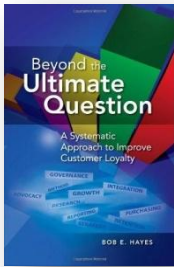


20 Best Practices for Customer Feedback Programs

Building a Customer-Centric Company



The content of this paper is based on the book, [Beyond the Ultimate Question](#), which contains a more comprehensive look at customer feedback programs and takes an in-depth look at customer feedback programs at industry leaders, Oracle and Akamai.

Take the free [VOC Best Practices Survey](#) to see how your company measures up against best practice standards.



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Customer feedback programs (sometimes referred to as Voice of the Customer Programs, Customer Loyalty Programs and Customer Experience Management Programs) are widely used by many companies. These customer feedback programs are designed to help companies understand their customers' attitudes to ensure they are delivering a great customer experience. The ultimate goal of a customer feedback program is to maximize customer loyalty, consequently improving business performance (Hayes, 2010).

Chief Customer Officers and the like look to industry professionals for help and guidance to implement or improve their customer feedback programs. These industry professionals, in turn, offer a list of best practices for implementing/running customer feedback programs (I'm guessing there are as many of these best practice lists as there are industry professionals). I wanted to create a list of best practices that was driven by empirical evidence. Does adoption of best practices actually lead to more effective programs? How do we define "effective"? Are some best practices more critical than others? I addressed these questions through a systematic study of customer feedback programs and what makes them work.

I will present the major findings of this study here, but for the interested reader, the full study can be found in my book, [Beyond the Ultimate Question](#). While no best practices list can promise results (my list is no different), research shows that the following 20 best practices will greatly improve your chances of achieving improved customer relationship management and increasing customer loyalty.

Components of Customer Feedback Programs

Before I talk about how to best structure a customer feedback program, let us take a 30,000-ft view of an enterprise-wide customer feedback program. A customer feedback program involves more than simply surveying customers. To be useful, a customer feedback program must successfully manage many moving parts of the program, each impacting the effectiveness of the overall program. The elements of customer feedback programs can be grouped into six major areas or components. These components are: Strategy, Governance, Business Process Integration, Method, Reporting, and Research.

Figure 1. Components of Customer Feedback Programs



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Reporting, and Applied Research. Figure 1 represents the components of customer feedback programs.

Strategy involves the executive-level actions that set the overarching guidelines around the company's mission and vision regarding the company objectives. Governance deals with the organization's policies surrounding the customer feedback program. Business Process Integration deals with the extent to which the customer feedback program is integrated into the daily business processes. Method deals with the way in which customer feedback data are collected. Reporting is involved in the way in which customer feedback data are summarized and disseminated throughout the company. Finally, Applied Research focuses on the extent to which companies gain additional operational and business insight through systematic research using their customer feedback data.


Best Practices Study and General Findings

While many companies have a formal customer feedback program, only some of them experience improvements in customer loyalty while the other companies find that their customer loyalty remains flat. To understand why this difference occurs, I conducted a study to understand how loyalty leading companies, compared to loyalty lagging companies, structure their customer feedback programs (see Hayes (2009) for details of the study methodology).

Table 1. Adoption Rates of Customer Feedback Program Practices of Loyalty Leaders and Loyalty Laggards

Customer Feedback Program Component	Adoption Rate		
	Loyalty Leaders	Loyalty Laggards	Δ in Adoption Rate
Strategy/Governance	89%	71%	18%
Business Process Integration	86%	59%	27%
Method	72%	60%	12%
Reporting	70%	60%	10%
Applied Research	80%	51%	31%

A total of 277 customer feedback professionals from midsize to large companies completed a survey about their company's customer feedback program. The respondents indicated whether their company adopts 28 specific business practices related to their customer feedback program (e.g., senior executive is champion of customer feedback program; Web-based surveys are used to collect customer feedback). Additionally, respondents were asked to provide an estimate of their company's customer loyalty ranking within

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their industry; this question was used to segment customers into loyalty leaders (companies with a loyalty ranking of 70% or higher) and loyalty laggards (companies with a loyalty ranking below 70%).

