

Customer Satisfaction Measurement as a Mean for Marketing Development

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ABSTRACT

The article contributes by providing the management a framework to interpret the feedback information provided by customer satisfaction measurements and make decisions on marketing development. Customer satisfaction measurements like other market information collection methods are seen as an integrated part of business development and not as separated entities with a life of their own. Different theoretical approaches for customer satisfaction measurement are introduced shortly. It is argued that the customer satisfaction measurements should provide information on both company's performance and relative importance of various items to customers. This makes it possible to find the customers' opinion about potential development objectives. It is believed that most companies have somewhat limited resources for marketing development purposes. Therefore, also the cost of potential development alternatives should be taken into account while prioritising different items. The primary intention is to allocate the development resources as economically as possible, i.e., to maximise the outcome relative to the amount of allocated resources.

BASIS FOR CUSTOMER SATISFACTION MEASUREMENT

Marketing management needs information on what is happening on the market in order to direct marketing resources to the right targets. Marketing research has an important role in strategic marketing (Zabriskie – Huellmantel, 1994). Different kinds of marketing intelligence systems exist, all of them having one mutual objective – to provide information to the management for marketing development purposes. Among the measurement interests are company's strengths and weaknesses, corporate image, market share, customer satisfaction, future demand, importance of various factors to customers, and customers' opinion about the company's performance. While traditional marketing research concentrates on the market analysis, market segmentation, and

market positioning, customer satisfaction monitoring focuses mainly on the successfulness of the marketing mix and market positioning (Armistead – Clark, 1992, pp. 80–95).

During past few years more and more companies have adapted a customer focused approach to do business. For this approach it is necessary to identify through measurement what is important to the customers and how the organisation performs in providing products and services (Bendell *et al.*, 1993, pp. 34–36). Companies have to understand their customers to offer them products or services that serve their needs and expectations. Therefore, customer feedback is important (Denton, 1990 and Phillips, 1990). The received feedback allows company's management to better allocate available resources to improve those items that appear to be important for the customers but on which company's performance is not on an adequate level.

Customer satisfaction measurement is an integral part of customer satisfaction development undertakings and they are used to audit potential improvement (Hanan – Karp, 1989, p. 99). The measurement enables a company to identify what customers require and to assess how well it meets those requirements (Evelyn – DeCarlo, 1992). There are various methods of observing the customer's satisfaction levels – some are more formal and organised than the others (Cornish, 1988). Careful listening of customers and regular measuring of company's performance can pay off well (Albrecht – Bradford, 1990, p. 187). It is important to understand the profound needs of the markets and how well the company is able to fulfil the needs of its existing customers. However, the customer satisfaction measurements should not be completed just because of the sake of measurement. The company should also have the tools to interpret the results.

The customers' perceptions do or do not match the actual reality. However, the companies have to deal with both the customers' perceptions and the reality (Bowles, 1988). The customers' perceptions may be affected by things that are not

dependent on the company's actions, which are the reality. If for example there are delays in the service process that are due to external parties, the customers perceive that the company is performing worse than it actually does. Companies should re-engineer their business processes so that these kinds of perceptions come closer to reality, while for customers their perceptions are the reality. However, it should be remembered that company's customer base is seldom homogeneous. Therefore, the management should also decide whom to measure while the primary interest is still to concentrate on the needs of the most important customers. In order to be able to conduct customer satisfaction measurements that fulfil the validity and reliability objectives set by the company also the different theoretical approaches for measurement should be understood at least to some detail.

