Do satisfied customers always remain loyal?

On a customer satisfaction scale of 1 to 5 (where 5 = completely satisfied), should your company be pleased with a 4?

Not unless you don't mind losing customers. Research published in *Harvard Business Review* revealed that customers who described themselves as merely "satisfied" were dramatically less loyal than those who were "completely satisfied."[1]

Marketing Insights
from 5MetaCom

Only complete satisfaction keeps customers loyal[1]

A satisfaction survey revealed that customers who described themselves as "completely satisfied" were six times more likely than those who were merely "satisfied" to buy again from the same company.[1]

About the *Harvard Business Review* study

A major manufacturer of office equipment distributed satisfaction surveys to its customers. After 18 months, the company compared the survey results with sales data to determine how satisfied each customer would need to be in order to make a repeat purchase.

Later follow-up research across five other industries revealed that total customer satisfaction is especially important for building loyalty in highly competitive markets (such as office equipment).[1]

"Satisfied" customers could be in jeopardy

Why were "satisfied" customers so much *less* loyal? The customer service experts involved in the *Harvard Business Review* study propose that customer satisfaction surveys tend to be skewed toward high scores — so any less-than-perfect score indicates something was unsatisfactory.[1]

Management expert Philip Kotler believes, as a result of increased competition, customers are more demanding and less forgiving of suppliers than they used to be.[2] So a middle-range score (i.e., "satisfied") makes them easy targets for better offers from competitors.

Executive Summary

- In a study published in *Harvard Business Review*, customers who described themselves as "completely satisfied" were six times more likely to make another purchase from the same supplier than those who were just "satisfied."[1]
- Customer service experts suggest that customers who give less-than-perfect satisfaction scores must be dissatisfied in some way (even if it's minor) and are therefore vulnerable to competitors.[1]
- According to management expert Philip Kotler, completely satisfied customers tend to form an emotional bond with the brand, which improves loyalty (see back).[2]
- Researchers from The Gallup Organization have identified three strategies companies can use to turn satisfied customers into delighted, loyal ones (see back).[3]

Measuring loyalty: One company is really Intuit®

Intuit, Inc., makers of financial software products such as Quicken®, QuickBooks®, TaxCut® and TurboTax®, was built largely on word of mouth from "hundreds of thousands of salespeople"— its loyal customers. The company has even adopted a formal way to measure performance against its mission to make customers "feel so good about the product they'll tell five friends to buy it."

Intuit surveys ask customers to rate, on a scale of 0–10, how likely they are to recommend an Intuit product to others. Based on their responses, customers are classified as *detractors* (score 0–6), *passively satisfied* (score 7–8) or *promoters* (score 9–10).

Intuit now incorporates the *Net Promoter Score* (promoters minus detractors) in every business unit's strategic plan and when determining every executive's bonus.[4]

To keep customers loyal, develop an emotional bond

Although satisfaction scores can help you predict loyalty, the real difference between a satisfied customer and a loyal customer isn't just a matter of opinion that can be measured in a survey. It's an attitude — a matter of emotion.

Unlike customers who are merely satisfied on a rational basis, research shows that completely satisfied or delighted customers actually become emotionally attached to a brand. And that leads to brand loyalty.[2]

Gallup research determined that roughly 10% of customers in every industry are passionate about a brand.[3] Some become so passionate they even pay to display it.

So how do you create an emotional bond? Gallup researchers have identified three strategies that can help your company change satisfied customers into loyal ones:[3]

Gallup strategy #1: Strive for flawless quality

Gallup research demonstrates that continuously improving your product can increase satisfaction and loyalty.[3] But, according to Kotler, it doesn't stop there — higher quality can also justify premium prices and reduce costs.[2]

To maximize quality and satisfaction, Kotler recommends marketing managers act as internal customer advocates. That way, customer needs, wants and gripes all play a more important role in product development and process improvement.[2]

Gallup strategy #2: Position your employees as brand ambassadors

Gallup research suggests that if your brand makes a promise to the customer, your employees must deliver on it.[3] Gallup expert Alec Applebaum suggests customers are more likely to become emotionally attached to your company when employees consistently exceed their expectations.[3]

Gallup strategy #3: Resolve complaints swiftly and effectively

According to Gallup and *Harvard Business Review*, customers whose complaints are resolved quickly tend to have a stronger emotional bond with a company than if they hadn't had a problem in the first place.[1,3] So the next time a customer contacts your company with a grievance, think of it as an opportunity to build loyalty by solving the problem quickly.

A delighted customer is a loyal one

Even customers who claim to be "satisfied" aren't necessarily loyal, especially in highly competitive markets.[1] But by exceeding their expectations for quality — and quickly making it right when you don't — your company can build emotional bonds that last.

[1] Jones, T. and Sasser, W.E. Why Satisfied Customers Defect. *Harvard Business Review*, November–December 1995:88–99.
[2] Kotler, P. *Marketing Management*, 11th Edition. Prentice Hall, 2002.
[3] Applebaum, A. The Constant Customer. *Gallup Management Journal*, June 17, 2001.
[4] Reichheld, F. *The Ultimate Question: Driving Good Profits and True Growth*. Harvard Business School Press, 2006.