

WHITE PAPER:

Listening to Your Customers Will Grow Your Business.

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For most people who don't make their living conducting research projects, the term "research" is either scary or just plain boring. You won't find people standing around the water cooler talking about how fun research is to conduct and throwing out terms like correlation coefficients, frequency error and chi-square tests. In fact, if you want some alone-time at the water cooler, ask your colleagues if they want to talk about multivariate least squares regression!

I recently asked several business people how attractive the topic of marketing research was to them. I got answers like "about as attractive as toe nail surgery or an IRS audit." One person said, "I'd love to talk about that. Let me go find a pillow!"

When I tried to nail them down and find out what they really thought about conducting research for their company, three things got the most mentions: Boring. Expensive. Complicated.

To a certain extent these people were right. A lot of the marketing research out there is boring. Marketing research is often too expensive. And, much of it is overly complicated. But, it does not have to be that way. Good research can grow your business or even save your business, and that's not boring! And, good research does not have to be expensive, either. Some of the best business research projects I've seen were done on shoestring budgets yet yielded results that were specific and actionable. And like with most things, simple is better. Many research methodologists tend to over-complicate research designs, leading to murky results and so many findings that no one can figure out what's important.

While there are many types of marketing research, one type is clearly the most important. It is anything but boring, does not have to be expensive and is relatively easy to do. It's customer satisfaction research!

Researching Your Customers Should Be Your Top Priority.

The reality is that in today's rapidly changing and competitive business environment, every business should be conducting some type of customer satisfaction research. This applies to large companies, small companies and every size in between. The research findings can make all the difference between business success, stagnation or failure.

Why focus on your customers first? Because they are the people who make your business possible by purchasing the products and/or services you have to sell. If you don't have enough customers, marketing research can help you find new customers. If your customers are buying too much from your competitors, marketing research can show you how to get them to start buying more from you. And if your customers are less passionate about doing business with you than they have been in the past, good customer sat research can give you the information you need to restore that passion.

Why Customer Satisfaction Research Should be Your First Priority.

Customers that are not satisfied with what you have to sell, the quality of the service they receive, your pricing, and the total experience of doing business with you are not likely to be your customers for long. So gathering information from your customers about what their expectations are and how they like buying from you is critical.

Designing and executing a quality customer sat research project is relatively easy to do if you know about and stick to a few simple rules. If you hire a company to conduct the research for you, make sure they follow these rules. If you decide to conduct the research yourself – follow the same rules!

Three Critical Aspects of Customer Sat Research.

The success of your customer satisfaction research project is determined by how you answer three questions.

Who are you going to measure?

Customers, of course! Every customer? No. All types of customers – large and small? Again, the answer is no. The key is to keep it simple and focus on the customers who provide the majority of the support for your business.

Let's start with the concept of measuring every customer. We all are familiar with the concept of sampling. The idea of a sample is to measure a few people in a way that you are confident that the opinions and experiences of those few are representative of all your customers. Thank goodness my physician understands this concept when I go in for a blood test. She's draws a small sample of my blood, based on the assumption that the blood running through my arm is representative of the blood circulating throughout my body.

So how do you decide who to talk to? Two important rules:

- 1) Never let people volunteer for your study. People who volunteer are not normal. The information you get from them won't be representative.
- 2) Talk to your most important customers first. Most businesses fit the "80/20 rule." This means that for most businesses, 20% of your customers will most likely account for 80% of your sales. Talk to these people first. They have the power to make or break your business. Do not pick them yourself as you will be biased. Let the law of probability be on your side. Make a list of all your large important customers and then draw a simple random sample from that list. A random sample will give you the representativeness you need to have confidence in your findings

If you still have some money and time once you have measured a sizable group of your largest customers, sample and measure your medium-sized customers. They are also important to you, primarily because many of them have the potential to become one of your large customers.

How should you collect your data?

Never let your customers volunteer to be in your study. YOU decide who you talk to and ideally, these people should be randomly selected from your list of most important customers. This narrows the data-gathering field to three methodologies: mail questionnaires, tightly controlled web-based surveys and telephone calls.