The survey results revealed real differences between loyalty leaders and loyalty laggards in their customer feedback programs (See Table 1). There were statistically significant differences in adoption rates between loyalty leaders and loyalty laggards across many of the

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business practices. Loyalty leading companies were more likely to adopt specific practices compared to their loyalty lagging counterparts, especially in areas related to strategy/governance, integration and applied research. Next, I will explore each component of the customer feedback program and present best practices for each.

Strategy/Governance Best Practices

Strategy

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

A successful customer feedback program is dependent on the support of top management. Any company initiative (including a customer-centric initiative) without the full support of senior executives will likely fail.

The company culture is directly impacted by senior executives. Because loyalty leaders understand that the formal company strategy and accompanying mission statement set the general culture of the company, they embed the importance of the customer into their mission statements. These customer-centric mission statements instill a set of company values and implicit performance standards about addressing customers' needs. The customer-centric standards shared among the employees act as guidelines with respect to the behaviors that are expected of the employees.

Governance


While strategy is necessary to build a customer-centric culture, companies need to create formal policy around the customer feedback program that supports the strategy. The governance surrounding the customer feedback program helps foster and maintain a customer-centric culture by operationalizing the strategy (See Figure 2).

Three important areas of governance are:

1. Guidelines and Rules. These guidelines and rules reflect the set of processes, customs and policies affecting the way the program is directed, administered or controlled. These policies formalize processes around the customer feedback program and need to be directed at

Figure 2. Customer Feedback Program Governance Components



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all company's constituents, including board members, senior executives, middle managers, and front-line employees.

In a customer-centric company, the work-related behaviors of each of the constituencies are aimed at satisfying customers' needs. As such, customer-centric metrics are used to set and monitor company goals, manage employee behavior and incentivize employees.

2. Roles and Responsibilities. Need to define and clearly communicate roles/responsibilities across diverse constituency (e.g., board, executives, managers, individual contributor). The definition of the roles and responsibilities need to include how data are used and by whom.

Specifically, program guidelines include the way the feedback data from the program are used in different business decision-making processes (resource allocation, employee incentive compensations, account management), each requiring specific employee groups to have access to different types of analytic reports of the customer feedback data.

3. Change Request. Need to define how changes to the customer feedback program will occur.

The quality of the policies around the use of the customer feedback data will have an impact on the success of the program. Vague policies regarding how the customer feedback program is executed, including analytical methods and goals, dissemination of results, and data usage of the customer feedback data, will ultimately lead to less than optimal effectiveness of the program.

Corporate strategy and governance of the customer feedback program are exhibited in a variety ways by loyalty leaders, from resource allocation in supporting customer initiatives to the using public forums to communicate the company's vision and mission to its constituents. Executive support and use of customer feedback data as well as company-wide communication of the customer feedback program goals and results helps embed the customer-centric culture into the company milieu. Loyalty leading companies' use of customer feedback in setting strategic goals helps keep the company customer-focused from the top. Additionally, their use of customer feedback in executive dashboards and for executive compensation ensures the executive team's decisions will be guided by customer-centric issues. A list of best practices in Strategy and Governance is located in Table 2.

Business Process Integration Best Practices

The area of Business Process Integration addresses the extent to which the organization embeds elements of the customer feedback program (including processes and data) into other business operations and processes. Integration of the customer feedback program is intended to support the governance structure.

