

## Customer Satisfaction in Marketing

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### Abstract

Customer satisfaction is a marketing term that measures how products or services supplied by a company meet or surpass a customer's expectation. That is important because it provides marketers and business owners with a metric that they can use to manage and improve their businesses(Serenko,2010). Most of senior marketing managers, believed a customer satisfaction metric very useful in managing and monitoring their businesses. There are some reasons for its importance. The present study discuss about the reasons of its importance and speak about its advantages and disadvantageous.

**keywords:** Customer , Satisfaction , Marketing,

### 1. Introduction

Customer satisfaction (often abbreviated as CSAT, more correctly CSat) is a term frequently used in marketing. It is a measure of how products and services supplied by a company meet or surpass customer expectation (Farris et al, 2010). Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals." (Gitman et al,2006). The Marketing Accountability Standards Board (MASB) endorses the definitions, purposes, and constructs of classes of measures that appear in Marketing Metrics as part of its ongoing Common Language in Marketing Project(Serenko,2010). In a survey of nearly 200 senior marketing managers, 71 percent responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses.

It is seen as a key performance indicator within business and is often part of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. "Within organizations, customer satisfaction ratings can have powerful effects. They focus employees on the importance of fulfilling customers' expectations(Kessler ,2003). Furthermore, when these ratings dip, they warn of problems that can affect sales and profitability.... These metrics quantify an important dynamic. When a brand has loyal customers, it gains positive word-of-mouth marketing, which is both free and highly effective."

Therefore, it is essential for businesses to effectively manage customer satisfaction. To be able do this, firms need reliable and representative measures of satisfaction. "In researching satisfaction, firms generally ask customers whether their product or service has met or exceeded expectations. (Farris et al, 2010) Thus, expectations are a key factor behind satisfaction. When customers have high expectations and the reality falls short, they will be disappointed and will likely rate their experience as less than satisfying. For this reason, a luxury resort, for example, might receive a lower satisfaction rating than a budget motel—even though its facilities and service would be deemed superior in 'absolute' terms."

### 2. Importance of customer satisfaction

The importance of customer satisfaction diminishes when a firm has increased bargaining power. For example, cell phone plan providers, such as AT&T and Verizon, participate in an industry that is an oligopoly, where only a few suppliers of a certain product or service exist. As such, many cell phone plan contracts have a lot of fine print with provisions that they would never get away if there were, say, 100 cell phone plan providers,

because customer satisfaction would be far too low, and customers would easily have the option of leaving for a better contract offer.

Here, we introduce 6 important reasons for customer satisfaction as follows:

### **2-1. It's a leading indicator of consumer repurchase intentions and loyalty**

Customer satisfaction is the best indicator of how likely a customer will make a purchase in the future. Asking customers to rate their satisfaction on a scale of 1-10 is a good way to see if they will become repeat customers or even advocates. Any customers that give you a rating of 7 and above, can be considered satisfied, and you can safely expect them to come back and make repeat purchases. Customers who give you a rating of 9 or 10 are your potential customer advocates who you can leverage to become evangelists for your company. Scores of 6 and below are warning signs that a customer is unhappy and at risk of leaving. These customers need to be put on a customer watch list and followed up so you can determine why their satisfaction is low. See how satisfaction provides so much insight into your customers? That's why it's one of the leading metrics businesses use to measure consumer repurchase and customer loyalty.

### **2-2. It's a point of differentiation**

In a competitive marketplace where businesses compete for customers; customer satisfaction is seen as a key differentiator. Businesses who succeed in these cut-throat environments are the ones that make customer satisfaction a key element of their business strategy. Picture two businesses that offer the exact same product. What will make you choose one over the other? If you had a recommendation for one business would that sway your opinion? Probably. So how does that recommendation originally start? More than likely it's on the back of a good customer experience. Companies who offer amazing customer experiences create environments where satisfaction is high and customer advocates are plenty. This is an example of where customer satisfaction goes full circle. Not only can customer satisfaction help you keep a finger on the pulse of your existing customers, it can also act as a point of differentiation for new customers.

### **2-3. It reduces customer churn**

An Accenture global customer satisfaction report (2008) found that price is not the main reason for customer churn; it is actually due to the overall poor quality of customer service. Customer satisfaction is the metric you can use to reduce customer churn. By measuring and tracking customer satisfaction you can put new processes in place to increase the overall quality of your customer service. I recommend you put an emphasis on exceeding customer expectations and 'wowing' customers at every opportunity. Do that for six months, then measure customer satisfaction again. See whether your new initiatives have had a positive or negative impact on satisfaction.

