



Where to Start

Experts weigh in on what
all of us can learn from
Toyota's challenges

WHEN TOYOTA ISSUED its recall of 3.8 million vehicles in September 2009—its largest ever in the United States—it was hard to imagine the situation growing to the scale it has today: four more recalls of at least 1 million vehicles (three by Toyota and one by General Motors [GM]), a handful of Congressional hearings and a regulatory environment that has the entire auto industry prepared to issue a recall for anything bigger than a burnt-out dome light.

But where there are challenges, there are opportunities—and not just for automakers. Companies around the world are viewing this situation as a cautionary tale rife with lessons that can benefit all organizations. To help drive those lessons home, QP recruited five quality experts, each of whom broke down one aspect of the fallout from Toyota's situation and offered advice on how to avoid similar difficulties and stay on the road to success.

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Brand Loyalty

Feedback, best practices keep customers coming back

BY BOB E. HAYES

TOYOTA'S RECALLS—and the subsequent media blitz surrounding customer reaction, the automaker's handling of the recall and the Congressional hearings with company executives—have deleteriously affected the company's reputation for delivering high-quality vehicles. As a result, customer loyalty has taken a hit.

Toyota's U.S. sales dropped 9% in February 2010 compared to the previous year, while Ford, GM, Nissan, Honda and Hyundai reported double-digit growth in the same time period.¹ Toyota now faces a monumental task: regaining the trust and loyalty of existing customers and potential new ones.

Regardless of the cause (or causes) of its problems, Toyota needs to shore up customer loyalty. Recent findings regarding best practices for customer feedback programs show it's possible to mitigate the fallout of situations such as this.

There are specific reasons why some companies experience high levels of customer loyalty while their competitors do not.² When comparing business practices of companies that are loyalty leaders and companies that are loyalty laggards, it was found that leaders adopted specific business practices based on their customer feedback program.

Emphasizing feedback

Customer feedback programs refer to customer programs in which formal customer data are collected on customers' perceptions and attitudes about their experiences. These programs—sometimes referred to as customer loyalty, customer satisfaction or voice of the customer programs—provide a deeper, customer-centric understanding that helps companies identify ways to increase customer satisfaction and loyalty, consequently improving business performance.

Table 1 shows a model of customer feedback programs, which can be broken into two major areas:

- 1. The managerial area** encompasses strategy, governance and integration of the customer feedback program into business systems.
- 2. The operational area** includes components that are directly responsible for the daily operation of a customer feedback program, including methods, reporting and applied research. These three areas at the base of the customer feedback program model support strategy and help sustain the integration of customer feedback throughout the business processes.

Although I'm addressing best practices of customer feedback programs, the principles extend to general aspects of business practices, and the rules of engagement apply to all types of customer feedback mechanisms.

Strategy and governance

Strategy reflects a company's overarching, long-term plan that is designed to help it attain a specific goal. For customer-centric companies, the strategy is directed at improving the customer experience.

Elements of a customer feedback program / TABLE 1

Strategy Vision, value and culture		
Governance Executive ownership, decision making, accountability and compensation		
Integrated business processes Automated, closed loop, customer relationship management and business intelligence integration, life-cycle management and communication		
Method Data collection, contact management, sampling method and survey questions	Reporting Analysis, benchmarking, micro and macro improvements, and dissemination practices	Research Business impact; financial, operational and constituency links; and use of customer information

Governance is a system by which companies are directed and controlled. By establishing governance around a customer feedback program, the company provides the structure through which the objectives of a customer feedback program are set and the means of attaining those objectives and monitoring performance toward those objectives.

The strategy and governance of a customer feedback program provide high-level direction that creates an atmosphere in which the company's attention is directed at customers and their needs. Corporate strategy and governance of a customer feedback program are exhibited in a variety of ways by loyalty leaders, from resource allocation in supporting customer initiatives to the use of public forums to communicate the company's vision and mission to its constituents.

There are reasons why some companies experience high levels of **customer loyalty**.

Executive support and use of customer feedback data, as well as communication of program goals and customer feedback results, help embed a customer-centric culture into the company. Loyalty leaders' use of customer feedback in setting strategic goals helps keep them focused on the customer from the top down. Additionally, the use of customer feedback in executive dashboards and for executive compensation solidifies the importance of customers as a key business metric.

Integrated business processes

The area of integrated business processes addresses the extent to which the organization embeds elements of a customer feedback program (including processes and data) into the daily business operations. Doing so facilitates management and operational processes to support the needs of the customers.

The integration of a customer feedback program into the business processes ensures customer feedback is used at all levels of the organization, from top management to front-line employees. It also helps provide support for the company's strategy for address-

ing customer concerns and improves adherence to the governance model.

