Customer Satisfaction: The Next Frontier

STEVEN SILKUNAS

In an introduction to customer satisfaction and its measurement, key concepts, conceptual frameworks, and outlines for implementation are derived from business research literature. An agenda for public transportation based on customer-driven expectations and requirements is proposed. Quality, market research, and measurements are reviewed as management tools with appropriateness in transportation.

To even the most casual of observers, American business has shifted its emphasis toward a return to basics. Econometrics, modeling, and strategic planning all have their place, but all are several steps away from the fundamentals. Financial wizardry and bottom-line obsessions have, of late, been called to task. The vogue words are quality and value. Improvement is the call of the day.

Interestingly enough, even quality and value alone or together miss the mark. Redenbaugh, Chairman of Action Technologies, Inc., has some insightful comments:

Customers do not buy quality. They buy satisfaction. The two are categorically different.

McDonald’s ... has continually increased its market share and eliminated competitors.

Does McDonald’s sell quality? It has won no culinary or nutritional awards that I know of. McDonald’s sells customer satisfaction, and it manages this religiously. It obsessively measures, monitors, and promotes customer satisfaction.

... If we confuse quality with customer satisfaction, we fall into big trouble. Satisfaction is what customers pay for, over and over again. It is this recurrence that produces profitability. Companies that forget about customer satisfaction may disappear. (1, p. 11)

In some respects it is surprising that Business Month printed Redenbaugh’s remarks. Customer satisfaction has neither glitz nor glamour. It is basic. Be that as it may, a recent Business Week feature story was on “King Customer.” On its front cover Business Week admonished its readers to “forget market share. Stop worrying about your competitors. The companies that are succeeding now put their customers first” (2).

The thoughts expressed in Business Month and Business Week were also expressed in the Harvard Business Review. Levitt points out that

In the end—really, at the outset—every activity or purpose ... is about getting and keeping customers. No matter what fashion or idea comes or goes, the one absolutely essential and therefore inescapable thing that must be done, and to which attention therefore always returns, is marketing. That is why marketing is always getting rediscovered. ... When attention slackens, as attention invariably does in all things, things go bad. When bad enough or not good enough, management returns to first principles—getting and keeping customers. (3,p.8)

These thoughts lead to the thrust of this paper: the state of customer satisfaction in public transportation. Does public transportation perform as well, better, or poorer than its counterparts in the private sector? Do people who opt to ride buses and trains do so because public transportation is the most desirable alternative or because it is the least objectionable? In a study National Family Opinion performed for The Conference Board, public transportation had lackluster performance: 13.2 percent rated it a “good” value, 52.1 percent rated it an “average” value, and 34.8 percent rated it a “poor” value (4).

Table 1, which shows selected products and services, places mass transit in perspective.

THE CASE FOR MONITORING CUSTOMER SATISFACTION

Complacency and customer satisfaction are diametrically opposed. In a survey of the literature, two types of organizations pursue customer satisfaction with unrelenting zeal. The first type of organization is run by the founder or carries on the spirit of the founder. L. L. Bean and Disney are good examples of this type of company.

The second type of organization has found itself “up against the wall.” Foreign competition, adverse public sentiment, or the threat of insolvency has pushed a number of firms to pursue customer satisfaction as a means to achieve a competitive advantage. Motorola and Xerox, winners of the Baldrige award, and Florida Power and Light, the winner of Japan’s Deming Award, are good examples of this second type of firm.

Few good examples of a commitment to customer satisfaction exist in the public sector, although the number is increasing each year. Madison, Wisconsin, and Baltimore, Maryland, are often cited as models for emulation. Clearly “PATHursday,” a program in which Port Authority Trans Hudson (PATH) managers go out to meet customers, is one good example in the transit industry. This program has been successfully copied by the Southeastern Pennsylvania Transportation Authority (SEPTA) and the New York City Transit Authority. The Long Island Rail Road was the first to measure customer satisfaction through self-directed questionnaires on a large-scale, systematic basis. A few other properties have also done major work in this regard, most notably MTA, Baltimore, and SEPTA. Boston, Chicago, Philadelphia, Vancouver, Seattle, and Portland have engaged market research firms to use telephone surveys on a smaller scale.

