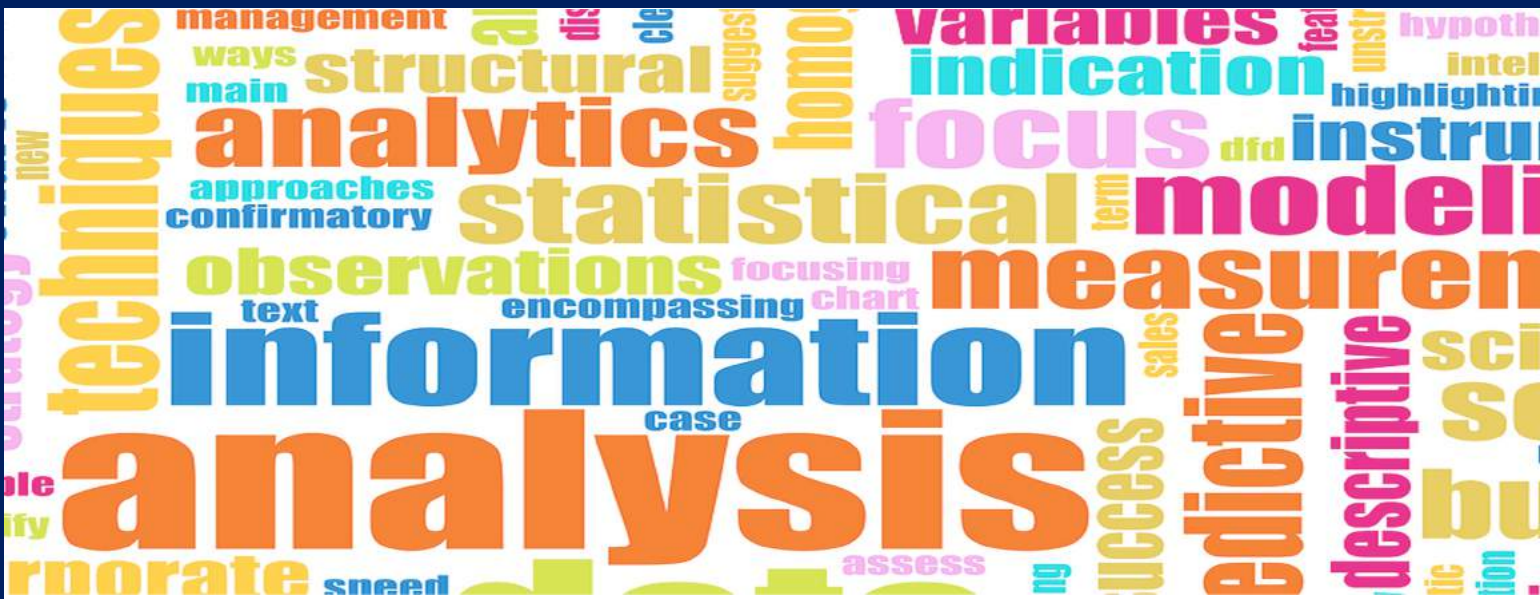# An *SFG℠* Analysts Take

Transforming Targeted Market Research into Improved Customer Satisfaction & Retention

Market Research Is Not an End unto Itself - It's Basically
a Tool for Identifying Opportunities and Preventing Problems

June, 2020

A Special *SFG℠* Analysts Take
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A. Putting Things in Perspective: Transforming Market Research into Business Development, Customer Satisfaction and Retention

Webster's *New Millennium Dictionary* defines market research as "the investigation and analysis of *consumer needs and opinions* about goods and services". However, according to the *American Heritage Dictionary*, market research is defined more as "the gathering and evaluation of data regarding *consumers' preferences* for products and services." Thefreedictionary.com complicates matters by defining it as "research that gathers and analyzes information about the *moving of good(s) or services* from producer to consumer".

While the three of these distinguished resources provide different "takes" on what market research really is, we prefer to define it essentially as the sum of all three, taking into consideration each of the implicitly stated nuances, by defining it as: "the data collection, analysis and assessment relating to customer needs, requirements, preferences, expectations and perceptions with respect to the goods and services they acquire and use".

In this way, we believe that market research can always be relied on as a tool to support a service organization's ability to measure, gauge and assess what it will take to understand its customers – and ultimately keep them satisfied and loyal.

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"the data collection, analysis and assessment
relating to customer needs, requirements,
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Regardless of which of these definitions you prefer, one thing remains perfectly clear – market research is a powerful tool that can be used to:

- Collect and analyze all of the data and information you need to understand your market better, and make your products and services more appealing to your customer base
- Assist you in identifying and prioritizing market targets that can be exploited to meet your business development goals
- Provide a foundation upon which all of your customer-focused activities may be supported, measured and tracked
- Enable you to define, quantify and articulate specific goals and objectives to all affected parties – both internal & external
- Support your ability to measure, monitor and track your customer relationship management successes (and failures) on an ongoing basis.

