

THE NATIONAL MEASURE OF CUSTOMER SATISFACTION

Wave 3 Results: Summer 2008

The Institute of Customer Service has released the results for the latest UK Customer Satisfaction Index (UKCSI) which is the National Measure of Customer Satisfaction with UK organisations. It is based on a representative sample of 12,000 adults surveyed over the internet in May and June 2008, by The Leadership Factor on behalf of the ICS.

(results available online at www.ukcsi.com)



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The good news is that UK consumers are more satisfied, the UKCSI improving from 69 to 71. With the media full of talk about recession, credit crunch, inflation and falling house prices, some may find this surprising but customer satisfaction and loyalty should never be confused with consumer confidence. Regardless of how much confidence customers have about their future financial prospects, they know when they've had good and bad customer service. In fact, we're not at all surprised that customer satisfaction has risen because organisations' success in satisfying customers is usually based on the effort they make to consistently deliver a flawless customer experience. When economic times are challenging, it becomes more important to companies to keep existing customers so they try harder to deliver great customer service.

Which sectors are best?

The biggest gains were made by Local Government, Retail – non-food, Telecommunications and Transport. All other sectors improved somewhat except Utilities, which stayed the same and Food retailers, who fell by 1 point to 74. Food retailing is certainly competitive, so this seems to contradict our earlier point, but of course food and utilities have experienced the biggest price inflation along with massive media coverage about it.

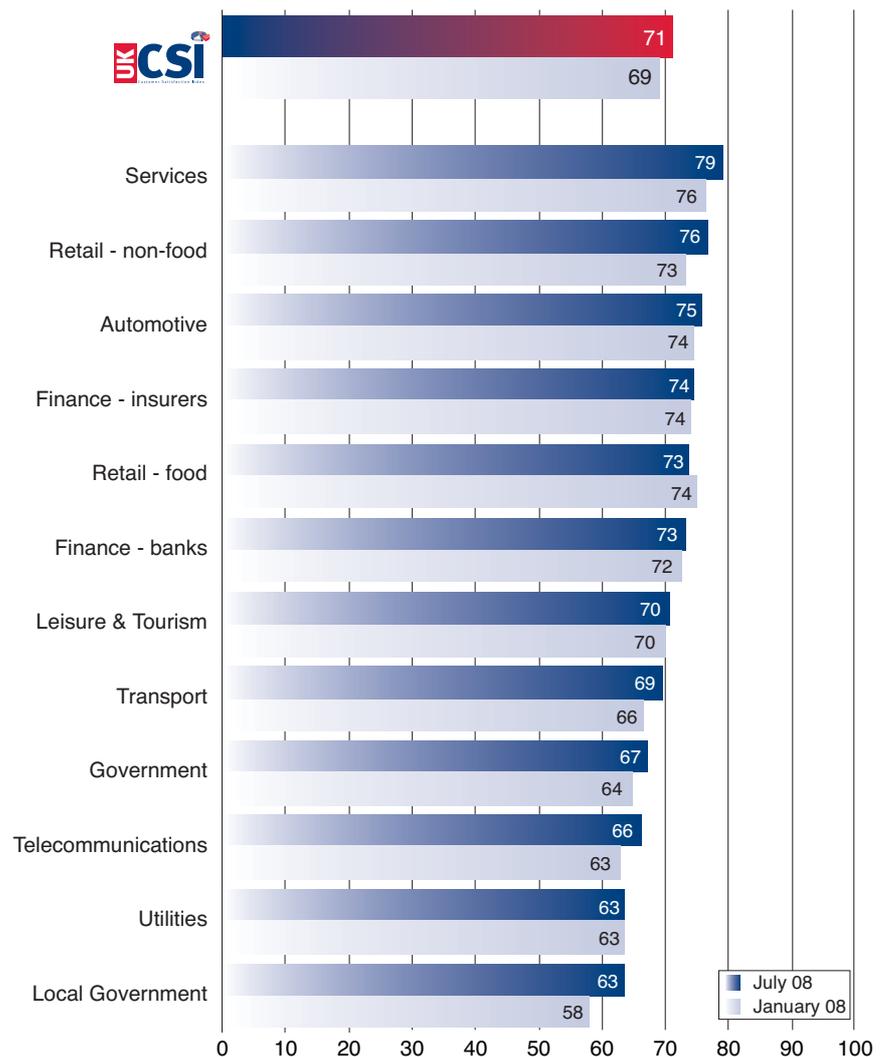
Of course, some sectors are more competitive than others. The achievement of Local government in recording the biggest rise in customer satisfaction is a welcome sign of the advancing service culture in that sector. The fact that they remain bottom of the league table demonstrates that there's still plenty of opportunity for further improvement!

