

Why One Number is Not Enough

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About David Jackson

David Jackson, is a founder and Managing Director of Clicktools Limited, a leader in the field of customer experience feedback software. He is widely recognised as an expert in the area of customer focused organisations and a driving force behind the Excellence in Customer Experience programme. Much of his time is spent with clients, working with senior managers to design and implement effective feedback measurement and management strategies and build organisations that can continually adapt to meet changing customer needs.

David is a popular speaker around the world. He has had many articles published, and is an author and contributor to several books, including “Dynamic Organisations: The Challenge of Change” and Becoming Dynamic”.

About Clicktools

We are the leading European provider of products and services for measuring and improving customer experience.

Founded in 2000, the company is a technology based solutions provider. We provide a range of products and services that help companies improve their customer focus.

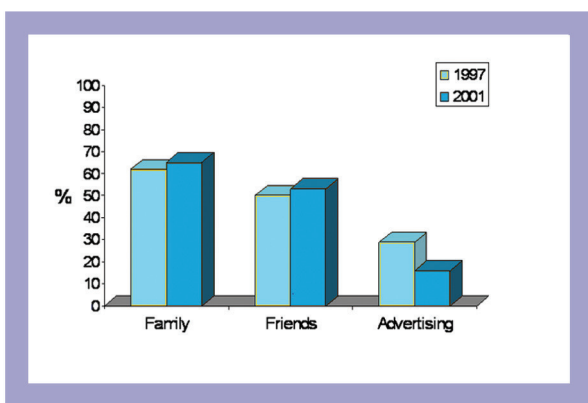
- Clicktools – web based software that enables an organisation to measure and improve their customer experience.
- Multi channel feedback – collect feedback across all the channels your customers use, including web, email, phone, post, mobile phone, digital TV, IVR, kiosks and handheld devices.
- Feedback deployment and management services – management of all your feedback activity.
- Support services – training, bespoke survey & dashboard development and systems integration.
- Business consultancy – support for management teams seeking to improve their customer experience from Clicktools and our specialist consultancy partners.

We serve leading companies, large and small, seeking to measure and improve their customer experience. Our clients include Amcor, Cheshire Building Society, Economist Intelligence Unit, Direct Line, National Gallery, O2, the One Account, Rackspace Managed Hosting, Royal Bank of Scotland, Unisys, Yamaha, Yorkshire Building Society.



The Harvard Business Review article “The One Number You Need to Grow¹” explores issues around measuring customer satisfaction. Reichheld’s research, linking a customer’s willingness to recommend a firm with its revenue growth over three years, enumerates what many executives have intuitively known for many years: the power of positive word of mouth. The research seems compelling and as an advocate of customer focused organisations and measurement of customer experience, I am supportive of anything that reinforces my beliefs.

In a world where the reach and effectiveness of advertising is diminishing, recommendations take on greater importance. Research by the Future Foundation shows the shifting influence of recommendations vis a vis advertising.



If the trend continues and experience grows in importance as a vehicle for generating business, organisations will have to pay more attention to building experiences that inspire recommendations. There is little doubt therefore that the subject of the article is of real importance to many organisations but it should come with a health warning – it is a double edged sword. The problem with the article lies in the literal interpretation that some companies put on it, thinking that they only need one question in their survey. This is just downright wrong, and is not what it says.

Why gather feedback?

Let’s go back to basics – why gather feedback from customers at all? There are two primary reasons for investing the time and money to measure the customer experience: to track performance and to improve performance.

Tracking performance

The article centres on the relationship between the number of people willing to recommend an organisation and its revenue growth. It is a useful way for management to track the performance of the organisation and may correlate to some aspects of financial performance. Management

information and tracking is however only one purpose of feedback and, I would argue, a secondary reason, appoint I will return to.

The data presented in the article relating growth and willingness to recommend are appealing but some care is needed. I believe that there is a causal relationship between advocacy and financial performance, but one number does not prove that. Correlation and causal relationships are very different. To know something is a causal relationship, I have to isolate other variables that might affect the outcome. A telecoms supplier once reported research that showed that cat owners made the most phone calls. Correlation, yes; causal relationship, doubtful.

The success of an organisation is a complex issue and rarely the result of one factor. Growth might be the result of higher advertising spend, an under supplied market, a patented product or an innovation in distribution. This is of course reflected in the customer’s perception of the company but tracking one number does not say why they would recommend. Knowing how you are doing - tracking performance - is less important than knowing why you are doing – managing performance.

How would you feel if an airline pilot announced that on your next flight, she was going to track only altitude. Well I’d feel good that she knew that we were not too close to the ground but a little concerned that she wasn’t watching how much fuel was available or the speed and direction we were travelling. Complex systems require multiple measures to track them. The key is having an effective summary and access to the detail when appropriate.

It is also important to understand that insight usually comes from putting different data together and looking at any relationships. I would argue for having more numbers (within reason) not one.

I believe that Reichheld is right in focusing on advocacy rather than satisfaction. Satisfaction is much measured but a poor indication of performance. To test the value of satisfaction, the next time your spouse or friend cooks you a meal, and asks “how was it?”; tell them that you were satisfied, or even very satisfied. Be careful because the likely response is a frying pan aimed at your head. People are not impressed with satisfaction, although it is still the most common question in customer surveys.

Remember also that, as the article points out, willingness to recommend is not always a good correlate of growth. In some industries, typically business to business environments

where choice of supplier is constrained, it can be a weak correlate.

