

# WHITE paper

## SERIES

Applying Knowledge™  
Improving Decisions

*Companies that successfully link, align, and deploy customer feedback data within their operations win the game in customer share and profitability.*

## Designing Customer Satisfaction and Loyalty Programs for Actionability

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Imagine a tie ballgame — two strikes, bottom of the ninth, with your winning run on third. You can swing for the fence or take a risk with a squeeze play. While the runner might score, there are many risks to the squeeze play strategy. The batter can foul the ball, miss the pitch, or pop the ball up. All these options leave the winning run stranded and the immediate chance to score wasted. That's why it's commonly called the suicide squeeze. It might win the game, but it's suicide if it fails.

In the game of customer attitudinal measurement it can be much the same. The proper execution of the program is how one scores. Execution requires extensive knowledge of the entire playing field and the impact of individual actions on the final result. When collective customer data is integrated and becomes a strategic direction for the organization, improved decision making results.

### Management Models

All management models used in the last thirty years have something in common. They all represent an enterprise perspective to business management. Dr. Edwards Deming was often quoted as saying that all management models are flawed but some are useful. I would add that any management model needs to be customized to the specific business in question, and that would include any model that tries to depict how customer satisfaction and loyalty data can be utilized.

The simplistic approach would state that since customers are the only ongoing source of revenue a firm has,

understanding their preferences is paramount to improving this revenue stream. However it is not that simple. Just understanding customer preferences will not improve business results. Only when this vital information is linked, aligned, and deployed within the organization can the business benefits be realized.

### Customer Data Linkage

There are two basic types of linkage that need to be understood:

- Linkage within the various voices of the customer
- Linkage of the customer data to either upstream process or downstream financial data

Linkage within the various voices of the customer is not normally done in organizations. This is primarily due to customer data residing in different functions within the organization and the lack of any strategic corporate direction for cross-functional analysis. The Market Research Department may be responsible for understanding the brand image of the organization. The Quality Department may be responsible for developing and analyzing customer satisfaction or loyalty data for different businesses. The Customer Service organization may be responsible for the collection of complaints or feedback or both on recent transactions.

While each program may be best designed for a specific internal client, the customer's total experience is only represented by evaluating all of the various instruments. Since each program has its own life cycle with different individuals sponsoring the effort, the result is usually a disconnected measurement of the total customer

experience. This leads to management being provided portions of customer feedback that they cannot translate into action plans for improving the total customer experience and business results.

Organizations that have recognized this inefficiency have instigated the following best practices:

- A corporate process owner for all customer attitudinal research
- Standardized measurement and analysis protocols
- Elimination of redundant measures across survey instruments
- Established bridge measures so that data from one instrument can be statistically linked to data from another instrument
- Linkage protocols that define the total customer experience

The benefits of such alignment are as follows:

- Reduced measurement costs due to process standardization
- Additional insight for senior leadership since data are presented in a more consistent form
- Better decisions on resource allocations to improve the customer experience

While linkage within the voice of the customer may be ignored, linking the customer feedback to upstream employees and processes or downstream financial results or both may be the more difficult. Leading-edge organizations are beginning to be charged by management with this linkage responsibility. One limiting factor can be the availability of a common unit of analysis. As an example, if a financial institution is trying to link **employee** feedback to **customer** feedback then a similar unit of analysis is needed. This could be data at the branch level or regional level.

Best practices observed in upstream and downstream linkage efforts include:

- Strong senior leadership to remove functional barriers
- Redesigning customer feedback systems to allow for upstream and downstream linkage

- Installing revised internal process measures that more accurately measure the customer expectation
- Establishing data structures that have comparable units of analysis

### Customer Data Alignment

Customer data alignment is different from linkage. Alignment mandates that customer feedback be integrated into other key business and operational processes. As an example, alignment should be created with customer feedback and the business strategy.

