Report Summary Findings:

- Outsourcing customer satisfaction research is common but not universal: 54% of large scale enterprises fully outsource their CSAT programmes
- According to marketing decision makers, key strengths of CSAT research programmes are problem diagnosis, data collection methodology, basic reporting and responsiveness
- The overriding key weakness of CSAT research programmes is their inability to deliver strategic outputs
- White Space Insight have identified five key initiatives which can address this key weakness and allow organisations to drive strategic outputs from satisfaction research

The information in the report is based on primary and secondary research conducted by WSI, including interviews with over 20 marketing decision makers.

White Paper written by John Bee, Director, White Space Insight
“CSAT is the biggest single investment we make in research – There must be a way of getting more out of it”

Head of Research, FTSE 100 ICT Provider

**CSAT INDUSTRY CONSULTATION**

Around £100m is spent each year on customer satisfaction research by UK companies¹, making it one the biggest areas of market research spend across the economy. As economic times get harder, many companies are questioning whether they are getting a full return on this investment.

White Space therefore launched an industry consultation, interviewing over 20 marketing decision makers on their current approaches to customer satisfaction research, the successes of this work and the frustrations held. Participants were drawn from across the public and private sectors, engaged with both B2B and B2C customer bases.

A single unifying theme emerged from this consultation – that consumers of satisfaction research are frustrated by the quality of the strategic outputs they receive or are able to develop. This white paper focuses on this issue and on solutions to it.

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¹ Source: White Space Insight internal research
**Strengths & Weaknesses of Satisfaction Research**

**Strengths**

What is satisfaction research good at? What generally works well? The following insights were developed by WSI’s industry consultation:

- **Problem Diagnosis:** CSAT research is generally seen to be effectively highlighting strengths and weaknesses with products, services and the customer experience.

  “Our CSAT programme has been designed to benchmark the actual customer experience against an ‘ideal service experience’ across all of our dealerships. It’s therefore exceptionally good at telling us what we’re doing well and where we’re falling short both across the UK and within each dealership.”

  Marketing Manager, Global Automobile Manufacturer

- **Methodology:** Methodologies are generally seen to be effective, delivering statistically robust samples in terms of both size and structure.

  “Sample accuracy is one of the most important things to us – Our latest survey was representative of our base across six different customer variables: gender, age, employment status, tenure and ethnicity”

  Research Manager, City Council

- **Basic Reporting:** Basic reporting is seen as adequate, delivering top line and sub-group data in an accessible format.

  “We receive individual reports for each store, including league tables of both performance and improvement. They are highly visual, delivered in PowerPoint rather than Excel – This is important to making them accessible and gaining buy-in at store level”

  Head of Research, High Street Retailer

- **Responsiveness:** Findings are generally delivered within appropriate timescales, recognising the need for quick turnaround of reports. This is especially the case where an online methodology is used, and where real-time reporting is becoming commonplace.

  “Being totally honest, our customer experience changes on a daily basis. We need to know what problems are occurring as soon as they emerge. Fortunately, we have built an in-house online portal which updates in real time as surveys are being completed, with summary reporting every month”

  Customer Insights Manager, Online Retailer

In summary, CSAT programmes perform well against the core set of requirements from them. For most organisations, CSAT research has traditionally been used as a tool to accurately diagnose problems with products, services and the broader customer experience. Measured against this objective, it generally delivers.

**Weaknesses**

What are the shortcomings of satisfaction research? What frustrations are held by consumers of it? The following insights were developed by WSI’s industry consultation:

- **Improvement of customer experience:** Satisfaction research is commonly seen to lack specific recommendations around improvement of the customer experience.

  “Our programme doesn’t provide any recommendations around how to improve apart from the obvious one of addressing areas of weakness. This doesn’t really get to the heart of the issue – how should we address the areas of weakness?”

  Customer Experience Director, Global Professional Services Provider

- **Proposition development:** CSAT research also generally does not directly drive development of new products and services, stopping at highlighting the strengths and weaknesses of the existing proposition.

  “Our CSAT programme doesn’t effectively drive development of new products and services, although we do use it to test response to new launches”

  Head of Research, FTSE 100 Telecommunications Provider
Re-work: Many consumers of outsourced satisfaction research are frustrated by the amount of re-work required to create presentations fit for onward delivery to senior decision makers. In particular, outputs are generally data-heavy and often consist of little more than screen shots of tables and graphs.

