

Using the Voice of the Multiple Customers to Drive the Quality of The Customer Experience

John Goodman, Vice Chairman, TARP

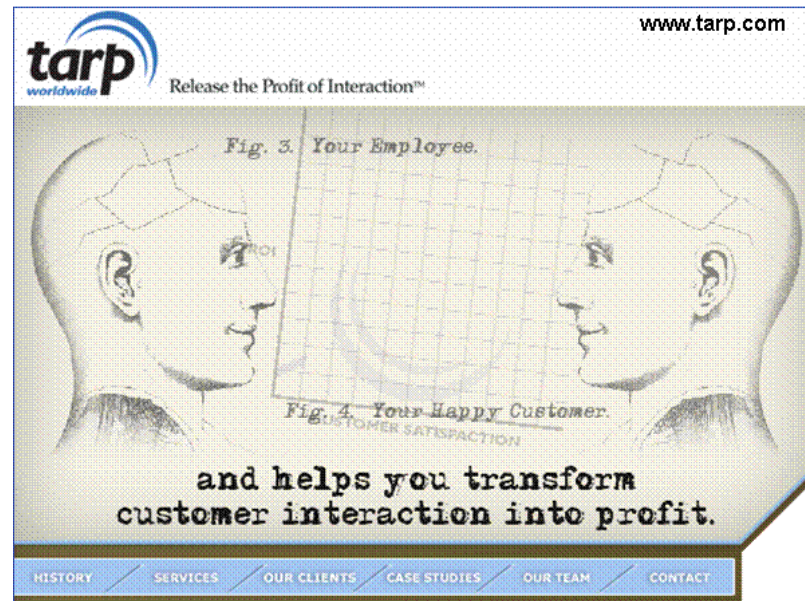
ASQ 0511 August, 2012

Quest Diagnostics

Agenda

- Customer Experience is THE key initiative of the decade
 - Top priority for 86% of execs (Forrester)
 - Service is only sustainable differentiator
- CE is best guided by an effective Voice of the Customer
- CE is in Quality's sweet spot
 - Create an alliance – use QA's analytical expertise coupled with Service data
 - Jointly test solutions and implementation
- Understand context of Service, VOC and Quality within CE
- Estimating the economic impact of improvement
- Integrated approach for enhancing the CE by gathering, analyzing and reporting feedback from multiple customers
- Grade your approach to managing the customer experience

- Founded in 1971—41 years of customer experience leadership
 - White House Complaint Studies 1970s-80s (*instigated 800#s and GE Answer Center*)
 - Assisted 6 Baldrige Winners and 43 *Fortune* 100 Companies
 - Initiated concept of “word of mouth” (*TARP/Coca-Cola 1978 Study*) and “word of mouse” (eCare and Click & Mortar studies 1999)
- Offices in Wash., D.C. and London
- Credited with developing the approach for quantifying the impact of quality on revenue, cost & WOM for companies like Neiman Marcus, Toyota/Lexus, USAA, Cisco Systems, Xerox, 3M, Moen, Mayo Health System, U Penn Hospital, Apple, Neustar, Kraft, AAA, Allstate, Hyundai, Marriott, AARP and Chick-Fil-A.



The graphic features the TARP logo and tagline 'Release the Profit of Interaction™' at the top left, with the website 'www.tarp.com' at the top right. The central image shows two human heads in profile facing each other, with a grid overlaying the space between them. The grid is labeled 'Fig. 3. Your Employee.' at the top and 'Fig. 4. Your Happy Customer.' at the bottom, with 'CUSTOMER SATISFACTION' written below the grid. Below the grid, the text reads 'and helps you transform customer interaction into profit.' At the bottom, a navigation bar contains the following links: HISTORY, SERVICES, OUR CLIENTS, CASE STUDIES, OUR TEAM, and CONTACT.

Formula For Maximizing Customer Experience



Improved Product & Service Quality

Respond to Individual Customers

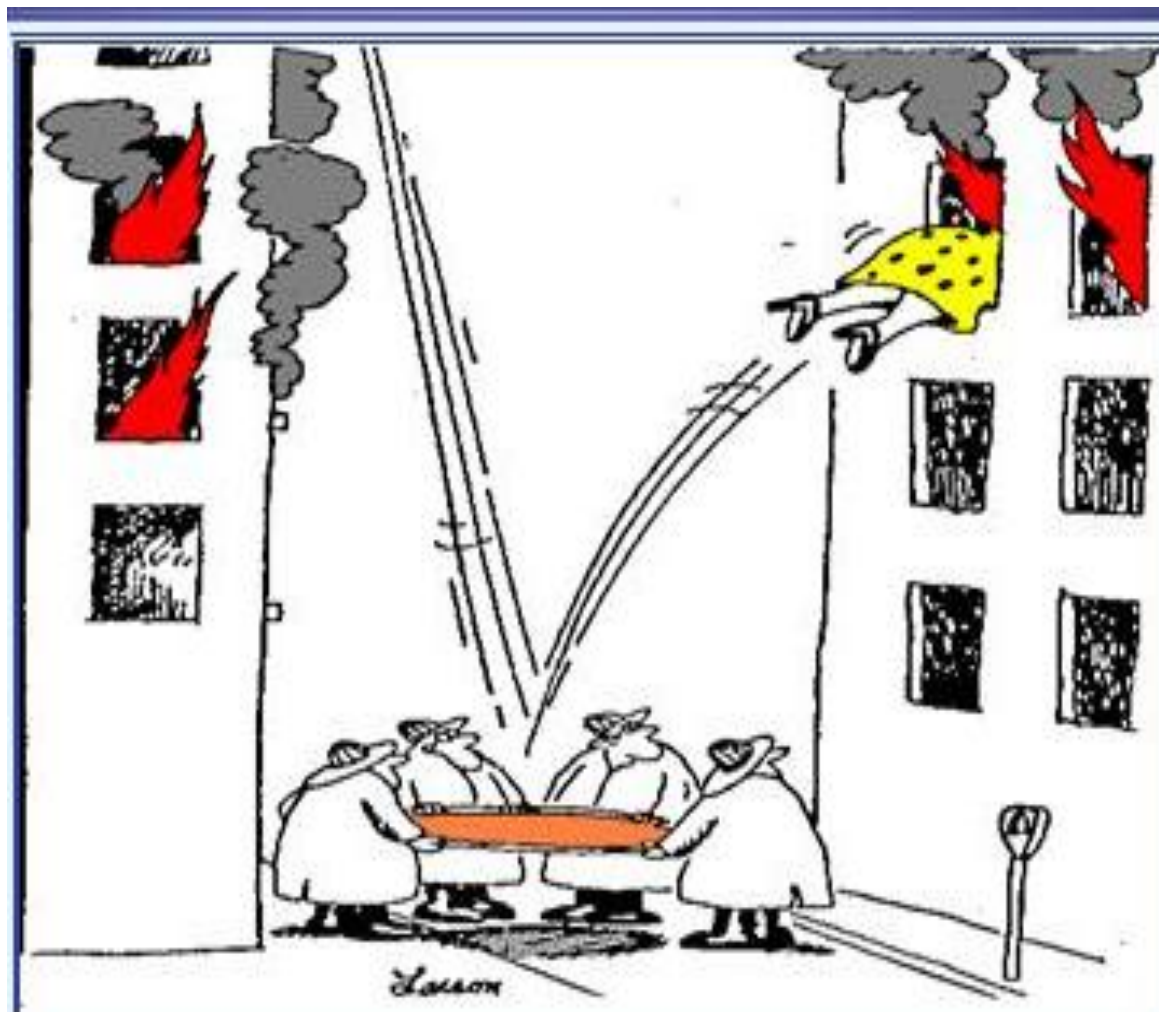
Identify Sources of Dissatisfaction

Conduct Root Cause Analysis

Feedback on Prevention

- Customers, will:*
- Use again*
 - Use or donate more*
 - Tell others to use*
 - Try your other products & services*

