

CUSTOMER SATISFACTION: WHERE'S THE ROI?

THE AMERICAN CONSUMER CONTINUES TO BE ONE OF THE MOST DEMANDING IN THE WORLD, ALWAYS WANTING MORE FOR LESS, AND GENERALLY UNWILLING TO GIVE HIS OR HER LOYALTY BASED ON PRICE OR QUALITY ALONE. IN RESPONSE TO THESE EVER-INCREASING CONSUMER DEMANDS, AND AS PART OF THEIR OWN COST CONTROL IMPERATIVES, CORPORATIONS HAVE DEPLOYED A RANGE OF TOOLS AND TECHNOLOGIES, FROM BASIC CUSTOMER SATISFACTION SURVEYS TO ADVANCED CUSTOMER RELATIONSHIP MANAGEMENT SYSTEMS AND OTHER BUSINESS INTELLIGENCE TOOLS.

WirthlinWorldwide, which has been advising clients around the world on customer satisfaction and loyalty issues for more than 30 years, recently completed two surveys which provide an updated point of view from two key audiences: U.S. consumers and Fortune 1,000 corporate executives. We asked each of these groups to share their perspectives about the consumer marketplace and the efficacy of the tools used by businesses today to enhance customer satisfaction.

The results of this latest research, detailed below, point to four primary challenges in the future of customer loyalty: 1) Although corporations have spent (and will continue to spend) significant energy and resources on improving customer loyalty, the overall picture, on the whole, has not improved significantly over time; 2) Efforts to improve customer loyalty through automation and technology provide benefits, but may be offset, at least partially, by the lack of a human connection in these

solutions; 3) Consumers' desire for a more personalized experience is on the rise; organizations need to recognize that each customer relationship is unique and find ways to customize their offerings; 4) Identifying and resolving consumer problems is critical—when these efforts fail, customer loyalty disappears.

CUSTOMER SATISFACTION: A MOVING TARGET?

The American Customer Satisfaction Index, an ongoing survey of consumer sentiment, has tracked consumer satisfaction since 1994. While specific sectors have shown changes, ACSI's composite index is no better today than it was nine years ago. This seems to run counter to the fact that, during this time, many organizations have been focusing on customer satisfaction and spending significant capital on technology, people and other enhancements to improve perceptions of their offerings. This lack of improvement suggests

HIGHLIGHTS

2

Corporations increasing focus, spending

Most executives say their company will spend more on customer satisfaction efforts in the coming year.

3

Which tools work best?

Surveys, employee training seen by business leaders as most effective for enhancing customer satisfaction

4

Getting personal

Consumers value companies that provide a personalized experience and customizable products and services

5

Is anybody listening?

Many customers who complain get an unsatisfactory response or none at all.

5

The human touch

Inability to speak to a live person is biggest consumer complaint. Balancing technology and personal service is essential.

6

Four imperatives

for building customer loyalty



Nearly all executives surveyed say they will focus more over the coming year (38% “much more” and 46% “somewhat more”) on customer satisfaction.

that either the tools currently deployed to enhance satisfaction are not effective or that customer satisfaction is a moving target, whereby expectations increase year after year based on new offerings, technology and positive (and negative) experiences in the consumer marketplace. The latter hypothesis implies that companies have to continuously engage in innovative ways of delighting the customer just to maintain their current levels of satisfaction. This changes the definition of customer satisfaction from a single effort or metric to a dynamic process with ever-increasing challenges.

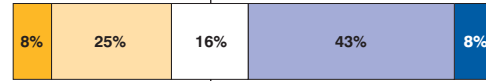
There is good news: While the ACSI composite index has yet to rebound to its 1994 benchmark, the trendline does show a gradual improvement since hitting a trough in 1997.

Our own survey findings, which focus only on the last two years, confirm that both consumers and executives are fairly positive on the topic of customer satisfaction. Just over half of U.S. consumers (51%) say their overall satisfaction with goods and services has increased over the past two years; another 16% say it has remained the same. Corporate executives are more positive, with seven in ten (71%) indicating they feel satisfaction with their offerings has increased.

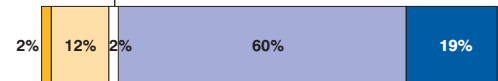
Interestingly, executives in the manufacturing sector are

Overall Satisfaction: Up or Down?

