

Voice of the Customer as the Ritz Carlton (not the Roach Motel)

Top 5 Reasons Why VoC Doesn't Show you the Money... And What to Do About It

A Waypoint Group whitepaper
<http://www.waypointgroup.ORG>

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Executive Summary

Most people tend to think that writing a questionnaire to hear the Voice of the Customer (VoC) is easy. And they would be largely right – it’s not hard to write a questionnaire. But what to do next – collecting, aggregating, analyzing, and acting on the collective Voice of the Customer – is not only far more difficult, there are actually real risks involved if done incorrectly. In fact Waypoint Group probably wouldn’t even be in business if the financial payoff for overcoming those risks isn’t as large as it is.

This whitepaper presents several lessons learned in running a VoC effort. We pose self-assessment questions throughout this paper that will help you understand where you are on your path to increase Customer Lifetime Value and improve net margin. Before diving in, take 3 minutes now to answer the following questions. As you read, your answers are likely to change, and you certainly will appreciate the ability to compare your own responses “before” and “after” reading.

	Completely Disagree					Completely Agree					
1. The questions on our customer survey help me take action	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. The questions on our customer survey enable resolution by the front-line	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. We report response rates by key customer segment	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. I trust that response rates are representative of the business	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. Our analysis is ROI-based	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. Survey results and prescriptive actions are available to everyone	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. Survey results are reviewed in context with sales planning	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. Customer Feedback is reviewed alongside annual/bi-annual strategic planning cycles	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. There is a cross-functional team engaged in reviewing and acting on customer feedback	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. Feedback reviews are based on forward-looking improvement efforts, not backward looking blame-games	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

There's Gold in That Thar Install-Base!

If your company is like most then you probably make investments in obtaining customer feedback through a variety of mechanisms, such as logging tickets in your CRM system, surveying customers, or running focus groups. These activities don't only cost time and money; they also carry opportunity costs that can sap resources away from other initiatives. But you can tap the gold in those mines if you know where to look. With small, incremental efforts you can achieve at least a 10x ROI for those activities, while also driving strategic, profitable growth that will separate your firm from the competition.

We recommend you read this paper if you face any of the following:

- You collect customer feedback but your scores are flat, declining, or bounce over time
- Your customer retention rate is flat or declining (i.e. churn is not declining)
- Your Customer Acquisition Cost metrics aren't showing scalability (i.e. it costs the same to acquire new customers over time)
- Most of your customers have only a single product / service (i.e. low cross-sell rates)

One thing that has been repeatedly proven is that customers that are "with you" (a segment often called "Promoters") tend to buy more, stay with you longer, refer business, and serve as a valuable source of market intelligence and constructive feedback. By understanding and leveraging your promoters, you will extend your Sales & Marketing expenditures far beyond your own employees. Consider this example:

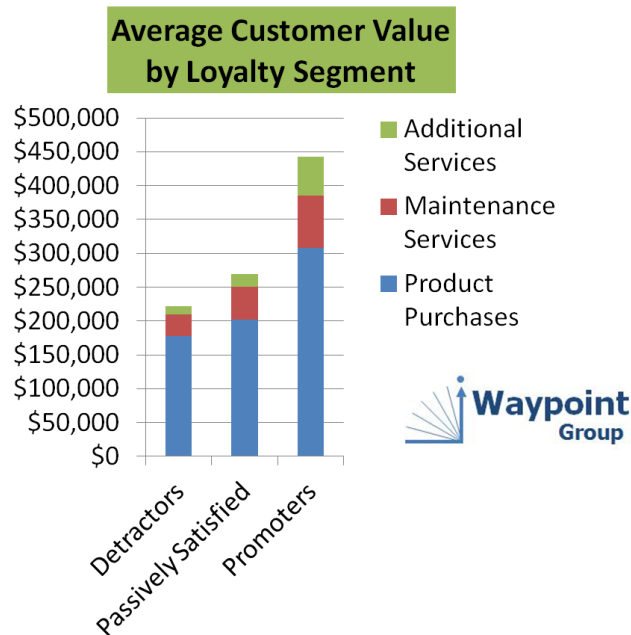


Figure 1: "Promoter" customers at this software and services company spend 1.9x more than unhappy customers. AND they refer business.