Firefighting Mode



Driving the Customer Experience Management: Six Big Ideas From Strategic Customer Service

1. Staff doesn't cause most customer dissatisfaction – sales, products, processes and customers do
2. It is cheaper to give great service than just good service, the revenue payoff is 10-20X the cost
3. People are still paramount – make the front line successful with flexibility and clear explanations
4. Deliver technology that customers will enjoy – delivering psychic pizza via any channel
5. Sensibly create remarkable delight
6. An effective Voice of the Customer managed by a Chief Customer Officer has many kinds of data

Survey Results: Data Collected by VOC

- Overuse of “rearview mirror”:
 - Most companies primarily use traditional survey & complaint data
- Underutilization of early warning devices:
 - Only 25% use operational data – Chicago bank
 - Only 30% currently monitoring Social Media for VOC
 - Only 13% are using Speech Analytics



(Study Method- N=160, Nov 2011)

Survey Results: Analysis & Reporting

- About 33% produce an end-to-end view of the Customer Experience using data that is integrated into a single picture
 - These 33% of companies were *more than twice as likely* to have significant improvements in customer satisfaction than those who didn't integrate multiple types of data
- Over 50%: 3 or more FTE Customer Experience Analysts
 - However, the size of the analytical staff had *no correlation* with the impact of the VOC!

Survey Results: Business Case

- CFO buy in to business case is critical
 - Where buy-in existed, 40% of VOC processes were very effective in getting things fixed and 55% had significant increases in customer satisfaction
 - Where buy-in did not exist, only 8% of companies were very effective and only 23% had significant increases.
- Business cases can include four dimensions:
 - Loyalty
 - Margin – great experience and innovation
 - Word of mouth
 - Risk reduction (Liability, warranty, regulatory and PR)
- 25% of companies now have Chief Customer Officer

Cost of poor service includes:

- Increased cost within purchasing – fire drills, rework
- Increased cost for internal customers of purchasing
- Increased dissatisfaction of external customers causing additional internal service cost
- Higher prices to your organization

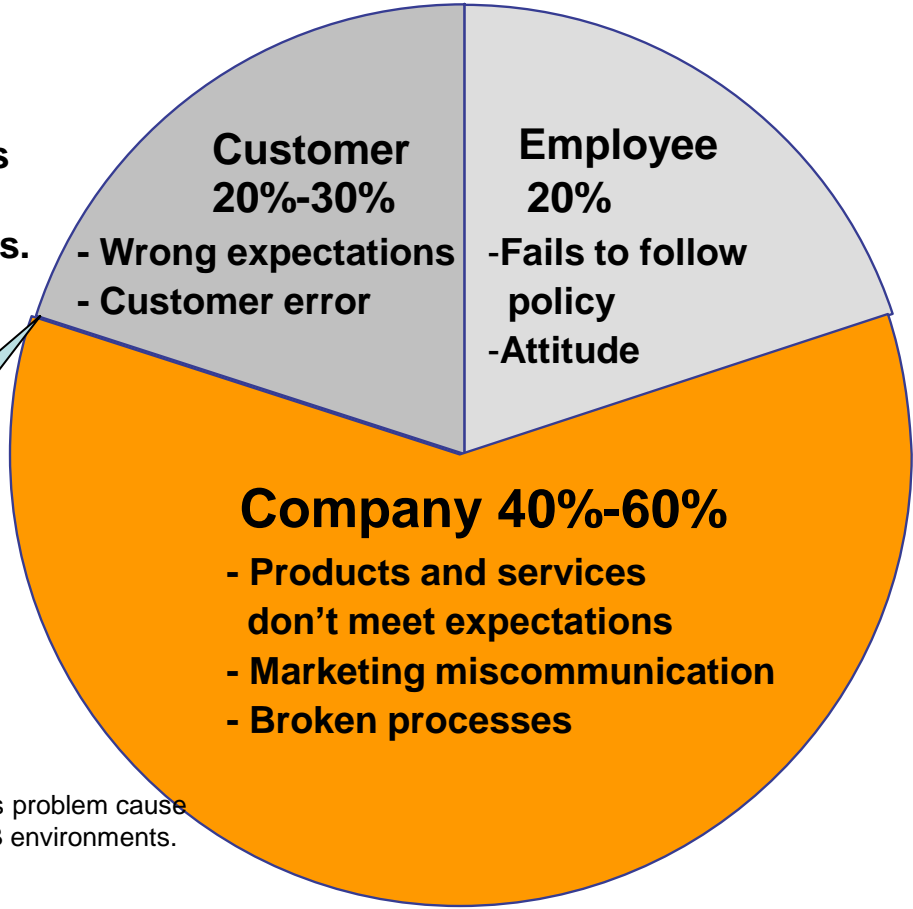
Customer Behavior

Employees Do Not Cause Most Customer Dissatisfaction

The majority of customer dissatisfaction is NOT caused by employee error or attitude but by products that cause disappointment and broken processes*

Customer expectations must be set to avoid problems and surprises.

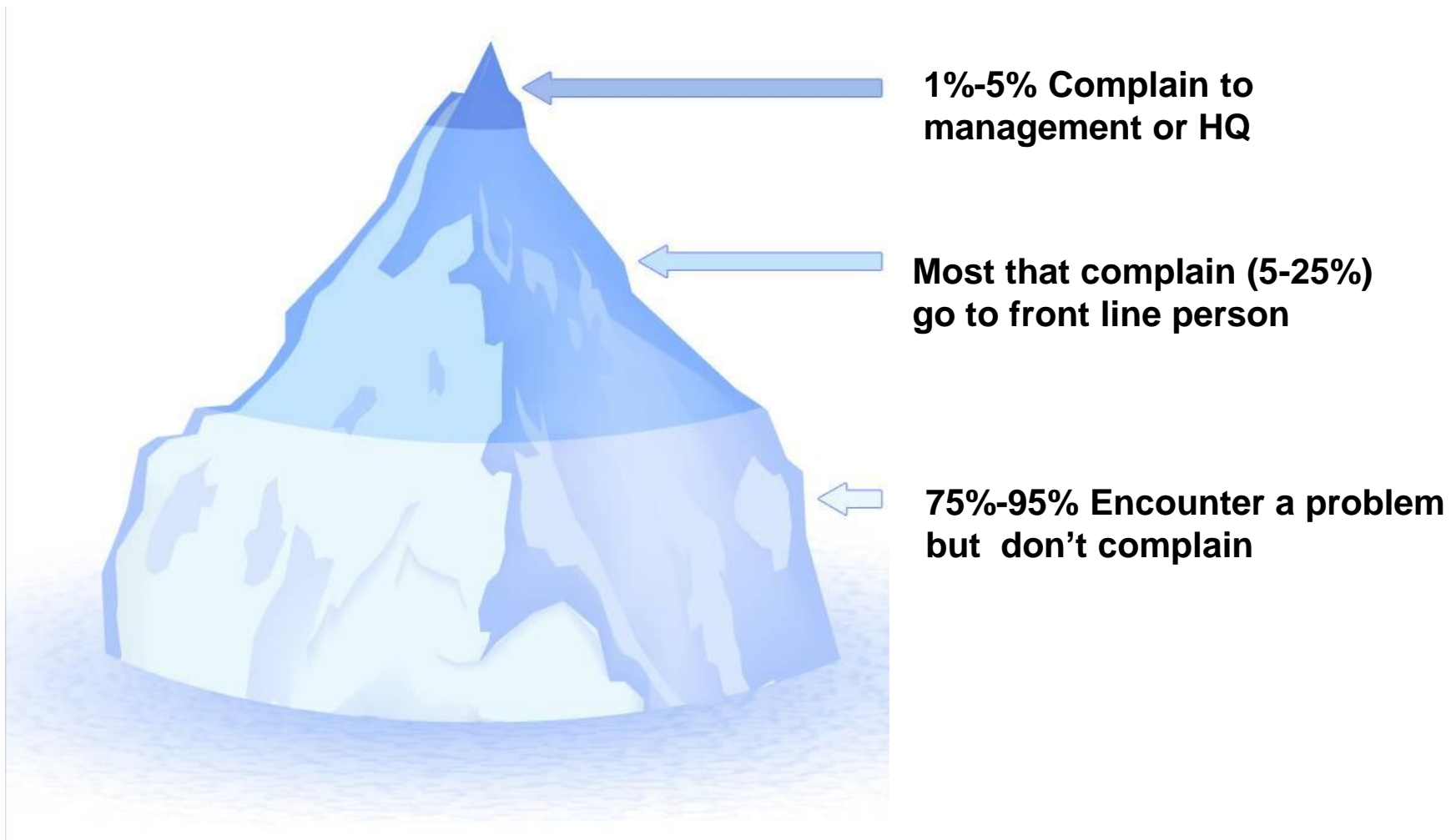
At least 30% of contacts are preventable



Poorly designed products, Processes, and marketing create most unmet expectations.

