

## **Customer Satisfaction or Customer Value?**

Customer satisfaction is a mainstay in the market insight groups of corporations. Net Promoter (NPS) advocates contend that only “one number” is necessary to predict future customer behavior. Both of these measures are useful and stable quality indicators of the customer’s experience with an organization’s product and/or service. However, do these methods provide a complete picture of the customer?

I remember in business school several years ago reading about the rapid change in how customers make decisions and two noted marketers’ observations have remained with me:

- Lester Wunderman predicted that the call of the Industrial Revolution -- This is what I make, won’t you please buy it? -- will be overcome by the call of the Consumer Revolution (This is what I need, can’t you please make it?)
- Strategic marketer Phil Kotler described this environment as being so different that companies “must turn from a make-and-sell philosophy to a sense-and-respond philosophy.”

The utility of customer satisfaction measurement is in gathering insight into how the customer reacts to a recent past experience. Gathering a small amount of data enables us to understand what is contributing to or taking away from satisfaction by running key driver analysis. By understanding this voice of the customer metric, weaknesses can be reduced or eliminated, and strengths can be reinforced.

## **Customer Perceived Value™ Research**

Customer Perceived Value™ (CPV™) is a foundational research approach that can help management make decisions in the areas of strategy, marketing, branding, new product development, and operations. It is an all-encompassing study of how customers perceive the value of a product or service. A baseline CPV™ study is comprised of three phases as described below:

### **Phase I: Company-Specific Situational Analysis**

The primary task of Phase I involves in-depth, one-on-one interviews with decisionmakers. This is a key phase of the research because it fosters the collaboration necessary for good market research. The results of this phase will help to guide the research in its ensuing phases, ensure accuracy and accelerate the implementation of findings once the research has completed. The sessions should be brief – about 45 minutes and are designed to:

- Gain input into the design of the major study.
- Identify existing hypotheses about CPV™ Factors specific to customers.
- Begin the exploration for possible enhancements to perceived value.
- Evangelize the CPV™ approach so that key stakeholders will fully understand and utilize the research findings with confidence and credibility.

### **Phase II: Exploratory Research and Study Design**

Confirmatory research (Phase III) is relatively time consuming and costly. It also consumes the customer’s time. Therefore, this next phase is designed to optimize the effectiveness and efficiency of the survey instrument used in the confirmatory research phase. Exploratory research usually consists of an open-ended dialogue with research subjects, in which the subject matter, emphases, and language is left largely to those subjects. Its purpose is to *discover* how

buyers think about the market and how to best construct a survey instrument to capture desired information for the final phase. Confirmatory research consists of a of survey and its purpose is to *describe* how buyers perceive value.

### **Phase III: Data Collection, Analysis, and Reporting**

There are also many different methods for conducting confirmatory research, the selection of which should be based on the nature of the research population, the complexity of the subject matter, the cost of data collection, and the research objectives.

Some of the major benefits of integrating CPV™ in an organization's marketing culture include:

- It is a collaborative effort involving an organization's key decision-makers.
- It accurately represents the marketplace, including customers and non-customers.
- Its scope is determined not by the investment and associated risk of the specific management decision but by the depth and breadth of the research undertaken to achieve specific objectives.
- It is best utilized by articulating management business assumptions, exploring and finally validating them.
- It can be used by managers who compete for market share every day.

### **Summing Up**

CPV™ will encourage change in how organizations view markets and their customers. I believe that change is about relentless adjustment. It is the difference between surviving and flourishing.

The change process will involve collaboration and establishing cross-functional teams tasked with implementing the findings from CPV™ research. Following the CPV™ model, the manner in which customers value their experience with a product or service is the defining success measurement. Learning from customers, creating the experience they want, measuring success then continuously fine-tuning and returning to customers to learn more becomes the primary mission.

Contact me for an in-depth discussion about how I may help you with a CPV™ engagement.