

GIVING —
CUSTOMER
VOICE
MORE VOLUME

TURNING CUSTOMER PAIN INTO **COMPETITIVE GAIN**



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INTRODUCTION

It's time for the voice of the customer to become an integral part of marketing strategy and a more measurable force in driving brand experience and business growth. The opportunity for CMOs has never been greater to assume a more valued, customer-centric role in their organizations -- to leverage continuous customer listening, feedback, analytics, personalization and response to drive marketing performance and competitive advantage.

Companies that develop highly tuned disciplines and processes for quickly identifying customer issues and opportunities can limit defections and increase customer loyalty and value. Those who integrate real-time listening and analysis across their extended enterprises, including channel partners, can be more adaptive, responsive and engaged with their markets. Those who effectively leverage the web and online environments for learning and active customer advocacy can multiply the power of go-to-market communications and limit exposure to negative word of mouth in an age when customer voice is more powerful and magnified by the Internet.

Current economic indicators point to a vital need for business revitalization through better customer analytics and engagement. Most marketers and corporations are now looking to reduce costs in order to improve the bottom line. While they do, it will be important to remember the favorable economics of keeping and growing customers versus finding new ones. Automation will be on the table, and building better, more rapid customer feedback and response must be built into those plans.

The CMO Council has witnessed and promoted an evolution in our understanding of customer experience and its place in the marketing spectrum. For example, in early 2008, in a report entitled Profitability from Customer Affinity, we advocated a new measure of marketing performance, called customer affinity, which looked beyond old brand metrics to support marketing in its critical role of building customer-centric organizations.

Research in B2B technology markets associated with the customer affinity study highlighted the critical need for marketers to reorganize around the customer. Study findings showed that brand awareness, by itself, was a poor determinant of a customer's inclination for strategic, trusted and sustained vendor relationships. Customers told us they were not so interested in brand promotion, but were looking for truly customer-centric organizations that embraced co-innovation and a high caliber of service and support. It also demonstrated a major disconnect between marketers, who by and large believed they were operating highly customer-centric organizations, and customers, who begged to differ. In addition, the study showed that in B2B markets, purchasing decisions were far more influenced by peer networks, i.e., other customers, than by any other sources of information or referral.



More recently, in a study released in December of 2008, entitled *Routes to Revenue*, the CMO Council found that most companies were poorly equipped to track their customers in order to optimize top-line growth. A surprising 76 percent of senior marketers said they were not realizing the full revenue potential of their existing customers, and less than half said they had good insights into retention rates, customer profitability and lifetime value. The study also pointed to a lack of real-time data and analytics captured across customer touch points. What information was gathered tended to remain in functional silos and unavailable for decision-making and analysis on a continuous basis to the rest of the organization.

These and other studies have led to a new understanding of marketing's challenge and role as a business driver and active representative of the customer. Championing the customer and ensuring loyalty and positive word of mouth, by listening across all critical touch points, continuously calibrating and analyzing results, and ensuring that these lessons drive continuous change and improvement across the organization – all these should be within the purview of the CMO.

Giving Customer Voice More Volume continues the CMO Council's advocacy and research into a new customer-centered role for marketers. The study looks at a variety of factors that we believe are critical to realizing this new valued position. These include:

- Level and nature of commitment to customer experience, including customer listening, co-innovation and engagement
- Perceived impact of customer experience on brand and business performance
- Current processes and systems for customer feedback gathering, dissemination and measurement
- Customer handling and issue resolution and their impact on brand and business outcomes
- Effective use of customer interactions in driving business improvement, brand advocacy and revenue optimization
- Disciplines and systems for analyzing and taking action on feedback, including how customer experience insights impact product development, pricing, customer handling, strategy, corporate policies, loyalty and lifetime value.
- The impact of the Internet and social media on customer influence and expectations, and strategies for driving positive word of mouth among customers.



