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Satisfaction Chain

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Customer Satisfaction in the Context of CRM

- Customer Satisfaction is a strategic metric derived from the comparison between "actual perceived performance" and "set expectations." If the outcome is lower than expected, dissatisfaction occurs; however, if it meets or exceeds expectations, it creates a positive impression.
- Satisfaction in a CRM context acts as a compass measuring the state of the relationship between a brand and consumers. It emphasizes personalization to deliver the most relevant value, covering every touchpoint throughout the entire customer journey.
- Customer Satisfaction is an intangible asset that forms the foundation of loyalty and customer retention. It helps reduce the cost of new customer acquisition and increases Customer Lifetime Value (CLV), resulting in a sustainable competitive advantage for the organization.

"Satisfaction" vs. "Delight"

- Satisfaction is receiving a product or service that "meets expectations," which is a neutral state where customers are prone to easily switching to competitors if offered a more attractive deal.

- Delight is receiving value that "exceeds expectations" and creates a positive surprise, leading to emotional engagement, trust, and word-of-mouth as a brand advocate.

The key difference lies in the level of the outcome: Satisfaction is merely fulfilling basic needs, whereas Delight is creating a competitive advantage that is difficult for competitors to replicate.

"Satisfaction" vs. "Delight"

Comparison Dimension	Satisfaction	Delight
Expectation Level	Meets expectations	Exceeds expectations
Emotions & Feelings	"Calm, accepting, fulfilled"	"Excited, joyful, surprised"
Impact on Loyalty	Low to Moderate (Easy to switch)	Very High (Emotional bond formed)
Word-of-Mouth Behavior	Recommends when asked	Recommends spontaneously

Therefore, brands must design experiences that create points of delight to transform casual customers into the organization's most valuable long-term assets, rather than merely maintaining standards to avoid customer complaints.

The Concept of Satisfaction: From Product-Centric to Customer-Centric Era

The evolution of the customer satisfaction concept has shifted along with changing economic conditions and technology, which can be divided into 3 important periods as follows:

1. The Product-Centric Era: Businesses primarily focused on economies of scale and product quality, viewing satisfaction as "functional perfection"-where products must be durable and reasonably priced. During this era, businesses conducted almost no customer data collection or ongoing relationship building, considering satisfaction merely a byproduct of standardized manufacturing processes.

The Concept of Satisfaction: From Product-Centric to Customer-Centric Era

2. The Market-Centric Era: Businesses focused on communication and sales to create differentiation amid increasing competition. They began using "customer service" as an attraction tool; however, satisfaction and relationships remained transactional and occurred on a case-by-case basis.

3. The Customer-Centric Era: Satisfaction is the understanding of "value" through the perspective of each individual customer by using data analytics. Businesses start by analyzing pain points to design personalized experiences and elevate satisfaction as the ultimate goal throughout the customer lifecycle to create a sustainable competitive advantage.

Expectancy-Disconfirmation Theory (EDT)

Expectancy-Disconfirmation Theory (EDT) explains that satisfaction does not arise from product quality alone, but from a psychological process where customers compare "pre-purchase expectations" with "perceived post-use performance." This leads to outcomes categorized into 3 forms as follows:

1. Positive Disconfirmation: Occurs when the performance of the product or service is "better" than expected, which builds loyalty and generates positive word-of-mouth from customers.
2. Confirmation: Occurs when the performance of the product or service "matches" exactly what was expected. Customers will be accepting but not particularly excited.
3. Negative Disconfirmation: Occurs when the performance of the product or service is "lower" than expected, leading to customer dissatisfaction.

Expectancy-Disconfirmation Theory (EDT)

Importance to Relationship Management Strategy:

- Understanding this theory helps relationship managers see the importance of "expectation management" by communicating honestly and avoiding over-advertising, in order to prevent negative disconfirmation when customers actually use the product or service.

- Using a CRM system helps collect data on the expectation levels of each customer segment, which can then be used to design services that align with or exceed those expectations, while the business can still maintain its profitability.

