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ISES@SMU Releases Findings of Singapore's First National Level Customer Satisfaction Study

Singapore Management University

PRESS RELEASE

ISES@SMU releases findings of Singapore's first national level customer satisfaction study

The Customer Satisfaction Index of Singapore, developed by the Institute of Service Excellence at SMU, scores Singapore 68.7 on a scale of 0 to 100.

Singapore, 7 April 2008 (Monday) – The Institute of Service Excellence (ISES) at the Singapore Management University (SMU) has released the inaugural results for the first Customer Satisfaction Index for Singapore (CSISG). Based on surveys carried out in 2007, Singapore scored a national average of 68.7 out of 100 for customer satisfaction across different economic sectors.

CSISG is a measure of customer satisfaction in the Singapore economy. It marks the first ever comprehensive and institutional measurement to be available in Singapore for service excellence. Developed and implemented by ISES in collaboration with the Singapore Workforce Development Agency (WDA), the CSISG is based on the same robust and established American Customer Satisfaction Index (ACSI) which has widely been used and accepted as the standard indicator of customer service levels in the United States.

CSISG scores customer satisfaction on a scale of 0 to 100, and produces a grand customer satisfaction index at the national level, separate indexes for eight key economic sectors which account for a significant 34.4% of the Singapore GDP as well as 31 sub-sectors in Singapore. They are listed at Annex A. A higher index score represents better performance. CSISG scores are based on data collected from a nationwide survey conducted between May and July 2007 comprising more than 22,000 responses. Please refer to Annex B for background on the CSISG.

In addition to the customer satisfaction scores, CSISG produces scores for the three drivers of customer satisfaction, namely (i) customer expectations, (ii) perceived quality and (iii) perceived value of the goods and services delivered. CSISG also measures the two consequences of customer satisfaction in terms of (a) customer loyalty and (b) customer complaints.

Customer Satisfaction Scores

Singapore scored a healthy 68.7 out of 100 for the national average satisfaction score. This is, however, lower compared to two other developed countries who also adopted the ACSI methodology as their measure of national customer satisfaction: South Korea (score of 72) and the United States (score of 75).

Among the eight key economic sectors, the Tourism sector (71) has the highest customer satisfaction score followed by the Education (70) and Transportation and Logistics (69.1) sectors. Within the Tourism sector, high customer satisfaction with hotels (73.5) and attractions (71.5) are the key drivers in the Tourism sector's good performance. However, respondents indicated much less satisfaction levels with travel agencies, tour operators and ticketing agencies (66.4) in comparison with hotels and attractions.

The study found that tourists, who were surveyed on 15 of the 31 sub-sectors, generally gave higher satisfaction scores compared to Singapore citizens and permanent residents across the 15 sub-sectors.

Customer Complaints

Singapore scored a national average of 6.3% for complaints. This means 6.3% of all respondents indicated that they had complained to a company at least once in the last three or six months.

While the United States scored high on overall customer satisfaction, they also registered a high complaint level of 14% compared to Singapore's 6.3%. Reasons for this include cultural differences in consumer behaviour with US customers being more upfront and less inhibited in voicing out what they perceive as service lapses. There may also be more well-established feedback channels and a quicker service recovery culture in US companies. This encourages consumers to more actively make use of these communication channels.

The study found that the more dissatisfied customers are, the more inclined they are to lodge complaints. 46% of very dissatisfied customers made complaints. The converse, however, is not necessarily true. 10.5% of very satisfied customers continued to complain. The study also found a positive correlation between customer satisfaction and customer rating of complaint handling ability. The more satisfied customers are, the higher they rate an organisation's complaint handling ability. Complainants, therefore, need not necessarily be viewed as adversarial as they can potentially be persuaded into becoming loyal customers. The recommendation is for companies to devote more resources towards improving and implementing service recovery systems to maintain high customer satisfaction levels rather than to try to eliminate complaints.

The CSISG, being a qualitative measure of customer satisfaction, will complement the other traditional forms of measure of the quantity of economic output such as GDP to provide a more holistic picture of the Singapore economy. The CSISG also serves as a strategic diagnostic tool for companies and businesses to deduce the causes and consequences of high or low customer satisfaction levels, and identify areas of intervention to improve their performance.

The survey findings were unveiled for the first time this morning at the launch of the CSISG graced by Acting Minister for Manpower Mr Gan Kim Yong. The event was attended by about 300 Chief Executive Officers, Chief Operating Officers, Managing Directors, General Managers and other industry leaders who attended the presentation of the CSISG findings.

