
Assessing the Negative Impact of Problem Experience on Member Loyalty

Over years of conducting numerous satisfaction/loyalty research programs for many types of organizations, we have consistently found that problems weaken the relationship between an organization and its constituents, whether they are referred to as members, customers, patients or clients. We also know that different types of problems negatively impact the relationship to varying degrees. Some problems will only cause minimal damage to the relationship if resolved, while other types of problems must be prevented from occurring.

Problems weaken the relationship between associations and its members.

In order to determine the negative impact problem experience has on member loyalty, there are four issues that must be addressed: (1) the prevalence of problems, (2) the percentage of problems that go unreported, (3) the extent of damage that is done to the relationship if the problem occurs but is resolved, and (4) the extent of damage that is done if problems go unresolved. By understanding the last two (damage done by resolved problems and damage done by unresolved problems) an organization can efficiently allocate its limited resources to eliminating problems where it must, and resolving problems in areas where problem elimination is not necessary.

Including the following four questions in your member satisfaction/loyalty survey will allow you to determine the impact that various types of problems have on your member relationships:

1. *Have you experienced a significant problem when dealing with XYZ in the past six months?*
2. *Please briefly describe the nature of the problem.*
3. *Did you report the problem to anyone at XYZ?*
4. *Was the problem resolved to your satisfaction?*

Problems will vary in the degree of negative impact on member loyalty.

Prevalence of Problems

The first question in this module is used to determine the prevalence or incidence of significant problems. The word "significant" is used to separate problems that are relationship-threatening from those that might best be classified as a nuisance. Limiting the time frame to six months focuses the attention on recent situations where respondents are more likely to be able to recall specific details. Additionally, problems that occurred in the distant past are more likely to have already been addressed through regular process improvements by the organization.

By calculating the percentage of respondents who say that they have experienced a recent problem, organizations can determine the current rate of problem incidence among its total member base and establish a baseline against which future survey results can be used to determine the effectiveness of problem reduction/elimination efforts.

Nature of the Problems

Respondents who have experienced a recent problem are then asked to briefly describe the nature of the problem. Through content analysis, problems can be categorized into the appropriate process or department within the firm (e.g. member benefits, member services, conferences, continuing education, local chapters, website, tech support). A quick tally can identify the areas that generate the most problems.

Content analysis pinpoints the origin of the problem.

Some situations can produce problems in multiple categories. For example, a problem may originate in one area (e.g. difficulty in logging into the organization's website) and carry over into another area (e.g. difficulty in getting assistance from tech support). In this example, one situation has produced two problems - a website problem and a tech support problem.

The respondent's verbatim account of the issue adds specific details of how the situation became a problem, and can add insight into the corrective measures needed if the organization chooses to prevent the problem from occurring.

Unreported Problems

The extent of unreported problems can be calculated.

The next question to pose to respondents who have experienced a recent problem is whether or not they reported the problem to someone at the organization. The percentage of respondents who experienced a problem but did not report it can be used in conjunction with the association's internal statistics to validate total problem incidence determined by the first question. If 50% of survey respondents who experienced a problem actually reported their problem, total problem incidence is twice the number the organization is aware of.

Additionally, the organization can determine if certain types of problems are more likely to go unreported. Research shows that the primary reason individuals do not report a problem is because they believe nothing will be done about it, therefore the time spent reporting the problem will be wasted. If, for example, a larger percentage of website problems go unreported than problems in other areas, this might point to a general feeling among members that the organization is unresponsive when it comes to dealing with website issues.

Problem Impact

Respondents' ratings of the organization's processes can uncover the damage of resolved and unresolved problems.

The fourth survey question in this sequence is whether respondents who reported their problem had their problem resolved to their satisfaction. Using the results of this yes/no question, respondents are then segmented into three groups during the data analysis – (1) those who did not experience a recent problem, (2) those who experienced a problem and had it resolved, and (3) those who experienced a problem but did **not** have it resolved to their satisfaction.

