

Chapter- 1

Introduction

1.1: Introduction:

Customer satisfaction is defined as a measurement that determines how happy customers are with a company's products, services, and capabilities. Customer satisfaction information, including surveys and ratings, can help a company determine how to best improve or changes its products and services.

An organization's main focus must be to satisfy its customers. This applies to industrial firms, retail and wholesale businesses, government bodies, service companies, non-profit organizations, and every subgroup within an organization.

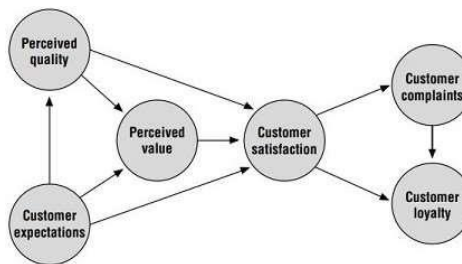


Fig 1.1: Index Model of Customer Satisfaction.

Customer satisfaction can be defined as a marketing term that measures how products or services supplied by a company meet or surpass a customer's expectation. According to J. Willard Marriott, the founder of Marriott corporation, "Customer needs may vary, but their bias for quality never does". Customer satisfaction can be used as a metric to manage and improve the businesses and hence it is very important for the marketers and business. It can also be defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals"

Some of the scholars defined customer satisfaction as:

Philip Kotler (2000): "A person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations."

Hansemark and Albinsson (2004): "Satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfilment of some need, goal or desire."

Hokanson (1995): Customer satisfaction include factors like friendly employees, courteous employees, knowledgeable employees, helpful employees, quick service, accuracy of billing, billing timeliness, competitive pricing, service quality, good value, billing clarity and quick service. This is shown in figure 5 below:



Fig 1.2: Factors of satisfaction.

1.2: Concept of customer:

A customer can be defined as the person/organization who buys goods & services. He is the most important asset of any organization. Customers will expect to be given accurate and reliable information about products and services. Customer service is an organization's ability to identify and supply their customers' wants and needs. How important a customer is to a business can be well identified with help of some famous quoting.

Sam Walton (founder of Wal-Mart): "There is only one boss. The customer and he can fire everybody in the company from the chairman on down simply by spending his money somewhere else."

Peter Ducker (An Austrian-American educator): "The purpose of a business is to create and keep a customer."

1.3: Importance of customer satisfaction:

The top six reasons which makes customer satisfaction much important can be briefly explained as follows.

- 1. It's a leading indicator of consumer repurchase intentions and loyalty:** Customer satisfaction is the best indicator of how likely a customer will make a purchase in the future. Asking customers to rate their satisfaction on a scale of 1-10 is a good way to see if they will become repeat customers or even advocates. Any customers that give you a rating of 7 and above, can be considered satisfied, and you can safely expect them to come back and make repeat purchases. Customers who give you a rating of 9 or 10 are your potential customer advocates who you can leverage to become evangelists for your company. Scores of 6 and below are warning signs that a customer is unhappy and at risk of leaving. These customers need to be put on a customer watch list and followed up so you can determine why their satisfaction is low. Hence, satisfaction is one of the leading metrics businesses use to measure consumer repurchase and customer loyalty.
- 2. It's a point of differentiation:** Businesses who succeed in the cut-throat environments of a competitive market are the ones that make customer satisfaction a key element of their business strategy. Companies who offer amazing customer experiences create environments where satisfaction is high and customer advocates are plenty.
- 3. It reduces customer churn:** An Accenture global customer satisfaction report (2008) found that price is not the main reason for customer churn; it is actually due to the overall poor quality of customer service. By measuring and tracking customer satisfaction you can put new processes in place to increase the overall quality of your customer service.
- 4. It increases customer lifetime value:** A study by Info Quest found that a 'totally satisfied customer' contributes 2.6 times more revenue than a 'somewhat satisfied customer'. Furthermore, a 'totally satisfied customer' contributes 14 times more revenue than a 'somewhat dissatisfied customer'. Satisfaction plays a significant role in how much revenue a customer generates for your business. Successful businesses understand the importance of customer lifetime value (CLV). If you increase CLV, you increase the returns on your marketing dollar.
- 5. It reduces negative word of mouth:** Customer satisfaction is tightly linked to revenue and repeat purchases. What often gets forgotten is how customer satisfaction negatively impacts your business. It's one thing to lose a customer because they were unhappy. It's another thing completely to lose many other customers because of some bad word of mouth. To eliminate bad word of mouth you need to measure customer satisfaction on an ongoing basis.

6. **It's cheaper to retain customers than acquire new ones:** This is probably the most publicized customer satisfaction statistic out there. It costs six to seven times more to acquire new customers than it does to retain existing customers. Some major customer retention strategies such as blogs (to educate customers), email (to send special promotions), customer satisfaction surveys, Delight customers by offering personalized experiences, etc can be carried out.

1.4: Ways to increase customer satisfaction:

In a business world where customer acquisition costs are sky-rocketing, small and medium businesses must focus on building a customer experience to increase customer satisfaction. Some of the ideas are pointed below:

1. **Treat your customers like they are your boss:**

- Thank all your customers for their business.
- Go out your way to help customers.
- Try to impress your customers as if you want a pay raise.
- Think about your pay check every time you talk to a customer.
- Keep your promises and integrity.
- Focus on measuring customer satisfaction.

2. **Build customer loyalty to increase customer satisfaction:** According to Jeffrey Gitomer, the eminent American author and business trainer, "Customer satisfaction is worthless whereas Customer loyalty is priceless⁵. Businesses should focus their efforts on creating loyal customers that are sticky and not easily influenced by competitors.

3. **Avoid making these customer retention mistakes:** No business is immune to unhappy customers. In fact, even companies with the best customer service in the world will still lose up to 9% of their customers to competitors by ignoring customer feedback, taking customer feedback to personally, or using long, boring customer feedback surveys.

4. **Set customer expectations early:** Setting expectations too high, making ridiculous promises to push a deal over the line, etc are the common mistakes that kills the customer satisfaction. There's no better feeling than as a customer to have your expectations exceeded.

5. **Learn how to survey your customers the right way:** A customer feedback survey is the best way to find out how satisfied your customers are, find ways to improve your product or service, and identify customer advocates who really love your product. A quick and relevant survey will help increase survey response rates.

6. **Tap into social media to track and monitor customer satisfaction so you can keep your customers happy:** social media provides a great opportunity to increase customer satisfaction. Use social media monitoring tools to keep track of positive and negative feedback, and resolve them accordingly. It can also be used to monitor brand mentions and sentiment, as a customer support channel, and to hold Q&A sessions with customers.