

## **The Customer Satisfaction Score – It's Important, but How Do I Control It?**

For each segment, sales distribution is determined by availability and a monthly Customer Survey Score. The December score is published in the Segment Analyses of The Foundation® FastTrack.

A product's Monthly Survey Score is developed using marketing's "4 P's" - Price, Product, Promotion and Place.

### **Price and Product**

The Survey evaluates the product against the buying criteria. A perfect score of 100 requires that the product:

1. Be priced at the bottom of the expected range.
2. Be positioned at the ideal spot (remember, the segment moves each month, so this can occur only one month per year if at all).
3. Have an MTBF specification at the top of the expected range.
4. Have the ideal Age for that segment (remember, unless they are revised, products grow older each month, so this can occur only one month per year if at all).

### **Promotion**

Promotion, driven by your Promo Budget, creates product awareness before customers shop. If customers are not aware of the product, they are less likely to buy, and that drags down the Survey score. If Awareness is 100%, there is no impact upon the score. But if the Awareness is 0%, the score falls by 50%. The product's score goes down:

For example, a product with 60% Awareness loses  $(100\% - 60\%) / 2 = 0.2$  or 20% of its customer score. A perfect product's score would fall from 100 to 80 with 60% Awareness.

### **Place**

Place is driven by your Sales Budget. It examines the question, "How easy is it for customers to work with you during and after the sale?" We measure this with the segment's Accessibility rating. An Accessibility of 30% means that only 30% of customers have an easy time finding a product, talking to a sales person, taking delivery, etc. The Accessibility can drag down a product's Survey score. The product's score goes down:

If a product's Accessibility in the segment is 40%, the score falls by  $(100\% - 40\%) / 2 = 30\%$ . A perfect product (with 100% Awareness) would see its score fall from 100 to 70 if Accessibility were only 40%.

## **The Score**

Together, Price, Product, Promotion and Place drive most of the score. For example, if the product had a great price and design worth 80, but Awareness of 50% and Accessibility of 50%, customers might say, "The design is great and we like the price, but only half of us ever heard of it, and of those, only half could easily take delivery." The net score would be:

$$80 \times (100\% - 50\%) / 2 \times (100\% - 50\%) / 2 = 80 \times 75\% \times 75\% = 45.$$

However, several remaining factors could cause the score to fall further:

The Rough Cut factors (pricing outside the range, positioning outside the inner Fine Cut perceptual map circle, or MTBF below the expected range) can cause the score to fall to zero. The Rough Cuts are what drive segmentation. A High Tech product, for example, could not sell to a Low Tech customer - it fails both the positioning and price rough cuts.

The Accounts Receivable Policy can cause the score to fall. At zero days (that is, you expect customers to pay immediately) the score falls to 60% of its former value. At 30 days, the score is 92%. At 60 days, the score is 98.5%. At 120 days, the score remains at 100% of its value.

## **Additional Factors**

Three additional factors could cause the score to increase:

Increasing the Accounts Receivable days will improve customer perceptions of all your products (however, longer A/R terms affect cash flow).

If the TQM module is enabled, three TQM initiatives can collectively increase the product score by up to 10%. The initiatives include Channel Support Systems, Quality Function Deployment Effort, and CCE 6 Sigma.

## **Customer Satisfaction**

Note that Customer Satisfaction is often at odds with other goals. High scores imply high costs, and that could imply low margins. From a competitive standpoint, your demand is driven by the spread between your score and your competitors' scores. If everyone scores the same, whether at 10 or 50, they sell the same number of units.

The customers score the products each month. Sales distribution in that month is determined in a probabilistic fashion. Say there are five products and the scores are (20,20,20,20,20). Each would see identical demand. Likewise each would see identical demand if the scores were (1,1,1,1,1) or (100,100,100,100,100). If there is a spread, however, the top scoring product is more likely to sell than the bottom scoring product. Say the scores are (40,30,20,9,1). The total is 100. The first product's sales that month would be  $40/100 = 40\%$ . The bottom product's sales would be 1%.