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Customer Satisfaction Index of Singapore 2010: Full Year Overview

Institute of Service Excellence, SMU

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EXECUTIVE SUMMARY 2010

CUSTOMER SATISFACTION INDEX OF SINGAPORE



INSTITUTE OF
SERVICE EXCELLENCE
SINGAPORE MANAGEMENT UNIVERSITY



BACKGROUND

The Customer Satisfaction Index of Singapore (CSISG) has completed its fourth consecutive year of measurement since 2007. Under a quarterly measure-and-release system with two out of eight sectors measured per quarter, CSISG 2010 scores of companies for the Retail and Info-Communications sectors were released in the first quarter of 2010, Transportation & Logistics and Education sectors released in the second quarter, Food & Beverage and Tourism sectors released in the third quarter, and finally the current release of Finance & Insurance and Healthcare sectors, marking the end of measurement for 2010. The CSISG 2010 national score is computed using all the data collected over the past year.

CSISG scores are generated based on the econometric modeling of survey data collected from end-users after consumption of products and services. Sub-sector scores are defined as weighted averages of company scores, with the weights being proportional to revenue contribution of the companies within each sub-sector. Sector scores are defined similarly, aggregating the sub-sector scores proportionately to each sub-sector's revenue contribution. Finally, the national score is weighted according to each sector's contribution to GDP. CSISG scores customer satisfaction on a scale of 0 to 100 with higher scores representing better performance.

FIELDWORK PROCESS

Survey data for the two latest sectors: Finance & Insurance and Healthcare sectors were collected between October to December 2010. 5,013 face-to-face interviews were conducted with Singapore residents at their homes with each answering not more than two questionnaires about their experiences with different sectors.

The same survey was also conducted with 300 departing tourists at Changi Airport with each tourist filling out one questionnaire about a single business entity from the Private Hospitals sub-sector.

A total of 10,101 questionnaires were completed for the Finance & Insurance and Healthcare sectors.

To recap the fieldwork process for the entire year of 2010, fieldwork periods for the various sectors are as follows:

- Info-Communications and Retail sectors: January to February 2010
- Education and Transportation & Logistics sectors: April to May 2010
- Food & Beverage and Tourism sectors: July to August 2010
- Finance & Insurance and Healthcare sectors: October to December 2010

FOURTH QUARTER RESULTS HIGHLIGHTS

At the sector level, the customer satisfaction score for Finance & Insurance dropped 2.4 points to 66.7. Likewise, the customer satisfaction score for the Healthcare sector dipped 0.3 points to 66.6. The drop of 2.4 points for the Finance & Insurance sector is statistically significant at the 90% level of confidence.

Within the Finance & Insurance sector, satisfaction with the Motor & Other Insurance sub-sector improved year-on-year. Every company measured in this sub-sector experienced an increase in score, with Chartis scoring the highest within the sub-sector. The Commercial Banks sub-sector declined year-on-year, with

all companies within the sub-sector experiencing dips. The main factor behind the significant decrease in satisfaction for Commercial Banks is attributable to changing customer expectations. Standard Chartered Bank was the highest scoring bank this year at 68.2. The Life Insurance sub-sector also fell this year. Manulife, a new company added to the index, scored the highest, and also performed above the sub-sector average. Health & Medical Insurance, a newly added sub-sector, scored 65.8 points.

Under the Healthcare sector, all sub-sectors measured experienced drops in CSISG scores, with the exception of Specialists, Dental & Traditional Chinese Medicine Clinics (formerly known as Other Healthcare) sub-sector. Satisfaction with Private Hospitals and Polyclinics fell the most, with the drops being statistically significant. For Private Hospitals, the decline is mainly due to a decrease in customer perceptions of value-for-money, whilst for Polyclinics, the drop is mainly attributable to changing customer expectations. Thomson Medical Centre topped the Private Hospitals sub-sector. This year, the satisfaction score for Parkway Holdings has been separated into its constituent hospitals i.e., Gleneagles Hospital, Mount Elizabeth Hospital and Parkway East Hospital.

FULL YEAR RESULTS HIGHLIGHTS

The composite CSISG 2010 national score is 67.2, a statistically significant decline of 0.8 points from the previous year. Sectors that declined from 2009 were Education, Finance & Insurance, Healthcare, and Info-Communications. However, the drop for the Healthcare sector did not reach statistical significance. Satisfaction with the Retail and Tourism sectors improved from last year. Performance of the Transportation & Logistics sector has remain unchanged for two consecutive years.

