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The Role of Feedback Management in Becoming Customer Centric

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Overview

Most companies understand the value of customer feedback and they collect it for good reasons. Why, then, do so few companies make truly effective use of the feedback they collect?

This whitepaper is intended to help define Customer Feedback Management, provide information on why it is important, identify characteristics of organizations at various stages of the Customer Feedback Management maturity, and provide guidance to organizations looking to more effectively implement Customer Feedback Management into their operations.

Introduction

Most companies understand the value of customer feedback and they collect it for good reasons. These companies realize that how their customers perceive and feel about them – based on their experiences – can and does impact their business. Customers have choices of whom to do business with, so if their experiences and perceptions of your firm aren't positive, they will go elsewhere. So, companies collect data across many customer "touch points," including feedback on specific "transactions" as well as general attitudinal data, with the goal of improving the customer experience.

Why, then, do so few companies make truly effective use of the feedback they gather? A 2001 Gartner Group study¹ noted that 95% of all businesses collect some form of customer feedback. They also found that *only 10% actually acted on the feedback they collected*. Gartner didn't explain the reasons for the disparity between feedback gathering and actions, but it isn't surprising to many front-line managers tasked with consuming the data and putting it to use. Fundamentally, most customer feedback goes un-acted-upon because most companies lack an organized, systematic process or mechanism to make use of it. This whitepaper will discuss why and what to do about it.

What is Customer Feedback?

Customer feedback is data from customers about their perceptions and experiences as your customer. It is typically gathered either directly by companies or outsourced and gathered by market research firms. Feedback can take different forms and can cover a wide range of topics, but is often structured and gathered via surveys conducted by mail, phone, in person or over the web. It is typically focused on aspects of the customer experience believed to be most critical to customer satisfaction and loyalty.

How is Feedback Typically Treated?

Once gathered, most customer feedback is typically packaged and delivered as a report, often with lots of graphs and charts. Typically they focus on the various attributes of the customer experience or product offering considered most important. These reports are produced after lengthy analysis, number crunching, report formatting, presentation development, etc., and are then disseminated amongst management and discussed. Often they are complex and difficult to interpret. Maybe a plan of action is developed and maybe not. Maybe the plan gets implemented, assuming budgets are approved, resources allocated, organizations aligned, etc., and maybe not.

One reason much customer feedback is not acted on is that the process of making it actionable is often unnecessarily complicated. As discussed above, lots of effort goes into transforming feedback into something useful for decision making. And actions on

¹ "Using Customer Surveys to Improve Business Processes," Strategic Planning Research Note SPA-19-1128, E. Kolsy and M. Moaz, Gartner Group, February 7, 2003.

the feedback can only occur after decisions occur. The feedback process itself is biased against action.

The result: customer feedback is often just that, interesting data that is theoretically useful, but often is merely interesting because the costs and effort required to do something with it are too great.

About This Whitepaper

This whitepaper is intended to define customer feedback management and help identify the key success factors in implementing customer feedback management so that organizations can benefit from acting upon customer feedback and incorporating it into their normal operations. This whitepaper contains the following sections:

- **Customer Feedback Management** – describes what Customer Feedback Management is and how it adds more value than collection of customer feedback alone.
- **The Feedback Management Curve** – provides a context of the stages organizations evolve through as they embark on an effort to implement Customer Feedback Management.
- **Getting Serious About Customer Feedback Management** – provides the key characteristics of organizations with successful feedback management efforts to help understand what is required and how to avoid potential barriers to success.

