

The ROI on Customer Feedback

Why it Pays to Listen to the Voice of the Customer

March 2009

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Executive Summary

Aberdeen research for this report investigates how companies successfully capture and leverage customer feedback to improve customer satisfaction and retention and, ultimately, to achieve increased revenues, profits and shareholder value. Between February and March 2009, Aberdeen examined the use, the experiences, and the intentions of more than 150 diverse enterprises to create a roadmap for companies that aim to collect, integrate, analyze and act upon customer suggestions, complaints, opinions, across multiple touch points through Best-in-Class use of customer feedback management technologies and related capabilities.

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

Best-in-Class Performance

Aberdeen used four key performance criteria to distinguish Best-in-Class companies from the overall survey respondent population. These companies experienced the following performance gains over the past 12 months:

- 94% improved year-over-year performance in customer problem resolution
- 90% improved year-over-year performance in customer satisfaction
- 89% improved year-over-year performance in customer retention
- 72% improved year-over-year performance in customer advocacy

Competitive Maturity Assessment

Survey results show that companies enjoying Best-in-Class performance share several common characteristics with respect to customer feedback management implementation:

- 81% have a process for disseminating insights gleaned from customer feedback to key decision makers
- 52% have dedicated operations resources devoted to customer feedback analysis and reporting

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance companies must:

- Deliver customer feedback analysis to key decision makers across the organization in a time-sensitive (if not real-time) manner, including "alerts" to drive immediate action, when necessary
- Marry customer feedback data with customer profile and transaction data to create an understanding of customer value and various other key attributes at an individual customer level

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Chapter One: Benchmarking the Best-in-Class

Business Context

The largest retailer in the United Kingdom, and the fourth largest in the world, Tesco understands the value of listening to the voice of the customer. A few months ago, the company began trialing a new customer feedback program called "Every Comment Helps." Customers are invited to provide feedback on any aspect of their shopping experience, at any point in time, using email, SMS text, email, phone or traditional comment cards. The program analyzes the feedback in real time, responds immediately to customer inquiries, and routes actionable insights to the customer service department, the store manager and all other interested parties in the company.

"Every Comment Helps" ought to be the mantra of every company competing in today's marketplace. After all, given the realities of a global economic recession that has thrust companies into a vortex of plunging consumer demand, the rise of consumer control fueled by the ever-growing popularity of social media, and the decline of brand loyalty owing to a competitive marketplace awash with consumer choices, companies are under more pressure than ever to improve customer satisfaction and retention. At least part of the solution lies in the power of capturing, integrating, enhancing, analyzing and acting upon customer feedback.

This is evidenced by a plethora of success stories that show a strong correlation between an increased focus on customer feedback as a strategic imperative and positive business outcomes. Aberdeen research findings further speak to the year-over-year improvements across several key performance indicators that companies have realized as a result of putting the right technologies, organizational resources, business processes, and performance metrics in place to achieve success with respect to their customer feedback initiatives.

The Maturity Class Framework

The economic recession has made it necessary to curtail or completely eliminate investments in various marketing and customer support programs commonly used to attract, retain and service profitable customers. In light of these budgetary constraints, Aberdeen sought to understand how easy or difficult it is to make the business case for investing in customer feedback initiatives. More than half (55%) of all survey respondents indicated that it was either very easy or somewhat easy to justify the related expenditures while about half that many (27%) disagreed, maintaining that it is either somewhat difficult or very difficult. More telling is the fact that 55% of all survey respondents have made zero budgetary cuts for customer feedback initiatives while 19% have actually increased their spend in this area.

Fast Facts

- √ Despite the economy, 55% of all survey respondents have made zero budgetary cuts for customer feedback initiatives while 19% have actually increased their spend in this area
- √ Best-in-Class organizations are 18 times more likely than Laggards to increase customer satisfaction, and 44.5 times more likely than Laggards to increase customer retention
- √ Best-in-Class organizations are more than 7 times more likely than Laggards to improve customer advocacy
- √ 2.6 times more Best-in-Class companies than Laggards enjoy above-average performance in their ability to rate individual employee performance based on customer satisfaction

A majority of companies, therefore, understand that customer feedback delivers a broad range of business benefits, both tactical and strategic, and companies employ a variety of metrics to track and measure the success of their related initiatives. For the purpose of this benchmark report, Aberdeen used four key performance criteria to distinguish Best-in-Class companies from Industry Average and Laggard organizations, as follows:

- **Customer problem resolution.** Most organizations understand the need to proactively identify and address customer complaints in a timely fashion, and to resolve any issues resulting in current or potential customer dissatisfaction. Here timing is everything. The sooner a company takes action to remedy the situation and prevent subsequent problems from arising the better the opportunity to mitigate customer attrition and engender customer loyalty.
- **Customer satisfaction.** By collecting and analyzing customer feedback, companies are able to identify problem areas and opportunities for improving the customer experience. Acting upon those insights in a timely fashion invariably leads to higher levels of customer satisfaction. To increase customer satisfaction, companies must proactively capture, analyze and act upon customer feedback to show that they are listening to the voice of the customer and working to improve the overall customer experience.
- **Customer retention.** While recent business literature suggests that the correlation between customer satisfaction and customer retention may be overstated, it nonetheless stands to reason that by responding to consumer complaints and suggestions on an ongoing basis companies can increase customer loyalty and mitigate customer attrition. In the current economy, customer retention has supplanted customer acquisition as the primary focus of most companies' marketing and customer service efforts.
- **Customer advocacy.** Delivering a positive customer experience by listening to the voice of the customer is likely to result in increased referrals, recommendations and brand advocacy on the part of customers. Companies use various metrics, including likelihood-to-recommend scores such as the Net Promoter Score (NPS), to track and measure customer advocacy and influence. A good measure of influence is whether people are willing to talk broadly about a brand experience and inspire others to take action and engage their own personal networks.

Taken together, customer problem resolution, customer satisfaction, customer retention and customer advocacy speak not only to some of the most compelling benefits that can be realized through customer feedback but to the key value drivers of practically any company competing in today's business environment. Table I illustrates how Best-in-Class, Industry Average, and Laggard companies stack up against one another across these four performance criteria.

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
<p>Best-in-Class: Top 20% of aggregate performance scorers</p>	<ul style="list-style-type: none"> ▪ 94% improved year-over-year performance in customer problem resolution ▪ 90% improved year-over-year performance in customer satisfaction ▪ 89% improved year-over-year performance in customer retention ▪ 72% improved year-over-year performance in customer advocacy
<p>Industry Average: Middle 50% of aggregate performance scorers</p>	<ul style="list-style-type: none"> ▪ 74% improved year-over-year performance in customer problem resolution ▪ 80% improved year-over-year performance in customer satisfaction ▪ 57% improved year-over-year performance in customer retention ▪ 53% improved year-over-year performance in customer advocacy
<p>Laggard: Bottom 30% of aggregate performance scorers</p>	<ul style="list-style-type: none"> ▪ 24% improved year-over-year performance in customer problem resolution ▪ 5% improved year-over-year performance in customer satisfaction ▪ 2% improved year-over-year performance in customer retention ▪ 10% improved year-over-year performance in customer advocacy

Source: Aberdeen Group, March 2009

The performance disparities that exist between Best-in-Class organizations and Industry Average and Laggard companies are striking. The fact that Best-in-Class organizations are 18 times more likely than Laggards to increase customer satisfaction, and 44.5 times more likely than Laggards to increase customer retention, speaks to the value of customer feedback in terms of maintaining and enhancing the value of a company’s relationships with existing customers. And the fact that Best-in-Class organizations are more than 7 times more likely than Laggards to improve customer advocacy speaks to the value of customer feedback management as an engine for new customer acquisition and overall business growth.