Of course, you can also view this graph "half empty" – those customers that are unhappy (a segment often called "Detractors") not only buy significantly less from you, but they also tell friends and colleagues to stay away. Consider this simple example in Figure 2 from a Software-as-a-Service provider of communications infrastructure:

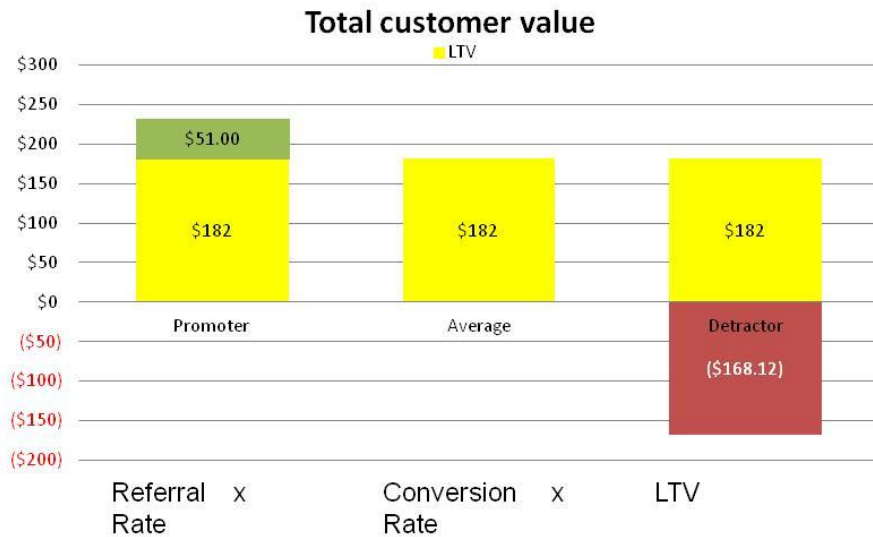


Figure 2: Even for this single-product, monthly-subscription based SaaS provider, Detractors can be very toxic.

Even though there is a very high ratio of Promoters vs. Detractors at this firm, the Detractors are quite toxic, eroding most of the good-will of the Promoters while also being unprofitable themselves.

With a little more focus, collecting and acting on customer feedback can deliver 10x+ ROI and provide the most strategic insights to your CEO. Don't keep the insights locked away in the roach motel – set them free!

Top 5 reasons why “Voice of the Customer” Programs Don’t Show you the Money

So now in order from most tactical to most strategic, here are the reasons why efforts in collecting customer feedback fail to provide the ROI.



1. Wrong Questions

When starting out everything you ask of your customers should be through the lens of your *customers'* experience. Make sure your customers aren't asking, "So what, who cares?"

Consider the *Customer's* Experience, Not Yours

As an example, consider the surveys you often see in your hotel rooms. They ask you if the room was clean, if the fridge was stocked, and if the temperature was ok. They clearly have policies for these areas and they want to see if their processes are working. But most of those things are either "tickets to play" (the room better be clean or management will most certainly hear about it!), or they don't matter much to customers. In other words, those are things the hotel may care about, but not things that the customer may consider to be candidates for feedback.

Leading AND Lagging Indicators

It's good to get an understanding of what happened in order to understand why a customer may feel a certain way. And equally important is to discover what might happen in the future. If you are always looking backwards then you may fail to see what's coming in front of you, and combining those views can provide powerful predictors. Your customers are often quite happy to tell you how likely they may to continue to purchase, how likely to refer your company to friends, or how likely they are to buy more from you as a result of their past experiences.

It's Customer Research, Not market research

Why don't the before-mentioned hotel surveys ask about things that customers care about? Was it easy to check in? Did I get the room I wanted? Can I check out late without hassle or extra charge? These are examples of the *customer experience pathway* – the process the customer goes through when working with you. You should probably want to find out if you are difficult to do business with, don't provide the value your customers are seeking, or cost too much, and these are things that not only span the customer experience (not just the product itself – i.e. the actual room in the hotel example) but are also things that impact your customers' perceptions and expectations.

