

Solutions

Bottom-Line Customer Satisfaction

Jeffry N. Savitz

The trouble with most customer satisfaction research today is that it is not bottom-line oriented. The approach typically goes as follows:

- Qualitative research among customers and/or managers is used to determine the performance attributes most likely to affect customers' satisfaction.
- Survey research is used to determine the relative importance of these attributes and how customers rate the client (and competitors) on them. This is analyzed to uncover strengths and weaknesses and find out where to improve performance.
- Programs to improve satisfaction on the weak areas that are most important are developed through additional qualitative research or management judgement. These programs are then implemented.
- Subsequent survey research is conducted to determine what impact these programs have had on customer satisfaction overall and on the performance attributes they were supposed to affect.

What's missing? The answers to some of the most critical bottom-line questions!

- *If we continue our current programs, how much business are we going to gain/lose?*
- *What combination of attributes should we improve to maximize market share? How much should we improve them? How much will these improvements increase market share?*
- *How should we react if the competition improves its quality? Lowers its price? Implements new services?*

Introducing . . .

VOICE: An Analytical and Predictive Model of Customer Satisfaction

Developed by Drs. Green and Krieger at the Wharton School of the University of Pennsylvania, **VOICE** is an analytical and predictive model of customer satisfaction which answers these kinds of critical bottom-line questions, and many more.

Traditional customer satisfaction research fails to answer some of the most critical bottom-line questions.

If we continue our current programs, how much business are we going to gain/lose?

How should we react if the competition improves its quality? Lowers its price? Implements new services?

Importantly, VOICE accurately identifies the areas that need improvements.

More importantly, VOICE tells the management how much improvement is needed in each area.

Most importantly, VOICE estimates what effect these improvements will have on the bottom-line.

Inputs

The user simply supplies to VOICE data often already available from previous survey research studies:

- Ratings of attribute importance.
- Ratings of the client and at least one competitor on all attributes.
- Current usage of and loyalty to the client and competitors.
- Background variables.

Case History

Here is a case history involving an overnight delivery service designed to illustrate the power of VOICE. The client surveyed a random sample of 436 customers of four companies: Alpha, Beta (*the market leader*), Gamma and Delta (*the client*).

Respondents were asked the importance of 15 different attributes in selecting an overnight delivery service and how their favorite and one or more randomly selected overnight delivery service performs. The attributes are listed below. In addition, they were asked how much business they currently give to each competitor, how likely they are to use each supplier in the near future, and background demographics.

