

# Dialogue

McDonnell-Phillips Newsletter

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## Customer Satisfaction Indices - *Measuring key drivers of satisfaction/dissatisfaction*

### Measuring customer satisfaction

Emphasis on improving customer service has lead many organisations to measuring customer satisfaction. By measuring and monitoring customer satisfaction, managers can identify and manage key drivers of both satisfaction and dissatisfaction. A well founded

basis of understanding the make-up and drivers of satisfaction/dissatisfaction can provide significant strategic advantage. However, there are some considerations and pitfalls in CSI measurement which we would like to share with you in this newsletter..

### Issues in developing a CSI

There has been much research into constructing CSIs over the last decade. It remains a field where approaches and measurement systems continue to improve in reliability and validity. CSIs which provide value and benefit require careful design, planning and customised innovation.

satisfied overall. Overall, satisfaction is formed more as an attitude, as a result of an accumulation of these experiential factors over a long period of time.

In our work researching attitudes, we have found that:

We have found it useful to think about the differences between two key constructs in CSI design - experiential factors and attitudes.

#### Experiential factors

Experiential factors are the day-to-day contacts which customers (and potential customers) have with the organisation. These experiences follow the cycle of service contact with the organisation. For example, a customer may decide to have his or her car repaired. There is a progression of events that the customer goes through in having their car serviced (see following diagram). At each of these events, the customer can comment about whether or not the experience was better or worse than they expected. These experiences are best inventoried and mapped using service blue printing.

#### Attitudes

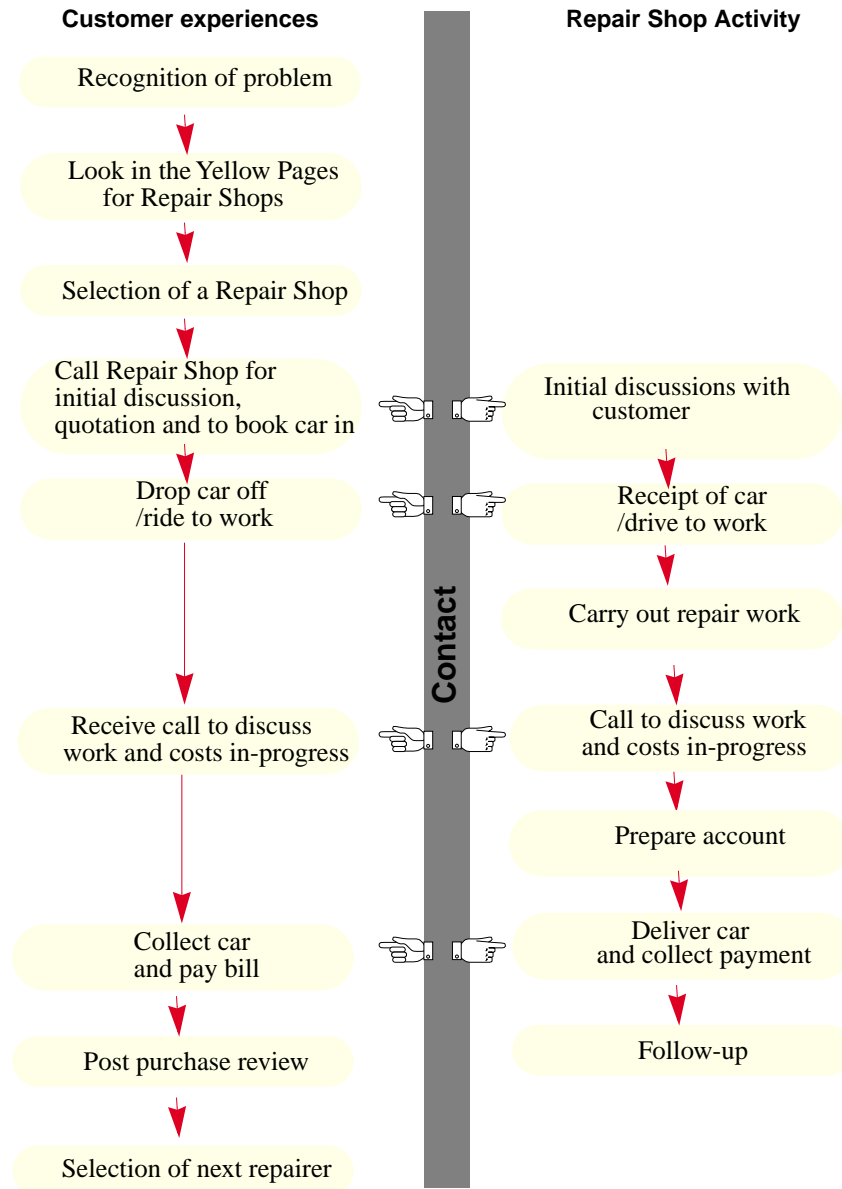
But the quality of these day-to-day experiences do not mean that the customer is

- attitudes take a long time to influence (usually years)
- are a long term accumulation of experiences
- satisfaction attitudes are related to customer loyalty and retention.



