

Perceived quality versus what the customer really wants

THE old notion that the key to making a customer happy lies in pleasant surprises and exceeding expectations, needs to be put in its proper place, says the Institute of Service Excellence at the Singapore Management University (ISES).

Just as "service with a smile" may not be the best way to soothe an already frustrated customer, "going the extra mile" can be futile if a company's employee has no clue where he is headed.

ISES, which has tracked customer satisfaction levels across key economic sectors in Singapore since 2007, says its latest findings for the Tourism and F&B sectors support this thesis well.

By measuring the gap between the perceived quality and the expected quality reported by customers surveyed, ISES found that the companies which ranked highest in terms of customer satisfaction scores, did not really do much by way of "exceeding expectations".

The level of quality customers felt they received from the top third of companies, ranked by how satisfied their customers were, was just slightly higher than what they had expected by a tenth of a point.

The middle third of companies fell short of customers' expectations by 0.5 point, however, while the worst-performing third missed expectations by 0.9 point.

ISES director Caroline Lim said: "Our data affirms that losses loom larger than gains. When a company is increasingly not meeting expectations, the incremental loss in customer loyalty is high, whereas the incremental benefit of increasingly exceeding expectations is less impactful."

While over-delivering on what customers expect can and does lead to delight, any company embarking on that strategy must then be consistent with the company's service model. "Companies should first and foremost address and attend to customer needs

and pain points," she says.

While it is true, that a company which is certain it has consistently met the expectations of its customers should then seek to exceed expectations in order to increase customer loyalty, such a company would be the exception rather than the rule.

As it is, most companies are often doing their best to allocate finite resources to optimise outcomes and meet ever-rising expectations.

"Besides, if competitors can easily copy the strategy of delighting customers, the company loses its competitive edge. Meanwhile, customer delight becomes the norm. The cost of operations increased as a result," Ms Lim points out.

She thinks meeting customers' expectations can be "as much art as it is science". "Sometimes, customers don't even know what they want," Ms Lim says.

Expectations are not typically revealed in observable customer behaviour. So it is the rare company that

can nail these expectations and design its service model effectively.

But service research helps, as do regular surveys which track how customer perceptions of a company are changing. These can help pinpoint reactions to various efforts a company embarks on with an assumed set of expectations in mind.

"And if a company feels it is putting in an inordinate amount of effort with little to no improvement in customer satisfaction, it may be time to relook its understanding of its customers'



Ms Lim: *'Sometimes, customers don't even know what they want.'*

expectations," says Ms Lim.

In fact, a company can also help to shape what its customers expect by accurately branding and communicating a business' service proposition.

That can be as important as process improvements, Ms Lim says.

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A quarterly series brought to you by the Institute of Service Excellence at Singapore Management University (ISES). Featuring findings from the Customer Satisfaction Index of Singapore, it also reveals insights on leadership and strategy from industry leaders, particularly in leveraging customer satisfaction as a competitive advantage.

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