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WHITE PAPER

CRM Systems and Customer Survey Measurement
A Panoramic View of Customers

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Companies develop CRM (customer relationship management) systems for a variety of reasons, including the following:

- To obtain a panoramic view of customers as they interface with the company

- To leverage technology's ability to track metrics that show progress against strategic and tactical goals

- To service customers in an operationally efficient manner

- To integrate operational and financial information to better forecast inventory and personnel needs

These objectives are not mutually exclusive, and they all point to an important enabler of success in managing a business: management's need for a holistic perspective of customers and the business enterprise.

While CRM systems in their various forms go a long way toward providing a comprehensive representation of customers, these information systems sometimes fall short because they exclude customer perceptions as a complement to behavioral indicators of customer loyalty.

In the sections that follow, this document discusses topics related to customer perceptions, experiences, and intentions that comprise loyalty. These topics include:

- Attitudes and behaviors

- Beyond satisfaction

- Dimensions of loyalty

- Differences by industry

- Levels of loyalty

- Linkage analysis and loyalty

Attitudes and Behaviors

CRM systems generally focus on customer behaviors as customers interface with a company. Customer behaviors captured by CRM systems can include many of the following:

- Products purchased

- Purchase of premium products

- Prices paid for purchased products

- Bulk purchasing, or purchase contracts (existence and duration)

- Purchase frequency

- Purchase of related services (whether the "product" itself is a product or a service)

- Support frequency (associated with ordering, installation, repair, etc.)

- Form of support needed (online, by phone, in person, or other forms)

- Referrals to prospective customers

The capture and tracking of these behaviors represents a rich source of information about the value of each customer to an organization. However, even a comprehensive set of behavioral measures provides an incomplete view of the customer. To accurately predict whether a customer will be loyal to a company requires additional information that cannot be obtained through CRM systems that exist in most companies. Additional information requirements include:

- Affective orientation toward the company— does the customer like working with the company?

- Disposition of the customer with regard to the company—do the customer's experiences leave the customer satisfied?

- Customer relationships with competitors—is the customer doing business with competitors, and if not, will the customer be receptive to competitive enticements?

- Company advocacy—is the customer likely to recommend the company to others when such opportunities arise?

In addition, many CRM systems cannot adequately identify the causes of customers' behaviors. These systems do not ask questions such as:

- Do customers perceive that product and service pricing is fair?

- What aspects of the total customer experience determine whether a customer is loyal or not?

- Will the customer report a problem when it occurs, thereby allowing the company to "fix" the problem before the customer becomes disloyal and defects to a competitor?

