

Customer satisfaction increases the value and interest of company shares for institutional investors

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How do institutional investors react to customer satisfaction with companies on the stock market? A research group run by Jaakko Aspara, who is a professor in the Department of Marketing at Aalto University School of Business in Finland, conducted a study showing that improved customer satisfaction with a company causes institutional investors to increase their ownership in that firm and has a positive impact on share value.

The study was published in the highly regarded *Journal of the Academy of Marketing Science*.

It shows that transient [institutional investors](#), such as [equity funds](#), are particularly likely to increase their ownership in companies that improve their customer satisfaction. They correspondingly reduce ownership in companies where customer satisfaction decreases.

'It's somewhat surprising to find that transient institutional investors, who we often see as focusing only on [quarterly profit](#) forecasts, also react to customer satisfaction, which reflects a firm's long-term marketing competence', states Professor Jaakko Aspara.

The study utilised the extensively-used American Customer Satisfaction Index (ACSI) as an indicator of customer satisfaction. This index surveys the customer satisfaction of more than 200 large companies in

the USA market and is published several times per year. Nokia is one of the companies included in the ACSI survey.

The research group found that institutional investors react more strongly to changes in customer satisfaction in uncertain product markets.

'For example, the [consumer electronics market](#) changes very rapidly. In such markets, institutional investors seem to place an increasing amount of value on customer satisfaction,' comments Aspara.

'The fact that an increase in the ACSI figure for Nokia's customer satisfaction in May was followed by reports indicating that certain large institutional investors were interested in the company corresponds to our results. The value of Nokia's shares has also gone up.'

The study shows that the increase in ownership by transient institutional investors as customer satisfaction improves also leads to a rise in share value and a decrease in share-specific risk. This provides companies with the opportunity to reinforce the value of their shares.

The study concludes that reporting improvements in a company's customer satisfaction to a larger number of transient institutional investors can be expected to strengthen company value.

More information: 'Do institutional investors pay attention to customer satisfaction and why?'. Journal of the Academy of Marketing Science (forthcoming) is available online at:

link.springer.com/article/10.1007/s11747-013-0342-9

Provided by Aalto University

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