Customer expectations has generally risen year-on-year for several sectors, namely the Food & Beverage, Info-Communications, and Retail sectors. The reverse is generally true for the Education, Healthcare, Tourism, and Transportation & Logistics sectors. Somewhat counter-intuitively, the strategy of delighting customers by under-promising and over-delivering may not always be ideal. Figure A shows a scatterplot of customer satisfaction against customer expectations for all entities measured in CSISG 2010. Customer satisfaction tends to rise with increasing customer expectations, however an important caveat is that the perception of quality delivered must not lag behind expectations. Shaping customer expectations through branding, advertising, and positioning is therefore a useful lever in delivering that extra bit of customer satisfaction.

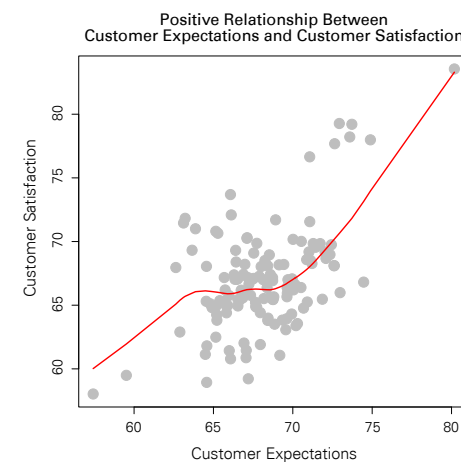


Figure A: Customer satisfaction tends to rise with customer expectations

KEY FINDINGS

SPENDING MONEY SOLELY ON FRONTLINE TRAINING IS NOT THE SOLUTION

According to Figure B, service quality has been experiencing an upward trend since 2008, with the most recent increase from 70.8 in 2009 to 71.3 in 2010 being statistically significant. However, this trend is not mirrored in customer satisfaction, which plunged a significant 0.8 points to 67.2. This is a strong reminder that improvements in service quality alone do not always lead to improvements in customer satisfaction. Service quality is but one facet of the satisfaction equation, and a sole focus on service quality is myopic and may not lead to the desired results. Customer satisfaction encompasses amongst other things, shaping the expectations of customers through branding and positioning, improving both product and service quality, as well as offering value for money to customers. Companies will need to undertake a holistic approach which considers all these factors as well as take into account how different functions within the company can work together to better deliver value to customers. For example, improving internal processes or company policies that will ultimately be appreciated by customers during the consumption process will in all likelihood increase customer satisfaction.

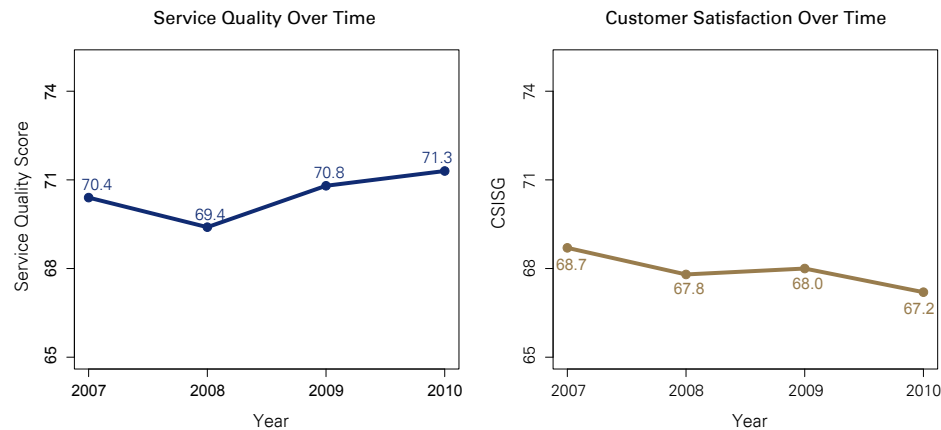


Figure B: Service quality scores display a positive trend since 2008; however, customer satisfaction has declined in 2010

ENGAGE CUSTOMERS TO RAISE SATISFACTION

Based on the full year results, customers who only made direct complaints to companies have fallen from 2009. However the proportion of customers who cited that they complained to their friends or family have risen year on year. This increase in apathy amongst customers may indicate an increasing proportion of disengaged customers. Reiterating our first quarter finding that well-handled complaints is associated with higher customer loyalty scores, one method to improve customer loyalty is via enhancing complaint handling capabilities. If customer loyalty is desired, then strengthening the efficacy of these channels is encouraged.

To engage customers effectively, it is also important to understand their attitudinal and behavioural profiles. According to Jones and Sasser (1995), customers can be loosely grouped into 4 categories. They are namely Advocates, Defectors, Hostages, and Mercenaries. Figure C illustrates this classification with CSISG 2010 data for the Commercial Banks sub-sector. Advocates are customers who are highly satisfied and loyal. In addition, they spread positive word-of-mouth about their experiences. Mercenaries are customers who are highly satisfied but tend to exhibit low loyalty. Hostages are customers who are dissatisfied but yet cannot switch to other providers for a variety of reasons. Lastly, defectors are those who are not satisfied and therefore tend to switch providers whenever opportunities arise. Figure C shows how customers from the Commercial Banks sub-sector are distributed across the four quadrants. Companies should undertake unique strategies for customers in each quadrant to engage them more effectively.

