Why customer satisfaction is important:

A guide for businesses

Why customer satisfaction is important?

In short, your business' success depends on it.

This guide provides convincing stats, the most popular customer satisfaction methods, and a 5-step framework for implementing a client satisfaction strategy at your company. So, we hope you'll be... drumroll please...satisfied.

Table of contents:

What is customer satisfaction?

Customer satisfaction is the measurement of how content customers are with the overall customer experience. This includes not only how happy a customer is with a purchase or service, but also how satisfied they are throughout the customer journey. (Think: messaging, support, delivery, and availability of information).

When a company is successful in its goal to satisfy customer needs and expectations, then it's rewarded with returning customers. Ultimately, customer satisfaction is the most important indicator of customers' repurchase intentions and their loyalty.

Why customer satisfaction is important

Customer loyalty, your marketplace competitiveness, the amount of money each of your customers spend and and hey, we'll say it—profitability—are all directly linked to customer satisfaction.

In fact, in a widely acclaimed study on customer satisfaction, researchers discovered that **an increase in 11.5% net profitability for a company for every 1 percent per year increase in customer satisfaction over a five year period** (1).

So, consider these benefits which contribute to profitability and begin making client satisfaction your company's top priority.

Competitive Advantage
First, let's discuss competitive advantage. Why should your company be selected over your competitor if you both have similar product offerings and price points? Research by PWC indicates that

86% of consumers will pay more for a great customer experience (2).

FYI: We can know what a "great customer experience" is by measuring client satisfaction. We'll get to the actual metrics in a bit.

Online reviews revealing satisfied customers play a huge role in customer acquisition.
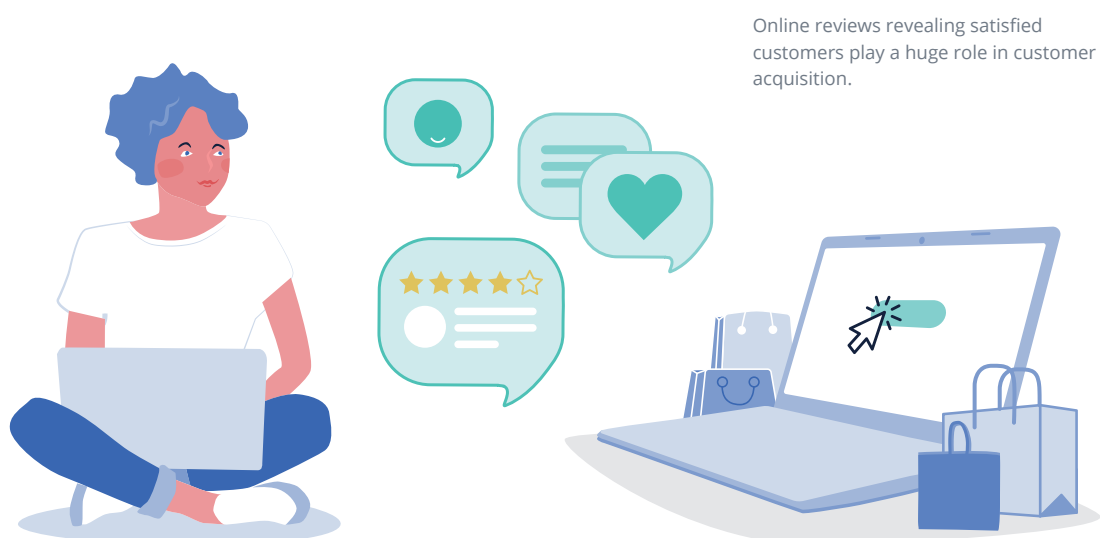
Attract new customers

So, how will a potential customer know that your company makes customers happier than your competitors? They'll listen to what your current customers have to say about your brand, for better or worse.

25% of a company's market share is directly related to its reputation (3).

Wow. The most traditional avenue for business research is word of mouth. However, this isn't limited to a conversation you have with your friend at a coffee shop. In today's digital age, online reviews—the new word of mouth—play a huge, and ever-increasing role in attracting new customers.

Let's admire these stats about online reviews:

- **93% of consumers report that online reviews influence their purchase decisions** (4)
- **Review ratings are the biggest driver of clicks in local search engine rankings** (5)

- **A product with 5 reviews has a purchase likelihood that's 270% greater than a product with no reviews** (6)

In summary, reviews are indicative to potential customers of whether or not your company can truly satisfy customer needs. Today, customers love the transparency of authentic reviews.