Equity Theory

Equity Theory focuses on analyzing customer perceptions of "fairness" in transactions. Customers evaluate satisfaction by comparing the "ratio" between what they invest (Inputs) and what they receive in return (Outputs)

Comparison Components:

1. What customers provide (Inputs): Everything a customer invests to obtain a product or service.
   - Monetary: The price paid.
   - Time: Time spent searching, traveling, or waiting for service.
   - Effort: Physical and mental energy used to access or learn how to use the product.
   - Personal Data: Disclosing personal information in the CRM system in exchange for services.
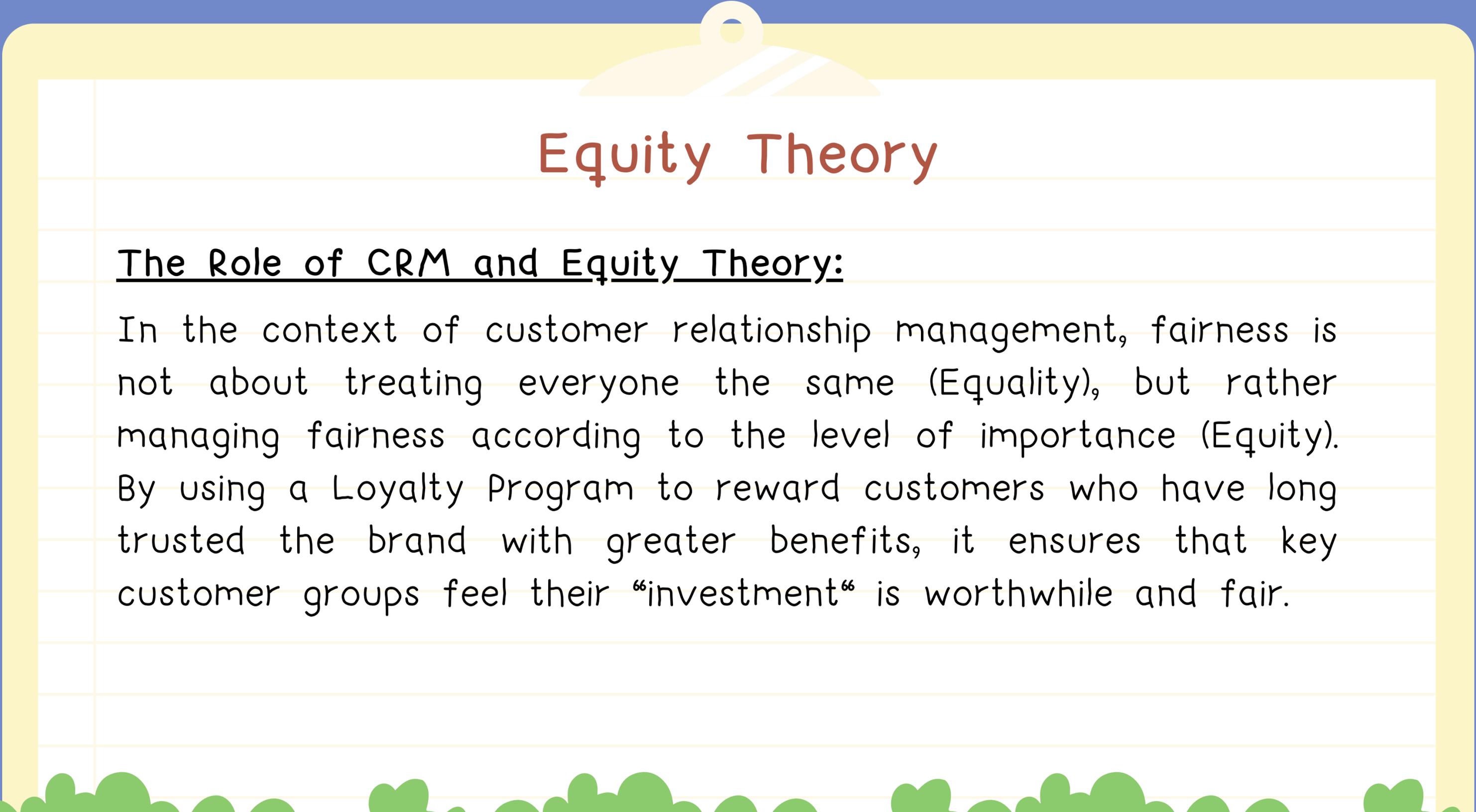
Equity Theory

<u>**Comparison Components:**</u>

2. What customers receive (Outputs): The value that customers get back from their investment.
   - Product Value: Quality and core functions of the product.
   - Excellent Service: Attentiveness and care from staff.
   - Benefits: Discounts, accumulated points, or early access to privileges.
   - Emotions and Feelings: Pride, confidence, or the feeling of being someone special.

Customers will be satisfied when the "ratio between what is given and what is received is balanced and fair," whether compared to general standards or to what other customers receive.