QUESTION: Overall, would you say that your satisfaction with goods and services you purchased has increased or decreased over the past two years? (CONSUMERS)



QUESTION: Overall, would you say customer satisfaction with your organization's offerings, products and services, has increased or decreased in the last two years? (MANUFACTURING COMPANY EXECUTIVES)



QUESTION: Overall, would you say customer satisfaction with your organization's offerings, products and services, has increased or decreased in the last two years? (SERVICE COMPANY EXECUTIVES)



■ DECREASED GREATLY ■ DECREASED SOMEWHAT □ STAYED ABOUT THE SAME ■ INCREASED SOMEWHAT ■ INCREASED GREATLY

more positive than their service counterparts, with nearly one-quarter (23%) of executives representing service companies reporting satisfaction has actually decreased over the last two years.

CORPORATIONS ARE SPENDING MORE

Improving customer satisfaction and enhancing customer loyalty are two concepts against which corporations have invested heavily for many years. Our survey findings show that even during this historically slow economic recovery, executives generally plan to accelerate their spending in this key area. We asked our sample of Fortune 1000 executives if they plan to focus more or less on customer satisfaction this coming year than in the past two years. Nearly all executives surveyed say they will focus more (38% much more and 46% somewhat more) over

the coming year on customer satisfaction. Findings also indicate that these executives are going to back up this claim with budget, as seven in ten (71%) indicate they will spend much more or somewhat more in the next 12 months on customer satisfaction related efforts. In fact, only 16% of executives say they will spend less on customer satisfaction over the coming year, with only 3% saying much less. Interestingly, those spending less are more likely to be in service industries where the customer satisfaction improvement needs may be more acute.

So, with corporate perceptions of customer satisfaction on the rise, and customer satisfaction spending on the rise, where will companies get the biggest bang for their buck? We asked executives and consumers both to share their viewpoints on several customer satisfaction activities and their perceived impact on return on

71%

OF EXECUTIVES SAY THEY WILL SPEND MUCH MORE OR SOMEWHAT MORE IN THE NEXT 12 MONTHS ON CUSTOMER SATISFACTION RELATED EFFORTS.

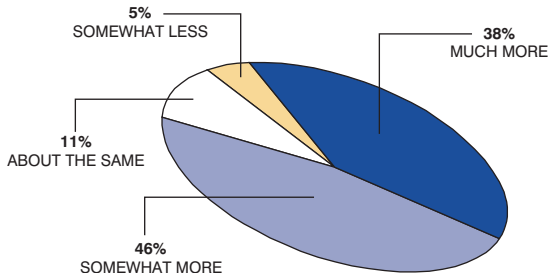
investment (ROI). The similarities and differences between their perspectives are instructive.

ROI FROM THE CORPORATE PERSPECTIVE

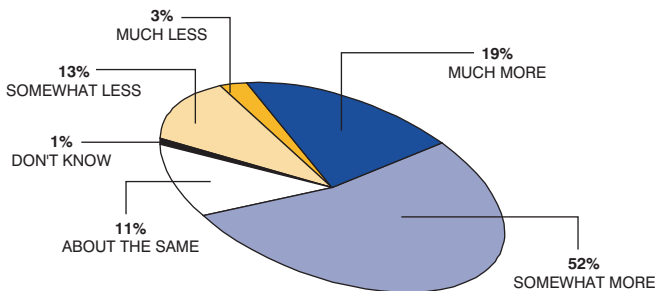
Since companies are focusing more on customer satisfaction, we explored how organizations spend customer satisfaction budgets. We asked executives to discuss their investments in customer satisfaction tools and then rate their overall perceived effectiveness in the consumer marketplace in terms of enhancing customer satisfaction. According to our survey, the most common tools Fortune 1000 organizations use include *Customer Satisfaction Surveys, Employee Training Programs, and Problem Resolution Systems*. Of particular interest is that more than one-half of organizations use high technology solutions,

Corporations Focusing, Spending on Customer Sat

QUESTION: ...does your organization plan on FOCUSING more or less on customer satisfaction this year than in has in the past two years?



QUESTION: And, would you say that your business overall intends to SPEND more money or less in the next 12 months on customer satisfaction-related efforts? This includes spending on employee training, customer relationship management systems, customer retention efforts, loyalty programs, customer research, etc.