*Finding based upon TARP analysis problem cause data in over 200 consumer and B2B environments.

The Tip of the Iceberg Phenomenon

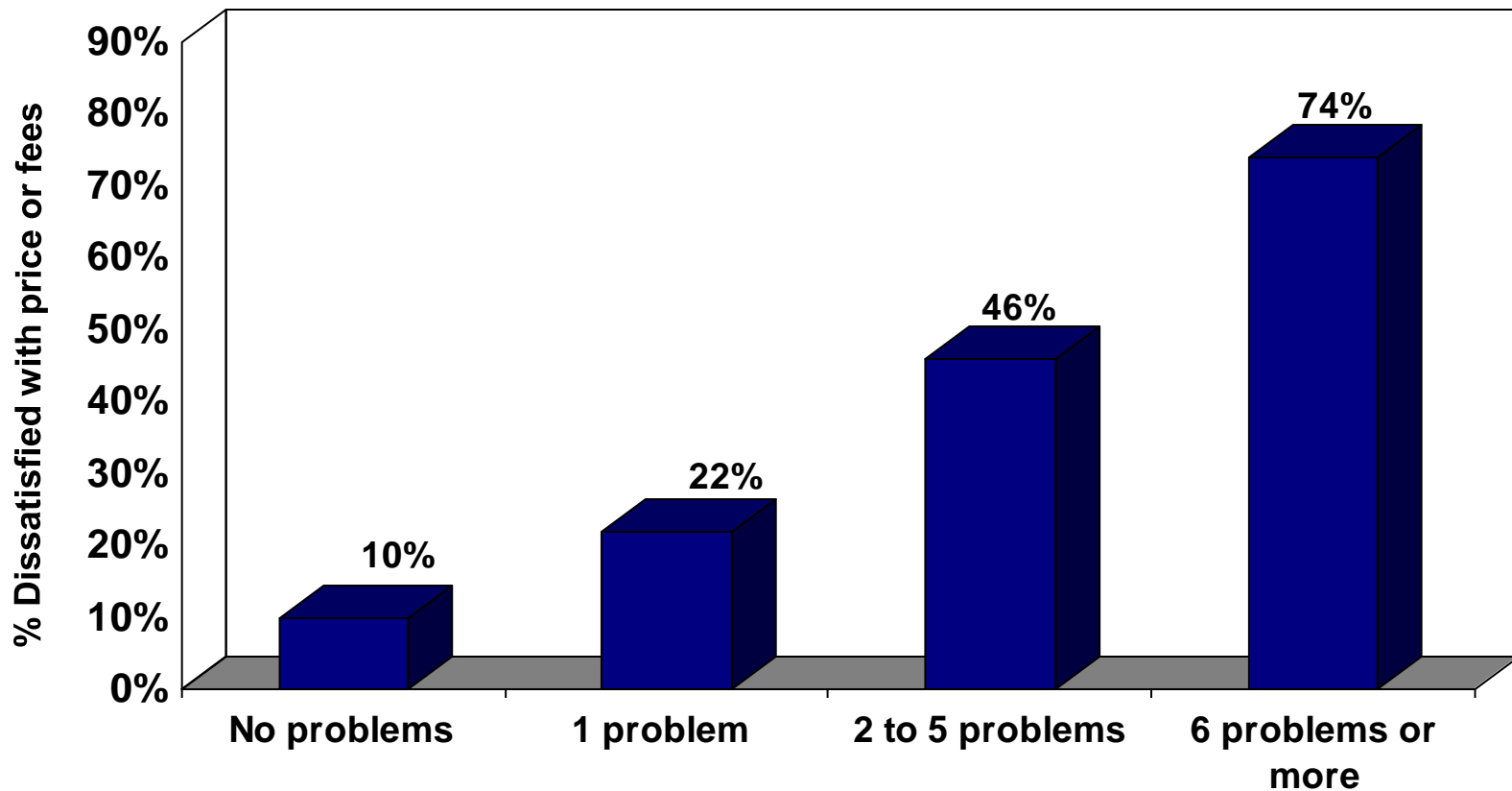


Customer Expectation: Key Factors Driving Satisfaction

- No Unpleasant Surprises
- If Trouble Encountered
 - Accessibility – not speed of answer, when customer is using product, preferred channel including social media
 - Taking ownership, apology, believe customer is honest
 - Flexibility
 - Clear, believable explanation leaving treated fairly
 - Reduce uncertainty
 - Creating an emotional connection rather than courtesy
 - Money is often not the best solution
 - Timeliness and Keeping promises are table stakes

Problems Raise Sensitivity to Price, Hindering High Margins

Percent of customers dissatisfied with fees rises with number of problems.



Using the VOC to Drive the Quality of the Customer Experience

1. Produce a unified picture of quality
2. Quantify the implications to create economic imperative
3. Suggest innovative solutions

1. Creating a Unified Picture of Customer Experience

- Customer surveys
- Customer contact data – root cause of contact
- Internal operations process, quality data
- Employee and channel input – second root cause
- Together, these elements are used to quantify the **cost of inaction** on customer experience issues

Surveys of customer satisfaction and loyalty

+

Customer contact and interaction data

+

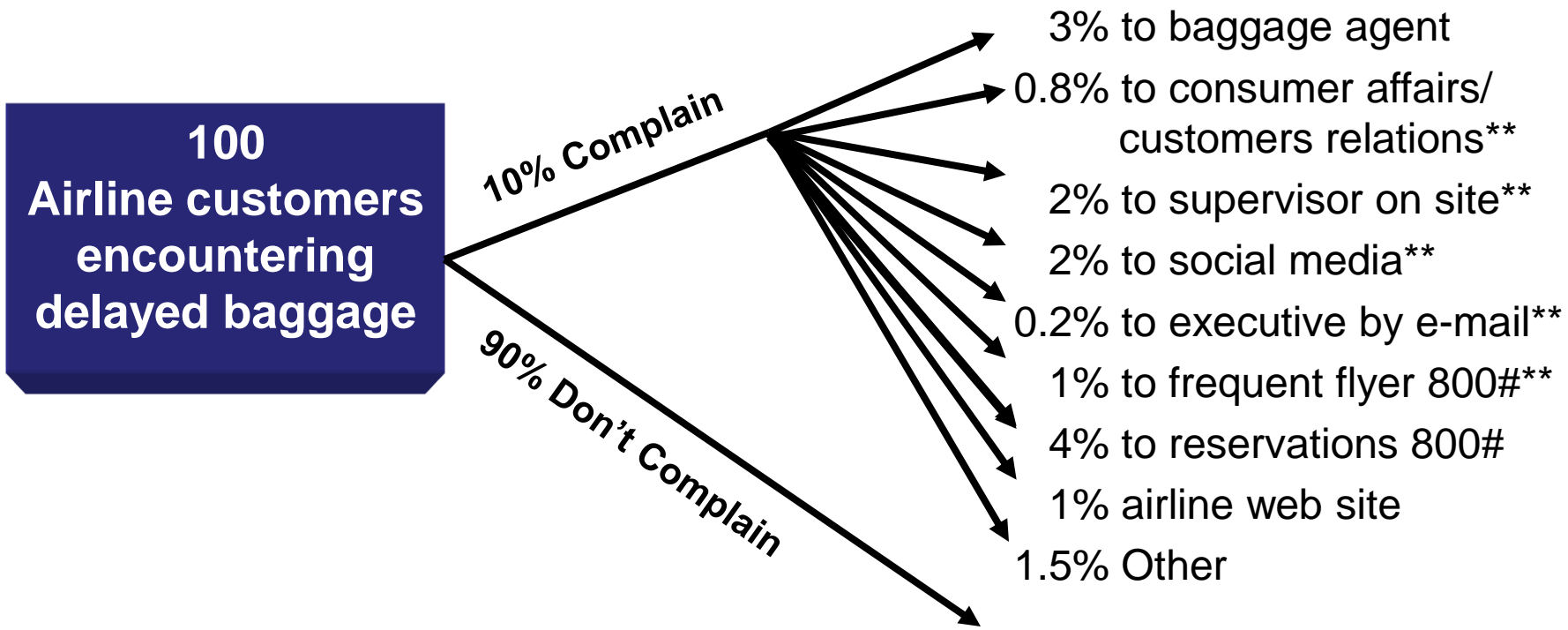
Internal process and quality data and employee input