### **2-4. It increases customer lifetime value**

A study by InfoQuest found that a 'totally satisfied customer' contributes 2.6 times more revenue than a 'somewhat satisfied customer'. Furthermore, a 'totally satisfied customer' contributes 14 times more revenue than a 'somewhat dissatisfied customer'. Satisfaction plays a significant role in how much revenue a customer generates for your business (Farris et al, 2010). Successful businesses understand the importance of customer lifetime value (CLV). If you increase CLV, you increase the returns on your marketing dollar. For example, you might have a cost per acquisition of \$500 dollars and a CLV of \$750. That's a 50% ROI from the marketing efforts. Now imagine if CLV was \$1,000. That's a 100% ROI! Customer lifetime value is a beneficiary of high customer satisfaction and good customer retention. What are you doing to keep customers coming back and spending more?

## **2-5. It reduces negative word of mouth**

McKinsey found that an unhappy customer tells between 9-15 people about their experience. In fact, 13% of unhappy customers tell over 20 people about their experience. That's a lot of negative word of mouth. How much will that affect your business and its reputation in your industry? Customer satisfaction is tightly linked to revenue and repeat purchases. What often gets forgotten is how customer satisfaction negatively impacts your business. It's one thing to lose a customer because they were unhappy. It's another thing completely to lose 20 customers because of some bad word of mouth. To eliminate bad word of mouth you need to measure customer satisfaction on an ongoing basis. Tracking changes in satisfaction will help you identify if customers are actually happy with your product or service.

## **2-6. It's cheaper to retain customers than acquire new ones**

This is probably the most publicized customer satisfaction statistic out there. It costs six to seven times more to acquire new customers than it does to retain existing customers. If that stat does not strike accord with you then there's not much else I can do to demonstrate why customer satisfaction is important. Customers cost a lot of money to acquire. You and your marketing team spend thousands of dollars getting the attention of prospects, nurturing them into leads and closing them into sales. Why is it that you then spend little or no money on customer retention? Imagine if you allocated one sixth of your marketing budget towards customer retention. How do you think that will help you with improving customer satisfaction and retaining customers?

## **3. How to measure customer satisfaction**

Lee Resource Inc. found that for every customer complaint there are 26 other unhappy customers who have remained silent. That is an alarming statistic. Most companies think they are the best and they have no unhappy customers. The reality is, 96% of unhappy customers don't complain. In fact, 1Financial Training Services found that most simply just leave and never come back. What are you doing to measure customer satisfaction and identify unhappy customers? Customer satisfaction plays an important role within your business(Serenko,2010). Not only is it the leading indicator to measure customer loyalty, identify unhappy customers, reduce churn and increase revenue; it is also a key point of differentiation that helps you to attract new customers in competitive business environments. I hope this blog post has shed light on why customer satisfaction is so important to the success of your business.

### **3.1 Six Proven Methods for Measuring Customer Satisfaction**

91% of unhappy customers will never purchase from you again (Liveworkstudio.com). The number 1 objective of any business should therefore be the creation of happy customers. Businesses that create happy customers grow and flourish, while the ones that don't, stagnate and perish. Yet for the #1 objective it is severely underrepresented in companies' goals and metrics. This is partly due to the fact that measuring customer satisfaction is not as straightforward as e.g. measuring revenue streams or website visitors, making it hard to set up clear goals (Farris et al, 2010).There are however some great metrics and tools out there designed for this purpose. Let's go through some that can be applied in your business today.

#### **3-1-1 .Surveys to Measure Overall Satisfaction**

This assesses your customers' experience with your product or service. It's the direct response to perceived quality based on the perceived needs and expectations customers had. Overall satisfaction can be measured through a survey conducted from your customers after they finished the purchase process. Survey Monkey has a comprehensive set of surveys you can use to assess your customer's satisfaction. Another great tool that we recommend you to experiment with is Floq, an app that allows you to create professional looking surveys that

can easily be implemented via e-mail, link, or on your website as a pop-up. Another survey tool commonly used is Google Forms. This free tool allows you to easily set up surveys.

### **3-1-2.Objective Measurement Approach for Loyalty**

Customer loyalty is an excellent mirror for customer satisfaction as it's used to describe the behaviour of repeat customers, as well as those who offer good ratings, reviews and testimonials. Loyalty can also be measured via a survey after the purchase process, it is however more powerful to measure the actual behaviour than the intention. This can be done with the Objective Measurement Approach. Recommended by Bob Hayes in Business Broadway, this framework allows you to analyse the historical records inside your CRM system - for example purchase scores or online behaviour - and relate them to other metrics related to your business model, such as consistency of subscription renewals.