APPROACHES TO CUSTOMER SATISFACTION MEASUREMENT

There are three major approaches in use today to measure customer satisfaction with a product or service (Myers, 1991): (1) simple performance ratings, (2) measurement based on equity theory, and (3) the disconfirmation of expectations. Even though study of different theoretical approaches on customer satisfaction is not in the primary scope of this study, a short introduction to these at this point is still considered appropriate. Performance ratings are used to measure customer satisfaction by following the logic – the higher the rating, the greater the level of satisfaction. Equity theory suggests that customer's satisfaction is based on the comparison between the inputs and outcomes of a company and his own inputs and outcomes (Bagozzi, 1975 and Ekeh, 1974). If the customer feels having gained more than given he is satisfied and vice versa. However, empirical findings have repeatedly reinforced the need to measure perceived performance in relation to customer expectations (Parasuraman *et al.*, 1990, p. 36). The disconfirmation of expectations is the dominant approach to customer satisfaction measurement used by academicians (Bettman, 1986; Day, 1977; Oliver – Swan 1989; and Peter – Olson, 1987). However, the definition of "expectations" is problematic. Some studies (Miller, 1977; Tse – Wilton, 1988; and Myers, 1991) have gone deeper into the definition of the term "expectations", while the others have not differentiated among the possi-

ble meanings of the term (Churchill – Surprenant, 1982; Oliver, 1980; and Parasuraman *et al.*, 1990). Even though these three different approaches do exist, the practical customer satisfaction measurements may use them in parallel or mixed.

From the marketing development perspective it is important to be able to receive reliable and valid feedback from the markets. This feedback information should be easily understandable and usable for marketing development purposes. Utilising complicated multivariate analyses may in practice decrease the understandability and acceptability of measurement results, even though the results would be based on the proper statistical data collection and analysis. In case the management does not completely understand the measurement procedure it probably is more hesitant to act based on the measurement results. Therefore the simplicity and understandability of measurement procedures should not be overlooked.

FEEDBACK INFORMATION FOR MARKETING DEVELOPMENT

From the marketing development point of view customer satisfaction measurement alone is not enough. The primary reason for measuring is to learn what must be improved (Gerson, 1993, p. 32). In order to meet this objective the customer satisfaction measurements are designed to evaluate and identify specific areas for improving performance and effectiveness (Edosomwan, 1993). Unfortunately, it is far too common that a company's library is full of research reports that no one has ever tried to find a use for (Zemke – Schaaf, 1990, p. 34). Measurement should be used for immediate feedback to all staff involved in the customer satisfaction development process (Stershic, 1990). Also, the results should be easy to interpret so that they can be equally understood by top management and the work force (Bendell *et al.*, 1993, p. 38). All too often, the results of customer satisfaction measurements are only noticed by the few who more or less just skim through the research reports. While trying to integrate feedback information with marketing development activities, it would be a good idea to combine the communication of the results with personnel training. In this way the real-life examples of how well the company is performing in certain areas can be implemented into practical training. This motivates the build up of those

competencies that are required by the customers.

The starting point of this particular study is based on the assumption that marketing research does not have a life of its own, but it serves the objectives of marketing development. The primary objective is to develop a framework for prioritising alternative development activities to meet the development needs pointed out by customer satisfaction measurements. From this perspective it is seen to be justified to concentrate more on the practical issues than on the theoretical approaches to customer satisfaction measurement. In a marketing development process the role of feedback information is described in Figure 1. The management requires feedback information on how the company is performing. The feedback information is then analysed and utilised in planning the development activities. After the development activities have been completed more feedback information is required.

The corporate management may or may not be used to interpret marketing research results. People are usually able to find the current status, but the following question is still often raised "Yes, these are our current ratings but what should be done now?". Management is hungry for "actionable" data that the measurements may provide (Bartram – Bartram, 1993). While interpreting studied information it should be done objectively. Subjective interpretation of measurement results may cause serious problems with the reliability of the data even though the sampling, data collection and analysis would have been completed in an appropriate way. In order to avoid the subjectivity in interpreting the results a more objective framework is required.