Aberdeen found that 78% of Best-in-Class companies, compared to 49% of Laggards, rank their experiences with customer feedback initiatives as successful. Only 19% of Best-in-Class companies, compared to 37% of Laggards, consider their forays into the realm of customer feedback to be unsuccessful. Why some companies fall short in achieving their business objectives around customer feedback may be attributed to any number of reasons, from a lack of business processes, performance metrics and / or

"Agents feel that not only have we made changes but we've listened to what they've needed and we've addressed their issues. They're definitely happier in dealing with us and they're not having the frustrations they had two and three years ago."

~ Debra Lechner, Assistant Vice President of Customer Insights, Farmers Insurance

organizational resources to a failure to integrate and analyze customer feedback to generate—and, importantly, act upon—actionable insights.

To be sure, a company can excel at collecting customer feedback and translating the raw data into specific actions that need to be taken at both the strategic and tactical levels to improve the customer experience. But unless those actions are taken, and customers see the results, the company will fail to enjoy any performance gains. The result will be a collection of missed opportunities that is likely erode shareholder value in the long run.

Case Study — Cineplex Entertainment

The largest motion picture exhibitor in Canada, Cineplex Entertainment owns or leases 130 theatres with 1,331 screens serving more than 64 million moviegoers. The company, which has more than 9,000 employees, operates brands that include Cineplex Odeon, Galaxy, Famous Players, Colossus, Coliseum, SilverCity, Cinema City and Scotiabank Theatres.

While Cineplex management has long focused its efforts on improving the customer experience, executives there a few years ago nonetheless came to the conclusion that they had fallen somewhat out of touch with the changing preferences, behaviors and attitudes of their customers. Of course, there are large demographic and psychographic disparities between the people that the company services. Someone who enjoyed this year's Oscar-winning movie "Slumdog Millionaire", for example, may not be the same person who goes to see "Paul Bart: Mall Cop". Yet, to maintain competitive parity, it's imperative that Cineplex tailor and optimize the customer experience for both of these customers.

Until 2007, consumer research for Cineplex had been conducted mainly on an ad hoc basis. But that changed with the deployment of an all-encompassing program that includes an integrated customer survey and experience management platform as its key pillar. The program captures and analyzes time-series customer feedback data as it relates to operational execution, essentially providing a magnifying glass into the customer experience at the regional level, the district level, the provincial level, and even the individual theater location level.

For Cineplex, launching the program meant first securing buy-in from all of the departments within the company that would use it as a tool to benchmark their operational performance. In combination with a mystery shopper program, the performance scores derived from the program directly impact the bonus program for general managers at individual theaters. "It was when we made that connection that the program's real value came through, because people in the field understood how important it was to us," says Fab Stanghieri, Vice President of Real Estate & Corporate Planning at Cineplex.

continued

Case Study — Cineplex Entertainment

On a monthly basis, Cineplex publishes a report that rolls up the hundreds of customer experience variables it captures on an ongoing basis into a dozen or so key performance indicators that are manageable and easy to understand. Key metrics include overall customer satisfaction and brand loyalty. Other metrics, such as theater cleanliness, relate to various aspects of performance at the operational unit level.

Cineplex breaks out the theater-controllable experience from the head office-controllable experience. Consider: Low price perception scores aren't the result of a decision that the theater operator has made but rather a decision made at the corporate level.

And, in fact, over the past 8 months, the company has increasingly focused on price sensitivities. "Price experience scores are very important to us," says Stanghieri. "Small incremental changes can make a big difference in terms of customer sentiment." When, for example, Cineplex implemented substantial price increases over an 18-month period in the province of Alberta, the company found that its price experience scores plummeted. "The data was telling us that we've got to be careful about how far we push," says Stanghieri. Not surprisingly, the opposite happened when Cineplex introduced a Tuesday price in the province of Quebec and deep discounted pricing in rural markets in Ontario. In both cases, the price experience scores went through the roof. "A critical part of all decisions built into the pricing model is the price experience scores," explains Stanghieri. "We know that if price experience is eroded, people will turn away from the movie-going experience."

According to Stanghieri, the customer experience management program is now perfectly aligned with the company's key drivers. "When we sat with our customers and did our qualitative and quantitative research we realized that we weren't putting the right emphasis on the right drivers," he recalls. "Once we aligned our drivers with what our customers actually think, the program really gained a lot of color. It has helped us to better focus our operational efforts to the areas where we get the most bang for the buck."

Cineplex spent the first 18 months building the foundation of the program. "Now everyone is comfortable interpreting the reports for the metrics that they're being measured on," says Stanghieri. "We can capture the real opportunities, risks and weaknesses we have and identify strategies and tactics to leverage those strengths or overcome those weaknesses."

The Best-in-Class PACE Model

Achieving corporate goals when it comes to customer feedback requires a combination of strategic actions, organizational capabilities, and enabling technologies. While the list of both actions and capabilities is extensive, the top factors are summarized in Table 2.

Table 2: The Best-in-Class PACE Framework

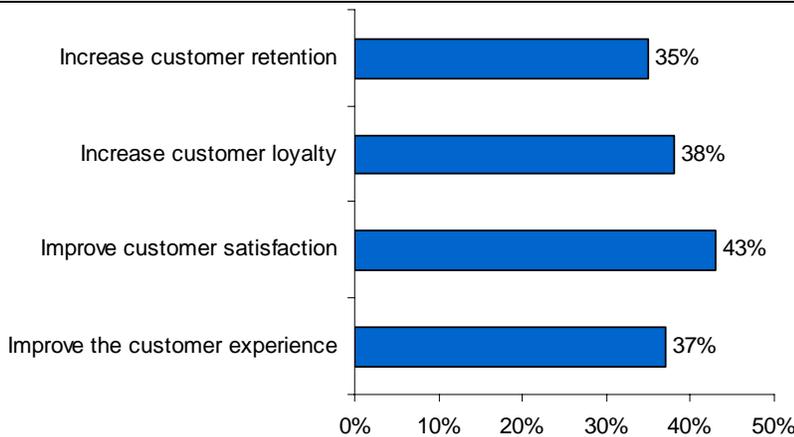
Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> Improve customer satisfaction 	<ul style="list-style-type: none"> Link actions taken in response to customer feedback to increased revenues and other financial outcomes Establish method for responding to customer feedback 	<ul style="list-style-type: none"> Process for disseminating insights gleaned from customer feedback to key decision makers Process for tracking customer feedback across all departments and channels Process for acting upon customer feedback across all departments and channels Dedicated operations resources devoted to customer feedback analysis and reporting 	<ul style="list-style-type: none"> Customer feedback data repository Digital dashboards for performance reporting Text analytics software Data integration and hygiene software

Source: Aberdeen Group, March 2009

Best-in-Class Strategies

While “improve customer satisfaction” emerged as the top pressure for Best-in-Class organizations, the need to implement customer feedback stems from multiple pressures that companies face today. The top pressures, which are shared to a nearly equal degree by Best-in-Class, Industry Average, and Laggard companies, are shown in Figure 1. These pressures are tangentially related and speak to fact that, to both maintain competitive parity and drive strategic growth, companies need to be customer-focused and serve the wants and needs of existing customers in an optimal way, based on their complaints and suggestions for improvement.

