



In The Center with John Gregg

The Impact of Service Delivery on Customer Satisfaction

What is a good service encounter? Research shows customers' views on satisfactory experiences.

When it comes to delivering customer service, Ray Kordupleski, director of customer satisfaction for AT&T, has a catchy way of summing it up: "Good is not good enough." His point is that customers are not moved to take favorable actions, such as buying more products or going out of their way to recommend a product or service, unless they are completely satisfied (i.e., if asked, they would offer a top-box rating on a satisfaction rating scale; see Figure 1, below).

Companies and call centers must set

the bar at the top satisfaction ratings if they want to grow their businesses using their existing customer base. This is a critical point, yet it's a practice that is not widely followed. Many call centers are so caught up with handling problems and improving process efficiencies that they only occasionally focus on delivering exemplary service and achieving top-box satisfaction.

To refocus your goals, there are some logical questions you should be able to answer about your customer base. For example:

- What portion of customers are completely satisfied?
- What constitutes particularly good, memorable service experiences for customers?
- Can customers be elevated to top-box

satisfaction with one outstanding service experience; e.g., by surprising them or giving them something extra?

- What is the payoff for achieving top-box satisfaction?

Customer Satisfaction Research Findings

Phoenix Marketing International has been tracking customer satisfaction with service delivery for more than two years through a syndicated research program called ServiceSat.com. The industries surveyed include airlines, auto insurance, banking, credit card, online shopping and telecommunications. Following are a few of the key findings:

- From a customer's point-of-view, service encounters can be divided into three classes of outcomes: 1) A problem that either began as such or evolved into a problem during the service interaction; 2) a satisfactory but unmemorable service interaction; and 3) a particularly good interaction that may have affected the customer's overall level of satisfaction and impacted the likelihood of favorable future behavior.

Customers report that a third to one-half of all service interactions are "particularly good." Good experiences outnumber problems by 3-to-1 for credit card companies, and 1.2-to-1 for telecommunications firms. Across all categories surveyed, particularly good experiences run about 2-to-1 relative to problems (see Figure 2).

- Companies report that the financial impact of creating particularly good experiences is presently equal to or greater than avoiding problems and performing service recovery. This measure is derived from multiplying the frequency of these types of encounters by the percent of customers who say they will respectively increase or decrease their future business based on that outcome. Of course, consumers may not do what

Figure 1. Top-Box Customer Recommendations (Credit Cards)

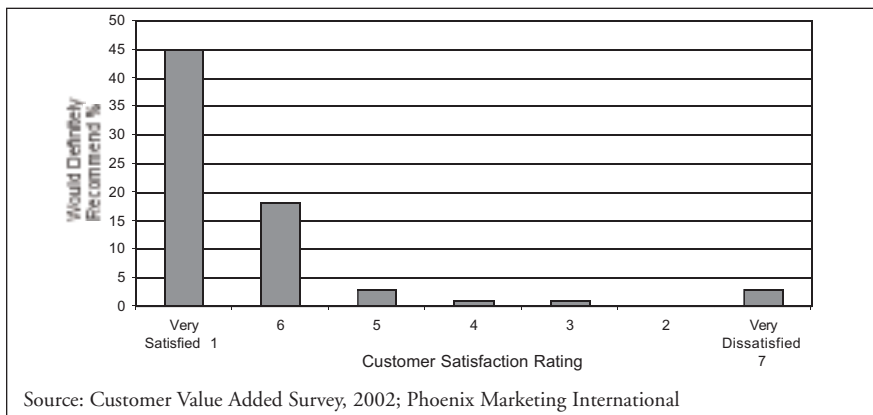


Figure 2. Customer Service Experience Outcomes

	Credit Cards	Telecommunications
Problem Encounters	10%	38%
Satisfactory Encounters	58%	17%
Particularly Good Encounters	32%	45%
Total	100%	100%

Source: ServiceSat.com, 2001; Phoenix Marketing International

they say or they may be less inclined to do so based on a memorable good service encounter than a problem, but the order of magnitude is still instructive: Creating particularly good service outcomes definitely is important.

■ Good experiences do drive up customer satisfaction, but slowly — about one notch at a time. However, problem experiences can deteriorate satisfaction levels in a precipitous manner. For instance, in the credit card industry, only 18 percent of customers who are more than two boxes away from top-box satisfaction move up more than one level based upon a particularly good service encounter. On the other hand, 31 percent of customers experiencing a problem will move down more than one level of satisfaction. Customers are quicker to judge than to praise, and it therefore takes far more good experiences to offset the bad ones — a case for monitoring and managing for particularly good service outcomes.