- Do customers perceive that they have competitive alternatives to the company's products and services, or do they feel "locked in" due to lack of choices?
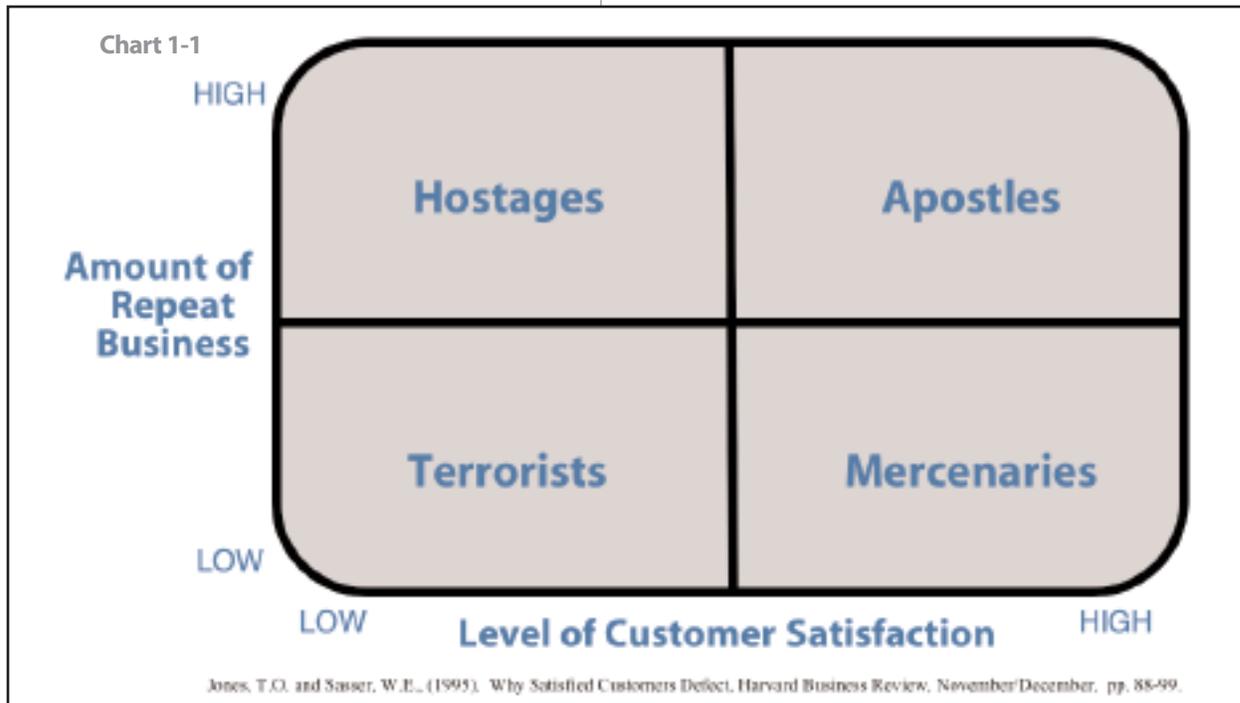
Accordingly, customer loyalty must be viewed and measured as a dynamic interplay between both attitudes and behaviors. Attitudes about a company, based on experiences, word-of-mouth, and marketing messages tend to precede (in time) customer behaviors. While customer behaviors, especially trial and repurchase, ultimately determine whether a company achieves its business objectives, "softer" variables such as attitudes toward a company play a critical role in defining customer loyalty.

Beyond Satisfaction

Long before the widespread deployment of CRM systems in business organizations, customer "loyalty" was generally measured only by the following aggregate business metrics.

- Revenue

- Profit

- Market share

These measures remain key components of a business manager's "dashboard," but beginning in the 1980s, they were supplemented with survey-based tracking programs that generally included the following:

Chart 1-1

Jones, T.O. and Sasser, W.E., (1995). Why Satisfied Customers Defect. Harvard Business Review, November/December, pp. 88-99.

- Customer satisfaction

- Customers' stated likelihood to purchase again

- Customers' perception of the company's performance in a variety of areas (e.g., product quality, service quality, pricing, order processing, or other areas)

- Incidence of various types of problems

While these survey tracking programs increased companies' understanding of customer perceptions, over-reliance on a single measure of customer satisfaction undermined their usefulness in predicting customer loyalty based on perceptions. As shown in Chart 1-1, Jones and Sasser articulated this shortfall by classifying customers based on their satisfaction and their intent to do additional business with a company.

- Customers who are satisfied but not behaviorally loyal ("mercenaries") are often price sensitive and will defect to a competitor when a lower price becomes available.

- Customers who are dissatisfied but behaviorally loyal ("hostages") often have no choice but to remain as customers of the company because no true competitive choice exists, or contracts lock the customer into the relationship regardless of whether the customer is satisfied.

Dimensions of Loyalty

For true customer loyalty measurement, Jones and Sasser made a compelling case not to rely solely on either statements of satisfaction or likelihood to continue as a customer. Nevertheless, both satisfaction and future purchase intent are logical components of loyalty, and each has been shown to relate to ultimate behavioral loyalty in various situations. However, customer loyalty is not simply two-dimensional.