Customer Feedback Management - A New Necessity

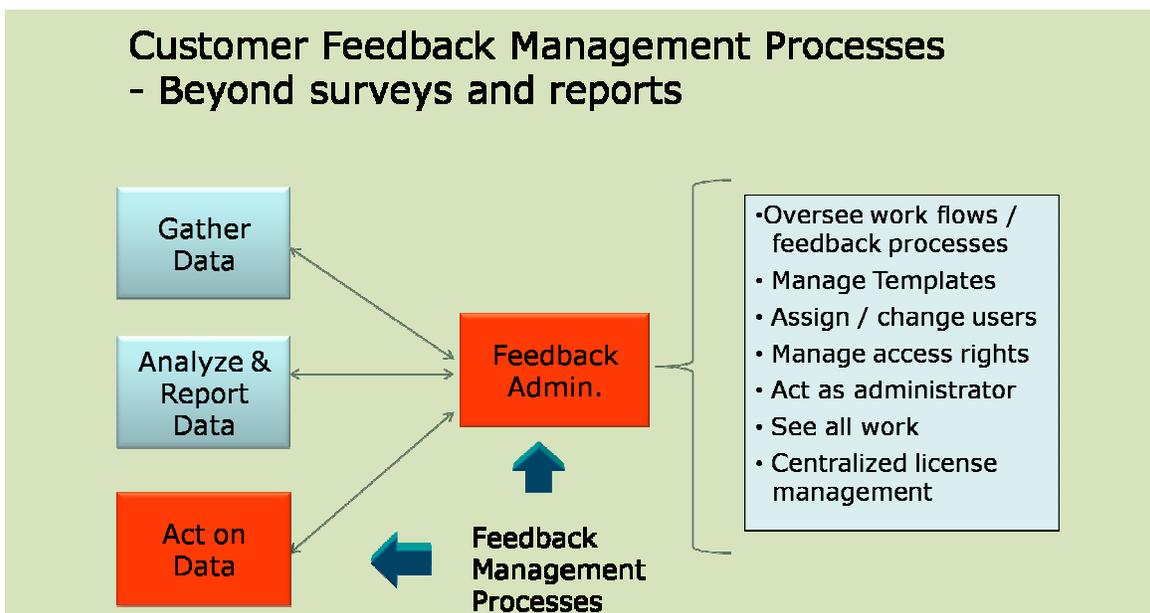
If you are in business today you probably realize that integrating the "voice of the customer" into your operations is more important than ever. This begs the question how to achieve it? The answer is Customer Feedback Management (CFM).

What is Customer Feedback Management?

Customer Feedback Management is the process by which customer feedback is incorporated into operational processes. By managing customer feedback so it is an input to operational processes such as sales, account management, product management and customer support (among others), those processes can be made more effective, efficient and "customer centric".

Customer Feedback Management tools facilitate CFM processes and are designed to make feedback actionable. Companies that develop and implement CFM processes are the "5%" in the Gartner report who take action on customer feedback. These companies don't stop at data collection; they analyze the meaning of feedback and direct it to internal actors who can effectively use it in support of business objectives.

CFM is a process based on the systematic collection of customer feedback data, the analysis of the data, and defined dissemination and follow-up actions. When done correctly, CFM can place individual customer feedback data (both response data and profile data) into the hands of the one person in your company, in real-time, who is most able to use that data to further your business objectives.



Business Objectives Drive CFM Implementation

As with any business process, business objectives determine what customer feedback to collect, how to analyze it, how to disseminate it and what actions should

be taken with it. For example, if your business objective is to develop and retain a loyal repeat customer base:

- Data collection might focus on identifying dissatisfied customers and understanding the reasons for it.
- Analysis could focus on identifying specific important accounts with below average satisfaction ratings.
- Data dissemination might focus on providing affected account managers with their "low satisfaction" accounts, contacts and stated reasons for being dissatisfied.
- Follow up actions might focus on your account managers reaching out to "low satisfaction" customers with questions, additional technical support, product or service promotions or other ameliorating actions.

Relative Value of Customer Feedback vs. Customer Feedback Management

Simply put, customer feedback by itself has value - at times. But based on Gartner's study, more often than not, customer feedback becomes a wasted investment. There is a reason that many organizations interested in simple "feedback" are doing more and more feedback gathering on their own and are using free web-based tools to collect it. Low value activity should be done using the lowest cost approaches.

However, companies increasingly realize that if you can effectively act on insights from customer feedback, its value can be potentially very high.

CFM enables an organization to take action on customer feedback to further business objectives. Its value therefore is in proportion to the business objective achieved. Going back to our example above, if effective use of customer feedback enables the retention of one additional key account per sales territory, what value does that bring to the business? What if by reaching out to "high satisfaction" customers your sales force can garner one additional reference per territory? These are the kinds of value adds that CFM brings and which customer feedback alone can't deliver.

Companies that deploy a CFM process often are able to achieve higher levels of customer loyalty, higher average revenue per customer and higher profits. Fred Reichheld, in his seminal article "[One Number You Need to Grow](#)"² (Harvard Business Review) describes how a feedback management process based on the "Net Promoter" methodology can be used to increase customer loyalty, improve revenue and increase profits. A critical point is that customer feedback must be delivered to individuals who are trained, empowered, motivated and in position to take meaningful actions for improving customer relationships. When these individuals take actions on based on customer feedback your organization will begin to reap the benefits of customer feedback management.