- If they receive inferior service despite paying the same (Under-benefited), severe dissatisfaction will occur.
- If they receive benefits that are more than worth their effort (Over-benefited), it will create a high level of satisfaction.

Equity Theory

The Role of CRM and Equity Theory:

In the context of customer relationship management, fairness is not about treating everyone the same (Equality), but rather managing fairness according to the level of importance (Equity). By using a Loyalty Program to reward customers who have long trusted the brand with greater benefits, it ensures that key customer groups feel their "investment" is worthwhile and fair.
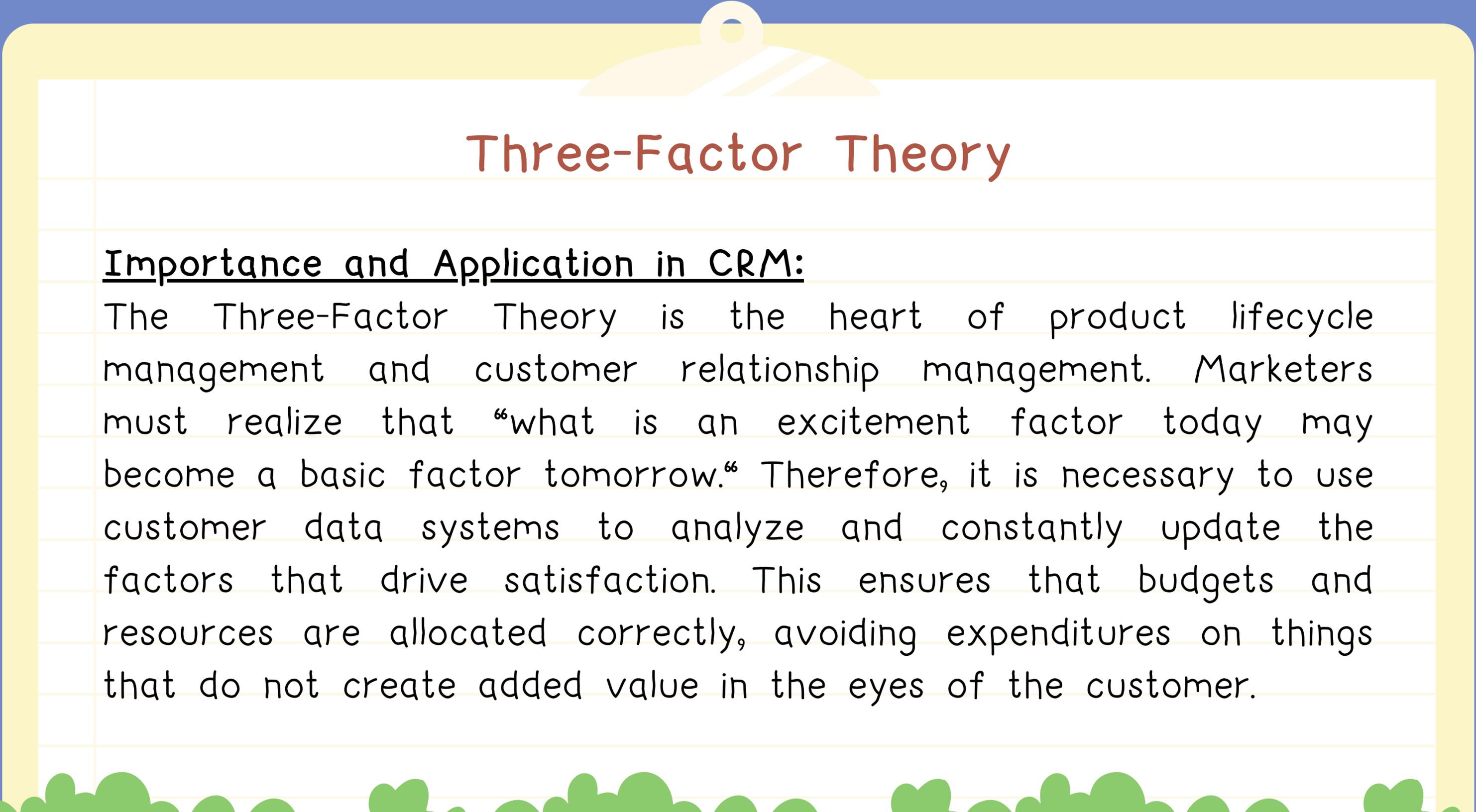
Three-Factor Theory

Three-Factor Theory is a conceptual framework that helps customer relationship managers understand that each type of factor in a product or service affects satisfaction at different levels. Factors affecting satisfaction can be classified into 3 main categories:

1. Basic Factors: These are what customers consider "must-haves" as a minimum standard. If the business performs these well, customers will feel neutral, but if they are missing, it will immediately lead to severe dissatisfaction.
2. Performance Factors: These are factors that directly impact satisfaction. The more the business delivers, the more satisfied the customer becomes.
3. Excitement Factors: These are things that fulfill "latent needs." In other words, if they are absent, it is acceptable, but if they are present, customers will feel highly impressed.