While the exact dimensionality of loyalty is not clearly established, many practitioners assert that both attitudinal and behavioral components must be present in any customer loyalty measure that has predictive validity. The behavioral aspects of customer loyalty include those previously listed in this document (see page 1). Of course, the applicability of these behaviors varies based on

Table 1-1

Dimension	Survey Item Wording
Overall Satisfaction	What is your **overall level of satisfaction** with [Company]?
Recommendation	If you were asked, **how likely would you be to recommend** [Company]?
Continuation as a Customer	Based on your experience with this industry **how likely are you to continue using** [Company]?
Expected Change in Share of Business	Over the next 12 months, do you expect that the **amount of business that you do with** [Company] will…?
Perceived Value of Products	[Company] provides a **good overall value.**
Trustworthiness	[Company] is a **company I can trust.**
Commitment to Customers	[Company] demonstrates a **strong commitment its customers.**
Deserves Loyalty	[Company] **deserves my loyalty.**
Estimated Growth in Loyalty	Over the past year my **loyalty to** [Company] **has grown stronger.**
Quality	[Company] provides **excellent quality.**
Proximity to Ideal	[Company] closely **matches my ideal** of what a (INDUSTRY text) should be.
Price Given Quality	[Company] **prices are reasonable**, considering the quality I receive.
Quality Given Price	[Company] **provides high quality**, considering the price I pay.
Price Competitiveness	[Company] **prices are competitive.**
Preference	I **prefer** [Company] **to all other providers.**
Confidence in Problem Resolution	If I experienced a problem with [Company] and took the time to bring it to their attention, I am confident that [Company] **would resolve it to my satisfaction.**

product category or industry, as well as a variety of other factors (e.g., purchase cycle, availability of alternatives, and product differentiation).

Table 1-1 provides a partial list of attitudinal components of loyalty, as well as behavioral components not typically available in CRM systems.

Differences in Loyalty Dimensions by Industry

As the list of loyalty dimensions suggests, loyalty is not a simple construct. Affective or attitudinal components of loyalty do play a role in understanding customer loyalty, beyond examination of behaviors observable through a CRM system. By definition, customer behaviors shown in a CRM system typically exclude certain behaviors, e.g., those related to competitors, and

those behaviors that might occur were the business environment to change based on shifts in…

• Competitive marketing strategies

• Regulatory guidelines

• The nature and duration of purchase contracts

Understanding customer loyalty is further complicated by demonstrable differences in the importance of loyalty dimensions by industry and/or customer type (e.g., business to business versus business to consumer situations).