Why do customers like some sectors more than others?

The Services sector has extended its lead at the top of the table, demonstrating the power of personal relationships and the flexibility of small organisations to meet customer needs. If we look at the chart showing the best, average and worst scores for each customer requirement we can see which of the **drivers** of satisfaction are responsible for the success of companies in particular sectors.

Chart 2 (shown over the page) highlights how strong the Services sector is on customer service issues such as *Being treated like a valued customer*, *Ease of doing business*, *Handling enquiries* and *Being kept informed*. Not surprisingly, in view of the stronger personal relationships with customers in the Services sector they also out-perform other sectors on people factors such as *Friendliness of staff*,

Chart 1: UKCSI Results



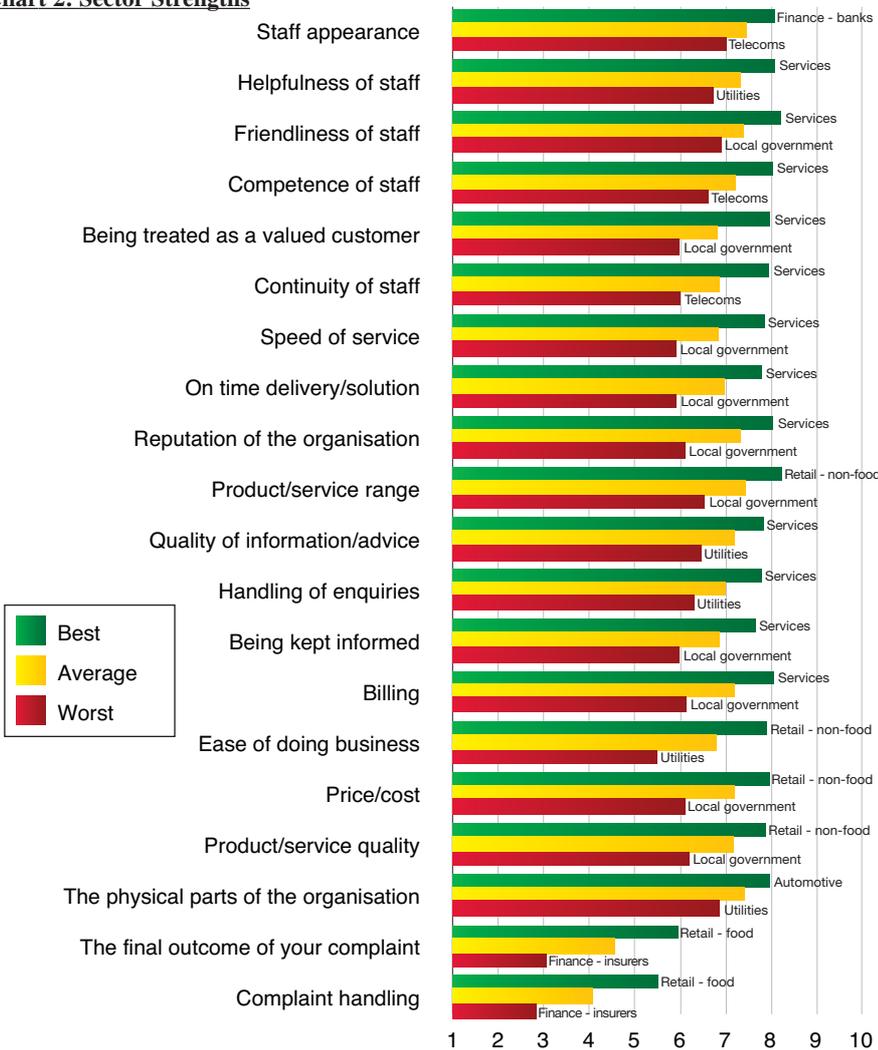
Helpfulness of staff and *Competence of staff*. However the Services sector is not best across the board. Banks are best at *Staff appearance* whilst the Automotive sector portrays the best image from tangibles such as premises – a reflection of the effort and investment that these 2 sectors make to impress customers in these areas. Few would argue with Food retailers satisfying customers most on *Complaint handling* – after all, it's usually a quick and painless process to solve any problems that do arise with supermarkets.

