

Customer Satisfaction Measurement

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Introduction

"If you cannot measure it, you cannot improve it." - Lord William Thomson Kelvin (1824-1907)

Measurement of Customer Satisfaction is a new significant addition to the new ISO9000: 2000 standard. Organizations certified to this standard are now required to identify parameters that cause customer satisfaction or dissatisfaction and consciously measure them.

Clause 8.2.1 in ISO9000: 2000 states:

"As one of the measurements of the performance of the Quality Management System, the organizations shall monitor information relating to customer perception as to whether the organization has met customer requirements. The methods for obtaining and using this information shall be determined"

The requirement has been there in the **QS9000 standard clause 4.1.6** which says:

"... Trends in customer satisfaction and key indicators of customer dissatisfaction shall be documented and supported by objective information. These trends shall be compared to those of competitors, or appropriate benchmarks, and reviewed by senior management."

There is obviously a strong link between customer satisfaction and customer retention. Customer's perception of Service and Quality of product will determine the success of the product or service in the market.

With better understanding of customers' perceptions, companies can determine the actions required to meet the customers' needs. They can identify their own strengths and weaknesses, where they stand in comparison to their competitors, chart out path future progress and improvement. Customer satisfaction measurement helps to promote an increased focus on customer outcomes and stimulate improvements in the work practices and processes used within the company.

There is a lot of debate and confusion about what exactly is required and how to go about it. Customer satisfaction is quite a complex issue and this article is an attempt to review the necessary requirements, and discuss the steps that need to be taken in order to measure and track customer satisfaction.

What do Customers Want?

Before we begin to create tools to measure the level of satisfaction, it is important to develop a clear understanding of what exactly the customer wants. We need to know what our customers expect from the products and services we provide.

Customer expectations are the customer-defined attributes of your product or service you must meet or exceed to achieve customer satisfaction.¹

Customer Expectations are of two types - Expressed and Implied.

Expressed Customer Expectations are those requirements that are written down in the contract and agreed upon by both parties, for example, product specifications and delivery requirements. Supplier's performance against these requirements is most of the times directly measurable.

Implied Customer Expectations are not written or spoken but are the ones the customer would ' expect' the supplier to meet nevertheless. For example, a customer would expect the service representative who calls on him to be knowledgeable and competent to solve a problem on the spot.

There are many reasons why customer expectations are likely to change over time. Process improvements, advent of new technology, changes in customer' s priorities, improved quality of service provided by competitors are just a few examples.

The customer is always right. Supplier' s job is to provide the Customer wha he wants, when he wants it. Customer Satisfaction is customers' perception that a supplier has met or exceeded their expectations.

It is therefore important to periodically update our knowledge of customer expectations.

What constitutes Satisfaction?

We cannot create customer satisfaction just by meeting customer' s requirements fully because these **HAVE to be met** in any case. However falling short is certain to create dissatisfaction.

Major attributes of customer satisfaction can be summarized as:

- Product Quality
- Product Packaging
- Keeping delivery commitments
- Price
- Responsiveness and ability to resolve complaints and reject reports
- Overall communication, accessibility and attitude

We cannot begin to address the customer satisfaction issue we define the parameters and measures clearly.

It may be easier to track supplier' s performance against stated requirements of quality and timeliness because there is documentary evidence. Some indication of whether a supplier is meeting the requirements can also be obtained from data on scrap rates, PPM, complaints database, sales improvements, repeat orders, customer audit reports etc.

It is far more difficult to measure the level of performance and satisfaction when it comes to the intangible expectations.

What are the Tools?

Customer expectations can be identified using various methods such as

- Periodic Contract Reviews
- Market research
- Telephonic Interviews
- Personal visits
- Warranty records
- Informal discussions
- Satisfaction Surveys

Depending upon the customer base and available resources, we can choose a method that is most effective in measuring the customers' perceptions. The purpose of the exercise is to identify priorities for improvement. We must develop a method or combination of methods that helps to continually improve service.

Customer Satisfaction Surveys

Formal survey has emerged as by far the best method of periodically assessing the customer satisfaction. The surveys are not marketing tools but an information-gaining tool. Enough homework needs to be done before embarking on the actual survey. This includes:

- Defining Objectives of the survey
- Design Survey Approach
- Develop Questionnaires and forms
- Administer survey (email, telephone, or post)
- Method of Compiling data and analysing the findings
- Format of the Report to present the findings

There is no point in asking irrelevant questions on a customer satisfaction questionnaire. The basic purpose is to find out what we are doing right or wrong, where is the scope for improvement, where do we stand vis-à-vis other suppliers, how can we serve the customer better?