This integration helps ensure customer feedback is delivered to top executives so they can monitor the success of their strategies and modify them if needed. It also helps operationalize the governance of the program and ensures employees adhere to the guidelines and rules surrounding the program itself. By incorporating key elements of a customer feedback program directly into the daily business processes, the organization is able to ensure customers' needs are met.

Loyalty leaders' adherence to the policies of a customer feedback program is accomplished by regularly communicating the goals and processes to all employees. Additionally, loyalty leaders integrate a customer feedback program into the company's customer relationship management (CRM) system. Executives need to understand how the company is meeting its customer-centered objectives. Including customer feedback data in the executive dashboards is an effective means toward that end.

The advent of technological advances (such as CRM systems and the internet) has influenced the extent to which customer feedback programs can be integrated into the daily business processes. Effective integration improves the customer experience by helping the company more effectively manage the customer relationship across the customer lifecycle. Loyalty leaders incorporate their customer feedback programs into their CRM systems and are able to use objective data (sales or service history) and attitudinal data (satisfaction) to get a comprehensive picture of the quality of the customer relationship.

Method acting

The success of a customer feedback program does not rest solely on the management processes that support the program. In addition to corporate strategy and business process integration, the method of customer feedback data collection is crucial to a successful program.

There are various methods that can be used to collect customer feedback data. The customer feedback process typically involves formal data collection via a survey that asks standardized questions about the customers' experiences with services or products. A web-based survey approach used across a variety of survey types that is incorporated into a CRM system

helps companies easily and quickly understand different customer constituencies in a cost-effective manner.

Loyalty leaders understand customer requirements. Customer feedback tools, such as surveys and complaints, include questions that tap into factors that are important to customers. Establishing a list of these customer requirements leads to a better feedback tool that measures essential elements of the customer relationships.

Loyalty leaders also measure various components of customer loyalty (such as advocacy, purchasing and retention) that are designed for the company's specific needs. Rather than relying on one single measure of loyalty, such as likelihood to recommend, loyalty leaders think critically about the type of loyalty or loyalties they want to improve. Using various measures, loyalty leaders collect reliable results that help them grow their businesses through new and existing customers.

Reporting for duty

The quality of a customer feedback program does not stop at the collection of the customer feedback. Loyalty leaders know how to best summarize and present customer feedback so the company can make effective business decisions.

As a general rule, reporting customer feedback results needs to be guided by the overarching strategy of the company and the survey objectives of improving customer loyalty. Improving customer loyalty requires specific business responses that are designed to have an impact on customer experience. The analyses and reporting of the results need to assist executives and frontline employees with making correct business decisions that improve customer experience.

Analyzing, summarizing and disseminating customer feedback results are essential activities that provide insight into customer feedback data. Loyalty leaders apply two general loyalty management approaches:

- 1. The micro (individual) approach** addresses special causes of customer loyalty and focuses on changing individual customer concerns with customer-specific improvements that are short-term solutions to improving customer loyalty.
- 2. The macro (organizational) approach** addresses common causes of loyalty and focuses on improving systemic issues with organizationwide improvements that are long-term solutions to improving customer loyalty (see Table 2).

Loyalty management approaches / TABLE 2

Micro approach	Macro approach
Addresses special causes of disloyalty.	Addresses common causes of disloyalty.
Focuses on changing individual issues.	Focuses on improving systematic issues.
Makes customer-specific improvements.	Makes organizationwide improvements.
Finds short-term solutions.	Finds long-term solutions.

Do your research

Customer-focused research using customer feedback data can provide additional insight into the needs of the customer base and increases the overall value of the customer feedback program.

Applied research helps companies gain superior customer insight through in-depth, customer-centric research. This research extends well beyond the information that is gained from typical reporting tools that summarize customer feedback with basic descriptive statistics. Loyalty leaders link operational metrics to customer feedback data and other constituents' attitudinal data to customer feedback data. Loyalty leaders use the results of these studies to learn how to better integrate customer feedback into daily processes.

Loyalty leaders develop comprehensive research programs to help unlock the potential of their customer feedback data. They can maximize the value of their customer feedback programs by conducting in-depth satisfaction and loyalty research, ultimately gaining superior customer insight that is necessary to accelerate business growth. Through research, loyalty leaders transform their companies into customer-centric businesses.

REFERENCES

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2. Bob E. Hayes, *Beyond the Ultimate Question: A Systematic Approach to Improve Customer Loyalty*, ASQ Quality Press, 2009.



BOB E. HAYES is president of Business Over Broadway, a consulting firm based in Seattle. He earned a Ph.D. in industrial and organizational psychology from Bowling Green State University in Ohio. Hayes is the author of Beyond the Ultimate Question (ASQ Quality Press, 2009) and Measuring Customer Satisfaction and Loyalty (ASQ Quality Press, 2008). He is a member of ASQ.