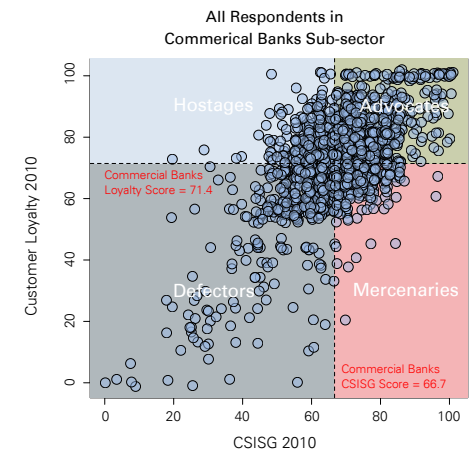


Figure C: Classifying customers according to their attitudinal and behavioural profiles (i.e. Advocates, Defectors, Hostages, and Mercenaries) for strategic decision making

LONG TERM VIEW IS KEY TO RAISING CUSTOMER SATISFACTION ALONG WITH STAKEHOLDER VALUE

Customer loyalty and increased profits are the end results which most companies seek to achieve. Therefore it is important to understand what causes customers to be loyal. There are vast amounts of empirical research demonstrating a positive association between customer satisfaction and loyalty. While variation in the strength of this relationship may arise due to (but not limited to) differences in industry, operating environments, and consumer characteristics, this relationship is both conceptually and empirically solid. CSISG data accumulated over the past 4 years demonstrates that customer satisfaction is one of the major drivers behind customer loyalty. Increased customer satisfaction and loyalty also comes with a host of other benefits such as positive word-of-mouth and higher price tolerance. Using CSISG 2010 data for the Commercial Banks sub-sector as an example, on average, a 1-point increase in customer loyalty is associated with a 0.5% increase in price tolerance. This means that in general, loyal customers are more amenable to price increases.

Figure D shows a non-linear relationship between customer satisfaction and customer retention probabilities, using data from the Commercial Banks sub-sector as an example. That is, a unit change in customer satisfaction does not result in the same proportionate increase in customer retention. The key finding from the pattern as revealed by the red curved line is the importance of satisfying customers who are ambivalent, i.e., customers whose satisfaction scores reside around the 50 point mark as indicated by the dotted vertical line. This is because a drop in satisfaction results in a steep decline in customer retention for this group of customers.

In summary, it is recommended that companies monitor ambivalent customers and focus on the drivers behind customer loyalty, especially satisfaction to drive profits, market share, and ultimately stakeholder value.

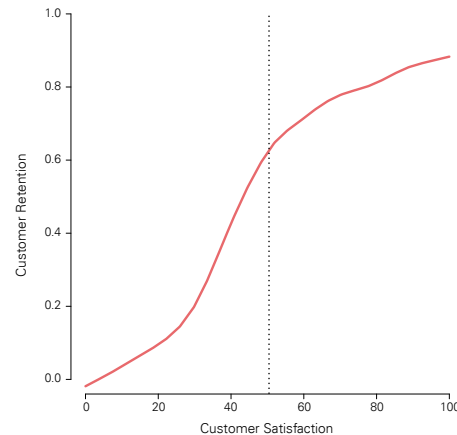


Figure D: A non-linear relationship between customer satisfaction and customer retention probabilities

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The chart on the right summarises the results of the CSISG 2010 satisfaction scores at the national, sector, sub-sector and company levels. The national score of 67.2 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.

The sparklines indicate the satisfaction score of their respective sectors, sub-sectors and companies over the past few years.

-  statistically significant increase in customer satisfaction from 2009 to 2010
-  statistically significant decrease in customer satisfaction from 2009 to 2010
-  insignificant year-on-year change in customer satisfaction score

All scores displayed are accurate to one-decimal place. Entities are presented in decreasing levels of satisfaction.

* Companies indicated with an asterisk(*) have performed significantly above their sub-sector average.

+ The score for Changi Airport is significantly above its sector average.