Table 2. Best Practices in Strategy/Governance

Best Practices	The specifics...
<p>1. Incorporate a customer-focus in the vision/mission statement</p>	<p>Support the company mission by presenting customer-related information (e.g., customer satisfaction/loyalty goals) in the employee handbook. Use customer feedback metrics to set and monitor company goals.</p>
<p>2. Identify an executive as the champion of the customer feedback program</p>	<p>A senior level executive “owns” the customer feedback program and reports customer feedback results at executive meetings. Senior executives evangelize the customer feedback program in their communication with employees and customers. Senior executives receive training on the customer feedback program.</p>
<p>3. Incorporate customer feedback as part of the decision-making process</p>	<p>Include customer metrics in company’s balanced scorecard along with other, traditional scorecard metrics. This practice will ensure executives and employees understand the importance of these metrics and are aware of current levels of customer satisfaction/loyalty. Present customer feedback results in company meetings and official documents.</p>
<p>4. Use customer feedback metrics in incentive compensation for executives and front-line employees</p>	<p>Use key performance indicators and customer loyalty metrics to measure progress and set performance goals. Ensure these measures can be impacted by employee behavior. Where possible, use objective business metrics that are linked to customer satisfaction as key performance indicators on which to build employee incentive programs (see Applied Research).</p>
<p>5. Build accountability for customer satisfaction/loyalty goals into the company</p>	<p>Incorporate customer feedback metrics into key performance measures for all employees. Include customer-centric goals in the company's performance management system/processes. Employees set customer satisfaction goals as part of their performance objectives.</p>



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Customer feedback programs can impact all areas of a company, from marketing and sales to service and support. The integration can occur in a variety of forms, from regular companywide communications of the program’s goals and processes to dissemination of the results.

A customer-centric company will integrate the program across all levels of the organization, from top management to front-line employees. Executives review customer feedback metrics



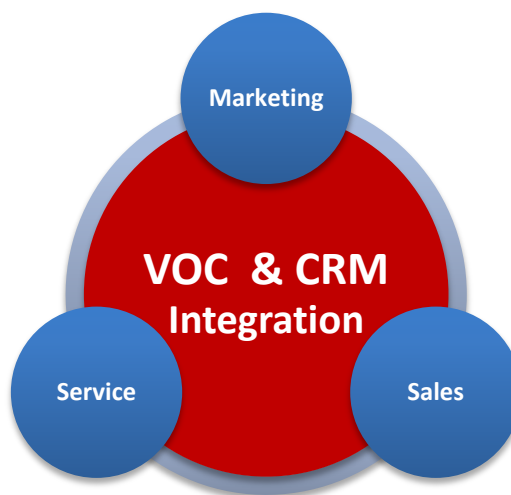
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in their quarterly meetings. Account managers use customer feedback as a regular part of their account planning. Call center agents draw upon the caller's customer experience history to better manage the transaction.

The advent of technological advancements (CRM systems, Internet) has greatly impacted the extent to which customer feedback programs can be integrated into business processes. Loyalty leading companies incorporate the customer feedback program into their CRM system and are able to use both objective data (sales/service history) and attitudinal data (satisfaction) to get a comprehensive picture of the quality of the customer relationship (see Figure 3).

For the customer-centric company, customer feedback programs play an important role in the management of the business. The integration of customer feedback into the business operations keeps the customers' needs in the fore of the management and front-line employees' mind. A list of best practices in Business Process Integration is located in Table 3.

Figure 3. Integration of Voice of the Customer (VOC) program and Customer Relationship Management (CRM) provide a comprehensive picture of the customer relationship.



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Best Practices in Method and Reporting

Customer requirements are those aspects of the customer experience that are important to the customers. Establishing a comprehensive list of these customer requirements is an evolving process, one that drives the customer feedback program and is impacted by the customer feedback program. Data collection methods assess how well we are meeting customers' current requirements and also help us understand customers' future requirements.

The method of customer feedback data collection addresses the means by which the organization collects customer feedback data (See Figure 4). There are various methods by which customer feedback data are collected. One method is typically through a structured collection process like a survey that asks standardized questions about the customers' experience with the service/product/brand. Another data collection method is less structured and includes the use of social media sites and online brand communities where customers can communicate ("tweet") in a free-form format about their experience or seek support for a problem. All methods provide a rich source of data that can help companies gain deep customer insight regarding customer loyalty, customer satisfaction with the customer experience and customer sentiment.