A Customer satisfaction Measurement Survey should at least identify the following objectives-

- Importance to Customers (Customers' Priorities).
- Customers' perception of supplier's performance.
- Your performance relative to customers' priorities.
- Priorities for Improvement.

Survey forms should be easy to fill out with minimum amount of time and efforts on customer's part. They should be designed to actively encourage the customer to complete the questions. Yet they must provide accurate data to monitor improvements in the supplier's performance. The data should also be sufficiently reliable for management decision-making. This can be achieved by incorporating 'objective' type questions where customer has to 'rate' on scale of say, 1 to 10. For repeated surveys, you could provide the rating that was previously accorded by the customer. This works like a reference point for the customer.

Space should always be provided for the customer's own opinions. This enables them to state any additional requirements or report any shortcomings that are not covered by the objective questions.

Normally, we deal various personnel at various levels in the customer's organization the buyer, user, receiving inspector, finance and purchase persons etc. Surveying a number of respondents for each customer gives a complete perspective of customer satisfaction. It may be necessary to device a different questionnaire for each of them.

Respondents must be provided a way to express the importance they attach to various survey parameters. Respondents should be asked to give a weighting factor, again on a rating scale of say, 1 to 10, for each requirement. This gives a better indication of relative importance of each parameter towards overall customer satisfaction and makes it easier for suppliers to prioritize their action plans by comparing the Performance Rating (Scores) with Importance Rating (Weighting).

The questions are grouped together in a common parameter such as Product Quality, Delivery Performance, or Field Sales Performance.

A typical examples can be:

Survey Parameter - Product Performance

Questions: Provide rating on a scale of 1 - 10 on the following:

- Consistency of Product Quality.
- Technical Performance of Product.
- Suppliers Quality Systems.
- Overall performance of the Product.

Survey Parameter - Competitor Performance

Questions: Rate our performance on a scale of 1 - 10, as compared to your best vendor

- Adherence to Delivery schedule
- Quality of product
- Cost of product

It is often found that there is a dismal response from the customers. A recent study showed that only 15% of the customers to whom customer satisfaction surveys were sent gave a feedback. One of the reasons for this could be a poorly conceived survey. Defining a simple survey having less number of descriptive questions and more of objective type can increase the feedback rate. Electronic mailing of survey questionnaire is a very good option as the customer can fill out the questionnaire quickly rather than sitting with the suppliers representative disturbing his busy schedule. This can - where necessary - be backed up by a gentle reminder or a personal visit.

Analysis

The customer' s requirements must be translated and quantified into measurable targets. This provides an easy way to monitor improvements, and deciding upon the attributes that need to be concentrated on in order to improve customer satisfaction. We can recognize where we need to make changes to create improvements and determine if these changes, after implemented, have led to increased customer satisfaction.

Two major factors that can be determined from the survey data are:

1. Performance Matrix (Your performance relative to customers priorities) and
2. Satisfaction Index (Customers Satisfaction over a period of time).

Performance Matrix:

The average of the weightings and the scores given by the customer for each parameter is plotted on a Scatter graph. This Graphical representation is easy to understand without any great knowledge of statistics.

With the data obtained, the average Weighting (importance) on x-axis Vs average Scores (performance) on y-axis can be plotted for each parameter.

From this Scatter Plot the supplier can find out at a glance, the areas where there is scope for improvement, highlighted, where possible by using the Traffic Signal analogy.

Green	High Weighting, High Score	On Target
Red	High Weighting, Low Score	Underperformance
Yellow	Low Weighting, High Score	Overkill
Yellow	Low Weighting, Low Score	Supplier can afford to score low in that area

Performance Matrix



Satisfaction Index (CSI)

The Customer Satisfaction Index represents the overall satisfaction level of that customer as one number, usually as a percentage. Plotting this Satisfaction Index of the customer against a time scale shows exactly how well the supplier is accomplishing the task of customer satisfaction over a period of time.

Since the survey feedback comes from many respondents in one organization, the bias due to individual perception needs to be accounted for.

This can be achieved by calculating the Satisfaction Index using an importance weighting based on an average of 1.

Calculate the average of all the weightings given by the customer. Divide the individual weightings by this average to arrive at the weighting on the basis of average of 1. Customer' s higher priorities are weighted more than 1 and lower priorities less than 1. The average of the Customers Importance Scores are calculated and each individual score is expressed as a factor of that average. To understand the calculations consider following example:

The following table shows the Weightings & Scores assigned on a scale of 1 - 10 by the Customer.