Improving performance

The primary reason for gathering feedback is to identify and prioritise the improvements that will increase advocacy and repurchase intention. Most recommendations are the result of positive experiences, so improving the experience is key to improving performance. The real correlate of interest therefore is that between advocacy/repurchase intention and attributes of the experience.

Good feedback stimulates the improvements that drive up a customer's willingness to recommend. Any sports coach will tell you that the only way to change the score is to improve the way the team performs and plays the game. You don't change the score by looking at the scoreboard. In a complex, multi-faceted customer relationship, understanding how each part of the team is performing is vital. Companies need to understand their strengths and weaknesses from the customer's perspective.

Enterprise Rent-a-Car (the inspiration for the work described in the article) suggests that this information is best collected by a text question asking about the quality of the rental experience. Whilst this will provide information, capturing this by open text question alone (as the article suggests) is problematic. Analysis is time consuming and provides no view of the scale of problems across the organisation. This can be achieved by categorising and coding the responses but this adds time and cost to the feedback process. A second problem with open questions is that they produce the lowest response rates of any question type. Even in phone surveys, the likelihood of getting a meaningful comment is low.

The people who will readily provide a comment are those whose experience has been either very good or very bad and in this respect, Enterprise's approach is consistent with their focus on those with a high propensity to recommend. It does not however provide the means to readily identify the priorities for improvement.

Feedback will typically uncover a number of areas where customers want improvements. In any organisation, the demands on time and money always outstrip their availability. Resource allocation is a critical activity. Good feedback, combined with other data can make a significant contribution here.

In selecting where to invest in improving the customer experience, all managers want to know where they will get

the best return. There are four pieces of information needed to inform this choice:

- What attributes of the customer experience matter most to customers?
- How are we doing compared to the competition on these attributes?
- What is the likely impact on revenues by improving the different attributes?
- What is the cost of implementing the improvement?

A good feedback programme provides the answers to the first two questions and a significant input to the third. It is not a perfect science, requiring assumptions to be made, but then that is true of almost all ROI cases.

Experience feedback, collected across a range of event driven and relationship surveys tests what matters and elicits competitive performance across the customer journey, focusing on the attributes that matter to the customer. These are unique to each organisation but typically address being easy and nice to do business with, the quality of the core product/service and the quality and availability of support and help.

Having identified the importance and competitive performance of the experience attributes, it is possible to calculate the customer base at risk or the improvement opportunity value for each of the attributes. This is done by multiplying the % of customers that rate that attribute low or high (low for at risk calculations, high for opportunity calculations) by the average customer spend. To improve the calculations, use segmented feedback results and values.

	Attribute % satisfaction	Profit at risk	Cost to fix	ROI
Customer Base	Product 51%	£xx	£xx	X%
	People 38%	£x	£x	X%
	Ease of doing business 11%	£x	£x	X%
	Account Management 11%	£x	£x	X%

The chart above shows an example using profit at risk, but the same method applies if using revenue at risk or profit or revenue opportunity.

Gathering the feedback for such exercises does not require long, complex surveys. The data can be collected across a range of surveys, each focused on one part of the customer journey. This has the added advantage of focusing questions on the activities of the customer at a point in time. In a business to business context, this is especially important as people often do not experience the whole journey².

Beyond one question

If you want to build a feedback programme that provides the data you need to drive improvements, here are a few pointers based on our experience of working with many companies in measuring and improving the customer experience.

Think programme not survey Feedback is one part of a vital operational tool. Start with what information you need to drive improvements and look at it as a programme of activity. Consider multiple surveys to gather the feedback you need but ensure that they work together in a coherent feedback architecture. The starting point for your programme is the customer journey and what matters to them at the key points along it.

Focus on the action, not the questions. Surveys cost money: acting on the results generates the return. A good survey is one that drives actions. That means having owners for the questions in a survey. If a question doesn't have an owner who is responsible for improving performance, don't ask it. If the issue is not important to the customer, don't ask it – don't confuse what you are interested in with what matters to customers.

Provide role relevant information. Well designed feedback generates two types of information:

- Information to drive improvement
- Information for measurement

Provide people with information on which they can act and no more. Make sure that people have the skills and incentives to act on the information in a timely manner. A small number of quantitative questions, will help people quickly identify areas of strength and weakness and point them to where they should focus their improvements.

Remember that retention operates one customer at a time. Good feedback provides opportunities to identify and address individual service failures rapidly as well as providing aggregated data for process improvement.

Keep surveys short, timely and relevant to the recipient. Many surveys are far too long and ask questions of people

that have no experience of the interaction. Focusing on what matters to the recipient at that stage of the process helps to keep the survey short and relevant, driving up response rates. Don't ask questions of people that are not involved in that stage.

Beware survey overload. Asking every customer about every interaction will annoy customers and be unnecessarily expensive. Use sampling and business rules to narrow down the audience.

Communicate with customers and staff. Like any project, good communication is essential. Sell the benefits to customers and staff: focus on what's in it for them. Put together a programme of communication that includes before the surveys go out, immediately after the surveys and notification of results and actions.

In summary

I want Clicktools to offer a level of service where each and every one of our customers sings our praises. I know I can only do that by ensuring that everyone knows what matters to them and how well we deliver. With this information spread across the organisation, I can keep staff focused on continuously driving up the quality of the experience we deliver and thereby impress customers enough to get them to continue to recommend and repurchase. For me, one number is not enough.

*David Jackson is Managing Director of experience measurement software providers Clicktools Ltd.
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² For more information about the use of feedback in a business to business environment, please contact the author: david.jackson@clicktools.com