Figure 1: Top-Two Pressures - All Respondents



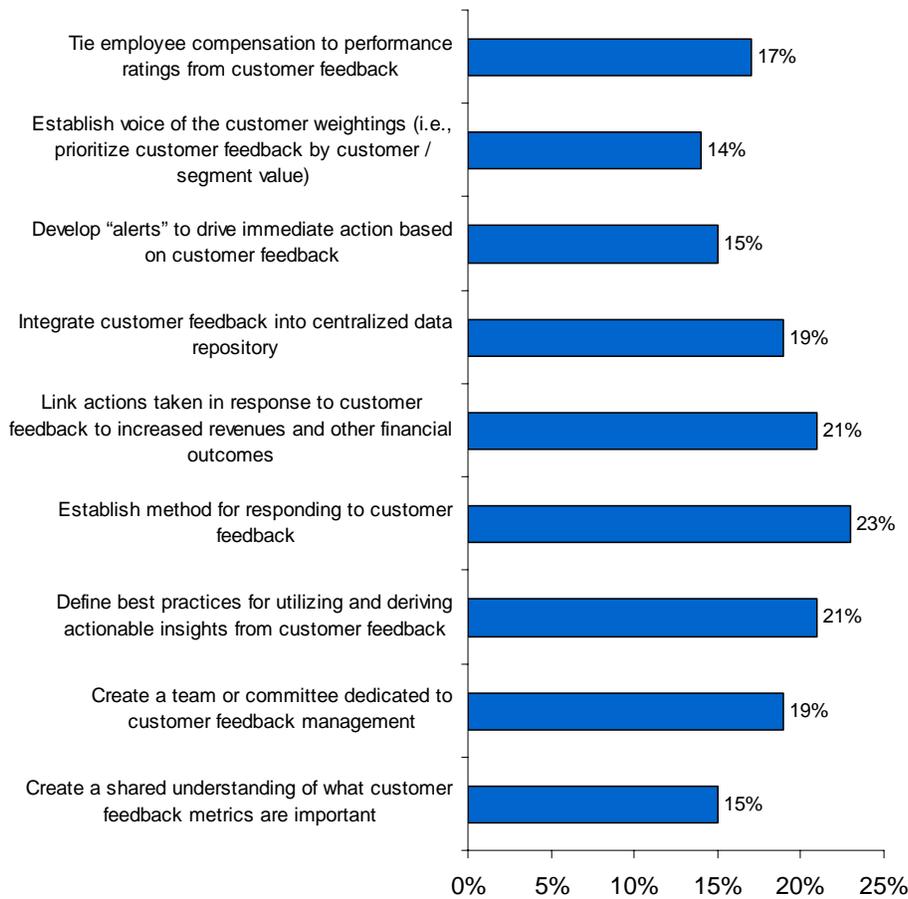
Source: Aberdeen Group, March 2009

“Since the merger of Sprint and Nextel in 2005, we’ve refined and simplified our customer surveying process. We use outside vendors, which has the added benefit of giving customers the opportunity to remain anonymous, if they want. We use several types of feedback mechanisms to assess our performance following a customer interaction. In our surveys, we ask customers about their level of satisfaction and also if the specific issue has been resolved. If not, we then have a process for responding to that customer within 48 hours to find out how we can better resolve the issue. We have internal targets for issue resolution, as well as metrics to measure how we’re doing in terms of creating customer loyalty, and we are meeting and exceeding those targets.”

~ Mark Verna, Manager, Customer Service, Sprint Nextel

To alleviate the pressures outlined above, companies are taking various strategic actions. As shown in Figure 2, the top actions that organizations are already taking – or are likely to take in the future – focus on putting the right business processes and organizational resources in place.

Figure 2: Top-Two Strategic Actions - All Respondents



Source: Aberdeen Group, March 2009

"Establish method for responding to customer feedback" speaks to the need to ensure that customer complaints and suggestions for improvement don't go into a black hole, but, rather, are acted upon, with the actions taken then communicated back to the customer. "Link actions taken in response to customer feedback to increased revenues and other financial outcomes" is easier said than done. Only by diligently tracking a core set of relevant performance metrics over time will a company be able to draw the correlation between a customer feedback initiative and such benefits as revenue growth and cost reduction. Currently, 31% of Best-in-Class companies, compared to 8% of Laggards, have a process for correlating customer feedback activities with financial outcomes.

So, how do companies measure the success of their customer feedback activities? Not surprisingly, the vast majority (88%) of Best-in-Class companies use customer satisfaction as a barometer for how well they are capturing and leveraging customer feedback. But does a precipitous rise or fall in a company's customer satisfaction rating necessarily correlate to the effectiveness of its customer feedback activities? In truth, any number of factors beyond a company's control can impact customer satisfaction, and collecting and acting upon customer feedback in even the most optimal way may not be enough to move the dial on satisfaction.

For that reason, many companies are combining customer satisfaction with various other metrics to measure success. Some metrics are feedback-specific (e.g., customer survey response rates) while others are operations-focused (e.g., problem resolution rate) or tied to the business outcomes in a financial context (e.g., customer retention rates). Some companies measure changes in the amount of money spent on traditional market research activities, such as focus groups and research panels. Meanwhile, 44% of Best-in-Class companies, compared to half as many Laggards, are tracking employee performance improvement, with 39% of Best-in-Class companies (compared to 14% of Laggards) reporting above-average performance in their ability to rate individual employee performance based on customer satisfaction. This corresponds to the need to "tie employee compensation to performance ratings from customer feedback" and often serves as a strong motivating factor for internal adoption of a customer feedback initiative at all levels of the organization.

The fact that "define best practices for utilizing and deriving strategic insights from customer feedback" emerged as yet another top strategic action again points to the fact that the value of customer feedback lies in the ability to make sense of the data and translate it into specific actions that can be taken to improve the customer experience and overall business performance. Incidentally, in defining best practices, companies are well-advised to look beyond the confines of their own industry sectors. Different companies use customer feedback for different reasons. In the end, knowing which metrics to use is largely a function of knowing what is important to the company's own business strategy, performance goals and customer experience management objectives.

Aberdeen Insights — Customer Feedback Triggers

A trigger is a device that automatically executes a response to a certain action or event. In marketing, triggers are used to automatically deliver targeted messages, offers, recommendations and / or other treatments to customers on an individual basis at the most optimal point in time, based on any number of factors. To repeat an oft-cited example, a financial services firm might make a marketing pitch after noticing a customer made a large deposit or a credit inquiry.

