



# UNIT-19

## Importance of Customer Feedback

### Learning Outcomes

**By the end of this unit the learner will be able to:**

- ✓ Identify the characteristics of monitoring customer complaints and compliments
- ✓ Discuss the importance of monitoring customer satisfaction.

## Unit 19

### Importance of Customer Feedback

An essential first step in the development of *all* service initiatives is gaining feedback from customers. Listening to customers is vital, if organisations wish not only to attract new customers, but also retain existing ones.

#### Barriers to Listening

A recent survey found that eighty-six per cent of company executives see themselves as being customer-centric. Yet often employees stop being consumers as soon as they walk into their places of work.

The barriers which prevent organisations getting close to their customers include:

- evidence from anecdotal events which occur on a one-off basis and can cloud a manager's opinion;
- the views of complainants which are often not counterbalanced by non-complainants; a high percentage of customers do not complain – only one in twenty-six people is the figure often quoted - based on research undertaken in the United States;
- the opinions of a strongly articulate group of customers which may cloud an organisation's view of customer requirements;
- preconceptions within the organisation – the 'we have always done it this way and this is what the customer wants' syndrome.

These are all factors which prevent companies from gaining a true understanding of how well their products and services match customers' expectations.

#### The Monitoring of Complaints and Compliments

As, on average, only a small percentage of an organisation's customer-base actually bothers to complain and even fewer people take the time to compliment an organisation, the measurement of complaints and compliments is often misleading.

#### Customer care Balance Sheet

To gain a better understanding of the impact of complaints, a customer care balance sheet is a useful tool. It tells the organisation how much business it is losing both from customers who do not complain, along with customers who do complain and are not satisfied with the way their complaint is handled. Postal surveys can be used periodically, to ask customers who have not complained and those who have, how satisfied they are with their experience, how many people they will tell if they are not satisfied and whether they intend to use the services of the company again, as a result of their experience.

The first element is sales lost from the customers who experienced a problem and who did complain, but were not entirely satisfied with the way their complaint or enquiry was handled. (Sales lost includes sales lost from negative word-of-mouth advertising and from customers who will not purchase the service again). The second element is sales lost from customers who experienced a problem but did not

complain. Again,

the sales lost includes sales lost from negative word-of-mouth advertising and from customers who will not purchase the service again. From these two elements, sales which would in fact have been lost anyway through normal attrition are detracted.



In the formula, sales gained from positive word-of-mouth advertising are not taken into consideration, because the formula deals with market damage rather than market opportunity (another area worthy of consideration). To make the calculation accurate for each type of business, the formula is applied over the reasonable period of loyalty of the customers. The final calculation then takes the total sales lost over this period of loyalty, divided by the period of loyalty, to arrive at annual sales lost. This type of customer care balance sheet can help win the financial support of senior management, in developing a means of ongoing customer measurement that allows employees throughout the organisation to determine how well they are performing.

## The Value of Listening to Customers

### Online Surveys

Increasingly, the internet is being used as a means of gathering feedback from customers. The difficulty with surveys sent via the internet is that they can often be treated as spam. So the more individual, interesting and involving the e-mail, the higher the response rate.

It is normal for a link to be offered to the customer via e-mail to the survey, e.g. 'Click here to respond.' Best practice is also to offer a real-time alert if assistance is needed in completing the survey. The organisation can then call or e-mail the customer to provide assistance.

## Monitoring Customer Satisfaction

### Starting Point

Monitoring customer satisfaction is a pointless exercise, unless management is committed to the process and likely to act on the results. The objectives of monitoring, therefore, need to be clearly defined before a programme begins, together with a budget and timetable. First, managers must decide which areas of customer satisfaction to measure. The organization needs to develop a method by which it can understand its customers better, as well as receive feedback from its customers. This can be done by collecting data about the customers and their behaviour. This data can then be fed into a main system or a database

which is integrated with all the systems of the organization, so that this data is readily available to all the departments. Data mining and data analysis techniques can be used for analyzing the data, to help understand customer's behaviour. This can also help in dividing the customers into various groups on the basis of their attributes.

Next, the sample method for the research must be decided before research is conducted and analysis takes place. Results can then be interpreted and disseminated to all those involved.

The presentation of results is often an area which is neglected in developing a measurement plan. Results will be ignored, unless they are presented in a manner which is manageable and readily understandable to the recipients of the report. The objectives of the report should be to allow managers and staff to take action as a result of the surveys. Research results become meaningless unless they are fed back quickly to the organisation.

### Review Existing Research

Before beginning a new programme of monitoring, it is useful to review any existing information or research data, which the company may have collated in the past concerning customers and customer satisfaction.

Typical questions to ask are:

- Ñ What do we know about our existing customers?
- Ñ What do we know about their expectations?
- Ñ How well are we meeting these expectations?
- Ñ What will happen in future to customer requirements?
- Ñ How do we compare to our competitors?
- Ñ How is the market likely to change in the next three years?

