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## Customer Satisfaction Measurement Perceptions in German marketing research firms Charles W. Fojtik, DBA & John D. Nicks, Ph.D.

### Application...

**Firms can benefit by reviewing the lessons presented here in reviewing their own strategic opportunities.**

The impact of globalization on strategy is a common theme in business literature today. More than generalizations about its importance, however, those who hope to make globalization work for them need to understand the specific opportunities and difficulties of working across national and cultural boundaries. There are nuances of attitudes and actions that are typical of a culture. Those differences may require different strategies.

One area where those differences may provide an opportunity or a pitfall is that of customer satisfaction and its measurement. In many places in the world, business organizations have been elevating the role of the customer to that of a key stakeholder over the past twenty years. Customers are viewed as a group whose satisfaction with the enterprise must be incorporated in strategic planning efforts. Forward-looking companies are finding value in directly measuring and tracking customer satisfaction (CS) as an important strategic success indicator. Evidence is mounting that placing a high priority on CS is critical to improved organizational performance in a global marketplace.

The attention given to CS, however, does vary. While few businesses would state that they don't want to know what the customer thinks, there are those who seem to assume that the customer is satisfied with their products or services and that any attempt to measure satisfaction would be of little value. They may be correct in some cases, but in others they most surely are not; the competitor who does measure CS, and who figures out how to meet the customer's preferences more effectively, will likely be in a position to take market share.

Sweden, Germany, the US, New Zealand, and Taiwan are among the countries that have established or initiated country-wide CS measurement programs. The European Union also has recommended a CS measurement program for its member countries. Cultural differences in the degree to which the customer mandate is embraced by management in these countries, and the manner in which it is implemented, do exist however. The concept of CS has not been

embraced equally across organizations within these countries.

Germany presents a particularly interesting set of conditions. Germany has enjoyed enviable economic success in the postwar era and is often held up as a model economy whose management practices are worth emulating. At the same time, the country is widely characterized as having an inhospitable service sector. Germany's own Customer Barometer has shown that German customers are not very satisfied and were becoming less so until very recently. This level of dissatisfaction has affected customer retention, with both loyalty and recommendation ratings dropping in virtually all industries. Businesses, whether in Germany or elsewhere, that are willing to make the effort to understand and deal with this dissatisfaction may find a profitable opportunity.

Several factors continue to pressure Germany to substantially increase its global economic activities, and understand and respond to customers. These factors include maturing domestic markets dominated by aging consumers; formation of the EU which is bringing new competitors into its domestic markets, and the economic stress from integrating Eastern Germany and refugees from other European countries into its economy. Despite this pressure, German companies appear to lag in their efforts to integrate customer concerns into the strategic planning.

One interesting personal insight on German attitudes about CS comes from a 1992 interview with one of the founders of the German Customer Barometer. He stated that a CS study in Germany would have to be government-funded because "...few executives in Germany would pay to find out how their customers feel about their offerings. They are much too confident in their own judgments of what customers need and their engineers' abilities to deliver it."

That comment became the genesis of a study to explore the current status of CS measurement usage in Germany. The results of our study hold value for executives from all countries. To the extent that these conditions continue to exist, it may suggest niches in the German market that can be exploited. Business people in other countries, including the U.S., who are indifferent to the satisfaction level of their customers should be aware that they may be vulnerable as well.

When considering how to collect our data, we felt that German executives might not respond well to mailed questionnaires from unknown individuals. We also were concerned that they would protect their companies' strategies from outside people. As a result, we initially focused on German marketing research (MR) firms that sell CS data services, where we would more likely be received as "research colleagues." We contacted managing directors of 80 firms and asked them to participate in face-to-face interviews about CS. Nineteen two-hour interviews were held during the summer of 1997. The agencies visited accounted for over 80% of domestic marketing research billings, including the top four agencies and 14 of the top 20 agencies. Managing directors were interviewed in all but the largest firms. In the latter, unit managers directly responsible for the CS measurement activity were

interviewed.

We found the German marketing research community to be very candid. Contrary to our expectations that interviewees might paint a rosy picture of the receptivity of their services, they admitted that the attention paid to CS measurement by German executives is less than they believe is needed to assure Germany's continued leadership in rapidly globalizing markets. They estimated that no more than 15 to 25 percent of German firms of any significant size formally measure CS. One marketing research executive noted that "... for German executives, 'marketing' merely equals 'product disposal!'" The German Customer Barometer, with a basic report selling for only a little over \$200, is purchased by less than 100 companies in Germany despite intense marketing efforts on its behalf. Industry-specific reports can cost up to \$10,000.

Our study respondents felt that German interest in CS measurement was about six years old. This corresponds to the launch of Germany's nationwide Barometer and parallels the duration of the current economic recession. Some observers expected that continued indifference will be the norm because so many cultural institutions resist change. Others expected that usage will grow because of increased global competition and the dawning recognition of the ease with which even the best-engineered products can be copied. Increased acceptance of CS measurement "only awaits the maturing of the new generation of leaders" claimed one manager. However, he later admitted that their school system continues to turn out business people who will most likely further the status quo. Some others felt that the widespread publication of the German Customer Barometer would provide more managers with a rationale to share their own CS data internally, whereas in the past such data might have been kept locked in a drawer.