Charts 1-2, 1-3, and 1-4 on the following pages show the different importance levels of loyalty dimensions by industry.
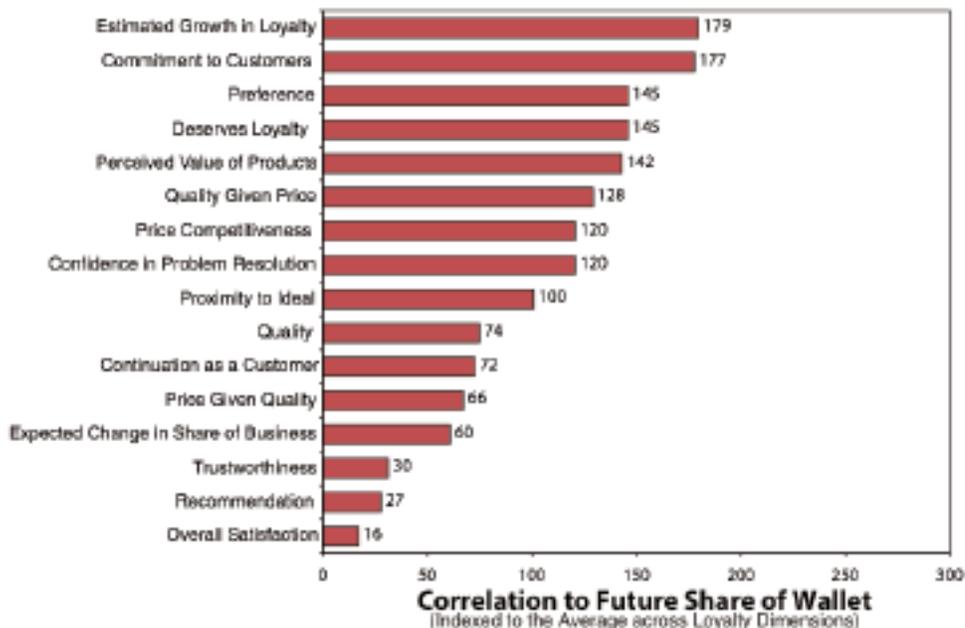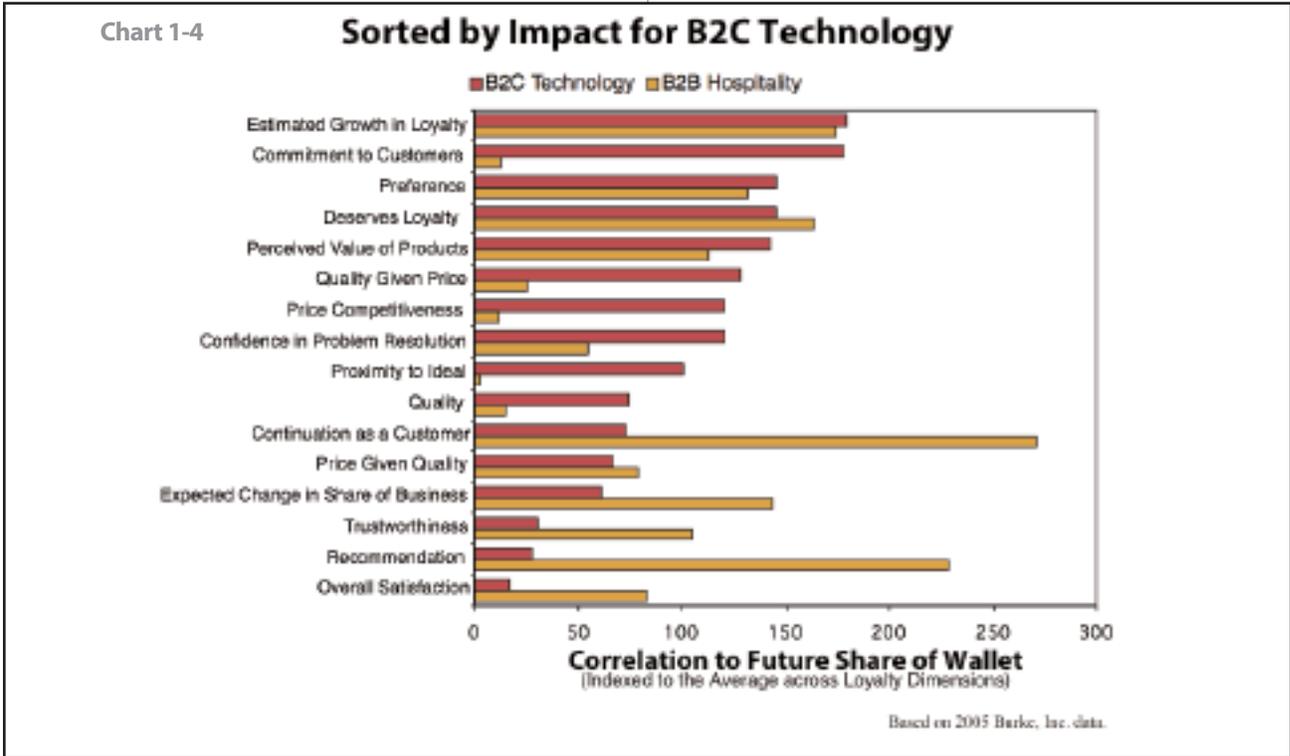
Chart 1-2

B2B Hospitality

Dimension	Correlation
Continuation as a Customer	270
Recommendation	228
Estimated Growth in Loyalty	174
Deserves Loyalty	163
Expected Change in Share of Business	143
Preference	131
Perceived Value of Products	112
Trustworthiness	104
Overall Satisfaction	82
Price Given Quality	78
Confidence in Problem Resolution	54
Quality Given Price	26
Quality	14
Commitment to Customers	12
Price Competitiveness	11
Proximity to Ideal	2

Correlation to Future Share of Wallet
(Indexed to the Average across Loyalty Dimensions)

Based on 2005 Burke, Inc. data.

