10 Ways to Boost Customer Satisfaction

G. Tomas M. Hult and Forrest Morgeson

Despite all the effort and money poured into CX tools by companies, customer satisfaction continues to decline. In the United States, it is now at its lowest level in nearly two decades, per data from the American Customer Satisfaction Index (ACSI). Consumer sentiment is also at its lowest in more than two decades. This negative dynamic in the customer-centric ecosystem in which we now live creates the challenge of figuring out what is going wrong and what companies can do to fix it.

The short answer is that companies need to create an amazing customer experience. Customers no longer only compare companies to their competitors. They compare with the best companies and brands across industries. But satisfaction across the board is in decline! That begs the question: What customer satisfaction areas should companies tackle strategically to create greater profit at lower risk?

We base our answer on research at the ACSI — analyzing millions of customer data points — and research that we conducted for our book, *The Reign of the Customer: Customer-Centric Approaches to Improving Customer Satisfaction*. For three decades, the ACSI has been a leading satisfaction index (cause-and-effect metric) connected to the quality of brands sold by companies with significant market share in the United States.

Here are the top 10 areas to focus on to satisfy customers and create greater profit at lower risk:

Customer Satisfaction is a Strategic Asset

The American Customer Satisfaction Index defines customer satisfaction as a strategic company asset that should be optimized. Satisfaction should not be maximized but also not ignored; optimization is the key. Companies thrive by delivering on customers' satisfaction expectations in combination with quality, value, and complaint handling. The focus should then be to manage the optimization of satisfaction relative to customer expectations and company resources used.

It is important to understand this optimization of customer satisfaction since there is a complicated — and ultimately negative — relationship between satisfaction and market share. That is, while high and improving satisfaction in smaller companies drives market-share growth, maintaining high satisfaction once the market share is larger becomes more difficult. This is because with a larger market share typically comes a more heterogeneous customer base and more diverse customer behaviors, which makes delivering high satisfaction more difficult.

Understand What Customers Expect

What type of demands do customers have relative to their experiences with companies? Let's start with the misnomer of sky-rocketing expectations. For the past 12 years, using ACSI data, customer expectations have been relatively steady at the macro level (across industries and companies), scoring between 79 and 82 on a 100-point scale (where 100 represents the highest expectations). Now, companies in the auto industry like BMW, Mercedes, and Toyota, seemingly always have much higher expectations than average (>90) from their customers that they have to manage.

Despite the steady cross-industry expectations, the popular choice for many businesses is to aim higher and higher, and at least to "always exceed customer expectations." Is this the future trend in customer expectations? Practically, it is a flawed argument since companies should avoid promising to "always exceed expectations," as attempting such a strategy is not sustainable. Companies can and should delight the customer with an amazing experience but with realistic aims.

Quality Performance Matters

How have customers' quality perceptions evolved (brands, products, and services)? Important in this context is what constitutes quality. Quality, as measured within the ACSI, refers to reliability and customizability, but customizability dominates reliability as a driver of satisfaction. At the macro-level, for the past 12 years quality has been residing in the 79 to 83 range on a 100-point scale (where 100 is the highest quality). For example, Quaker has impressive scores on overall quality, with BMW and Publix peaking in product and service quality, respectively.

A key issue moving forward is likely to be strategies for improving satisfaction in the absence of gains in perceived quality for many companies. Contrary to what managers often think, quality trumps price. More broadly, quality also trumps value as a driver of customer satisfaction across most economic sectors and industries. Plus, we live in a "mass customization" economy, which is reflected in satisfaction being more sensitive to the personalizability than the reliability of products and services.

Value Is More or Less About Price

Perceptions of value among customers have improved over a long span of years, more so than for the other drivers of satisfaction (e.g., when compared with product and service quality and customer expectations). Given this ACSI data-driven fact over 30 years, is it feasible to have a continued focus on value as the primary driver of satisfaction? Maybe! The range in the ACSI data is still lower for value (ranging from 76-79, on average, in the last 12

years, with 100 being the highest value) than for expectations and quality, so there is an opportunity for more improvement.

As always, there are positives and negatives of driving satisfaction and economic growth via a price-based value proposition instead of product or service quality. The long-term prognosis of doing so is not logical. While perceived value metrics are up at the national level, over the past three decades, not all economic sectors and industries have strong and improving value. A positive example, however, is Little Caesars — a multinational pizza chain — which has managed the value proposition better than most. Newegg also drives much of its business based on value.