By creating a corporate culture of listening, learning and limiting hassles and headaches, marketers can improve product uptake, reduce market friction, increase responsiveness and identify new opportunities to increase lifetime value and grow market share. Fortunately, technology advances are making all this more achievable. Always-on intelligent agenting and real-time feedback systems that integrate, mine, process and analyze vast volumes of customer data and interactions can now be efficiently deployed through on-demand platforms and hosted services.

Customer influence and expectations have never been greater than in today's 24x7, Web 2.0 cyber-connected world. Whether marketers are listening to their customers or not, positive and negative word-of-mouth spreads at warp speed across the Internet and its many channels, communities, blogs, discussion groups, and trusted business and social networks. Many companies, brands and campaigns are compromised by a lack of listening and prompt responsiveness to feedback, problems and inquiries. Listening and reacting can make a measurable and significant difference to brand perceptions, customer affinity, retention and Net Promoter Scores. In addition, processes and systems that identify your most loyal advocates and help drive positive word of mouth will multiply the value and influence of these customers.

In the current tough economic environment, the care and handling of customers becomes even more important to business success. It is almost always more profitable to keep and grow an existing customer than to acquire a new one, but today that may be even more true. Yet, financial pressures will no doubt lead many companies to make cost reductions that may negatively impact the customer experience. Those who have the ability to closely monitor experience, loyalty and satisfaction and who have developed a culture that responds quickly to customer needs and challenges will be in a much better position to weather the downturn.

The CMO Council is keen to make the business case for broader adoption and use of customer listening, feedback, engagement and advocacy systems across all markets and industry sectors. It seeks to encourage senior marketers to embrace their call centers, help desks, telemarketing, consulting and agency partners into a process of integrating Voice of Customer capabilities into the operations and organizational fabric of their companies. By adopting truly customer-centric cultures and go-to-market strategies, CMOs will play a vital role in improving customer relationships, deepen brand loyalty, develop more relevant and contextual offers and communications, and increase customer life-time value.



Giving customer voice more volume and turning customer pain into competitive gain requires new approaches, organizational-wide commitment and a realignment of processes and systems around the customer. Some of the success requirements for global businesses include:

- Executive-level and particularly CMO ownership and activation, with management participation across all organizational functions
- Continuous, real-time data collection and analysis incorporating every customer touch point via automated customer listening and feedback systems
- Integration of customer experience data across the enterprise, along with a company-wide commitment to addressing and resolving customer issues and problems at every level
- A standardized program for measuring customer experience beyond periodic and often inaccurate satisfaction surveys, including a measure of loyalty and advocacy, with ongoing analysis of how customer experience at all touch points impacts that measure
- Systems and processes that track and measure word of mouth online, as well as identification and activation of customer advocates
- Better use of customer interactions and service situations to improve business operations, strengthen relationships and exploit up-sell and cross-sell opportunities
- Increased accountability, including compensation and incentives tied to customer experience to ensure organizational buy-in and commitment

Much work lies ahead for senior marketers who seek to assume ownership of customer experience in order to improve customer centricity, business performance and brand loyalty. Our data indicates that positive changes are, in fact, underway at many companies and that senior marketers are increasingly sensitized to the opportunity. At the same time, our findings most certainly point to major gaps and lapses in terms the breadth, quality and timeliness of customer data and in the capacity of companies to respond quickly to customer needs.

We hope this study adds to marketing's understanding of the issues surrounding customer experience and voice and provides actionable insights and ideas that will help them on this important journey.



KEY FINDINGS

EXECUTIVE SUMMARY

Customer experience is still very much a work in progress for senior marketers who participated in this study. Despite overwhelming agreement on the importance of customer experience and word-of-mouth, they admit their companies are failing to take decisive, company-wide action to integrate customer voice and experience into key business and marketing processes. Indeed, while 59 percent claim a CEO-driven culture of customer-centricity is embraced across their organizations, their actions often belie that assertion. What's more, only 31 percent highly rate their organization's commitment to customer listening.

