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What kind of customers do you want—satisfied or loyal?

Since loyalty drives bottom-line, companies should invest a bit on measurement to drive that value.

M Muneer



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I am sure all of you will say “Loyal”. We all know mere satisfaction does not mean anything today. Loyal customers will advocate our brands and services to many others in this age of social media. It is no more about reaching 10 others like it used to be with word of mouth, but today it is probably 1000s!



But in your company, what do you measure: customer loyalty or customer satisfaction?

Most clients we speak to during our engagement with them for driving customer innovation or finding the metrics for customer objectives in the strategy execution framework, measure customer satisfaction even if the objective is about customer retention or customer loyalty. Consider this: A CEO recently told me that his company was successfully measuring customer loyalty with just a few questions. While I was all for less number of questions, four was pretty low and I was curious about these magical questions he claimed to be using successfully.



The four magical questions were:

How satisfied are you with (our product)?


How satisfied are you with (competitor product)?


Would you recommend (our product)?


Do you intend to purchase(our product)?

I was astonished! How on earth can anyone find the loyalty with these four so-called magical questions! Worse, I could not tell the same to the CEO at that point of time when his team was around him. The above questions will never be able to tell you any loyalty status. Essentially these questions pertain to satisfaction measurement only. Just by tweaking the questions a bit you do not bypass that. Think for a moment and ask these questions to a few of your friends and see what happens. For most of us if we are satisfied with a brand, company or service, we will say yes to that question and then we also are highly likely to say we would recommend them to others. Chances are that we would agree to purchase the same again in the future. Not at all rocket science!

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How do you deal with troublesome customers?

you try doing a simple correlation between the four questions? If they are measured on a decent scale of 1-9 or so I can guarantee a correlation of nothing less than 0.85. Which proves my argument that they are measuring nothing but satisfaction.



It is not funny to call a customer satisfaction measurement instrument a customer loyalty measurement instrument by merely adding a question or two. You are just measuring the same thing three more times.

Adding the results of those questions, or taking their average or simply adding the percentage of respondents that give you top-box scores for each question just compounds an already funny situation. This is especially true if you are using 1-5 or less scales.

By pointing this out, I am not junking customer satisfaction surveys. A well-designed customer satisfaction programme is the best way to change processes on that front. But just as you cannot make crocodile leather shoe from calfskin, you cannot make a customer loyalty survey from a customer satisfaction survey. Loyalty is a behaviour. If someone purchases a shampoo or toothpaste 8 times a year, and this happens to be Head & Shoulders or Colgate each time, this person is 100% loyal. If she purchases the brand only four out of 8 times, she is 50% loyal. It is that simple. It does not matter whether she is loyal because she is a big fan of Colgate, or the toothpaste delivers certain tangible or intangible benefits that she desired, or whether her children or husband demands it and she really does not have a choice in the selection. All it matters is that she exhibited a behavioural loyalty.

The other big issue is that loyalty is driven by value and not by mere satisfaction. Of course satisfaction is necessary but it is not sufficient to get loyalty. If you are not satisfied with your experience with Dove Soap, you will not consider that brand again unless your wife or kids insist on having only that brand. On the other hand, just because you are very satisfied with Dove's benefits does not mean you will buy that soap again next month. It simply means Dove will probably be in your consideration set. You will then evaluate the brands in your consideration set in terms of value you derive from them. That is, you will pick the brand that offers you the best value in terms of its price, benefits desired (moisturiser, perfume, cleaning index, packaging, lifestyle values, etc.). Value is the benefit you receive from the brand less the cost to get those benefits. Benefits have two components: The tangible benefits delivered by the product or service itself and the intangible benefits delivered by the brand name – its equity. This probably explains why people simply go and buy brands that are on a special promo or when e-commerce sites do a weekday sale.

In our experience we have never elicited any useful information when we ask customers what they value and what they will do in the future. Using a trade-off

experiment we could get some ideas on the importance, preference and value. Hence it is

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