Event-based triggers are equally applicable in the context of customer feedback. A particular complaint may signal the need to automatically elevate an individual to a higher level of customer care, for example, or to take other certain actions to resolve a problem. Real-time alerts can be used to notify key staff of any issues that require immediate attention

Best-in-Class companies strive on an ongoing basis to understand customer behavior at an individual level and to act upon that understanding to deliver relevant messages and offers at the “moment of truth.” Given the realities of today’s recessionary economy, companies can scarcely afford to waste vast amounts of marketing dollars on mass media vehicles that reach the “wrong” consumers. Nor can they afford to reach the “right” consumers at the “wrong” time.

By the same token, companies need to respond to customer feedback from the “right” customer at the “right” time so as to remedy a situation and prevent subsequent problems. Also, customer feedback can provide a way for companies to know, often in a real-time fashion, when customers are in the market to buy and a way for them to respond to that knowledge as quickly and as profitably as possible. In essence, event-based triggers help companies become good listeners, to make sense of what they’re hearing, and to react in an automated way.

Chapter Two: Benchmarking Requirements for Success

Whether the context is electronics, accounting, medicine, archeology, geography, education or any number of other knowledge domains, the word "feedback" is commonly used to describe any response or information about the result of a process. When an event is part of a cause-and-effect chain that forms a loop, then the event is said to "feed back" into itself. Certainly, that definition applies to the world of market research and customer experience management, wherein the loop consists of soliciting customer opinion based on an individual's past or current experiences with a brand for use in improving their future experiences with the brand. The loop is recursive in that customer feedback ought to be viewed as part of a continuous improvement process.

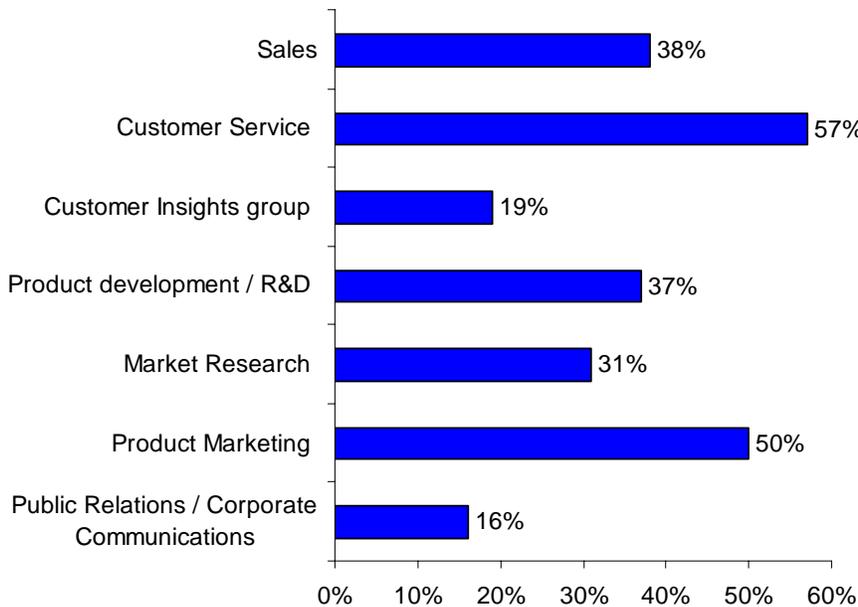
According to Aberdeen research, Best-in-Class companies collect multiple types of customer feedback. For example, 67% (compared to 59% of Laggards) conduct periodic relationship surveys, 56% (compared to 48% of Laggards) conduct transactional/event-driven surveys at key touchpoints, and 33% (compared to 22% of Laggards) conduct website effectiveness surveys. This often means including a feedback icon on each webpage that launches a context-sensitive survey window. Interestingly, 26% of Best-in-Class companies (compared to 11% of Laggards) actively collect loss review information in an effort to understand why customers no longer do business with the company—and, no doubt, to try to win them back.

The insights gleaned from customer feedback can benefit multiple parts of the organization, as shown in Figure 3. The customer service department, for example, may use the insights to measure and improve performance in terms of problem resolution and call center deflection. The marketing organization may use the insights to understand what specific messages and offers are likely to resonate in the marketplace and elicit a favorable response by narrowly-defined customer segments or for improving website performance or any other aspect of the customer experience. The operations team may use the insights to streamline business processes and improve service quality. The product management team may use the insights as the basis for developing, testing and refining new products and services. The market research department may use the insights to identify consumer trends and competitive activity.

Fast Facts

- √ Best-in-Class companies, are 2.3 times more likely than Laggards to have improved their year-over-year performance in new product / service innovation with the deployment of a customer feedback solution
- √ More than twice as many Best-in-Class companies as Laggards currently have a process in place for tracking customer feedback across all departments and channels

Figure 3: Groups that Use Customer Feedback - All Respondents



Source: Aberdeen Group, March 2009

"When we sat with our customers and did our qualitative and quantitative research we realized that we weren't putting the right emphasis on the right drivers. Once we aligned our drivers with what our customers actually think, the program really gained a lot of color. It has helped us to better focus our operational efforts to the areas where we get the most bang for the buck."

~ Fab Stanghieri, Vice President of Real Estate & Corporate Planning, Cineplex Entertainment

Interestingly, when it comes to product development, nearly twice as many Best-in-Class companies as Laggards solicit product development ideas, suggesting that the former understand the value of treating customers as co-creators in the incessant quest to drive product and service innovation. And what better group to include in the ideation process than the eventual buyers of those products and services? In fact, according to Aberdeen research, 69% of Best-in-Class companies, compared to only 29% of Laggards, have improved their year-over-year performance in new product / service innovation with the deployment of a customer feedback solution.

Case Study — Farmers Insurance

The third largest underwriter of private passenger automobile and homeowner insurance in the United States, Farmers Insurance serves more than 15 million customers. The first line of involvement for the insurer with its customers is the more than 17,000 agents who represent Farmers products. These agents essentially operate as independent business owners. In many ways, Farmers views them as a primary customer segment. The company has a vested interest in providing the level of support necessary to enable them to sell and process policies and service their end-customers.

The agent call center at Farmers handles roughly 20,000 inbound calls each day, fielding agent questions regarding products and services. A few years ago, Farmers established a business objective of providing increasingly stellar call center service to the agents. A key milestone toward that objective was achieved in July 2007 with the launch of a customer feedback system that enables employees across the organization to monitor activity on a daily basis.

continued

Case Study — Farmers Insurance

Front line supervisors and call center managers can now gain immediate feedback on employees who are doing exemplary jobs. They can also quickly identify suboptimal performance. A low rating on any survey question automatically triggers a popup that displays the survey response and issue at hand. A code provides instant access to the CRM platform, making it possible to listen to the recorded telephone conversation or watch the transaction flow on the screen. Supervisors and managers can then address the issue that resulted in a poor customer experience for the agent through training or process improvement.

