



Act Big Consulting

Small & Medium Business Marketing & IT

"Put the right foot forward and leave greater impressions."

Customer Satisfaction vs. Value

"*Customer Satisfaction Guaranteed*" is the mantra of many companies' as they march toward a customer-centric organization. And as more and more companies have adopted the principles of customer relationship management (CRM), they have made significant investments in measuring and monitoring their traditional metric of customer performance: customer satisfaction. But despite these investments, many companies find that they impart little true understanding of their customers, no insight into why their customers remain loyal or defect to competitors, no better understanding of how their brand is performing, and little information for impacting growth and profit.

Why is this the case? The well-intentioned desire to satisfy customers does not reflect the complex necessities of today's markets, and does not support companies' need to derive additional value from their customer base. Customer satisfaction, while admittedly an important measure, falls short as an effective customer management tool for several important reasons:

- >> Customer satisfaction does not reflect why customers are satisfied or dissatisfied, and provides no insight into influencers of customer loyalty.
- >> Customer satisfaction fails to reveal which of the company's products or services could be improved to best impact customer loyalty.
- >> Customer satisfaction is measured in broad averages, masking critical issues and trends below the surface, or even misleading companies about the strengths or weaknesses in their brand.
- >> Customer satisfaction does not distinguish between the customers you'd like to keep and those you wouldn't mind losing, and includes no metric to identify in which customers further investment is warranted.
- >> Customer satisfaction assumes that satisfaction leads to loyalty, an optimistic but increasingly unrealistic and imprecise measurement of customer loyalty drivers.

Why Guarantee Customer *Satisfaction*?

Despite its widespread use, customer satisfaction is too often the only component companies use to assess what they need to know to improve business processes and derive additional value from customers. While important, Act Big asserts it is just one of many components that must be understood in order to derive customer loyalty and corporate profitability.



So, if customer satisfaction alone is not sufficient to build true customer understanding and derive increased loyalty and profitability, what can companies do?

Act Big's experiences across various industries have identified several ways to more effectively manage customer knowledge metrics to derive qualified information and help make CRM investments more effective:

1. Don't ever equate satisfaction and loyalty

Customers today have more choices, through more channels, at better prices, for almost any product or service imaginable. The internet has removed traditional switching barriers, provided near-perfect information, and raised the bar for service expectations. In this environment, it is a mistake for companies to believe that a satisfied customer is a loyal customer. The unfortunate reality is that satisfied customers defect, and dissatisfied customers remain. Act Big's experience with clients confirms that many customers claim to be "satisfied" or "very satisfied" prior to defecting, and our experiences similarly reflect factors other than satisfaction are often significantly more influential in customers' loyalty decisions. Predictors of loyalty today are more often based on customers' attitudes, behaviors, and their unique perception of your products and services compared with your branding messages. For many companies, marketing investments could be better applied to influencing customer loyalty.

2. Measure what really matters

To effectively drive business performance, companies need to move from the loose measure of satisfaction to analysis that provides better insight into customers and the brand. The process that most effectively supports this goal is customer value. Customer value provides a metric for integrating specific tactics that support more appropriate and comprehensive management of customers as assets and furthermore differentiate customers by their value to the business.

But most companies find this customer value model elusive and remain unable to distinguish unprofitable customers from valuable ones. Act Big uses an effective customer value equation that can help a company integrate components of current value such as revenue, acquisition costs, and service costs with future value, including lifetime value and potential for loyalty.

Understanding customer value and the drivers behind it is necessary for a company to truly understand all of its customers as well as the financial impact of customer interactions.

3. Forget the average, profit from smaller distinctions

New tools and technology allow companies to begin collecting comprehensive, integrated information on their customers. Too often however, that data is rendered meaningless by an oversimplified analysis, preconceived notions, or historical marketing biases within the organization. The reality is few customers are average, and metrics that aggregate customers into an average



risk being more misleading than revealing. Similarly, grouping customers based on product categories and other arbitrary distinctions hide important dynamics and influences within the customer base, such as demographics, attitudes or lifestyles. Getting results from CRM data investments requires companies to invest in analytics that allow them to delve deeper into the data, get beneath the averages, find the differences rather than similarities, and develop new and creative ways to segment their customers.

4. Clearly distinguish data from insight

With all the data you'll generate with new CRM tools and technology, companies may be too easily fooled into thinking that new analysis tools can replace first-hand customer knowledge and interaction. The data is critical, but companies need to have customers tell them how best to interpret it. Data may reveal that sales are dropping among certain customers, but without customer input the reasons for that drop may not be apparent. The relationship must remain personable and is still the only true way to understand what customers love or hate about your brand, and why they choose your competitors. Only through personal communication with customers can companies capture the opinions, emotions, and idiosyncrasies that reveal individual customers as people.

Guaranteed Profitability

Companies may guarantee the satisfaction of their customers, but that does not guarantee that these customers will stick around or contribute positively to the bottom line. If companies are serious about improving their ability to manage customer relationships to derive growth and profits, they need to delve beneath the surface to understand the issues that impact specific customers' loyalty and profitability. Rather than focusing on metrics to reveal averages, companies need to invest in building true customer understanding. This insight, derived from the combined integration of historical customer metrics and today's value oriented analysis will allow companies to differentiate sound marketing investments and keep the customers they want, lower their overall marketing costs, and increase profitability per customer.

About Act Big Consulting

Act Big Consulting (AB) is a professional services firm delivering customer-focused business solutions to small and medium businesses (SMB). AB combines leading-edge customer marketing technologies with business strategy to help clients build customer loyalty. By creating the necessary connection between technology and strategy, AB builds solutions that help clients derive greater internal business performance and cultivate long-term relationships with their most valuable customers.

Act Big's specializes in services helping small and medium businesses derive growth and brand loyalty from enhanced customer understanding and integrated marketing.

Founded in 2001, Act Big Consulting serves clients nationwide from offices in Boston, Massachusetts. For more information about our solutions and services contact askbig@actbigger.com or call 617.480.4213.