

Improving the Customer Experience

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A survey of 160 corporations suggests that companies with high rates of fixing customer issues have double the success in increasing customer satisfaction levels. Converting voice of the customer (VOC) results into a business case for the C-suite is a key to fixing customer problems.

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Improving the Customer Experience

Survey finds that service executives can effectively improve the customer experience, but often lack key information.

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Call center leaders who can create and leverage an effective voice of the customer (VOC) process are more likely to expand their role to management of the overall customer experience. That was a key finding from a survey of more than 160 companies, conducted by TARP Worldwide and *Contact Center Pipeline*.

The advent of the chief customer officer (CCO) role has led to questions about the factors that lead to success. (See "Is Chief Customer Officer in Your Future?" on page 1.) One of these factors appears to be a robust, integrated voice of the customer (VOC) process. Further, there is a significant question as to whether the CCO role can also be performed by a senior service strategy executive using the same tools. This exploratory study examined the success of customer experience executives (CE) and service executives (SE) in creating an impactful VOC process, and then using it to actually get customer issues fixed and continuously improve customer satisfaction.

The survey produced a number of provocative findings, including:

- Service executives are just as effective as formally designated customer experience executives in getting issues fixed that are identified by the VOC process.
- Effective service and customer experience executives have a clear understanding of the impact of word-of-mouth (WOM) and the percentage of new customers won by WOM. On the other hand, almost 60% of executives lack a quantitative understanding of the impact of WOM in their marketplace.
- Having the CFO accept the business case for customer experience doubles the impact of the VOC on getting issues fixed.

- One-third of companies reported that their VOC customer experience processes were able to fix more than 60% of issues identified by the VOC process.
- Companies with high rates of fixing issues had double the success in increasing customer satisfaction.
- Ironically, 21% of respondents had "no idea" what percentage of VOC-identified issues were actually getting resolved. Lack of tracking impact precludes justifying further investment.

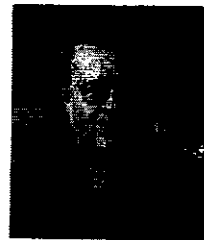
Challenges and Opportunities for Improving Customer Experience

Over the past decade, there has been a growing recognition of the impact that managing the entire customer experience has on customer retention and revenue. The end-to-end customer experience includes marketing, sales, order fulfillment and delivery, use of the product, support and billing. A prerequisite to any attempt to manage this experience is a unified picture of what that experience is, namely a broadly defined voice of the customer.

A few companies have overcome the challenges of managing the end-to-end customer experience, but many have not. The following are findings identify the existing issues and opportunities for improvement.

RESPONSIBILITY FOR VOC DATA COLLECTION, ANALYSIS AND REPORTING

- About half of respondents reported that CE oversaw the VOC process.
- Many SEs and CEs were responsible for data collection, but just as many depended on others within the company to report the data.



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Creating an Effective Voice of the Customer Process

TARP has identified six factors that lead to an effective voice of the customer (VOC) process. These include:

1. Single owner or coordinator of the VOC across all functions and data sources.
2. Unified data collection plan and integration of multiple data sources into a single picture of customer experience.
3. Granular, tailored reporting of problems and opportunities to each function and business unit accompanied by revenue impact and word-of-mouth damage.
4. Recommended action plan included in VOC report with process metrics to allow tracking of progress.
5. Periodic reporting on progress resolving issues identified by the VOC process.
6. Linkage of responsiveness to VOC issues to executive incentives.

The second and third factors are the most challenging. Most companies have survey and complaint data as part of their VOC, but only 25% also use operational failure data, like failed payments, returns or backorders. Each of these is an unpleasant surprise, and an additional indicator of a poor customer experience. Employee input is also an important indicator of customer experience.

- Over half of the CEs and SEs had three or more full-time analysts working on customer experience.
- Surprisingly, only 30% of responding companies are currently monitoring social media for VOC, and only 13% are using speech analytics. Also, only 25% are using operational data describing service failures.

Opportunity: Social media, while not projectable on the marketplace, is, as Kip Wetzel of Comcast says, "the canary in the coal mine"—an early warning device. It can flag issues that can then be confirmed and further explored via more robust, projectable data sources.

Secondly, the failure of most companies to include operational exceptions and process failure data is a huge missed opportunity. Operations data often will identify issues early, sometimes before the customer even knows the problem exists. For example, missed shipments and out-of-stock items are leading indicators of missed deliveries and back-orders, respectively.

Also, when operational data is incorporated into the VOC, the message is inherently more credible to operational executives who are often skeptical of customer feedback and surveys.


- About one-third of respondents reported that they produced an end-to-end view of the customer experience using data that was integrated into a single picture. These companies were more than twice as likely to have significant improvements in customer satisfaction than those that did not integrate multiple types of data.