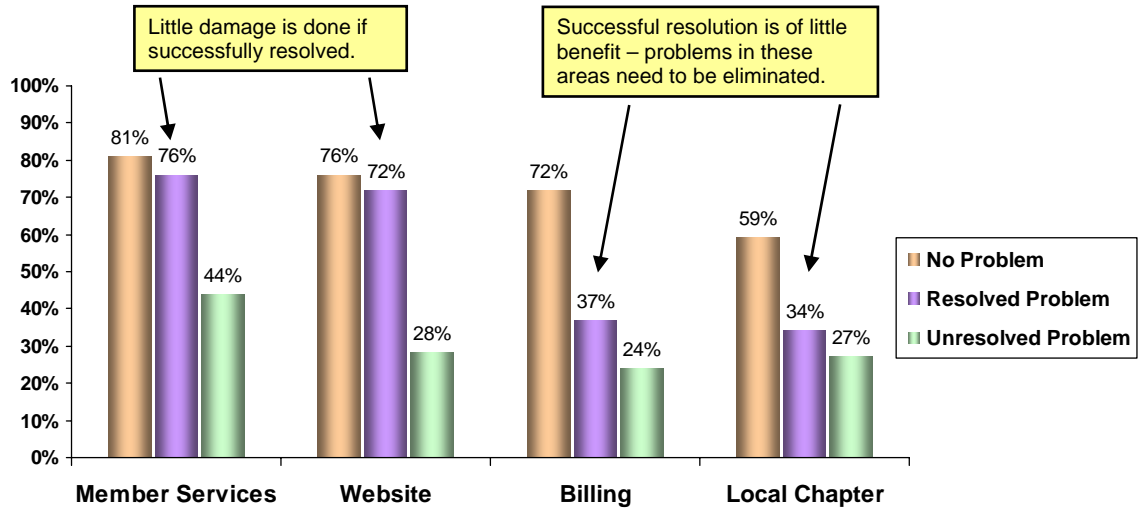
In order to determine the negative impact that problem experience has on any organization, it is necessary to get an overall respondent rating for each of the processes where members have contact with the organization. For example, if respondents are asked to rate their overall experience with member benefits, member services, billing department, website, conferences, local chapter, etc., the impact that problems have on the quality rating of each area can be calculated.

The overall ratings from respondents who have not experienced a problem can be compared to the quality ratings of respondents who have experienced a problem to determine the negative effects of problem incidence. The following bar chart illustrates this comparison.

Notice that for member services and the website, the drop in ratings from no problem to resolved problem is minimal, while the drop in ratings from resolved problem to unresolved problem is significant. This indicates that resolving problems related to member services and the website can minimize the damage that these problems have on the member relationship. The additional resources needed to prevent problems from occurring in these areas are not necessary, and would not provide a high return on investment.

(The percentages above each bar represent the percentage of respondents who gave overall ratings of “excellent” or “very good” for that area. For illustrative purposes, only four areas are shown.)

Understanding which problems need to be resolved and which need to be eliminated helps the organization allocate resources efficiently.



However, the bar chart above tells quite a different story for billing and the local chapter. Notice that the drop in overall ratings from no problem to resolved problem is significant. This indicates that problems with billing and the local chapter must be prevented, since even successful problem resolution results in a significant drop in members' evaluations.

Our experience is that the occurrence of problems almost always has a negative impact on the relationship an organization has with its constituents. The impact each type of problem has on the relationship can vary. By understanding which problems need only to be resolved and which problems need to be prevented, an organization can allocate its problem resolution/prevention resources efficiently, while maintaining the strength of the relationship it has with its members.

About the Loyalty Research Center

Since 1997, the Loyalty Research Center has focused on customer and employee loyalty/satisfaction measurement and management in the B2B, B2C and Association sectors. We work with companies across a myriad of industries and distribution channels to:

- Improve customer and employee retention
- Prioritize and implement effective change strategies
- Maximize profits through better understanding of loyalty segments and their drivers, customer expectations, employee engagement, current performance and competitive strengths and weaknesses