One additional note on this topic: Believe it or not, you will have customers that know more about your market than you. After all, they've recently researched their needs, the vendors, and made a commitment. Consider that your best customers may in fact be the ones willing to share what they know.

Now Score Yourself for Action

Answer these questions:

	Completely Disagree						Completely Agree					
1. The questions I ask help me take action	0	1	2	3	4	5	6	7	8	9	10	
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
2. The questions I ask enable front-line resolution	0	1	2	3	4	5	6	7	8	9	10	
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

In summary, if you are using surveys of any kind – phone / web / paper, in person, focus groups, etc. – make sure to design them with follow-up in mind. Find out what makes a customer a Promoter or a Detractor, and make sure to ask the questions that are relevant to *them*.

Remember also that no questionnaire can replace the power of 1:1 dialogs. Get to root cause and strengthen those relationships with the front-line service and support personnel.

2. Wrong Responses

Huh – how can a customer’s survey response be wrong?

Listen to what customers are NOT saying

Most “Voice of the Customer” programs are happy to report on what customers said. But what about the customers that didn’t respond – Don’t those customers matter?

When it comes to customer research, there are 2 often over-looked metrics:

1. **Response Rate:** calculated as the % of people that responded divided by the percentage of people you invited to give feedback. When reporting the response rates resist the temptation to manipulate numerator or the denominator – for example, don’t ignore bounce rates (incorrect email addresses, phone numbers, etc.), and be sure you know who is being counted by SEGMENT. Understanding who is being represented –by account type, product lines, or geography, for example – can be a key reason why you may not see ROI.

Especially in B2B environments, which are normally characterized by stronger relationships, your response rate for any given survey should be 50% or higher, and ideally represent 80%+ of the revenue you are managing in that segment.

2. **Coverage Rate:** The more important question to ask is, “Do the survey responses reflect my customer base?” In order to answer this question you must be sure that responses are neither anonymous nor acquiring information from too few of the right people.

Consider these results from a B2B SaaS-based provider of communications infrastructure:

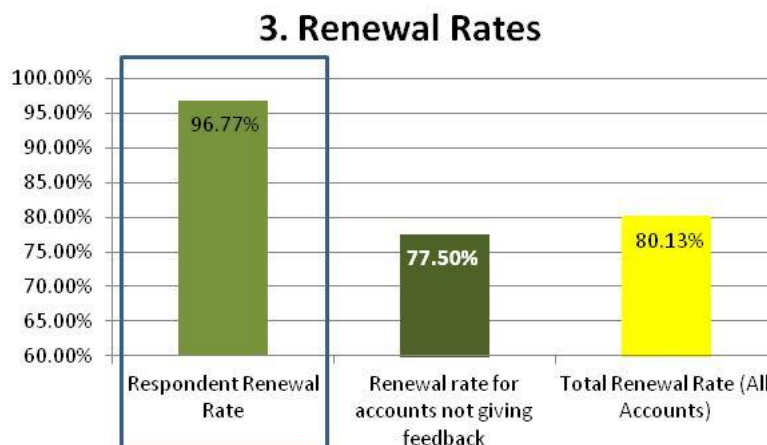


Figure 3: Response rates are a leading indicator of renewals for this SaaS provider

People who respond to the request for feedback have stronger relationships with you than those who do not.

Who’s responding? Decision influence matters

In your customers’ purchase cycle there are both decision makers and influencers. Both of these groups of people matter, especially in B2B environments. Remember that getting responses from contacts that transact with you – for example, through service or support – means that you are getting responses from end users that are engaged with you. These responses are not only tainted by their recent experience (good or bad), but also fail to represent their entire purchasing process. Consider, what percentage of your customers are transacting with you, and how are they involved in the purchasing decisions?