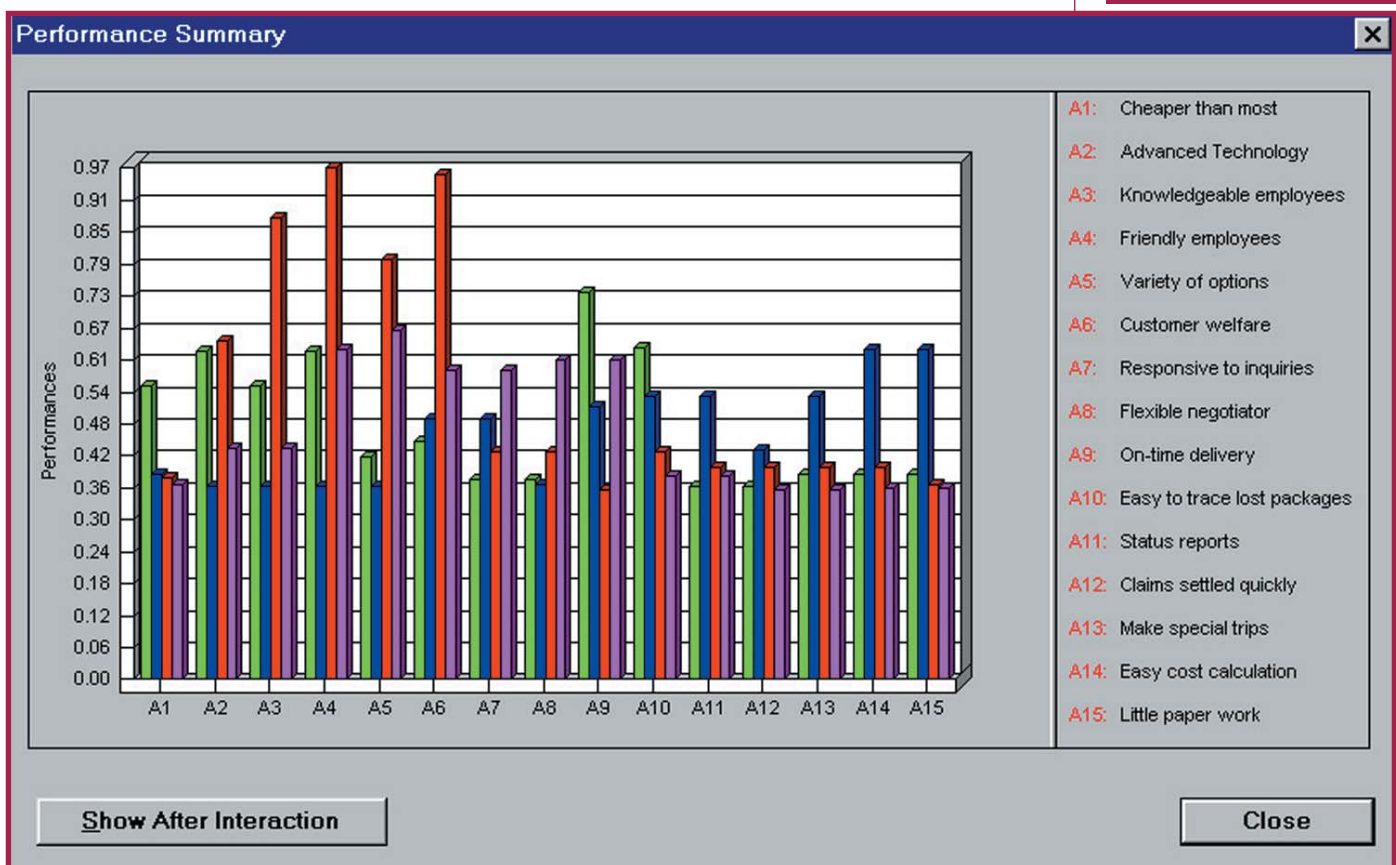
1. *Less expensive than most other suppliers.*
2. *Uses advanced technology in package pick-up and delivery.*
3. *Highly knowledgeable employees.*
4. *Friendly employees.*
5. *Wide variety of delivery options.*
6. *Really interested in customer welfare.*
7. *Quickly responsive to customer inquiries.*
8. *Flexible contract negotiator.*
9. *Outstanding record of on-time delivery.*
10. *Easy to trace lost packages.*
11. *Easy to obtain status of current shipments.*
12. *Settles customer claims quickly and efficiently.*
13. *Will make special trips to pick up packages.*
14. *Easy to calculate shipping costs.*
15. *Relatively little paperwork needed in preparing shipping documents.*

VOICE Answers the Traditional Customer Satisfaction Research Questions

VOICE can be used to answer the typical questions asked in traditional customer satisfaction research. For example, “what are our strengths and weaknesses?” and “what important areas should be improved?”

Indeed, VOICE’s ANALYSIS Module clearly shows Delta’s relative strengths and weaknesses (Figure 1). Delta (purple bars) out paces all other competitors on being *responsive to customer inquiries* and a *flexible contract negotiator*. While it is weakest on being *able to track lost packages*, Delta tends to tie for third or fourth place in a number of other areas.