Sponsored by Satmetrix, the Net Promoter Company, our study of nearly 500 senior marketers around the world reveals that companies are well aware of the need to increase customer listening to improve experience, and many are making strides in a number of areas, including the integration of customer data across the enterprise. However, formal Voice of Customer programs have yet to be adopted by three-fourths of all companies represented. In addition, 56 percent of senior marketers say their companies have no programs in place to track or propagate positive word of mouth among customers. Only 30 percent said their companies rate highly in their ability to handle and resolve customer problems or complaints.

The CMO Council study underscores some critical deficiencies in the way companies measure, optimize and leverage customer experience to drive loyalty, improve brand value and increase business growth. These include:

- Insufficient availability and aggregation of real-time customer experience data across touch points that can be shared throughout the organization
- Poor use of customer interactions to collect insights and intelligence or maximize up-sell and advocacy opportunities
- Lack of Internet processes and systems to track online word of mouth and drive customer advocacy
- Intermittent or deficient monitoring of customer experience resulting in failure to provide true and timely insights into problems and opportunities
- Too little accountability, with few compensation programs tied to customer experience, loyalty and satisfaction levels



Marketers do agree that customer experience is among the most critical determinants of brand strength and business growth. In fact, some 83 percent say it is either essential (54 percent) or increasingly important (29 percent) in determining brand advocacy and business performance. In addition, they point to numerous strategic advantages of effective customer listening and co-innovation. Among the most important:

- Improved customer experience and brand affinity
- More relevant and successful products
- Deeper, more valued and lasting relationships

Yet, most organizations and senior marketers still suffer from major blind spots and gaps in the way they track experience and interact, handle and respond to customer issues or problems. As a result, they are missing major opportunities to turn customer pain into competitive gain at every touch point.

This deficiency is not for lack of the customer's willingness to provide input. In fact, customer feedback and commentary is flooding their organizations. The major channels of customer communication, in order of magnitude include:

- E-mail
- Account representatives
- Satisfaction surveys
- Employee interactions
- Call centers

Yet, this information too often is not systematically aggregated, analyzed and shared with those in the organization who need to make the appropriate changes to customer experience. Take, for example, the valuable insights and criticisms coming through email. Nearly three-quarters of respondents say email is one of their most active channels for customer communications. Yet only about 23 percent say their companies actually track and measure the volume and nature of customer email. Just as concerning, 37 percent confess that customer experience data typically exists solely in the departmental silos where it originated.

Positively, many marketers are focusing on better monitoring and analysis of the customer experience. Some 58 percent of senior marketers say, over the last few years, they have made at least some changes in the way they capture, analyze and use customer data to improve experience. Some 49 percent say they have new initiatives underway to improve customer advocacy and experience.



Those who are addressing the issues of customer experience and listening indicate their top improvements have included:

- Better integration and analysis of customer data
- More personalized and intimate communications
- Greater use of the Internet for analytics
- Automated customer interactions to improve responsiveness

HANDLING AND TRACKING CUSTOMER EXPERIENCE ISSUES

While marketers generally rate as less than stellar their companies' ability to respond to customer problems and complaints, customer pain is felt across a wide range of experiences. Chief among them, according to marketers, are:

- General unmet needs and expectations
- Product usability and complexity
- Training and education
- Quality and relevancy of products
- Business policies and practices

The damages inflicted by these customer experience problems are significant. Some 46 percent of respondents admit that high-profile negative customer experiences have compromised their brands. Only 35 percent said they were able to identify these problems early in the process and contain their impact on the company. Respondents also identified the kinds of business and operational changes they made as a result of customer experience issues. Chief among them were modified business policies and practices (53 percent), the addition of new resources and capabilities (35 percent), the implementation of new customer listening and feedback (27 percent), and product redesign (24 percent).

How are companies tracking and analyzing customer experience? Unfortunately, most are still using fairly blunt instruments that don't measure experience at the point of impact and only identify problems after it's too late to avert damage to the brand and customer relationship. The leading measure of positive and negative experience continues to be the satisfaction survey, which is used by 57 percent of respondents, followed by customer turnover and acquisition rates (47 percent). Only one-fourth of respondents said their companies have formal Voice of Customer programs. Twenty-two percent said they are using automated customer feedback and response systems.