Other information may be obtained from the media, through published reports, forecast centres and competitive material.

### **Pilot Scheme**

Experts strongly advise that prior to commencing full-scale customer research, a pilot is conducted to test the waters. Talking to customers, holding focus groups and testing questionnaires on a small scale all provide the opportunity to evaluate the process and refine it, before it is introduced throughout the company.

### **What to Measure**

The customers' perception of an organisation's product and service is based on their total experience over time - not just the sale or one-off encounter. Every organisation's customers will have different sets of service requirements which need to be measured. Service standards should be monitored against what the *customer* perceives to be important - not the organisation's perception. Many companies concentrate their measurement on what they see as being the 'risk points' in terms of customer service – it is important that these areas are also seen as critical in customers' eyes.

A useful starting point is to identify:

- What are our customers' expectations?
- What standard of service do we currently provide for our customers?
- Does this service meet our customers' expectations?
- If not, what are the problems?

Importantly, both customer satisfaction and loyalty should be measured. Customer satisfaction is only one piece of the jigsaw; customer loyalty must be the ultimate goal. There are a number of variables which can be measured as part of a customer satisfaction survey. These include not only customer satisfaction in terms of performance against service standards, but also repeat business and an increase in orders. Other variables which can be measured include:

- ➔ reliability – ability to keep promises on a consistent basis
- ➔ flexibility – speed in changing and adapting to new requirements
- ➔ accuracy – lack of mistakes and defects, precise corrections
- ➔ responsiveness – willingness to help and provide what's needed
- ➔ empathy – giving individual attention to customers
- ➔ tangibles – equipment, communication media, physical environment
- ➔ time – minutes, hours, on time, overtime, time saved
- ➔ quantity – over-budget, under-budget, profit, loss, break-even
- ➔ quality – type of material, finish and durability.

### Overview of Methods

Telephone banking company First Direct monitors five to ten per cent of all calls and provides continuous feedback on measures such as:

- Ñ voice quality
- Ñ rapport-building
- Ñ ability to spot opportunities
- Ñ average call duration
- Ñ achieving income targets.

### Market Research Companies

Specialist research companies can be particularly useful when large-scale research is to take place and the client organisation does not have the resources to deal with this. Likewise, independent agencies can sometimes lend a degree of authority to a research project or ensure confidentiality, particularly where employee research is being undertaken.

### Qualitative and Quantitative Methods

There are two main methods of gathering information from customers, qualitative and quantitative:

<p><b>Quantitative research</b> <i>(Hard issues and facts)</i></p> <p>Telephone surveys. Self-completion questionnaires. <i>(comment cards)</i> Postal surveys. Mystery shopping. Third party surveys. Online surveys.</p>	<p><b>Qualitative research</b> <i>(Soft issues and opinions)</i></p> <p>Focus groups/user groups/ customer panels. Face-to-face interviews. Videos. Free-phone. Suggestion schemes. Online discussion forums.</p>
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Qualitative methods provide feedback from customers on ‘soft issues and opinions’ and give the organisation an opportunity to probe customers’ feelings and attitudes in-depth. Typical qualitative techniques include user panels, customer groups, and personal interviews.

Quantitative methods allow the organisation to quantify customer opinions in a numerical fashion. Typical quantitative techniques include telephone surveys, self-completion questionnaires, the monitoring of compliments and complaints, and mystery shopping. Care is required in choosing the best methodology. The best plan is to adopt a variety of these techniques - it is wise not to be restricted to just one method.

### Choosing an Appropriate Research Method

The accuracy and appropriateness of the methods an organisation chooses to conduct research among its customers determine the reliability of the results. There are advantages and disadvantages to both qualitative and quantitative research. To aid the process of deciding on the most appropriate research method, some of the typical opportunities and pitfalls are outlined below.

#### Telephone Surveys

Many companies in the service sector use telephone interviews as a means of gaining first-hand feedback on customers’ experiences. The major disadvantage of telephone interviewing is the invasion of privacy. How the call is introduced often determines whether the customer will give the caller his or her time. It is also difficult to conduct a lengthy interview with customers. Some customers may also find it difficult to answer questions or to give considered responses if caught ‘off-guard.’ Likewise, the telephone clearly cannot be used in a visual manner.

#### Self-Completion Questionnaires

The most popular method of gaining feedback from customers at the beginning of a customer service programme is the use of self-completion questionnaires. These can be sent to the customer by post or e-mail, or distributed at the branch or any point of contact with the customer.

Guidelines for self-completion questionnaires

The guidelines for developing a self-completion questionnaire include:

- Making the questionnaire easy to complete – ensuring the design is clean and simple in its layout.
- Explaining the benefits of completion to the customer by making sure that the objectives of the questionnaire are clear.
- Keeping questions short to allow fast completion.
- Leaving room for additional comments if required, (however, experience shows that this space should not be too long as those customers who have a particular point to make normally accompany the questionnaire with a letter).
- Making return easy – ensuring there is a freepost address or a posting box available to customers.
- Signing the request – the request should be as personal as possible. It is particularly helpful for a member of senior management to ask for customer feedback as this lends authority to the request.
- Thanking customers for their participation.