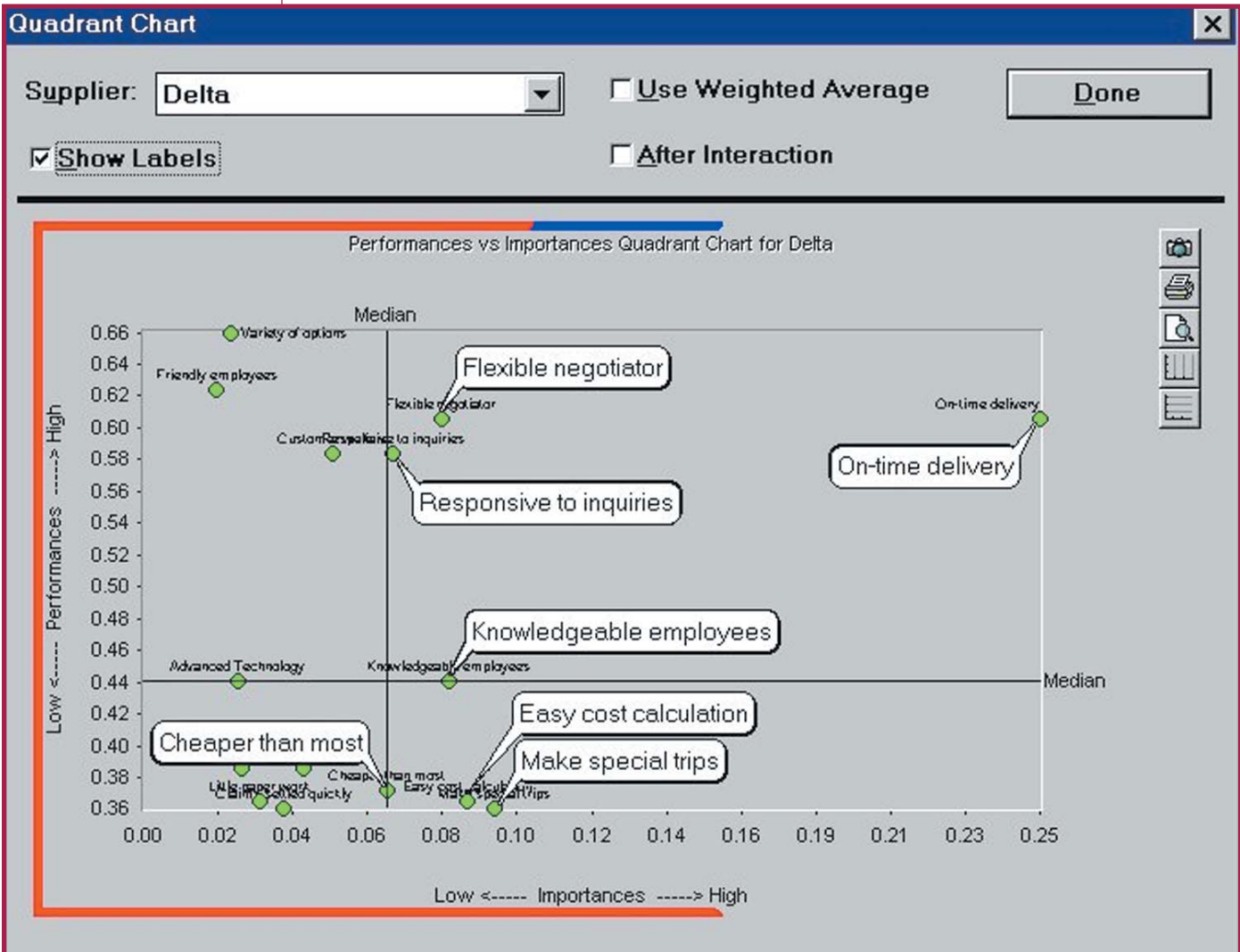
FIGURE 1



Moreover, VOICE’s MAPPING Module can be used to produce perceptual maps as well as quadrant benefit maps (Figure 2). Delta is to be complimented for its performance on *on-time delivery* as well as being a *flexible negotiator* and *quick response to customer inquiries*, the latter two of which we found earlier to be Delta’s key strengths relative to competitors. Traditional customer satisfaction research would suggest Delta maintain its positive image in these areas.

However, Delta is weak in four relatively important areas: *making special trips*, *easy cost calculations*, and, to a lesser extent, *knowledgeable employees* and being *less expensive than most others*. Traditional quadrant benefit analysis would suggest these are areas for improvement.

FIGURE 2



More Importantly, VOICE Answers Bottom-Line Strategic Questions

“How much business are we going to lose?”