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B. How Do You Measure Customer Satisfaction?

Many services managers mistakenly use "customer satisfaction" and "customer retention" as interchangeable terms; however, they are two entirely separate and distinct things. Customer satisfaction is, basically, "keeping your customers happy". However, even satisfied customers may consider switching providers for better prices, greater coverage, or just because "it's time", etc. As a result, the best way to define customer retention is essentially as "keeping your customers – customers".

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Measuring customer satisfaction is important; but, how do you do it? Among the most commonly used alternative measures, or surrogates, for tracking customer satisfaction are typically things like:

- Increased sales/account revenues,
- Increased profitability,
- Repeat services sales/contract renewals, or
- Improved levels of customer retention.

However, not all of these measures may be either relevant - or accurate, as:

- Sales/account revenues may be growing more as a result of inflation and/or increasing services prices, rather than as an indicator of customer satisfaction;
- Increased profitability may be more a result of improved internal services operations and/or cost-cutting, than anything the organization has done to make its customers happier;
- Repeat services sales may be more the result of customers feeling "locked in" to existing service contracts, or believing it will be easier to "re-up" with your organization than it will be for them to find a new vendor; and
- Customers may stay with you longer than they want, simply because it is easier than switching.

As such, the primary goals of a Customer Satisfaction research program should primarily be to:

- Identify the specific product and service attributes that are *proven* to be important to customers;
- Provide baseline measurements of both importance and satisfaction for future trend comparisons;
- Determine the relative strengths/weaknesses of the organization's current products, services and support offerings;
- Identify the critical areas requiring improvement;
- Collect data that can be used to set targets and goals; and
- Provide a scientific and statistically valid means for measuring and tracking customer satisfaction over time.

C. Where Should You Focus Your Market Research Efforts?

In considering launching a new (or refining an existing) customer satisfaction/market research program within your organization, there are essentially four questions that you will first need to answer. They are:

1. *Does your organization already have a formal customer satisfaction measurement and tracking program in place? Is your survey research plan designed to yield the specific types of outcomes that are needed to support the organization's business development plan?*

   - Some organizations have *no* formal customer satisfaction measuring & tracking program; surveys are performed only on an *ad hoc* basis – if at all!
   - As a result, customer service improvements are probably *not* supported in a consistent manner, or with all of the necessary data and information to justify making changes – in fact, some problems may go unnoticed, and realistic priorities may *not* be easily set.
   - If the research plan is *not* specifically designed to support the subsequent action plan, then you may end up *not* collecting adequate information to make key decisions.

2. *Should we conduct our customer surveys internally, or should we use an outside market research/ consulting firm to design, conduct and analyze our surveys? Which methodology will yield more actionable results? Which way is better?*

   - By conducting your customer surveys internally, you may lose the perception of objectivity and, thus, credibility; plus, you run the risk of administering what may appear to your customers to be either an "unprofessional", incomplete – or even worse – misdirected survey.
   - An outside market research firm generally has the ability to design, execute and analyze surveys more efficiently than your own organization – and can maintain an entirely objective posture throughout the course of the research (e.g., collecting and analyzing responses, providing customer feedback, etc.).
   - Most internally conducted customer surveys turn out to be little more than exercises in public relations, and generate neither statistically valid nor actionable survey outcomes; especially in cases where your service performance is poor, or major improvements are required, it is generally better to go outside.

3. *What type of survey methodology should we use? In person, telephone, mail, Web-based, or a combination of methodologies? How can we tell what will work best with our particular mix of services offerings and customer base?*

   - Alternative survey methodologies may reflect substantially different levels of costs, coverage, response rates, statistical reliability and skewness, effectiveness, usability of outcomes, and applicability to the overall business plan.
   - Accordingly, the methodology you choose will dictate – to some degree – the likelihood of generating actionable survey outcomes.
   - Web-based surveys have become relatively inexpensive to conduct, but may *not* always be the best way to reach all of the customer base that you want to reach; telephone and mail still represent viable alternative methodologies for some organizations.

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4. *Should we be surveying our existing customers, or should we be focusing more on surveying the market prospects that we hope to convert to customers in the future? Where should we be focusing our market and survey research efforts in the short term?*

- The answer is "yes" – to both!
- In general, customers always come first – you cannot afford to lose the customers you already have (for any number of reasons).
- However, you may also want to survey the general market base (i.e., prospects) in terms of their awareness and perceptions of your organization, as well as the likelihood of their buying/acquiring your products and services in the future.
- As a surrogate, you can also survey "New Wins" and "Lost Prospects" in combination with existing customers to determine what brought them in – or what drove them away – in addition to what makes them happy.

