

## PROPOSITION OF A MARKETING METRIC TO MEASURE THE CUSTOMER'S SATISFACTION

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### ABSTRACT

*The Marketing has always been very criticized by being measured, many times, for subjective results, and that does not match to a more and more logical and rational world. The purpose of this article is to describe and to propose marketing metric to measure the level of the customers' satisfaction. To do so, an exploratory research was accomplished in national and international newspapers and in papers published in events. There is a reduced number of articles on the theme written of individual form. It was verified that the theme approached is little studied, based on the researched bibliography, it was found only five documents describing the metric now used. The metric Net Promoter Score (NPS) was listed as the most appropriate to measure the customer's satisfaction. It was evident still, the need of development of more researches with the objective to verify the application of other marketing metrics, in function of the importance of the theme for the decision-making by entrepreneurs, administrators and investors.*

**Keywords:** *Satisfaction, marketing metric, CRM, Customer*

### 1 INTRODUCTION

The challenge of consistent companies is to maintain a strong relationship with their most profitable customers. Among the strategies adopted by companies to achieve this goal is the implementation of CRM (Customer Relationship Management) programs.

In the 80s, with the increasing competition between companies and the growth of after-sales service, the customer started to be seen from a strategic perspective by corporate managers. Thus, the need to measure their satisfaction arose, and, to this end, some indexes have been developed in various countries and regions which could measure customer satisfaction, as in Sweden (1998), USA (1992), Norway (1996) and Europe (1998), for example.

The biggest question of those who develop relationship marketing programs is to choose and use an index that can actually measure the level of customer satisfaction within the proposed objectives in the company programs.

Customer satisfaction has always been and remains one of the key performance indicators of companies. This indicator is part of rules of the ISO 9000 series which defines it as one of the main questions.

The purpose of this article is to describe and propose a marketing metric to measure the level of customer satisfaction. Attention was paid to the study of NPS index (Net Promoter Score), which is a customer satisfaction metric developed by Fred Reichheld (Reichheld, 2006).

This article is divided into: introduction, theoretical reference, methodology, results and conclusion, in addition to the pre and post-textual parts.

### 2 THEORETICAL REFERENCE

In the theoretical reference the concepts necessary for contextualization and understanding of the theme are presented.

#### 2.1 CRM (Customer Relationship Management)

The first understanding on the subject is done by the realization that customer satisfaction metrics are part of a relationship program that is implemented by the company, Gummesson (2010) states that relationships are part of human nature, they are eternal and independent of culture and are present in businesses of all types and sizes.

Analyzing Gummesson (2010) still, it is observed that the author asks the following question: RM, CRM, ONE-TO-ONE, MANY-TO\_MANY: WHAT ARE THEY IN REALITY? According to Gummesson (2010), relationship marketing is the interaction of social networks, such that the author presents the main concepts that constitute the MR: relationships, networks and interaction.

*Relationships* require at least two parties who are in contact with each other. The basic relationship of marketing, the dyad, is that between a supplier and a customer. A *network* is a set of relationships of many parties, which can become extremely complex models. In relationships, in simple networks or in complex networks, the parties enter into active contact with each other. This is called *interaction* (GUMMESSON, 2010, p. 22).

The application of the previous concept can vary in three ways: over time, as for technology and the market conditions. An example is when a consulting firm in administration provides service for business-to-business (B2B) customers; it is understood that this is not a business-to-consumer (B2C) marketing. To Gummesson (2010) Ericsson is a combination B2B (systems for telecom operators) and B2C (mobile phones).

It is inferred that the relationship with customers can be from companies to companies, in this case the customers would be legal entities and it may also be companies to final consumers, in this case, customers would be individuals.

After the Relationship Marketing, the One-to-One Marketing emerged and the CRM (customer relationship management) as well. The last two concepts represent the same basic idea, but nowadays the most used term is CRM (Gummesson, 2010). According to Matta (2004), CRM ceased to mean only the Regional Council of Medicine, and began to be part of the corporate world with the meaning in English, Customer Relationship Management; much is said of this new way of doing business.

Based on the concepts of Relationship Marketing and Customer Relationship Management, Gummesson (2010) presents his interpretation:

I prefer RM (Relationship Marketing) as the predominant concept for a new type of marketing and CRM, as techniques for dealing with customer relationships in practice. My CRM definition follows the definition of RM: CRM are the values and strategies of RM - with special emphasis on the relationship between a client and a supplier - transformed into practical application and dependent on human action and information technology (GUMMESSON, 2010, p.23).