Said Mr Tan Suee Chieh, Co-Chairman of the ISES Governing Council and CEO of NTUC Income: "The launch of the CSISG is a groundbreaking development for the service industry in Singapore. Finally, we have a more detailed and rigorous measure to assess customer satisfaction. It also allows CEOs of Singapore companies a deeper understanding of the factors underlying and affecting customer satisfaction so that they can put in place interventions to improve their service excellence. Ultimately, service excellence requires leadership at the top to demonstrate the commitment to make the necessary changes to their service delivery systems and cultures."

Said Professor Tan Chin Tiong (陈振忠), Deputy President and Provost of SMU: "The development of the CSISG and the completion of the inaugural study of customer satisfaction in Singapore by ISES mark a major step forward for SMU. The findings are significant and valuable contributions to the body of research in the University in the area of service excellence, strategic branding and marketing. SMU is well-positioned to take a leadership role in championing service excellence through ISES, the University's think-tank for carrying out applied research and industry outreach."

Said Assistant Professor Marcus Lee (李德发), Academic Director, ISES: "The CSISG presents unique opportunities for the different stakeholders in the Singapore economy. For companies, the CSISG will allow them to benchmark themselves against their direct competitors as well as learn how best-in-class companies outside their industries are managing their customers. For consumers, the CSISG will allow them to make more informed decisions when deciding which companies to engage. For researchers and analysts, this new index, which will be a permanent fixture in Singapore, will be a rich source of objective information on the qualitative aspects of the performance of companies in our economy. The CSISG is an excellent example of SMU's commitment to excel within both the realms of academia as well as industry."

Going forward, the CSISG will be an annual study carried out by ISES as a regular exercise to measure the level of service excellence for Singapore and track our performance over time. It will serve as a consistent benchmark for our key economic sectors and a barometer on how Singapore fares globally. The CSISG findings will be released every year by ISES. Reports, containing breakdowns by each services sector, will be produced and published with each release. ISES will be organising a series of industry-specific forums and networking events to engage industry leaders and help them interpret the findings with the objective of raising their overall service competitiveness.

Please refer to the Executive Summary.

About the Institute of Service Excellence at SMU

The Institute of Service Excellence (ISES) at the Singapore Management University (SMU) was established in July 2007 to champion service excellence, raise Singapore's service standards and promote a culture of service excellence in Singapore. ISES primarily engages business leaders to help them build capabilities on using service excellence as a business strategy, tapping on their views and

business strategies through discussion forums, conferences and dialogues. ISES conducts research to help Singapore-based industries develop new service strategies and approaches. ISES also carries out benchmarking and comparative analysis to measure service levels across different sectors and countries.

Economic Sectors covered by CSISG

S/No.	Sector	Sub-sectors
1.	Retail	a. Departmental Stores b. Supermarkets c. Petrol Service Stations d. Motor Vehicles e. Fashion Apparels f. Furniture g. Jewellery h. Clock and Watches
2.	Food and Beverage (F&B)	a. Restaurants b. Fast Food Restaurants c. Cafes, Coffee Houses, Food Courts and Snack Bars d. Bars and Pubs
3.	Tourism	a. Attractions b. Hotels c. Travel Agencies, Tour Operators and Ticketing Agencies
4.	Transportation and Logistics	a. Mass Rapid Transit System b. Public Buses c. Taxi Services d. Airlines e. Water Transportation f. Courier and Postal Services
5.	Infocommunications	a. Telecommunications b. Internet Service Providers
6.	Healthcare	a. Public Hospitals b. Private Hospitals c. Polyclinics d. Other Healthcare
7.	Finance	Commercial Banks
8.	Education	a. Polytechnics b. Universities c. Commercial Schools

Note: Tourists were surveyed only on 15 of the 31 sub-sectors, namely: (1) Attractions, (2) Hotels, (3) Travel Agencies, Tour Operators and Ticketing Agencies, (4) Mass Rapid Transit System, (5) Taxi Services, (6) Private Hospitals, (7) Commercial Schools, (8) Departmental Stores, (9) Fashion Apparels, (10) Jewellery, (11) Clocks and Watches, (12) Restaurants, (13) Fast Food Restaurants, (14) Cafes, Coffee Houses, Food Courts and Snack Bars, and (15) Bars and Pubs.

About the Customer Satisfaction Index of Singapore (CSISG)

Introduction

The Customer Satisfaction Index of Singapore (CSISG) is the new national barometer of customer satisfaction in the Singapore economy. It represents the first such comprehensive study of service excellence nationwide. Hitherto, all service-related studies in Singapore are either too anecdotal or sector-specific to be useful for benchmarking on a national level.