Last year, Farmers formed a “quick hits team” to fix some of the easy-to-resolve issues that surfaced as a result of agent feedback analysis. The team also began addressing some of the more challenging issues that will take longer to resolve. The feedback analysis was instrumental in prioritizing these issues. “People might have had a gut feeling that something wasn’t going right but they couldn’t quite pinpoint it,” explains Debra Lechner, Assistant Vice President of Customer Insights. “The agents told us exactly what was bothering the majority of them and the process flows that weren’t working from their perspective.”

The new customer feedback system represents a dramatic improvement over the previous process, which involved mailing out surveys and consolidating information on a monthly basis. That information then got rolled up on a quarterly basis. “The information was unwieldy and untimely,” recalls Lechner, noting that supervisors couldn’t even determine which individual provided the service, good or bad, that was being referenced. “You couldn’t tell who the agent was who took the phone call,” she says. “If you had a training issue or an agent who was being rude, you couldn’t catch those things in the moment.”

Farmers also recently instituted a comprehensive scorecard that tracks ten different metrics, including call quality, accuracy, and problem resolution. The scores are derived from both agent and end-customer survey feedback. Bonuses and compensation are now closely associated with the scores.

On the agent side, Farmers has seen its scores rise markedly since the launch of the new customer feedback system. “Agents feel that not only have we made changes but we’ve listened to what they’ve needed and we’ve addressed their issues,” says Lechner. “They’re definitely happier in dealing with us and they’re not having the frustrations they had two and three years ago.”

On the end-customer side, it’s too early to say what impact the system is having. But one thing is sure: The company is busily addressing the major issues that have cropped up. A good example is the billing platform, which is being revamped in its entirety. “That’s based on feedback from customers on what they don’t like about our billing process,” says Lechner. “The fact that we’re making changes within our own business based on customer feedback is huge.”

After a year of testing, Farmers just rolled out a platform that provides agents with direct and immediate feedback from their own customers on what they’re doing right and, more importantly, what they’re doing wrong. “The agents who have participated in it so far say that it’s not only eye opening but that it’s also reinvigorating,” says Lechner. “It makes them realize why it’s important to do a good job for their customers. It gives them a bigger sense of purpose.”

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute their daily operations); (2) **organization**

(corporate focus and collaboration among stakeholders); (3) **technology** (the selection of appropriate tools and effective deployment of those tools); and (4) **performance management** (the ability of the organization to measure their results to improve their business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

Table 3: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Process for disseminating insights gleaned from customer feedback to key decision makers:		
	81%	48%	43%
	Process for tracking customer feedback across all departments and channels:		
	59%	43%	23%
	Process for acting upon customer feedback across all departments and channels:		
	54%	52%	37%
	Process for enhancing customer feedback management capabilities over time:		
	50%	25%	16%
	Process for delivering survey results to customers:		
	31%	24%	17%
Organization	Process for correlating customer feedback activities with financial outcomes:		
	31%	18%	8%
Organization	Dedicated operations resources devoted to customer feedback analysis and reporting:		
	52%	41%	28%
Technology	Customer feedback technologies currently in use:		
	<ul style="list-style-type: none"> ▪ 51% Customer feedback data analysis tool ▪ 50% Customer feedback data repository ▪ 37% Digital dashboards for performance reporting ▪ 17% Rules-based survey response routing tools ▪ 20% Social media monitoring tools ▪ 16% Text analytics software 	<ul style="list-style-type: none"> ▪ 50% Customer feedback data analysis tool ▪ 43% Customer feedback data repository ▪ 34% Digital dashboards for performance reporting ▪ 16% Rules-based survey response routing tools ▪ 19% Social media monitoring tools ▪ 13% Text analytics software 	<ul style="list-style-type: none"> ▪ 30% Customer feedback data analysis tool ▪ 31% Customer feedback data repository ▪ 15% Digital dashboards for performance reporting ▪ 6% Rules-based survey response routing tools ▪ 9% Social media monitoring tools ▪ 3% Text analytics software

	Best-in-Class	Average	Laggards
Performance	Defined performance metrics for measuring customer survey effectiveness		
	44%	42%	26%
	Customer feedback performance metrics currently in use:		
	<ul style="list-style-type: none"> ▪ 88% Customer satisfaction ▪ 73% Customer retention ▪ 50% Problem resolution rate ▪ 44% Employee performance improvement 	<ul style="list-style-type: none"> ▪ 80% Customer satisfaction ▪ 52% Customer retention ▪ 28% Problem resolution rate ▪ 24% Employee performance improvement 	<ul style="list-style-type: none"> ▪ 78% Customer satisfaction ▪ 48% Customer retention ▪ 22% Problem resolution rate ▪ 22% Employee performance improvement

Source: Aberdeen Group, March 2009

"At Marriott, we're very much focused on becoming customer-centric and selling according to the way the customer wants to buy. In order to achieve that, we have to listen to the customer and not treat all interactions the same. So it's critical that we hear their perspective on our services and hear about their experience when contacting Marriott to make a reservation. In the old world, it took us weeks to get feedback from reports and from third-party providers looking at our performance. Today the feedback is instant, and technology is the key to expediting it."

~ Lewis Dawley, Director,
 Global Reservation Sales,
 Marriott

Capabilities and Enablers

Based on the findings of the Competitive Framework and interviews with industry practitioners, Aberdeen's analysis of the Best-in-Class demonstrates that these organizations are ahead of the curve in the following areas: process, organization, technology, and performance management.

Process

Best-in-Class organizations have well-established processes in place for maximizing the value of customer feedback across multiple stages of the capture-integrate-enhance-analyze-act upon cycle. For example, they lead Laggards by a factor of almost two to one when it comes to having a process for disseminating insights gleaned from customer feedback to key decision makers. They are also far better equipped when it comes to acting upon customer feedback across all departments and channels and then communicating the results of the actions that were taken back to customers, which is a necessary (but often broken) link in the chain. Also, understanding the need to treat customer feedback initiatives as a continuous improvement process, Best-in-Class companies are more than three times more likely than Laggards (50% versus 16%) to have a process for enhancing customer feedback management capabilities over time.

Organization

In order to ensure that the processes a company implements are successful with respect to a customer feedback initiatives, it is necessary to instill adequate organizational support. Unfortunately, Best-in-Class companies have yet to distinguish themselves as leaders along this dimension. When it comes to establishing a team or committee dedicated to customer feedback management, for example, Best-in-Class lead Laggards by only a narrow margin (35% versus 21%). Best-in-Class companies have a slightly more commanding lead (52% versus 28%) when it comes to dedicated operations

resources devoted to customer feedback analysis and reporting. Beyond putting the right internal resources in place, success in customer feedback management may also mean launching a formal user group program and / or customer advisory council.