=

Total view of the customer experience

Take The Role Of Chief Customer Officer

Estimating Number of Customers and Market Impact From Contacts to Different Touch Points



** For these channels, the consumer may have first complained elsewhere and then escalated their complaint to this channel.

Integrating Touch Point Data (Airline Example)

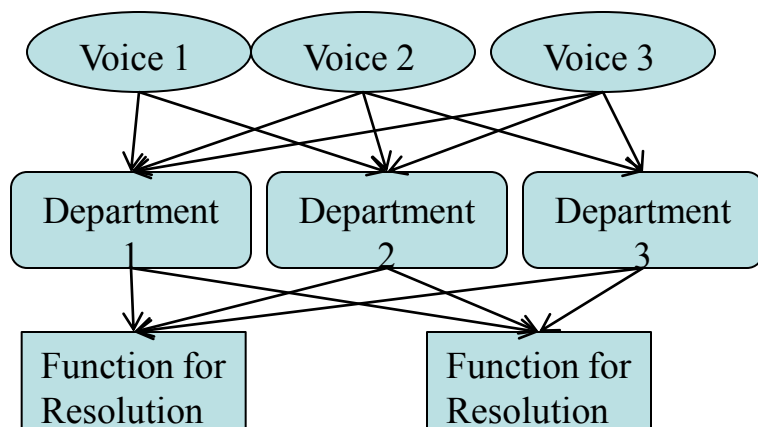
<i>Source</i>	<i>Problem Reports</i>	<i>Multiplier</i>	<i>Total Estimated Instances</i>	<i>Best Estimate # Instances</i>
Web Site	6	100	600	} 555
Baggage Exception Data	1%		200	
Reservations	14	25	350	
Executive E-mail	2	500	1,000	
Social Media	10	50	500	
Survey	2.5%		500	

<i># Customers in Month</i>	<i>Damage to Loyalty</i>	<i>Value of Customer</i>	<i>Monthly Revenue Impact</i>
555	x .25	x \$2,000	= \$277,500

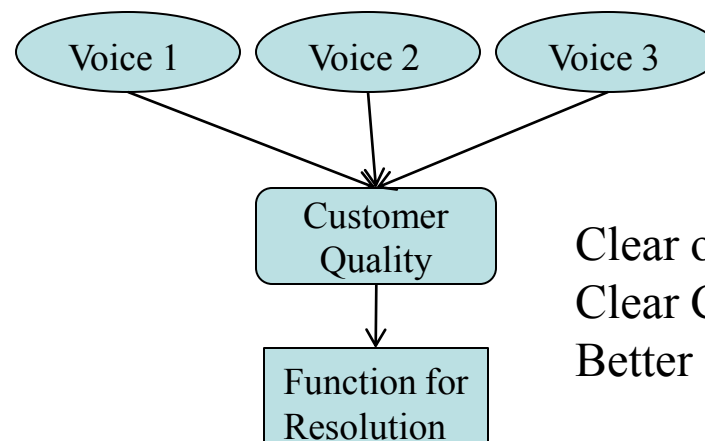
ABC's Voice of the Customer Process

- Journey, not an event
 - Began as Quality Improvement Group
 - Dashboards, Scorecards → “Reactive Process”
 - Multiple reports required prior to action
 - Transformed into Customer Experience Quality Group
 - One complaint can result in action → “Proactive Process”
- First step was to centralize information flow