Marketing research executives often mentioned the automobile, financial services, and media industries as strong users of CS measures, possibly due to being more global operations. At the other extreme, several mentioned retailers as the most resistive, citing cost concerns as their primary reason for not purchasing these services. However, the most aggressive users of CS data were felt to be less defined by industry than by one of three conditions: 1) Their market share has deteriorated and they seek to turn this around; 2) They are at or near the top of their industry and hope to use strong customer satisfaction scores to reinforce this position; 3) A key top executive is personally excited by the concept of customer satisfaction, in whatever form.

The MR executives believed that customer satisfaction information is used primarily for tactical problem solving (e.g., adjustments to ad content, some price changing) not for strategic issues such as opportunity generation. Product modifications still are dominated by information from the lab, not the marketplace.

### **Hurdles to Acceptance of Customer Satisfaction Measurement**

Our interviews identified five major hurdles to an increasing use of CS

as a strategic measure. First, is a lack of top management commitment to the concept of market research. German executives feel they already know their customers well enough: "If customers don't like a product, they will tell us." Integrated CS improvement programs that involve the entire organization remain difficult to implement. Hence, CS scores do not improve for these companies over time, and subsequently their top management loses interest in continuing CS measurement programs. Several MR leaders cited cases where weak CS scores were discounted by the rated companies' executives: "Clients tell that 'your data/methods are wrong' or 'these customers don't understand our product' or 'customers are making too much out of an isolated incident.'" A few MR people went so far as to say that German executives operate on a passive survival model: "If I ask customers how they feel, I'm bound to get criticism. Better to assume service is fine until customers initiate the complaint." It was also noted that the management reward system provides virtually no penalty for failing to act on an opportunity, but severe sanctions for trying and failing.

A second group of factors concern the attitudes of German employees. Workers have generally accepted a "win-lose" model in which customer gains can come only at the expense of the worker. For example, they view more convenient store hours for shoppers as meaning that clerks would not get home to their families at the times they were most needed there. Employees also seem to equate "giving good service" with "being a servant" (i.e. a lower class person). They may do their defined job well and with pride, but resent being asked to step outside its bounds in the interests of satisfying a customer's needs. As a case in point, when one of the authors politely asked a German clerk where he could find a public telephone, the woman somewhat indignantly replied, "This is a supermarket. I am a checker," and no further information was offered. Even top management's best efforts may be stymied at the point of implementation.

Surprisingly, German customers present a third set of factors. According to MR executives, many German customers believe that German industry already offers the best products possible and don't want to be bothered for their specific opinions. Most MR directors also felt that customers would resist the development of detailed customer databases as a threat to their privacy. In fact, some data-collection practices which are common in the U.S. are not permitted by the European Union.

A fourth group of factors concerns practices of the marketing research companies. Many of those interviewed were surprisingly passive with regard to account development. Virtually all executives went directly from educational preparation into the MR industry. Few had line experience. They tend to define CS measurement in terms of large-scale quantitative programs and believe that their own success will come only when they have well-established benchmark studies. Their current client contact is most often the head of marketing or marketing research, rather than top management; this makes it difficult for them to implement any cross-departmental solutions to CS problems. This tactical focus is further reinforced by the facilities at all but a few of the MR companies.

The typical site leaves one with a feeling of an efficient "data factory," not a professional strategic-level partner.

The fifth hurdle may present the greatest challenge of all: cultural factors that collectively inhibit change. German law often makes it difficult to improve customer satisfaction, whether measured or not, particularly the restrictive closing hours for shops. Numerous cultural institutions, including the school system, perpetuate the promotion of persons with low-risk profiles. One MR executive, a non-German national, offered perhaps the most encapsulating view of the cultural challenge: "If I run a focus group where a new idea is pitched to non-German executives, I will get suggestions as to how I can improve and hence attain their business. The same effort presented to Germans gets at best a list of reasons why it won't work, more often merely an exasperated comment that 'When you have a final design, bring it to me and I will tell you if I will buy or not. Don't ask me to do your design work for you.'"

We do believe that there are several groups that can draw value from these results, however tentative. Most obvious are German executives who do not appear to be making the best use of the maturing resources available in their MR community. The German marketing research community also could benefit from greater attention to building institutions that work directly with top management on a strategic level, instead of focusing on data processing for marketing departments. "Best of show" companies who have succeeded in driving the CS imperative deep into all operations should be held up as firms worth emulating.

More generally, and for this audience, more importantly, the conditions found in Germany are present to some degree in all business systems and all cultures. While it is often easier to see problems in an environment other than one's own, further reflection will show that the difference is often a matter of degree, not of kind. Change is frequently resisted by individuals and by institutions. We believe that all businesses, regardless of geography, whether users or suppliers of CS measurement services, can benefit by reviewing the lessons presented here in reviewing their own strategic opportunities.

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