In the words of Zenone (2010, p. 47) "the great goal of a company should be getting and keeping customers," the author also points out that to achieve this goal an appropriate management service and a relationship strategy that matches the profile of its target audience, are of utmost importance.

For Peppers and Rogers (2000) apud Zenone (2010, p.69) "It is mainly through the analytical tools that we identify customers with lower and higher value for the company. Different treatments were developed, seeking personalization of customer care, which is the basic CRM strategy".

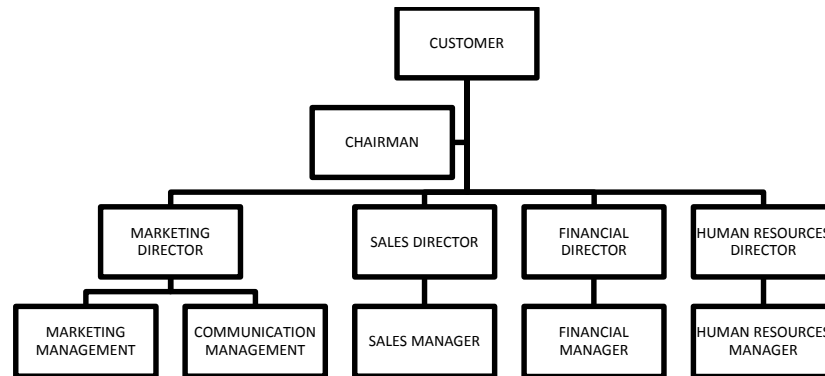
It is evident that the RM is not just a bag of tricks to capture the consumer. It offers a wide range of conditions for a more efficient administration and marketing - and opportunities of making money (GUMMESSON, 2010).

It is interpreted that CRM has already been defined as a systematic way to apply the RM in practice, especially in the case of customer relationships. It means an active work to deal with relationships with customers on a large scale, keeping in mind the long-term profitability and survival.

In the end of the 90's, 50% of large US companies (the top 500 according to Fortune) had Relationship Managers and this number is probably growing; it was observed that the Special Account Managers who are responsible for large B2B customers, as well as CRM managers, dealing with the transition to CRM systems, grew in number; however, these positions can be only supporters and in order to become effective, the RM / CRM needs to be inserted throughout the organization and its culture (GUMMESSON, 2010).

According to Matta (2004) while the margins decrease more and more, and the profitabilities are compromised, it has shown to be a great alternative to corporations of the new millennium, regardless of size. This has led the CRM to be presented as a new way of thinking a business.

Thus, the client passes to occupy the most prominent position in the new organization chart of the company, as shown in Figure 1:



Source: Matta (2004).

Picture 1: The customer and the organization chart

In this chart, the client passes to occupy the most important position within the Organization Chart of the companies. We talk about customer focus rather than focus on the product. For Matta (2004), from this statement there is a clue of what really meant the first who conceptualized the CRM. It is very important to understand the initial proposal of CRM. This proposal really brings a differentiated content to the corporate world, while it is challenging at the same time.

The main idea of relationship Marketing is to know the customer and to find out what he thinks, wishes and accepts, creating an intimate relationship in order to make the offer of products/services appropriate. Therefore, the authors Stone and Woodcock (1998, p.3) describe the relationship marketing for clients such as:

We find you, we get to know you, keep in touch, try to ensure that you get from us what you want - not just in terms of products, but also in all aspects of our relationship with you and check whether you are getting what we promised you. Provided, of course, it is advantageous for us.

At the current stage of marketing management, it is possible to use technology solutions such as CRM, to obtain reliable results, i.e. regarding the customer relationship criteria, one must, by methods and correct processes, increase customer loyalty and find one's interpretation of the company. So, what often lacks for most companies, so they can achieve these results through relationship methodologies, is the in-depth study of their own processes. Therefore, the CRM is more than a proposal or loyalty program. For Zenone (2010, p. 62), "it is a corporate strategy, a continuous and integrated effort of all organizational areas, in long-term."

From a technological point of view, it is perceivable that the CRM is not just "software", however, although only the technology does not guarantee success or failure of CRM implementation process, in this case it is important. To capture, analyze and use data so that they bring benefits in the company's interaction with customers, some kinds of tool are necessary to assist in this process. The software will then do this role, making it quicker and easier to organize information, once it would be difficult or perhaps impossible to manually control the movement of a company that has a large number of customers.