Prior State



Current State



Clear ownership
Clear Communication
Better Scope of issue

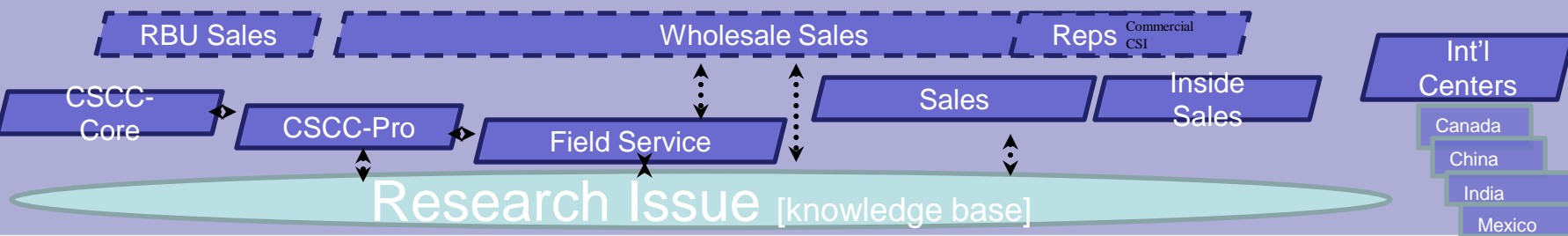
Customer Experience Quality



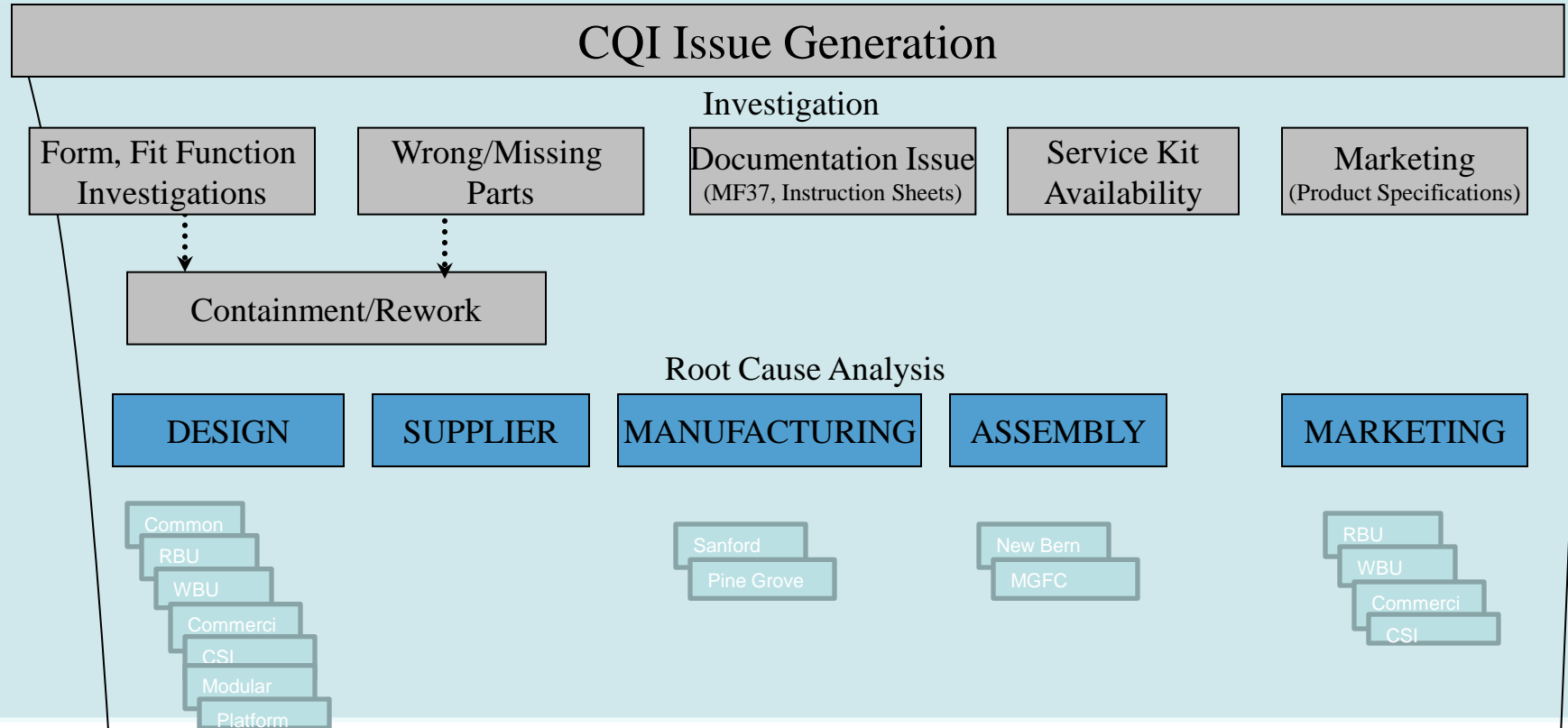
End Users
Customers

Home Owner Retail Wholesaler Plumber VIP Plumber Installer Builder Specifier Architect