Mail questionnaires. Data-gathering via the mail is expensive and slow. It also produces a low response rate. When you send out a survey and only 10 percent of the people you sent it to bother to participate, you have to be suspect of the results. Are these 10% representative of the 90% that did not participate? Probably not. Mailed surveys are also very expensive to execute (printing of questionnaires, letters, envelopes, follow-up mailing and postage).

Online questionnaires. Companies use this method of data-gathering because it is fast and easy. The problem is that you have little control over who participates. Another issue is that for most online surveys, the response rate is usually low. They are easily avoided. Just click “delete.”

But online surveys can be done well. If, for some reason, you have to collect your data online, you must have control over who has the opportunity to participate. This means you are randomly selecting your sample and sending them a password that will only allow that particular person to participate. And, this will work only if the people you are wanting to survey are computer savvy and comfortable sending their comments over the internet. Last, realize that you won't get a lot of valuable verbatim comments as the primary objective of someone taking a survey online is to finish the survey.

Telephone interviews. This is the best data-gathering method to use for customer sat research by far. There are many strengths and few weaknesses.

The greatest strength is that a telephone interview is intrusive. It's difficult for the customer to avoid the interview when a friendly person calls them, asks for them by name, and says that your company truly values their business and wants their opinions about how the company can serve them better. If the introduction is well crafted, we find that upwards of 50% of the people we reach will submit to the survey at the time of the call. About 20% of those we contact say they can't participate because they are busy. However, more than half of those will end up participating when we explain that the interview is important and offer to call them back at the time of their choice. When you get 50% - 70% of the people you randomly selected participating in the survey, you can have faith that the information is representative of most of your customers.

There are other advantages of phone surveys that relate to the quality and precision of the data. First, you know exactly who you are talking to. (You don't know this for sure with mailed or online surveys.) Second, your interviewers can probe for further information when the customer has a complex issue, has a problem or is very passionate about something. Third, a person is likely to talk a lot more than they will write. So, you get lots of verbatim comments that tell you what they “really” think about your

company. Often, these comments yield more actionable data than the answers to the actual questions. And, last, a good phone survey can run longer than an online or mailed survey. We routinely conduct customer sat interviews that average more than 20 minutes in length and the drop-out rate is less than one percent!

By the way, no matter how you gather your data, never offer an “incentive” for participating. This is a popular tactic with web-based surveying, where those that participate have a chance to win something. The problem is that many people will participate for the wrong reason. They want to win. And frequently they will make up answers that they believe might increase their chances of winning.

What questions do you need to ask?

There is no standardized customer satisfaction questionnaire that fits every company in one particular industry. Make your questionnaires unique to your company (or client). Ask what you need to ask in order to find out what you are doing right and what you are doing wrong.

No matter what type of business you operate, there are four questions that you should strongly consider asking. (These questions are worded for a phone script.)

1) “I’d like you to rate your experiences with (company’s name) over the past year. When you consider all of the business you have done with (company’s name), would you say you are very satisfied, only somewhat satisfied, somewhat dissatisfied, or very unsatisfied?”

If they say “very satisfied,” ask “Can you tell me why you are very satisfied?”

Then do the same thing for “only somewhat satisfied,” “somewhat dissatisfied” and “very dissatisfied.”

2) Has (company’s name) overall level of service gotten better, worse, or stayed the same within the last year?

If they say “gotten better,” ask “Can you tell me why you think the service has gotten better?”

If they say “gotten worse,” then ask “Can you tell me why you think the service has gotten worse?”

Don’t ask why the service has “stayed the same.” They won’t have a clue!

3) Thinking of (company’s name) as a whole, would you recommend (company’s name) to someone else in your line of work?

If they say “yes,” ask “What is it about (company’s name) that makes you willing to recommend it?”

If they say “no,” ask “Can you tell me why you would not recommend (company’s name)?”

If they say they are “not sure,” ask, “Can you tell me why you aren’t sure if you’d recommend (company’s name) or not?”

4) Is there anything that (company’s name) can do to better serve your needs?

Customers are the source for your profits. They are your future. It only makes sense that they would also be a source for your insights.

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