Many companies have created measurement programs for marketing-intelligence purposes. However, most companies never achieve good measurement. Measurement must be agreed, i.e., there must be a clear consensus on the measurements relevant to the monitoring of the organisational performance (Bendell *et al.*, 1993, p. 37). While creating a measurement system the following points should be kept in mind: (1) What does not get measured does not get done, (2) Measurement should be used as a factor for change, and (3) Measurement should be used as a motivational tool (Horovitz – Jurgens-Panak, 1993, pp. 113–117). Well-designed measurement programs concentrate managerial thinking on critical success factors and the main elements in achieving these factors. Reliable information is also provided on what is right and wrong with the

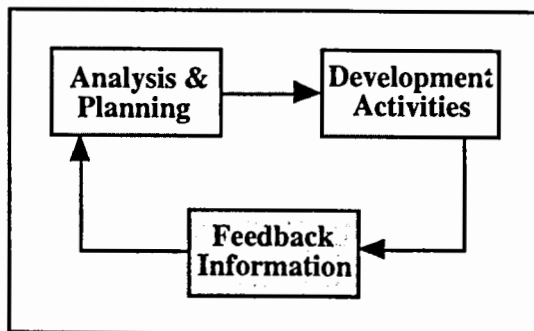


Figure 1. The role of feedback information in marketing development process.

organisation. An agreed-upon framework based on which people can discuss the organisation's procedures and problems is also important for the program success. One intention of the customer satisfaction measurement program is to receive information on items that the company performs well. This information can then be used for marketing promotion purposes. Well-designed and agreed measurement programs also serve as a basis for recognising outstanding performers (Whiteley, 1991, p. 153). In case customer satisfaction is seen as an indicator for organisational efficiency to fulfill organisation's objectives then the customer satisfaction measurements could also be utilised in personnel's compensation schemes.

The frequency of customer satisfaction measurement depends on the nature of the business. If customers make daily decisions about company's products or services and yesterday's dissatisfaction can have an immediate impact on today's sales, a more frequent measurement is needed, compared with the businesses whose sales cycle is longer (Hanan – Karp, 1989, pp. 101–102). In case a company is implementing continuous measurement the key to success is simplicity. The measurement should be focused upon the key performance criteria and upon the most important service standards which need to be maintained (Bartram – Bartram, 1993). While some of the companies have developed particular customer satisfaction measurement programs some still remain passive in this matter. Many companies conduct customer satisfaction measurements at least once a year. Of course, the companies do not make the customer satisfaction measurement in vain. Usually the measurement results are used as a basis for development

activities. It is believed that most companies still do miss a framework for utilising customer satisfaction measurements in their practical marketing development activities. This seems to be the case even though the amount and frequency of customer satisfaction measurements indicate the existence of particular programs for receiving feedback on customers' satisfaction levels. Therefore, it is believed that there is a major demand for an effective but still simple framework for allocating marketing development activities to be able to rise customer satisfaction levels even higher.

FRAMEWORK FOR UTILISING CUSTOMER SATISFACTION MEASUREMENTS IN MARKETING DEVELOPMENT

A customer-focused measurement approach starts with open-minded listening with an intention to receive answers to the following questions: (1) Which product and service characteristics are important to the customers? (2) What is the relative importance of each of their requirements? and (3) What level of performance on each product and service characteristic will meet the customers' expectations? (Whiteley, 1991, pp. 155–156). In the management literature there are few approaches that try to identify the development priorities (see for example Parasuraman *et al.*, 1990 and Dutka, 1993). However, these approaches are based on the traditional marketing research information, i.e., the development need is seen from the customers' viewpoint covering two dimensions like the performance and importance of studied items. From a company's viewpoint this is not enough while they have to take into account how much the required development activities would cost. Usually it is the case that companies lack development resources or at least they should be allocated economically. Because of this reality the previous approaches miss an essential point, i.e., the development resource requirement. The framework to be presented in this particular article contributes by including also this third dimension. Including development cost to the framework makes it possible for the management to receive actionable information which takes into account the economical allocation of development resources. The suggested framework for utilising customer satisfaction measurements in marketing development consists of three variables: performance, importance, and cost.