CONTACT
MANAGEMENT



VOC
IMPROVEMENT



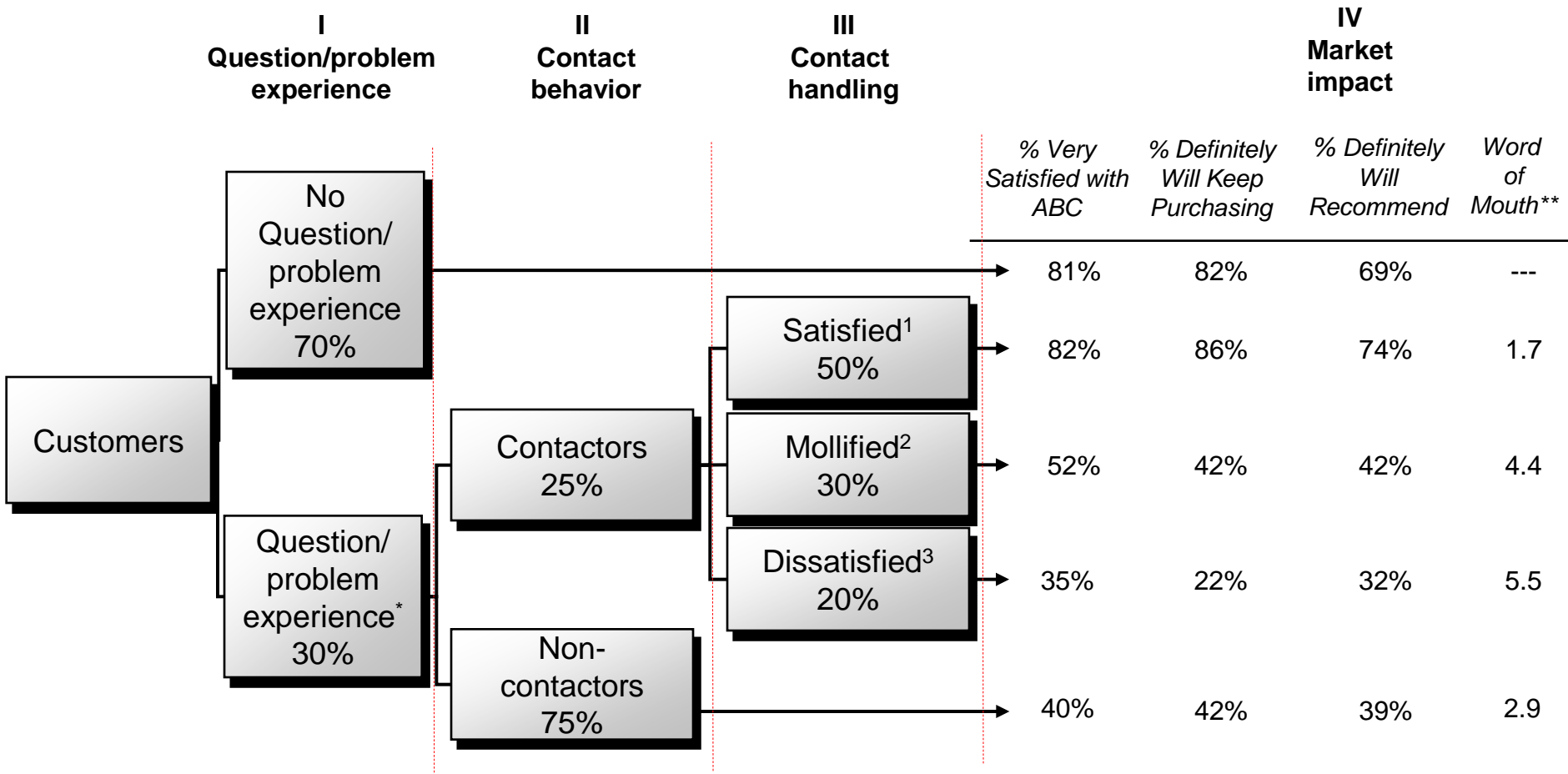
SWM

Strategic Warranty Management

Service Kit Mgt Warranty \$ Defective \$ Claims Managt

Warrant Statements
Warrant Policy
Warrant Entitlement

2. Get CFO Support by Quantifying Problem Impact

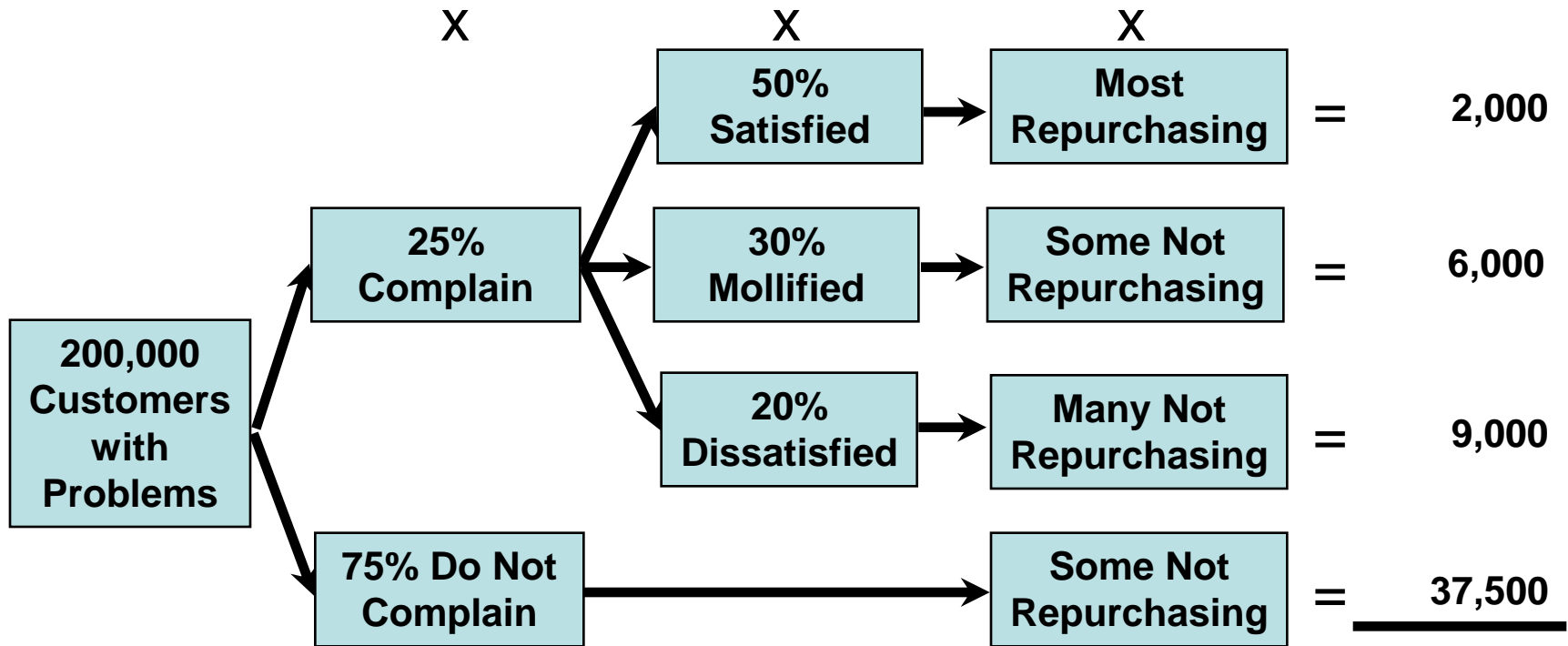


* In the past 6 months

** Average number of friends/colleagues told about the experience with ABC

Estimate Customers and Revenue At Risk

Demonstrating financial impact with the CFO, CMO and the General Counsel

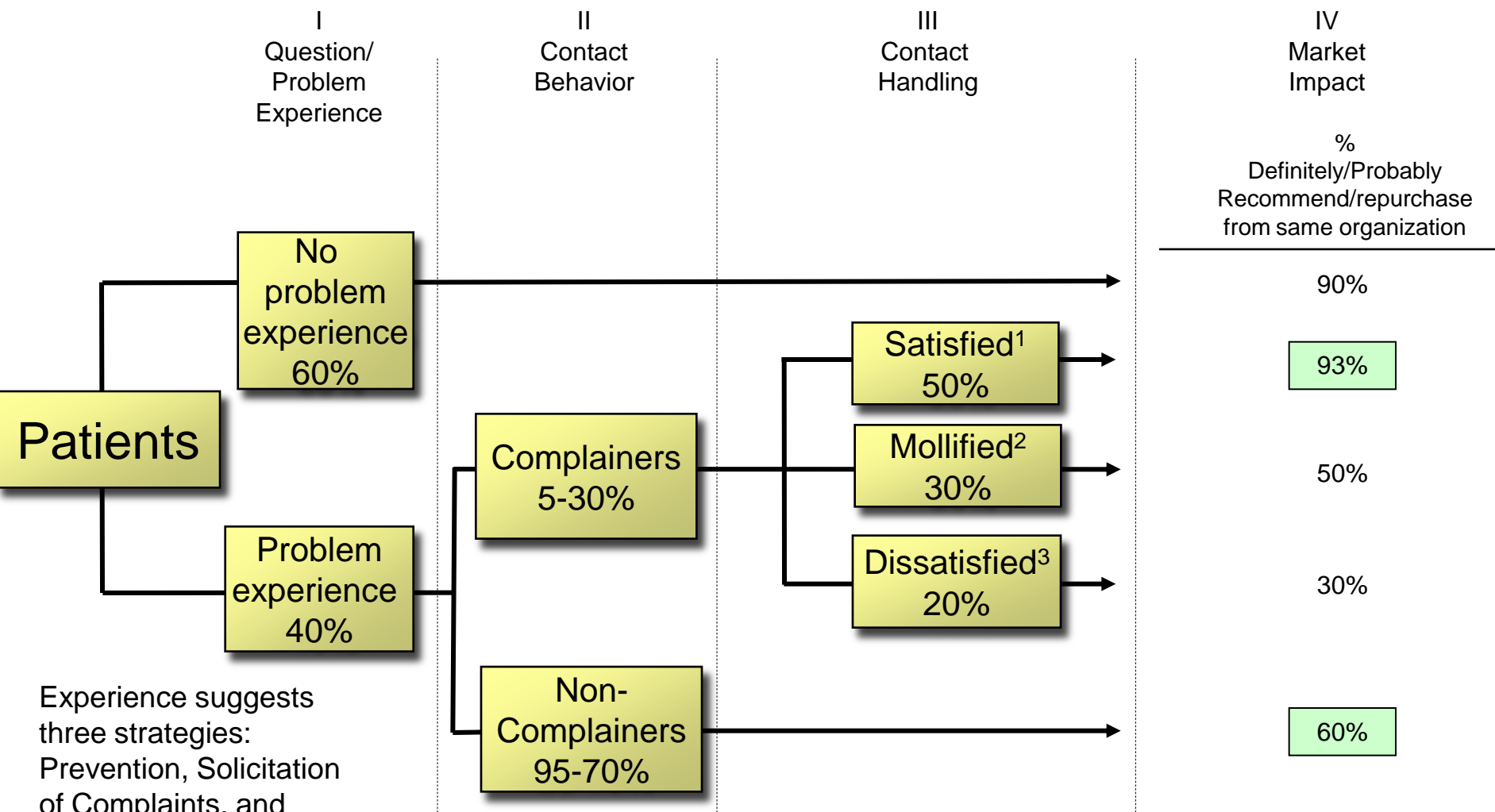


Total Customers At Risk = 54,500

At \$1000 one year value per customer, \$54.500,000 at risk

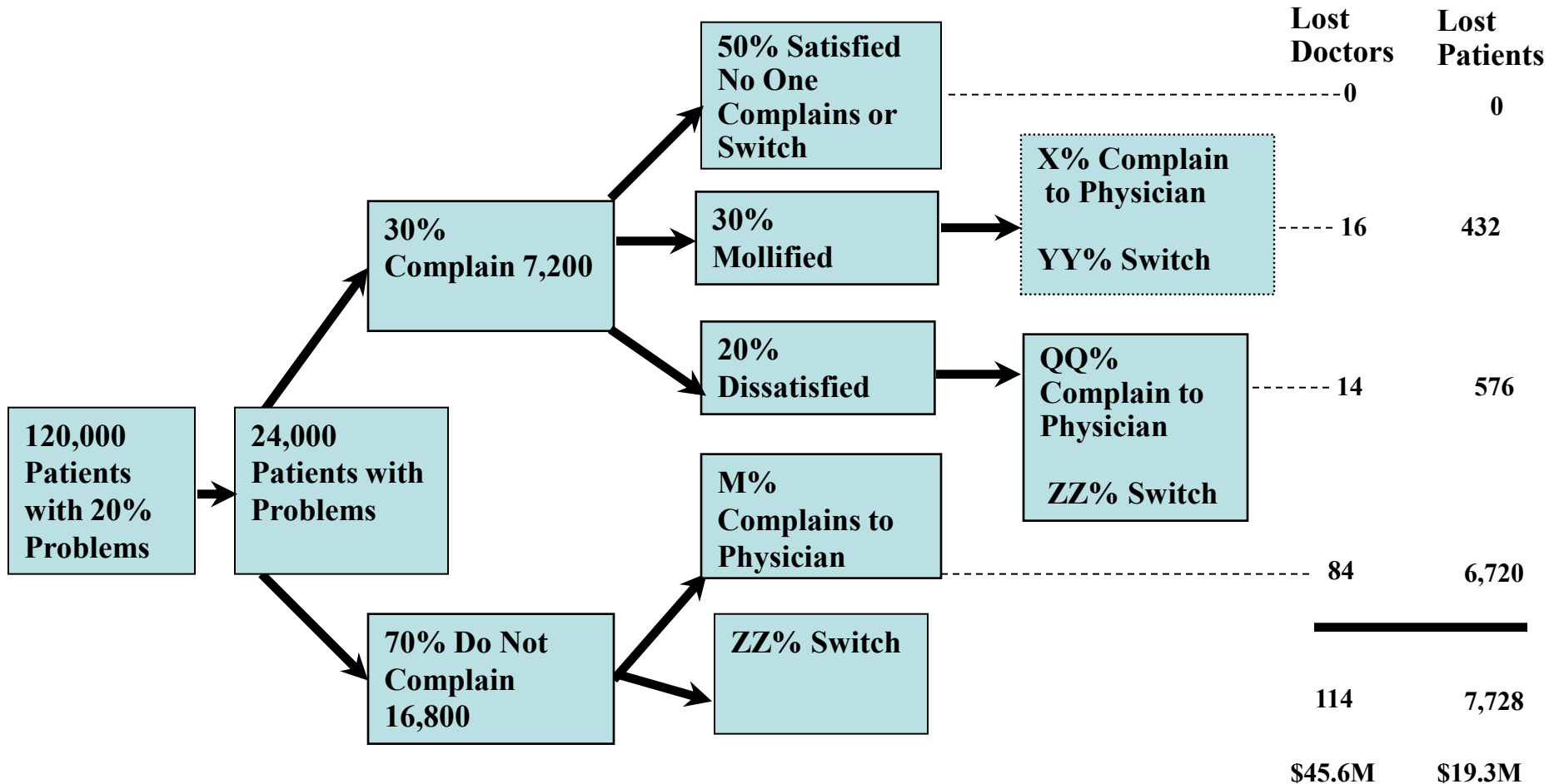
Three strategies: Prevention, Solicitation of Complaints and Improved Response