Three-Factor Theory

<u>Importance and Application in CRM:</u>

The Three-Factor Theory is the heart of product lifecycle management and customer relationship management. Marketers must realize that "what is an excitement factor today may become a basic factor tomorrow." Therefore, it is necessary to use customer data systems to analyze and constantly update the factors that drive satisfaction. This ensures that budgets and resources are allocated correctly, avoiding expenditures on things that do not create added value in the eyes of the customer.

Attribution Theory

Attribution Theory explains the psychological process in which customers attempt to find the "cause" of events, especially when dissatisfaction occurs. This is to diagnose who or what is the root cause of the problem, rather than merely perceiving what problem has happened. Customers typically evaluate the cause through 3 key dimensions as follows:

1. Locus of Causality: Who is at fault?
   - Internal: The problem originates from the customers themselves (e.g., forgetting a password) -> Customers usually do not get angry at the business.
   - External: The problem originates from the business (e.g., system crash) -> Dissatisfaction levels spike.

Attribution Theory

3 Dimensions of Causal Attribution

2. Stability: Does it happen often?
   - Unstable: Occurs once in a long while or is an accident -> Customers tend to forgive easily.
   - Stable: Occurs regularly until it becomes the norm -> Severely damages trust.

3. Controllability: Was it avoidable?
   - Uncontrollable: Force majeure (e.g., natural disasters) -> Customers feel empathy.
   - Controllable: The business was negligent or intentional (e.g., staff chatting instead of providing service) -> Customer dissatisfaction will turn into "Anger."

Attribution Theory

Importance and Application in CRM:

Understanding Attribution Theory helps brands design appropriate strategies to respond to these perceptions, such as providing clear explanations to shift the blame from negligence to force majeure, or showing sincere accountability if the problem was caused by staff. A CRM system helps by recording the history of issues, enabling staff to provide precise remedies and demonstrate that the company is striving to control and improve the situation. This serves to shift the customer's long-term perception of the brand.

Elements and Factors Affecting Satisfaction

Product and Service Quality

Product and service quality is considered the "first frontier" and the most fundamental basis for determining satisfaction. In the context of customer relationship management, delivering quality is not just about following company standards, but about delivering "value as judged by the customer," which is categorized into two main parts:

1. Product Quality: Tangible dimensions that influence repeat purchase decisions.
   - Performance: The core function of the product (e.g., a car must drive well, an air conditioner must be cool).
   - Appearance and Features: "Gimmicks" or supplementary functions that create a distinction from competitors.
   - Reliability and Lifespan: Stability, durability, and value relative to the duration of use.
   - After-Sales Service: Ease of access to repair services or product claims.

Elements and Factors Affecting Satisfaction

Product/Service Quality

2. Service Quality: Measuring service through the SERVQUAL Model concept, which is a key standard for measuring service operations.

- Tangibles: Physical evidence that customers can see and touch, such as the cleanliness of the premises or staff uniforms.

- Reliability: Providing service accurately as promised.

- Responsiveness: Speed and enthusiasm in being willing to help solve customer problems.

- Assurance: Staff must possess the knowledge and personality that make customers feel confident and trustful.