Public transportation, however, generally follows in the shadow of the private sector, which has long used market research for developing its business ventures. Admittedly, some of this

Southeastern Pennsylvania Transportation Authority, 841 Chestnut Street, Philadelphia, Pa. 19107-4484.
TABLE 1 Consumer Rating of Selected Products and Services (Ranked by Composite Score)

<table>
<thead>
<tr>
<th>Product</th>
<th>Good</th>
<th>Average</th>
<th>Poor</th>
<th>Composite*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poultry</td>
<td>40.4</td>
<td>52.0</td>
<td>7.6</td>
<td>66.4</td>
</tr>
<tr>
<td>Video Rentals</td>
<td>39.3</td>
<td>52.7</td>
<td>8.0</td>
<td>65.7</td>
</tr>
<tr>
<td>Electricity</td>
<td>28.8</td>
<td>52.2</td>
<td>19.0</td>
<td>54.9</td>
</tr>
<tr>
<td>Cars (foreign)</td>
<td>22.3</td>
<td>54.1</td>
<td>23.6</td>
<td>49.4</td>
</tr>
<tr>
<td>U.S. Postage</td>
<td>21.2</td>
<td>50.5</td>
<td>28.4</td>
<td>46.5</td>
</tr>
<tr>
<td>Fast Foods</td>
<td>12.1</td>
<td>59.1</td>
<td>28.8</td>
<td>41.7</td>
</tr>
<tr>
<td>Air Fares</td>
<td>10.9</td>
<td>57.6</td>
<td>31.5</td>
<td>39.7</td>
</tr>
<tr>
<td>Mass Transit</td>
<td>13.2</td>
<td>52.1</td>
<td>34.8</td>
<td>39.2</td>
</tr>
<tr>
<td>Sports Events</td>
<td>7.7</td>
<td>50.4</td>
<td>41.9</td>
<td>32.9</td>
</tr>
<tr>
<td>Movie Tickets</td>
<td>8.9</td>
<td>40.8</td>
<td>50.4</td>
<td>29.3</td>
</tr>
<tr>
<td>Lawyers' Fees</td>
<td>4.8</td>
<td>40.6</td>
<td>54.6</td>
<td>25.1</td>
</tr>
<tr>
<td>Hospital Charges</td>
<td>5.1</td>
<td>33.5</td>
<td>61.4</td>
<td>21.9</td>
</tr>
</tbody>
</table>

*Composite = Good + 1/2 Average

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is perception. But, as any phenomenologist can attest, perception is reality.

Why does public transportation perform at a mediocre level (according to the Conference Board study) in customer satisfaction? One can postulate a simple explanation: the customer is often only a secondary driving force. In public transportation, the emphasis is on “riders” or “passengers”; “customer” is often a foreign, or at least unfamiliar, word. This was the case when public transportation was still in private hands; public takeovers have, if anything, made the situation worse. A customer today is much more difficult to define: it is both the person who boards a vehicle and the agencies that oversee the activity, together with the elected officials who provide the funding.

Since fare box revenue accounts for less than half the income at many properties, consumers are subjugated to other interests. To wit, accountability tends to follow the source of funds. Stated another way, transit providers court the funding sources; they are typically at best indifferent to the consumer. (Privatization in this conceptualization can be viewed as a basic move toward customer accountability and satisfaction.)

The case for customer satisfaction in public transportation is straightforward: when public transit is not attuned to customer needs, the long-term support for and growth of transit is in jeopardy.

KEY CONCEPTS FROM CUSTOMER SATISFACTION RESEARCH

- The goal of a customer-driven organization is to find out what its customers want and to deliver the product right the first time. Although this is a simple concept, in execution it is far from simple.

- A customer-driven company is customer focused. This tautology is more than just words—it expresses the raison d'etre. The contribution of the Excellence series by Peters, Austin, and Waterman is that it centered attention on the customer.

- A customer-driven company addresses the dynamics of permanence and change. The expectations of today may be the expectations of tomorrow. Then again, they might not be. This is the role of market research. Good market research identifies customer needs and perceptions. Shoddy market research on the other hand can result in a double-pronged disaster: it can add dimensions that are undesired and it can neglect dimensions that are critical (5). Far more devastating than poor research is the attitude that “I know what people want,” which leads to the pious apothegm of “pride going before the fall.”

- Customer-driven firms are fueled by enthusiasm. The word enthusiasm here is used in a narrow, classical sense of being “filled with the spirit.” In both the manufacturing and the service sectors, dedicated employees, well trained and empowered to act, can be the critical difference between success and failure. Quality circles are one way of integrating this into the fabric of the organization; and there are others. What is important is that both the organization and the employees assimilate the change. Lip service and quick fixes fail; employees can tell when the organization lacks commitment.

