Shoppers at WE Fashion stores can use a "Tweet Mirror" to take pictures of outfits they are trying on and post the photos on Twitter.

[MARKETING]

How to Drive Customer Satisfaction

Companies looking to build a satisfied and loyal customer base need to realize that there are multiple drivers of customer satisfaction.

BY ROLPH E. ANDERSON, SRINIVASAN SWAMINATHAN AND RAJIV MEHTA

Savvy company executives know that some of their greatest and potentially most enduring assets are their long-run customer relationships. Trying to sustain a competitive advantage with new products is a frustrating game, where short-term leads often erode quickly. But by satisfying customers, companies can nurture long-term relationships and customer loyalty. What's more, a small increase in customer loyalty can make a big difference in company profits. McDonald's, for example, calculated back in the 1990s that just one additional visit per week by "heavy users" would boost annual sales by more than $10 billion dollars.

Blending Bricks and Clicks

In retailing, customer loyalty cannot be achieved for long by keeping customer interactions online distinct and separate from those offline. Many consumers have largely merged their shopping to the extent that they go back and forth between online and offline retailers. They may start out by looking at desired products in a store, go online to check out the products further, then decide to buy them from an online seller such as Amazon. Or they may start searching online, then go look at the items offline at a Wal-Mart or Target store, and perhaps buy them there because they're immediately available. Since consumers are fusing their offline and online shopping habits, retailers must adapt their systems as necessary to create seamless "brick-and-click" stores. Shoppers will reward companies that do this well. Many Amazon customers use brick-and-mortar Best Buy, Target or Wal-Mart stores to inspect products before making their final purchases online from Amazon. Consumers treating offline stores as "showrooms" prior to purchasing elsewhere on the Internet present a serious threat to companies that have yet to blend their offline and online stores.

Traditional retailers are fighting back, in part by asking suppliers to provide designs and products that are "exclusive" to their stores. Toys "R" Us, for instance, has many products that can't be purchased from other stores or websites. Target does likewise with fashion brands

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such as Missoni and Jason Wu. Retailers need to recognize that technological devices such as smartphones are upping the ante. Apple recognized this early on and developed its own brick-and-mortar stores where potential customers could see, hold and try products before buying them. To attract and retain customers, retailers will need to meet or exceed customer expectations throughout the shopping and buying experience.

What Customers Want

To gain a deeper understanding of the factors shaping customer satisfaction and loyalty, two of the authors conducted in-depth interviews with 20 online shoppers and ten e-commerce executives to develop a questionnaire. Then, working with a market research firm, we collected data from 851 respondents and conducted multivariate data analysis. We identified six significant drivers of customer satisfaction in e-business, which in turn influence customer loyalty: adaptability, commitment to customers, connection with other customers, product assortment, easy transactions and appealing environment. (Details of our findings were published in the Journal of Marketing Theory and Practice.) We will discuss the role of each factor, and how these drivers of customer satisfaction may be relevant not only to e-businesses but elsewhere.

Adaptability A "one size fits all" approach is no longer adequate. Businesses must find ways to tailor their products, services and shopping experience to individual customers. Advances in data mining and purchase behavior modeling allow companies to utilize cloud data to predict and target individual customers' purchase interests. Caesars Entertainment Corporation, one of the world's largest gambling casino operators, collects detailed information on individuals' gambling behavior as they move from machine to machine (for example, how many different machines they play, how many wagers they place and the total amount of money they deposit in the machines). By the time the customer leaves the casino, Caesars has enough information to know how much the customer is worth to the company, to build a detailed profile of the person's gambling preferences and to develop a plan for enticing him or her back to the casino.

Apple is also well known for adapting product offerings and services to the needs of its customers. With airy store interiors, attractive lighting and attention to small details, it provides customers with a casual yet exciting atmosphere. The company teaches sales associates not to sell but rather to help customers solve their problems. As an Apple training manual puts it: "Your job is to understand all of your customers' needs — some of which they may not even realize they have." To keep the focus on finding solutions for customers, sales associates do not have to meet sales quotas and do not receive sales commissions. They are trained to approach customers with a personalized welcome, to gently probe to understand their needs, to listen for and attempt to address their concerns and to invite them to return in the future.

Commitment to Customers Commitment to the customer is displayed by responsiveness and resolution of customer concerns, problems and complaints. Instead of telling customers what the company will do in response to a complaint, a business that's truly committed to customers will ask them how they would like the problem to be handled or resolved. Oftentimes, this approach leads to lower costs, because many customers ask for less than the company might be willing to do to solve a problem. Solving complaints to the full satisfaction of customers is critical in the age of the Internet and social media. Previously, unhappy customers might tell a dozen other people; today they might go online and voice complaints that reach tens of thousands of people. Product or service failures that are not resolved promptly and to the full satisfaction of the customer affect future business, because they weaken customer-company bonds and lower perceptions of service quality.

