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Nice Doing Business With You

By John A. Goodman

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Superior products and services build customer loyalty, but "being easy to do business with" may be a key to sustaining loyalty. An effective voice of the customer (VOC) process can optimize "ease of doing business" performance. While most companies have evolved some type of VOC process, many struggle with the focal input – data collection. Best in class VOC data collection shares four characteristics: (1) a unified data collection plan; (2) the integration of multiple, disparate sources of data; (3) a conversion of "squishy" data into a revenue-based business case that compels action; and, (4) an action-centric set of recommendations for improving the customer experience.

Nice Doing Business With You

VOC data collection methods can help organizations determine if they are 'easy to do business with' – a metric of customer loyalty

BY JOHN A. GOODMAN

The words "customer experience" have become a catchphrase of the last decade, and with good reason. A great customer experience fosters both word of mouth and "word of mouse" (spread through computer mouse clicks), making marketing and sales more cost effective and allowing a company to command a premium, even in commodity markets.

Often, however, providing superior products and services is not enough to secure customer loyalty. Many times, companies will receive feedback from customers who state, "I love your product, but I *hate* doing business with you!"

This elusive quality – being easy to do business with – is the key to a great customer experience. To find out if their organization is easy to do business with, quality professionals must become familiar with the critical voice-of-the-customer (VOC) data collection processes that guide their organization. They also must ensure their organization's VOC collection plan maximizes revenue and word-of-mouth payoff.

What Does It Mean to Be Easy to Do Business With?

Whether or not an organization is easy to do business with can be gauged by these five factors:

1. **Accessibility of information** – Make sure that the customer knows where to find information. You can start by creating an effective welcome kit that provides specific information on how to contact your organization. Any misdirected calls and emails should be tracked to measure the amount of customer confusion.
2. **Availability of service agents** – Customers should know that they can speak with a live person. When employing voicemail and interactive voice response systems, always give customers the option to reach a service agent and offer broad hours of support.
3. **Reduced bureaucracy** – Beyond basic information needed to verify a customer's identity, minimize the amount of information requested. Don't require the customer to re-enter data or go to another department. Also, empower employees to make decisions so customers don't have to wait for approvals.
4. **Complete, convincing responses to requests** – Customers should receive a satisfactory response during their first contact, with clear and believable rationale for anything that might dissatisfy them. Representatives should empathize with the customer and provide the same answer regardless of channel. When appropriate, they should create an emotional connection with the customer.
5. **Follow through on commitments** – Avoid the need for the customer to make a second call.

If any one of the five factors is not well-performed, it becomes a point of pain for customers, potentially frustrating them enough that they will consider terminating the business relationship. So how do organizations avoid that fate? They must gather VOC data that guides them in the right direction.

Critical VOC Collection Processes

Most service companies now have a VOC collection process in place, but not all have the right elements. Before practitioners can master the necessary attributes (see "8 Key Elements of VOC Collection"), they need to focus on four critical tasks that create the foundation for solid VOC: 1) creating a unified data collection plan, 2) integrating multiple VOC data sources, 3) establishing the bottom-line cost of inaction and 4) identifying actionable recommendations.

Creating a Unified Data Collection Plan

When asked about who owns the VOC collection process, the usual answer from most organizations is, "About five different people." When a company has multiple customers, the number expands to eight or 10 owners of at least some of the data. Under this arrangement, each department or manager collects the data in a way that is most convenient and effective for them. The problem is that the data doesn't always fit together across types of customers, or even across different departments within a customer's organization.

For example, a supplier of software to trucking companies can get very different feedback from the finance, operations and maintenance managers in the client companies. Likewise, an appliance manufacturer can get very different feedback from dealers versus repairmen versus the end consumer. In the latter case, these are completely separate customers, and placing too much emphasis on the wrong one can lead to disaster. The classic example of this is from the early 1980s, when a senior executive at a U.S. automaker said that their customer was the dealer, and what the end consumer felt was not important.

The first challenge for practitioners is to gather information from multiple data sources in order to describe the end-to-end customer experience, including all of the pain points and delighters. This data collection process has two requirements: 1) data must come from each phase of the customer lifecycle, including pre-purchase, purchase, delivery, billing and account expenses, and use and maintenance; and 2) multiple data sources should be used – such as complaints, surveys, transaction data and inspection reports (e.g., call quality monitoring reports) – because any one data source has biases, limitations and blind spots.