Satisfaction Is Never Guaranteed

The ACSI score is a scientific assessment of customer satisfaction based on a cause-and-effect system that aims to understand the customer experience, customer journey, and health of customer-company relationships. Customer satisfaction data are continually collected and reported publicly at set intervals by the ACSI. Amazon, Clorox, and Heinz serve as good examples of regular high-scoring companies on ACSI's customer satisfaction index. Also, Chick-fil-A has been at the top for about the last decade in the "Fast Food Restaurant" industry.

Even more broadly, satisfaction is an essential predictor of macroeconomic growth in a national economy and changes in that country's economy. Consumer spending is about 70 percent of the U.S. economy (GDP), and 30 percent of spending growth in any subsequent quarter is due to increased customer satisfaction. The average range for customer satisfaction, as measured by the ACSI, is 73-77 in the last 12 years, with 100 representing the most satisfied customer.

Appreciate Complaining Customers

Learn to appreciate complaining customers. Why? Logically, many companies regard customer complaints as negative. Complaints can be annoying, take time, and require resources to attend to and handle. Companies that handle complaints in a great way create stronger customer loyalty. That said, complaint handling has to be almost perfect for customers to come back and be at least as satisfied as before they complained.

Companies that take complaints seriously develop more competitive brands, products, and services. In other words, complaints can be viewed as positive! Unfortunately, many dissatisfied customers opt not to complain and this unknown can have negative long-term consequences for companies. On the positive side, we regularly find that Campbell's and Levi's have very few complaining customers, which is amazing since 12.8 percent of customers, on average, complain across industries.

Stick Around and Be Loyal

Customer loyalty has increased in the last 12 years to the brands, products, and services that customers buy. Interestingly, Millennials (people born 1981–1996) are among the most loyal customers across generational cohorts, behind only the dwindling Silent Generation (born 1928–1945). Vastly different in focus, Google and Publix have high loyalty perceived by their customers (the average range of value is between 73 and 77 in the last 12 years, with 100 being the most loyal).

Endeavoring to gain loyalty across generations and industries is powerful. ACSI data show that customers who experience a problem and complain but receive successful complaint management end up with stronger-than-average loyalty. Almost perfect complaint handling often results in even stronger loyalty than that from customers with a problem-free experience. But it takes what we call "cause-and-effect" dynamics to connect the dots accurately, something that more coarse-grained assessments cannot do at the same reliability and validity.

Satisfied Customers Drive Financials

Customer satisfaction should be viewed as a strategic company asset that must be optimized, not maximized and certainly not ignored — what we started with earlier! But customer satisfaction can only be a strategic asset if it affects a company's financial performance. Via numerous scientific studies, the cause-and-effect link between customer satisfaction and financial performance is overwhelmingly strong.

As proven using time series data over the last 30 years, customer satisfaction is shown to be a positive predictor of stock market performance that reliably outperforms the S&P 500. Satisfaction affects numerous accounting and financial performance factors that are attractive to companies, such as productivity, market share, revenue, sales growth, cash flows, profitability, return on investment (ROI), cost of capital, stock price, shareholder value, stock market risk, and more.

Fix Company-Customer Disconnects

Many companies now have Chief Experience Officers (CXO) and Customer Experience Managers (CXM) — leadership positions that indicate that companies are heavily focused on measuring, monitoring, and managing their customers' experiences. And even if these leadership roles do not formally exist, a customer's journey with a company's brands, products, and services is an important aspect of the buying and retention process.

Companies track their customers all along their customer journeys, searching for pain points and moments of delight. Customer experience management is ultimately aimed at driving

satisfaction and loyalty, though pulling the right levers in the right context is important. Managers tend to overestimate customers’ expectations, perceived value, satisfaction, and loyalty while underestimating customers’ complaints. Xfinity (Comcast) has one of the largest negative differences between what its managers think customers expect and what its customers actually expect in terms of quality and satisfaction.

Know the Ecosystem with Scientific Metrics

The world is becoming more global, interconnected, and, by population, much larger (more than 8 billion people). An increase in the population means more potential customers for all companies (small, medium, and large) in the vibrant international marketplace. Covid-19 slowed down this evolution some, but the trajectory is high (with the expectation that the world will reach 9 billion people in just 15 years).

An increasing customer base usually means that satisfaction, on average, trends downward because of increasing diversity in customers’ needs and wants. How do we combat this effect? The answer lies in companies’ orchestration of the customer-centric ecosystem based on the use of scientific customer-experience metrics. Companies need to understand, develop, and deliver on satisfaction based on cause-and-effect metrics. Today, Apple exemplifies strong ecosystem connectedness and cause-and-effect understanding of their brands, products, and services in the marketplace, but the value propositions for Apple and all companies are a continual challenge.