Connection with Other Customers Customers like being able to share opinions with others. Companies can support this desire by establishing comment links, buying circles, chat rooms or special events. When effectively organized and maintained, these mechanisms can engender positive word of mouth about the company. According to Opinion Research Corp., in 2009, more than one in four adults had rated products or services on some website, and 84% of U.S. shoppers claimed that online customer evaluations had influenced their decision to purchase a product or service. Customers who share experiences tend to trust information from other customers more than company-provided information; they reinforce each other's purchase decisions while sharing insights on product use.

Some companies achieve important benefits from organized customer groups. Harley-Davidson customers, for example, often have such a strong identification with the Harley-Davidson brand that they won't even consider non-Harley accessories. Networks also encourage social relationships among customers built around a shared interest. Many consumers partially substitute shopping for recreation and use these activities to develop social activities and bonds with others. By creating and supporting customer networks, sellers provide the opportunity for customers to interact, identify and develop social relationships with other customers that can translate into greater loyalty toward the business and its brands.

Product Assortment Customers are interested in a selection of products and services tailored to their lifestyles and personal preferences. A product assortment that is too extensive can be confusing and cause customers to postpone or cancel purchases; an assortment that's too narrow can lack excitement. Trader Joe's, the Monrovia, California-based grocery store chain, with more than 350 stores in the United States, tries to find an effective balance. In contrast to typical grocery stores, which may carry 50,000 items, a Trader Joe's store typically has only about 4,000 items, which are selected to match the demographic and psychographic profiles of its customers (who tend to be more affluent and more health and environmentally conscious than other grocery shoppers). Trader Joe's culture promotes loyalty and customer service by providing the product assortmentand quality its customers want, as expressed in the company's product guarantee: "We tried it. We like it. If you don't, bring it back for a refund or exchange — no hassles."

Easy Transactions Consumers respond positively when the purchasing process is simple, intuitive and user-friendly. A brick-and-mortar store that doesn't provide information and prices at product displays or one that tolerates long checkout lines may frustrate customers, causing many to abandon their shopping carts and leave the store. The management of Amazon.com saw the benefit of this fundamental customer service concept in the early days of its business and acted to develop its patented "1-Click" purchase system. Despite being the recognized industry leader in transaction ease, Amazon continues to make improvements in the transaction process. All merchants, whether online or offline, who make the purchase transaction process faster and easier increase the likelihood of customers making repeat purchases and moving toward loyalty.

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▶R.E. Anderson and S. Swaminathan, "Customer Satisfaction and Loyalty in e-Markets: A PLS Path Modeling Approach," Journal of Marketing Theory and Practice, 19 (spring 2011): 219-233.

Appealing Environment Over and above specific products, customers appreciate and respond to a stimulating shopping environment that offers attractive store layouts and engaging displays or websites. The selling environment can be enhanced through interesting and entertaining presentation of products to capture shopper attention and encourage interaction. Unless vendors offer an appealing shopping or browsing environment, attracting shoppers is often difficult. Bass Pro Shops, a retailer of hunting, fishing and camping equipment headquartered in Springfield, Missouri, seems to have taken this challenge to heart. The company, with more than 70 current and proposed stores in the United States and Canada, sells outdoor gear to more than 60 million customers a year, many of whom spend hours at a time examining the fishing and hunting displays.

Other retailers provide an interactive, enjoyable shopping environment for their customers by making use of social media. For example, at WE Fashion, headquartered in Utrecht, the Netherlands, and with about 250 stores in Europe and China, customers can try on stylish clothing, shoes, bags and accessories and then push a button on the "Tweet Mirror," which allows them to post pictures on Twitter so friends can see them in the new outfits and give immediate feedback.

Online retailers are eager to attract shoppers to their websites through social media. According to Janrain, a Portland, Oregon-based provider of social media log-in technology, in early 2013 more than 50% of online shoppers preferred to log into retail sites using Facebook rather than accessing the company's own website directly. Some e-tailers invite customers to begin their online shopping this way using visual lures such as extra-large Facebook buttons. Shoppers have also shown a greater willingness to share more detailed personal information about themselves on Facebook than on other social networks, allowing e-tailers to better customize the products they display for specific Facebook customers.

Companies looking to generate a satisfied and loyal group of customers need to keep in mind the different drivers that affect customers' attitudes. For each factor, they should measure, benchmark and compare their performance with different customer groups against past performance, the company's overall goals and the performance of major competitors. The classic approach is to ask respondents to select an adjective that reflects their opinion, typically using a five-point scale; a similar survey can be conducted with the customers of competitors. By monitoring how well it is doing versus past performance, competitors and other benchmarks, a company can develop insights and early warnings that will enable managers to make timely adjustments to their customer relationship strategies.

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