### **3-1-3 Apps for Attributional Satisfaction**

One of the best ways to measure the satisfaction regarding a certain product or feature (could be with your support service) is by providing a reasonable context which customers can relate to. Asking your customers whether the support team was friendly or whether they felt rushed allows you to understand how important these elements are for the whole picture. One popular tool to assess attributional satisfaction is Qualaroo a platform which allows you to gather the answers from these questions as well as set up the linking webpages from your website in order to make it easy for your customer's to let you know their review (Kessler ,2003). Another easy and interesting tool is Temper an app that allows you to monitor the customer mood, spot frustrating experiences for further development, and clearly understand customer satisfaction regarding different pages, different products or scenarios. Also useful for A/B testing.

### **3-1-4.Measure Your Exit and Abandonment Rates With Tracking Tools**

A high exit or abandonment rate measured in your analytics tool is a direct behavioural indication of customer dissatisfaction. Exits and abandonments are natural phenomenon's in e-Commerce, but an unnatural high percentage indicates that your page and process could be optimized. It's hard to make a judgment about exactly what is wrong with your page based solely on the numbers inside your tracking system. To get insight about the true causes it is useful to implement a feedback tool on these pages, for example a live chat window that pops up after a certain time.

### **3-1-5.Net Promoter Score**

This may well be the most popular way of measuring your clients' loyalty. It measures the likeliness of a customer referring you to someone else. The customer is asked how likely he would recommend you on a scale from 1 to 10. From the image above you can easily understand that assessing your NPS score is quite easy. Take the percentage of all the respondents who are standing as promoters of your brand and subtracts by the percentage of detractors. This is an excellent benchmarking metric. Make sure you understand the context in which the question is being asked, to whom and when, and try to use the opportunity to ask those detractors what can you do to improve your service.

### **3-1-6 .Things Gone Wrong**

This is a negative measure and your goal is to minimise its score to zero points. What you'll be measuring with the TGW is the rate of complaints per product you sell. In the worst possible scenario your score is 1 or higher, meaning that you get at least 1 complaint per unit sold. TGW is calculated by dividing the number of complaints by the total number of units sold. However you should be careful when analyzing the results from

this measure as many people don't autonomously complaint, they simply never buy from you again. Therefore having a good TGW score doesn't necessarily mean that things are going well (Johnson et al, 2006).

### **3.2 Ways of measuring customer satisfaction**

Customer satisfaction is difficult to measure due to several reasons. Counting on customer satisfaction owing to their feedback is not the case because most people prefer keeping quiet when satisfied. Some people see no need of contacting the service provider while others seek to pass their complaints (Anderson et al, 2003). Requirements for customer satisfaction are not only unique but difficult to quantify. Setting standards and improving employee relationships with customers is central strategy of measuring customer satisfaction and ensuring that success is determined.

Ways of measuring customer satisfaction include:

#### **3-2-1. Survey customers**

Surveying customers is the only probable way of getting customer feedback unless they contact you. Most people are busy and have no time to pass redress. You can provide survey through several ways such as emails and use of phone calls. To get credible feedback you need to allow customers to answer questions on weighted scale. You can conduct repeated surveys, over time, to measure changing comments from customers.

#### **3-2-2. Understand expectations**

Understanding what customers expect from you will provide ground to satisfy their expectations by giving them enjoyable service. Making an effort to discover what customers expect from you in terms of service and products is the way to satisfying their needs.

#### **3-2-3. Find out where you are failing**

On situations where you are not fulfilling customer requirements, it is credible to find out where you are failing. Incidences where products are less than advertised should not arise (Serenko, 2010). Find out if employees are making promises that cannot be met. Take strides and attend seminars that will equip you with better managerial skills. Know the chain of communication so as to know where communication faults are and foster amendments.

#### **3-2-4. Pinpoint specifics**

Whether a customer is satisfied or not, you need to collect information to help you assess the situation. Collect information about what customers purchased, what they liked and they did not like, their actual purchase expectation and their suggestions for improvement.

#### **3-2-5. Assess the competition**

Have the initiative to know why customers consider other brands above yours. Through the survey, invite customers to come and compare and contrast your services and products and make judgment on what you are not offering.

#### **3-2-6. Try to measure the emotional aspect**

Customer experiences after buying a given product are attributed to quality. Feedback from customers in relation to quality, reliability and extent satisfaction should be matched.

