



Using Customer Feedback to Improve Customer Experience



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Executive summary

The Daniel Group has developed a practical 6-part framework you can use to improve your customer experience:

1. Setting goals and strategies
2. Measuring and managing results
3. Listening to customers
4. Engaging employees
5. Spotting trends, making improvements
6. Closing the loop

This white paper focuses on one vital element: **listening to customers**. It describes the three phases of this process—research, analysis, and reporting—and provides more than 20 practical tips for getting started.

There's one big challenge associated with listening to customers: Their feedback is never as neat and tidy as a pro-forma financial statement. In fact, customer feedback is inherently "messy."

Feedback arrives through various channels in various priorities. Significant messages are buried in comments you can miss. In addition, you will likely need software and services from third parties to set up an effective customer feedback program.

However, there's no substitute for hearing the direct voice of your customers. This enables you to stop guessing, work from the facts, and take effective action to improve your customer experience.

The bottom line will be a stronger customer loyalty, more referrals, and better overall business results.

Improving the customer experience creates stronger customer loyalty, more referrals, and better overall business results.



Getting started

Making the effort to understand your customers is “the bedrock” for any plans to improve your customer experience. You have no alternative but to dig deep to understand what customers are really saying.

“Without this level of insight, you’re likely to frustrate and annoy your customers with your well-intentioned efforts to serve them,” wrote the authors of *Outside In*, two executives from Forrester Research who pioneered many fresh ideas on customer experience.¹

If you don’t listen deeply to your customers, how will you know where you’re starting from? How will you decide where to go next?

Here is our best advice on how to get started listening to your customers.

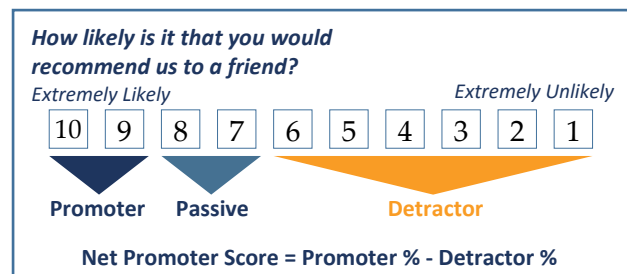
Remember why you want to improve the customer experience

Research shows that positive customer experience correlates with almost every measure of a strong business: increased customer loyalty, positive word-of-mouth, more referrals, and higher customer lifetime value.

That is why a recent report by *The Economist* declared, “Better customer experience is the foundation for business performance.”²

One effective way to measure customer experience is the Net Promoter Score® (NPS)³ created by Bain & Company, which shows how likely a customer is to recommend a company. The Daniel Group continues to find convincing evidence that the NPS is an effective measure of the customer experience.

For example, one of our clients found that their Promoter customers—those indicating a strong likelihood to recommend, with scores of 9 or 10—bought 19% more units and spent 8% more than their Detractors, with scores of only 6 or less.⁴



The more Promoters a company has, the less marketing and sales effort (and expense) it takes to get customers to return. What manager doesn’t want that?

Watermark Consulting found another interesting proof when they analyzed the stock performance of customer experience leaders versus laggards. From 2007 through 2014, the leaders **outperformed** the S&P 500 by 35% in cumulative returns,

while the laggards **under-performed** the S&P 500 by 45%.⁵ That's a huge difference in shareholder value.

Whether your company is large or small, private or public, improving your customer experience moves the numbers that matter in the right direction.

Involve your management team

For any customer experience improvement to work, top management must take the lead. You need to describe in simple terms what the ideal customer experience should look and feel like. This could be down to the smallest detail, such as, "We will answer the phone within 3 rings." Or it could be on a high level, like the Golden Rule, such as, "We will treat our customers the way we would like to be treated."

Start the process of performance accountability at the top. Our clients with the best results review performance on a regular basis (quarterly or monthly). They recognize good performance, and plan how to improve any areas not up to par.

Remember that everyone in your company contributes to the customer experience. So it makes sense that everyone from the top down must be part of any campaign to improve it.

Consider all the ways a customer can interact with you

Since the customer experience derives from all the ways customers interact with your firm, it can help to make a list of all these possibilities. For example, Table 1 lists many common interactions. Your firm may have more; you can add to this list. How can you capture an accurate picture of the customer's overall experience across so many different interactions?