The methodological foundations of the CSISG are based on the American Customer Satisfaction Index (ACSI) which was developed by the National Quality Research Center (NQRC) at the University of Michigan. ACSI has been the *de facto* standardised measure of customer satisfaction in the United States economy since 1994.

Like the World Economic Forum's Global Competitiveness Report (GCR), CSISG attempts to evaluate the customer service level of Singapore. CSISG goes one step further than the GCR in that it is able to score the causes and consequences of customer satisfaction and their relationships. Thus, CSISG also serves as a diagnostic tool to deduce the causes and reveal the consequences of a high or low customer satisfaction for the Singapore economy.

On the other hand, the GCR measure is derived from only one question in GCR survey. Hence, the GCR is only able to evaluate the level of customer satisfaction but provides no further information such as the causes of the customer satisfaction or dissatisfaction and the resulting consequences. Whilst GCR is a very well recognized and useful measure, it has its limitations in its use as a diagnostic tool.

Coverage of CSISG

CSISG is an objective and independent qualitative indicator that reports customer satisfaction scores on an overall national level, for eight key economic sectors and 31 sub-sectors of the Singapore economy. It covers more than 50 companies from finance, infocommunications, transportation and logistics, retail, food and beverage, healthcare, education and tourism sectors. Altogether, these sectors cover about 34.4% of Singapore's GDP.

The CSISG results released in April 2008 are based on data collected from a nationwide survey conducted between 1 May and 23 July 2007. The questionnaire was designed in collaboration with NQRC, and a third-party research company was commissioned to conduct the surveys with random respondents.

In this door-to-door survey, respondents were asked on their accumulated and recent experiences with a business entity, including the respondent's loyalty towards the business entity and perceived value of the products and services. During the survey, a total of 22,349 responses with local residents and tourists were collected. This comprises 10,229 individuals residing in Singapore and 2,159 tourists who visited Singapore between 14 May and 24 June 2007. Tourists were surveyed only on 15 of the 31 sub-sectors which are more relevant to them as visitors to the country.

Methodology of CSISG

CSISG reports customer satisfaction scores on a scale of 0 to 100, with higher numbers representing better performance.

Under the CSISG model, customer expectations affect the customer perceptions of the quality of a company's performance i.e. perceived quality of products and services. These customer expectations and perceived quality in turn affect customer perceptions of the value the company is offering i.e. perceived value of the products and services (or value-for-money). Simply put,

customer satisfaction is determined by: (1) customer expectations, (2) perceived quality of the products and services, and (3) perceived value or value-for-money.

CSISG measures these three causes of customer satisfaction and CSISG is able to evaluate how much influence each of the three drivers has on the level of customer satisfaction.

CSISG also measures the two consequences of customers' satisfaction or dissatisfaction which are namely, (a) the frequency of complaints and (b) loyalty of customers. Under the CSISG model, the level of customer satisfaction drives the frequency of complaints and the combination of satisfaction and complaint levels drives loyalty behavior. Hence, CSISG can also evaluate the influence customer satisfaction has on customer loyalty.

The overall CSISG model is illustrated below:
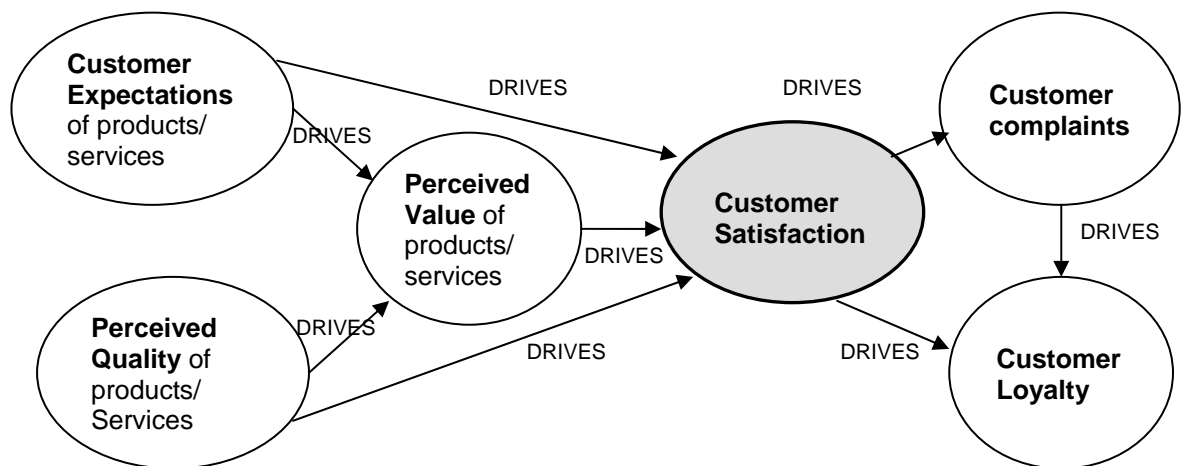
The benefits of CSISG

CSISG provides information on satisfaction with the *quality* of products and services available to customers. Thus it complements traditional measures of the *quantity* of economic output such as GDP and together they provide a more holistic picture of the Singapore economy.