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Figure 1. Customer experiences with a car repair shop



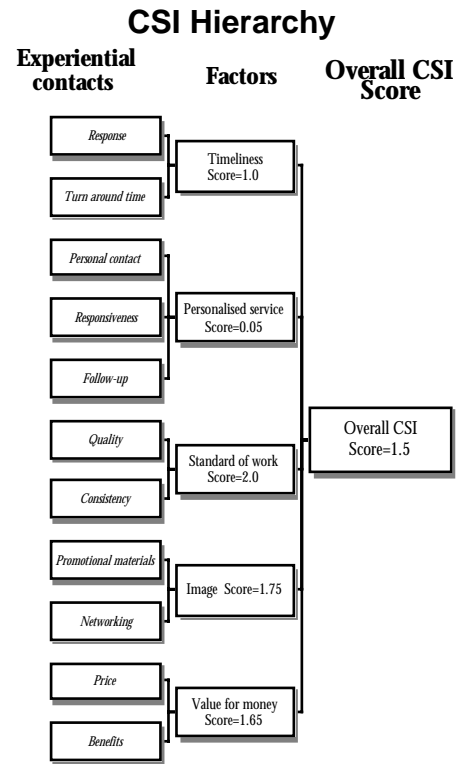
## Constructing the CSI

In terms of constructing the CSI, it is necessary to conduct both qualitative and quantitative research. From qualitative research, the important discriminatory experiences are elicited. From quantitative research, the performance against expectations can be measured. These experiential items can then be clustered into four or five factors or variable groupings which map how customers think. Performance with regard to these four or five factors can then be amalgamated into one overall measure (the CSI). Regressions can then be performed to assess the impact of

the day-to-day experiences on customer satisfaction (the attitude).

The most current and rigorous process for developing a CSI is:

- firstly, the range and extent of experiential contacts are identified from qualitative research (EXPERIENTIAL CONTACTS)
- the extent and range of these experiences are then measured using quantitative confirmation of performance against expectations
- factor analysis can amalgamate these into four or five key factors or patterns of the mind-sets of customers (FACTORS)
- each of these factors (and the experiential contacts) can be calibrated with either a positive or negative score. These can be used to benchmark from year to year
- the factors can then be reduced to a single CSI score which represents either an overall position of either building or reducing customer satisfaction (CSI).



## Positive and negative flows

The final CSI measure consists of either positive and negative experiences from the organisation to its customers. So if the index is positive, then on balance, the flow of experiences for customers are positive (i.e. building overall satisfaction). If it is negative then, on balance, the flows are negative (i.e. reducing satisfaction).

Measuring experiences is measuring attitudes ahead of time. Once this is established, an organisation can then develop strategies to manage the flows of experiences and influence long term development of attitudes.

## Drivers of satisfaction/dissatisfaction

The degree of association between experiential factors and overall attitude can also be measured. This identifies which factors are more important than others in building/reducing satisfaction and provides a basis for prioritisation.

For managers, identification of the specific, controllable elements of experience can be most important.

## Relating CSI to internal standards

To achieve true value from a CSI, it is important to relate experiences and the CSI to the internal service standards within the organisation. This is so that management of internal operations can be align with customer needs. For example, going back to our

example of the car repair shop. The CSI measure may have indicated basically that the flow of experiences were positive, but that they could be made more positive by concentrating on improving timeliness because this was most significantly related to



overall satisfaction. If the Car Repair Shop were to take this at face value, then operational efforts may be directed to improving timeliness. But, within their mind set, the repair shop may think of timeliness in terms of their internal standards such as time taken to strip a carburetor. Customers may

not perceive timeliness in this context, but may view timeliness in terms of how quickly they are driven to their office after dropping the car off. So, the repair shop may be wasting their time and efforts if they are concentrating on their *internal* standards in order to influence overall satisfaction.

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## Caveats in designing CSIs

In our experience, some approaches to CSIs have provided valuable benchmarks for organisations, others have taken a prescriptive approaches which have not lead to strategic insights. The true value of a CSI is gained in measurement and management of customer shifts over the longer term. To do this, the CSI study needs to be designed in a way that shifts in measurement can be clearly attributed to changed customer needs rather than sampling error or research design faults.

We have seen examples where CSIs have been designed using importance/performance ratings. As neither of these self-explicated measures are anchored, shifts in **both** measures occur between measurement periods. Thus, changes in the CSI can not be clearly attributed to either changed customer needs or sampling error.

When we design CSI measurement systems, we focus on using structural equation models to eliminate this problem.

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## Taking CSIs further

CSIs which are fully integrated into business and marketing planning provide the best value for money for organisations. The CSI then goes beyond providing "interesting information" to delivering usable information on which to base decisions.

### For more information:

If you would like further information on developing a CSI for your organisation, or if you would like more copies of our newsletter, please contact us:

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