Now Score Yourself for Action

Answer these questions:

	Completely Disagree						Completely Agree					
3. I have response rates by key segment	0	1	2	3	4	5	6	7	8	9	10	
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
4. I trust that response rates are representative of the business	0	1	2	3	4	5	6	7	8	9	10	
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

Investigate response rates by segment. B2B firms should see a 30% minimum response rate in any one segment; 50%+ for a healthy effort.

And consider sample vs. census in terms of Coverage Rate. If you want the “Voice of the Customer” then we suggest you measure the total number of people that *should be* surveyed, not just the total of which were asked for feedback.

3. Wrong Analysis

Volumes have been written about good analysis of customer feedback, and if you are reading this paper then you probably are familiar with good analytic plans and execution. There are some specific call-outs worth highlighting:

It’s the Economy...

In order to capture the attention of the board room, your analysis must be tied to corporate financials. No executive really cares about an “80% customer satisfaction” rating. How could they act on that? But telling your CEO that you know 17% of the company’s revenue is likely to vanish next year – and that you know where that bleeding is going to come from – will likely to get you some attention.

The next item is to consider Return on Investment: Within our organizations we’re constantly asking for budget for various initiatives. These carry an expense, which is often justified by future cost savings or estimated revenue increases based on assumptions. Good analysis will

help you establish the ROI for investments made to improve the customer experience by showing where the resulting growth will actually come from, as Figure 4 illustrates:

