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EXPERT opinion

Why High Satisfaction Scores May Actually Spell "Danger" for Your Company

Many companies find a comfortably high percentage of satisfied customers when they poll them. But it's not enough—because satisfied customers aren't usually loyal ones.

By Michael Hinshaw, MCorp Consulting

A national telecommunications company recently tracked the buying habits of self-described satisfied business customers, to help better understand how they might transact in the future. The results were startling; these "satisfied" customers didn't purchase more, or do so more often, than other customers. In fact, lost account analysis determined that many had surveyed as "satisfied" prior to switching providers.

This result is borne out across industries; in recent banking research, between 60 and 80 percent of "lost" customers describe themselves as satisfied in surveys conducted by their banks just prior to defecting.

According to the *Harvard Business review* article The One Number You Need to Grow, "...it is difficult to discern a strong correlation between high customer satisfaction scores and outstanding sales growth."

Bottom line? Customer satisfaction (CSAT) surveys are flawed in their ability to predict the true strength of customer relationships and their future value to your company. In fact, your "satisfied" or "very satisfied" customers might be quick to abandon your company for a competitor if something goes wrong.

Beyond satisfaction and loyalty: why you need more than "one number" to improve

Clearly, satisfaction isn't enough to keep customers from defecting—but it's a step in the right direction. To drive customers to the next stage in your relationship lifecycle—loyalty—they must be satisfied first.

Unlike customers who are merely satisfied, loyal customers stick with you over the long term, even if they're not getting the best price. They tend to transact more over time, and devote an increasingly larger "share of wallet" to companies they feel good about. They are also those customers who will tell their family, friends, and business associates about their experience.

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The metric of choice for tracking loyalty is Net Promoter Score (NPS). Just as satisfaction surveys tell you where you stand on satisfaction, NPS tells you where you stand on loyalty.

A leading indicator of customer value, NPS is arguably a better metric than satisfaction. But it falls short in a very similar way. No matter how well you understand where you stand today, if you don't know how to "move the needle" you can't improve.

The real driver of customer value: customer experience

This is where customer experience comes in. Getting beyond satisfaction to loyalty requires improving the experience your customers have when they interact with your company; and it pays off.

Best-in-class customer experience organizations have 75 percent greater customer retention and 65 percent better customer satisfaction than the average company, according to the Aberdeen Group study *"Customer Experience Management: Is Your Entire Company Really Focused on the Customer?"*

And companies that pay attention to customer experience get more customers, too, with more than 300 percent more leads in their sales pipeline that result in closed business, according to Aberdeen's report *"The 2011 Marketer's Agenda: Accessing and Understanding Customer Experience Data is Life or Death."*

Although measuring and improving customer experience isn't simple, it can be straightforward. Based on understanding what it's really like to do business with your company, start by identifying and assessing each individual interaction or touchpoint from your customer's perspective.

Through this process, you'll build a foundation for delivering a stronger customer experience by helping your organization answer these questions, among others:

- When it comes to acquiring customers, how does our experience match up to that of our competitors? Where can we do better?
- Once we win a customer, how does the experience we deliver match up to what our customers expect from us? Where do gaps exist, and how big are they?
- Are we under-investing in areas that are important to our customers? Or overinvesting in areas that don't matter? If so, how can we reallocate our resources to be more effective?
- Where can we focus customer experience efforts—and which "dials" can we turn—to boost loyalty with our most profitable customers?
- What is the "ideal" customer experience for different segments? And what steps should we take to get there?

Better experiences create more satisfied, more loyal, and more valuable customers.

CSAT and NPS scores give your company good insights into where you stand today. But neither capture what your customers think about the process of doing business with you, or show you where to fix it.

After all, in a world where your customers are not only demanding and informed—and your competitors are a mouse click away—a focus on understanding, measuring, and improving customer experience is the fastest, most reliable way of truly satisfying your customers, while building relationships that will reward you for years to come.

Michael Hinshaw, Managing Director of MCorp Consulting, is an innovative executive, consultant and educator. His firm's trademarked approach to quantifying and improving customer experience — Touchpoint Mapping — transforms the ways companies interact with their customers. A former public company CEO, he's helped many companies – from fast-growth market leaders to the Fortune 500 – get closer to their customers and employees, and profit significantly as a result. www.mcorpconsulting.com