complaint channels an average of six times (major credit card company).

What an enormous potential for losing current and new business!

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The Process

The problem is the complaint process. If customers are not encouraged to complain, either by the way complaints are received or the method for resolving them, loyalty decreases. Concurrently, if problems are not reported to a central location and analyzed to determine common issues, consistent and lasting resolution will not occur.

The most telling illustration of poor customer complaint process was that of a business customer of a major computer manufacturer. When the customer was told their staff was the cause of computer problems, the customer placed an ad in the Wall Street Journal with the complaint. After being joined by 300 companies with similar complaints against the computer firm, the problems were properly addressed. The reason it escalated to this degree? The customer was discouraged from complaining and the complaint process provided no means to consolidate and categorize customer problems. Complaints went to so many different employees in the organization that each one thought there were only one to two instances of the problem.

As a personal example I have had to write to the Presidents of Bank of America, DirecTV and AT&T to resolve issues I encountered with their products. While I continue to use their products only because I have no alternatives, I will not recommend them to anyone. While they have not lost me as a customer, how many potential customers have they lost?

The key to competitive advantage is proactively gauging customer perceptions and aggressively acting on the findings. The techniques don't have to be involved, they just have to be timely and effective. Having a mechanism to record complaints is meaningless unless the complaints are categorized, analyzed, trends noted, and action plans developed and implemented.

A good customer monitoring system has the following categorization elements:

1. Reason for contact (stating the problem).
2. General cause (employee error, company caused or customer specific).
3. Root cause (specific detail).
4. Resolution (was the problem resolved).
5. Time to resolution (how long did it take).
6. If escalated, reason for escalation (usually a provocation different from the original problem).
7. Customer perception (does the customer think the problem is resolved).
8. Lessons learned (what should be done to prevent a recurrence).
9. Lessons implemented (was there a change in the process).

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Management Support

A good complaint system is easy to implement but will only work if management shows solid support for understanding the issues and changing the status quo.

In most cases, the process breaks down at step 7. The customer's perception of satisfaction should be determined by someone other than the employee involved in or affected by the complaint. How many people want to admit they didn't do their job? If the problem was not resolved, then more analysis is needed to find out why and to determine how to prevent it from happening again.

For lasting change, employees must be involved with developing the new process. If they don't own the problem and the solution, they won't own the implementation. Too often, personalities and friendships get in the way, overriding the real issue: that the process is broken and needs to be fixed. At this point, management has to decree that changes will be made and if employees are reluctant to develop solutions, the solutions may have to come from above. Since most people want to be in some control of their destiny, this stance can have a positive outcome.

Customers who are satisfied enough to remain loyal and recommend you to others are the key. Employees and managers must understand this concept above all else. The survival of your company could depend on it.