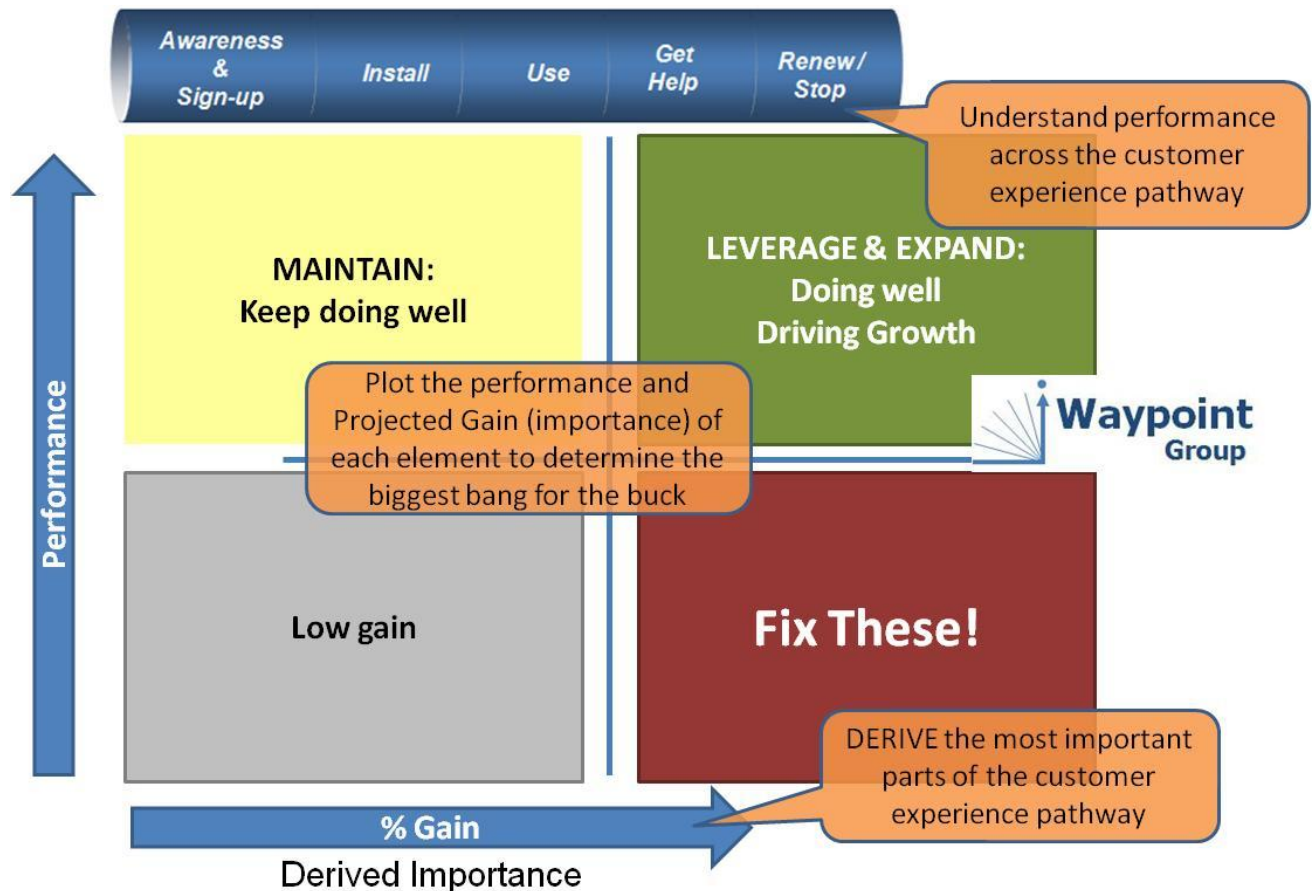


Figure 4: Determine the gain to be had by investing in customer experience improvements in order to predict the ROI

Note the focus here on determining the % Gain to be had by deriving the importance of a particular attribute of the customer experience. Asking customers to provide “stated importance” – asking them to tell you how important something is to them – not only needlessly lengthens your survey and annoys your customers, but consistently fails to produce meaningful results. Consider a recent airfare purchase: Did you consider the safety of the airline in your purchase decision? Isn’t that important to you?

Stupidity of Anonymity

We wrote earlier that you must know who is responding in order to know what to do about it. Beyond that, if you do not know who the respondent is then you can’t follow-up with that person. Regardless of whether the survey respondent is happy or unhappy, you can establish a way to engage and leverage that customer as an asset only when you know who they are. When you know who that customer is, you can truly get to root-cause, understand why they feel that way, and know what to do about it.

Now Score Yourself for Action

Answer these questions:

	Completely Disagree						Completely Agree					
5. Our analysis is ROI-based	0	1	2	3	4	5	6	7	8	9	10	
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
6. Survey results and prescriptive actions are available to everyone	0	1	2	3	4	5	6	7	8	9	10	
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

Voice of the Customer programs need to incorporate a simple 3-step process:

1. Determine highest gain opportunities
2. Analyze feedback in context with CRM & operational data and prioritize action based on ROI (cost & benefit of root cause resolution)
3. Deliver education and the individual customer insights to the front line for action

4. Wrong timing

There are 2 ways in which the Voice of the Customer is typically collected:

1. Continuously, as customers transact with you
2. Periodically throughout the year

Renewal Connection

In either case, many companies have found success in connecting feedback with customer renewal cycles. As we addressed earlier in this paper, your survey should provide leading indicators (“predictors”) of future customer behavior. Surveying your customers well before any renewal event can provide you with an early-warning indicator. Of course, this is only useful if someone will be following-up to address any issues and re-capture the otherwise lost revenue.

Make it Your Plan

The timing for when you acquire customer feedback should also coincide with your company’s strategic planning cycles. If your budgeting decisions happen in the 4th quarter, then have the results compiled in the 3rd quarter in order to be on hand during those planning cycles.

Now Score Yourself for Action

Answer these questions:

	Completely Disagree						Completely Agree					
7. Feedback results (“data”) are reviewed in context with sales planning	0	1	2	3	4	5	6	7	8	9	10	
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
8. Customer Feedback is reviewed alongside annual/bi-annual strategic planning cycles	0	1	2	3	4	5	6	7	8	9	10	
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

5. Wrong objectives

What are the objectives for your program? How do you know if you are meeting them?

Beauty Contests are Ugly

If left to their own devices, survey feedback programs often go on “auto pilot.” Your company spends money every year running surveys, collecting data, and producing reports that few people (if any) actually read and act on. We frequently see the results of these programs in form of press releases and other advertizing campaigns that announce how great the company’s “Top 2 Box Customer Satisfaction Scores” are.