Parameter P	Weighting A	Score B	Weighting (avg. of 1) C	Weighting (avg. of 1) * Score D = B * C
P1	7	8	1.17	9.24
P2	5	4	0.83	3.33
P3	9	8	1.50	12.00
P4	3	3	0.50	1.50
P5	6	4	1.00	4.00
	Average = 6.00	Average = 5.40		CSI = 6.01

A = Average Weighting assigned by all respondents for each parameter

B = Average Score assigned by all respondents for each parameter

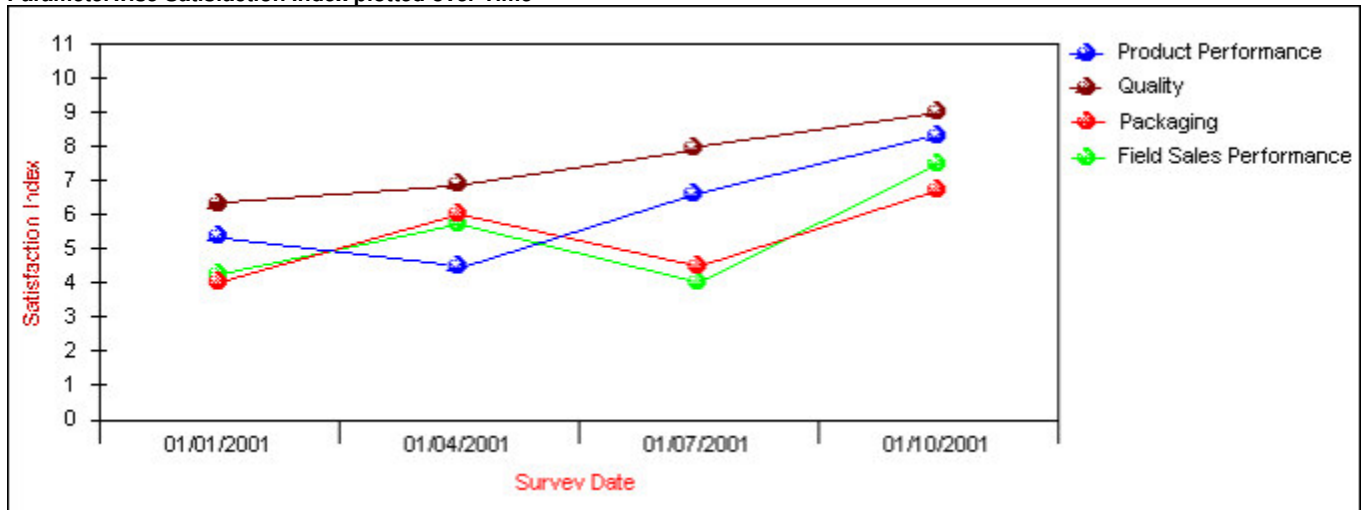
Avg. Weighting = $(7 + 5 + 9 + 3 + 6) / 5 = 6$

C = Weighting based on avg. of 1 = Individual Weighting / avg. Weighting

D = Weighted Score = Score * Average Weighting = B * C

Satisfaction Index CSI = Average of (Weighted Scores)

CSI = (9.24 + 3.33 + 12 + 1.5 + 4.0) / 5 = 6.01
 Since the scale used was 1 - 10, CSI = 60.10%
Parameterwise Satisfaction Index plotted over Time



Thus Customer Satisfaction can be expressed as a single number that tells the supplier where he stands today and an Improvement plan can be chalked out to further improve his performance so as to get a loyal customer.

Conclusions

It is far less costly to keep existing customers than to win new ones. Loyal customers buy more products and help bring in more business by recommending your product to others. So if customer loyalty is the goal, then the supplier's efforts should begin with the knowledge of what constitutes value to his customers and the market.

A supplier should always keep on improving so as to achieve a greater profitability. This can be achieved by knowing the market well, i.e. understanding exactly what the customer wants. By discovering what the customer wants, the supplier can begin to understand how his products and services provide value for his customers.

A simple tool is to take customer satisfaction surveys and analyze the customer feedback. This gives the supplier an insight on where he lacks in delivering his products or services and where is the scope of improvement.

References:

1. Handbook of Customer Satisfaction Measurement / Nigel Hill. ISBN 0-566-07766-3.
2. What Do Customers Value? - Bob Gardner (Quality Progress - November 2001)
3. Various discussions on Customer Satisfaction on Marc Smith's [Cayman Cove Forums](#)
4. Various discussions on Customer Satisfaction on Google Newsgroup [misc.industry.quality](#)

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