### **3-2-7.Loyalty measurement**

Customer loyalty is the likelihood of repurchasing products or services. Customer satisfaction is a major predictor for repurchasing and it is influenced by explicit performance of the product, value and quality. Loyalty is basically measured when a customer recommends to a friend, family member about given product(Gitman et al,2006).Overall satisfaction, repurchasing and likelihood of recommending to a friend are indicators of customer satisfaction(Anderson et al,2003).

### **3-2-8. A series of attribute satisfaction measurement**

This strategy takes into account the affective and cognitive pattern. Affective behavior is intrigued to liking and disliking owing the benefits the product is attached with. Customer satisfaction is influenced by perceived quality the product is attached with and it is regulated by expectations of the product or service. Customer attitude towards a product are as a result of product information through advertisement and any experience with the product whether perceived or real. Cognition is the judgment on whether the product is useful or not useful. Judgment is always intended use of application and use of occasions for which the product is purchased.

### **3-2-9.Intentions to repurchase**

Future hypothetical behavior that indicates repurchasing the product is a measure of satisfaction. Satisfaction can influence other post purchasing trend through use of the word of mouth or social media platform(Johnson et al, 2006).

### **3-2-10. Monitoring**

Monitoring can be directed at phone, email and chat communications. Monitoring includes automated phone interactions designed by companies to help give real world glimpse.

### **3-2-11.Feedback cards**

Dishing out cards will help gauge customer comments.

## **4. Advantages and Disadvantages of Customer Satisfaction Surveys**

As we have discussed in recent Snap Survey Software blog posts, taking customer satisfaction into serious consideration is a key factor in developing a successful, lasting business. If your company is not gathering customer feedback, you may be making strategic business decisions that are not in line with your customers' interests, which could have a negative effect on your business(Kessler ,2003).

The most efficient and economical way to measure customer satisfaction is to create customer satisfaction surveys with the help of a survey software solution. An advanced survey software solution can manage multi-mode survey research methods – produce the same survey in different formats; including online surveys, email surveys, paper surveys, mobile surveys, kiosk surveys, and telephone surveys – depending on the best way to reach your customer base. Customer satisfaction surveys are designed to give you anonymous and unambiguous insight into your customers' thoughts and perceptions of your products, services, programs, and your company as a whole, as well as information leading to what needs to be changed in order to retain lasting customer relationships (Gitman et al,2006).

Customer satisfaction surveys are extremely beneficial to your business. They do, however come with certain disadvantages (Kessler ,2003). Here are some of the advantages and disadvantages of implementing regularly administered customer satisfaction surveys into your business.

### Advantages of Customer Satisfaction Surveys

**Up-to-date feedback:** Gather current customer feedback on various aspects of your company. You can stay on top of customer trends through regularly scheduled online surveys or email surveys, and receive instant customer feedback. It is always useful to acquire insight into how your customers are currently reacting to all aspects of your business(Johnson et al, 2006).

**Benchmark results:** You can administer the same survey every so often to customers to gain continued insight into your customers (Anderson et al,2003). Surveys can have the same questions, which will allow you to compare data over time and benchmark survey data across previous years to determine if any changes need to be made.

**Show that you care:** Customers like to be asked for their feedback. It gives the customer the perception that your company values them; is committed to keeping them as a long-term customer; and bases business decisions on their feedback.

### Disadvantages of Customer Satisfaction Surveys

**Too many surveys, so little time:** Your customers are bombarded with online surveys. Surveys may be simple to complete, however, some people simply don't like to complete them (Gitman et al,2006).Sending surveys too often can irritate customers and lead to customer burnout. Customer burnout can result in low response rates or result in lower satisfaction scores, despite your reputation for providing excellent products or services.

**Privacy Issues:** We live in a high-tech environment filled with daily doses of unwanted junk email, email solicitations, and sales calls. When taking an online survey or a phone survey (or any type of survey), it is hard for your customers to believe that they aren't being tracked. Because of insecurities of releasing private information, customers today are hesitant in giving out information that may lead to more junk email and unwanted calls(Batra et al,1996) Make certain to assure customers that the information they provide in response to your customer satisfaction surveys will not be used. Without this disclaimer, it may be difficult to receive a good response rate (Serenko,2010).

## 5. conclusion

Customer satisfaction is the consumer perception of the degree to which the customer requirements have been fulfilled (Anderson et al,2003). Customer complaints are the common indicator of low customer satisfaction but their absence does not necessarily imply high customer satisfaction. your organization's performance may be outstanding but if your customer feel that it is poor or even no better than the competition they may report that their satisfaction is low (Gitman et al,2006). The present study discussed about customer satisfaction and its importance in marketing. Then some ways to measure the customer satisfaction have been proposed. and finally its' survey advantages and disadvantages have been explained (Johnson et al, 2006).

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