Technology

A centralized data repository is a requisite component of a customer feedback management system for multiple reasons. The repository provides the foundation upon which the analytics capabilities are built. It enables a company to archive, access (often through a Web portal or digital dashboard) and share the insights gleaned from customer feedback data, and also to marry customer feedback data with customer profile data to create an understanding of customer value and various other key attributes at an individual customer level. In addition to a centralized data repository, the ability to generate and act upon insights gleaned from customer feedback requires the integration of both data analysis and performance reporting tools. Best-in-Class organizations are 1.7 times more likely than Laggards to use data analysis tools, which are used to create segmentation schemes, identify patterns and glean actionable insights from customer feedback. More than twice as many Best-in-Class organizations as Laggards currently use digital dashboards for performance reporting. These dashboards also make it possible to do deeper dives into specific feedback data, and to slice and dice the data in multiple ways to reveal additional patterns and insights. It's worth noting that Best-in-Class companies are being to adopt text mining software that uses natural text processing for deriving actionable insights from both structured and unstructured text, including call center transcripts. This software, which in many cases also serves as the basis for social media monitoring tools, holds enormous potential for automating customer feedback activities, including generating real-time alerts.

Performance Management

Defined performance metrics make it possible to measure and increase the value of customer feedback over time. Currently, Best-in-Class companies are over nearly 1.7-times more likely than Laggards to have defined performance metrics in place for measuring customer survey effectiveness.

"When you're trying to figure out whether a customer is happy or sad, oftentimes it's the cumulative sum of their experiences over time. Customers are tolerant of occasional glitches, as long as it's not a frequently occurring problem. The flip side is that if you make it a problem to do business with you time and time again, the smallest of problems will suddenly become the tipping point."

~ Cameron Karr, Senior
Director of Worldwide
Customer Loyalty, Business
Objects / SAP

Aberdeen Insights — Pareto's Law and Customer Feedback

The Italian economist Vilfredo Pareto observed that "a minority of input produces the majority of results." Pareto's Law—also known as the 80:20 Rule—speaks to the fact that most companies derive the vast majority of revenues and profits from a relatively small percentage of customers.

Today companies are becoming increasingly adept at allocating a disproportionate share of resources toward targeting and serving the needs of that subset of high-value customers. Companies are also treating feedback from some customers as more valuable than feedback from others, and weighing the actions they take in response to customer feedback accordingly.

Companies aren't just paying extra attention to feedback from customers that drive the lion's share of revenues and profits. They're also tagging feedback from certain other segments as high priority. An obvious example is customers who are identified as likely to defect, based on behavioral, transaction or other data. Currently, 14% of Best-in-Class companies have established voice-of-the-customer weightings (i.e., prioritize customer feedback by customer / segment value), based on survey findings.

Simply put, when it comes to customer feedback, some voices matter more than others, and there's value in being able to focus on the voice of a small but strategic subset of customers and making sure their sentiment and opinions are coming in loud and clear. The principle is evocative of George Orwell's *Animal Farm*, in which the pigs proclaim: "All animals are equal, but some animals are more equal than others."

Aberdeen research indicates that survey questions take many different forms. The surveys used by some companies, such as Hertz (see the case study later in this chapter), may consist of a small number of high-level questions that remain consistent over time and across geographic locations. Other companies include a more extensive series of questions that may be dynamically generated based on prior responses, and that allow them to delve deeper into brand experience and / or focus. Discreet choice and / or conjoint analysis methodologies may be used to reveal the specific drivers of customer loyalty and the various factors and considerations that are at the forefront of future purchase decisions and customer advocacy.

Depending on the nature of the organization, any number of channels / vehicles may be used to solicit customer feedback. Today, of course, survey invitations are pervasive, cropping up on telephone calls, in retail locations, in e-mail, on websites, on merchandise receipts and even on actual merchandise. Email has supplanted direct mail as the primary channel for reaching out to customers with survey invitations. And while traditional mail-in surveys are becoming increasingly rare, and generally have lower response rates than online data collection, catalog merchants and others continue to use direct mail to drive offline-to-online survey participation.

"We've been using a customer feedback system for two years now. And we've seen comp sales growth for the last eight quarters. It's not a coincidence. We attribute a lot of our recent success to being able to respond to customer feedback."

~ Remi Wellborn, Vice
President of Operations,
Dave & Buster's

For their part, most customers are more than happy to have the opportunity to provide feedback. In fact, according to survey results, more than half (59%) of all companies never provide customers with an incentive to take their surveys, other than the opportunity to have their voices heard. Of those companies that do provide incentives, the top enticements include product or service coupons / discounts, access to exclusive community forums and/or content, and participation in sweepstakes.

Analyst Insight —Social Media Monitoring

In January 2009, PepsiCo introduced new packaging for its flagship product, Tropicana Pure Premium orange juice. Instead of a straw-in-an-orange image that had been used for 24 years to evoke fresh taste, the carton opted for a more understated look: a glass of orange juice. Consumers were up in arms, many even vowing to boycott the brand, and they voiced their displeasure in peer-to-peer social networks. Less than 2 months later, bowing to consumer demand, PepsiCo announced it would discontinue the new design and revert to the old one.

If consumers are speaking, companies need to listen. And listening to the voice of the customer goes beyond the active solicitation of customer feedback. It also means tuning into the conversations taking place in the universe of blogs, wikis, online communities and peer-to-peer networks, by deploying social media monitoring solutions. Yet, currently, only 20% of Best-in-Class companies, compared to 9% of Laggards, use social media monitor tools, and only a fraction of them integrate customer feedback data with social media monitoring data.

These tools are readily available and evolving at a breakneck pace. Features and functionalities vary dramatically, and different solutions screen consumer-generated content through different lenses. Some are focused on brand reputation management, for example, while others are designed to serve the specific needs of a public relations or market research firm. Some solutions rely on text mining and natural language processing using sophisticated algorithms to derive actionable insights. Others place emphasis on the “human analysis” component for interpretation.

Some solutions focus on consumer generated content that resides within blogs and RSS-based platforms, others on message boards, photo and video-sharing platforms or any number of other data sources, including traditional media. Some solutions are oriented toward passive monitoring. Others allow users to jump right into the conversation.

Whatever the social media monitoring solution, one thing is clear: As control of a brand’s marketing messages—and, indeed, its very image—continues to migrate from traditional media to social media, companies need to become increasingly adept at paying attention to how they’re being perceived in the online world. And they need to be able to respond accordingly, based on the insights they glean. Ultimately, the worlds of social media monitoring and customer feedback management are bound to collide and converge. In some cases, this is already happening.

“We monitor in excess of 1,500 discussions threads a day on very specific topics where we think we can add value to the conversation. It’s not possible to participate in all of the threads, but there are ways to identify which conversations are the most influential, which ones have the greatest reach, and those are the ones in which we’re most likely to participate. We’ve also created a consumer advocate community as well as a platform that we’ll be launching in a few weeks to support their activities.”

~ Marty Collins, Senior Product Marketing Manager, Windows Live, Microsoft

Many, if not most, companies solicit and capture feedback through multiple channels at the same time. The challenge is to then integrate the data in a standard format in a centralized data repository. According to survey respondents, 30% of Best-in-Class organizations, versus 26% of Laggards, integrate customer feedback from all channels, including, in some cases, mobile devices and in-store service counters and kiosks while 67% of Best-in-Class organizations, versus 41% of Laggards, integrate customer feedback from 2-3 channels. And again, more companies are also integrating the customer feedback that they solicit through these various channels with consumer-generated content that resides in the universe of social media, including blogs, peer-to-peer networks, wikis, and ratings and reviews sites to paint a more complete portrait of consumer sentiment with respect to a specific product, service or brand.

