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MARKETING CONFEDERATION

Do managers really know what their customers think and why?

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About the EMC Academic Group

The European Marketing Confederation (EMC) is the organisation responsible for the bringing together marketing, sales and communication associations across Europe.

The aim of the EMC is to share best practice as well as promote and develop marketing, sales and communication as a fundamental business process.

The EMC's Academic Group was created to provide practising marketers with access to simple and straightforward academic marketing research, which could be used to enhance their own marketing strategies.

The group is made up of a pan-European network of senior marketing academics and practising marketers, who translate the latest marketing research into practice.

Through their articles, marketers operating at the coalface of the profession can learn about the latest trends and developments affecting their sector.

Each month EMC member associations publish articles summarising the key aspects of each piece of research they have analysed, so that practising marketers can choose to implement changes within their own organisations based on informed research.

We'd like to thank the latest contributor to this edition.

Contributor to this edition

Professor Spiros Gounaris

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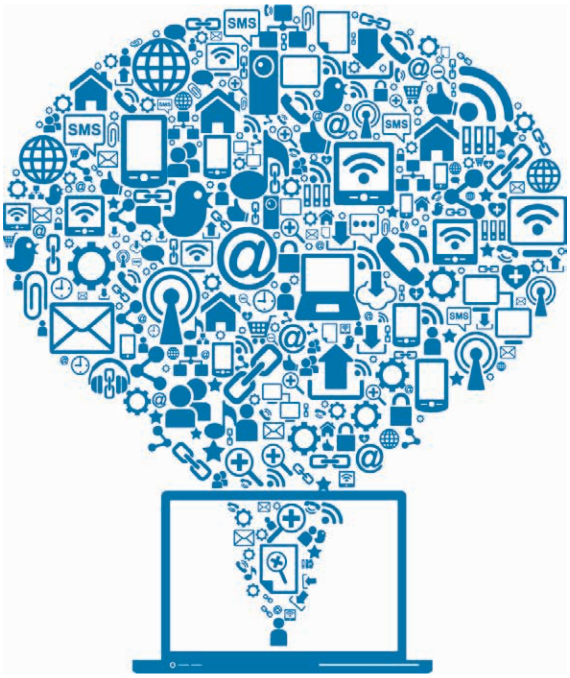
Professor Gounaris has extensive marketing qualifications from Athens University of Economics & Business and the University of Strathclyde, gaining a PhD and MSc in marketing.

His current research interests comprise; services marketing, pricing, exporting, B2B and key account management.

Do managers really know what their customers think and why?

There has been a lot of academic research focusing on the influence that marketing strategies can have within an organisation, and at board level.



Marketing strategies are decisions which inform products, markets, marketing activities and marketing resources, and help to develop, communicate and deliver products or services that offer value to customers.

Integral to the marketing strategy, is having an understanding of the 'customer' and their perceptions of your brand. It is the ability of marketing managers to understand how their customers view their products or services, as well as the drivers for such perceptions, which is fundamental to the success of their marketing efforts.

However, if this piece of research is anything to go by, there's a worrying disconnect between manager perceptions of customer satisfaction and loyalty, and what their customers really think.

In this study, two surveys were undertaken with two samples – one, the marketing manager, and the other, their customers, to establish whether or not managers consistently know what their customers think and why?

The survey comprised of over 60,000 consumers from over 250 firms in the United States, each of whom were asked about their product / service experience. The results were revealing, to say the least.

Firstly, managers systematically overestimated customer satisfaction levels and attitudinal loyalty, as well as customer expectations and perceived value.

Not only this, their understanding of the drivers of their customers' satisfaction and loyalty were totally disconnected with that of their actual customers.

