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Headline: What defines a happy customer

What defines a happy customer

By Bala Shankar

"THE single most important thing to remember about any enterprise is that there are no results inside its walls. The result of a business is a satisfied customer," said the revered Peter Drucker decades ago.

It is now a well-accepted norm that employees are rewarded based on results, and Mr Drucker's famous words would imply customer satisfaction as the surrogate for results.

While this practice is hardly in vogue, its time may have come. In 2010, GlaxoSmithKline recognised the changing face of the interface between a pharmaceutical sales person and a doctor to an "expert dialogue" and switched their compensation to the external metric of customer satisfaction, delinking it from sales. Initially unpopular among employees for obvious reasons, this became a trend-setter for many such moves in the industry. With it, the measurement of such metrics acquired new levels of sophistication.

ACSI, the American measure of customer satisfaction standards, developed by the University of Michigan, tracks over 200 corporations in 40 industries, by surveying over 65,000 consumers. Singapore Management University developed a composite measure that seeks to capture this in Singapore's context, given the high density of service industries and given that the country seeks cutting-edge standards in such pursuits.

Theodore Levitt coined the term "customer satisfaction" in 1960, in an article published by *Harvard Business Review*. He added further that industry is a "customer-satisfying process", not a "goods-producing one" and that the sale merely consummates the courtship. Then the marriage begins.

Since the days of these pioneering proclamations, customer satisfaction as an idea has engulfed all business and non-business activities. Late running and breakdowns of MRT services, ATM blackouts, service outages of telecom operators, botched-up medical interventions, callous private educators and several more are big news. They even outshout formal satisfaction surveys in Singapore that recently seemed to indicate an improving trend, even if by small notches. In 2011, the overall satisfaction index (CSISG) was 69.1 per cent compared to the previous scan of 67.2 per cent. This is a composite measure of 39 different public and private services.

What constitutes customer satisfaction then? It is maybe easy to define what it does not constitute – the above-mentioned instances. Any situation where a customer is served less than his or her normal expectation is a breach of customer satisfaction. The problem begins here. There are complexities in defining who a customer is, what would constitute "normal expectation" and what would be deemed a failure.

A customer is one who buys a product or a service, irrespective of whether he or she pays for it or not and whether there is a formal contract or not. We do not pay for ATM services, yet a failure erodes into satisfaction. Such a definition would therefore encompass several possibilities not normally construed in business parlance.

The horde of online information, commercial publicity and calls to action dominating our times attract the "laws of customer engagement" if such a law existed. Wrong, misleading or hidden information are as much crimes against the customer as overt cheating.

Normal expectation is even harder to define. What is normal for you may not be normal for me. I expect taxi drivers to be sociable and be ready for a light chat; I am not sure if others prefer silence. My rating of these services will include marks for such behaviour and therefore could potentially show the silent ones in poor light. Service providers may therefore have the enviable job of having to reckon with "all expectations", including contra positions! They also have to reckon with the human psychology of shifting and climbing expectations.

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The business world is moving towards differentiating on service, as products are all seemingly equal. This is both an opportunity and a threat – opportunity for those organisations who have sought to oil their customer satisfaction wheels perfectly and threat for others who haven't woken up to the new reality.

Business leaders have a stock question in all such analysis and debates – what's the bottomline? Do organisations with higher customer satisfaction scores excel financially? The answer is yes, with a "long-term" caveat. The University of Michigan proved in 2006 empirically that those companies that ranked better on customer satisfaction outgrew the S&P stock index by as much as four times – steadily and consistently. Customer satisfaction enablers do have short-term cost implications, but the long-term pay-off is clearly overwhelming.

There is another moot question. Does 69.1 per cent satisfaction stand tall enough? Perhaps a compelling number, until you flip it over – it also means that 31 out of 100 aren't happy! And it doesn't take long for an unhappy customer to infect his happier co-customer, in today's milieu of social media littered with blogs, trip advisers and plenty more.

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