Quantify The Consumer Experience: Health Care



Experience suggests three strategies: Prevention, Solicitation of Complaints, and Response

Impact of Problems on Referring Physicians



1 out of 40 doctors complained to start referring to competitor

Total of \$65 Million at Risk

Set Priorities Based on Revenue Damage & Customers at Risk

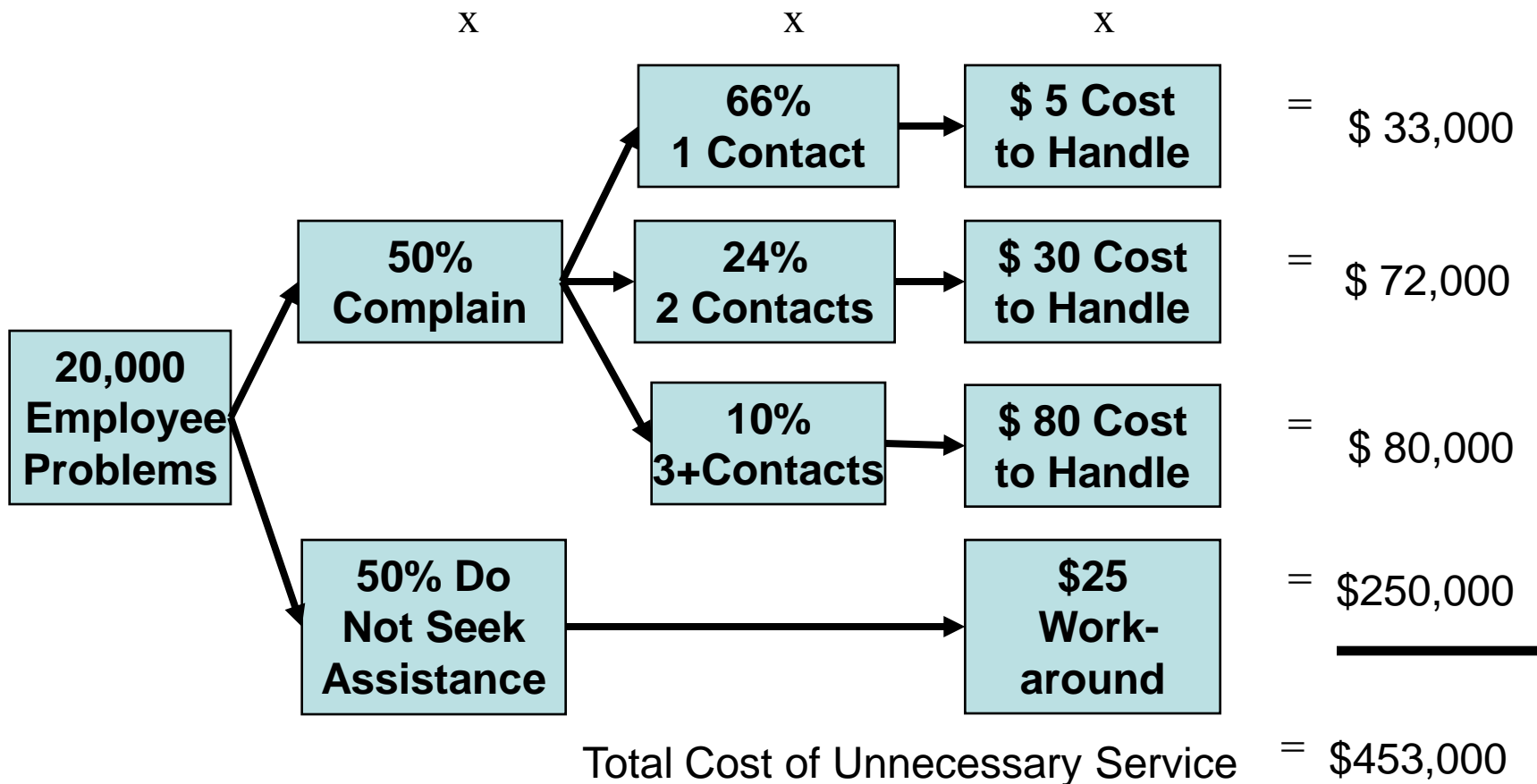
Overall problem experience	Problem freq	% Won't recommend	% Customers potentially lost
(45%)	(%)¹	Will not²	
Meeting promised delivery dates	27	10.5	1.3
Product availability within desired time frame	23	0.0	0.0
Meeting commitments/follow through	21	30.0	2.8
Equipment/system fixed right first time	20	22.2	2.0
Adequate post-sale communications	19	10.0	0.9
Returning calls	16	33.3	2.4
Minimum customers at risk			9.4%