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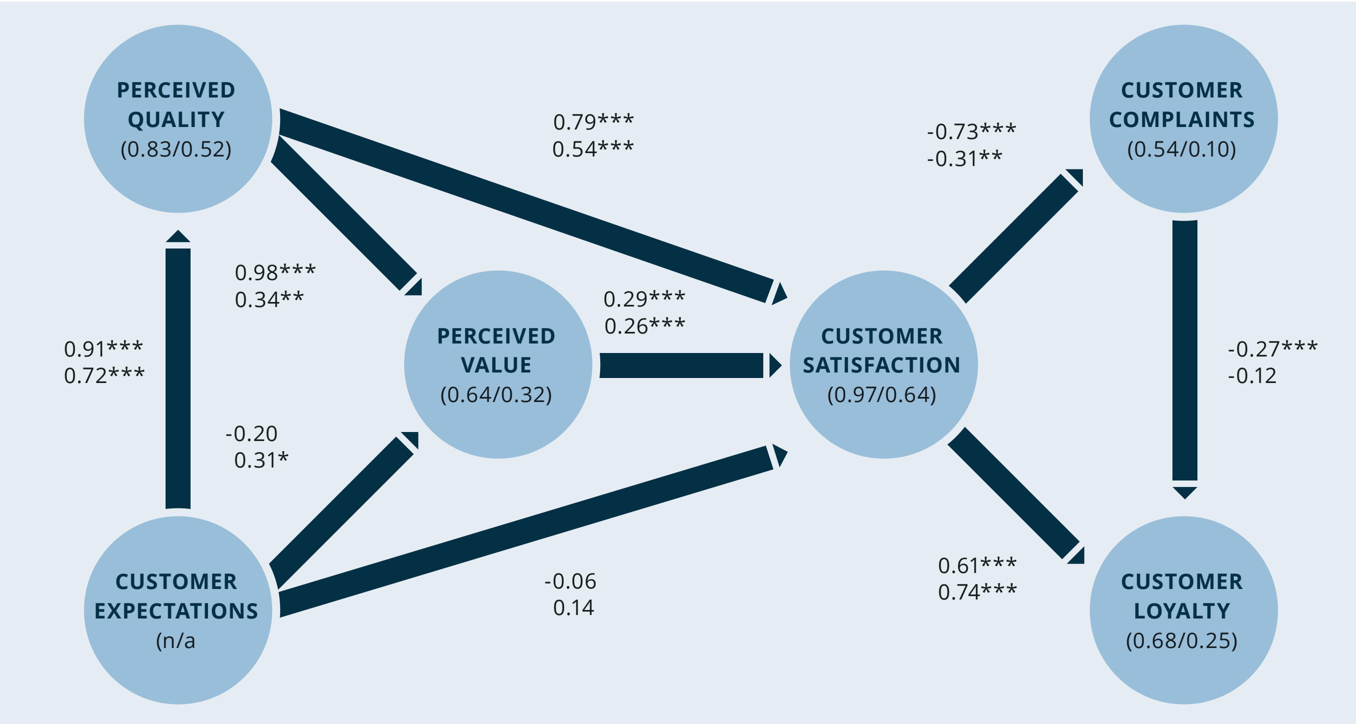

Figure 1 summarises the results from a structural equation model used for the customer and manager samples.

Amongst the most significant "disconnects", was the fact that managers underestimated the importance of customer perceptions of quality, in driving satisfaction levels, customer loyalty and complaint behavior.

This significantly 'rosy view' by managers, when combined with actual customer satisfaction levels, and brand loyalty, is clearly problematic for businesses, as their managers are underestimating the proportion of their customers who have complained about their products/services.

Managers should know what their customers think of their firm's current product and service offerings. This is fundamental to any company's customer satisfaction monitoring and feedback system.

Those who overestimate customer satisfaction levels and underestimate the number customer complaints are less likely to improve their product and service offerings, or their value proposition, which could affect future brand loyalty.

Underestimating customer satisfaction also carries with it the risk of investing in unnecessary satisfaction improvement efforts – what we would call a 'false alarm'.