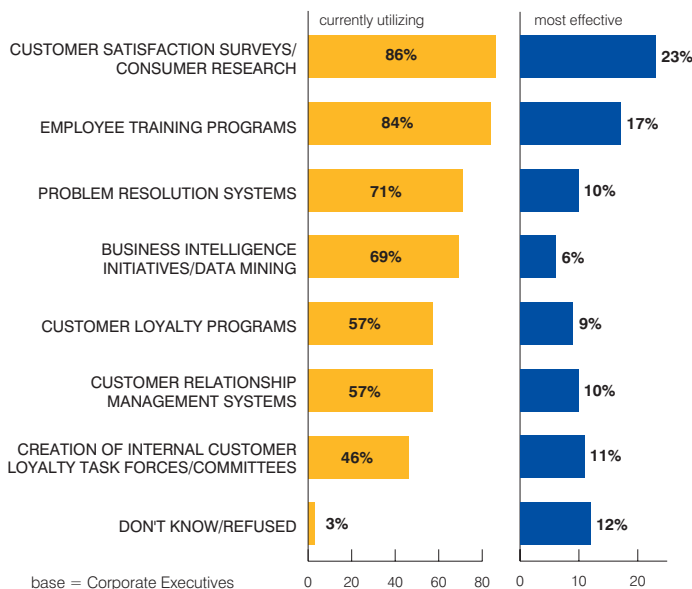


base = Corporate Executives

While the range of tools deployed is broad, the perceived effectiveness of these tools varies.

Usage and Effectiveness of Customer Satisfaction Tools

QUESTIONS: Which of the following tools, if any, is your business currently utilizing in order to address its customer satisfaction objectives? In your opinion, which ONE of those tools... has PROVEN MOST EFFECTIVE in enhancing customer satisfaction?



such as *Business Intelligence (BI) Initiatives (69%)* and *CRM Systems (57%)* to enhance their relationship with customers and personalize the experience with their organization.

So, are all of these high-tech systems just scratching the surface, or have they measurably improved customer satisfaction, and ultimately enhanced the customer relationship? While the range of tools deployed is broad, the per-

28%

OF FORTUNE 1000 EXECUTIVES SURVEYED SAY THAT THEIR ORGANIZATION DOES NOT HAVE AN ONGOING CUSTOMER SATISFACTION RESEARCH PROGRAM.



"Creating personalized experiences and customizing offerings based on individual customer preferences clearly raises the bar for all organizations..."

**Justin Greeves,
Leader, Customer Satisfaction and Loyalty Consultancy**

ceived effectiveness of these tools varies. About one-fourth (23%) of executives cite *Customer Satisfaction Surveys* as their most effective tool for improvement, followed by *Employee Training* programs. Interestingly, only 10% of respondents cite more costly *CRM Systems* as most effective, tied with *Problem Resolution Systems* and *Customer Loyalty Programs*.

THE CONSUMER PERSPECTIVE

In contrast to corporate executives, consumers may not understand, or even recognize, the application of these different systems. In many cases, the very purpose of these systems is to provide an enhanced experience using back-end technology that is transparent to the consumer.

Since most research finds a clear relationship between customer satisfaction (transactional), customer loyalty (relationship-based) and the bottom line (shareholder satisfaction), it would seem to be in every organization's best interest to encourage customers to participate in programs which encourage loyalty and help organizations tailor their offerings (products and services) to consumers. So, which of these systems are most effective at enhancing satisfaction with the consumer's experience?