Regardless of which research methodologies you ultimately choose, there are certain guidelines that must also be followed as you begin to collecting the desired customer data and information:

- First and foremost, do not abuse your customers. Don't survey them day-in and day-out; they are not on your payroll!
- Focus on the "need-to-know", rather than the "nice-to-know". "Need-to-know" data will always pay off in the long-term, whereas "nice-to-know" data can be particularly expensive if you ultimately do not get much of a return for the amount of time and resources you have invested in the research.
- Collect as much customer data as you can internally, from as many sources as possible, including service activity reports, call logs, call center metrics, KPIs, etc. However, you must remember that while internally collected data is your "reality"; it will be "perceptions" that are your customers' "reality". You will need to carefully reconcile these two often disparate sets of objective and subjective findings.
- Use complementary methods of data collection wherever possible:
  - Ongoing communications is a two-way street; stop … and listen.
  - Get everyone involved – sales and service reps, CSRs, Managers.
  - Utilize trade shows, seminars, workshops, webinars, users groups.
  - Leverage Blogs, tweets, newsletters, e-mails, Website – all with "real" feedback channels.

Once you get started, the key areas you will need to address as part of the customer satisfaction measurement and tracking process will include:

- Customer attitudes and perceptions toward the importance of the products, services and support they are using, and the levels of performance they are receiving from your organization.
- Identification and ratings of the principal selection and evaluation factors customers use to rate those services.
- Customer needs and requirements for those services in total, as well as by key customer/vertical market segments.
- Levels of satisfaction with your organization's performance, identification of areas where improvements are required, and what it would take to become their "Total Services Provider".

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The key questions that will need to be answered from the results of the customer survey analysis are:

- How satisfied are your customers with the organization's existing portfolio of products, services and support?
- What additional areas of service and support do they need, want, or expect?
- What can be done to improve current levels of customer satisfaction?
- How can your organization become more responsive to the needs of its customers?
- What areas need to be specifically addressed in order to provide customers with "total service and support"?
- Who makes the decision to purchase your company's products and services? What message do they need to hear?
- What are the primary, secondary and peripheral factors used by customers to evaluate service performance?
- Are all of your customers' needs being met? To what degree? What are your specific (and relative) strengths and weaknesses?
- How vulnerable is the organization to losing customers to the competition? For what reasons? How can this be avoided?

D. What Are Some of the Potential Outcomes of Conducting Market Research?

The key outcomes of a baseline Customer Satisfaction survey program would be the strategic identification, analysis, assessment and profiling of your organization's existing customer base, in total, and by principal customer market segments, including:

- Determination of the principal purchase decision makers
- Relative importance and "weights" of key services attributes
- Satisfaction with the quality of your products, services and support
- Correlations between product and service quality, and their respective impacts on overall service performance satisfaction
- Satisfaction with your organization's pricing *vs.* perceived value
- Perceptions of customer loyalty to the organization
- Customer usage/purchasing patterns
- Other key factors likely to impact customer satisfaction

Other key market/business development factors that can also be examined include:

- Principal types of products/services being used/planned
- Plans for future purchases/upgrades/migrations
- Primary "value-added" features used/required
- Factors of importance used to select/evaluate vendors
- Satisfaction with present product/service providers
- Loyalty to present vendors *vs.* likelihood to switch
- Overall awareness/perceptions of the organization's total portfolio of products, services and support offerings
- Others, TBD

When conducted on a routine, periodic basis, tracking customer satisfaction over time can provide:

- A comprehensive benchmark, or baseline, analysis, complemented by regular tracking/trend survey "waves"
- A series of detailed analyses that explain key patterns, trends and areas requiring improvement over time
- Executive-level management reports and trendsheets that address key patterns and their strategic implications
- Identification of specific problem areas and recommendations for improving levels of customer satisfaction
- The ability to develop both strategic and tactical "fixes", both in total, and by individual customer/ vertical segments

Knowing your customers can be an extremely effective marketing tool. The more you know about your customers, the more responsive you can be to their needs and requirements. In fact, we believe that you can *never* know too much about your customers. Your customers will tell you when they are satisfied, and when they are not; but you have to ask them directly, as they may not always volunteer to provide this information.

"In fact, we believe that
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That is why customer survey research is so important – because, if you do not regularly ask your customers about their specific needs and requirements, they may think you are either uninterested or – even worse -– incapable of performing better.

The applications and uses of Customer Satisfaction survey results are multifold, including:

- To establish a formal input/feedback mechanism to obtain critical data/information directly from customers
- To use satisfaction trend data to improve, or otherwise modify, existing product, service and support features
- To use the specific results of the survey as marketing tools (e.g., publish an article in a services trade journal, offer a "white paper" on the Web, integrate results into company marketing collateral, etc.)
- To use the statistical findings, verbatim quotes or other survey results in promotional materials, handouts or mailings

The following represent just the "tip of the iceberg" with respect to what some of your peers have already been able to accomplish:

- A Help Desk Software company combined a joint *User Needs & Requirements Assessment/Satisfaction Survey* with a *New "Win"/"Lost" Prospects Survey* to identify the differences in the way they support existing customers *vs.* how they attract "new" ones (and also "lose" some along the way).

