



Pic: Shaju John

Satisfaction guaranteed?

Measuring customer satisfaction is a vital aspect of modern retailing, for as commonsense dictates, the higher the level of customer satisfaction, the greater the chances are that the customer acts loyally.

I note that 'retail' in this issue refers to 'organised retail'. What follows - generalisable learnings and some emerging hypotheses - come from Indica Research's MaCSIM Customer Satisfaction Measurement practice in the retailing context - organised retail, as well as from the wider space of retail finance, food retail, appliance retail and online retailing.

First, I assume that the average reader would be familiar with the

idea of customer satisfaction, its measurement and the key success factors in the use of the metrics. (A quick refresher is available in the accompanying box.)

THE ideas of satisfaction, loyalty, customer retention and so on have to be matched against the marketplace reality. Yes, it is true that it is cheaper to retain a customer than to acquire one. But over what time frame? In food retail, for

instance, pizzas come to mind, being the first brand the customer tried and thus being the benchmark of the taste in the palate is a great advantage to have.

From a resource deployment vantage, it may be better to acquire trials fast, than focus on retention issues to the exclusion of all else. So, be clear on what you want. Do what works for you. The following are some thought-starters to help figure this out.

Whither customer loyalty?

Intuitively one can sense that higher the satisfaction, higher the chances that the customer acts loyally. It is however, not a straight-line relationship. (See the accompanying graph, where 'Loyalty' is measured with the indicator 'intention to continue'. Of course there are other indicators of loyalty too).

The point is that the 'Top - Two box scores are such- and-such' masks the fact that, each 'box' has a different



Customer satisfaction, service quality and you

Before doing anything, it would be a good idea to think about, and be clear about:

1. How exactly satisfaction measurement outputs are likely to be used. Key parts of a company would be involved as users, and hence should come in early at the definition stage and own the process.

2. Whether it's to be wired in as a decision-support system or just a one-shot exercise in response to a specific trigger. Be clear on 'why measure at all'?

You should expect to use the results to plan improvement initiatives. The action areas could include:

- To define 'service' and develop appropriate service design criteria, for example, the maximum time a customer is willing to wait at the till, or time for home delivery (offered by, for instance, FoodWorld).
- To devise customer acquisition strategies and migration paths to competition users
- To define recruitment and training of criteria to better focus on all competencies that enhance customer satisfaction.
- Design incentives and compensation.
- Design complaint handling \ service recovery systems.
- Price the bundle of services better, derived from what drives perceived value in the customer's mind.

The measurement programme can track whether and how much things do improve over time, as seen by your customers. A measurement programme typically would be structured as follows:

● Measurement of satisfaction and perceived performance as seen by customers. A rigorously done measurement captures nuances that self-completion comment cards simply cannot. Customer loyalty is skewed towards those who are in the very satisfied \ delighted end. The rest simply shop elsewhere and do not tell the vendor anything. A measurement programme helps detect this and act in good time.

● Satisfaction measured at an overall level and on a range of parameters — 'drivers' and loyalty indicators notably, intentions to continue, buy more and so on. There is an art and science to de-constructing the shoppers' expectations and experience into a set of parameters. And while details are not discussed here, they need to be comprehensive, answerable by the customer and actionable by the management. Periodic surveys, continuous tracks, some combination, all designs are possible.

● Benchmarks and prioritisation indicators: What is important to customers, how much better \ worse than the competition are we seen to be? These are some of the questions asked here. The management needs to focus somewhere. The measurement provides an empirical basis to act, i.e., to choose where to focus, and to specifically do something with the guarantee that it would impact customer satisfaction and not just be a shot in the dark. ■

meaning. It's also worth noting that at the highest levels of satisfaction, the loyalty metric is still not 100 per cent.

Whence satisfaction?

The customer has a range of outcomes in mind while at a supermarket outlet. How well she is able to achieve them, indeed whether the customer is able to achieve those outcomes at all, depends on factors over and above service alone.

Let us take one factor — the exact SKU (stock keeping unit) the customer seeks. Maybe she has a particular brand, or pack, or pack size, or flavour, or other variant... whatever the specifics. Most categories would also have a 'best before' date.

Obviously, the challenge then is how to fulfill the wish list that she may have had in her mind, in every visit and yet manage the inventories. The fulfillment is a satisfaction driver. From the customer standpoint, what is the point of a large, supermarket store, if you still have to go to the neighbourhood store to pick up a couple of items?

Fulfillment: Availability alone?

There are customers and customers. Satisfaction, or more generally feelings and attitudes, is one, but by no means the only, driver of what they will actually do.