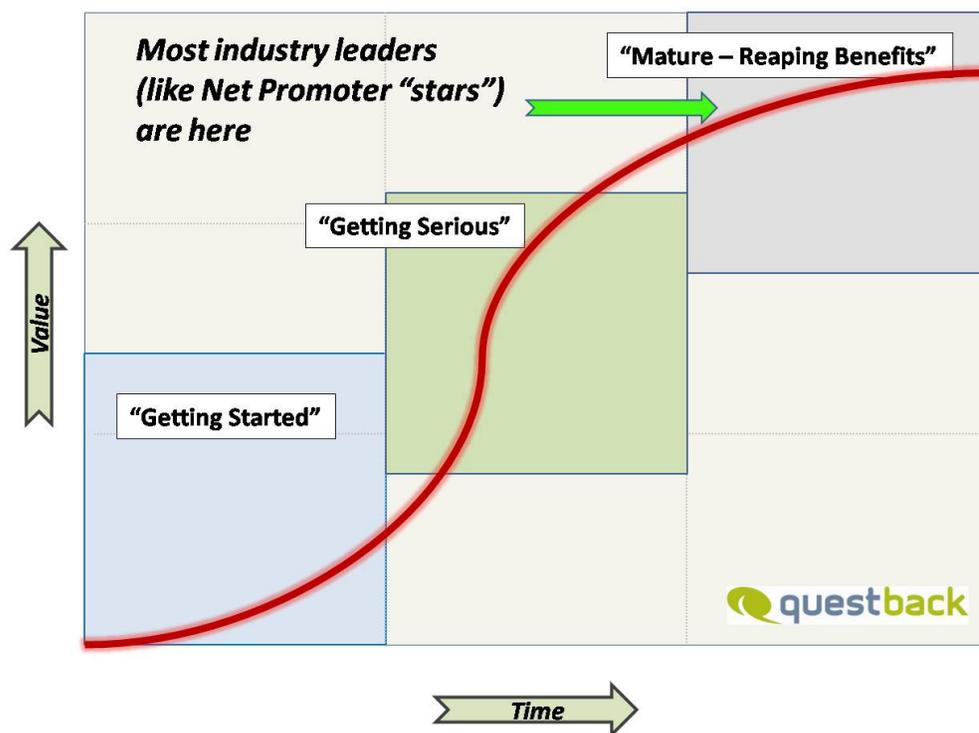
² "The One Number You Need to Grow," Frederick F. Reichheld, Harvard Business Review, December 2003.

The Feedback Management Maturity Curve

In the previous section, we discussed the differences between simply collecting customer feedback and having systematic processes to both gather *and* make effective use of customer feedback. We call this **Feedback Management** – a set of techniques, processes and tools proven to offer major benefits when deployed consistently over time.

Now, we introduce the concept of **Feedback Management Maturity**. We'll define some characteristics of organizations at different stages of the Feedback Management Maturity Curve and discuss some approaches companies can take to move up the curve and reap the associated benefits.

The Feedback Management Maturity Curve™



The concept of "Feedback Management Maturity" has several implications: 1) it's a journey for any company to attain feedback management maturity; 2) there are some recognizable stages on the way; and 3) as with people, different firms embrace the journey with different approaches. Some are in a rush to the top (perhaps forced by competition), while others stay at stage 1 indefinitely. The curve diagram above is an attempt to represent the stages that firms go through as they seek to become truly "customer centric" by developing and deploying mature, well-developed Feedback Management capabilities.

Some Definitions

In order to understand the characteristics of organizations in each of the stages of maturity, it is useful to first provide some common definitions, below, to differentiate between Feedback, Feedback Management, and Feedback Management Maturity.

<p>Feedback</p>	<p><i>"Customer (and employee) feedback provides the foundation upon which successful companies are built. It delivers strategic guidance and actionable insights that enable companies to improve marketing and customer service, to deliver better customer experiences, to develop and refine their products and services over time, and to profitably grow the business."</i></p> <p>Jeff Zabin – Analyst, Aberdeen Group</p>
<p>Feedback Management</p>	<p><i>Feedback Management is both a discipline and a set of techniques, processes, metrics and tools for systematically collecting feedback, and systematically and effectively acting on the feedback - putting it to work to help achieve the organization's strategic and tactical business objectives.</i></p>
<p>Feedback Management Maturity</p>	<p><i>The degree to which an organization is effectively practicing the discipline of Feedback Management and realizing the associated benefits. Like many other disciplines, Feedback Management capabilities and practices typically progress through stages on the way to full realization.</i></p>

Characteristics of Firms at Different Stages of the Curve

Now that we have differentiated between the feedback terms above, we can look at key differences among organizations in each of the stages of Feedback Management Maturity.