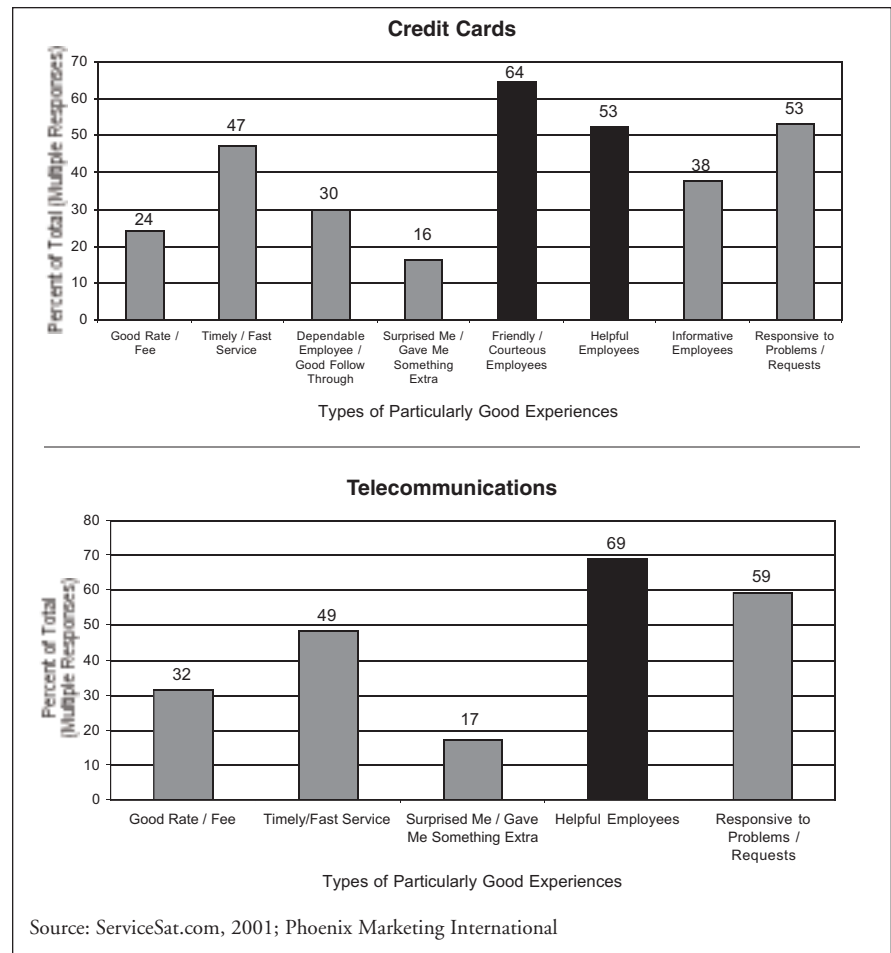
■ Customers presently judge those service encounters they deem “particularly good” as much on the friendliness and helpfulness of the employee as on the content of the interaction itself. The attitude and people skills of service employees are paramount. Frontline staff frequently carry the encounter and are considered to be of real import to customers, as well (see Figure 3).

But the factors that would contribute most — those judged to be most important — for driving up good outcomes are somewhat different. In the credit card industry, “dependable employees/good follow-through” was the strongest contributor to good service outcomes. For telecommunications companies, “being surprised with something considered to be a little extra” was key. In both industries, particularly telecommunications, “good rates and/or fees” are strong contributors to good service outcomes (see Figure 4 on page 10).

■ Being “surprised/getting something extra” does not mean that the company needs to develop expensive give-away policies and programs.

These highly impactful events are often achieved by listening to the customer and providing solutions that are

Figure 3. Service Employee Impact on Customer Experiences



basic to the company but a pleasant surprise to the customer. They have more to do with the listening and effective application of a policy or program than making a major, expensive concession to a customer. Given the importance of the outcome, they are very good trade-offs. The following consumer comments offer examples of these types of trade-offs:

“I was having difficulty renting a car for an upcoming holiday and the Platinum Travel Service representative was able to find me the car I wanted at a very good rate.”

“Several times merchants tried to take advantage of me by charging my credit card erroneously. Citibank and I disputed all these fraudulent charges and we won! Citibank rules!”

“I called to close my MasterCard account. As an alternative to having me close my account and pay the account off at my current rate, the associate offered to

convert me to a gold card customer with no annual fee plus a reduction in my interest rate.”

Another type of “surprise” or “extra” involves service encounters with customers who seem to have a fairly low expectation for service quality. In these cases, just the avoidance of a problem was enough for the service to be judged favorably. For example:

“The phone was answered in a timely manner and all my questions were answered.”

“AARP just seemed so very honest.”

“I wasn’t talked into something I didn’t want.”

“Very polite and helpful. Did everything I could ask for.”

The third type of experience that customers consider a surprise or extra effort are those that occur when the company takes the initiative to do something and

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Impact of Service Delivery
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lets the customer know what they've done for them. For instance:

"I like how they contact us when we have made a lot of purchases ... just to confirm that the purchases were made by us. My husband finds it annoying, but it makes me feel comfortable that someone there is checking our account and making sure no one is misusing our card."