VOICE’s opening screen shows Delta has a 25.6% share in the market compared to the market leader Beta at 29.2%. However, Delta’s customers are not nearly as loyal; only 27.0% of Delta’s business will remain with Delta, while 44.0% of Beta’s will stay with Beta in the future. (Figure 3)

“What one performance attribute should we improve?”

By how much? How much will our business grow?

VOICE’s ANALYSIS Module can be used to determine the effect improved performance will have on the market share. VOICE uses a special quantity called the “multiplier” to change

FIGURE 3



ratings. It represents the amount of change up or down we will allow a performance rating variable to undergo out of the total change possible. Setting the multiplier to 0.0 means no change; setting the multiplier to 1.0 means an increase to the performance variable to the highest point on the scale. Let's set the Multiplier for *outstanding record of on-time delivery* to 1.0 so we can examine the effect of improving Delta's rating on this attribute - to the highest level on the performance scale. The market share moves up from 25.6% to 27.5% (Figure 4).

By repeating this process for each of the other performance attributes individually, we would find no other improvement would affect market share as much (Table A). Therefore, improving Delta's image on *outstanding record of on-time delivery* as much as possible is the way to maximize market share. Importantly, traditional quadrant benefit research would not identify this point!

TABLE A

INCREASE IN MARKET SHARE RESULTING FROM MAXIMUM IMPROVEMENT IN EACH ATTRIBUTE INDIVIDUALLY

Less Expensive	1.2%
Advanced Technology	0.4
Knowledgeable Employees	1.3
Friendly Employees	0.2
Wide Variety of Options	0.2
Customer Welfare	0.6
Quickly Responsive	0.8
Flexible Negotiator	0.9
On-time Delivery	1.9
Trace Lost Packages	0.5
Status of Shipments	0.8
Customer Claims	0.7
Special Trips	1.7
Shipping Costs	1.6
Little Paperwork	0.6