## 2.2 Customer Satisfaction

Using Kotler's words (2005), the consumer satisfaction after a purchase depends on the offering performance in relation to its expectations. In this author's opinion, satisfaction consists on the pleasure or disappointment felt by a person resulting from the comparison between the perceived result of a product and his/her expectations. So, if the performance does not meet expectations, the customer is unsatisfied; if the performance meets expectations, the customer is satisfied; if performance exceeds expectations, the customer is highly satisfied or delighted.

According to Lovelock (2006), customers have several levels of satisfaction or dissatisfaction after each service experience according to the extent to which their expectations were met or exceeded. In Kotler (1998), it is found a statement that says that many companies aim at high satisfaction because consumers who are just satisfied will be willing to change when a better offer appears.

Therefore, the need of the existence of methods to measure the degree of satisfaction is a *sine qua non* requirement for the competitiveness of organizations, in particular to develop appropriate strategies for customer retention. In Kotler's assertion (1998), some of the most successful companies are increasing consumer expectations and improving their conditions of service. These companies are guided by CTS – *consumer total satisfaction*, for example, Xerox ensures **total satisfaction** and the replacement of any equipment purchased if the consumer is dissatisfied for a period of three post-shopping (KOTLER, 1998).

As stated in Kotler (1998), Dell was the first microcomputer manufacturer to institutionalize the delivery of consumer satisfaction focusing on service and support. As Gummesson (2010), *the customer relationship life cycle* is based on the belief that the supplier's ability to meet the needs and fulfill the promises determines the chances of keeping the customer.

As for Las Casas (1997, p. 153), the companies adopted the practice of satisfying customers due to the fierce competition found in certain markets and the growth of more demanding consumers seeking greater attention from traders as well. However, it is observed that many companies say they are paying attention to their customers, but in practice it is known that there are few that really apply truly orientation, that is, customer focused.

It is understood that in the service profit chain, good internal quality is related to satisfied employees who remain in the company; good internal quality also generates good external quality and, consequently, satisfied customers who remain maintaining trade relations with the organization. This virtuous cycle generates **profitability**.

### 2.3. Marketing Metrics

In the affirmation of Farris et al. (2007) measure marketing activities has been a challenge for executives. Conforming to Gummesson (2010) "in business we want to know the financial impact of our activities; the 'basic idea' is a magical concept ", this magical concept requires managers to make inquiries about the Relationship Marketing and its management.

How will these managers know if the RM programs are contributing to the organization's profits? The metrics are necessary, but remembering that the short-term profit is not the only indicator of success. It is assumed that the effects of Relationship Marketing are long term and its related factors are strategic and qualitative, such as the planned growth, basic research and development, and the acquisition of resources through networks; they are all guarantees for the future.

Nonetheless, the corporate environment revolves around numbers, metrics are also required in the relationship with the customer. Companies continually assess the return of the financial capital. As said by Kano, Takahashi and Tsuji (1984) there are three types of attributes that influence customer satisfaction in different ways, according to the model developed by him:

*Requires attributes:* If these attributes are not present or if their performance is insufficient in the product or in the service, users will be extremely dissatisfied. On the other hand, if these attributes are present or are met, they will not bring satisfaction. Customers see these attributes as prerequisites and do not mention the demand of mandatory attributes when it is asked, because they consider them as inherent to the product or service.

*One-dimensional attributes:* in these, customer satisfaction is proportional to the level of performance of the product or service, and, the higher the level is, the higher the customer satisfaction will be. Generally, the one-dimensional attributes are explicitly required by the customers.

*Attractive attributes:* the care of these attributes brings a satisfaction more than proportional to the customer. Yet, they do not bring dissatisfaction if they are not met. The attractive attributes are not explicitly expressed and not expected by the user (KANO; TAKAHASHI; TSUJI, 1984; ZABOTTO; HOFFMANN; BENZE, 2009).

After defining the requirements / attributes it is possible to think of metrics, once that to measure something it is necessary to set before the requirements, standards or criteria. It can be noticed that it is possible to reach

some numbers, such as: number of closed cases, number of missed calls, number of customer served, and so on, it can be seen that the discussion in the literature goes around the limited power of marketing professionals in the boardroom and executive level, a possible lack of credibility because "marketers can no longer rely on unproven hypothesis that increased customer satisfaction ... will automatically mean higher financial performance"(DOYLE, 2000 apud GUMMESSON, 2010 p. 260).

