Increasing Customer Satisfaction

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Satisfying customers has been a long-time goal of organizational leaders, and the subject of countless books, speeches, and seminars. Every company that serves customers has sought the magic formula, but the answer has been elusive. A big part of the solution resides with employees. Our research with major corporations has provided some new insights on how employees with ongoing customer contact can influence the satisfaction of customers.

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To understand the dynamics of customer satisfaction and loyalty, consider these well-founded principles:

• *Attracting new customers is significantly more expensive than retaining existing customers.* While many companies in the 1980s focused on attracting new customers, they often failed to offer their current loyal customers equal or better treatment than the new customers. In many cases, the only way a customer could get the "introductory" benefits would be to switch services to a new supplier. Hotels, banks, long distance carriers, and many other service organizations proceeded to alienate their most loyal clients. Today, leaders who want to implement a winning customer retention strategy will create a culture that consistently seeks feedback from regular customers and quickly responds to identified needs.

• *Retaining long-time customers leads to greater revenue per customer.* When customers begin working with a supplier of goods or services, their spending levels often remain constant for a time. During this get-acquainted period, the customer is assessing the company. Once customers are satisfied that the organization is truly client focused, their spending levels can increase dramatically. Reviews of customer spending patterns in credit card companies clearly establish this principle. Most people tend to favor only one or two credit cards, and the longer their association with a given company, the greater their use of that card. The success of American Express, for instance, in recapturing customer loyalty has been a major factor in their turnaround efforts to date.

• *Targeting the right customer is key to maintaining dominance in a competitive marketplace.* Many customers are willing to change their supplier for a gift or incentive. The only winners of this strategy are the revolving customers. Unfortunately, these customers only remain loyal until a better deal comes along. In the credit card market, MBNA has been a leader in the qualification and retention of the right customers. What is a *right* customer? Often it is a customer who wants a high level of service and is willing to reward that level with long-term loyalty to the supplier.

To accurately assess and ultimately increase their customers' satisfaction, successful organizations need to collect feedback, translate it into customer deliverables, and, most important, to follow up! Customer-driven organizations develop specific plans aimed at changing areas identified for improvement, communicate these plans, and then validate progress with customer follow-up.

Recently, we were given an opportunity to test the importance of customer follow-up with one of the world's largest financial service companies. The company's account representatives—who deal with senior executives at client firms doing millions of dollars worth of business—were key to the client relationship. Working with the clients, we identified key behaviors that influenced customer satisfaction (listening to customers, responding to problems, delivering on commitments, and so on) and shared the client's assessment of their effectiveness with the account representatives.

We then asked the account representatives to use the following guidelines in following up with their customers:

• *Pick one to three areas for improvement (based on customer feedback).* Customers often receive lengthy feedback questionnaires. Initially, they may spend considerable time and effort in trying to give accurate assessments. But if customers get no response to their input or sense no change in the company's actions, they conclude that their efforts were meaningless. After getting feedback, it is important for customer reps to set realistic goals for improvement in a few key areas and to communicate those goals to their customers. Since most customers have seldom seen any real follow-up, this action will help build credibility and establish realistic expectations.

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• *Develop an action plan for improvement.* Most of us have lists of broken New Year's resolutions. Sometimes the problem is that we know the result we want but not the way to achieve it. The representative's action plan, therefore, should contain specific behaviors that he or she can realistically undertake to increase customer satisfaction. If the expectations and demands of customers are impossible to satisfy, then the account rep should review the customer's fit with the company's long-term strategy. It is critical that both the representative and the company be willing to commit to a realistic action plan; it is the foundation of building trust with the customer.

• *Follow up with each customer to validate the action plan.* Amazing as it may seem, many companies carefully review their customer feedback and develop *confidential* strategies for change. Failing to share those plans with customers can create two major problems. First, the company may incorrectly identify the root cause of problems and implement the wrong solution. Second, the customer may not understand the reason for the company's change if that change is not linked to customer feedback. The customer dialogue may involve only a 5- to 15-minute meeting between the representative and the customer. However, the time spent will substantially strengthen the relationship between the customer and the representative and, ultimately, with the company.

• *Follow up with each customer to ensure continued improvement and increased customer satisfaction.* Account reps should conduct brief "how are we doing?" sessions to compare their customers' perceptions of progress to their own perceptions. Approximately six months later, customers should be asked again to provide feedback to the representative and to the company as a whole. This follow-up survey ensures that the customers' needs are being met and that customers understand how the company is striving to improve.