The effectiveness of customer handling and response is also primarily measured by broad satisfaction indicators and historical customer information. Key indicators include:

- Satisfaction measurements
- Customer loyalty and longevity
- Retention and repeat purchase rates
- Resolution time improvements

Ensuring a cohesive, positive experience across all touch points is essential to driving customer loyalty, advocacy and value. Senior marketers say they are deploying a wide range of strategies, practices and systems in the effort to build a positive end-to-end experience. Chief among these efforts are:

- Designating a functional area to manage all customer experience and service operations (32 percent)
- Creating a dedicated task force to drive company-wide efforts (32 percent)
- Key account management systems that track perceptions and monitor relationships (25 percent)
- Utilizing enterprise solutions that engage, listen and respond to customers in real-time (23 percent)

Some 34 percent say they are still developing programs to ensure better end-to-end experiences across all touch points.

MAXIMIZING CUSTOMER EXPERIENCE AND VOICE FOR COMPETITIVE GAIN

Every customer interaction represents an important opportunity for data collection, insight, engagement and improved customer loyalty, satisfaction and value. After all, there is a wealth of research that indicates it is more profitable to keep an existing customer, than to gain a new one, and it is much easier up-sell and cross-sell customers when you actually know what they are likely to buy.

Yet, our survey data demonstrates that most companies are not taking full advantage of customer interactions as opportunities to drive company-wide performance improvement and customer value. Instead, most companies treat customer interactions around service situations and incidents in isolation and merely as a problem requiring a quick resolution:

- Only 37 percent of respondents say their companies gather insight from customer engagement situations.



- Just 33 percent look for ways to turn problems into new sales opportunities, and only 16 percent introduce new products or services to further monetize the relationship.
- Only 15 percent use the opportunity to identify and cultivate potential customer champions and advocates.

DRIVING CUSTOMER ADVOCACY

Numerous CMO Council studies and other independent research indicate that customer word of mouth is the most trusted and valued source of information and referral for driving purchase behavior. For example, among B2B technology buyers, peers trump all other sources of referral and information, according to a Council study released in early 2008, entitled “Profitability from Customer Affinity.” Today, that word of mouth travels more virally and rapidly across the Internet than ever before. Indeed, 58 percent of our respondents now believe that the Internet and social media have changed the level of influence and expectations of their customers. It appears, however, that marketers have only begun to track and influence that word of mouth. Some 21 percent of respondents now utilize a customer advocacy measure, the vast majority of which are using the Net Promoter Score co-developed by Satmetrix. Only 12 percent say they have employed analytics of online conversations and community discussions, and just 15 percent have an online community or active agenting strategies. Some 54 percent have no program in place to track and propagate word of mouth or are still in the planning stages.

WHO OWNS CUSTOMER EXPERIENCE?

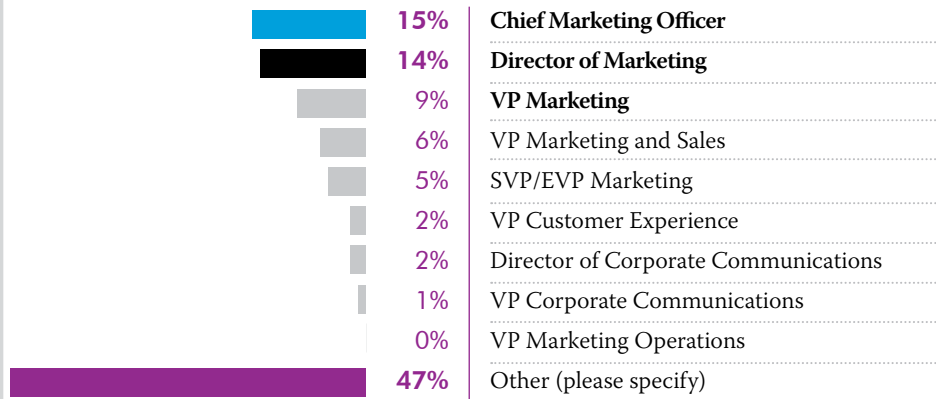
A core advocacy position of the CMO Council has been CMO ownership of the customer experience. By leading the effort for greater customer listening, learning, engagement, and advocacy, CMOs will play a vital role in improving customer relationships, deepening brand loyalty, developing more relevant and contextual products and services, and increasing customer life-time value.