FIGURE 4

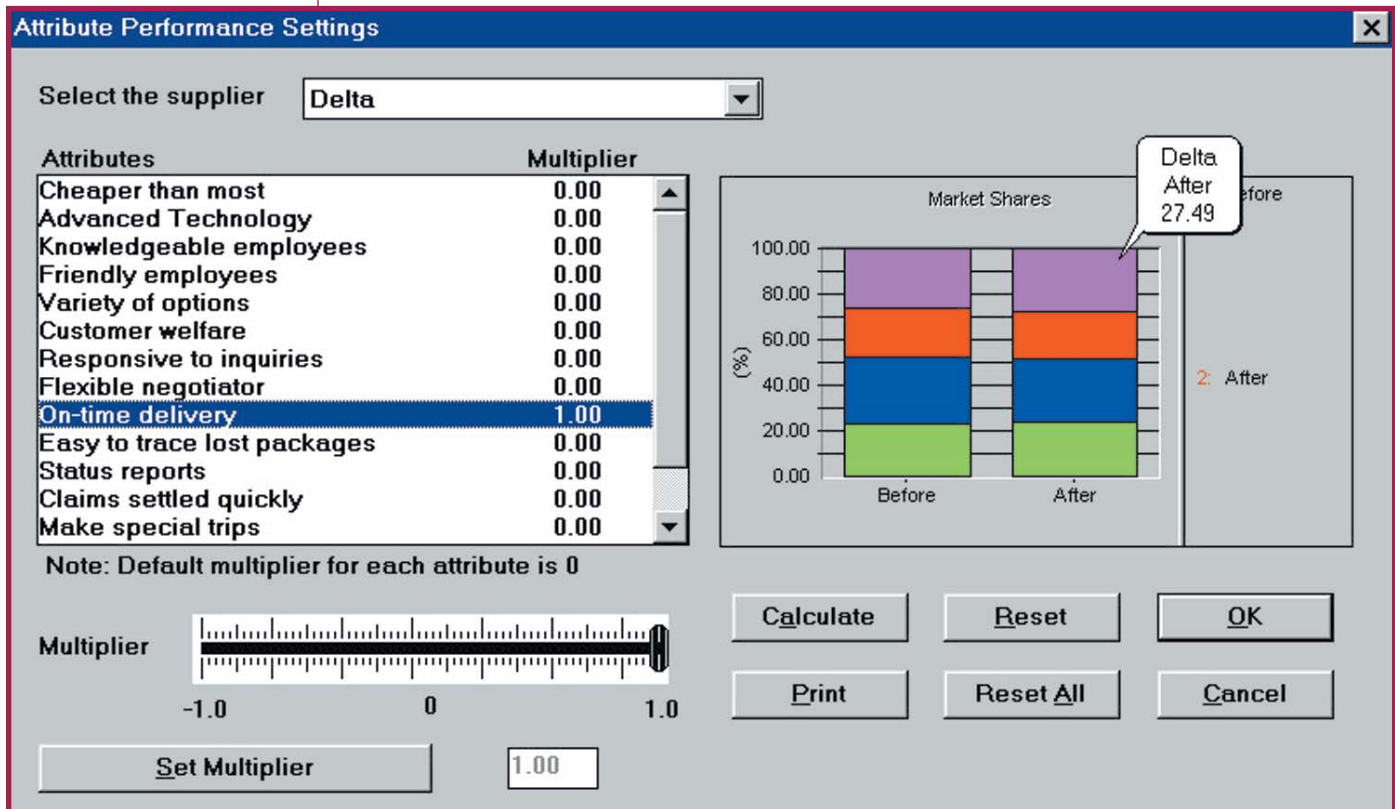
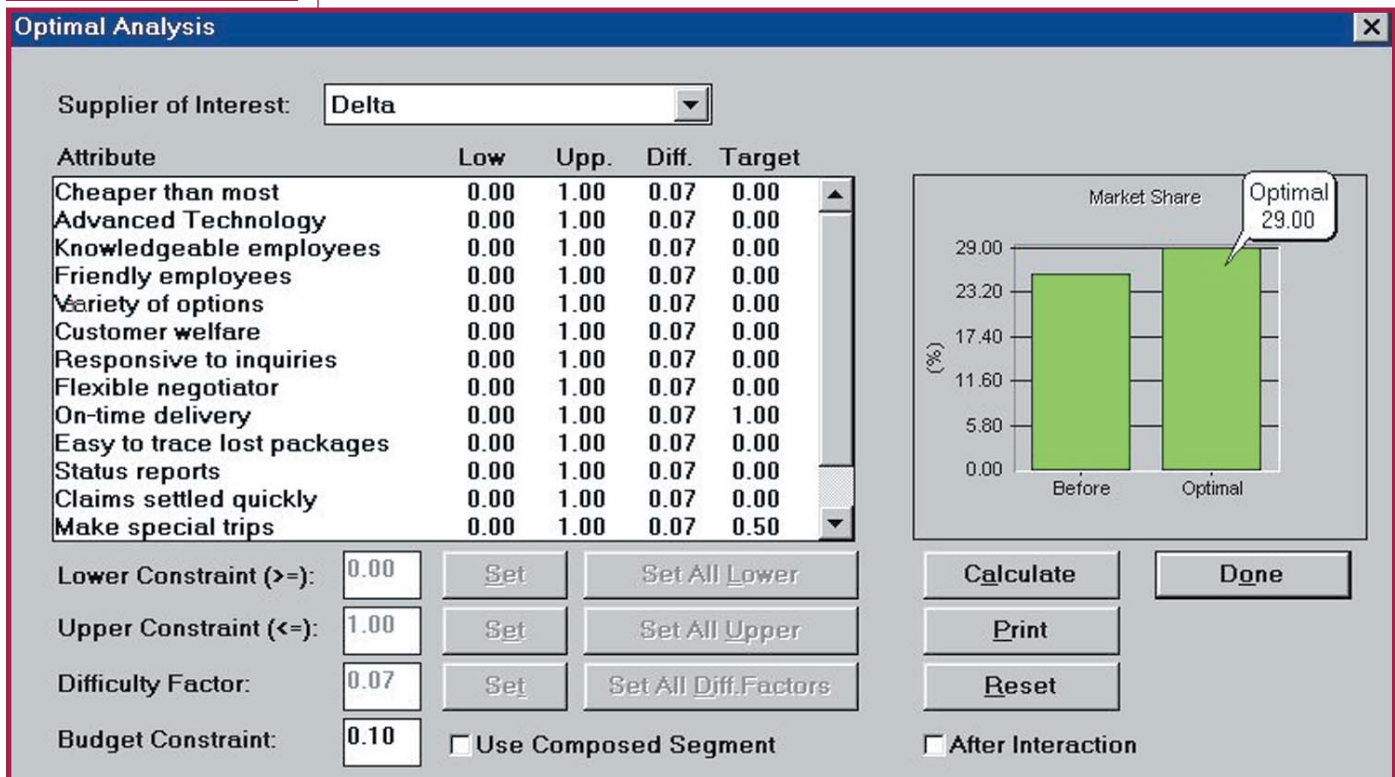