Case Study – Hertz Corporation

With more than 8,000 locations in 145 countries, the Hertz Corporation ranks as the largest general use car rental company in the world. Like most major business-to-consumer companies, Hertz has long had a formalized process in place for collecting customer feedback. It has only been with the past two years, however, that Hertz has implemented an enterprise-wide customer feedback management system, taking the company's ability to respond to customer opinion to a whole new level.

"We wanted to become proactive about getting a larger sample of feedback from our customers," explains Brian Dickerson, Vice President of Customer Care at Hertz. "And we wanted to be able to look at customer feedback on a real-time basis."

At the same the time it implemented the new system, Hertz switched from using a basic customer service index as a numerical indicator of progress to the Net Promoter Score (NPS). The score is tracked on a global basis across all Hertz operations, including franchise locations. The results are rolled up on a regional and country level, providing a global basis for comparison.

"Nobody in the organization is exempt from being held responsible for improving that score," says Dickerson, noting that the CEO reports to the board of directors on how the company is performing in terms of NPS and what actions are being taken to improve the score. At the same time, the focus on NPS tells only part of the story. "You have to use NPS as a tracking mechanism but you also have to get direct customer feedback to get down to the root cause analysis in fixing a problem," he says.

continued

Case Study – Hertz Corporation

Hertz obtains customer feedback through surveys sent to a random sample of customers via e-mail and also in response to an invitation that appears on the back of customer invoices. Response rates are high, partly due to the fact that the surveys are limited to four questions, including one that pertains to the customer's overall level of satisfaction with Hertz and their likelihood to recommend the company. Customers also have the option to provide brief comments about their experience. "The comments are what you use to drive some difference in the service you're providing and to drive change and drive innovation," says Dickerson.

For Hertz, customer feedback becomes a way of identifying where the company needs to assess its quality management methods in the field and administratively. As with many companies today, Hertz employees are practitioners of lean Six Sigma. The business management strategy, in which a defect is defined as anything that can lead to customer dissatisfaction, means that the area managers need to pay close attention to customer feedback. This requires them to flag customer comments with e-mail to station managers so that they can take immediate action to resolve any problems that arise.

Comments are sorted into various categories, including Service, Bussing, Car Cleanliness and Line Wait, and rolled up so that management can identify trends and monitor improvement. Both positive and negative comments are important. "We want to look at not only the drivers of dissatisfaction but also all the positives," says Dickerson. "We want to make sure we concentrate on the things we do right so that we continue to do the things that make customers happy. We don't want to lose focus on those while we're trying to fix the things that make customers unhappy."

While the value of customer feedback management in terms of revenue growth can be difficult to measure, Hertz knows that the technology has been a worthwhile investment in terms of cost reduction. Switching from comment cards to online surveys alone provides an 80% cost savings. The bigger benefit, of course, lies in the ability to respond to customer feedback to foster customer loyalty and retention. Customers like to know that their voices are being heard and that action is being taken.

Dickerson sums it up nicely: "There's nothing more powerful than when a location manager responds to a customer who has had a negative experience by saying, 'This is my responsibility, I'm interested in what you have to say.'"

In addition to integrating customer feedback from across all customer channels and touchpoints, companies must integrate feedback from across

all of the different lines of business with which any given customer interacts and transacts through a CRM system. Otherwise, it becomes impossible to create a unified view of an individual's experience with the company, let alone determine their lifetime value. According to survey results, more than twice as many Best-in-Class companies as Laggards (59% versus 23%) currently have a process in place for tracking customer feedback across all departments and channels.

Aberdeen Insights — Business-to-Business Feedback

B-to-B companies stand to benefit from customer feedback in much the same way as B-to-C companies, and an increasing number of them are putting the requisite technologies, capabilities and processes in place to maximize performance in this area. One such company is Business Objects, a leading enterprise software company that now operates as a division of SAP, with more 42,000 customers worldwide. Last year, Business Objects deployed a customer feedback solution to capture customer insights at every point in the customer lifecycle.

Business Objects strives to ensure that every new version of a software program improves the customer experience. A brief survey asks IT managers and systems administrators who have downloaded the software a series of questions about whether they have yet deployed it and where they are in the testing process. By correlating satisfaction based on stage of deployment, the company is able to deflect downstream support costs and other potential expenses. It also leverages customer feedback to drive new product development.

Unlike shoppers in a grocery store, where alternative products abound, customers of B-to-B companies often find it difficult to switch to a new solution provider. They may be too deeply entrenched in the existing solution or there simply may be a lack of alternative choices, creating a bit of a "hostage effect". Even so, B-to-B companies need to pay close attention to customer complaints, because they may still incur financial costs when customer satisfaction declines.

While unsatisfied customers may continue to renew their contracts, however reluctantly, they may also want to negotiate maintenance fees or demand other services to compensate for their perceived pain. And, of course, if an alternative solution does one day come along that suits their needs then the price a company pays for failing to respond to customer feedback may suddenly skyrocket.

Chapter Three: Required Actions

Customer feedback management is still in its infancy, and even Best-in-Class companies have a lot to learn about what works and what doesn't when it comes to listening to the voice of the customer. Whether a company is trying to move its performance with respect to customer feedback from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

Laggard Steps to Success

- **Define performance metrics for measuring customer survey effectiveness.** Currently, 26% of Laggards, versus 44% of Best-in-Class companies, have performance metrics for measuring customer survey effectiveness. Without performance metrics in place it can be difficult to assess the value of a survey and to determine whether it warrants continued use. A survey is a continuous improvement process and the validity of the questions, and the responses to those questions, need to be assessed on an ongoing basis.
- **Proactively inform customers of changes made as a result of customer feedback.** Customers want to know that their voices are heard and their feedback is being taken seriously, above and beyond simple acknowledgement that their feedback was received. Companies need to circle back with customers to address their complaints or respond to their suggestions for improvement in a timely fashion. Currently, Best-in-Class organizations are twice as likely as Laggards (44% versus 22%) to proactively inform customers of how their complaints and suggestions have been or will be acted upon as a matter of course.
- **Hire resources that have customer feedback as part of their job description.** While external vendors can help with some of the heavy lifting, internal resources are required to maintain, operate, and enhance the customer feedback management initiative on an ongoing basis. Many companies already have vice presidents or directors of customer insight, customer experience and /or customer satisfaction under whose purview these initiatives often fall. In addition, for major enterprises, consider the possibility of creating a position called director of customer feedback management. The accountabilities would focus solely on the day-to-day management, improvement and dissemination of customer feedback. Today only 28% of Laggards, compared to 52% of Best-in-Class organizations, have dedicated operations resources devoted to customer feedback analysis and reporting.