- Empathy: Paying attention to personalized details, making customers feel like they are someone special.
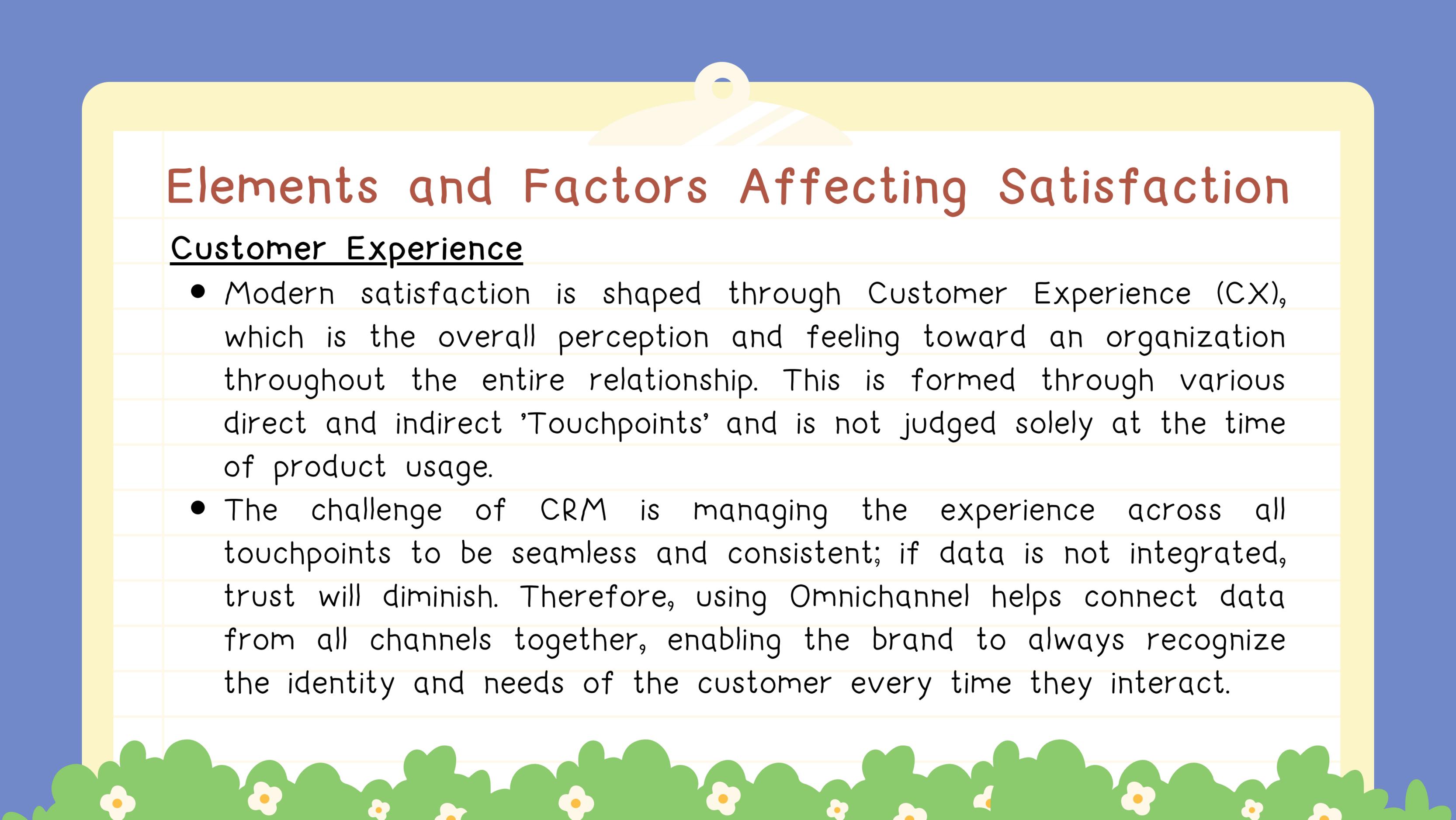
Elements and Factors Affecting Satisfaction

Product/Service Quality

Product and service quality must be continuously improved through the complaint management system in CRM by analyzing repair data or feedback to identify recurring defects, allowing production and service departments to refine quality to meet customer needs. Maintaining consistent product and service quality helps reduce customer support costs and naturally increases the opportunities for repeat purchases.

Elements and Factors Affecting Satisfaction

Customer Experience

- Modern satisfaction is shaped through Customer Experience (CX), which is the overall perception and feeling toward an organization throughout the entire relationship. This is formed through various direct and indirect 'Touchpoints' and is not judged solely at the time of product usage.

- The challenge of CRM is managing the experience across all touchpoints to be seamless and consistent; if data is not integrated, trust will diminish. Therefore, using Omnichannel helps connect data from all channels together, enabling the brand to always recognize the identity and needs of the customer every time they interact.

Elements and Factors Affecting Satisfaction

Customer Experience

- Therefore, brands must prioritize the 'Moments of Truth,' which are the touchpoints that most significantly impact emotions. If these points are well-designed—such as a refund process that is easier than competitors' or resolving an issue within a single call—it will help transition the status from standard satisfaction into deep-rooted loyalty.