However, at far too many companies, the CMO has not yet assumed responsibility for customer experience, listening and engagement. Indeed, ownership of the customer experience is spread across a wide range of titles and departments. According to respondents, the CMO has assumed ownership for customer experience at 20 percent of the companies represented. Lower level marketing titles also account for about 13 percent of those who have primary responsibility for customer experience. Other titles such as vice president or director of customer experience, line of business officers and head of sales are also frequently mentioned.

As senior marketers continue to assume greater responsibility for owning the customer experience, the challenge will be overcoming functional fiefdoms and siloed data, in order to continuously improve end-to-end listening and measurement to drive better communications, customer handling, and products and services.

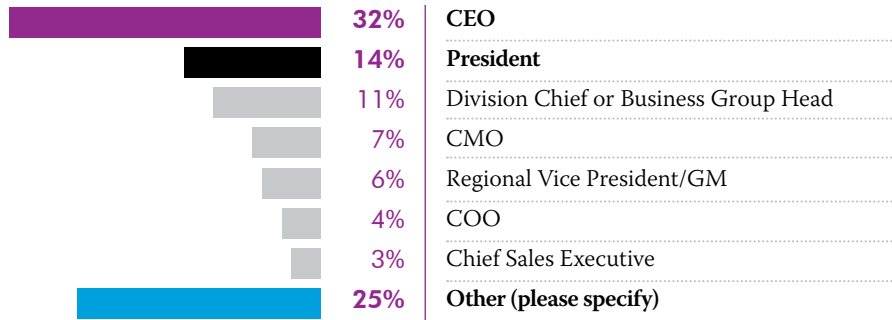


DEMOGRAPHICS

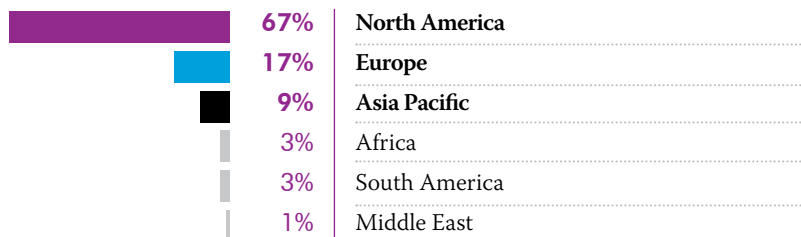
Q31. What is your title? (Select one)



Q32. To whom do you report? (Select one)

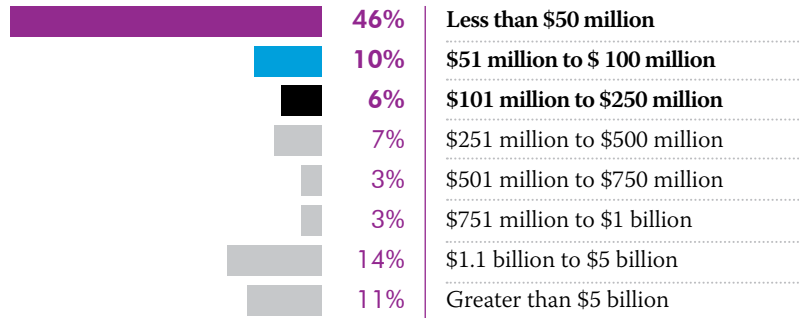


Q33. Where are you based?