FIGURE 5



“What combination of attributes should we improve to minimize customer loss? How much should we improve them?”

We can also use VOICE’s OPTIMAL module to determine the strategy for maximizing market share! For example, let’s set the budget to 0.1 (Figure 5) indicating that we have 10% of the capital necessary to improve all performance attributes to the maximum. We set the level of difficulty of all fifteen attributes to $1/15=7\%$, implying improvements in all attributes are equally expensive.

VOICE tells us that the strategy for maximizing the bottom-line is: improve *outstanding record of on-time delivery* as much as possible and *making special trips* half the way to the highest rating possible. This will increase market share from 25.6% to 29.0%.

VOICE Answers Even More Bottom-Line Questions

VOICE has built-in flexibility to analyze a wide range of competitive situations.

- *What is our best strategy in terms of winning share away from the market leader?*
- *How should we react to specific competitive tactics?* For example, if one of the competitors improves their image on the things we are known for?
- *Which of several programs would it be worth cutting without negatively affecting our bottom-line?*
- *If we reposition as the least expensive competitor available, how much will our market share increase?*

VOICE Gives Better Answers

More importantly, the answers it provides will be far more effective than traditional research. Indeed, the Optimal routine can be run for different budget levels, different levels of difficulty for each attribute, even different upper and lower bounds for the improvement or degradation of each attribute and more!