<p>"Getting Started"</p>	<p>"Getting Serious"</p>	<p>"Mature- Reaping the Benefits"</p>
<ul style="list-style-type: none"> • Feedback efforts are "ad hoc" - not systematic • Depts. and feedback activities not coordinated • Leadership not involved • Use of low cost, basic tools which don't facilitate action • Feedback not integrated with business processes • Focus on collecting data, not how to manage and act on the data • Limited value... <ul style="list-style-type: none"> - how to use / act on the feedback to achieve business goals? 	<ul style="list-style-type: none"> • Have leadership mandate to improve feedback processes • Grasp the differences between gathering feedback and managing feedback effectively (incl. Acting) • Starting to integrate feedback with business processes • Put in place formal teams ("Voice of the Customer" / "Customer Experience Management", etc.) and associated metrics • Invest in tools to support feedback management • Feedback culture developing 	<ul style="list-style-type: none"> • Feedback driven culture – a strategic imperative • Organization aligned around well defined feedback metrics (e.g. Net Promoter Score) • Full integration with business processes/ systems • Key business processes use feedback as input for continuous improvement • Well developed processes to Act on feedback <p>AND...</p> <ul style="list-style-type: none"> • Able to react more rapidly than competitors to market developments • Typically lead their sectors in Growth & Profitability

What's the Value of Being High on the Curve?

It's simple: the further up the curve a firm is, the stronger the firm's ability to compete and prosper because it is better able to gather, manage and act on strategic and tactical feedback. This provides competitive advantage because the firm can:

- Continuously improve key processes like marketing and customer service
- Deliver superior customer experiences
- Attain high customer satisfaction and loyalty (reflected in metrics)
- Develop and refine new products and services over time
- Profitably grow the business!

Firms high on the Feedback Management Maturity Curve systematically measure key dimensions of their customers' experience and perceptions, and effectively utilize the insights to manage the business. They measure and manage the business to assure high customer satisfaction, high loyalty, high retention, to develop new products to meet evolving customer needs (which they track), etc. Over time, these firms rise to the top tier of their industry in terms of growth and profitability.

The correlation between strong feedback management capabilities and performance have been studied and documented by authors like Fred Reichheld, inventor of the "Net Promoter" method for measuring loyalty, and organizations like ACSI (American Customer Satisfaction Index). Companies with the highest Loyalty and/or Customer Satisfaction scores are invariably top performers in their sectors.

Where is Your Firm on the Curve?

A few years ago a Gartner Group study found that while 95% of firms collect customer feedback (in one form or another), only 10% were acting on the feedback and only 5% were communicating back to their constituents what they were doing with the feedback. In other words, for the vast majority of firms in the study, the collection of customer feedback wasn't systematic, and they did not consistently or effectively take action based on the information gathered (including "closing the loop" with customers). Even today, the results from most feedback initiatives and/or surveys are treated like market research and end up as a report filed away on the shelf. Most small and medium sized business would recognize themselves as being in the "Getting Started" stage of the curve.

Moving up the Curve

Clearly, effective feedback management gives companies a competitive "edge". So how can your firm go about moving up the curve and developing this edge for your business? Here are a few thoughts on what it typically takes:

- Senior management commitment, sponsorship, and involvement
- Willingness to invest necessary time, resources, budget

- An empowered team with the right functions represented (including outside help, if necessary)
- An internal communications plan to get employees on board, to disseminate results
- A feedback management tool that meets the organization's needs
- A "start small" and "prove- the-benefits" approach. Don't take on too much initially
- Commitment to see it through

Surprisingly, going from "Getting Started" to "Getting Serious" can be simple and affordable. There are cost effective yet powerful feedback management tools on the market, and if you need outside help, there are many smaller, focused firms you can engage as opposed to hiring expensive "big name" consultants. This way you can jump start your progress to the next stage on the curve, learn how to apply feedback management techniques to your business, and quickly begin to reap the proven benefits of effective feedback management.

Getting Serious About Customer Feedback Management

Customer Feedback Management is clearly a hot topic. Companies are being challenged to grow without spending on marketing, larger sales forces or other infrastructure.

"Feedback management technologies will be the top investment in 2009 to improve the customer experience ... in both a down economy where retention is key and a buoyant economy where growth is desired, customer experience remains a critical factor."