Table 3. Best Practices in Business Process Integration

Best Practices	The specifics...
6. Present customer feedback metrics in executive dashboards	Build and use summary scores (aggregate of several measures into fewer metrics) to track performance attributes for entire company and business units. Summary scores help communicate the general health of the customer relationship at a macro level (great for executive reporting).
7. Integrate the customer feedback program into business processes and technology	Use customer feedback metrics in meetings with your customers (B2B, account management). Use customer success stories to help develop marketing and sales materials. Integrate customer feedback metrics into your company CRM system to facilitate employees' access to customer feedback metrics.
8. Communicate all areas of the customer feedback program (e.g., process and goals) to the entire company	Develop a customer feedback portal on company intranet site to house all content related to customer feedback programs, including data collection methods, research results, satisfaction/loyalty trends, and customer success stories. Include information about the customer feedback program in employee training.
9. Integrate the resolution of customer issues into the company's Customer Relationship Management system	Develop a closed-loop process of problem notification to resolution. This can be facilitated by housing customer feedback metrics in the CRM system. Employ the power of the Web to immediately notify employees, typically account managers, of "at-risk" customers who respond negatively to specified survey questions.



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Loyalty leaders adopt a Web-based survey approach to collect customer feedback across a variety of survey types (e.g., transactional, relationship, targeted). Web surveys and can facilitate the integration of the customer feedback into business processes and systems (e.g., CRM), thereby helping loyalty leading companies easily and quickly understand different customer constituencies.

Loyalty leaders measure various components of customer loyalty that are designed for the company's specific needs. Rather than relying on one single measure of loyalty (Reichheld, 2003, 2006), loyalty leaders measure different types of loyalty (retention, purchasing), gaining insight that helps them grow their business through new and existing customers (Hayes, 2011, Hayes, 2008a, 2008c; 2009; Keiningham, et al. 2007; Morgan & Rego, 2006).



Figure 4. Structured surveys, social media and online brand communities provide methods for collecting customer feedback.



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The quality of the customer feedback program does not stop at the collection of the customer feedback. Loyalty leaders know how to best summarize and present the customer feedback so the company is able to make useful business decisions. Analyzing, summarizing and disseminating the customer feedback results are essential components to uncovering insight about the customer relationship.

Loyalty leaders apply the following two general loyalty management approaches: 1) micro approach and 2) macro approach. The micro approach is focused on addressing the concerns of a specific customer. The macro approach is focused on addressing systemic issues that impact large customer segments. Table 4 below summarizes these two general approaches.

As a general rule, reporting of the customer feedback results needs to be guided by the overarching company goals: improving customer loyalty. Loyalty leaders analyze the data to identify the reasons that cause customer dis/loyalty. Knowing these causes of customer loyalty, they can make better business decisions to maximize customer loyalty. The analyses and reporting of the results need to assist executives and frontline employees in making these correct business decisions that will improve the customer experience. A list of best practices for Method and Reporting is located in Table 5.

As a general rule, reporting of the customer

Table 4. Loyalty Leaders’ Loyalty Management Approach

Micro Approach	Macro Approach
Addresses special causes of disloyalty, one customer at a time	Addresses common causes of disloyalty across entire customer segments
Focus on special actions unique to the problem	Focus on process/system changes
Immediate implementation	Operational/Strategic changes
Customer-specific improvements	Organization-wide improvements


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Table 5. Best Practices in Method and Reporting.

Best Practices	The specifics...
<p>10. Use automated (e.g., Web) tools to collect and report customer feedback metrics</p>	<p>Web tools not only facilitate data collection, but with the ever-increasing adoption of a Web lifestyle, they are also becoming a necessity. Data collection via the Web is cost-effective, allows for quick integration with other data sources and speeds reporting of customer feedback.</p>
<p>11. Use different measures of customer loyalty</p>	<p>Selecting the right mix of customer loyalty questions will ensure you can grow your business through new and existing customers. Understand the dimensions of customer loyalty (retention, advocacy, purchasing) and how they relate to your business growth strategies. The use of multiple loyalty questions improves the reliability of the survey results (Cronbach, 1951; Nunnally, 1978).</p>
<p>12. Use multiple methods to collect customer feedback</p>	<p>Use a variety of sources of customer feedback to get comprehensive picture of the customer experience. Relationship surveys are effective at assessing general attitudes about the overall quality of the customer relationship. Transactional surveys are effective at assessing the quality of a specific interaction with the company. Social media sites and online brand communities offer another vehicle for customer feedback. Multiple methods of collecting customer feedback will help the company ensure they get a reliable measure of the health of the customer relationship.</p>
<p>13. Present customer feedback program results throughout the company</p>	<p>Build a customer feedback portal on company's intranet site to house all information related to the customer feedback program. Use Web-based reporting tools for easy access by all employees, no matter where they are located in the world. Regularly publish customer research results in the company communiqué.</p>
<p>14. Incorporate customer contact management of the customer feedback program into the CRM system</p>	<p>Integration with existing customer information systems helps ensure the right customers are surveyed at the right time. This integration supports the linkage of survey results to specific Contact(s) within Accounts, helping you understand both attitudinal and behavioral measures of the health of your customer relationships.</p>