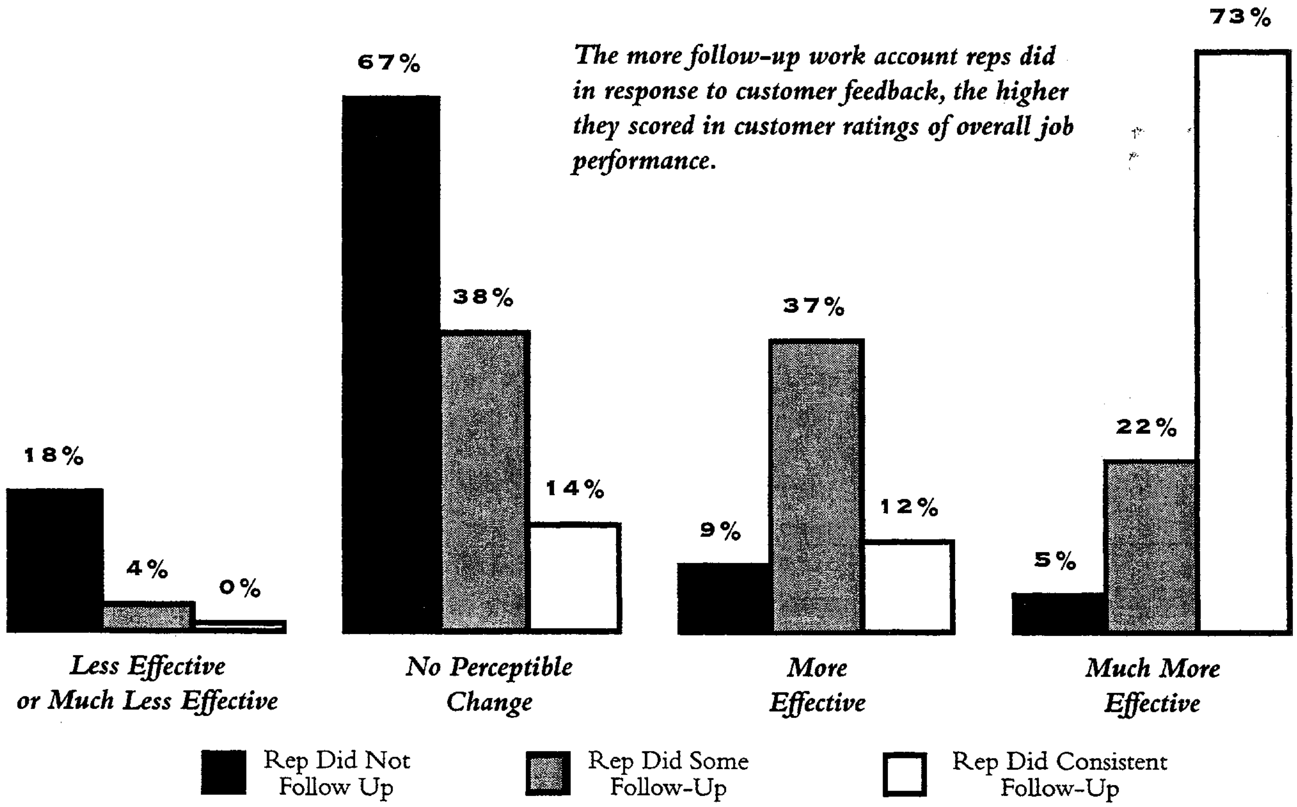
If the customers' needs are not being met, the rep can act to find out why and refine action plans. In a time when rapid change is the norm, it is especially important to conduct an ongoing assessment of customer satisfaction.

The follow-up survey should be the same as your original customer questionnaire, with the addition of two questions that measure the following:

- The account representative's degree of change in effectiveness
- The account representative's degree of follow-up

Our research shows that customer satisfaction and employee effectiveness ratings are significantly affected by the representative's amount of follow-up with the customer (see graph). Six months after seeking customer input, 67 percent of representatives who did not follow up were seen as unchanged, and 18 percent were perceived as *less* effective. With some customer follow-up, more than 59 percent of reps

ACCOUNT REP EFFECTIVENESS AND CUSTOMER FOLLOW-UP



were seen as more effective, and 38 percent were seen as unchanged. And with consistent follow-up, 73 percent of representatives were rated as much more effective, and a total of 85 percent showed improvement. Furthermore, *no* account representative who consistently followed up with customers was perceived as getting worse.

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In short, feedback and follow-up have a profound impact on customers' perceptions of account representative effectiveness. This parallels earlier research showing that when leaders regularly followed up with direct reports who gave feedback on their leadership practices, the leaders were seen as much more effective.

The process of learning from customer feedback, interpreting the results, developing an action plan, and following up also led to a significant increase in the number of "highly satisfied" customers. And research by Harvard Business School's James Heskett and Len Schlesinger showed that "highly satisfied" customers are six times more likely to repeat purchases than are merely "satisfied" customers. In an organization's journey to increase customer satisfaction and retain long-term customers, no leader can afford to ignore these lessons.

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