The focus of this article are the customer satisfaction metrics, and when studying the theme it was observed that customer satisfaction is under direct influence of the indicator - customer retention rate, Gummesson (2010) analyzes the customers retention rates with their level of satisfaction conducted by several studies.

Some studies reveal that there is a considerable difference in the retention rate among those who say (in a questionnaire) who are *very satisfied* and those who are just *satisfied*. Pitney Bowes, postage machine manufacturer, found that 78.2% of very satisfied customers said they would remain being their customers in the future, while only 20.9% of satisfied customers would remain faithful. For Xerox, the corresponding figures were 80 and 14%. A deeper analysis is on loyalty matrix (loyalty accounting matrix). The matrix combines *attractiveness* of a supplier ("brain appeal") and the *relationship strength* ("emotional appeal"). The most satisfied customers are called ambassadors. They consider the supplier very attractive, have a strong relationship with it and recommend it to others. The other groups are made up of loyal customers who are less enthusiastic than the ambassadors, but have high marks in both the attractive force as in the relationship. The diagonal line represents the risk of customers who are easy prey of competitors. The last two groups are those who are actively looking for a new supplier and those customers who have already been lost (GUMMESSON, 2010, p. 261).

According to Band et al (2007), Forrester interviewed 58 executives on best practices for relationship enhancement program management with customer (CRM); according to respondents, the definition of clear CRM objectives and the **establishment of right metrics** before the acquisition of technology are vital to the company (emphasis added). Keeping with Band et al (2007) it is necessary a definition of the specific metrics for CRM result control, for instance: customer service metric may include the number of closed cases daily, the number of calls answered by agent or percentage of compliance of service care in accordance with the level of services.

The use of metrics was studied by Pupo and Botelho (2011) and structured for the Management of Private Higher Education Institutions, proving that even in education field it is possible to think of student satisfaction, return rates of HEI (IES) among other possible marketing metrics to be used.

A customer satisfaction survey program must bring on it the aspects of persecuted value by Marketing. As stated by Gummesson (2010, p 258) "The research program makes questions like: How can the value be created by marketing, and how can it can be defined and measured?"

### 3. METHODOLOGY

Type of research: the research conducted was exploratory, which according to Gil (2002, p. 41) "this research aims to provide greater familiarity with the problem, in order to make it more explicit or form hypotheses."

Material: it was used computer with internet access. The search for websites was made by the Google search robot, with the keywords: satisfaction, marketing metrics, CRM, customer.

Procedures: With the purpose to try to answer the questions of entrepreneurs and suggest a metric that can really help them to measure customer satisfaction, an exploratory research was made in journals by national and international authors as well as on papers presented at national conferences. The technical literature has not been ruled out and the interview with Fred Reichheld awakened the interest in further study of the NPS (REICHHELD, 2008).

### 4. RESULTS AND DISCUSSION

It was created a folder on the computer to organize the downloaded documents. The folder contains many documents on the subject. In Table 1 are highlighted the main documents that deserved analysis of the metrics used in the marketing area:

| Nome of the document   | Type of document   | Source  | Reference to NPS  |
|--|--------------------|---|---|
| The CRM correct metric to you organization.<br>(BAND ET AL, 2007)  | Technical Article  | Article from the website <i>Mundo do Marketing</i>                                | It doesn't mention the NPS. The author talks about metrics to CRM in a general way and not specific to customer satisfaction.   |
| Feasibility of use of customer value measured in the pharmaceutical industry.<br>(VENDEIRINHO, 2009)   | Thesis             | Thesis of the Master Degree of the New Lisbon University                          | The author highlights the CLV metric (Customer Lifetime Value). The CLV metric incorporates consumer behavior, but is not specific only to this item  |
| Study about satisfaction and customer loyalty in a computer company.<br>(ALEXANDRINI ET AL, 2007)  | Scientific Article | Article presented in the IV Symposium on Excellence and Management and Technology | The author mentions the NPS. He highlights the importance of satisfaction on customer loyalty, uses questionnaire based on customer expectation and evaluation of what was found in the relationship with the company, but does not show clearly the metric that was used.  |
| Orientation to customer value and new marketing metrics: review and analysis.<br>(VALENXUELA ET AL, 2007)  | Scientific Article | Article published in the Panorama Magazine - Chile                                | The authors do not mention the NPS. They stress that companies should seek customer satisfaction in order to achieve greater profitability. They also state that organizations should aim for customer value management.  |
| The ultimate question: Would you recommend us to a friend? How to generate sustainable growth turning customers into promoters<br>(REICHHELD, 2006). | Book               | Book from Elsevier Publisher  | Of all the metrics studied, it was the NPS that sensitized the most to measure customer satisfaction in a company. The metric divides customers into three categories (promoters, neutrals and detractors); uses a scale of zero to ten, where ten means that a recommendation is "highly likely" five is neutral and zero means "not likely at all." |