Table 1: Typical Customer Interactions with a B2B Vendor

Website visits	Product or service delivery	Shop service
Sales calls	Set up and activation	Parts ordering
Store visits	Training	Online ratings or reviews
Emails	Support calls	Social media
Purchase paperwork	Field service	

Source: The Daniel Group, 2016

Whether your company is large or small, private or public, improving your customer experience moves all the numbers in the right direction.

Think “outside in”

In most parts of your business, you can work “inside out.” You develop ideas for products and services, and then offer them to customers. As shown in Figure 1, your company is at the center of your thinking.

But that’s a limited view. Another approach is to start with a problem people want to solve, and then work out a way to help them. Remember the expression, “People don’t want a drill; they want a hole!” You can even say that people “hire” a product to do a certain “job.”⁶

But how do you know what problems people need to solve, what “job” they want to do? You must turn around and operate in the opposite direction, as shown in Figure 2, from the outside in. You must put the customer at the center of your thinking.



Figure 1: Company-centric view



Figure 2: Customer-centric view

Consider the 3 phases in listening to customers

Listening to customers involves three distinct phases:

1. Research—gathering feedback from customers
2. Analysis—processing feedback to make sense of it
3. Reporting—documenting and sharing your findings with colleagues

The end result will be a clear reading of how well your actual customer experience matches what you are seeking to deliver, and some suggestions for making improvements that matter to your customers. Let’s look closer at each phase.

Phase 1: Research to gather customer feedback

“Employees and managers often fall into the seductive trap of assuming that what **they** want is what their customers want,” says *Outside In*. “**Thinking** you know what customers want is risky. **Knowing** what they want leads to customer experience improvements that matter.”⁷

The only way to know what customers want is to ask them, using a valid method that elicits their direct and honest answers.

Researchers point to three main channels for gathering the voice of the customer:

1. Buyer behavior based on customer journeys
2. Passive feedback that accumulates without your effort
3. Active feedback that you go out and gather

Buyer behavior tracks the customer journey

This includes anything you can learn about customers from analyzing their website visits, pre-sale calls and emails, purchases, service history, and so on. This involves tracking the customer journey from prospect to customer to—you hope—repeat customer and promoter.

But there are limits to what you can learn simply by tracking buyer behavior. For example, you never directly hear the customer’s voice about their motives, perceptions, and actual customer experience. This channel leaves a gap.

Passive feedback piles up, but takes effort to mine

This is feedback that piles up with no effort on your part, including customer comments, suggestions, and issues sent directly to you, or reviews and comments posted on online forums or social media.

This online feedback is more important than ever. People seldom do anything without going online: checking Yelp reviews before picking a restaurant, reading Amazon reviews before buying a book, and looking at customer reviews before buying anything from anyone.

Heaven help a company that annoys a customer so much they make a video that goes viral, like “United Breaks Guitars” which has now been viewed 15.8 million times on YouTube!⁸

Customers provide a stream of unsolicited (and incredibly honest) feedback about their experiences through emails, support calls, chat sessions, and posts on social media sites. These communications can offer mountains of unstructured customer insights—but only if you know how to mine them.⁹

Mining passive feedback in a scientific way takes special software or services, and the expertise to interpret the results.

Another note: B2C is not the same as B2B. B2C customers can number in the millions and create a flood of social media posts, contest entries, Likes, and so on.

The only way to know what customers want is to ask them, using a method that elicits direct, honest answers.



But B2B customers often number only in the hundreds or thousands. And most business people are less inclined to discuss business relationships on social media: They're too busy, and too professional.

These realities may limit the passive feedback available for most B2B firms to mine.

Active feedback is the best place to start

Active feedback is probably the most fruitful type for B2B firms, since you're completely in charge of the design and execution of the listening efforts.

This can be the best place to start gathering feedback. Later you can augment this with buyer behavior such as website analytics and call center metrics.

There are two main types of active feedback:

- Relationship surveys that ask how a customer perceives your company
- Transactional surveys that ask how a customer feels about a recent transaction

Relationship surveys ask questions like, "How do you rate the overall quality of XYZ Company's products?" This is more like traditional market research, or a poll that provides a snapshot in time. This type of survey reveals the customer's longer-term perception of your company, drawn from their accumulated experiences.

On the other hand, transactional surveys ask questions like, "Based on your recent order for parts, how do you rate the turnaround time for receiving your order?" This probes how a customer thinks and feels about one particular transaction, while it's fresh in their minds. Each transaction can be called "a moment of truth" that reveals much about the actual customer experience.

One key difference: Relationship surveys focus on the customer's long-term perception based on many interactions with your company, while transactional surveys focus on a short time frame and/or a single interaction.

