

Customer Sacrifice is Different than Customer Satisfaction

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There's an important difference between the level of customer satisfaction, and the amount of customer sacrifice.

That's an interesting insight I learned earlier this year during a great presentation by James Gilmore (no relation) at the Georgia Tech Supply Chain Executive Forum.

I try to write on customer satisfaction issues at least once each year, and for some reason the topic seems to generate many of my favorite quotes or concepts, and this is the latest.

After a number of years at the old Cleveland Consulting, Jim Gilmore is currently an author, speaker and business consultant, and his latest book, *The Experience Economy*, includes an excellent and unique take on thinking about "customer sat."

Gilmore told the audience at Georgia Tech that most of our current notions about customer satisfaction are wrong, or at least very incomplete. The most common definition for customer sat is something like this: that satisfaction equals what we expect to get minus what we perceive we got. Meaning, in short, if our experience meets or exceeds what we expect, we will say we were satisfied.

But does that mean we really received the product and service(s) we wanted? Absolutely not.

The other key angle on this is the inadequacy of most customer satisfaction surveys in terms of generating real understanding. As Gilmore points out, customer sat surveys are OK at identifying the general needs or perceptions of a customer base, but tell us very little about individual customers. They also tend to focus attention on averages, and in the end tell us very little about the collection of unique, individual customers' wants and needs. The perspective, in the end, is really internal, and on the question "How are we doing?"

I don't know if Gilmore and co-author Joseph Pine invented the concept of "customer sacrifice", but this presentation was the first time I have heard it. It can be summarized something like this: Companies need to move beyond customer sat to focus on understanding customer sacrifice, which equals the

gap between exactly what the customer wants and what they ultimately settle for.

As consumers or businesses, we can be satisfied with what we get from a company, but only in terms of whether it matched up with what we expected to get. But that could still be accompanied by a deep sense that we didn't really get just what we wanted, and if someone else could just provide it....Customer satisfaction surveys will never discern, really, the level of sacrifice individual customers may be experiencing.

So, how do we reduce the level of sacrifice and get customers just what they want? More choices? Well, not really that either. Customers don't want scads of choices, in the end – they want just what they want. And more variety or adding more features/services as a standard part of the mix not only can frustrate customers, but can be incredibly wasteful. I love this example: how many hotels go the expense of putting an ironing board in each room for the one in a hundred or maybe even one in a thousand guests who actually use them? Adding more and more SKUs/choices/features “offers a surefire way to add cost and complexity to operations.”

I'm running out of space, but if more and more choices isn't the answer, what is? It's building a supply chain – or maybe better a demand chain – that can customize what a customer receives and provide something very close to an exact match. Ultimately, customizing not only the product but the services creates a unique “experience” (hence the title of the presentation and book) but that's a topic for another day.

Now, I understand it's easy to say all this, and forget how many buying decisions at both the B2B and B2C levels are made hugely on price.

It's also complicated by the fact that anyone selling through any sort of channels has at least two customers – the channel and the end user, which means reducing “sacrifice”, has to be managed at each level.

Still, there is something here really worth considering. My quick take as to what it means for most supply chain professionals is this:

- Don't rely solely on (or hide behind) customer service or even customer satisfaction metrics. Work to develop a better sense of the perceptions of how much sacrifice your customers really feel with your product and supply chain services.
- Decide strategically – not tactically, in response just to specific customer demands – about how to build over time more and more customization capabilities into your supply/demand chain. Today, I find most companies do this reactively, and as a result fail to really architect the right set of capabilities and processes.
- Look hard at how attacking this with “choice” may be adding cost and yet not really meeting individual customer needs.