“Our agency pretty much gives me a load of graphs every month – Although I’m really interested in seeing the data, I have a slight sense of dread each month about the amount of work required to turn this into an output for my boss”

Customer Insights Manager, Global ICT Provider

Access to data: Recipients of outsourced programmes also desire more control over and access to the data itself, allowing them to generate their own findings and respond to internal queries. This can be especially hard to achieve where clients lack capability with analysis software such as SPSS or SAS.

“I often got hit with ad hoc questions about the data which I sometimes can’t answer because we don’t have in-house ability to analyse the raw survey data”

Research Manager, UK Retailer

Cost: Satisfaction research is exceptionally demanding in terms of both time and money. Using an online fieldwork methodology can help, but this isn’t always appropriate, especially within B2B markets or where an older or less affluent consumer demographic needs to be represented.

“Satisfaction research is important to us but is a painful cost to bear. Our clients work for big businesses and are on the road a lot so online surveys wouldn’t really work, leaving us with no real alternative to an expensive telephone-based approach”

Marketing Manager, UK Support Services Provider

In summary, the single biggest un-met need revealed by WSI’s consultation is a desire for CSAT to deliver against a more strategic set of objectives, going beyond diagnosis of strengths, weaknesses and problem areas. This focuses on the question “What exactly do we need to do to improve the customer experience, develop new products and make more money?” In many cases satisfaction research does not even address this strategic agenda. Where it does, the outputs are generally not specific or relevant enough to be of real interest to senior decision makers within marketing or on the Board.

Solving the Problem: Making CSAT Research More Strategic

WSI’s consultation asked participants how they would like to see satisfaction research deliver more strategic outputs. Combined with our experience of delivering strategy consultancy projects to director-level clients, including many focusing on improvement of the customer experience, this has supported the development of five specific initiatives which could be adopted into all satisfaction research programmes to increase the strategic power of outputs delivered.

Key Initiative 1: Conduct an Internal Analysis

The majority of satisfaction programmes commence with qualitative customer research to understand the customer experience “through the eyes of the customer”. Whilst this is important, it should ideally follow on the back of an internal analysis involving interviews or workshops with key stakeholders from across the organisation. The following questions should be asked, allowing the satisfaction programme to focus on key issues within the business and develop recommendations which are both commercially and strategically viable:

- What are the ‘ideal world’ outcomes from the satisfaction programme?
- What could be changed within the proposition and customer experience? How could customer insight support and/or drive this?
- What proposition development and customer experience initiatives are currently running and planned?
- What are the enablers of and barriers to change? In particular, are there any IT or budgetary constraints to be aware of?
- How are business cases built for investment and change?

By asking these questions, an internal research department and, if engaged, an external supplier can map out the levers of change within the organisation and gain a full understanding of how these can, and sometimes cannot, be moved. This allows recommendations to focus on what is relevant, commercially viable and strategically appropriate, ensuring buy-in across the organisation.
**Key Initiative 2: Include Competitors**

From a customer’s perspective, an organisation’s products, services and service delivery are viewed within a competitive context. How do they compare with those delivered by other organisations, organisations who they could potentially switch to in the future? Competitors can also be a great source of ideas for development of new propositions and approaches to customer management. Despite this, the majority of CSAT programmes do not in any way include competitors. Only 38% of organisations who participated in WSI’s consultation include a competitor angle within their CSAT research, and even where competitors are included, this is generally through a single question asking customers to rate their perception of other providers.

**Proportion of CSAT Programmes Which Include Research into Competitors:**

- Includes Competitors: 38%
- Doesn’t Include Competitors: 62%

How can competitor research be used to support development of strategic outputs within CSAT programmes? There are two main options:

- Include competitors’ customers in the research: Run the core questionnaire through a sample of competitors’ customers to reveal their key relative points of weakness and focus messaging initiatives and/ or proposition development on these areas to gain share.

- Conduct separate research into competitor approaches to market: Firstly develop a questionnaire which identifies leading competitors within each area of the proposition and/ or customer experience. Secondly analyse their approach to market to develop key learnings to use as a basis for recommendations around improvement.

**Key Initiative 3: Measure Importance**

Is there any value in investing heavily to address an area of customer dissatisfaction which customers actually don’t care about? Likewise, should an organisation reduce focus on an area of high satisfaction which is of critical importance to customers?