Another difference: You can take relationship surveys several times a year, using traditional tools like the telephone or print forms. Transactional surveys run continuously, using newer technologies like email or online forms. Since transactional surveys provide a flow of feedback based on the ongoing delivery of your products and services, these are more in tune with today's always-on, real-time world.

To get a rounded picture of your customers, use both types of surveys.

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You can also seek active feedback from former customers that you lost, or non-customers who considered your company but bought elsewhere. You can move on to these audiences after you get some experience surveying your existing customers.

Consider the various types of surveys

Speaking of surveys, they come in all different shapes and sizes. Consider the different types shown in Table 2, each with its own pros and cons.

Table 2: Pros and Cons of Various Survey Types

Type	Pros	Cons
Paper	<ul style="list-style-type: none"> – Familiar to most – Response rates equal to or better than email 	<ul style="list-style-type: none"> – Cost – Difficult to administer and handle – May not receive much qualitative feedback – Results can be skewed
Email	<ul style="list-style-type: none"> – Easy to administer – Lower cost – Appealing option to many customer 	<ul style="list-style-type: none"> – Lower response rate – Results can be skewed – May not receive much qualitative feedback
Text	<ul style="list-style-type: none"> – Easy to administer – Lower cost – Works well for short, “touch” surveys 	<ul style="list-style-type: none"> – Customers may not want to be bothered on their cell phones – Requires a solid technology platform – Feedback largely qualitative
Phone	<ul style="list-style-type: none"> – Provides a more representative customer sample – Gathers more qualitative feedback – Skilled interviewer can help surface and identify customers with issues 	<ul style="list-style-type: none"> – Higher cost – Requires sound technology platform to avoid overcalling and good data management – May not get as many customer touch points as desired
Hybrid (mixed)	<ul style="list-style-type: none"> – Provides customer choice – Provides large amount of feedback cost effectively 	<ul style="list-style-type: none"> – Requires a solid technical platform

Source: The Daniel Group, 2016

The Hybrid option, at the bottom of the table, provides a mix of formats, depending on each customer’s preference. This personalized approach is becoming popular.

You likely want to use more than one type of survey to gain a complete picture of your customer experience.

Write valid survey questions and ratings

There’s a whole science to creating effective surveys, with many books and college courses available on the subject. Here are three basic tips to help you get started.

Tip: Make your surveys quick and easy to fill in

You're asking customers for their time to complete your survey. You don't want to frustrate them with a survey that's hard to understand; if you do, many will give up or provide unreliable answers. Don't let your survey itself contribute to a poor customer experience!

A few fundamentals: Don't ask too many questions. Keep all rating scales consistent; for example, use 1 to 5 or 1 to 10 throughout. Keep the low score negative and the high score positive throughout. You can insert Yes/No questions or other types, but be careful not to mix too many, or you can easily confuse your customers. Get colleagues to test-drive your surveys to find problems before your customers do.

Don't let your survey itself contribute to a poor customer experience.

The bottom line: You want to minimize the mental effort your survey demands from your customers. They already have lots to do; don't add a lot more to their workload.

Tip: Use neutral, unbiased language

"In the past week, how many hours did you waste daydreaming?" This is a biased question, since it implies that daydreaming is a waste of time. (After all, some people consider daydreaming a useful way to come up with creative ideas.)

Answers to this question will be problematic, since some people will follow your bias, while others react against it. For better results, write an unbiased question such as, "In the past week, how many hours did you spend daydreaming?"

Tip: Avoid double-barreled questions

A double-barreled question asks two things at once, making the question confusing and the answers unreliable. For example, the question, "Have you purchased a product or service from Acme in the past 12 months?" lumps together both products and services.

For better results, break any double-barreled question in two so that customers can see clearly what you're asking them about.

For more guidance on designing surveys, see this tip sheet from the Harvard University Program on Survey Research:

http://psr.iq.harvard.edu/files/psr/files/PSRQuestionnaireTipSheet_0.pdf



Phase 2: Analyzing feedback

After you gather a pile of customer feedback, you'll need to study it. This is when you slice and dice the data to see how many customers share similar views, and look for new insights you never glimpsed before.

Recognize structured and unstructured data

As you study the responses to your surveys, you will notice two different types of feedback:

- Numbers, also known as quantitative data, as shown in Figure 3
- Comments, also known as qualitative data, as shown in Figure 4

Numbers or quantitative feedback are given in ratings such as: "On a scale of 1 to 5, rate..." Numbers tend to tell **what** your customers are saying. Software like Excel—which has been around for 30 years now—is great at handling numbers and creating reports and graphs from them.