Customers' favourite retailer changes

One of the most striking changes in the results is that John Lewis has, for the first time, lost its position at the top of its sector league table. Hard work at Boots on customer focus over the past 12 months involving replacing their mystery shopping with a very large scale ongoing customer satisfaction survey (see article on page 8) has seen them overtake John Lewis as the nation's favourite retailer. As Chart 3 shows, the top five retailers are all very



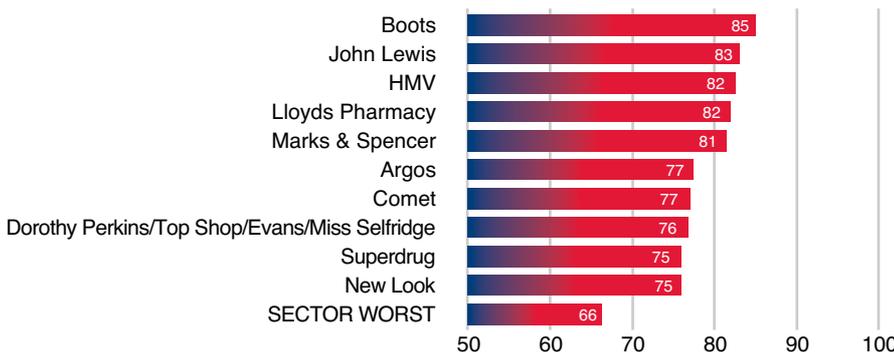
Chart 2: Sector Strengths



good in terms of customer satisfaction, and together have a sizeable lead over the rest of the market. (Note that we name only the top performers in each sector.)

As well as the non-food retailers shown below, other organisations with very high levels of customer satisfaction are the Fire Service and Ambulance Service, First

Chart 3: Top retailers (non-food)



between the way customers score individual questions and their overall satisfaction with a company. The stronger the correlation, the more impact that particular customer requirement makes on customers' overall feelings about an organisation. Chart 4 shows the list of customer requirements in order of the impact they make on customers' overall views, which tends to be very consistent across all 12 sectors covered by the UKCSI.

The chart highlights the fact that some of the things that make the biggest difference to how customers judge organisations are based on the personal, service-related or emotional aspects of the customer experience. Handling enquiries, Being treated as a valued customer and Quality of advice come into this category. However, organisations should never under-estimate the impact of the fundamentals of the customer experience such as Product/service quality, Ease of Doing Business, On time delivery/solution, Being kept informed, Speed of service and Competence of staff. Mess up on these 'givens' and customers will punish you very heavily with their wallets and with negative word of mouth. One of the most damaging fallacies currently doing the rounds of customer management conferences and publications is that all focus should be on the experiential differentiators, especially the emotional ones since all organisations perform equally on the so-called givens. They emphatically do not, as evidenced by the UKCSI data and the many horror stories told by the quarter of a million customers annually surveyed for satisfaction and loyalty by The Leadership Factor.

Putting this together with the information from the detailed satisfaction scores, it is clear that the Services sector maintains its very good position by being good at the things that make a difference to customers. *High overall satisfaction and loyalty comes from focusing on the key drivers.*

Loyalty

The relationship between customer satisfaction and loyalty remains very strong.



It's not a huge increase, it's definitely a step in the right direction... It shows that when times are tough companies and organisations realise they need to try harder to make life easier for the people they serve. They've also got the message that when people have a finite amount of money they will be more careful to spend it where they are treated well. They're much more inclined to factor in purchase decisions. The only differentiator left in the UK business today is customer service. Products can be copied and costs matched, so service is the only aspect where companies can gain a distinctive edge"

Robert Crawford
ICS, Executive Director

Chart 4: Drivers of satisfaction



Individuals who are more satisfied with the service they receive are more loyal to the organisation. As chart 5 shows, organisations and sectors that deliver better service have a more loyal customer base. In the public sector customer loyalty obviously does not manifest itself in terms of staying or switching but does have a very strong word of mouth effect, as it does in competitive markets too.