Questionnaires should be laid out in a logical sequence, grouped by subject and have general questions set out before specific ones. Likewise, it is helpful to include easy questions before difficult ones and to put particularly sensitive issues at the end of a questionnaire, where customers are more likely to answer them than at the beginning. Personal customer details are generally included at the end of the questionnaire.

### **Postal Surveys**

A more systematic understanding of customers' opinions can be obtained via postal surveys.

Postal surveys have been used for some years by the financial sector, to provide feedback from customers who may not regularly come into a branch or whose account may be held at a different branch to the one they visit. NatWest, for example, regularly surveys its customers.

### **Advantages and Disadvantages of Postal Surveys**

The principal advantages of postal surveys are that they are easy to administer and allow organisations to reach a large number of customers quickly. Postal surveys can be inexpensive if response rates are high. The disadvantages can be the quality, accuracy and timeliness of the list of customers that the organisation is working from. Furthermore, response rates can be unpredictable. Typical response rates range from fifteen to twenty per cent for a postal questionnaire where there is no incentive, compared to an eighty-five per cent achievement rate on a face-to-face interview.

### **Mystery Shoppers**

This is a research method which is often used in the retail area, but which has now been successfully applied in such sectors as catering, financial services and the automotive industry.

Mystery shopping is a useful technique to supplement customer feedback because it provides independent monitoring of service levels. Only when mystery shopping is used together with other forms of direct customer feedback can the method be validated. It is best practice, for example, to conduct research among customers to identify the key measures which will form the basis of a mystery shopper checklist. Examples include:

- Ñ greetings used
- Ñ warmth of welcome
- Ñ product knowledge
- Ñ caring attitude
- Ñ telephone manner

There can also be resistance among employees to the concept of mystery shoppers. Employees may see them as snoopers, spies or detectives, who are out to catch people getting it wrong, rather than catch them getting it right. The ethos of mystery shoppers should be to reward staff for good service, not to punish them for poor service. Staff members therefore should not be identified in mystery shopper reports, unless it is in a positive light.

Mystery shoppers evaluate a short range of service issues, such as:

- Ñ approachability of staff
- Ñ attentiveness of staff
- Ñ atmosphere of office
- Ñ welcome from staff.

Other organisations find it beneficial to use their own staff to 'mystery shop', as in this way members of staff experience the quality of service from a customer's point of view.

### Third Party Surveys

Another means businesses adopt to monitor customer satisfaction is to make comparisons between the quality of service provided by their own organisation and that of competitors.

This is normally achieved via syndicated research, where a number of companies in the same industry commission independent surveys of customer satisfaction and share the results. This allows direct comparisons of service levels to be made. Alternatively, managers can purchase independent industry reports. The Consumers' Association, for example, publishes independent surveys of many industry sectors.

## Measuring Customer Loyalty

The six most common mistakes in customer research, according to Reichheld (customer loyalty guru), are:

- ➔ asking too many questions
- ➔ surveying the wrong customers
- ➔ inappropriate timing and frequency
- ➔ lack of responsibility within the organisation for acting on the results
- ➔ not working through the consequences of the findings
- ➔ inadequate 'gaming safeguards' so people can work the system to produce favourable results.

### Continuous Improvement

Once a measurement system has been developed, it needs to be continuously reviewed to ensure that the information it provides is valid. It is also advisable to adopt a range of 'listening' mechanisms to obtain a wide variety of views. Air Miles, for example, uses a mix of customer panels, staff panels, mystery calls and field or desk research as feedback tools.

### Involving Employees when you Measure

It is important to gain support and ownership for a measurement system. Customer satisfaction surveys are most effective when people are informed about the monitoring system which is to take place, along with the reasons for measuring. It is also vital that people understand what will happen with the research results and that measurement is undertaken unobtrusively, without affecting performance. Involving recipients of the research in an audit of the usefulness of the results is also an effective technique.

At pharmaceutical company GlaxoSmithKline, customer service representatives undertake follow-up calls to customers each week to monitor their satisfaction. Rather than employing a research company to undertake the discussion, the company believes that it is important to use employees to conduct the process, as this helps to generate better understanding of customer issues.

### Recognising Achievement

As more companies measure customer satisfaction, measurement results can be used as the basis of awards for good customer service, in order to emphasise its importance throughout the company.

#### Further Reading:

- ✓ *Competing For Customers And Winning With Value: Breakthrough Strategies For, (2006), By Reidenbach*
- ✓ *Improving Your Measurement of Customer Satisfaction: A Guide to Creating, (1997), By Terry G. Vavra*
- ✓ *Customer Service: Career Success Through Customer Loyalty, 4/E, (2008), By Timm*