Comments or qualitative feedback are given in free-form comments, which are often quite direct and unvarnished. Qualitative data includes information on customer behaviors, needs, desires, routines, and use cases.¹¹

Comments tend to tell **why** your customers are saying what they're saying. Excel was never designed to handle words; that takes a new and different type of software.

Read as many surveys as you can

Anyone can find the time to read the ratings and comments from dozens or even a few hundred surveys. You will undoubtedly be fascinated and perturbed to hear the opinions that come back to you.

But it's difficult to plow through many hundreds or thousands of surveys, especially those with free-form comments. All the words start to swim together. It's hard for anyone who isn't a data scientist to make any sense of the mass of sentiments expressed.



Figure 3: Numbers or quantitative feedback



Figure 4: Comments or qualitative feedback

Consider using text analytics

If you have many comments to handle, consider using a new type of software called text analytics. This software is designed to handle words as well as Excel handles numbers.

Text analytics software can compile, categorize, and analyze a mountain of words, and create reports and graphs that show patterns and insights.

Even if you haven't heard of this before, don't worry. Text analytics isn't new or experimental: It is used today in everything from marketing to medical research. And it can help you quickly make sense out of thousands of surveys.

Act on the responses

If a survey tells you about an **unresolved issue**, make a tactical response immediately. Contact the customer within 24 hours. Many problems can be stopped from escalating simply by responding promptly.

If a survey includes a **suggestion for improving** one of your business processes, make sure to add it to your list of possible projects. Then give each project a priority, strive to do better over time, and make sure to show customers how you acted on their suggestions.

Establish clear accountability

Ideally, the person reading transactional survey results and getting back to any customer with an issue is responsible for delivering the service in question, such as a branch manager or service manager.

TEXT ANALYTICS REVEAL A HIDDEN INSIGHT

The Daniel Group recently gathered a large volume of feedback for a client: thousands of completed surveys with more than half a million words of comments.

That's longer than the novel *War and Peace*, which weighs in at 587,287 word. And it's far too much for busy managers to sift through in the traditional way.

Instead, the Daniel Group used text analytics to process all the comments.

This revealed a significant insight: One-third of all Promoters—very positive customers likely to recommend the company—still expressed some negative sentiment about their customer experience.

Those sentiments were easy to overlook, buried in comments such as, "I rated the company 10, but..."

Using text analytics on these comments pointed out where the company's customer experience needed work, despite the high scores on the surveys.

You can piggyback these responses to your existing routines for dealing with customer complaints. When getting back to a customer, align the level of your contact person with the severity of the issue.

Connect the dots between locations

Also, make sure someone is connecting the dots. For example, an issue that turns up at one location can be an issue at other locations as well. Quizzing other branches about their performance may require an executive at a higher level. But don't neglect to follow up.

Customer experience is everyone's responsibility, up and down the chain of command. In fact, most of your customers undoubtedly interact more with your front-line people than with your management team. So involving everyone is the best way to build more customer awareness into your company's basic DNA.

Make sure someone is connecting the dots: an issue at one location can easily be an issue at other locations.

Phase 3: Reporting your findings

Finally, share the findings with your managers and colleagues, in a way that's easy for them to understand.

To reach people who already have too much to do, and too much to read, keep the message simple. A clear graphic or a brief story will likely work better than a table chock-full of numbers or an abstract idea.

Pull all the feedback into a consolidated view

This is ideally an executive dashboard—a screen that shows the key performance indicators (KPIs) related to your customer experience.

You may already have some of these in mind, such as the Net Promoter Score that shows how likely a customer will recommend your company to a peer.

Or you may need to draw up a list. The set of data elements and metrics you want to see will probably be different from anyone else's.

Remember that dashboards are best for monitoring the continuous flow of results from transactional surveys. With fresh input coming in from the voice of the customer, there's always the chance to make a change today and see a payoff tomorrow.

The output from a relationship survey is more likely a one-time report. It is still important as a snapshot, of course, but it offers less opportunity for quick gains in customer experience.

Communicate with everyone

Your findings must flow through your company to reach everyone. Use any existing channels to reach out, from posters in the lunchroom to your company website. Don't think you can confine the message to your management team. Hold regular meetings to share your findings, answer questions, and encourage the troops. Communicating with everyone will build the importance of the customer experience into your company DNA.