Gartner: "Predicts 2009: CRM Customer Service and Support", Jim Davies, November 2008

Naturally, many are turning their attention towards their existing customers as a strategy to grow within the constraints imposed by the environment. As a result many companies appear to be "Getting Serious" about customer feedback management. If you are operating in a resource constrained environment and are looking to your customers for growth opportunities, we think this section will help you organize to leverage customer insight.

Characteristics of Feedback Management Maturity

In the previous section, we introduced a framework for characterizing a company's effectiveness with customer feedback management: the *Feedback Management Maturity Curve*. We defined three stages along the curve: "Getting Started", "Getting Serious" and "Reaping the benefits". We pointed out that becoming more mature was an evolutionary process. We outlined how customer feedback is used by companies at each stage and pointed out that the higher up the curve, the greater the benefits. Lastly, we observed that most organizations today appear to be in the "getting started" stage along the curve.

Specifically we observed that companies with successful feedback management efforts often shared certain characteristics:

1. Senior management commitment, sponsorship, and involvement
2. Willingness to invest necessary time, resources, budget
3. An empowered team with the right functions represented (including outside help, if necessary)
4. An internal communications plan to get employees on board, to disseminate results
5. A feedback management tool that meets the organization's needs
6. A "start small" and "prove-the-benefits" approach. Don't take on too much initially
7. Commitment to see it through

Now, we'll start to discuss how to organize a customer feedback management effort. The list above shows seven sets of observed characteristics of successful customer feedback managers. But for our purposes we'll group them into four categories: *Management Commitment, Feedback Objective(s), Process and Tools.*

Management Commitment

Management commitment is essential. As in any business function, customer feedback management requires a senior management sponsor - someone in the organization who can determine priorities, allocate and spend money and determine objectives. Here's our list of things your sponsor should be prepared to commit to:

- Budget for out-of-pocket expenses (outsourced customer survey help, purchased tools, etc.).
- Personal leadership – to guide objectives and responses to feedback, to prioritize staff, for acquiring internal resources including things like I/T support, data access, etc.
- Staff time – both for providing input into the design of your customer outreach and for acting on results of the outreach effort.
- Project management – You should pick a resource (either internal or external) to manage the project.
- Multiple feedback cycles – In customer feedback management, cycles matter. You need period over period comparison data to know if your feedback based actions are having an effect on the objective(s) being measured. Keep in mind that feedback management benefits accrue over time. We recommend at least three customer feedback cycles (more is even better).

Feedback Objective(s)

Obviously you'll need an objective for your first feedback management effort. If you are still reading this whitepaper, you may have one already in mind. Choosing an objective is normally a fairly simple matter. In your business there is likely a metric that will point to future behavior of your customers relative to their purchase or re-purchase of your offering(s). Some examples of feedback management objectives with this characteristic are: *Customer loyalty* (per Reicheld), *Customer satisfaction*, *Customer support effectiveness* or *perceived value versus competition*. All these are useful metrics and any one of them would make a good customer feedback objective. You may eventually want to try to track all of them.

The key aspect of the objective you pick is its relevance to your success as a business. Customer loyalty is often chosen by "mature" feedback management organizations because it is a proxy for the overall perception customers have towards their company, for their intentions to re-purchase and likelihood of referring new business.

Picking a customer feedback management objective can have its challenges. In many companies, several different business functions "touch" customers. Some of those functions may also gather customer feedback as part of their processes. Your

customer feedback management effort may potentially highlight problems in the way other parts of your organization handle customers. It may be one of your goals to identify these kinds of issues. We think you would be well served to think about and involve representatives of other organizations in your planning process.

Process

Managing anything requires a process and customer feedback is no different. At a minimum, you need to determine what to do with the feedback that you collect. This means some analysis of feedback is required and some set of actions will need to be taken based on the analyses performed. People will need to be assigned to both analyze and act on customer feedback. You will need a communications process both for disseminating feedback results (different analyses to different constituencies) as well as to communicate regarding actions to be taken. How much process you need depends on how much feedback you are collecting and what you want to do with that feedback. We recommend limited objectives and limited actions initially because it simplifies things, keeps cost low and improves chances for success. At the same time, objectives and actions need to be designed so that improvement in the metric you choose can take place. Keep in mind that one of the objectives for your feedback management process should be to make customer feedback management a formal part of your company's business culture. Communications planning is a key to doing this.

