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*Satisfaction is Cheap –
 Loyalty is Priceless*

presented by
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What Is Satisfaction?

- Definition: fulfillment of a need
- Measured by self-reported rating, e.g.,

		Completely Disagree		Completely Agree
Overall, I am completely satisfied with my relationships with the staff.	1	2	3	4 5

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What Is Loyalty?

- Definition: frequency / proportion of re-use: frequency / proportion of recommendation / advocacy

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What's the Difference?

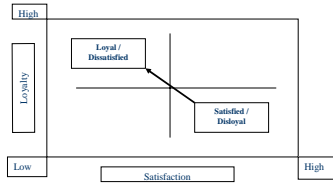
- Satisfaction → Subjective Domain
- Loyalty → Objective / Observable / Behavioral Domain


So What?

- Do ↑ Satisfaction Levels lead to ↑ Levels of Loyalty?
- Aren't Satisfied Customers Loyal Customers?
- No, Not Necessarily!

Markets Change!

Satisfaction / Loyalty Connection



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Satisfaction: The *Real* Story

Piece 1: Expectation
 Piece 2: Importance
 Piece 2: Experience
 Piece 3: Value

} Satisfaction


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Loyalty: The *Real* Story

- Loyalty behavior when experience is good
- Loyalty behavior when experience is bad
- Effective Recovery = Loyalty

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What Can/Should We Do?

1. Look more closely at satisfaction
 - What are the component parts?
 - Expectation, Importance, Experience, Value
 - How to / should we measure them?
2. Measure & manage for loyalty

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Satisfaction – Expectation

- Initial Marketing & Sales Claims
 - Pre-Conceived Ideas
 - Consumer
 - Adviser
 - Word of Mouth – Markets = Common Referents
- Measuring Expectation

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Satisfaction – Expectation

When is / was Relocation Decision Made?



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Satisfaction – Expectation

- Expectation “lives” in the future
- Expectations change with experience
- Upward & Downward

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Satisfaction – Expectation

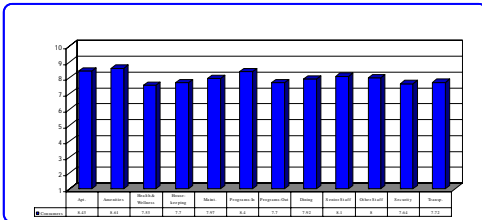
- Can we measure “expectation” during or after experience?
 - ✓ Tentatively, at best.
- Can we monitor “expectation” during or after experience?
 - ✓ Absolutely! Anecdote

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Satisfaction – Importance

➢ Can be measured before / during / after experience

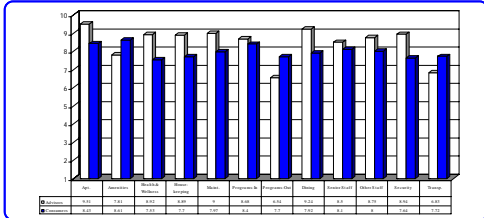


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Satisfaction – Importance

➤ Can compare importance between groups and over time



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Satisfaction – Importance - Limitations of Direct Measures of Importance

▪ Trade-Off or Conjoint Design

Which do you prefer?		
Moderate sized apartment with small kitchen, in rural setting, with full AI services for \$2,250 / mo	Or	Large sized apartment with big kitchen, in suburban setting with limited personal care services for \$2,850 / mo
Strongly Prefer Left	Equal	Strongly Prefer Right
1	2	3
4	5	6
7	8	9
10		

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Satisfaction – Experience

- Customer Service
- On What do Customers / Consumers base their assessments?
 1. The Pain / Pleasure Trend
 2. The High and Low Points
 3. The Ending

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The Pain/Pleasure Trend

Satisfaction – Experience

➤ Customers prefer a sequence that improves over time

✓ Recommendation: Get the bad stuff over quickly

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The Pain/Pleasure Trend

Satisfaction – Experience

➤ Customers are sensitive to the duration of pain and of pleasure

✓ Recommendation: Segment / stretch the pleasure, combine the pain

✓ Recommendation: If pain is anticipated, choice helps

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The Pain/Pleasure Trend

Satisfaction – Experience

➤ Negative experiences may be overwhelmed by positive endings

✓ Recommendation: End Strong, e.g., wave goodbye

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What About The Pain?

Service Errors and Recovery

- Effective Recovery → Loyalty
 - ✓ Recovery Must Be:
 1. Prompt
 2. Authoritative
 3. Follow Through

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What About The Pain?

Service Errors and Recovery

- The Correct Recovery
- Task Specific Errors (Outcome) – Lost garments / articles, wrong meal
 - ✓ Recovery - compensation
- Process Specific Errors – Rude, offensive behavior, or an error on a bill.
 - ✓ Recovery – apology / explanation / demonstration

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What About The Pain?

➤ Service Errors and Recovery

- Why Don't We All Get this Right?
 - Personal Defensiveness
 - Professional Pride
 - Culture of CYA
 - Loss of Wisdom → Turnover

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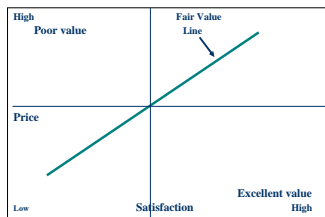
Satisfaction/Loyalty Connection

Satisfaction – Value

- Contribution of Value
 - Value exists in the realm of “fairness”
- Is this a fair price for this service?

Satisfaction/Loyalty Connection

Satisfaction - Value



Satisfaction/Loyalty Connection

Satisfaction – Value

- **Perceived value drives loyalty**
 - Value, satisfaction and importance
 - Value exists in context
 - Relationships among price and other attributes
 - Interactions among all attributes
 - Consumer market compares alternatives

Satisfaction/Loyalty Connection

➤ Managing Loyalty

- Don't major in the minor things
- Know what's important, and how satisfied consumers & customers are.
- Ask "Willingness to recommend" and then...
- Ask them to recommend!
- Testimonials
- Testimonials with photographs
- "Who should we contact?"

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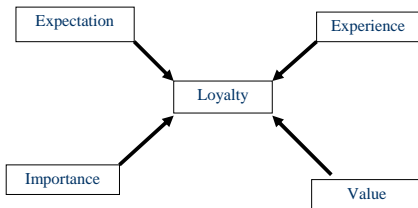
Satisfaction/Loyalty Connection

➤ Managing Loyalty

- Track Referral Source as Internal vs. External
- Employee, Resident or Advisor
- "Word of Mouth" too vague

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Satisfaction/Loyalty Connection



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