

## Customer Satisfaction Doesn't Count

If you don't make an emotional connection with customers, then satisfaction is worthless

*by William J. McEwen and John H. Fleming*

For several decades, marketers have been tirelessly searching for a highly coveted but apparently elusive prize: customer satisfaction. The problem is, they've been pursuing the wrong goal.

That's right. Regardless of how high a company's customer satisfaction levels may appear to be, satisfying customers without creating an emotional connection with them has no real value. None at all.

This startling finding is illustrated by recent Gallup Organization case studies that shed entirely new light on what is actually required for a truly connected -- and valuable -- customer relationship.

### Stand by me

Some analysts have cast doubt on the widely held belief that loyalty translates to profitability. Their findings stem from confusion regarding how loyalty should be identified and measured. In several cases, "loyalty" has been defined by customer behavior, and repeated purchase has been considered evidence of a customer's loyalty.

But this type of customer loyalty may not be profitable. That's because repeated purchase behavior has been motivated -- or bribed -- by a company's offers of gifts, discounts, or other purchase rewards. These customers aren't really loyal; they're just customers who haven't left -- yet.

Behavioral measures of loyalty are often misleading because they can't differentiate between customers with brand allegiance and those with no commitment. The uncommitted may *appear* to be loyal, but they only remain customers out of habit or because the company continues to bribe them. They're susceptible to the incentives and discounts competitors will offer to induce them to switch.

But who are a company's truly loyal customers? To find out, companies need measures that extend beyond behavior-based indices. As Werner Reinart and V. Kumar noted in a *Harvard Business Review* article last year, "To identify the true apostles, companies need to judge customers by more than just their actions." Others echo their sentiments. Wharton's Peter Fader states, "It is hard to diagnose past behavior to understand why people did what they did. Historical behavioral data is rich and interesting, but it has its limits as a guide to the future."

Customer satisfaction assessment was heralded some time ago as the obvious solution to the need for more meaningful customer measures. Satisfaction, it was claimed, provides insight into the reasons why customers behave as they do and is not merely a reflection of repeated behavior that may have been earned -- or "purchased" -- by the company.

But we have learned, as Thomas Jones and Earl Sasser Jr. observed in a 1995 *Harvard Business Review* article, "satisfied customers defect." Of course they do, and that's why so many companies have adjusted their satisfaction standards to correspond with the recommendations in that famous article. Companies are now setting higher goals, aiming at "complete" customer satisfaction, and using extreme agreement ratings to gauge not just basic satisfaction but genuine customer "delight."

According to Gallup research, though, these companies still haven't aimed high enough. No satisfaction measure, regardless of the number of points in the rating scale, can adequately indicate the true health of a customer relationship.

What else is required? In a recent article in the *McKinsey Quarterly*, Stephanie Coyles and Timothy Gokey drop a hint: "These customers [loyalists] are loyal because they are emotionally attached to their current provider." However, the authors offered no metrics that could serve as the means to tap this potentially powerful emotional connection. It should be measured, the article points out. But how?

### **The emotional connection payoff**

Gallup scientists have solved that vexing problem. Through extensive research, Gallup has developed a measure of customer engagement (CE<sup>11</sup>) that quantifies the strength and nature of a customer's emotional connection to a company. Gallup's 11-item metric assesses the critically important emotional bonds of Confidence, Integrity, Pride, and Passion that together reflect the true health of any company's customer relationships. The payoff is a far stronger link to business results than any satisfaction measure can hope to provide. And companies gain fresh insights that help them go beyond measuring to *managing* the customer relationship. Gallup has found that without a strong emotional bond, satisfaction is meaningless.

Evidence for this comes from several recent Gallup case studies.

In the case of a leading supermarket chain, proof of the importance of an emotional connection can be found in both the frequency of customers' visits and the amount of money they spent during those visits. Shoppers who were less than "extremely satisfied" -- those who rated their satisfaction as 1, 2, 3, or 4 on a 5-point scale --

visited this chain about 4.3 times per month, spending an average of \$166 during that month. Those who were “extremely satisfied” but did not also have a strong emotional connection to the chain (that is, they were not “fully engaged” -- see “The Constant Customer” in “See Also”), actually went to the store less often (4.1 times per month) and spent less (\$144). In this case, extreme customer satisfaction represented no added value to the store.

However, when Gallup looked at customers who were extremely satisfied *and emotionally connected* to the store -- customers Gallup calls “fully engaged” -- a very different customer relationship emerged. These customers visited the store 5.4 times and spent \$210 a month. Apparently, not all “extremely satisfied” customers are the same. Those with strong emotional connections visited the grocery chain 32% more often and spent 46% more money than those without emotional bonds. Satisfaction *without* engagement? Worthless. Satisfaction *with* engagement? Priceless.

Gallup noted similar findings for banking customers. In the case of a major retail bank, 6% of banking customers who were “extremely satisfied” -- but who lacked the emotional commitment to be considered “fully engaged” -- closed their accounts. Those numbers were essentially identical to the 5.8% departure rate noted for customers who were *less* than extremely satisfied. Again, the bank received no discernable value from its “extremely satisfied” customers.

However, far fewer customers who were extremely satisfied *and* strongly emotionally connected (3.8%) closed their accounts during the same time period. That’s a customer retention yield of 37%. Imagine if all the bank’s investment returns were as positive.

For banks and supermarkets -- as well as hotels and other businesses -- the data, and the story, are the same. And that holds true regardless of whether the outcome measure is purchase frequency, volume, or share of business. Emotional connections matter. They provide companies with a meaningful and relevant customer goal -- one that pays off.

It should be obvious. Satisfaction without engagement is a trivial pursuit.

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