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Applied Research Best Practices

Customer-focused research using the customer feedback data can provide additional insight into the needs of the customer base and increases the overall value of the customer feedback program. This research extends well beyond the information that is gained from the typical reporting tools that summarize customer feedback with basic descriptive statistics.

Loyalty leaders regularly conduct applied research using their customer feedback data. Typical research projects can include creating customer-centric business metrics, building incentive compensation programs around customer metrics, and establishing training criteria that has a measured impact on customer satisfaction. Sophisticated research programs require advanced knowledge of research methods and statistics. Deciphering signal from noise in the data require more than the inter-ocular test (eyeballing the data).

Loyalty leaders link their customer feedback data to other data sources (see Figure 5 for financial, operational, and constituency linkages). Once the data are merged (see Figure 6 for data model for financial linkage), analysis can be conducted to help us understand the causes (operational, constituency) and consequences (financial) of customer satisfaction and loyalty. Loyalty leaders can use the results of these types of studies to:

1. Support business case of customer feedback program (financial linkage)
2. Identify objective, operational metrics that impact customer satisfaction and manage employee performance using these customer-centric metrics (operational linkage)
3. Understand how employees and partners impact customer satisfaction to ensure proper employee and partner relationship management (constituency linkage)

A list of best practices in Applied Research appears in Table 6.

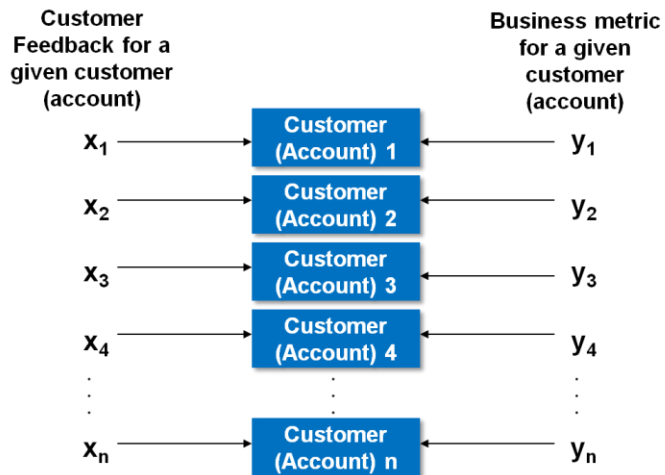
Figure 5. Common types of linkages among disparate data sources

		Customer Feedback Data Sources	
		Relationship (satisfaction/loyalty to company)	Transaction (satisfaction with specific transaction/interaction)
Business Data Sources	Financial (e.g., revenue, number of sales)	<ul style="list-style-type: none"> Link data at <u>customer level</u> Quality of the relationship (sat, loyalty) impacts financial metrics 	N/A
	Operational (e.g., call handling metrics, response time)	N/A	<ul style="list-style-type: none"> Link data at <u>transaction level</u> Operational metrics impact quality of the transaction
	Constituency (employee / partner metrics)	<ul style="list-style-type: none"> Link data at <u>constituency level</u> Constituency satisfaction impacts customer satisfaction with overall relationship 	<ul style="list-style-type: none"> Link data at <u>constituency level</u> Constituency satisfaction impacts customer satisfaction with interaction



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Figure 6. Data model for financial linkage analysis



x_n represents the customer feedback for customer (account) n .
 y_n represents the business metric for customer (account) n .