Chart 1-3

B2C Technology

Dimension	Correlation
Estimated Growth in Loyalty	179
Commitment to Customers	177
Preference	146
Deserves Loyalty	145
Perceived Value of Products	142
Quality Given Price	128
Price Competitiveness	120
Confidence in Problem Resolution	120
Proximity to Ideal	100
Quality	74
Continuation as a Customer	72
Price Given Quality	66
Expected Change in Share of Business	60
Trustworthiness	30
Recommendation	27
Overall Satisfaction	16

Correlation to Future Share of Wallet
(Indexed to the Average across Loyalty Dimensions)

Based on 2005 Burke, Inc. data.

Chart 1-4

Sorted by Impact for B2C Technology

Correlation to Future Share of Wallet
(Indexed to the Average across Loyalty Dimensions)

Based on 2005 Burke, Inc. data.

Levels of Loyalty

Clearly, the impact of loyalty dimensions on ultimate customer outcome measures (such as share of wallet) differs based on industry or category. These observed differences derive, in large part, from the nature of the relationship between a company and a customer, as well as the purchase cycles, levels of purchase involvement, and other issues such as B2B (business to business) versus B2C (business to consumer) customer types.
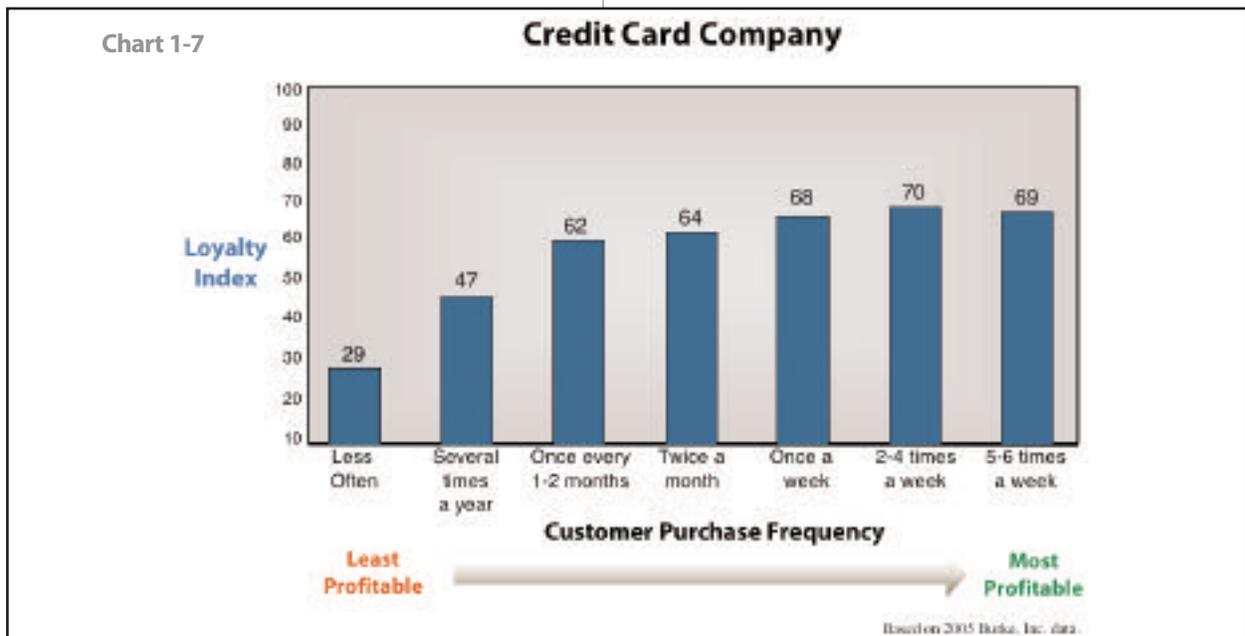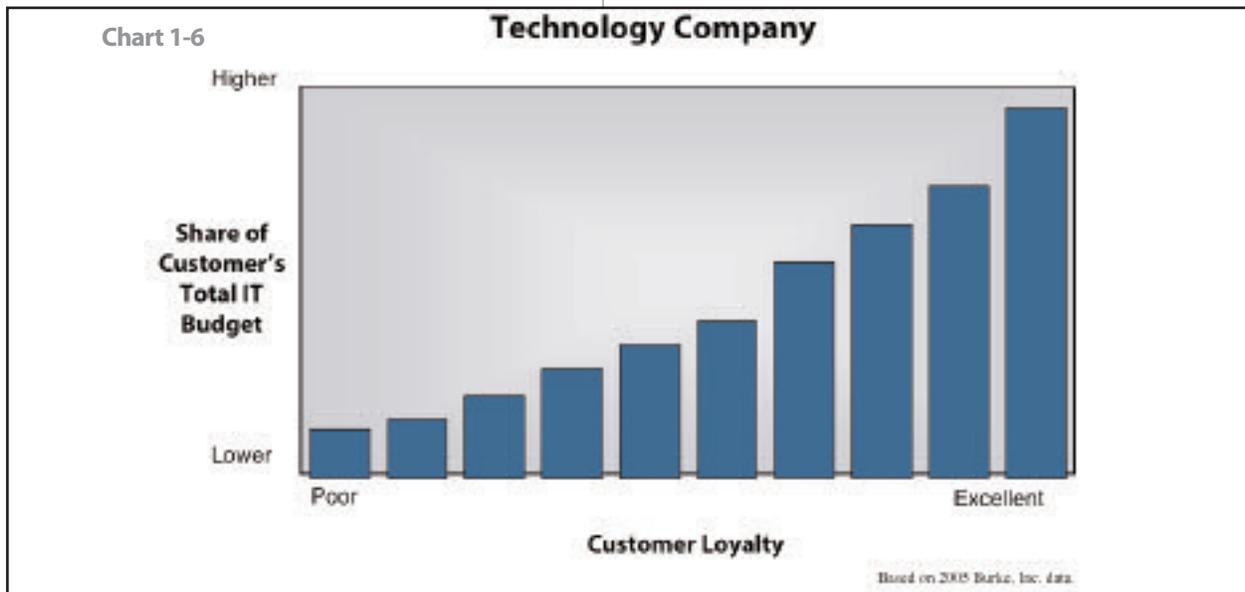
Another variable in defining customer loyalty relates to the "level" of loyalty under consideration. That is, whether a customer is satisfied with the way in which a transaction is handled might affect the customer's perceptions in one way, whereas
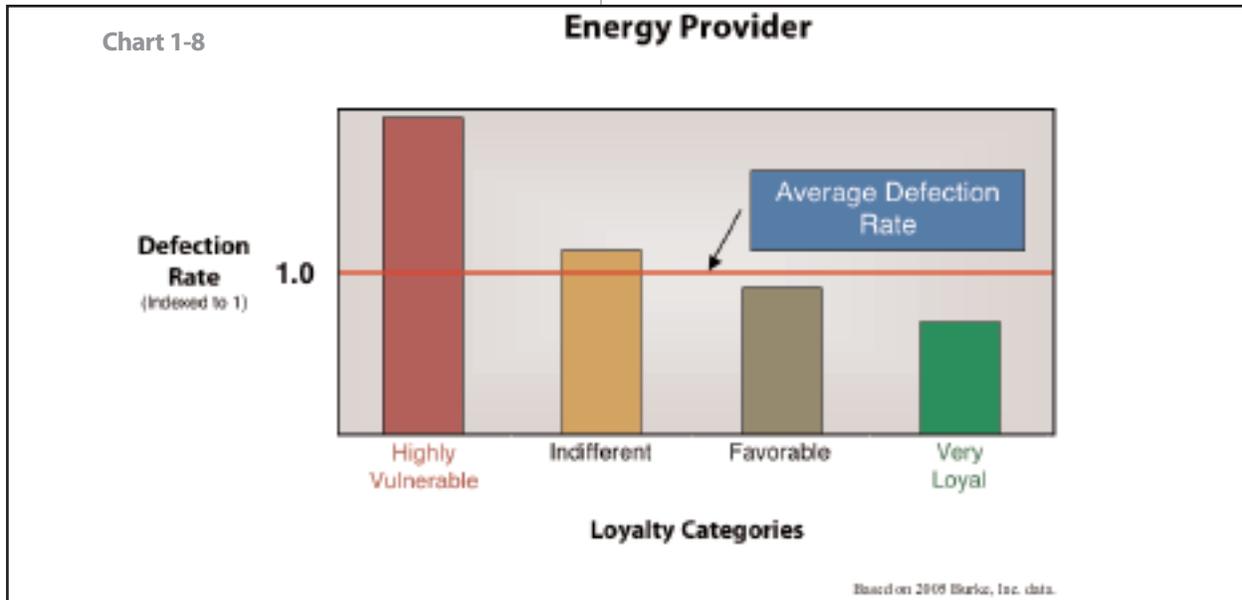