Be positive, lead with your strengths

You can easily dwell on what customers tell you is wrong. But it's actually better to focus on what your customers say about your strengths. Learn from your weaknesses, but do not allow them to become the entire focus on the feedback.

Here is why. Neuroscientists have shown that positive emotions tend to broaden people's focus, promote creativity, and help teams become stronger. Negative emotions do just the opposite.¹²

So when sharing your findings, always lead with your strengths, followed by your shortfalls. That way, you will get more ideas for how to improve and better motivation to do it.

Identify root causes

Learn where there are gaps between what the customer is experiencing and what you want to happen. Then identify the root causes behind any gaps.

One way to stay constructive in meetings is to focus on **processes, not personalities**. In other

BUILD ON YOUR STRENGTHS, LIKE TOYOTA DID

The first car Toyota sold in the U.S. was the Toyopet Crown, introduced in 1957 and shown in Figure 5.

The car was a disaster, called overweight, over-priced, and under-powered. The only things buyers liked about it were the rugged construction and fuel-efficient engine.¹³

If Toyota had focused on everything people said was wrong about the Crown—and tried to fix them all—the company would not likely be a success today.

Instead, Toyota recognized they had real strengths in their engine and durability. Then they went back to the drawing board to design a great car around those.

By focusing on its key strengths instead of many weaknesses, Toyota grew into an industry leader that often sells more vehicles than any other company in the world.¹⁴

That's a strong business case for accentuating the positive.



Figure 5: 1957 ad for the Toyopet Crown

words, try not to describe a problem as a failing of some individual, but as a gap or deficiency in some business process.

Then the solution is nothing personal. It is a change in a business process that will help both your employees and your customers.

Prioritize planned improvements.

Customers will tell you what and where to improve. But you cannot possibly do everything that everyone asks you, all at once. Don't over-promise, and don't overload your team with too many conflicting "priorities." Instead, take it step-by-step.

Can you Do-It-Yourself?

Now you know more about what's involved in listening to your customers, and you can make a more informed decision on an important question:

Can handle all this with your in-house resources, or do you need an experienced partner to help? The truth is, for best results, you will probably need software or services from an outside supplier at each phase of this process.

And you probably don't have experienced professionals on your staff who can support every phase of setting up your customer feedback, from choosing your survey types to creating a custom-designed dashboard.

When you've never done those tasks, it makes sense to look for new tools and advice. That way, you can avoid the high costs of doing all this yourself, the long delays as you move up the learning curve, and the unknown risks of stumbling into unknown pitfalls.

MORE THAN A MILLION SURVEYS WASTED

Not every effort to listen to customers is guaranteed to succeed.

For example, The Daniel Group spoke to one company that tried hard to listen to their customers. In fact, they sent out 30,000 surveys a month for three years in a row.

But due to their inexperience, the surveys were poorly designed and never got more than 3% response. That meant the company never gathered any statistically valid feedback.

Mailing out 30,000 surveys for 36 months totals more than a million surveys sent out, with nothing to show for it. All that time and expense were wasted. That shouldn't happen.

And with a seasoned partner like The Daniel Group to help manage your customer feedback program, that won't happen.

You will get valid feedback to drive customer experience improvements and give your organization a competitive edge.

A seasoned partner can do far more than simply take surveys. They can actually deliver a sustainable customer feedback function to your organization.

Conclusions

This white paper provides more than 20 practical tips on how to get started listening to your customers, within the 6-part framework for improving your customer experience.

To see how your business compares to your peers on the Maturity Model for Customer Experience, [download and complete our assessment here](#). In return, The Daniel Group will send you a free analysis of your existing strengths, along with any recommended areas for improvements.

And don't miss these related publications available from The Daniel Group:

[*The Case for Investing in the Customer Experience, for Marketing and Sales Executives*](#)

[*The Case for Investing in the Customer Experience, for Customer Support and Operations Executives*](#)



About The Daniel Group

The Daniel Group helps B2B clients measure, manage, and improve the customer experience. Since 1989, we have provided services to a wide range of companies from Fortune 500 companies to independent manufacturers, distributors, material handling companies, and technology companies. Our ServiceConnect voice-of-customer feedback program is deployed at many leading heavy equipment, industrial, and transportation companies including 75% of Caterpillar dealers in North America, AGCO Corporation, and Okuma America Corporation among others.

To learn more about how we can help you improve your customer experience, please visit www.thedanielgroup.com or contact a member of our management team:



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