On the other hand, if customer perceptions are overestimated, managers may fail to make necessary changes or take action that is counter-productive – producing a perception 'gap'.

A good of example of this mistake is the now-infamous 2011 price increase implemented by video retailer Netflix, which resulted in it rattling its customers and sent share prices plummeting (down more than 70% by the end of that year).

What action should be taken?

This study should serve as a wake-up call to firms and their marketing managers, that more needs to be done to understand customer satisfaction through effective complaint monitoring systems.
For those firms without customer satisfaction monitoring in place, it would be prudent to take steps to implement one.

However, for those which already have one, the first priority should be to establish the extent and nature of the manager–customer perception 'level' and 'driver' disconnects within their organisation. The survey approach adopted in this study could provide a useful starting point.

But how do we change manager behavior?

More must be done to ensure that they understand how their customers perceive the firm's products and services and why.

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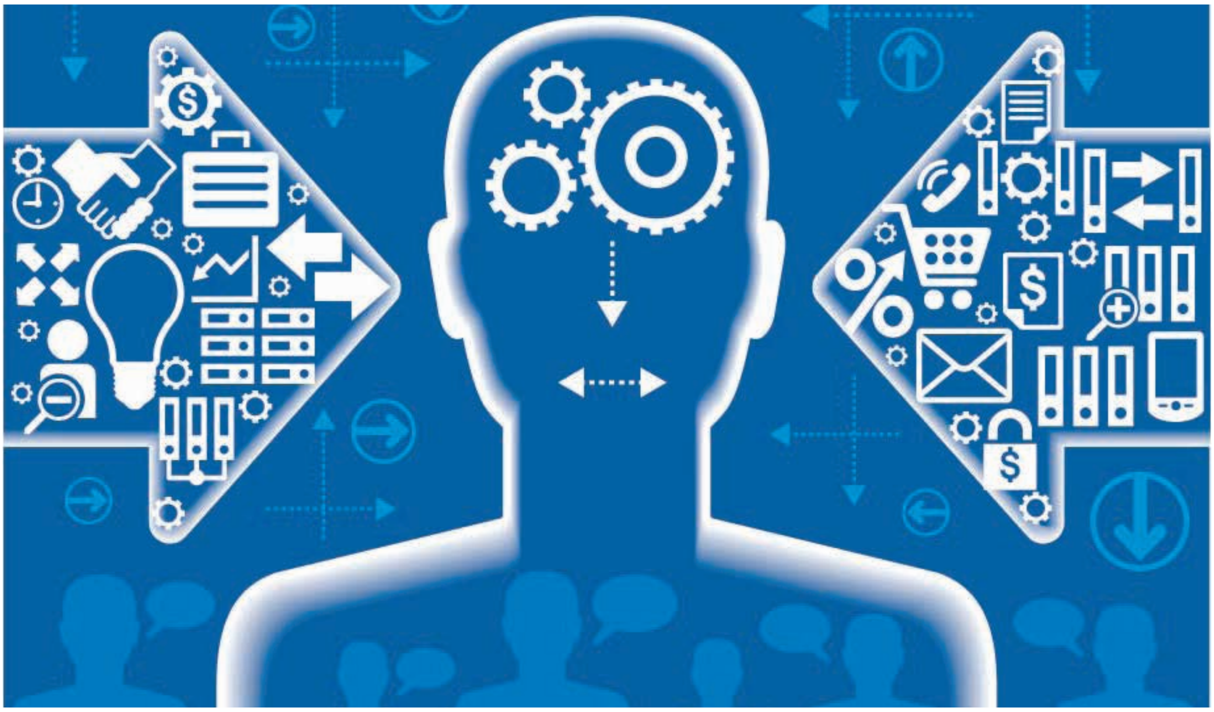

In order to do this, the results of feedback monitoring systems need to be trickled down the chain of command, so that managers and their staff are more informed about the reality of their customer perceptions.