Chart 1-5

the overall maintenance of the relationship between the customer and the company might have a different type and level of effect on the customer's loyalty.

CRM systems capture and track customer interactions at various levels, from a single type of service transaction, to more complex patterns of interaction between a customer and a business organization. Similarly, attitudinal and affective measurement systems, as complements to CRM systems, can (and should) tap multiple levels of the relationship with customers. Chart 1-5 (see previous page) displays one such typology.

Chart 1-6

Technology Company

Based on 2005 Burke, Inc. data.

Chart 1-7

Credit Card Company

Based on 2005 Burke, Inc. data.

Chart 1-8

Energy Provider

Defection Rate (Indexed to 1)   1.0

Average Defection Rate

Highly Vulnerable | Indifferent | Favorable | Very Loyal

Loyalty Categories

Based on 2005 Burke, Inc. data.

Linkage Analysis and Loyalty

CRM systems, as well as measurement systems based on customer perceptions, are useful to business managers only if they demonstrate a clear link to actual customer outcomes. Linkage analysis allows the improvement of bottom-line financial performance through integrated analysis. Furthermore, linkage allows an organization to use individual sources of information to align operational and employee strategies

• To improve customer loyalty and

• To achieve financial success.

The following charts exemplify the connection between customer perception data and actual outcomes that drive business success.

Summary and Conclusion

CRM systems generally capture behavioral data, and they provide a broad and detailed view of customers' interactions with an organization.

While powerful, CRM systems can become more effective in predicting customer loyalty when supplemented with measurement systems that represent customer attitudes and intended behaviors.

Customer satisfaction, while sometimes important, is inadequate as a predictor of behavioral customer loyalty. Customer loyalty is a multidimensional construct that differs based upon the particular industry or category of the company's products and services, as well as the nature of the relationship with the customer (B2B versus B2C, long versus short product cycles, the existence of contractual purchase arrangements, the perceived or real availability of alternatives, and other factors.). Loyalty can exist at various levels, i.e., to a product, to a product line, or to an entire company.

Demonstrable links between actual business or customer outcomes and CRM data and survey loyalty measures are critical to ensuring that investment in these information systems is money well-spent.

FOR MORE INFORMATION CONTACT

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