To both of these questions the answer could well be no, but without understanding exactly what is important to customers reaching this answer may be impossible. Despite this, almost a third of the participants in WSI’s consultation do not measure importance in their CSAT programmes. In many cases where importance is measured, a full set of outputs are not being developed using this data.

**Proportion of CSAT Programmes Which Do/ Don’t Measure Importance:**

- Measures Importance: 69%
- Does Not Measure Importance: 31%

What are the best ways to measure importance within a CSAT programme? The easiest and most obvious approach is to ask survey respondents directly what they see as the most important aspects of their customer experience. This allows satisfaction with each part of the customer experience to be mapped against perceived importance, highlighting priority areas for action. For a restaurant chain, the resulting matrix may look as below:
From this matrix, it might be concluded that the organisation needs to focus on three key areas: 1) Improving staff & service (highest priority); 2) Improving food range (secondary priority); and 3) Maintaining food quality.

However, there is a drawback within this approach. Customers do not necessarily know what is driving their behaviour and have a tendency to say that everything is really important to them. For this reason, this approach is best used to drive messaging, with campaigns developed highlighting strength around areas customers say are important to them. Using the restaurant example above, marketing heavily around food quality would resonate with customers and fit with the organisation’s delivery capability and so would be highly recommended as an initiative arising from the research.

A second approach can be taken to data analysis to highlight what really is important to customers. This involves using regression analysis to estimate the impact change in satisfaction with each individual element of the customer experience has on overall satisfaction. Care needs to be taken to ensure that data is structured correctly to support statistical testing, and to select an appropriate test, but used effectively, regression can quantify the return that could be expected from improvement in each area of the customer experience and inform prioritisation and budget allocation.

**Key Initiative 4: Perform In-Depth Driver Analysis**

In order to pin-point areas for improvement, statistical analysis must not just be used to understand the high level causes of satisfaction but should ideally go a level deeper to understand the drivers of customer experience around each of the high level causes. Doing this allows specific initiatives to be developed once a series of higher level improvement areas have been identified.

For example, an airline may know that on-board catering is a key area for improvement (indicated by a low satisfaction score and a high importance level) but ideally needs to know what is driving customer (dis)satisfaction with catering in order to decide where to invest to remedy the problem. Many customer satisfaction programmes do not go down to this level of depth and even where they do, the appropriate forms of data analysis are not always used.

Ideally, a questionnaire should include sufficiently broad questioning to support regression analysis not just on the drivers of overall satisfaction but also on the drivers of satisfaction within each of these areas themselves. Using the airline example, satisfaction should be measured with each aspect of on-board catering with regression analysis performed to assess which of these aspects has the biggest impact on the customer experience which, in turn, should be the focus of improvement initiatives going forward.

It is possible to take this form of statistical analysis one step further by relating it to commercial outcomes and impact. This can be done by using customer spend or profitability as a dependent variable rather than customer satisfaction and using regression analysis to pin-point areas of the customer experience to be addressed for maximum commercial gain.
In conclusion, WSI’s customer satisfaction consultation has identified a range of common strengths and weaknesses with CSAT research. However, as this white paper has demonstrated, it is possible to overcome the weaknesses, including the major frustration around programmes not delivering strategic, actionable recommendations. This creates happier, more loyal and higher spending customers. It also delivers a much greater return on the investment made into CSAT research, potentially allowing spend to be decreased in other less essential areas of the marketing budget.

Based on the findings of WSI's consultation, the following best practice approach to customer satisfaction research could be adopted as a model for both in-house and outsourced programmes:

**Key Initiative 5: Focus on “At Risk” Groups**

In a profit and revenue driven world, all customers are not equal. Outputs from satisfaction research need to address the behaviour, perceptions and needs of certain customer groups in extra depth. The economic downturn has led to many organisations correctly focusing on preventing churn and spin down. Analysis of CSAT data can easily be used to support this directly and effectively. Questionnaires should support identification of customers who are at high risk of churn or spin down, with analysis conducted to characterise who these people are, what is causing their propensity to behave in this way and what could be done to change their mind. Many of the same kinds of analysis described above in this white paper should be repeated filtering onto the at-risk groups. This includes competitor comparisons, importance analysis and in-depth driver analysis. Going to this same level of depth, focusing on at-risk customers, supports the development of action plans spanning proposition development, messaging and sales/customer re-engagement strategy. These action plans will directly support activity which minimises the risk of churn and spin down, improving the top and bottom lines.