- 'Moments of Truth' (MOT) are the critical interactions where customers encounter a brand, affecting their perception, impression, and the decision to purchase or use a service. These are the seconds that make or break customer loyalty, categorized into 4 main stages:

  - Zero Moment of Truth (ZMOT): The stage of searching for online information, reviews, or comparisons before making a decision.
  - First Moment of Truth (FMOT): The first moment a customer encounters the actual product or the storefront.
  - Second Moment of Truth (SMOT): The period when the customer actually uses and experiences the product firsthand.
  - Ultimate Moment of Truth (UMOT): The sharing of the actual experience (reviews/word-of-mouth) with others."

Elements and Factors Affecting Satisfaction

Customer Experience

- CRM management is therefore the management of the 'sum' of all experiences. If any touchpoint fails, it will affect the overall satisfaction. Organizations must use CRM systems to continuously track and measure each touchpoint to close gaps and create an impressive customer journey from start to finish.

Elements and Factors Affecting Satisfaction

Price & Perceived Value

- In the dimension of customer relationship management, 'Price' is not just a number on a price tag, but a symbol that customers use to evaluate 'Perceived Value,' which highly influences satisfaction and the decision to maintain a long-term relationship with the brand.

- Price as a Determinant of Expectations:
  - Price serves as a Price-Quality Signal according to the Expectancy-Disconfirmation Theory (EDT). If a high price is set, customer expectations will rise accordingly. Satisfaction occurs when the perceived experience is 'commensurate' with the price paid. Therefore, brands must ensure that pricing is aligned with their ability to deliver actual value."

Elements and Factors Affecting Satisfaction

Price & Perceived Value

- The Perceived Value Equation
  - Satisfaction does not come from setting the lowest price, but from the comparison between the benefits gained from the experience and the price paid. If the Customer Relationship Management (CRM) system helps reduce non-monetary costs-such as reducing time and the hassle of providing information-it increases the customer's sense of "value," even if the price is higher than competitors.
- A CRM system helps create value by offering personalized experiences, using data to provide discounts or privileges that align with individual behavior. Examples include offering deals at the right time, converting spending into points, and proposing packages that the customer prioritizes. This creates value without negatively impacting overall profitability.

Elements and Factors Affecting Satisfaction

Convenience & Responsiveness

- In today's business world, "Time" is the most valuable resource. Satisfaction, therefore, depends on the convenience and speed of response. In the context of customer relationship management, these two factors act as the lubricant that ensures a smooth relationship between the brand and the customer.

- Convenience: Satisfaction often occurs when customers "do not have to exert too much effort" to receive service. Processes must be designed for convenience at every step as follows:
  - Access Convenience: Having diverse communication channels.
  - Transaction Convenience: Easy and varied payment systems.
  - Service Convenience: Providing self-service systems or knowledge centers.