Tools

The right tools make organizing and implementing your feedback management process much easier. Using tools that support more of the entire feedback management process (rather than less) is a good idea. Using tools that also integrate or interface with your other systems (CRM, Sales automation, etc.) can be helpful as you get more "mature" with feedback management and you begin automating your feedback management process.

At a minimum, we think your feedback management tool set should support:

- Survey design and implementation
- Results analysis for aggregated response data
- Results analysis for comparison of response data against customer profile data (e.g. How do our most profitable customer's responses compare to the aggregate responses?)
- Results dissemination
- Follow up action
- Period over period comparisons

There are many tools available that support one or more of these capabilities. There are relatively few that support all of them. Price ranges are from a few hundred dollars per user to several thousand dollars per user. We believe there are middle tier products available that support all these capabilities and which are available at reasonable cost. There are merits to both low and high end solutions. As a general

rule, choosing low-end tools will require you to use a combination of individual products and to manually perform a number of tasks. Higher-end tools will do more within the tool and require less manual effort.

We have observed that companies in the "getting started" phase of feedback management maturity often use low-end feedback tools. These tools offer low cost but typically require substantial manual effort to create analyses, do comparisons versus customer profile data, disseminate results, do period over period comparisons, etc. In fact, most of this type of work is actually done using Excel spreadsheets or statistical analysis packages (e.g. SPSS). More advanced feedback management tools have higher out-of-pocket costs but typically offer much better cost/benefit profiles in the context of an on-going feedback management effort as they often include analytical tools and other types of feedback management process support as part of their offering.

As vendors of a customer feedback management product, we are probably biased towards tools – like our own – that are designed to support a customer feedback management process. That said, we believe the right tools are vital to making customer feedback management an automated (or at least automation supported) process, and we've attempted to outline the trade-off you will need to make as you choose tools to support your customer feedback management effort.

Conclusion

If you organize well, focus on limited initial objectives, define a team and choose the right tools - achieving success with customer feedback management can be surprisingly low in cost and powerful in results. You can do this kind of project yourself. Very often many of the skills required already exist in your company. For instance, if you have market research people you can call on, they often know how to design surveys and have experience using survey design tools. You'll need to coach market research people on the "management" aspect of feedback management as they are mainly "feedback" oriented. You also may have access to business analysis skills and products. Again you'll need to coach them on analysis for management of feedback. And lastly, it's likely that you have access to project management people. So if you try to do it yourself, use the people and skills available - but orient them to the purpose of the effort, to enable the business to take advantage of customer insights operationally.

If you don't have easy access to these skills, or if you want all of the skills fully dedicated to your project, companies like Customer Centricity can take them on for you. It often makes sense to get help and guidance with organization and planning, objectives and process definition, survey design and implementation, results analysis and actions - all centered on your feedback management objectives. If you have market research and business analysis skills available, you can always bring them on as you add feedback cycles over time and your process stabilizes.

So getting down to getting serious isn't hard or necessarily expensive and help is available. Doing it has a great many benefits. We hope we've helped you understand the path to "Getting Serious" with customer feedback management.

About QuestBack: QuestBack is an enterprise feedback management tool for gathering, analyzing and acting on feedback from critical constituencies. With unique ASK&ACT(TM) follow-up capabilities, QuestBack makes customer feedback data immediately actionable and supports the implementation of feedback management processes. The company is based in Europe and represented in the US by QuestBack Boston LLC. Visit the QuestBack web site at www.questback.com.

About Customer Centricity: Customer Centricity, Inc., is a business consulting firm that works with companies to align their resources to exceed customer expectations in the most efficient and effective manner possible. We leverage our real-world experience to help our clients continuously improve their service delivery and management capabilities to:

- Increase profitability
- Improve customer satisfaction and retention
- Increase operational efficiencies
- Improve employee satisfaction

Customer Centricity optimizes the interaction between people, process and technology in several ways:

- Comprehensive assessment methodology to identify the actions that will yield our clients the greatest return

- Skills Training to enable customer-facing personnel to deliver exceptional levels of customer service
- Design and Implementation of business processes to serve the customer and manage corporate resources in efficient, effective and consistent manners
- Identification of the appropriate business processes to automate, enabling companies to get the most from their investments in technology

Customer Centricity's approach is to work closely with our clients to help them understand what they are doing right, and their opportunities for improvement. We provide pragmatic recommendations that provide immediate benefits, and we drive continuous improvement programs to help our clients realize significant return on investment in a very short period of time (measured in weeks, not months or years).

Visit our web site at www.customercentricity.biz for access to an archive of our newsletters and other resources to help you transform your company into a customer centric organization.