



Customer Satisfaction vs Customer Experience

Is Customer satisfaction dead as a meaningful predictor of customer engagement?

The GFC has Changed Everything

Customer perceptions regarding access to constrained, expensive or difficult credit may have created a singular event in the way in which businesses think about and interact with their banks.

Experiences over the past two years have been fractious for both banks and their customers; the latter sensing that longstanding, positive relationships have not helped in their debt funding needs and that new rules of engagement have been deployed by banks which run counter to their attempts to manage customer relationships with a service and added value ethic.

At the same time, banks continue with an increasingly strident customer satisfaction based mantra, and indeed have made it their new public battle ground, even though customers appear to have walked away from such claims as having little to do with their real banking experience.

Satisfaction now De-Coupled from Bank Performance

The majority of East’s demand-side analytics over the past two years show numbers across the board have fallen:

- Deteriorating customer satisfaction
- Falling customer loyalty
- Zero customer advocacy by customers of their business banks to peers

And yet customer switching has dropped to historical lows. Driven by credit experiences and a strongly perceived lack of provider choice and competition for their business, customers appear to have de-coupled their engagement behaviour from holistic measures of customer satisfaction. “Are you or are you not satisfied with your business bank” just isn’t predicting engagement (see Table 1).

None of the above correlation measures, taken from East’s demand-side research over the past two years, show any real strength and reinforce the difference with more powerful measures related to “the customer experience”.

New “Customer Experience” Predictors

Alternative measures of business customer experience with their banks seem to hold much stronger influence over engagement and buying behaviour, in particular measures of customers acquiring more from their incumbent provider (see Table 2).

Table 1: Predictive Weakness of Satisfaction Measures

Performance	Satisfaction Type	Correlation
Wallet Share Outcomes	Whole-of-relationship satisfaction	0.22
	Service factor satisfaction scores	0.36
	Lead product satisfaction scores	0.31
Cross-sell Outcomes	Whole-of-relationship satisfaction	0.14
	Service factor satisfaction scores	0.20
	Lead product satisfaction scores	0.28
Customer Acquisition (relationship share)	Whole-of-relationship satisfaction	0.11
	Service factor satisfaction scores	0.14
	Lead product satisfaction scores	0.23

Where to From Here?

Firstly East is no longer going to be talking about unsustainable, meaningless measures of “customer satisfaction”. We will be measuring specific product and service attribute experiences customers are having and looking to use much more powerful, overall predictors of customer behaviour that directly support output measures of business bank performance, such as Loyalty, Customer Channel, Bank Reputation and Mindshare.

Secondly, perhaps it is time to re-evaluate the investment being made by banks in promoting broadly based customer satisfaction numbers as a reason for customers to do business with them. Customers aren’t switching their whole relationships anyway and the game is much more about gaining wallet share and lifting cross sell amongst existing customers – and this is all about the conditioners of their actual experience. Meaningless scores of holistic customer satisfaction just don’t cut ice any more.

Note: the correlation analyses above compare the strength of the association between movements in measures of overall customer satisfaction and movements in the output measures noted over the two year period to April 2010 for the non-institutional business banking markets. A 1:1 correlation result represents the strongest association.

Table 2: Predictive Strength of Experience Measures

Performance	Satisfaction Type	Correlation
Wallet Share Outcomes	Customer loyalty	0.69
	Customer channel used	0.77
	Bank mindshare	0.73
Cross-sell Outcomes	Customer loyalty	0.58
	Customer channel used	0.71
	Bank mindshare	0.76
Customer Acquisition (relationship share)	Customer loyalty	0.44
	Customer channel used	0.70
	Bank mindshare	0.79