Elements and Factors Affecting Satisfaction

Convenience & Responsiveness

- Fast Response: Response does not merely mean "acknowledging" a message, but means "solving problems" or "providing information" in a timely manner, which includes several types as follows:
  - Speed to Lead: The speed of responding to those interested in the product.
  - First Response Time (FRT): The duration of the initial reply.
  - Resolution Time: The speed of closing a case or resolving a problem completely.
- CRM systems play a vital role in driving these factors through automated tools, such as:
  - Chatbots & AI: Using automated systems to answer questions 24/7.
  - Automated Workflows: When a customer submits a request, the system immediately routes the task to the relevant staff.
  - Customer Profile Portals: Allowing customers to access their own information at any time.
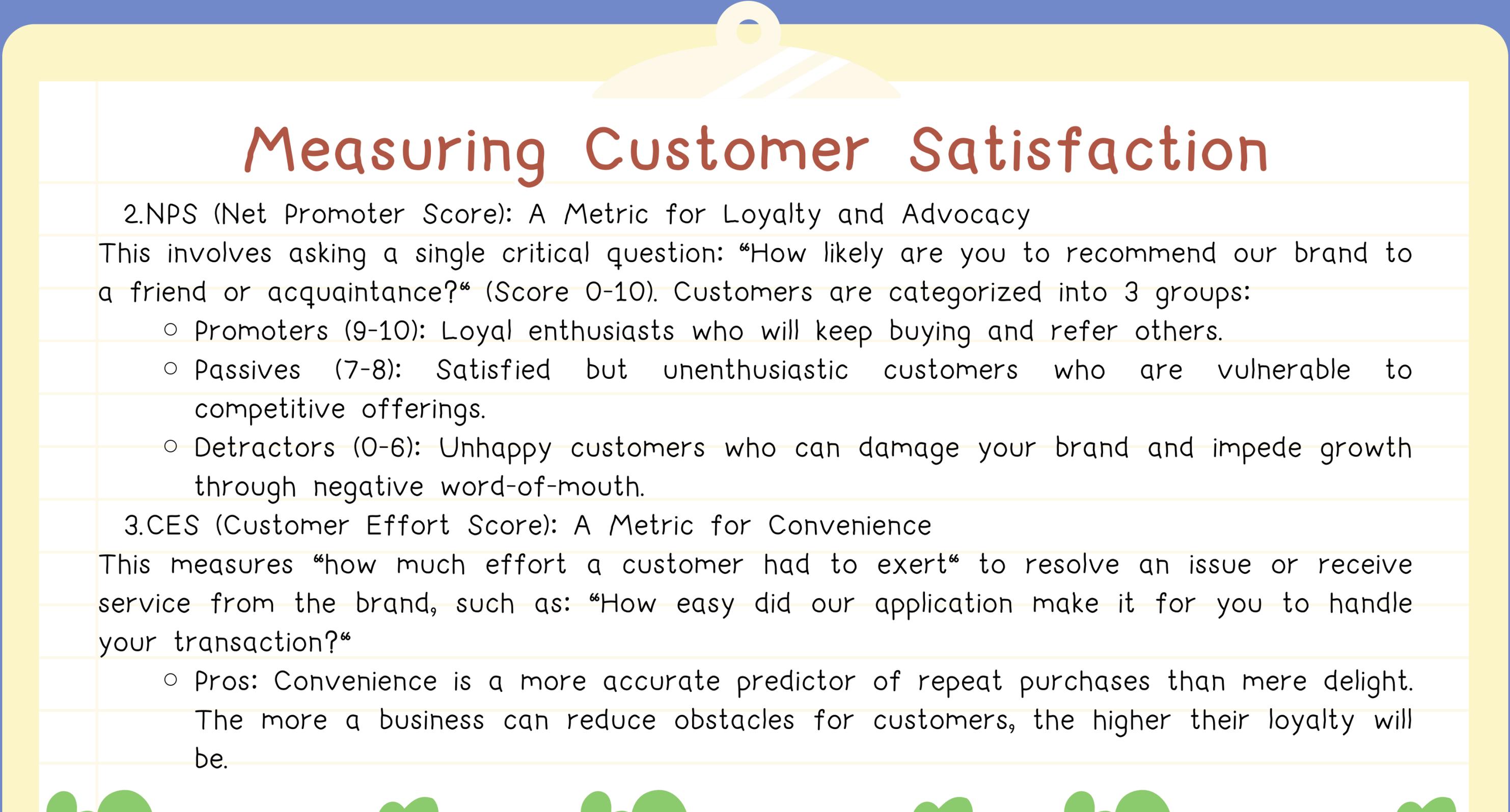
Measuring Customer Satisfaction

Measuring customer satisfaction involves using various standardized tools to monitor the nature of relationships. These metrics act as a compass, informing brands of how likely their investments in various factors are to succeed. They also help identify areas requiring urgent improvement before customers decide to leave the brand. Key indicators for measuring customer satisfaction include CSAT, NPS, and CES, with details as follows:

1. CSAT (Customer Satisfaction Score): A Point-Specific Satisfaction Metric

This is a tool used to measure customer satisfaction regarding a "specific event" or a "specific product." It is usually asked immediately after an interaction concludes, such as: "How satisfied are you with this service?" (Rating on a scale of 1-5 or 1-10).

- Pros: Easy to use, provides quick results, and helps identify flaws in each step immediately.
- Cons: Measures short-term emotions and cannot indicate long-term loyalty.

Measuring Customer Satisfaction

2.NPS (Net Promoter Score): A Metric for Loyalty and Advocacy

This involves asking a single critical question: "How likely are you to recommend our brand to a friend or acquaintance?" (Score 0-10). Customers are categorized into 3 groups:

- Promoters (9-10): Loyal enthusiasts who will keep buying and refer others.
- Passives (7-8): Satisfied but unenthusiastic customers who are vulnerable to competitive offerings.
- Detractors (0-6): Unhappy customers who can damage your brand and impede growth through negative word-of-mouth.

3.CES (Customer Effort Score): A Metric for Convenience

This measures "how much effort a customer had to exert" to resolve an issue or receive service from the brand, such as: "How easy did our application make it for you to handle your transaction?"

- Pros: Convenience is a more accurate predictor of repeat purchases than mere delight. The more a business can reduce obstacles for customers, the higher their loyalty will be.