We asked consumers whether or not they had experienced various programs and

74%

SAY THE ABILITY TO COMMUNICATE WITH A COMPANY ONLINE INCREASES THEIR SATISFACTION

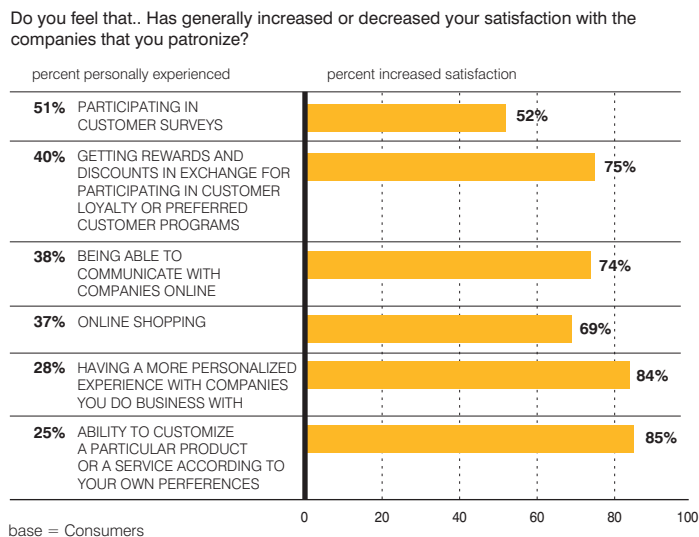
what effect, if any, these programs had on their satisfaction with the companies they patronize. One-half of consumers indicated they had participated in customer satisfaction surveys, and four in ten have received rewards or discounts in exchange for participating in customer loyalty or preferred customer programs. As we would expect, consumers indicate that both of these efforts enhanced satisfaction, but customer loyalty programs, with their greater investment of resources, had a significantly stronger effect than surveys. While significantly fewer consumers have "had a personalized experience with companies" or have "customized a product or service to their preference," these two items provide the greatest enhancements in satisfaction.

These results provide a glimpse into the future of loyalty-building—changing con-

sumer expectations require that companies go beyond simply asking about an experience or collecting deeper information about consumers; *this information must result in a new way of relating to and creating unique offerings and a unique relationship with the customer.* Creating personalized experiences and customizing offerings based on individual customer preferences clearly raises the bar for all organizations from the level of offering quality products at a good value to providing exactly what consumers want, when they want it, and enabling them to feel uniquely understood by those organizations they patronize. Further, as consumers demand more personalization, this amplifies the challenge for organizations to master the *human touch*. This means that companies must not only excel at delivering on customer expectations, but must also create a

Participation in Customer Satisfaction Programs Yields Increased Satisfaction

QUESTION: Many companies have initiated new programs and systems to improve their customer's satisfaction. I am going to read you a list of some of these programs. After I read each item please tell me if you have personally experienced that program?



positive relationship through effective and friendly front-line staff dedicated to building that unique and personalized experience for customers.

UNDERSTANDING AND ADDRESSING CUSTOMER SATISFACTION CHALLENGES

Even the best technology is no substitute for the human touch. When consumers are asked about the greatest challenges they face today, they are clear in their desire to have front line staff provide them with the help they need when they need it. When asked about the biggest problem facing consumers today, respondents mention the "inability to speak with a live person about a problem or need" (40%) as the number one challenge, followed by "poorly trained employees/staff" (22%). These challenges represent a cry for help from consumers and should be seen by organizations as a great opportunity for improvement in customer loyalty efforts.

Good customer communication becomes even more critical when problems with a product or service stand in the way of a positive experience. In our general sample of consumers, one in three recall having a specific problem with a product or service in the past three months. Most of these customers attempted some sort of contact with the company including calling by phone

(62%), visiting the website (24%), visiting in person (23%) writing an e-mail (19%) or writing a letter (13%). The majority of customers still rely on the telephone and other traditional methods to communicate with companies. We know based on past research that customers prefer to reach a live person on the other end of the phone and are often frustrated by automated systems or the inability to reach another human being. The challenge here for businesses is to continue to find the right balance between human touch and efficiency vis-à-vis automated solutions.

We asked respondents who made contact with a company what happened as a result. The outcomes varied greatly. While 80% of organizations responded to consumers, three in ten (30%) of those responses were not satisfactory and another 19% of consumers got no response at all. In other words, nearly half of those who experienced a problem were either dissatisfied with the response

or did not get a response. Not surprisingly, most of these consumers reported they stopped patronizing the companies that did not address or resolve their problems. Despite the proliferation of customer management tools available to corporations, the fundamental challenge of effectively managing contacts and resolving customer problems remains high.