So, consider investing in online reputation management to showcase reviews from your satisfied customers. Download our Guide to Online Reputation Management.

Reduce churn

In the same vein, once you obtain a customer, keep 'em!

And naturally, we're not talking about sneaky contracts or subscriptions, but by how you satisfy customer needs. Above all, customers care most about how they are treated when they run into an issue.

Only 1 out of 26 customers who churn complains (7). The rest silently leave.

Did you know that only **1** out of **26** customers who churn complains?

Proactively communicate with your customers to reduce churn

So, don't make the mistake of thinking that a lack of complaints means your customers are happy. Reach out with customer satisfaction surveys throughout the customer journey. Then effectively take care of any problems.

Retaining customers is always cheaper than acquiring new ones.

Therefore, ensure your company recognises (and then acts) on the importance of customer satisfaction and loyalty.

Hello customer lifetime value

Customer Lifetime Value (CLV) is the total profit contribution of a customer to the company over time. The more you reduce churn by focusing on ensuring a customer is happy with your company, the longer a customer will stay with your business. As a result, the CLV of your business will grow.

Oh, and a study by McKinsey found that **satisfied customers go beyond being less likely to cancel a subscription — they're willing to upgrade their services or packages.** Cha-ching!

Consequently, you can improve the CLV when you focus on customer contentment.

So, what should customer happiness mean to your business? More revenue. That's what.

How to measure customer satisfaction

To measure customer satisfaction, companies select one customer satisfaction KPI (key performance indicator) that best fits their needs. The following are the most widely utilised customer satisfaction metrics:

Net Promoter Score (NPS)

The Net Promoter Score (NPS) is the #1 most-used customer satisfaction KPI. This is because it measures the customer's ongoing relationship with a company.

Certainly, you've likely encountered it yourself countless times with the famous question,

"How likely are you to recommend our business to a friend or colleague?" Consequently, the question, rated on a scale of 1 to 10, will determine customer satisfaction via customer loyalty.

For instance, NPS is Mazda Motor Europe's customer satisfaction KPI of choice. The automobile giant partnered with Customer Alliance to focus on satisfying its customers throughout the customer journey. Subsequently, Mazda Motor Europe boosted its NPS score by 2% from the previous year.

Select a customer satisfaction KPI to monitor. This is the NPS dashboard from Customer Alliance.

Customer Satisfaction Score (CSAT)

In contrast to NPS, the customer satisfaction KPI Customer Satisfaction Score (CSAT) takes inventory of customer satisfaction for a particular product or service. Therefore, several questions can be used to measure customer experience. Consider the following:

▶ *"How would you rate your call to support?"*   ▶ *"How would you rate our delivery service?"*

The range varies—a scale from 1 to 3, 1 to 5, or 1 to 10. Then the company divides the number of positive responses by the total number of responses to calculate its CSAT.

CSAT is quite popular among large enterprises as they can target certain products or services for optimisation. However, it measures only an immediate reaction to the company's product or service, rather than an ongoing relationship like NPS.

Customer Effort Score (CES)

Businesses use a Customer Effort Score (CES) to discover if customers are having difficulty completing certain actions. Some example questions:

▶ *"How easy was it to check out today?"*   ▶ *"How much do you agree with this statement: It was easy for me to resolve my issue today?"*

The level of difficulty can be measured from Very Easy to Very Difficult, Strongly Agree to Strongly Disagree. Likewise, scales can also be numerical in range for this customer satisfaction KPI.

Customer satisfaction methods

To achieve great customer satisfaction, you need a way to listen to your customers. Certainly, you can't just assume that your business is doing a great job. Let your customers tell you how your company is doing. (They're quite honest, trust us.)

Consider these widely-used customer satisfaction evaluation methods for measuring and implementing a customer satisfaction strategy.

Questionnaire/Survey

Setting up surveys or questionnaires at various stages of interaction should be a mandatory method in our opinion.

Questionnaires allow a company to oversee customer or guest satisfaction throughout the customer journey. In other words, see how a customer feels about your brand before, during and after their interactions with you.

So, there are several ways you can ask your customers to fill out a survey.

Methods of survey distribution:

▸ **Online:** Online surveys can be distributed via emails, link sharing on social media, or live chats

▸ **In-store:** To capture onsite data, companies can offer surveys on tablets within a business.

▸ **WiFi start page:** When customers want to access free WiFi, a company can include a short survey before logging in to the WiFI.

▸ **QR code:** Customers can scan a QR code to view and fill out a company's survey.