CSISG reflects the opinions of the customers' experience with products and services. Nationally, CSISG enables us to gauge our service competitiveness in various sectors, and hence the areas which we may need improvements in. By leveraging on this set of objective and independent measures, corporate subscribers to CSISG can quantify the financial impact of improved customer satisfaction and further determine brand value and establish benchmarks against the sector and within sub-sector. Corporate managers can use the CSISG as a diagnostic tool to improve their companies' long term profitability by maximising customer satisfaction through the optimal use of their finite resources. CSISG could potentially be used for competitive and industry cross-industry benchmarking.

Corporate Subscription

A full national report on the findings of the CSISG study can be purchased from the Institute of Service Excellence at SMU at S$1,000 (before GST). Companies who are keen to obtain a detailed analysis of their organisation's results and benchmark information, on top of the report, can register for the Corporate Subscription Programme at S$3,000 (before GST). The annual

subscription provides companies the opportunity to continuously measure customer satisfaction using a consistent methodology, monitor improvements and impacts to the bottomline.

For enquiries, please contact the Institute of Service Excellence at SMU:

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EXECUTIVE SUMMARY 2007

## CUSTOMER SATISFACTION INDEX
OF SINGAPORE

INSTITUTE OF
SERVICE EXCELLENCE
SINGAPORE MANAGEMENT UNIVERSITY

Background

The Institute of Service Excellence at Singapore Management University was appointed by the Workforce Development Agency (WDA) to implement and maintain an annual benchmark for service related industries in Singapore. The 2007 Customer Satisfaction Index of Singapore (CSISG 2007) is based on data from a nationwide survey conducted between May 1 and July 23 2007. This survey was designed by the National Quality Research Center (NQRC) at the University of Michigan and modeled after the American Customer Satisfaction Index (ACSI).

In this door-to-door survey, respondents from 10,229 households in Singapore filled out 20,190 questionnaires. Almost all respondents answered two questionnaires each, with each questionnaire asking about a business entity in one of 31 different sub-sectors across 8 economic sectors. These questionnaires were designed to measure important aspects of the respondent's accumulated as well as most recent experiences with a business entity. Using the same questionnaire a separate survey at Changi Airport of 2,159 tourists departing Singapore was conducted between May 14 and June 24 2007. Each tourist filled out one questionnaire about a business entity in one of 15 sub-sectors.

The resulting dataset of resident respondents closely matches the resident Singapore population on all relevant socioeconomic and demographic dimensions. Similarly, the distribution of tourist respondents closely
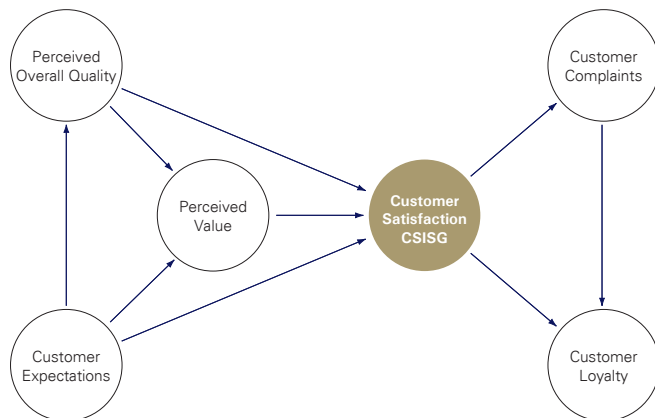
matches the 2006 Singapore tourists countries of residence figures.

The CSISG Structural Model

With the help of the NQRC, the structural model in the figure at the bottom left was estimated on the survey data to generate the Singapore satisfaction scores which were then analysed by the Institute of Service Excellence. These scores range from 0 to 100 with higher numbers representing better performance. This diagram shows the relationship between the factors that drive customer satisfaction (i.e., customer expectations, perceived quality, and perceived value) as well as the consequences of satisfaction (i.e., customer complaints and loyalty).