Performance

The intention of the performance measurement is to find out how well a company is performing on various items that are measured. The performance measurements can then be used as a time series to follow up company's performance on various items through time. However, it should be remembered that the measurement should concentrate on items that have an effect on customer's buying behaviour.

Importance

Even though most customer satisfaction measurements concentrate on measuring company's performance it is also important to measure the relative importance of various items. By locating those issues that matter most to the customers the company is able to allocate its development efforts effectively. In case the relative importance would not be measured this would lead to an outcome that the company should rely on only the performance measurements and try to find some kind of logic where to allocate the development efforts. When both importance and performance are measured the development logic is the following: primary development efforts are allocated to those issues on which the company is performing poorly but which are important to customers.

Cost

It can be assumed that the measurement of both performance and importance of different items would fulfill company's customer satisfaction measurement needs. However, even if this would be enough from the measurement's viewpoint, it is not enough from the developmental viewpoint. It is expectable that all companies have somewhat limited development resources, including both financial and human resources. Therefore the available resources should be allocated so that the benefit is maximised. This means that those development activities receive a priority status which bring the most economical outcomes, i.e., the expectable results relative to the development costs should be maximised.

In order to allocate company's development resources all three dimensions, i.e., performance, importance, and cost, should be taken into account. The framework is described in Figure 2

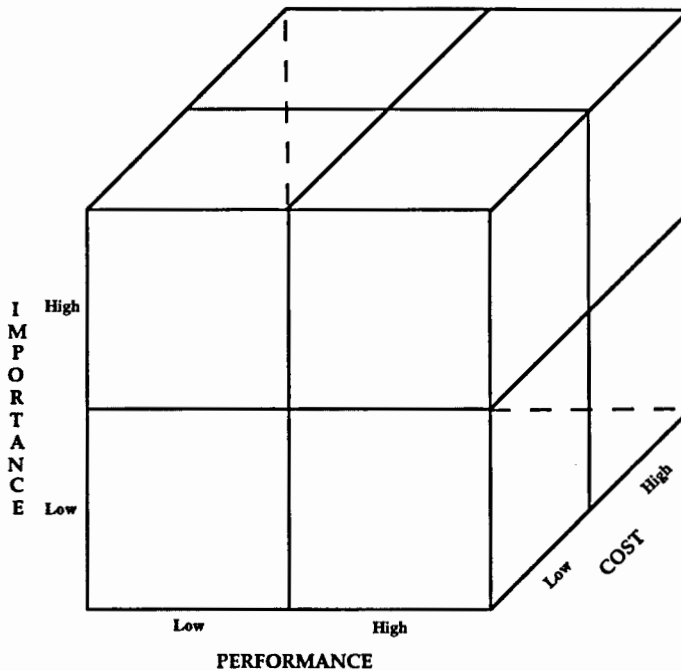


Figure 2. Dimensions of a framework for utilising the customer satisfaction measurements for setting marketing development priorities.

by a cube in which all the dimensions described above are present.

The companies should be better able to interpret the marketing research results in a way that the results could be utilised immediately in the marketing and general business development. Even though the studies would indicate several potential areas of development probably all of them cannot be implemented immediately because of the limited availability of both financial and human resources. Therefore, the management needs a framework for deciding which of the potential areas of development should get the highest priority. Naturally, every company should see the development opportunities from their own context. However, a general framework for allocating development resources is required.

Based on the three dimensional approach described in Figure 2 a framework for prioritising different development activities was developed. This framework can be utilised to find suggested development priorities for marketing activities. These priorities are described in Table 1.

As can be noted, such items receive a high development priority that have a high level of importance and which development costs are estimated to be low. The lowest development

Table 1. Dimensions of the framework and suggested development priorities.

