Five Things You Must Do To Make Your Customer Feedback Effective

Is the money you are spending on customer sat surveys paying off?

From small mom & pop restaurants to global business giants, asking for customer feedback is commonplace. Whether by homemade comment cards in the local diner or by complex surveys with dozens of questions administered professionally online or over the phone, the goal is fundamentally the same: to understand how customers feel about your products or services so you can do better.

But is the goal of improvement being realized? Is customer feedback making a difference? Is your company really doing better as a result?

From the looks of one popular metric, The American Customer Satisfaction Index (ACSI), the news isn't good. The historical trend in the index overall and for most industry groups is essentially flat. For example, the ACSI index for durable goods manufacturers stood at 79.8 in 1995. The index for 2008 – thirteen years later – was 80.7. Or consider finance & insurance: 74.1 in 1995, 76.0 in 2008. Even considering a general rise in customer expectations, all of this customer feedback clearly isn't translating into an improved customer experience.

Each company's situation is unique; nonetheless, a common problem is that so many of these customer measurement systems are poorly designed. They don't sufficiently reflect the realities of human behavior or the marketplace. As a result, managers either can't or don't apply the results in ways that make a difference to customers in the real world.

From our experience we think there are at least five things that you must do if you want to see any positive ROI from your customer feedback survey or system.

#1 Balance "Head" and "Heart" Factors

Someone once quipped that "Engineers are biological computational machines being carried around on bi-pedal locomotion devices comprised of muscle and bone." Despite the stereotype, engineers - like all human beings - have emotional circuitry that they rely on every day. Advertisers have known it for decades, and modern neuroscience has proven that we can't even make so-called "rational" decisions without using our emotions.

Yet in customer surveys - especially in the business-to-business context - emotional factors are often completely missing. In fairness to researchers, this is often because managers and executives insist on getting only "objective facts" so surveys end up being a list of performance ratings (e.g. "How would you rate our product on being easy to use?").

You cannot fully grasp how to improve customer relationships without understanding the emotional effects of their experiences with you. How else can you explain why a few laptop computer manufacturers started offering their products in different colors just a few years ago? Or why some companies have moved their customer call center operations back on-shore despite the higher operations cost? A customer survey alone can't provide the complete answers, but it can and should go a long way in uncovering the emotional drivers of customer relationships.

#2 Consider Barriers and Enablers

Businesspeople know by both intuition and experience that customers (and prospects) don't always do what they say they are likely to do. This isn't (usually) because they're deliberately trying to mislead you; it's because something intervenes to change their course. There are factors outside of your immediate control as a marketer that influence customers' abilities to act on their attitudes and intentions. Things that get in the way of your customers buying again, recommending you, buying more often, or taking other positive actions, even when they would like to, are barriers. On the other hand, sometimes unhappy customers will continue to buy from you despite their desire not to; when that happens, there is an enabler at work.

The easiest way to conceive of barriers and enablers is to think of them as on-off switches; they are either present or absent. A common enabler in business-to-business relationships is the presence of a contract. A disgruntled customer may continue to place orders with you simply because the pain is less than the pain associated with breaking the contract (the software industry, for example, has made a lot of money from these "unhappily married" customers). An example of a barrier in a consumer setting is limited distribution: I love Chick-fil-A but I rarely eat there because the closest store to my home is 100 miles away.

If your customer feedback system does not take into consideration the barriers and enablers for individual customers or accounts, you are likely to get a lot of "false positives" and/or "false negatives." You can easily over-estimate the future financial benefits of what may appear to be strong relationships - or overreact to negative feedback that won't actually affect buying behavior in the near term (but don't ignore it - it could still have serious longer-term consequences).

Overcoming barriers can be costly, so it is critical to understand which customers or customer segments are influenced by them; the lifetime value of these customers needs to be high enough to offset the investment in lowering the barrier. The retail landscape is littered with companies who overextended their distribution to lower the barrier for customers who ultimately did not have enough profit potential to create a positive ROI.

#3 Recognize the Role of Past Behavior

There is an old saying among economists and others who are in the business of forecasting the future: the best prediction of the near future is what has happened in the near past. Direct marketers (and fundraisers) have understood for years that past behavior is usually an excellent guide to what customers will do next. This is the foundation for what are often called "RFM Models" - recency, frequency, and monetary value - that are used to predict customer response to a new offer.

Customer feedback systems are often used in a more general way to understand future customer behavior.

