Why Satisfied Customers Defect
Jones & Sasser, HBR Nov.-Dec- 1995

TakeAway Points
Why Satisfied Customers Defect
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• Completely satisfied customers are much more loyal than satisfied customers, and any drop from complete satisfaction results in a major drop in loyalty.

• False loyalty (i.e. no choice) is often confused with true long-term loyalty; when false loyalists have new choices, they “turn” quickly

• Often, companies attract the “wrong” customers or have inadequate “recovery” processes

• Usually, improving satisfaction is not simply a matter of doing more or better of the same

• Extraordinary services meet personal preferences, solve specific problems, and seem customized.

• Reliance on a single satisfaction measure – with a modest “hurdle rate” – can be fatal
Measures of Loyalty

• Primary Behavior
  – Share of Wallet
  – Recency
  – Frequency
  – Amount
  – Longevity

• Secondary Behavior
  – Referrals
  – Endorsements
  – Word of mouth

• Repurchase Intent
Satisfaction & Loyalty

- Monopolies
  - Few substitutes
  - "Lock in"

- Many substitutes
  - Low Differentiation
  - Low switching costs

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False Loyalty
(a.k.a. “virtual monopolies”)

- Government regulations / control
- High switching costs
- Proprietary technology
- Loyalty promotion programs
  
  e.g. frequent flyer / shopper

When false loyalists have new choices, they often “turn” quickly on companies
Customer “Types”

Apostle                          Most Desirable
Loyalist                          
Mercenary                        
Hostage                          
Defector                          
Terrorist                        Least Desirable
“Wrong” Customers

- Difficult to serve
- Chronically unhappy
- Unreasonable demands
- “Devour” resources
- Hurt morale
- Disparage company

Best move: “fire” them
The “Completely Satisfied” Effect

• At Xerox, totally satisfied customers (5 on a 5 point scale) were 6 times more likely to repurchase Xerox products than satisfied customers (4 on a 5 point scale).

• At Opinion Research Corp, completely satisfied customers were nearly 42% more likely to be loyal than satisfied customers.