What's worse is that these missed opportunities are costly. WirthlinWorldwide's customer loyalty research confirms, time and time again, that customers who have problems resolved to their satisfaction are just as satisfied or *more* satisfied than those who never had a problem. *This does not suggest companies should create problems to solve, rather it demonstrates that problems can be treated as opportunities to shine in the eyes of your customers.* In a customer focused environment, a formal process addressing and resolving problems, combined with clear lines of accountability and perform-

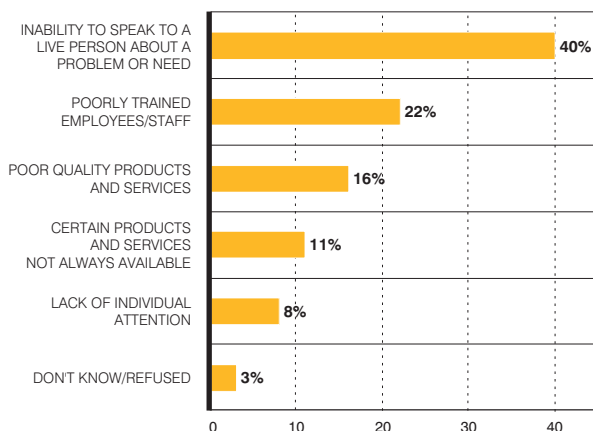


“The challenge for businesses is to continue to find the right balance between the human touch and efficiency vis-à-vis automated solutions.”

Kate Roberts, Customer Satisfaction and Loyalty Consultancy, UK

Consumer Satisfaction Problems

QUESTION: Which of the following do you think is the biggest problem facing consumers today in terms of their satisfaction with products and services?



base: Consumers

49%

OF THOSE THAT EXPERIENCED A PROBLEM WERE EITHER DISSATISFIED WITH THE RESPONSE OR GOT NO RESPONSE.

ance metrics, are crucial to enhancing customer satisfaction.

Wirthlin's past research has shown that a key to addressing customer satisfaction challenges begins with establishing the right kind of customer loyalty metrics based on an understanding the core values that drive consumer decision-making. Our values-based research framework allows organizations to get beyond simply measuring product and service attributes (transaction-based) and enables a deeper understanding of the emotions and values that create a truly loyal customer (relationship-based). The imperative of providing the "human touch" is a good

example. Our unique values-based approach helps to identify not only that "inability to speak with someone" might be a problem, but relates it back, through the consumer's own thoughts and feelings, to the higher level consequences, benefits and values that can both attract and repel consumers. Perhaps having that right front line staffer on the phone saves time, and lets that consumer get more things done, or spend more time with their family? Or, alternatively, the right attention to problem-solving leads to a feeling of importance and ultimately allows that product (or brand) to deliver a stronger sense of self-esteem? These are the very issues that corporate executives and brand leaders need to measure in order to truly understand and address lingering customer satisfaction challenges.

line employees with the tools to understand their customer relationship issues and the difference they can personally make in the consumer experience. An effective customer loyalty system should therefore also represent the internal perspective and be able to quantify the generally strong relationship between satisfied employees and satisfied customers. WirthlinWorldwide's past work indicates that individual business units that have satisfied employees are more likely to produce satisfied customers. Therefore, improvements in customer satisfaction can come from understanding which levers are within a manager's reach, including both employee and consumer touch points.

FINAL THOUGHTS

The last 20 years have seen sophisticated changes in the way customers and companies do business and how they communicate. And yet, even with all of these new systems and technology in place, customer satisfaction remains flat. Consequently, businesses must always be mindful that customer expectations are never static. Customers will always continue to raise the bar for companies to win their loyalty.

Our survey findings point to four critical areas to address in order to improve the customer experience and build loyalty:

1. Use systems that collect and organize customer information as a way to create personalized and customized offerings that build a unique relationship with consumers. CRM and business intelligence tools seem to yield less in terms of perceived effec-