This is one of the most effective methods of customer satisfaction as companies can capture responses about specific topics at different customer touchpoints. So, with the data collected, companies discover where they can make needed changes.

Interviews

While not one of the simpler evaluation methods for measuring and implementing a customer satisfaction strategy due to the resources required, key findings discovered in interviews can be gold!

For instance, face-to-face, video or phone calls, or group interviews allow a company to hear a customer's unfiltered opinion. Clients can be asked about a product, service, or overall customer experience.

Businesses can utilise interviews to glean new ideas, test out their ideas or identify a problem previously unnoticed. Additionally, an interview can also provide excellent insight when performed with customers who've recently churned.

Support calls

Traditionally, a company's customer support centre focuses on client satisfaction (but they shouldn't be the only ones).

In addition to putting out fires, a company's customer support also works as an undercover research centre. They can discover what needs to be improved in the customer experience to satisfy customer needs.

Customer-centric companies often practice proactive outbound calls to customers rather than waiting for calls only once something is wrong. In other words, think upstream.

Live chat

Live chat software offers a great source for studying the happiness of your customers in two major ways. Most often, companies use live chat to snag direct feedback.

For example, we might have a pop-up box on our website. It says, "How likely are you to recommend Customer Alliance"? with a clickable scale from 1 to 10. (Feel free to click 10 by the way.)

Secondly, companies can analyse the ready-made transcripts from the chat history for indirect feedback. In other words, was the sentiment of what was said by the customer positive, neutral or negative? Moreover, which topics were most discussed?

Customer conversations will tell you. You just need the right tools to investigate. (More on that later.)

Social media

Companies, particularly those with a younger demographic, can utilise social media platforms. Instagram, Facebook, Twitter and YouTube can be used to interact with customers on an individual, yet very public level. Companies can hear directly and immediately from their consumers how well they satisfy customer needs via social media.

You need to analyse your customer demographics to see if social media could be a tool to listen to your customers. For example, businesses catering to teenagers will likely get a better response to polls broadcasted on social media vs an email campaign.

Additionally, you should segment customers and communicate differently based on their preferences if you have multiple target audiences.

In conclusion, we suggest selecting 1-2 of the methods above to capture customer feedback on how you're really doing. That is to say, listen to the voice of the customer. Get the competitive advantage by focusing your company on satisfaction.

Spearhead customer satisfaction in your company

Most importantly, to make customer satisfaction a top priority in your business, you need to be intentional.

▶ Get everyone involved.

▶ Communicate that it's your company's goal to satisfy customer needs.

▶ Set targets and go!

Strategise

First, get the ear of your top management, and demonstrate why customer satisfaction is important. (The stats in this article are pretty compelling if you ask us.)

After that, create a roadmap detailing the customer satisfaction KPI (or KPIs) you will set. Discuss how you will get there, and who will be involved.

Select a software

Next, leverage a customer satisfaction software that helps you collect and analyse your company's customer satisfaction. Managing customer satisfaction across an entire company is no small task. Therefore, get professional help to synchronise efforts across your company for maximum impact.

Review the following checklist for capabilities you'll want in this software.

A customer Satisfaction software should enable your company to:

- Monitor and control satisfaction drivers across locations
- Collect customer feedback
- Distribute reviews to major portals (think Google)
- Understand satisfaction drivers with powerful analytics
- Follow up on feedback efficiently

Many companies, including Customer Alliance, offer a free demo of their software solutions. This way, you can check out the features offered to determine if it's a good fit for your business.

Implement a customer satisfaction framework

Lastly, use this 5-step framework and adapt it to your company's needs. This framework outlines the process for improving customer satisfaction.

Improving customer satisfaction in 5 steps

1. **Obtain and analyse customer feedback.** First, trust your customers to guide you in discovering areas for optimisation. Check out The Voice of the Customer Guide for more on listening to your customers.
2. **Share results.** After tracking and analysing customer feedback, present your findings to company decision-makers and determine areas for improvement.
3. **Implement changes.** Be it a particular product, service, communication, or even location, act based on feedback to satisfy customer needs.
4. **Celebrate change.** Inform your customers of updates based on their feedback, promote them to attract new customers.
5. **Repeat.** We can always do better right? So, go back and talk to your customers. (Again!)

So, that's enough for an introduction on why customer satisfaction is important.

In short, it's time to act.

If you'd like some help making customer satisfaction your #1 priority, Customer Alliance is here for you. Set up your free, personalised demo today.

SCHEDULE A FREE CONSULTATION

Sources:

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