An Independent and Objective Benchmark

In the CSISG model, each company's satisfaction score is an accumulation of their customer's expectations and opinions. Having the frame of reference centred on the consumer abstracts away details of the particular sector or sub-sector the company happens to be in. This allows us to perform comparisons between companies in different sectors.

It should be noted that this structural model behind the CSISG is identical to the one driving the ACSI. The ACSI, which began in 1994, has been in existence for 13 years and has shown its relevance in the US economy as well as the robustness of the underlying structural model. Given the different cultural context, the Institute of Service Excellence examined the appropriateness of the ACSI structural model in Singapore. The figure on the right offers evidence of the model's relevance in Singapore in the form of scatterplots of company-level CSISG 2007 scores which visualize the causal relationship between pairs of factors in the structural model.

The red line spline regressions show that the observed directions of the direct causal relationships between customer satisfaction and each driver of satisfaction agree with the expected theoretical directions.

Contact Us

The national report and corporate subscription services will provide more in-depth analysis and interpretation of the CSISG 2007 survey data. For more information, please contact the Institute of Service Excellence at SMU at +65 6828 0111 or email ISE@smu.edu.sg.

CSISG
Customer Satisfaction Index of Singapore
68.7

Transportation and Logistics (69.1)

Airlines (69.7)
- Cathay Pacific (68.9)
- Qantas (70.0)
- Singapore Airlines (73.9)
- All Others (64.8)

Courier and Postal Services (66.4)
- DHL (64.7)
- SingPost (66.9)
- UPS (65.5)
- All Others (67.4)

Mass Rapid Transit System (69.9)
- SBS Transit (69.3)
- SMRT (69.9)

Public Buses (64.3)
- SBS Transit (63.8)
- SMRT (65.3)

Taxi Services (67.1)
- Comfort Transportation (67.4)
- All Others (66.3)

Water Transportation (66.0)

Tourism, Hotels, and Accomodation Services (71.0)

Attractions (71.5)
- Sentosa (72.3)
- Underwater World (71.8)
- Wildlife Reserves (72.5)
- All Others (70.7)

Hotels (73.5)

Travel Agencies, Tour Operators, and Ticketing Agencies (66.4)

Telecommunications (67.4)

Internet Service Providers (67.2)
- Pacific Internet (66.6)
- SingNet (67.6)
- StarHub (66.8)

Telcos (67.7)
- M1 (66.5)
- SingTel (68.2)
- StarHub (67.4)

Retail (68.5)

Clocks and Watches (69.4)

Departmental Stores (68.5)
- DFS (69.3)
- Robinson & Co (68.4)
- Takashimaya (69.8)
- All Others (67.5)

Fashion Apparels (68.7)

Furniture (68.0)

Jewellery (70.0)

Motor Vehicles (68.7)
- Borneo Motors (70.3)
- Cycle & Carriage (68.9)
- Tan Chong Motor (67.5)
- All Others (67.8)

Petrol Service Stations (68.9)
- Caltex (69.6)
- ExxonMobil (68.0)
- Shell (69.5)
- SPC (68.8)

Supermarkets (67.1)
- Cold Storage (67.3)
- Mustafa (65.0)
- NTUC Fairprice (68.9)
- All Others (65.3)

Healthcare (67.7)

Polyclinics (62.1)
- NHG (60.5)
- SingHealth (64.7)

Private Hospitals (72.8)
- Parkway Holdings (72.2)
- All Others (73.4)

Public Hospitals (64.6)
- NHG (63.7)
- SingHealth (65.1)

All Others (68.6)

Food and Beverage (67.7)

Bars and Pubs (68.2)

Cafes, Coffee houses, Food courts, Snack Bars (67.3)

Fast Food Restaurants (68.4)
- Burger King (66.5)
- McDonalds (69.4)
- Pizza Hut, KFC (67.7)
- All Others (68.2)

Restaurants (67.5)

Finance (68.4)

Commercial Banks (68.4)
- DBS (66.8)
- OCBC (68.7)
- UOB (68.6)
- All Others (69.9)

Education (70.0)

Commercial Schools (69.5)

Polytechnics (69.2)
- Nanyang (68.3)
- Ngee Ann (69.8)
- Republic (68.5)
- Singapore (70.2)
- Temasek (68.7)

Universities (70.9)
- NTU (70.8)
- NUS (70.6)
- SMU (72.2)

This chart summarises the results of the CSISG 2007 satisfaction scores at the national, sector, sub-sector, and company levels. The national score of 68.7 represents a weighted average of the 8 sector scores (in gold), which themselves are weighted averages of their respective sub-sector scores (in blue). Satisfaction scores for sub-sectors with individual company scores are weighted averages of these individual company scores.

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