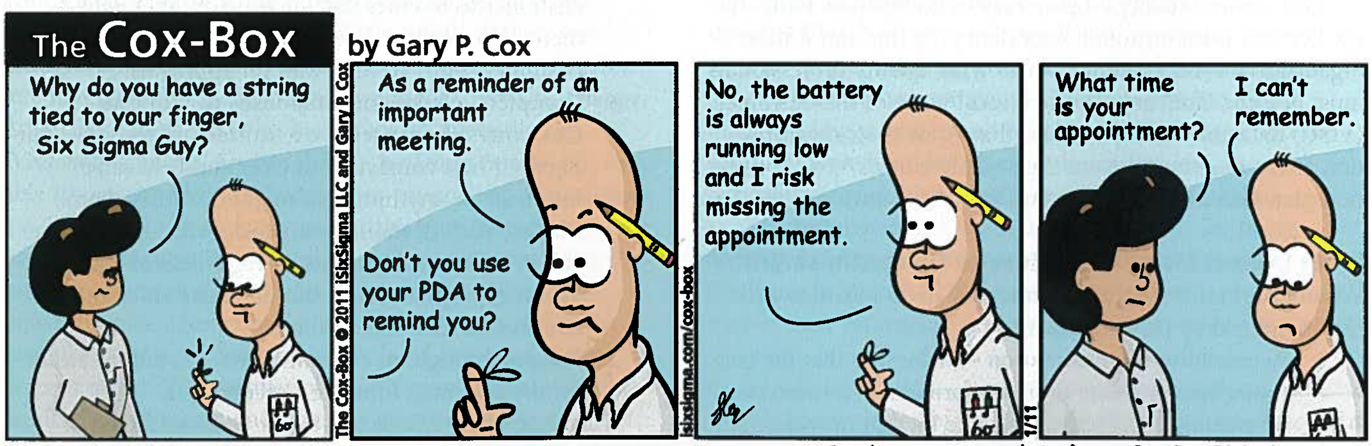
For instance, if practitioners want to know about ATM downtime, they can do consumer surveys. They can also ask the corporate IT department to provide exact information about downtime for a particular ATM. The customer survey will tell them if customers noticed ATMs were down (more likely at 7 a.m., when they are rushing to work, rather than at 2:30 a.m., when they are at home sleeping). The consumer survey also will show if the downtime caused any damage to customer loyalty. The IT report will give the precise amount of downtime, but not the relative importance of downtime at different times. The combination of the two data sources gives practitioners a much better picture of the overall customer experience and the priorities underlying them.

In addition, data collected at certain, select touch points represents only a subset of customer experiences. For example, escalated complaints represent only those customers whose problems were not satisfied by the frontline customer service agents. For each escalated complaint, there must be an estimate of complaints that agents were able to solve. Also, no data source is perfect; everyone has biases or fails to report certain types of problems. Even survey data is limited by the sample from which it is drawn, such as the inherent bias in certain methodologies (e.g., telephone survey responses tend to skew positive).

The second challenge in creating a unified data collection plan is to ensure that a customer problem in one data collection process is defined similarly across all other data collection processes. In order to achieve this, one executive must be in charge of the VOC process, or at least be its champion. If every unit collects data but is oblivious to all others, the ability of the organization to integrate a unified picture of the customer experience is doomed to failure.

Integrating Multiple VOC Data Sources

Once the various data sets describing the customer experience are collected (hopefully using similar problem descriptors), they must be integrated to create a single, unified picture to strengthen the impact of the VOC process. For data sets such



Send comments and stories to Cox-Box@iSixSigma.com as customer contacts or surveys, the data must be extrapolated to the overall marketplace. For example, one company gets 50 complaints about not being able to find information; this might signify 2,500 experiences in the marketplace. In addition, a survey might say 3 percent of customers encountered a problem, while the internal operational metric suggests that 2,000 people had requested replacement parts.

Most functions within an organization are not comfortable about piecing together such complex and potentially contradictory data. If these data sets are not reconciled, the VOC report will contain conflicting information on the customer experience, the result of which could be inaction. Therefore, one of the biggest opportunities for the quality function is to analyze and reconcile "dirty data" that doesn't fit perfectly together. In many cases, an inelegant but acceptable approach is to take the various estimates of instances in the marketplace and average them. For the example above, one can say, "Based on three different data sources, we estimate that *X* customers have encountered this issue."

The VOC process must draw upon several data sources, but herein lies the challenge: For the data to be integrated, the collection systems must have similar, compatible and actionable classification schemes. For instance, an automobile warranty reporting system might discuss a "leaky hydraulic system" while the consumer complaint system or social media monitoring service will describe "brake failure" – these may or may not imply the same source.

Further, general categories reported by consumers often are not actionable for internal quality engineers. Unless both the categories and the granularity of issues are similar, the data is hard, if not impossible, to combine. For example, an inspection system at a food processor might have two categories, "lump of glass" and "shard of glass," while the customer complaint system might only say "foreign object, glass." A lump of glass might have been in the food container when it was received from the supplier, while the shard may have entered the food as a result of breakage on the filling line in the plant.