Performance	Importance	Cost	Suggested development priority
Low	Low	Low	Medium
High	Low	Low	Medium
Low	High	Low	High
High	High	Low	High
Low	Low	High	Low
High	Low	High	Low
Low	High	High	Medium
High	High	High	Medium

priority is given to items that have a low level of importance and which development costs are estimated to be high. In some cases it may be difficult to differentiate between low and high ratings, i.e., the ratings are located in the middle of the rating scale. In order to overcome this problem the average of all measured items could be used as a divider between low and high. This somewhat generic approach ought to solve the existing problems to a great extent.

In order to clarify the application of the presented approach even further a case example is seen

Table 2. Case company's customer satisfaction measurement's results and suggested development priorities.

Item	Performance	Importance	Cost	Suggested development priority
Facilities are appealing	Low	High	High	Medium
Equipment is modern	High	Low	High	Low
Personnel is professional	Low	High	Low	High
Personnel is friendly and helpful	Low	Low	Low	Medium
Personnel is available	High	Low	High	Low
Customer's needs are understood	Low	High	Low	High
Service is fast	High	Low	High	Low
Service is flexible	High	High	Low	High
Delivery is prompt	High	Low	High	Low
Billing is accurate	Low	High	Low	High

to be appropriate. Let us assume that company has received the following results from its recent customer satisfaction measurement. The various items as well as their estimated levels of performance, importance, and cost as well as the suggested development priorities are described in Table 2.

Based on the normative utilisation of the presented framework the following items receive the highest suggested development priority: Personnel is professional, Customer's needs are understood, Service is flexible, and Billing is accurate. In order to develop the items further the management could for example increase personnel training to improve personnel's professionalism, try to clarify customer's needs further and share the findings with the whole personnel, increase the service flexibility by empowering personnel to take required actions instantly without time-consuming and sometimes irritating questioning from superiors, and by concentrating more effort on checking the accuracy of the bills sent out to customers. After the required development measures have been taken the concentration could be focused on items that received the medium suggested development priority, i.e., improving the appeal of the facilities by renovation investments and encouraging personnel to be more friendly and helpful towards customers. The items with lowest suggested development priority should be concentrated after the higher priority items have been taken care of.

IMPLICATIONS FOR MARKETING DEVELOPMENT

Customer surveys are highly important to the marketing management while they measure lev-

els of satisfaction and dissatisfaction with the organisation's products and services (Desatnick – Detzel, 1993, p. 132). Measurement permits a company to do a number of things: increase service quality-awareness, know the level of achievement according to a certain benchmark, test consistency, identify strengths and weaknesses, focus efforts, monitor progress, and quantify achievements (Horovitz – Jurgens-Panak, 1993, p. 100). Effective companies do not just rely on the measurement of customer experience. They also link measurement of internal processes in every part of the organisation with customers' expressed needs (Whiteley, 1991, p. 171). One reason why customer satisfaction and its measurement is highly emphasised within various quality awards is that the customer oriented measures are guiding the development activities of company's internal processes to become more efficient and quality oriented.

Marketing management requires information about what is happening on the market. The customer satisfaction and its development appears to be the most important single information item. Companies have to understand the needs and expectations of their customers. For this purpose specific customer satisfaction measurements can be used. If measurements are prepared well they also focus concentration on critical success factors and key elements in achieving these factors. The customer satisfaction measurement makes it possible to identify the needs and expectations of the customers and how the company is fulfilling these. This information helps the marketing management to develop business processes further.

However, the customer satisfaction studies alone are hardly enough to implement customer satisfaction development activities. An immedi-

ate feedback from the measurement results should be utilised in business development. The nature of the business influences the required frequency of customer satisfaction measurements. Also, the measurements can be used as a follow up aid for marketing development activities. The customer satisfaction measurements should be simple enough to be implemented in practice and concentrate on the key factors of the business. This would also make them easy to understand so that the results could be easily communicated for the entire personnel. The presented framework for allocating marketing development resources provides the management with practical guidance on continuous improvement of company's operations. Customer focused development approach holds promise to sustain competitive advantage on markets. Among the key strengths of the presented framework is that it allows the management to interpret customer satisfaction measurement results and act based on the information.

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