- Customer-driven firms have a firm concept of quality derived from the customers’ specifications. As a philosophic inquiry, the study of quality is extensive. The Augustine maxim
"How can you be satisfied with a good when you know there's a better?" is at one end of the spectrum. Pirsig's *Zen and the Art of Motorcycle Maintenance* is a more sophisticated undertaking. In the marketplace, though, robust quality should be the goal:

Of course, customers do not give a hang about a factory's record for staying "in spec" or minimizing scrap. For customers, the proof of a product's quality is in its performance when wrapped, overloaded, dropped, and splashed. Then, too many products display temperamental behavior and annoying or even dangerous performance degradations. We all prefer copiers whose copies are clear under low power; we all prefer cars designed to steer safely and predictably, even on roads that are wet or bumpy, in cross winds, or with tires that are slightly under or overinflated. We say these products are robust. They gain steadfast customer loyalty. (6)

Although the foregoing concepts are positive, customer satisfaction would scarcely be a significant issue if perfectly consummated consumer transactions were the norm. The fact of the matter is that many marketplace transactions go awry. This subject was addressed in the landmark study *Consumer Complaint Handling in America* on the basis of research conducted between 1974 and 1979 and published in 1979. This effort was initiated by the United States Department of Consumer Affairs and conducted by the Technical Assistance Research Programs Institute (TARP), a Washington, D.C., consultancy.

Follow-up research, done in 1984 and 1985, showed the Sisyphean nature of customer satisfaction: as business has gained expertise in the handling of consumer problems (7), the American consumer has become more sophisticated and effective in dealing with problems encountered in the marketplace (8).

In general, TARP studies indicate that sooner or later a customer will experience a problem. Although research indicates that good service does not guarantee that the customer will return, the experience of poor service makes a repurchase less likely (9). As indicated in Table 2, which profiles various market segments, many customers do not complain, and of those who complain, many are dissatisfied with the end response.

Dissatisfaction represents a major impediment to repeat business. Table 3 indicates how a slipup in customer service affects repeat business. Not only does dissatisfaction result in the potential loss of a customer, the word-of-mouth retelling of experience has far-reaching consequences. In TARP research it was found that, in small purchases, customers who had a satisfactory experience told five people. At the same time, customers who were dissatisfied told 10 people (9).

Although these data can be seen as a cause for corporate distress, the very opposite may be the case. Complaints can be used as a marketing opportunity. Complainants who see their problems resolved by attentive, responsive companies often forgive past transgressions. Indeed, responsiveness is often rewarded with loyalty (7).

Noncomplainants complicate the satisfaction problem. In general, it has been found that the nonarticulated complaints are usually the easiest ones to resolve. With little effort, it is possible to remedy the situation and encourage repeat patronage (7).

The TARP conclusion is noteworthy:

Given the high costs of marketing, it may be less expensive to resolve the problem of an existing customer than to win a new customer. Repeat sales are especially important in highly competitive industries. The data, therefore, suggest that it may be in business' self-interest to solicit complaints. (7, p. 44)

Noteworthy in this regard is that few transit properties offer a service guarantee. Southern California Rapid Transit District (SCRTD) launched its service warranty program. SCRTD's program was generous and administered at the operator level. SCRTD lacked specific means of gauging lost revenue, but its estimate of revenue loss was considerably less than what had been projected.

Two other concepts can also be found in the literature. One deals with turning complaint handling units into strategic busi-

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Percentage of Unarticulated Complaints</th>
<th>Percentage of Customers Who Voice Complaints And Are Dissatisfied With Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services</td>
<td>39</td>
<td>26</td>
</tr>
<tr>
<td>Auto Repair Services</td>
<td>26</td>
<td>69</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>45</td>
<td>29</td>
</tr>
<tr>
<td>Car Rental</td>
<td>55</td>
<td>39</td>
</tr>
<tr>
<td>Direct Marketing</td>
<td>62</td>
<td>31</td>
</tr>
<tr>
<td>Utilities</td>
<td>45</td>
<td>45</td>
</tr>
</tbody>
</table>

Source: TARP Industry Specific Data
TABLE 3 Likelihood of Customer Repurchase After Dissatisfaction

<table>
<thead>
<tr>
<th></th>
<th>Major Complaints (Over $100 Losses)</th>
<th>Minor Complaints ($1-$5 Losses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non Complainants</td>
<td>9%</td>
<td>37%</td>
</tr>
<tr>
<td>Complainants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complaints</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not Resolved</td>
<td>19%</td>
<td>46%</td>
</tr>
<tr>
<td>Resolved</td>
<td>54%</td>
<td>70%</td>
</tr>
<tr>
<td>Resolved Quickly</td>
<td>82%</td>
<td>95%</td>
</tr>
</tbody>
</table>

Source: TARP/National Consumer Survey

ness units with quality as a focus. Another key concept is that of churning. Churning is seldom easily detectable and refers to the erosion of the customer base. Typically, marketing efforts (e.g., special pricing and promotions) can bring in new customers, but the gross effect is dissipated when existing customers become dissatisfied and leave. If the indicators (revenues, transfers, etc.) are positive and on the increase, this critical area can go undetected.