Fast Facts

- √ Best-in-Class organizations are 1.7 times more likely than Laggards to have performance metrics for measuring customer survey effectiveness
- √ Best-in-Class organizations are twice as likely as Laggards to proactively inform customers of how their complaints and suggestions have been or will be acted upon
- √ Best-in-Class organizations are more than 3 times as likely as Laggards analyze customer feedback data "extensively" to generate actionable insights

Industry Average Steps to Success

- **Analyze and segment customer feedback data to create actionable insights.** Customer feedback serves little purpose if it is not being used to generate actionable insights that can be used to drive business improvement. Yet only 11% of Industry Average companies, compared to 37% of Best-in-Class organizations, indicate that they analyze customer feedback data “extensively” to generate these insights. At the same time, 24% of Industry Average companies report that they don’t analyze customer feedback data at all, leaving one to wonder why they even bother making the investment and engaging customers in the process.
- **Define best practices for utilizing and deriving actionable insights from customer feedback.** To date, one-quarter (25%) of Industry Average companies have defined best practices for their customer feedback management initiatives. Yet why not learn from the experiences of other companies, both inside and outside the industry? Beyond this Aberdeen benchmark report and previous research on the topic, there are several valuable sources of best practices related to customer feedback that companies can readily adapt to their own needs in order to avoid common pitfalls and increase effectiveness.
- **Tie customer feedback to customer-focused innovation.** For most companies, the only sustainable competitive advantage is continuous innovation. By opening a window into the unmet wants and needs of customers, and even soliciting their direct input into the ideation of future products and services, customer feedback can fuel continuous innovation, and with the assurance of sufficient market demand once the new product or service becomes commercially available.

"From a performance improvement standpoint, we wanted to be able to understand and respond to the underlying issues related to how our customers were experiencing our brand. In 2006, we launched a six-month pilot to see if a customer feedback management system would work. We wanted to show that we were serious about focusing on the customer experience so we put in kiosks in all of our branches with big signage: 'Tell us how we're doing.' It took off immediately. At first, our frontline managers were concerned about opening the floodgates. But quickly they saw the power of being able to immediately get the customer feedback they needed. The customer experience management program enabled us to move from fourth to second quartile performance in industry-wide customer satisfaction in less than a year."

~ William Wilson, Executive
Vice President, Customer
Insights, Citigroup

Best-in-Class Steps to Success

- **Create a process for enhancing performance metrics over time.** Because business conditions never remain stable, it's important that companies put processes in place to adapt their metrics around customer feedback to meet those changing conditions. Of course, internal focus areas and priorities are also subject to change. Companies should continually ask themselves: "Are we still asking customers the right questions? Are the metrics still relevant?" Paying attention today to what was important yesterday isn't going to do a company a lot of good.
- **Establish voice-of-the-customer weightings based on customer value.** Not all customers are equal in value, and nor should their complaints, opinions and / or varying levels of satisfaction be given the same priority. Deciding what issues to pay attention to and how to allocate resources toward addressing those issues should be largely a function of understanding which

"We want to make sure we concentrate on the things we do right so that we continue to do the things that make customers happy. We don't want to lose focus on those while we're trying to fix the things that make customers unhappy."

~ Brian Dickerson,
Vice President of Customer
Care, Hertz Corporation

customers' voices matter most. Today, only 14% of Best-in-Class companies segment customer feedback according to customer value. By integrating customer feedback into a centralized database where it can be married with individual customer profile data, including purchase history and lifetime value projections, companies can become increasingly adept at knowing when (and when not) to respond with VIP service.

Aberdeen Insights — Summary

Never before has the voice of the customer been so loud. And never before have companies been so keen to not only pay close attention to the customer complaints and suggestions for improvement, but to carefully analyze and act upon the information in a systematic fashion.

With the rise of social media, control of a brand message no longer resides with the company selling the products and services but with the consumers buying them. A bad economy, corporate transparency, brand disloyalty and a host of other trends are also conspiring to usher in a new era. It's an era in which companies have no choice but to actively encourage customer feedback and to treat customers as strategic assets in the incessant quest to improve operational efficiency, new product development, customer satisfaction and the overall customer experience.

That means moving beyond ad hoc surveys and point solutions that focus on a single channel or product or aspect of the customer experience. It means putting the right technologies, business processes, organizational resources and performance metrics in place to capture, integrate, enhance, analyze and act upon customer feedback in a holistic fashion, across all touchpoints and all stages of the customer lifecycle. From an organizational perspective, customer feedback facilitates a culture of customer centricity and progressive improvement.

Appendix A: Research Methodology

Between February and March 2009, Aberdeen examined the use, the experiences, and the intentions of more than 150 enterprises leveraging customer feedback in a diverse set of enterprises.

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on customer feedback strategies, experiences, and results.

Responding enterprises included the following:

- *Job title / function:* The research sample included respondents with the following job titles: Manager (31%), EVP/SVP/Vice President (15%), Director (15%), CEO/President/Chairman (13%), and Other (26%).
- *Industry:* The research sample included respondents the following industries: Software/Hardware (14%), Finance/Banking/Accounting (9%), High Technology/Software (9%), General Manufacturing (7%), Market Research (7%) and Other (54%).
- *Geography:* The majority of respondents (69%) were from North America. Remaining respondents were from Europe (19%), Asia/Pacific (7%), Middle East/Africa (4%), and Rest of World (1%).
- *Company size:* Twenty-two percent (22%) of respondents were from large enterprises (annual revenues above US \$1 billion); 27% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 51% of respondents were from small businesses (annual revenues of \$50 million or less).
- *Headcount:* Forty-four percent (44%) of respondents were from small enterprises (headcount between 1 and 99 employees); 22% were from midsize enterprises (headcount between 100 and 999 employees); and 34% of respondents were from large businesses (headcount greater than 1,000 employees).

Solution providers recognized as sponsors were solicited after the fact and had no substantive influence on the direction of this report. Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.

Study Focus

Respondents completed an online survey that included questions designed to determine the following:

- √ The type of customer feedback organizations currently use
- √ The groups in the organization that leverage customer feedback in daily operations
- √ Budgetary plans for customer feedback in 2009
- √ The metrics in place used to determine the success of a customer feedback initiative

The study aimed to identify emerging best practices for determining the ROI of customer feedback initiatives, and to provide a framework by which readers could assess their own customer interaction capabilities.

Table 4: The PACE Framework Key

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p>Pressures — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p>Actions — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p>Capabilities — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p>Enablers — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, March 2009

Table 5: The Competitive Framework Key

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p>Best-in-Class (20%) — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p>Industry Average (50%) — Practices that represent the average or norm, and result in average industry performance.</p> <p>Laggards (30%) — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p>Process — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p>Organization — How is your company currently organized to manage and optimize this particular process?</p> <p>Knowledge — What visibility do you have into key data and intelligence required to manage this process?</p> <p>Technology — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p>Performance — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, March 2009

Table 6: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, March 2009

Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [The ROI on Social Media Marketing: Why It Pays to Dive Customer Advocacy](#); February 2009.
- [Software Firms Deploy IT Tools to Engage Customers as Co-Developers](#); November 2008
- [Customer Feedback Management: Mind If I Ask You A Few Questions?](#); May 2008
- [Harnessing the Power of Word of Mouth by Recruiting an Army of Brand Evangelists](#); November 2008
- [Companies Search for, and Find, Metrics to Measure Social Media ROI](#); September 2008
- [Social Media Marketing: The Latest Buzz on Word of Mouth](#); July 2008
- [Social Media Monitoring and Analysis: Generating Consumer Insights from Online Conversation](#); January 2008

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

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