● There are the inherent variety seekers (the Loyalty Grid illustrates

this). They do like your store — the brand and the physical outlet — but simply do not shop there for all their requirements, even if availability is not an issue. They have earmarked specific reasons perhaps, perhaps a combination of other factors. They simply shop at multiple locations.

● Customers who face switching barriers. The customer is not a regular user for reasons other than 'need' or 'satisfaction' or 'availability' or 'convenience'. (Anybody who has given away their mobile number or ISP-provided e-mail ID to large numbers of people would understand this.) In healthcare, to take another instance, there is an investment that the customer has made with her existing GP,

over a period of time, most notably in the form of shared learnings on each others' expectations and behaviours. Why switch to another, that too an 'organised' outlet? What compelling adoption reasons can one offer?

Shopper behaviour: Share of visits, share of basket, or share of wallet?

...or share of stomach, as the food retail sector in Europe is asking itself.

The metrics should reflect what you want to measure. And measure amongst whom: the regular shopper, the infrequent but regular, or some other cut?

This mix also changes over time. It's obvious at a store level. And at a macro level too. International trends would suggest that the flavour shifts from 'mass' to 'targeted-mass' to 'need-segments'. This would necessarily require organisation structures and processes.

The brand

It's not just the trial visit, but repeated visits with increasing spends that a retail business looks for. To achieve this, however, there is simply too much evidence that says one needs more than a delightful experience and a loyalty programme. You need brand affinity.

The bundle of associations in the mind. The feelings beyond the actual

Loyalty grid			
		How consistent are they in shopping at your store?	
		Low	High
How favourable are attitudes towards your brand and store	High	Variety seekers	Loyal customers
	Low	?? (Look for switching barriers)	Seemingly loyal (Do not have an intense feeling)

experience that in a way form the backdrop to the experience. Call it what you will, the brand encapsulates all of what were discussed, a power that propels the footfalls to the outlet into a habitual behaviour over time.

Customer expectations do change over time

There are likely to be different epochs in the customer relationship, characterised by differences in many key aspects:

- Different expectations and competencies: In the early days, just sheer variety maybe, evolving to factors such as 'time at the till' as they grow more comfortable with the total experience.
- Different opportunities to offer loyalty rewards, build switching barriers to enjoy additional \ enhanced

revenue streams. That is, the translation of a successful relationship and customer satisfaction into increased business success.

Service and service recovery

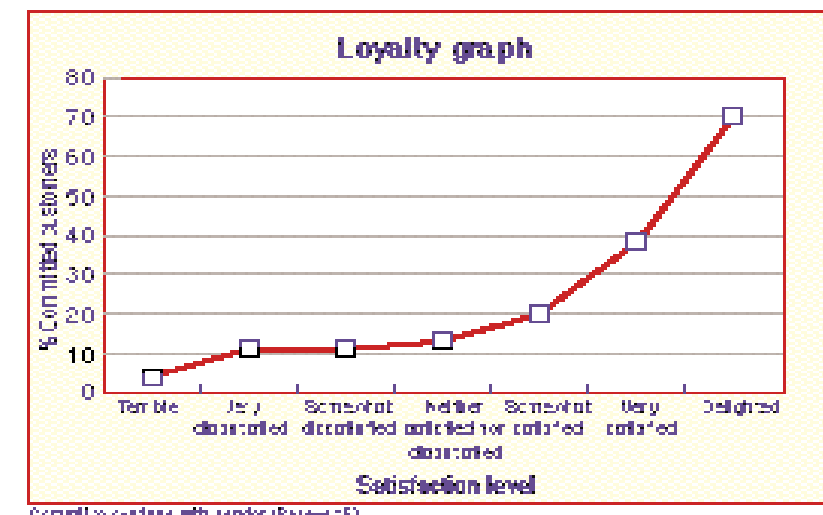
Breakthrough service providers — whether in retail or any other space — are not necessarily vastly superior in the service as such. But they do have processes that are vastly superior for Recovery. For example, all airlines may be about the same in ensuring the baggage arrives correctly. But when there is a mishap, the superior airline gets back on track faster, has friendlier claim procedures, their people know what to do and so on.

This is becoming particularly critical in online retailing, on the issue of product returns. So it's not only the process, at least having one in the first place, but also the policies and standards that are key to success.

Service standards and compliance

At McDonald's, if the kid drops the Coke, they just serve another Coke and do not ask for more money. And every operative there knows this. He or she has been trained on this, as well as on other standards. Even when clearly defined standards exist, compliance is a different matter. So complementing the satisfaction measurement with a mystery customer audit is likely to yield payoffs. ■

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Source: Loyalty Grid with vendor (Base=100)