8 Key Elements of VOC Collection

All VOC collection processes should include these primary attributes:

- Clear ownership that ensures key issues are flagged and assigned
- Data that "fits together" after collection
- Multiple integrated data sources
- VOC reporting that is granular enough to be actionable
- Clearly established revenue and profit implications of VOC data
- Formal processes and methods for translating data into goals and actions
- Protocols for tracking the impact of the VOC collection process
- Support from company-wide incentives

Also, the lump of glass might actually cause less consumer angst and loyalty damage because it was not perceived as being dangerous (except for a possible broken tooth), while the shard could be viewed as possibly life threatening.

Establishing the Bottom-line Cost of Inaction

Simply acknowledging that customers are encountering problems does not always lead to corrective action. However, saying that each month of inaction will have a bottom-line cost of $2 million will likely prompt a response. To win support of chief financial officers (CFOs), financial estimates for inaction must be conservative and cover both the cost savings of improved quality as well as the revenue implications.

Even loss of loyalty can be measured: Across all industries, Tarp Worldwide research has found that, on average, encountering a quality problem results in a 20 percent decrease in loyalty. To calculate the potential revenue loss from a quality problem, one can estimate the number of customers affected by each issue, multiply it by the damage to their loyalty (20 percent) and then multiply it again by the revenue value of the customer over a specific time period.

While many companies value customers using the "lifetime value" metric, a more effective strategy would be to use a conservative time frame, not to exceed three years. The reason is that most CFOs will not make investments predicated on more than a three-year time horizon.

Estimations of revenue retained by improved service and quality often will be many times the cost of the improvement investment required. For example, say an organization invests $1,000 to make a quality change to prevent a problem that impacted 500 customers a year. If this problem caused average damage to loyalty, it is likely that 100 of those customers would be lost (20 percent decrease in loyalty times 500 occurrences). If each of these customers was worth $50 in profit per year for three years, the $1,000 investment will retain $15,000 in profit that otherwise would have been lost – a 15-to-1 return on investment.

This estimate does not include word-of-mouth implications, which can be a double-edged sword. If customers are well-satisfied, word-of-mouth referrals can be a major source of new customers; if problems are encountered, word of mouth can be disproportionately negative. Experience suggests that customers usually tell two times as many people about a bad experience as they would a good one; on the web, customers pass on bad news to four times the number of people with whom they share good news.

Tarp Worldwide always queries the marketing executives of its clients on the percentage of their new customers who are derived from personal referrals. Across several hundred companies, the lowest figure ever reported was 20 percent. For most service organizations, Tarp found that word of mouth is the source of a third to half of all new customers. For some larger companies, such as Chick-Fil-A, Harley Davidson and USAA, the figure is more than 70 percent.

Identifying Actionable Recommendations

Many VOC reports identify problems but fail to suggest actions. For those that do, the suggested actions are sometimes too general and, as a result, relatively useless to the executive who must act on them. The recommended actions derived from the VOC data must be granular enough that they point to both specific procedures and metrics to describe what needs to change. These actions must be linked to outcomes that affect loyalty and the customer's willingness to recommend – a measure of word of mouth.

For example, consider this recommendation that was recently published in a communication company's VOC analysis: "improve commitment to problem solving." The problem with this recommendation is that it is does not identify the broken phase of problem solving, nor does it identify the type of problems. In other words, it is not actionable.

In many cases, vague recommendations are a function of indistinct data produced by the VOC process. Such recommendations may be a product of a staff that does not possess the necessary expertise in product management or operations. VOC staff members often are survey researchers or customer-service agents, who usually do not have a detailed understanding of the issues and how best to approach them. Effective VOC processes draw staff from functional areas so that the recommendations can be relevant. When the VOC process produces clear, actionable recommendations, cycle time for implementation is greatly reduced.

ONLINE EXCLUSIVE

Want more information about interpreting VOC data?

Read John A. Goodman's companion VOC piece, "Knowing Who Your Customers Are," on the iSixSigma website.

*Go to: **isixsigma.com/VOCcollection***

Working Toward the Payoff

The financial result of this VOC analysis can add up quickly. Using the 20 percent rule of thumb for the loss of loyalty caused by every quality problem an organization encounters, that translates to a loss of one customer for every five customers who encounter the problem – along with the revenue the lost customer would have continued to provide.

In light of this calculation, the prevention of unpleasant surprises is the most cost-effective strategy. However, when problems do arise, the organization that has a proper VOC collection process in place will have the tools necessary to respond quickly and eliminate the problems. This will help ensure that the company is easy to do business with, which can have a dramatic payoff in improved customer loyalty. ◆

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