The reasons for this difference are varied, but can be better understood if we look at the performance of the sectors in Chart 6, which shows the three components of the loyalty index—Retention, Recommendation and Intention to buy more products.

Switching barriers and hostages

Sectors that have a wide gap between retention and recommendation (Government, Local Government, Utilities,

Telecommunications and Finance – banks) tend to have a large number of “hostages”. As well as Local Government, Government and Transport, where switching is often difficult or impossible, we can see sizeable gaps for Banking and Utilities, illustrating the extent to which high perceived switching barriers remain for many customers. This is a major threat to companies in those sectors since they will have to work much harder on customer satisfaction and loyalty in the future as customers become more informed and confident about the switching process. The converse can be seen where there are small gaps between retention and recommendation in sectors such as Insurance, Automotive and Services. Customers know there's no problem switching in these sectors, so their loyalty is much more closely aligned with how they feel about the experience provided by the company.

Chart 5: Customer satisfaction pays

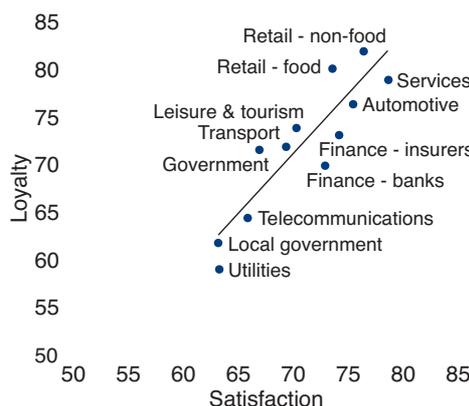


Chart 6: The 3Rs of loyalty

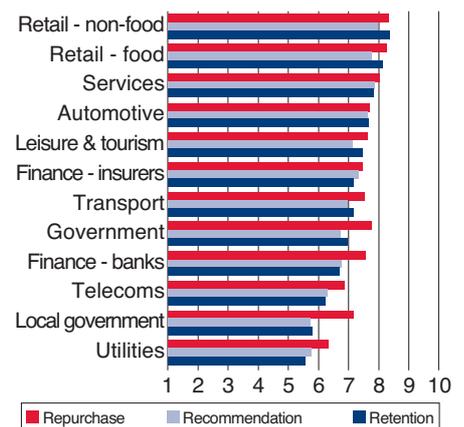
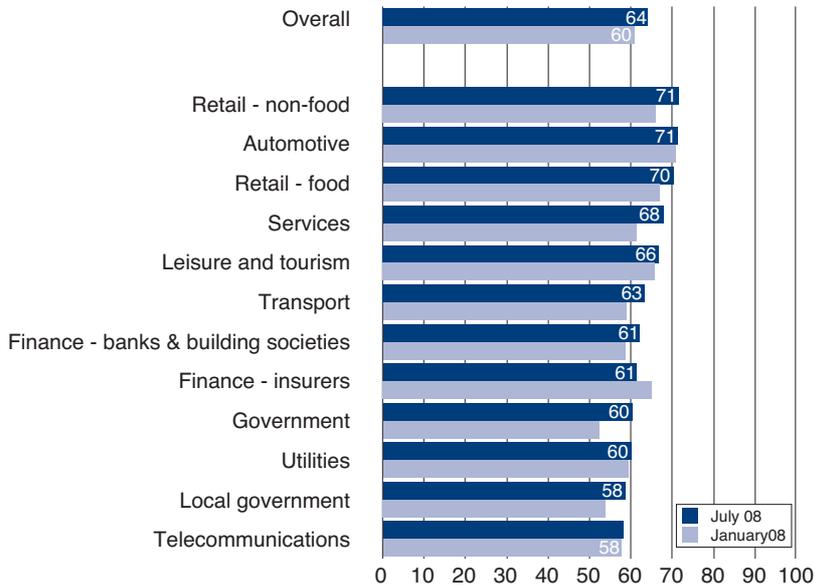