Only by enhancing managers' perceptions of the credibility of customer feedback data, can we hope to improve their understanding of their customers, and the levels of their customer brand loyalty with it.

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The full reference for this article is:
G. Tomas M. Hult, Forrest V. Morgeson III, Neil A. Morgan, Sunil Mithas and Claes Fornell (2017) "Do managers know what their customers think and why?", Journal of the Academy of Marketing Science, vol. 45 no. 3, pp. 37-54.

Following on from the production of this ‘translation into practice’ by EMC Academic Group Professor, Spiros Gounaris, we spoke to him to find out more about why he chose this piece of marketing research to focus on.

1. When you selected this piece of research about manager perceptions of customer opinions, did you expect the outcome of the results? And if so, why?

Yes I did, frankly. The reason is that despite what managers usually claim, the truth is that companies either fail to invest in really understanding their customers, or they neglect to take action that will translate this knowledge into policies and practices that truly reflect what the customer wants and expect from the company. Hence the findings of this research came as no real surprise.

2. Why do you think there is such a disconnect between manager perceptions of their products/services, and those of their customers?

It comes down to three things, really. The first is the significance that managers attach to understanding the customer. The second is the money involved in acting upon what the customers expect. And the third is the pressure for short-term financial results, sometimes even at the quarter level, compared with the long-term investment required to respond to the wants and expectations of customers.

With regards to the first point about the significance that managers attach to understanding the customer, many managers lack what I would call a “market orientation”.

Such orientation represents a specific approach to business: starting not with what we can produce or offer, but with what the market and the customers want. This demonstrates a willingness and readiness to adapt company products and offerings, so that customers get from the company what they expect.

A lack of market orientation usually results from a lack of robust education in Marketing, and therefore, a lack of understanding about the importance of serving the needs of the customer before any other company stakeholder. The customers are the ones who generate the income and profits that companies need.

This is a state of mind really that you have or you don’t. The right education can help managers develop this culture. Once this state of mind is in place, it will help resolve the other two points.

Marketing academics have produced a huge amount of empirical evidence that demonstrates the financial benefits of serving the needs and meeting the expectations of the customer.

Investing money in transforming your organisation into a market-oriented one, consumes significantly less resources than losing customers to competition, and striving to acquire new clientele to make up for the loses your company has suffered against competition.

However, we need to be clear about this point. Doing so may often involve painful decisions such as dropping certain products or leaving certain markets behind which, traditionally, have been flagship areas for the company.

Vested interests and internal politics may easily undermine this. However, change (in technology, consumer preferences, or the competitive or economic environment) happens without concern for a company's internal politicking.

As change materialises and eventually becomes established, only two kinds of companies can exist. Those who embrace it, adapt and survive it, and those who do not, and perish.

When it comes to the perspective (long versus short-term) that companies and managers adopt, again this requires a huge amount of profound discourse.

A young or newly appointed manager might easily seek to cash in 'success' from securing an increase of profitability and/or market share of the business he or she runs, because building track record will (probably) allow them to negotiate a better contract, or transfer to a different company for a higher position and better salary.

This reflects the values and principles of our society and the emphasis we place on short-term achievements and businesses can hardly be an exception.

However, it is important for managers to remember that the vast majority of academic studies have shown that companies with a long-term perspective do a lot better than those without one.

3. What challenges do businesses face in order to overcome this disconnect, and what would be your advice to them

It's simple, really. Invest in understanding the needs of the customers.

Carry out regular market research not limited to surveys, i.e. talk to the customer and build your organisation's ability to listen to frontline personnel who interact with customers at the coalface.

Also invest in delivering what the customers expect from you. If you really can't afford this investment, start looking for other markets or business that you can develop because, in the long run, staying disconnected from your existing customers will not be financially sustainable.

Contact us

We hope that you enjoy reading this edition. If you have any questions about the issues raised in this paper, please don't hesitate to contact us.

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