2010 NATIONAL SCORE

67.2



69.3 Tourism

- 74.1 Hotels
- 83.6 The Ritz-Carlton*
- 79.2 Swissotel The Stamford*
- 78.2 Shangri-La*
- 78.0 Grand Hyatt*
- 77.7 Mandarin Orchard*
- 72.1 All Others
- 70.3 Attractions
- 71.5 Underwater World
- 70.3 Sentosa
- 68.4 Wildlife Reserves
- 70.8 All Others

64.8 Tour Operators, Travel & Ticketing Agencies

68.7 Transportation & Logistics

- 73.7 Airport
- 73.7 Changi Airport +

- 71.8 Airlines
- 79.3 Singapore Airlines*
- 71.7 Cathay Pacific
- 71.6 Emirates
- 69.0 Qantas
- 68.4 SilkAir
- 65.8 All Others

65.7 Courier & Postal Services

- 67.0 SingPost
- 65.6 DHL
- 65.5 FedEx
- 64.4 UPS
- 64.4 All Others

64.4 Taxi Services

- 65.4 Transcab
- 65.4 Premier
- 64.2 ComfortDelGro
- 63.8 SMRT
- 65.3 All Others

64.1 Mass Rapid Transit Systems

- 65.5 SBS Transit
- 63.8 SMRT

62.5 Water Transportation

61.1 Public Buses

- 61.9 SMRT
- 58.9 SBS Transit

59.5 Budget Airlines

68.6 Healthcare

- 70.3 Specialists, Dental, & Traditional Chinese Medicine Clinics

69.1 General Practitioners

- 68.7 Private Hospitals
- 69.7 Thomson Medical Centre
- 69.6 Parkway East
- 69.0 Raffles
- 68.6 Mount Elizabeth
- 68.3 Mount Alvernia
- 68.1 Gleneagles

67.0 Restructured Hospitals

- 68.2 Singapore General
- 67.4 Alexandra
- 67.4 KK Women & Children's
- 67.0 Tan Tock Seng
- 66.2 National University
- 64.9 Changi General

62.3 Polyclinics

- 62.9 SingHealth
- 61.8 NHG

68.2 Retail

70.0 Departmental Stores

- 76.7 DFS*
- 70.2 C K Tang
- 70.0 Takashimaya
- 68.1 Metro
- 67.0 OG
- 67.0 Robinson & Co
- 67.0 Isetan
- 64.6 All Others

69.6 Motor Vehicles

- 69.2 Tan Chong Motor
- 69.1 Cycle & Carriage
- 68.7 Borneo Motors
- 68.1 Kah Motor
- 69.8 All Others

69.2 Jewellery

68.5 Clocks & Watches

66.4 Fashion Apparels

- 66.4 Petrol Service Stations
- 66.6 Caltex
- 66.4 Shell
- 66.4 SPC
- 66.2 Esso

65.9 Furniture

- 65.4 Supermarkets
- 67.1 Cold Storage
- 65.8 Sheng Siong
- 65.4 NTUC Fairprice
- 61.5 Mustafa
- 64.9 All Others

66.6 Finance & Insurance

- 67.1 Motor & Other Insurance
- 67.4 Chartis
- 66.9 AXA
- 66.7 NTUC Income
- 67.1 All Others

66.7 Commercial Banks

- 68.2 Standard Chartered
- 68.2 Citibank
- 67.3 Maybank
- 67.1 HSBC
- 67.1 UOB
- 65.3 OCBC
- 65.1 DBS
- 68.0 All Others

66.2 Life Insurance

- 68.5 Manulife*
- 67.0 Prudential
- 66.2 American International Assurance
- 65.0 NTUC Income
- 64.9 Great Eastern
- 67.2 All Others

65.8 Health & Medical Insurance

- 66.0 NTUC Income
- 65.4 Great Eastern
- 64.8 Prudential
- 67.2 All Others

65.5 Education

- 69.3 Universities
- 71.0 NUS
- 69.8 SMU
- 69.3 NTU
- 60.8 UniSIM

68.5 Polytechnics

- 71.8 Temasek*
- 70.6 Nanyang*
- 69.9 Ngee Ann
- 65.2 Singapore
- 61.4 Republic

65.0 Commercial Schools

58.0 ITE

65.1 Food & Beverage

- 66.5 Restaurants
- 66.0 Crystal Jade
- 65.5 Sakae Holdings
- 65.3 Tung Lok
- 63.6 RE & S
- 66.8 All Others

64.8 Bars and Pubs

63.9 Cafes, Coffee Houses, & Snack Bars

- 64.3 Starbucks
- 63.9 Delifrance
- 60.9 The Coffee Bean & Tea Leaf
- 64.0 All Others

62.4 Fast Food Restaurants

- 63.4 McDonald's
- 62.0 Burger King
- 61.1 KFC
- 61.1 All Others

59.2 Food Courts

64.4 Info-Communications

- 64.7 Mobile Telecom
- 65.7 StarHub
- 65.7 M1
- 63.5 SingTel

63.6 Internet Service Providers

- 63.8 StarHub Broadband
- 63.1 SingNet
- 65.6 All Others