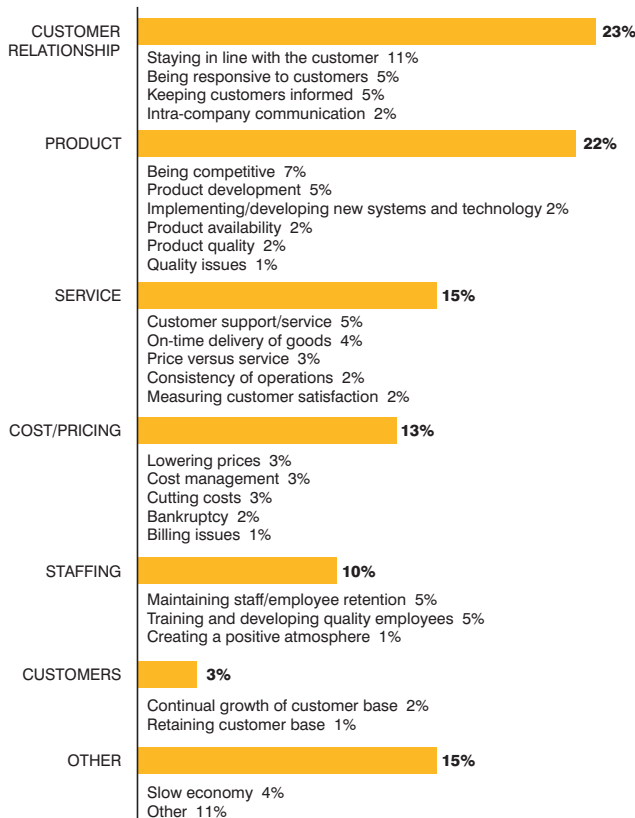
CORPORATE CHALLENGES

From the corporate perspective, organizational challenges in customer satisfaction emanate from two key areas: the consumer relationship and product issues. Nearly one quarter (23%) of executives mentioned relationship items, such as "Staying Inline with Customers", "Being Responsive to Customers", and "Keeping Customers Informed" as their key organizational challenges. Further, executives are also more likely to mention Product issues (22%) including "staying competitive" and "product development."

These findings identify another dynamic in addressing customer satisfaction challenges, namely, providing front

Challenges to Customer Satisfaction

QUESTION: From your perspective, what has been the SINGLE BIGGEST CHALLENGE facing your organization in relation to its customer satisfaction efforts in the past two years?



base = Corporate Executives

tiveness than their more traditional counterparts (surveys, employee training programs, customer loyalty programs). But in the longer term, these more advanced tools facilitate the programs that enhance consumer loyalty from the consumers' point of view, including the ability to customize an offering or personalize a customer experience. Given the large cost of these systems and the fierce competition for loyalty many industries face, corporations have strong incentives to get the most out of this technology in the coming years.

2. *Have the right metrics in place that measure customer needs (both rational and emotional) and identify when and where needs are not being met.* Customer satisfaction systems should include questions about product and service attributes but should also measure the consequences and emotional benefits associated with those offerings. Customers are persuaded rationally but loyalty is achieved emotionally.

3. *Foster two-way communication that maximizes human exposure.* Our survey findings confirm that the ability to connect with customers in increasingly diverse ways may not bring organizations closer to their customers and may, in some cases, create distance. Make sure that customers can access front line staff in the ways they desire, and that staff have an understanding of their customers and the ways they can make a difference in the experience.

4. *Facilitate problem communications and expedite problem resolution.* As our survey findings show, an unresolved prob-

lem is a recipe for dissatisfaction. Customer problem resolution should receive the highest priority and provides a unique opportunity to build loyalty.

RESEARCH METHODOLOGY

This report contains selected results from two surveys regularly conducted by Wirthlin Worldwide and available to clients:

Our quarterly *Executive Omnibus*: Telephone interviews were conducted during June 2003 with 150 senior-level corporate executives (vice president/director and higher) working for Fortune 1,000 companies.

Our semi-monthly *National Quorum*: Telephone interviews were conducted July 18-21, 2003 with 1,000 adults (age 18+) residing within the continental United States.

ABOUT WIRTHLIN'S CUSTOMER SATISFACTION AND LOYALTY CONSULTANCY

The focus of Wirthlin Worldwide's Customer Satisfaction and Loyalty Consultancy is to provide our clients around the world with a systematic and customized approach to building customer

loyalty. Our most important objective is to help establish a linkage between customer loyalty and the bottom line. We do this by developing a holistic understanding of the organization's customers, their decision making processes (both rational and emotional) and the key drivers of loyalty.

Building customer loyalty requires not only a system for gathering transactional metrics, but also an understanding of relationship dimensions, an assessment of higher-order brand and product benefits, insight into future behavior, and a view of the competition.

WirthlinWorldwide brings to bear a unique combination of tools, technology and industry expertise, plus a history of success in establishing and improving systems which measure, manage and build loyalty. We work with our clients to help ensure that customer loyalty systems become a living part of the key management decision-making process at all levels.

For more information about how we can help you, contact Justin Greeves, Vice President and Leader of the Customer Satisfaction and Loyalty Consultancy, at 703-480-1900 or jgreeves@wirthlin.com.

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