Predicting Customer Dissatisfaction

To retain dissatisfied customers and prevent them from turning off potential buyers through bad word-of-mouth you need to know when they are dissatisfied and why. Only then can you consider solutions to resolve these matters.

Because customers frequently don't report dissatisfaction, turning negative experiences into positive ones requires you to predict dissatisfaction. Then, measuring the impact of customer dissatisfaction will help you determine the return on investment (ROI) for making service improvements.

The first step is to quantify the cost of dissatisfaction. Typically, only customers with extreme experiences will take action. Those who are very satisfied (grading their service at 8 or 9 on a 9 point scale) will recommend a company's products and services. Those who are very dissatisfied (grading their service at 1 or 2) will churn or refuse to repeat purchase. They will most likely also recommend that others not purchase those items.

The formula for quantifying the cost of dissatisfaction is:

  Lifetime Value of Customers
x Number of Highly Dissatisfied Customers Who Churn
  Cost of Dissatisfaction

Let's look at this for a consumer electronics firm:

Definition	**Calculation**	**Client Numbers**	**Value**
Lifetime Value of Customer	Average margin per unit x Average expected units purchased by satisfied customers during the next five years	$350 x 4	$1400
Number of Customers Who Churn Per Month	Number of highly dissatisfied customers x Percent of highly dissatisfied customers who do not repeat purchase	10,000 x 35%	3,500
Cost of Dissatisfaction	Lifetime value x Number who churn per period	$1,400 x 3,500	$4.9 million

The cost of dissatisfaction varies. It is the highest in competitive industries where customers make multiple purchases and the lifetime value of the customer is high (such as consumer electronics). It is the lowest where there are monopolies and customers make single purchases.

Understanding drivers and create the model

The next step is to understand the drivers of dissatisfaction for your customers and create a predictive model. You need to develop hypotheses, undertake gap analysis and data/CRM scrubbing before you can create an effective predictive model.

Conducting open-ended interviews with your customers will help develop hypotheses on what drives dissatisfaction. The interviews should focus on the customer service you offer as well as product or service itself.

As few as 25 to 50 interviews are sufficient. The interviewees selected should be customers who are known to be dissatisfied, such as those whose calls were escalated, those who recently churned, and those who have filed formal complaints.

Example questions can include: “What upset you most regarding your experience?”; “What could we do to improve customer service?”; and “What are the things we do well, and what are the areas that need the most improvement?”

Themes will emerge quickly. In the consumer electronics example, what was revealed was that the company took too long to help customers, didn’t solve problems on the first call, transferred customers too often and that their product set-up instructions were not clear. Using the key issues identified during these interviews, you can develop detailed surveys that you can present to a larger sample of customers.

Let’s look at one area: “Took too long to be helped”. The probing questions for the detailed survey include: “Amount of time in queue before reaching an agent”, “Amount of time agent required to help you” and “Amount of time agent put you on hold”.

You can assess overall satisfaction by asking questions such as: “Considering all your experiences, rate your satisfaction with our company.”, “How likely would you be to purchase from us again?” and “How likely would you be to recommend us to a friend?”

The keys to a good survey are gap analysis (the difference between satisfaction level and the importance of different service elements), data gathering (numerical questions in addition to gap questions), probing on agent performance and company performance, and assessing the customer’s overall satisfaction and likelihood to repurchase.

Gap analysis is vital because it prioritizes the issues that need to be resolved. You can stack rank issues based on the size of the gap between the satisfaction level and the issue’s importance to customers. Issues where satisfaction is low and importance is high are the main issues to focus on.

Also, scrubbing CRM and call tagging data can help deepen your understanding of key issues. For a consumer electronics firm, operating system reinstallation and field dispatches are the majority of issues that require multiple calls to customer service.

Gap analysis and scrubbing provide the data to run a regression analysis that creates the Predictive Model of Dissatisfaction. For the consumer electronics firm discussed above, surveys revealed that the need to make multiple calls to resolve a single service issue is the primary driver of dissatisfaction, with customers being almost twice as dissatisfied as 'normal' if two calls are required and more than four times as dissatisfied if three or more calls are required. In this instance, "normal" is defined as a baseline representing the likelihood a caller who only had to call once will be dissatisfied.

Implement actions to prevent and/or reduce dissatisfaction

Actions can be taken before, during, and after the call to eliminate dissatisfaction before it happens or to reduce it once it does happen. Here are some examples:

- If extended queue time is a dissatisfier, increase staffing to reduce wait times.

- If customers do not like to be transferred, redesign the IVR to reduce transfers to the wrong queue.

- If extended handle times are an issue, improve agent training, the knowledge base and system response times.

- If multiple calls are required to handle customer problems, boost agent training and implement skill-based routing.

Use pilot programs to test and determine the cost effectiveness of these initiatives. Touch-point campaigns can be used to proactively contact customers that the model predicts will be dissatisfied. For the consumer electronics company, customers who had to call two or more times to have their problem resolved were contacted in three ways: After Call Survey, Outbound Call and Email.

While all three methods were found to be extremely effective at reducing dissatisfaction, the automated After Call Survey delivered the greatest ROI. Live outbound calls had the greatest impact, but surveys also had a dramatic impact on satisfaction at much lower cost.

Measure results and adjust

The impact of these methods on dissatisfaction should be clear and measurable over time. When you quantify the value created with satisfaction programs, make sure to include the cost of the improvement initiatives. For example:

Original Cost of Dissatisfaction	$1,000,000
- Less New Cost of Dissatisfaction	- $400,000
Value Created	***$600,000***
Less Cost of Programs	
- AHT Increase	$50,000
- Training and Implementation	$50,000
Total Cost	***$100,000***
Net Value Created	**$500,000**

Once you have reduced churn by turning dissatisfied customers into satisfied ones, you can focus on making them into happy customers who are eager to refer you to other potential buyers.

-- Glenn Dispenziere, Senior Vice President, Sales & Marketing, eTelecare Global Solutions