CONCEPTUAL MODELS IN CUSTOMER SATISFACTION

Any number of conceptual frameworks can be applied to customer satisfaction. In general, all can be reduced to the quantitative expression

Satisfaction = expectations − performance

In practice, performance can be equated with perception of the performance. This basic expression has been adopted throughout the customer satisfaction measurement field, with modifications made by users and practitioners. A model based on a customer-driven organization is shown in Figure 1. This model, of course, presumes that market research has already identified desires and expectations as customer needs.

OUTLINE FOR IMPLEMENTING CUSTOMER SATISFACTION AS COMPETITIVE STRATEGY

Customer satisfaction is a call to self-examination, which is as it should be. At the same time, there is the human tendency to slough off criticism. The experts in the field seemingly know better than the customer. Herein lies the critical danger.

It's tempting to forego analysis because you assume you know what customers expect. But assumptions don't make effective customer service strategies. Inward-looking companies that are guided by industry norms and their own past practices end up with inappropriate strategies, lower market shares, and anemic profits. Time after time, studies have shown large differences between the ways that customers define service and rank the importance of different service activities and the ways suppliers do. (10)

Who, then, should take the lead in the measurement of customer satisfaction? There are a number of possibilities providing that three criteria are met: first, the measurer must have independence; second, the measurer must be knowledgeable about customer satisfaction; and third, the measurer must have the appropriate research tools. The latter two are self-explanatory. Independence, however, is another story. The assessment of customer satisfaction is such that, without independence, there would be a tendency to be less than totally frank. Unless there are compelling reasons to do otherwise, the measurement of customer satisfaction should be outside the operations and marketing groups. A task force assigned this duty is one possibility. An internal audit group is another. An outside consultant experienced in customer satisfaction has distinct advantages.

The following in brief outline form is derived from a presentation of L. Crosby (at AMA/ASQC First Customer Satisfaction Conference, Chicago, 1989) delineating the process:

1. Establish the research question; begin exploratory research.
2. Define standards for performance relative to customer expectations.
3. Develop standards of comparison (a) over time and (b) against the competition.
4. Define the population to measure (current customers, former customers, noncustomers).
5. Select the sampling mode (telephone, self-administered questionnaire, intercept).
6. Select sampling methodology, procedure, and sample sizes.
7. Determine where to measure (customers' locations, provider's location).
8. Determine time frame (intermittent, periodic, continuous).
Maximum Customer = Getting the Job Done + Effective Complaint Satisfaction/Right the First Time Management Brand Loyalty

Respond to Individual Customers Identify Sources of Dissatisfaction Conduct Root Cause Analysis Feedback or Prevention

FIGURE 1 Maximum customer satisfaction (source: TARP).

THE NEXT FRONTIER: AN AGENDA

This paper has conspicuously avoided references to mass transportation literature. This was intentional: few examples exist. Programs derived from the Excellence series are a start. Brogan et al. (11) document a move in the right direction. The sessions on total quality management cosponsored by the TRB Committees on Management and Productivity and Transit Management and Performance at the 1992 TRB Annual Meeting provide another example. With several notable exceptions, though, few articles of substance have been disseminated. Although due consideration to employee involvement and buy-in is critical, more important, is a responsiveness to the customer (11).

The agenda for the 1990s and beyond should include the following:

1. Transportation services should be based on market research. The tendency of transportation professionals is to rely on models and "professional judgment." Market research tools are available today to form a sound basis for decision making. Considerable inroads have been made in this area. PATHuesday was originally started as a public relations effort but was taken to the next step and integrated into operations and the strategic planning process. With respect to this, L. M. Rocha of PATH noted that

by linking market research with the strategic planning process we were able to reduce the stigma associated with negative findings. Previously, market research findings that ran counter to management's intuition or that showed the need to improve certain areas were resisted as reflecting badly on management's past decision. (12,p.4)

2. Service standards should be based on customer demands rather than on industry standards. Headways, loading standards, and cleanliness, to name a few areas, need to be re-viewed from the customer viewpoint. The customer should decide whether a bus is clean; reliance on a standard of running buses through washers falls short. MDBFs and passenger miles fail to relate to a customer's direct experience and lexicon.

3. Customers should be treated as such, rather than impersonalized into fares or passengers. It is very difficult to treat living, breathing customers poorly; a remote, third person is another story altogether. Priority should be given to users of the services over funding agencies. Satisfied users can be prime movers in the funding process. The political process is ultimately sensitive to the needs of its constituents.

4. Customer satisfaction should be qualitatively defined and assiduously measured. Further, this should be done repeatedly (quarterly, monthly) and at the most basic (route and trip) levels.

This represents a start.

REFERENCES

9. G. Bargatze. Leveraging Customer Feedback To Achieve Mea-

Publication of this paper sponsored by Committee on Management and Productivity.