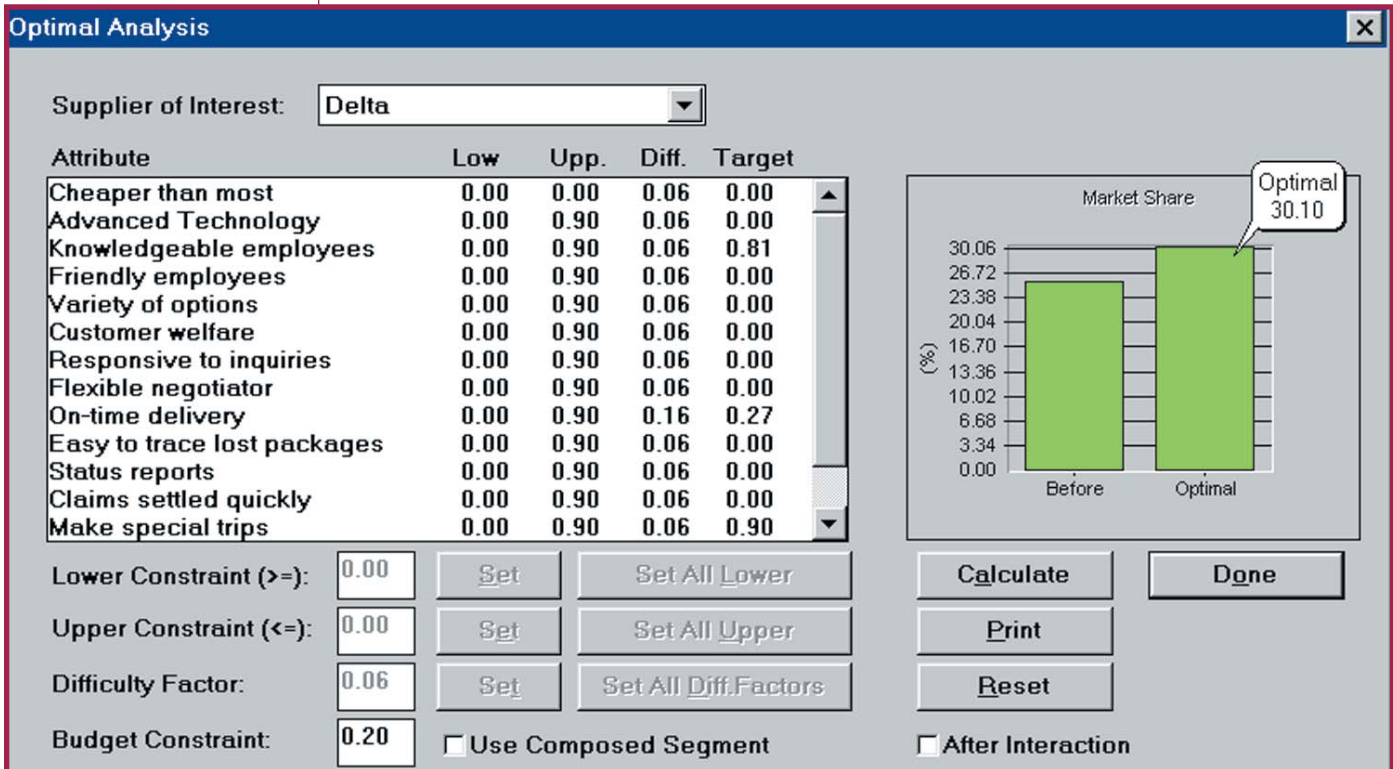
For example, suppose management believes it can only increase ratings by a multiplier of 90%, not 100%. In this case, we would set the upper bounds on all attributes to 0.90. Furthermore, suppose management believes it would be two to three times more expensive to improve Delta’s image on *on-time delivery* than any other performance attribute. They could then set the level of difficulty on this attribute to 16%, while setting the others to 6%. Further, in spite of Delta’s below average rating on *cheaper than most*, if management decided not to change its pricing structure, it could set the upper bound of this attribute to 0.0 in VOICE allowing for no improvement in that rating. Finally, suppose management has 20% of the capital necessary to improve all ratings to the limit; the budget could be set to 0.2.

What is our best strategy in terms of winning share away from the market leader?

Which of several programs would it be worth cutting without negatively affecting our bottom-line?

If we reposition as the least expensive competitor available, how much will our market share increase?

FIGURE 6



¹ Since the screen only accommodates 13 attributes at a time, *easy cost calculations* (Target = 0.9) and *little paperwork* (Target = 0.0) are not shown.

The result is shown in Figure 6¹. VOICE tells management to improve Delta’s image as much as possible on *making special trips* and *easy cost calculation*, and almost as much on *knowledgeable employees*. Moreover, VOICE recommends that management improve Delta’s image on *cheaper than most* to some degree, in spite of the greater relative cost in doing so.

Importantly, VOICE recommends improvements in the same important areas where Delta is weak as the traditional quadrant benefit analysis does. More importantly, it recommends improvement in some of the areas where Delta is already strong, which is something missed in the traditional analysis.

Summary

VOICE is an analytical and predictive model of customer satisfaction which answers many critical bottom-line questions.

Its extensive graphics illustrate where a company stands: a company’s strengths and weaknesses, its image relative to competition (perceptual maps), and relative to the importance of performance attributes (quadrant benefit maps). More importantly, VOICE tells management where to make changes, how to react to competitor changes, and how much they can expect market shares to improve as a result. It can be used to answer a host of tactical and strategic questions and provide answers that will have more bottom-line impact than traditional customer satisfaction research.

The next time you are considering doing customer satisfaction research, call Savitz Research Solutions - ***we can really help your bottom-line.***

Savitz Research Solutions
972-386-4050 312-377-1890
Dallas Chicago

If you would like a demo disk of VOICE and a brief instruction manual, please call Jeff Savitz or contact your Savitz Research account executive.