Beyond the wasted expense and lost opportunity, there are 2 major issues with these programs:

1. You are setting expectations with your customers. When you ask your customers for feedback, you are implicitly telling them that you want to know how you are doing in order to improve. In other words, not taking action on the feedback will result in scores that decline over time because you end up wasting their time, and they know it.
2. While a 90% satisfaction rate may seem high, consider that this means that 10% of your customers are unsatisfied and likely to tell that fact to their friends and colleagues. In addition, it also means that they are merely ‘satisfied.’ Wouldn’t you rather have raving fans that buy more from you and tell everyone they know how great your company is?

Silos Hurt

Perhaps you aren’t running a “beauty contest” and are in fact using the feedback to improve your own organization. If you inadvertently mis-set customer expectations in the process you may be optimizing your organization at the expense of overall profitable growth (i.e. declining share price). Consider a few examples:

Heightened Metric	Potentially Impacted Organization	Company Impact
Decreased Average Handle Time	Unresolved customer problems	<ul style="list-style-type: none">• Higher repeat call rates• Lower renewal rates
Increased click-through rates for an on-line ad campaign	Sales gets <ul style="list-style-type: none">• Lower % of qualified leads• Higher customer expectations	<ul style="list-style-type: none">• Reduced close rates in sales• Decreased customer lifetime value
Increased close rates in Sales	Missed customer expectations	<ul style="list-style-type: none">• Higher support / service call rates• Lower renewal rates• Lower cross-sell rates

So please be careful not to optimize a metric at the risk of negative “downstream” effects elsewhere in the organization, such as sales, product, or service that will produce negative word-of-mouth and low repeat / renewal purchase rates. You are all on the same team.

Now Score Yourself for Action

Answer these questions:

	Completely Disagree					Completely Agree					
9. There is a cross-functional team engaged in reviewing and acting on customer feedback	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. Reviews are based on forward-looking improvement efforts, not backward looking blame-games	0	1	2	3	4	5	6	7	8	9	10
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Engage cross-functional participation: What would your peers in other organizations like to learn from your customers? How will you work together to achieve company goals?

FINAL SCORE

Now add up your score. Out of 100 total points available from these 10 questions, if your score is

80 points or higher: Congratulations! You have the foundation of a good program and are an asset to the company. Consider the gaps we identified in this paper and improve those to drive up the ROI for the effort.

50 – 80: You probably aren't seeing ROI. Focus on getting quick wins on your road to customer-focused revolution. You might consider using outside resources to

1. Provide an unbiased assessment of the work in place and celebrate what you've achieved. Then,
2. Pull together a 3 month roadmap for program and operational improvements based on ROI in order to achieve wins needed to fuel longer term growth

Less than 50: Sorry to hear your company isn't customer-centric. See if you can rally others in the company to get started toward improvement. If you can't, then there are probably few opportunities for growth here and unfortunately you might consider leaving...

Should you have any questions, please feel free to contact us at info@waypointgroup.ORG, or (925) 709-4627.

About Waypoint Group – What we do:

We provide our clients with the means to amplify their knowledge of their customers to accelerate profitable growth.

While most companies feel they understand customer requirements, the challenge has always been prioritizing the right initiatives that will generate the best return.

Focusing on knowledge transfer and simple processes with proven results, we help our clients

1. Utilize ROI as a basis to prioritize actions that will best drive revenue growth
2. Scale down customer acquisition costs and improve customer lifetime value
3. Identify short term opportunities while instilling a customer-focused discipline to sustain organic growth

How we do it:

- Precision in data collection
- Sensible but appropriately powerful analysis, simply displayed (avoiding paralysis)
- Role based information distribution (right insights, right person, and right time)
- Software "platform" to manage the information collection and distribution processes
- Deployment of the process with attention to the forms of cross functional communication, governance, and program management that will support decisions and actions that improve the customer experience

The tactical key to change-management in this discipline is executed primarily through improved dialogs with customers in major touchpoints such as

- Service follow up
- Sales/Account management follow up
- Internal and external communication programs

Our management techniques of the discipline provides for insight into new operational, structural, and strategic opportunities. We help our clients make better decisions and take actions along the priorities that best support desired customer outcomes and associated financial benefits.