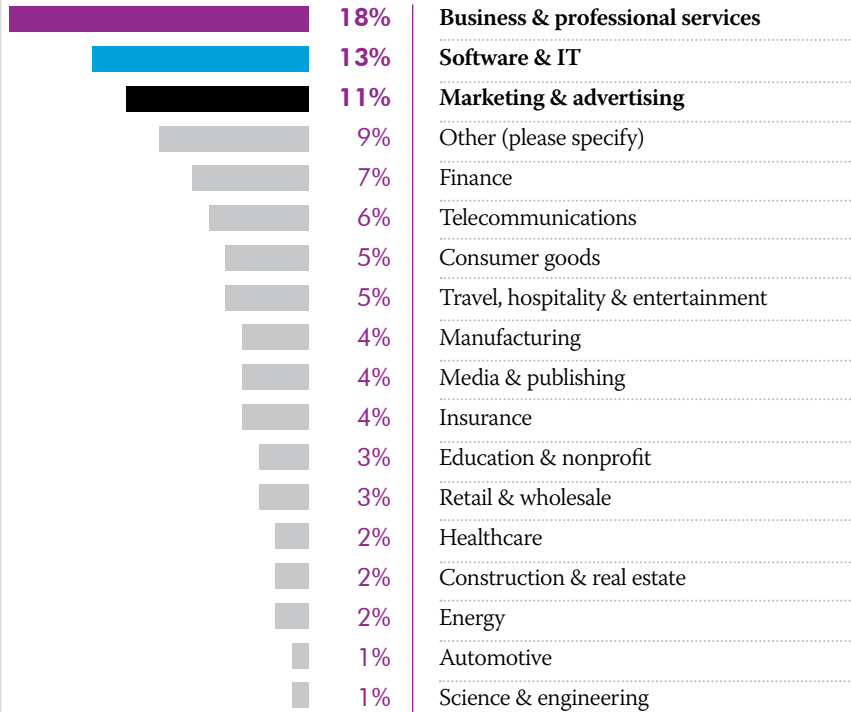




Q34. How large is your company?

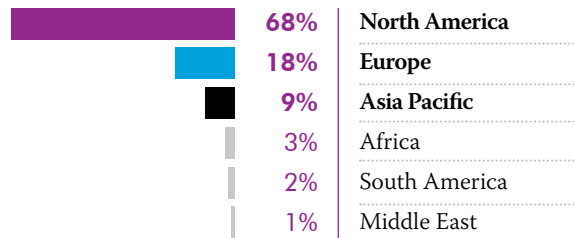


Q35. Within which industry does your company compete? (Select one)

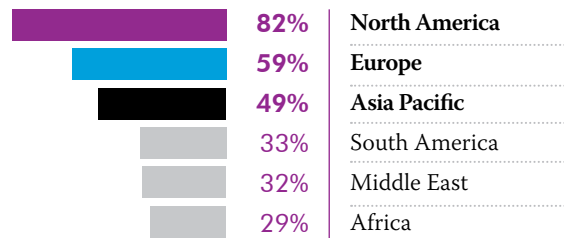




Q36. In which region is your company headquartered?



Q37. In which regions of the world does your company operate?
(Select all that apply)





CMO COUNCIL PROFILE AND PROGRAMS



The Chief Marketing Officer (CMO) Council is dedicated to high-level knowledge exchange, thought leadership and personal relationship building among senior corporate marketing leaders and brand decision-makers across a wide-range of global industries. The CMO Council's 3,500 members control more than \$100 billion in aggregated annual marketing expenditures and run complex, distributed marketing and sales operations worldwide. In total, the CMO Council and its strategic interest communities include over 6,000 global executives across 57 countries in multiple industries, segments and markets. Regional chapters and advisory boards are active in the Americas, Europe, Asia Pacific, Middle East and Africa. The Council's strategic interest groups include the Coalition to Leverage and Optimize Sales Effectiveness (CLOSE), Brand Management Institute, and the Forum to Advance the Mobile Experience (FAME). More information on the CMO Council is available at www.cmocouncil.org.

SPONSOR PROFILE



Satmetrix is the leading global provider of on-demand software applications and consulting services to measurably improve customer loyalty and link these results to financial benefits. As the co-developer of Net Promoter®, the company's solutions enable companies to gather trustworthy data on customer experience, derive actionable insights, integrate this information into the daily work flow of employees and establish an ongoing dialogue through online customer communities. The company has deployed more than 700 enterprise solutions in 40 languages. www.satmetrix.com.