For example, higher satisfaction or loyalty scores are used to infer brighter days ahead for revenues. However, such inferences can be weak for two reasons. First is the reason we mentioned just above: the presence of barriers and enablers.

The second reason is that these inferences fail to use the power of past behavior. In other words, an assumption about a customer's future buying behavior based only on that customer's present attitudes (what he or she thinks and feels) is risky because it ignores important information - specifically, what that customer has done in the past. Customer survey systems - including analytics - need to take past behavior into account to create more realistic predictions about future customer actions. Such predictions will of course never be perfect—especially at the individual customer level—but when aggregated they can be quite accurate.

#4 Don't Lump All Customers Together for Analysis

What is the likelihood that the factors that drive relationship strength are exactly the same for all of your customers? That would be like saying that the factors that determine the quality of your relationship with all of your family members and relatives are exactly the same and each factor has exactly the same significance to each relationship. Moreover, if you believe that's true, it would follow that you could use one uniform approach to improving every single relationship (good luck with that).

Yet this is precisely how many customer relationship measurement programs work. They aggregate customer survey responses together into one big "bucket" of data, and then analyze this bucket as a whole to derive the factors that are significant - often called the "key drivers". Then, the company derives a single set of improvement priorities from these key drivers that are expected to improve customer relationships across the board.

Some businesses can, by their nature and number of customers, pursue highly personalized strategies to improve individual customer relationships. But since larger businesses deliver value and quality through scale and consistency in their processes, the best approach is to strike a balance between the extremes of "one strategy for all" and totally customized one-to-one relationships. In other words, group customers into a small number of "relationship segments" that have similar characteristics, and develop your improvement strategies on a segment level. For example, customers who have favorable attitudes toward your company or brand but are inconsistent in their actual buying behavior - call them fickle customers - will need different relationship-strengthening actions than customers who seem to keep buying but aren't particularly enthusiastic about you.

#5 Accept That Your Customer's World is Relative

With the possible exception of regulated monopolies, every commercial business in developed economies faces competition. Both consumers and businesses are bombarded by marketing messages and sales pressure every day. Customers always have choices.

As a consequence, customers almost always consider your products and services in view of their other options. Often they have direct experience with alternatives so that the comparison can be explicit. But even without direct experience they can compare you against the promises that competitors make, and what they hear about competitors through the media and their own social networks.

Consider the quick-service oil change business. Imagine a customer living in Florida who is currently loyal to a regional chain like Express Oil Change; he's never used a national chain like Jiffy Lube. But he is regularly exposed to Jiffy Lube advertising, he recalls a couple of stories in his local paper about Jiffy Lube expansion in his area, he drives past a store every day during his commute (observing their store-specific promotional signage, how busy they are, etc.) and he happens to have a good buddy who thinks Jiffy Lube is fantastic (and says so after every oil change). Now suppose Express Oil Change sends this customer an invitation to a Web survey and the survey only asks him questions about his experience and satisfaction with Express. He might give enthusiastically high marks—he's loyal, after all—and yet two months from now he might finally break down and try a Jiffy Lube because expectations have been created in his mind that he might have an even better experience. If he does, he may convert to a lost customer for a long time. Express Oil Change would never see such a switch coming because their survey naively pretended customers live in a vacuum.

Looking at how customers rate you alone is like looking only at one team's score at the end of a game. "And in the matchup last night between Los Angeles and Chicago, Chicago ran up an impressive score of 106!" This is no different than a company's executives congratulating themselves because their latest customer satisfaction survey gave them an overall score of 91 out of 100.

There are many ways to get at relative performance, and each method has its pros and cons. The most important thing is to choose a valid basis of comparison for your customer measurement results and use the comparison consistently over time. This is the only way to avoid being lulled into a false sense of security and to keep you focused on the things that will keep your competitive edge sharp.

Customer feedback should be vital to the ongoing improvement of customer relationships. However, for executives in many organizations, their customer survey has become a bit like wallpaper: it's there but they don't really pay any attention to it anymore. It is time to step back and take a hard look at the effectiveness of this research; are these five "musts" a part of your approach?

Hansa provides a full range of qualitative and quantitative research services. Our experienced research and consulting team, including PhD-level statisticians, uses innovative, data-driven methodologies tailored to our clients' research needs.

We pride ourselves on our ability to truly understand the voice of the customer and translate that voice into winning strategies for brand development, marketing communications, customer relationship enhancement, and product/service innovation.