Opportunity: A single, unified integrated picture of the customer experience provides a more compelling and easily understood case for action as compared to multiple reports that often contradict. The key requirement for integrating data sources is to be able to extrapolate contact data to the marketplace so that it is comparable to survey and operational data. This extrapolation is best done using a multiplier, that is, an estimate of how many incidents exist

Six factors for an effective VOC process.

in the multiplier for each incident reported to the call center. (TARP's paper, "Driving the Customer Experience Using an Integrated Voice of the Customer," offers more details of this methodology. Email jgoodman@tarp.com to receive a copy.)

SETTING PRIORITIES AND MAKING THE BUSINESS CASE

- Almost two-thirds of both CEs and SEs reported that they did not have a clear understanding of the impact of word-of-mouth or the percentage of new customers won by WOM. This was surprising, given that this is a critical factor in company success and a major output of the customer experience. Telecom and healthcare/medical executives had a better understanding of this factor than executives in financial services and technology.
- An outcome of this was that word-of-mouth was considered a hard benefit of a better experience by CFOs in only 16% of companies. On the other hand, 53% of CFOs and CMOs felt comfortable investing in the customer experience to enhance revenue, and 44% said they would invest to achieve premium pricing and margins. Ironically, 28% of respondents said their C-level execs would invest in the customer experience to reduce risk vs. the 16% for word-of-mouth when WOM is obviously a more robust benefit.
- A crossfunctional committee of executives appears to be somewhat more effective in setting priorities for improvement of the customer experience that actually lead to more issues getting fixed and a higher rate of increase in customer satisfaction. 

Opportunity: These data suggest at least two major opportunities for making the business case for improvement. First, there is little understanding of the impact of the customer experience on word-of-mouth or word-of-mouse.

Secondly, there is general agreement that an enhanced customer experience leads to an ability to charge higher prices and achieve higher margins. Therefore, executives should work with marketing to research and quantify the role of word-of-mouth and, for the present, stress the positive impact on margins.

GETTING THINGS FIXED AND TRACKING IMPACT ON ISSUES AND SATISFACTION

- When the CFO has "bought in" to the business case of improving the customer experience there is a much higher resolution of issues and a significantly higher trend in satisfaction improvement. Specifically, when the CFO "bought in," 40% of companies had 60% or more of issues fixed. When the CFO had not bought in, only 8% had high resolution rates.
- Likewise, when the CFO has "bought in" there was a much higher probability of an upward trend in customer satisfaction. Only 23% of companies with no CFO engagement had an increase of more than 2% while 55% of those with CFO buy-in had significant increases, including 27% with increases greater than 5%.
- Surprisingly, the number of full-time VOC analysts used was not a factor in whether things got fixed.

- A disturbing finding was that 21% of respondents said they had no idea as to the percentage of issues that got fixed.

Opportunity: The two major opportunities are: (1) to get the CFO to buy into the business case for an enhanced customer experience; and (2) to track the percentage of issues identified by the VOC process that actually got fixed. This second opportunity also has significant implications for what is, and more importantly, what is not an appropriate role for the executive performing the customer experience management role.

It IS CRITICAL for the executive to track and report on which issues get fixed and which are ongoing. It IS NOT appropriate for the executive to be responsible for getting the issues fixed. The experience manager's role should include the following, however, he should NOT actually own responsibility for resolution:

- Suggesting priorities;
- The revenue damage of inaction;
- Which function or executive is most appropriate to take the lead in resolving the issue; and
- Whether or not the issue gets fixed.

In most cases, the issues are crossfunctional and another executive is a more appropriate owner. (See TARP's paper, "You've Just Been Made Chief Customer Officer, Now What?" Email jgoodman@tarp.com for a copy.)

An important point:

- Large vs. smaller companies have the same potential to have effective VOC and customer experience management. The survey found that

small, medium and large companies were all equally successful in creating effective VOC processes that achieved high levels of issue resolution and satisfaction improvement. Further, the size of the company has no impact on central vs. fragmented priority setting.

Implications and Recommendations

The survey revealed a general need within organizations to develop a more unified VOC process that incorporates all functions and data sources. The following are recommendations to get started.

1. Identify at least one survey and one operation data source that describe the broad customer experience and combine all three into a unified picture that quantifies the number of customers impacted by each major type of problem.
2. For top issues, estimate the revenue and word-of-mouth damage for each month no action is taken and provide an action plan for getting the problem fixed. For cross-functional issues, suggest a lead function to create accountability.
3. Obtain CFO buy-in to the business case for addressing each issue, stressing four benefits: (1) retention, (2) word of mouth, (3) enhanced margins, and (4) reduced risk. If necessary, modify the assumptions and analysis to obtain agreement.
4. Track and report the percentage of issues fixed and track reduction of dissatisfaction at the granular issue level. ①

Strategic Customer Service, by John Goodman, summarizes 35 years of TARP's work measuring and managing the customer experience. Available at: www.tarp.com/goodman/

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