#### 4.1 The NPS Index by F. Reichheld as a metric to measure customer satisfaction

Measuring customer satisfaction is not an easy task; few companies have a metric to measure satisfaction. In a way that to implant this metric involves a lot of work and resources, and even a change in the culture of the organization, because the data need to be updated regularly and need to be trusted above all. The question that imposes is: how to measure the level of customer satisfaction?

Fred Reichheld (2006) answers this question by saying that it is the simplicity in its purest form, ie, *how likely are you to recommend this company to a friend or colleague?* The metric obtained by this question is the Net Promoter Score (NPS).

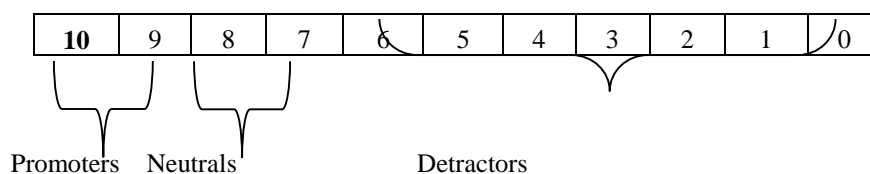
NPS is based on the fundamental belief that the customers of each company can be divided into three categories:

- The *Promoters*, who are the loyal enthusiasts that keep buying from a company, and insist on their friends to do the same;
- The *Neutrals* are satisfied clients but little enthusiastic, and they can easily be seduced by a rival;
- The *Detractors* are the unhappy consumers that find themselves stuck in a bad relationship. In order to classify the customers, Reichheld (2006) used a scale from zero to ten, in which ten means that a recommendation is **highly likely**, five is **neutral** and zero means **not likely at all**.

A *growth engine* working at full efficiency would be able to turn all the customers of a company in promoters. The worst of the engines would be able to turn all customers in detractors. The best way to measure the efficiency of the growth engine is to get the percentage of promoter customers (P) and subtract from this percentage the detractors (D). This way, you get the NPS.

$$P - D = NPS$$

When the behavior of customers on this scale is mapped, it is found the three logical groups, as shown in Figure 2:



Source: Reichheld (2006)  
Picture 2: The NPS Metric

Grouping customers in these three groups - Promoters, Neutrals and Detractors - provides a simple and intuitive layout able to predict consumer behavior accurately.

It was also discovered that NPS will be able to provide the easiest and most effective summary to understand of a company's performance in this context.

## 5. CONCLUSION

In face of the objectives proposed in the article, and after the description and analysis of NPS metric, it is concluded that it can be used for any type of company to assess the level of customer satisfaction. This is a practical metric and easy to use in day-to-day business, as propose its use.

On the other hand, it appears that the NPS metric will also be able to be used for Relationship Marketing strategies, since the CRM is to maintain long-term promising customer relations, and this is done with the intention that they assume responsibility of disseminating the work and the company's brand.

There are several factors that must be observed and incorporated by organizations, among which we highlight: customer focus, quality of service, understanding of competitors, organizational performance and the market itself.

But most of all, it's necessary to know our customers, their preferences and their potential purchase, so that the strategies be implemented aiming to narrow a relationship in a deeper and lasting way. Thereby, the financial success of the company will be the consequence and not the purpose of profit being put before the quest for exceeding customer expectations.

It was evident the need to develop other studies in order to verify the application of other marketing metrics, based on the importance of the issue for decision making by entrepreneurs, managers and investors.

However, the metric NPS features an easy structure of companies to use, a fact empirically proven through informal conversations between researchers and entrepreneurs who are already making use of it.

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