A simple question to ask business leaders is, "Why do our customers buy from us?" Depending on where particular leaders have spent the majority of their careers, the answer will usually have a "functional bias." An individual with a manufacturing background is most likely to say, "Because we make high quality products." An individual with primarily a sales background may say, "Because we have sales personnel who establish great relationships." Both individuals could be correct, but it is hard for them to answer the question objectively.

One element of an aligned customer feedback program should be to evaluate the organization's value proposition from the customer perspective. The analysis of this data can provide a reality check to those with a functional bias and also serves to prioritize improvement planning.

Leading-edge data alignment practices consist of the following:

- Using customer feedback to validate business strategy
- Incorporating customer feedback and internal process measurement results for incentive compensation calculations
- Setting individual performance targets based on customer feedback
- Using cultural assessments that quantify the degree of customer focus present in the organization

### Customer Data Deployment

The word deployment has an interesting background. Its origin is related to the

military's ability to prepare for battle. Perhaps the thought of such a massive effort might cause one to realize why some customer satisfaction and loyalty programs do not reap the financial benefits that leadership expects. One Webster definition of deployment is, "to distribute in convenient positions for future use." The two key words here are convenient and future. If your customer feedback is isolated to a few groups or individuals, it may not be convenient. In addition, if there is not a stated use of the data then it may be easy to understand why results are not improving over time. Effective deployment happens when information is readily available, all the way to the front line, and there are clear expectations created in the organization on how the data will be used after it is properly analyzed.

One way to establish these expectations is to put in place a factor steward process for any measurement instrument. Factor stewardship is simply identifying each item on the survey with a process owner who will be responsible for putting in place improvement plans if that issue appears deficient. This also serves the dual purpose of ensuring that measurement instruments are actionable.

Other best practices that have been observed on data deployment include:

- Establishing Web-based customer feedback portals that have wide access within the organization
- Documentation of improvement projects completed based on customer feedback and sharing those within the organization and also with customers
- Establishing a closed-loop process for low scores on individual surveys to ensure that negative ratings are understood and process improvements are put in place
- Establishing training programs that educate all employees on understanding customer data (just like there are for financial data)

Organizations that have successfully linked, aligned, and deployed their customer feedback can provide ready answers to these important questions:

*Do you get a consistent answer from leadership when you ask the question, “Why do customers buy from us?”*

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*Do you collect customer data to measure and validate business strategy?*

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*Are separate measurement programs coordinated to remove redundancy?*

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*Can you provide management a picture of the total customer experience?*

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*Are bridge measures used to gain insight across different measurement instruments?*

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*Do internal processes measure customer requirements?*

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*Are performance goals for internal process measures based on customer feedback?*

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*Can frontline employees access the voice of the customer?*

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*Do you have training programs in place to equip employees to act on customer feedback?*

### **Winning The Game In Customer Share And Profitability**

A customer satisfaction and loyalty program that is linked, aligned, and deployed helps you operationalize customer feedback. Once this is done it can grow the top line, tell you how to gain more revenue, and help you control your costs because resource decisions are made based on what the customer values.

When you have a clear voice of the customer integrated into your operation it's like knowing what and where the next pitch will be. You still have to execute the play, but you have more information that makes the execution much easier. It can be your path to scoring the winning run.

### About The Author

Bill is the Vice President, Senior Consultant with Burke, Inc. His expertise is designing and implementing voice of the customer programs that deliver operation and financial results. His experience is based on a twenty-six-year career with Eastman Chemicals where he held senior positions in Sales and Business Management. From 1993 to 2000, Bill was Eastman's Global Director of Customer Satisfaction where he was responsible for designing, analyzing, and implementing multiple voice of the customer instruments. Eastman was recognized in 1993 as a Malcolm Baldrige Quality Award winner and in 1996 as one of the top 100 Managed Companies by *Industry Week*.

While at Eastman, Bill was Chair of a benchmark consortium that studied best practices in customer satisfaction measurement, analysis, and deployment. Over the past ten years, Bill has been a speaker at ASQ, AQC, APQC, AMA, IQPC, and IIR conferences where he has presented best practices in measurement, analysis, and deployment.