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Table 6. Best Practices in Applied Research

Best Practices	The specifics...
<p>15. Ensure results from customer feedback collection processes are reliable, valid and useful</p>	<p>Conduct a validation study of the customer feedback program. Verify the reliability, validity and usefulness of customer feedback metrics to ensure you are measuring the right things. This assessment needs to be one of the first research projects conducted to support (and dispute any challenges regarding) the use of these customer metrics to manage the company. This research will help you create summary statistics for use in executive reporting and company dashboards; summary scores are more reliable and provide a better basis for business decisions compared to using only individual survey questions.</p>
<p>16. Identify linkage between customer feedback metrics and operational metrics</p>	<p>Demonstrate that operational metrics are related to customer feedback metrics so that these operational metrics can be used to manage employees. Additionally, because of their reliability and specificity, these operational metrics are good candidates for use in employee incentive programs.</p>
<p>17. Regularly conduct applied customer-focused research</p>	<p>Build a comprehensive research program using the customer-centric metrics (and other business metrics) to get deep insight regarding the business processes. Customer feedback can be used to improve all phases of the customer lifecycle (marketing, sales, and service).</p>
<p>18. Identify linkage between customer feedback metrics and business metrics</p>	<p>Illustrate that financial metrics (e.g., profit, sales, and revenue) are related to customer feedback metrics. Often times, this type of study can be used as a business case to demonstrate value of the customer feedback program.</p>
<p>19. Identify linkage between customer feedback metrics and other constituency's attitudes</p>	<p>Identify factors of constituency attitudes (e.g., employee and partner satisfaction) that are linked to customer satisfaction/loyalty. Use these insights to properly manage employee and partner relationships to ensure high customer loyalty. Surveying all constituencies in the company ecosystem helps ensure all parties are focused on the customers and their needs.</p>
<p>20. Understand customer segments using customer information</p>	<p>Compare customer groups to identify key differences among groups on customer feedback metrics (e.g., satisfaction, and loyalty). This process helps identify best practices internally among customer segments.</p>



Summary

Loyalty leaders are excellent examples of customer-centric companies. Compared to their loyalty lagging counterparts, loyalty leading companies embed customer feedback throughout the entire company, from top to bottom. Loyalty leaders use customer feedback to set the vision and manage their business; they also integrate the feedback into daily business processes and communicate all processes, goals and results of the customer program to the entire company. Finally, they integrate different business data (operational, financial, customer feedback), to reveal deep customer insights through in-depth research. This paper offers a list of 20 best practices to help guide companies in their journey toward becoming a customer-centric company.

Take the Customer Feedback Programs Best Practices Survey

You can take the best practices survey to receive free feedback on your company's customer feedback program. This self-assessment survey assesses the extent to which your company adopts best practices throughout their program. Go here to take the free survey:

<http://businessoverbroadway.com/resources/self-assessment-survey>.

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Biography

I am Business over Broadway (B.O.B.). My professional life is dedicated to sharing my knowledge of customer feedback programs (VOC, customer experience/loyalty programs) and the scientific method to anybody who wants to listen and learn. I conduct research on customer feedback programs, customer experience / satisfaction / loyalty measurement and have published books on these topics ([Beyond the Ultimate Question](#) and [Measuring Customer Satisfaction and Loyalty](#)). I provide consultation services to companies to help them improve the customer experience, maximize customer loyalty and accelerate business growth.



I have over 20 years of consulting and research experience in enterprise and midsize companies, including Oracle, Agilent Technologies, Sophos, Virtual Instruments, Netsmart Technologies and Genstar Capital. I have managed customer satisfaction research as an employee to Fortune 500 firms, and as an independent consultant. I have published numerous articles in both scientific and trade journals and presented research at national and international conferences on the measurement of customer satisfaction, employee empowerment, and employee perceptions of workplace safety.

When I am not staring at a monitor, I spend my time exercising, cooking, creating, taking pictures, visiting friends and family and catching an occasional show at a local club.