Chart 7: Complaints index

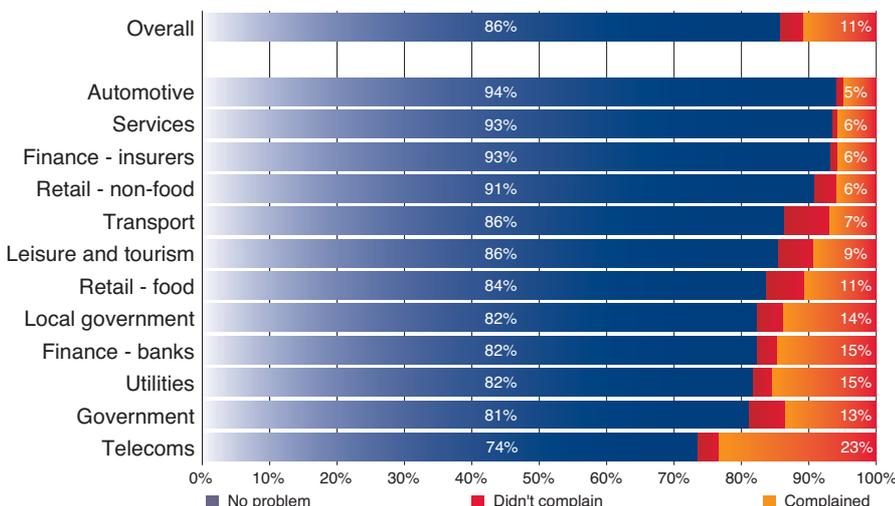


In fact, recommendation can be seen as a good proxy for emotional attachment, and has been identified by Harvard¹ as a key factor in companies' ability to translate superior customer satisfaction into more profit. This comes through in the UKCSI results since the sectors with the highest score for recommendation, Services and both Retail sectors, have the highest levels of real loyalty in terms of customers choosing to stay and to spend more in the future.

Problems and complaints

The Complaints Index (shown in Chart 7) captures both an organisation's success in terms of not giving customers a problem in

Chart 8: Complaints by sector

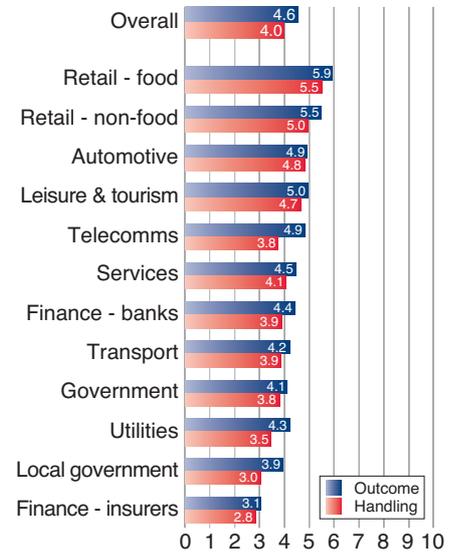


the first place, and its ability to successfully deal with any problems once they happen.

Interestingly the picture here corresponds very well to an OFT report² looking at the financial impact on customers of companies behaving unfairly. According to the OFT the sectors creating most problems were telecommunications, domestic power and banking, while those creating the biggest financial cost to consumers were insurers, home improvements and banking.

Our findings are broadly consistent. The sectors creating the most problems are Telecommunications, Government, Utilities and Finance – banks.

Chart 9: Satisfaction with complaints process

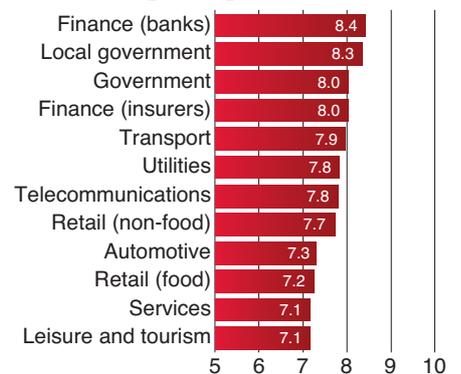


However it should be noted that the Telecommunications and financial sectors are relatively better at dealing with complaints, whilst Utilities are much poorer (see Chart 9).

Annoyance

We also asked customers how annoyed they were by the problem they experienced. This also broadly supports the findings of the OFT report. Chart 10 shows that customers are most inconvenienced by problems with the financial and government sectors. **S**

Chart 10: Impact of problems



References

- Heskett et al (2003) "The Value-Profit Chain" Free Press, New York
- www.of.gov.uk/news/press/2008/49-08