Quality playing a bigger part

The link between perceived value and how satisfied customers are has weakened, reports TEH SHI NING

Cheaper is not always better — for the customer, nor for business. While slashing prices may work well in the short term, says the Institute of Service Excellence at the Singapore Management University (ISES), that can benefit businesses to focus on raising quality instead of squashing prices if they wish to please and keep customers, one of two findings released alongside the latest Customer Satisfaction Index of Singapore (CSISG) scores for the retail and info-communication sectors.

Analyzing changes in the index from year to year, ISES and CSISG data collected from its launch in 2007 has shown a strengthening link between perceived quality and customer satisfaction. The link between perceived value — a mix of price and quality — and how satisfied customers are, however, has weakened.

Of course, while it is getting harder to "delight on just price elements," this does not mean companies "can raise prices indiscriminately and expect to maintain their sales volumes," says ISES academic director Marcus Lee. "The pricing should still be appropriate for the target segment. The message for companies is that they shouldn't expect higher satisfaction scores if all they do is drop prices." he says.

Retailers certainly seem to be looking beyond temporary price discounts — such as ones at the upcoming Great Singapore Sale — to better meet shoppers' expectations with higher quality products and services. Extending its upward trend, the sector's latest score rose 2.4 points from 2010 to 70.6 — retail's best performance so far. The improvement was broad-based too, with retailers of motor vehicles, jewellery, fashion apparel, and furniture, as well as supermarkets recording higher scores.

Next to that, the info-communications sector's store, though holding steady from a year ago, looks distinctively lacklustre. In fact, the sector's score, which has never stood higher since the start of the index in 2007.

They could perhaps find some use for the second finding that ISSE derived from its research: Questions asked of department stores and supermarkets' customers about companies' performance at the relationship level, beyond more front-line transactions. Companies should invest in "soft" aspects of building up their brands and customer relationships, ISES found. And while this is neither novel nor surprising, it is helpful to have data to back the findings up, Mr Lee says.

Respondents surveyed on department stores and supermarkets were asked a series of questions on how they perceive a company's branding, by looking at brand awareness, its community events sponsorship, corporate citizenship, and ethical standards among other attributes.

Each respondent was also asked about their perception of the company's relationships with customers, such as its sense of community, customer knowledge, and loyalty programs. In both cases, positive perceptions of brand and relationship attributes were strongly and uniformly correlated with higher customer satisfaction and loyalty, Mr Lee says.

Customers surveyed on how well department stores and supermarkets fare in brand and relationship building also ranked these companies as strong as media advertising, but weak in corporate social responsibility (CSR) initiatives.

And while they are quite effective at gaining customers' trust, they fare more poorly when it comes to producing a sense of community among customers — which is one way of fostering greater loyalty, ISES says.

There are various channels through which these attributes eventually impact satisfaction. ISES director Carol Anne Lim says one way CSR efforts feed greater customer satisfaction: "Employees who believe in the company become employees who believe in the company," she says.

The link between satisfaction and the all-important bottom line, is customer loyalty which allows the company to reap greater value over a single customer's lifetime.

Which is why, "fostering customer relationships rather than petty transactional relationships helps to build customer loyalty and sustainable long-term profitability," says Ms Lim.

"Employees who believe in the company become good brand ambassadors and the customers they come into contact with will feel this," — ISES director Carol Anne Lim

Doing well: Extending its upward trend, the latest Customer Satisfaction Index of Singapore findings, the retail sector's latest score rose 2.4 points from 2010 to 70.6

Date: 24 May 2011
Publication: The Business Times, p 11
Headline: Quality playing a bigger part