

## ASK THE SMU PROF



### KEEP THEM HAPPY

**Q:** What can businesses do to increase the satisfaction of their customers?

**A:** No one disputes the importance of customer satisfaction in sustaining profits in the long run. Data from Singapore and the rest of the world consistently show – among other things – that the more satisfied a customer is, the higher their repurchase intent, willingness to recommend, and willingness to tolerate price increases. All these are desirable to any business, regardless of size.

A necessary piece of the customer satisfaction puzzle is to have a good understanding of the needs and wants of your customers. This understanding is important because without it, you would be hard pressed to keep track of the ever-changing expectations of your customers.

A good first step towards developing a better understanding of your customers is to encourage your employees to be receptive to feedback from customers, especially negative ones. Remove the negativity that typically surrounds complaints, and instead develop a company culture that welcomes feedback and puts the focus on handling feedback

well. This will encourage customer feedback to flow up through the organisation, translating previously tacit knowledge residing in your frontline staff into institutional knowledge that has the potential to improve the experience of not only your customers but your employees as well. Without this culture in place, you may find that your staff have a tendency to suppress complaints. A major consequence of this non-reporting of complaints is that your decision-makers would be deprived of any useful business intelligence that could have been embedded in individual complaints.

So, if the number of complaints is currently a key performance indicator (KPI) that you measure your staff against, as is typical for most companies, consider removing it and replacing it with a complaint handling metric. Doing this signals two things to your staff. First, it signals your belief that your staff have no direct control over whether any customer complains, so it is reasonable that they should not be measured against it. Second, it signals that what they have direct control over is how well they handle each complaint. I believe that replacing this negative KPI of the number of complaints with a positive KPI of complaint handling and communicating the rationale behind the change is an important part of any long-term strategy to raising and sustaining customer satisfaction and profits.

Furthermore, there is overwhelming evidence from the Customer Satisfaction Index of Singapore (CSISG) that customers who complained and had their complaints handled well are significantly more satisfied and loyal than either customers whose complaints were not handled well, or even customers who did not complain because they felt it was too difficult to complain or they thought that there was no point in complaining. This finding is present across all five years of measurement and the 40 service industries covered in the CSISG.

The CSISG data also shows that customers who complain directly to companies tend to be the more loyal ones. This makes sense because they are more likely to repurchase from you and hence have a vested interest in fixing any problems that they may perceive. The less loyal customers would be unlikely to invest effort in attempting to right any wrongs if they are going to switch to a competitor.

Remember that excellent communication is a key ingredient to any happy relationship, and the wisdom of this also applies to the relationship that your customers have with your company. Ultimately, satisfied, returning customers will help to ensure the long-term sustainability and profitability of your organisation..

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