- A High-Tech OEM conducted an in-depth, qualitative survey among its machine operators to identify whether both their key product and technical support issues were being adequately addressed – and coordinated.
- A CRM Software company established a baseline survey, and then tracked changes in its service delivery performance over a 3-year period until all of its quantitative goals for performance improvement had been met.
- A Medical Device company conducted concurrent surveys of prospects who chose them *vs.* their competitors to identify patterns of vendor selection criteria and any potential "kick-out" factors that may have been driving some prospects away.
- A "Brand Name" Third Party Services company conducted routine competitive intelligence updates used to "spin off" competitive vendor *New Service Product Action/Reaction* reports to assist its services sales force.
- A Field Service Management (FSM) solution company conducted vertical market research to identify and prioritize new (to them) verticals to target for future business development.
- A Print/Publishing OEM surveyed customers of a company they planned to acquire to see whether there was a "match" between the two customer bases in terms of customer needs and requirements for the merged service product offerings.

All told, there are dozens of different customer satisfaction- and retention-related issues that can best be identified, measured and analyzed through a specific market research program. As such, the versatility of market research should never be understated, as it can be as narrowly or broadly defined, as necessary; as formal or informal, as required; as expensive or inexpensive, as the budget permits; and as general or customized, as is required.

> *"All told, there are dozens of different customer satisfaction- and retention-related issues that can best be identified, measured and analyzed through a specific market research program."*

E. Summary and Takeaways

In summary, there is a big difference between merely "keeping your customers satisfied" and "keeping your customers – period!" We believe that only by conducting an appropriate series of market research activities can you keep sufficiently up-to-date with the market's evolving needs and requirements for service, and their corresponding levels of customer satisfaction with their vendors.

Similarly, only by conducting ongoing competitive intelligence research can you fully understand how your organization is positioned in the overall marketplace, and how it can best compete in an intensifying competitive environment. And, only by conducting periodic customer satisfaction measurement and tracking surveys can you measure your own organization's performance over time, and make the necessary changes to keep your customers satisfied and loyal.

No services organization ever went bankrupt as a result of investing money in market research that delivered actionable results, and provided a positive return on investment (ROI). It is only those organizations that have wrongly invested a great deal of money in "untested" areas that could have been better served by conducting the appropriate market research first.

About The Author

About *Strategies For Growth℠*

Bill Pollock is President & Principal Consulting Analyst at *Strategies For Growth℠* (*SFG℠*), the independent research analyst and services consulting firm he founded in 1992.

Previously, Bill served as President & Chief Research Officer (CRO) at The Service Council; Vice President & Principal Analyst, heading up Aberdeen Group's Service Management Practice; and Managing Analyst, Services Industry at Gartner.

Bill has been cited as "One of the Twenty Most Influential People in Field Service" by *Field Service News* (UK); one of the "Top 10 People Every Field Service Pro Should Follow" by *Field Service Digital*; one of Capterra's "20 Excellent Field Service Twitter Accounts"; and one of Coresystems' "Top 10 Field Service Influencers to Follow".

Bill has also had more than 350 articles, columns and features published on topics including Field Service Management (FSM), Service Lifecycle Management (SLM), Customer Relationship Management (CRM), Warranty Chain Management (WCM), Reverse Logistics, Augmented Reality (AR), the Internet of Things (IoT) and others for leading international services publications.

He writes monthly feature articles for *Field Service News*, *Field Service Digital*, *Field Technologies Online*, and *Future of Field* Service, and is a regular contributor to *Warranty Week* and other services-related publications.

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Strategies For Growth℠ (*SFG℠*) is an independent research analyst and advisory consulting firm that supports services organizations with a full range of strategic, marketing, business planning and consulting services.

During the past 25+ years, *SFG℠* has consulted to more than 300 client organizations around the globe. These engagements have involved strategic services planning, market research/custom surveys, thought leadership content development and market outreach support, customer needs & requirements analyses, customer satisfaction measurement & tracking programs, business intelligence gathering, vertical market segmentation, services assessments and the development of strategic recommendations for improving service performance and customer retention.

SFG℠'s thought leadership content development services include White Papers and *Analysts Take* reports; Webinars, ghost-written/published articles, data support for Infographics, guest Blogposts, expert interviews, User Group keynote presentations and development of Website content.

The original *SFG℠* website is now archived, and has been rebranded as www.PollockOnService.com. However, previously published articles and white papers are still accessible for download at www.s4growth.com.