Proprietary and Confidential TARP Worldwide

1 Based on multiple problem selection

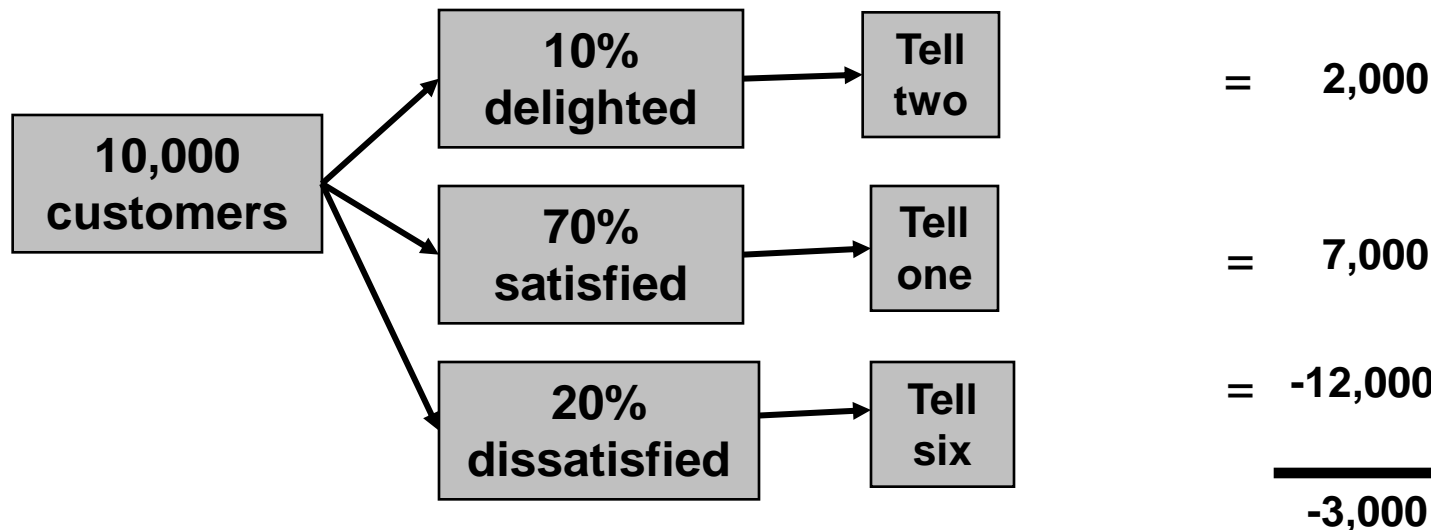
2 Based on *will not repurchase* only

Quantify the Cost of Poor Internal Service Help Desk Environment



Show The CMO That Negative Word Of Mouth Can Trump Marketing

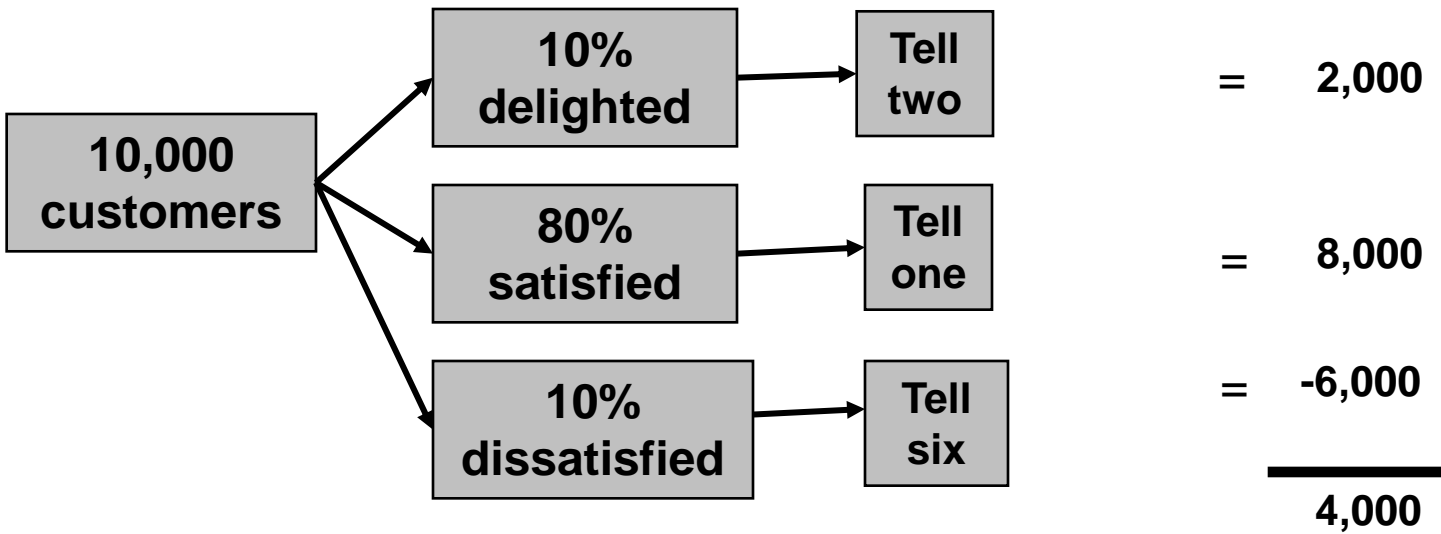
Example calculation of potential impact



20% dissatisfaction can counter 80% satisfaction

Great Service Is A Word of Mouth Management Mechanism

Example calculation of potential impact



10% decrease in dissatisfaction results in net positive WOM

3. Suggest Innovative Solutions

- Welcome packages
 - Best defense is a good offence
 - is this your first time with this product? – new user portal
- Education to prevent next call - Guardian
- Note standard mistakes on forms
- Enhanced **home page** (living list of questions) and **web site map** (Index to products and issues)
- Encourage calls before getting into trouble
- Aggressively solicit complaints
- Lead horse to self service water - give first sip - HP
- Psychic Pizza - Confirm both before and after action
 - NJ NG
 - Dominos

WE OFFER VALUE FOR YOUR MONEY

Our average hourly rate is only \$110 per hour and all this is included:

- Over 200 Mercedes Loaner Vehicles
- Mercedes Factory Trained Technicians With The Most Up To Date Training
- Latest Diagnostic Tools and Information
- Metro Shuttle Service
- Genuine Mercedes-Benz Parts
- Waiting Lounge With TV and Complimentary Wi-Fi
- Fax/Scanner/Copy Services Available
- Complimentary Car Wash With Service
- Appearance Center For All of Your Vehicle's Cosmetic Needs
- Refreshments
- 1 Million Dollar Parts Inventory

For Your Information Here Are Some Interesting Comparisons On Other Local Businesses:

Local Plumber - \$165 Per Hour

Electrician - \$125 For The First Half Hour/\$45 For Each Additional Half Hour

Computer Programmer - \$110 Per Hour

3. Suggest Innovative Solutions

- Welcome packages
 - Best defense is a good offence
 - is this your first time with this product? – new user portal
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Real Psychic Pizza



DOMINO'S TRACKER Know the status of your order, from the moment it's prepared to the second it leaves our store for delivery or is ready to be picked up. [PICK YOUR THEME +](#)

ORDER PLACED PREP BAKE QUALITY CHECK DELIVERY

1 2 3 4 5

WE'RE FIRING IT UP - ANIL began custom-making your order at 7:02 PM. PATENT PENDING 4.0.0

[f SHARE](#) Surf the web while you track your order. [SURF WITH TRACKER](#)

Departments with Interest in a Great CE

1. Marketing – retention, word of mouth and “word of mouse”
2. Finance – margin and cost reduction
3. Brand – brand-aligned service stories
4. Quality – reduced customer error and innovative fixes
5. Channel partner management – less channel hassles
6. Risk, Warranty and Insurance – reduced claims and lawsuits
7. Legal and Regulatory – better service reduces visibility
8. HR – less problems leads to happier front line and lower turnover
9. Product development/market research – ideas and panels

Ten Myths About Service

1. Always exceed customer expectations
2. Answering the phone really fast is the key to success
3. People always prefer talking to people
4. The customer is always right
5. Complaints are down, things are getting better
6. Employees are the cause of most dissatisfaction
7. Price and cost cutting is the key to success
8. We're better than the average in our industry – that's great!
9. We're at 90% satisfaction – let's declare victory!
10. We measure Net Promoter so we're done!

Practical Exercise: Evaluate Your Experience System

Grade 1-10,

if less than 75, you are wasting 15%+ of your service budget

	Grade
Proactively educate to prevent problems	
Track problem and non-complaint rates	
Make the front line successful	
Aggressively solicit complaints	
Quantify problem impact on revenue and WOM	
Set quality priorities based on revenue not cost	
Develop a unified VOC describing experience	
Use technology to deliver psychic pizza	
Implement cheap delighters	
Continuously update and communicate	

Total _____

Summary

- CE is a huge opportunity for Quality
- Create a unified VOC to identify the full range of opportunities with payoff and sell to other departments
- Understand the full range of root causes and prevent unpleasant surprises
- Quantify the revenue and word of mouth impact overall and by granular issue to create the economic imperative
- Prevent workload by proactively educating, connect, explain and deliver psychic pizza
- Take control of the VOC and then become the Chief Customer Officer
- Outlined in detail in **Strategic Customer Service** published by AMACOM
- For care package of articles: jgoodman@tarp.com or 703-284-9253