Measuring Customer Satisfaction

When implementing these metrics, it must always be remembered that no single metric is the best. Organizations with excellent relationship management typically use CRM systems to collect all three types of scores to gain a holistic view: using CSAT to improve daily service operations, CES to design simpler processes, and NPS to evaluate long-term brand strength.

Summary Comparison Table of Metrics

Metric	Core Question	Key Insight	Measurement Timing
CSAT	"Are you satisfied?"	Feelings toward a specific event	Immediately after service
NPS	"Would you recommend us?"	Brand loyalty	Every 6-12 months
CES	"Was it easy?"	Convenience/Effort	After problem resolution

Survey Design and Data Analysis with CRM

- In the role of a Customer Relationship Manager, satisfaction data is like a high-quality 'raw material.' However, obtaining quality data requires a proper survey design process and precise analysis, leveraging the capabilities of a CRM system.

1. Principles of Satisfaction Survey Design: A good survey should not focus on length but on 'meaning' and 'simplicity' to increase response rates:
   - Touchpoint Alignment: Questions should align with the point where the customer just interacted. For example, if asking after a product repair, the focus should be on speed and the technician's expertise.
   - Use Standard Scales: Such as the Likert Scale (5 or 7 levels) to make it easy for calculation and analysis.
   - Open-Ended Questions: There should be space for customers to provide additional comments to discover the 'root causes' behind their ratings.

Survey Design and Data Analysis with CRM

2. Data Collection via CRM Systems: Modern CRM systems help automate the process of sending surveys:
   - Triggered Surveys: The system automatically sends a survey via email or SMS as soon as a task status (Ticket) is closed.
   - In-App Surveys: Collecting data within the application while the customer is still active to capture their most immediate and fresh feedback.
3. Satisfaction Data Analysis in CRM Systems: Once the data is obtained, the CRM system transforms raw data into a comprehensive Dashboard through analysis in various dimensions as follows:
   - Trend Analysis: Tracking whether satisfaction scores are improving or declining each month.
   - Customer Segmentation: Analyzing which customer groups (such as VIPs versus new customers) have higher or lower satisfaction levels.
   - Correlation Analysis: Examining how satisfaction impacts sales figures or repeat purchase rates.

The Link Between Satisfaction, Loyalty, and Profitability

The ultimate goal of Customer Relationship Management (CRM) is to transform customer satisfaction into tangible business results. Satisfaction acts as a 'mediator' that transmits value into loyalty and sustainable profit, helping to reduce churn rates and increase Customer Lifetime Value (CLV). This connection is explained through the 'Service-Profit Chain' and the 'Impact of Satisfaction on Repeat Purchases and Referrals,' with details as follows:

1. Service-Profit Chain: This concept believes that 'sustainable profit starts from within the organization.' The elements of the value chain can be outlined as follows:
   - Internal Service Quality: Selecting the right employees, providing training, and supporting them with technology (such as a user-friendly CRM system) to enable employees to work smoothly.

The Link Between Satisfaction, Loyalty, and Profitability

1. Service-Profit Chain: This concept suggests that "sustainable profit starts from within the organization," which can be mapped through the following value chain elements:

   - Employee Satisfaction and Engagement: When employees are happy in their work, it leads to higher productivity and lower turnover rates, helping to preserve organizational knowledge.
   - External Service Value: Happy employees deliver high-quality service, ensuring customers perceive "value" that is worth the money and time invested.
   - Customer Satisfaction: The result of receiving excellent service leads directly to customer satisfaction.
   - Customer Loyalty: This leads to customer retention and consistent repeat purchases.
   - Profitability and Growth: Increased net profit comes from reduced customer acquisition costs (as existing customers are retained) and higher per-capita revenue from repeat purchases and referrals.

The Link Between Satisfaction, Loyalty, and Profitability

2. Repeat Purchase and Advocacy: Satisfaction is the "fuel" that drives customer behavior in two primary directions: repeat purchases and advocacy. Both factors directly impact business sustainability:

   ○ Repeat Purchase: Continuous satisfaction reduces a customer's motivation to seek new alternatives and builds familiarity with the brand's system, ultimately creating a sense of convenience and ease.

   ○ Advocacy in the Digital Age: Satisfaction does not stop with a single customer; it spreads through the process of Word-of-Mouth, which is currently amplified by social media.

     • Organic Acquisition: Satisfied customers act as "unpaid marketers" for the brand.

     • Social Proof: Collecting positive reviews or testimonials can be used as a powerful tool to verify and confirm brand quality.