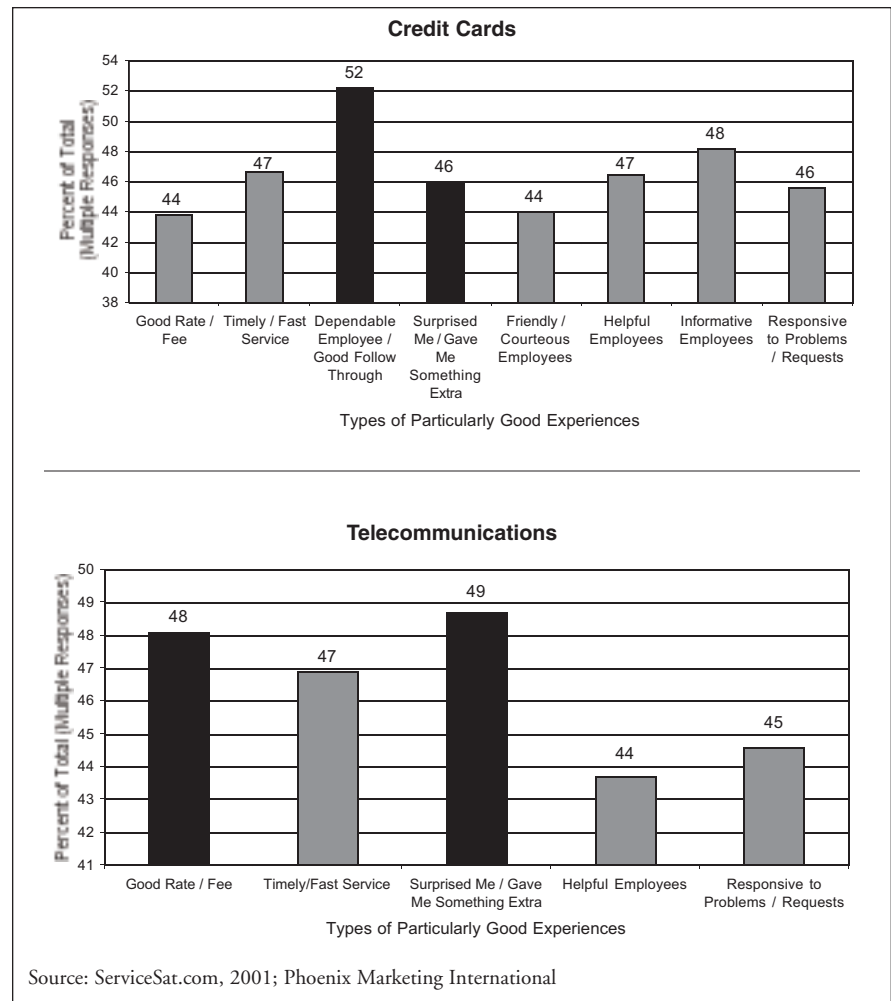
"I received an increase on my account [credit limit] without asking."

■ Some companies have been able to distinguish themselves within, and even across, their market category. Providing "particularly good" service encounters can be a competitive advantage. While the research hasn't revealed a breakout organization in every industry, some companies have been identified by customers as impressive. Two, in particular, are USAA (auto insurance) and Amazon (online shopping). USAA customers report that 73 percent of the contacts they have with the company are "particularly good" experiences. Only 7 percent of the contacts are problems. Fifty-five percent of Amazon customer contacts are "particularly good"; only 4 percent are problematic (see Figure 6).

Satisfaction Requires More than 'Good' Service

Creating "particularly good" service experience outcomes has an critical

Figure 4. Top Factors for Driving Up Good Outcomes



impact on customer satisfaction, customer behavior and long-term financial performance. However, attaining top-box customer satisfaction is not simply

the result of delivering "good" service. It requires setting and managing toward lofty goals. "Particularly good" service has distinguishing characteristics that warrant monitoring and managing in addition to problem-resolution rates. Two ways to delivery "particularly good" service are providing high levels of employee friendliness and cost-effective surprises.

Consistent top-box satisfaction ratings will not come from single, magnanimous events. It takes time. But there are companies that demonstrate it is possible to deliver high levels of particularly good experiences and create a competitive advantage. CCMRReview

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Figure 5. Good Experience Incidences for Selected Industries and Companies

Industry/ Company	% of Contacts "Particularly Good"	Good-to-Problem Ratio	Industry/ Company	% of Contacts "Particularly Good"	Good-to-Problem Ratio
Auto Insurance			Credit Cards		
Allstate	62%	3 to 1	American Express	26%	4 to 1
GEICO	66%	4 to 1	Citibank	12%	2 to 1
State Farm	59%	7 to 1	Discover	22%	4 to 1
USAA	73%	11 to 1	First USA	18%	2 to 1
Online Shopping			Telecommunications		
Amazon	55%	15 to 1	AT&T	27%	2 to 1
eBay	48%	8 to 1	Bell South	34%	3 to 1
Priceline	33%	2 to 1	MCI	22%	1 to 1
Ticketmaster	30%	2 to 1	Verizon	30%	3 to 1

Source: ServiceSat.com, 2001; Phoenix Marketing International