



Marketing Metrics Part 2

Analysing customer satisfaction levels – General Principles

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Introduction

Customers are the most critical aspect of any business. In fact, loyal customers generate higher profit margins than new customers (Tatikonda, 2013; Sauro, 2015).

Studies indicate that a 5% improvement in customer retention can add anywhere from 25% to 85% to the bottom line (Reichheld, 1996)!

It is often true that it is more expensive to get new customers rather than keeping existing ones.



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Introduction

Getting a deep understanding of our customers' needs and trying to fulfil them with added-value products and services will lead to improved business performance. But how can we measure customer satisfaction within ranges of animal health products and services?

This is where marketing metrics play a significant role; actually several marketing metrics can be used to analyse levels of customer satisfaction with a company's products or services.

Customer journey



A satisfied customer will be happy throughout the whole customer journey and it is likely that he/she will be keen to share the positive experience with friends or colleagues, but also will be more likely to recommend the product, demonstrating that word of mouth plays a significant part in the whole process (Tatikonda, 2013).

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Customer journey



A couple of marketing metrics could be used to quantify the level of customer satisfaction with a company's range of products and services, such as customer satisfaction per se, the net promoter score, customer retention rate, customer spend, and re-order rate to name but a few.

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Customer satisfaction



Customer satisfaction is the result of the functions and features of a product or service as perceived and valued by customers (Tatikonda, 2013).

Customer satisfaction is challenging to measure, as it is a very subjective metric.

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Customer satisfaction

There are various ways to measure customer satisfaction and quantify it by using scales for instance in market researches, focus groups, or panel surveys.

These should be conducted on a wide enough group to ensure statistically significant results and on a regular basis to ensure consistency and durability of the results.

Metrics obtained from these surveys are usually simple percentages.



Net Promoter Score (NPS)

When a customer is highly satisfied with an organisation's products or services, he/she may be willing to recommend the organisation to other potential customers.

The NPS is a metric that assesses this willingness to recommend a company, a product or a service to friends, relatives or colleagues using a scale from 0 to 10.



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Customer retention rate

This metric is used to measure the percentage of customers retained by an organisation over a period of time.

Customer retention is obviously linked to customer loyalty. This metric is easy to source and measure.

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Customer spend



Measuring the customers' spend over a chosen period of time will indicate their level of favourability and preference towards a company's products versus competitors'.

The higher the customer spend is, the higher the customer satisfaction is likely to be.

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Re-order rate

A happy customer is very likely to repeat his/her purchase. Measuring the re-order rate of a company's products could therefore help assess the level of customer satisfaction with these products.

Re-order rate= (number of customer that have bought the new product more than once) / (total number of customers that have bought the new product at least once).



Conclusion

Often, a conjunction of qualitative customer feedback and specific marketing and financial metrics provide companies with a comprehensive approach to measuring customer satisfaction levels.

This invaluable customer knowledge will provide useful information on current market trends, help implement corrective actions in the short-term build longer-term strategies and support decision-making.

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