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Customer Loyalty Surveys

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The Bad News: Mark Twain once opined, “there are three kinds of lies: lies, damn lies, and statistics.” Today he would likely counsel, “there are three kinds of lies: lies, damn lies, and customer loyalty surveys.”

At their worst, customer loyalty surveys can mislead. For example, in December 2008, J.D. Power and Associates commended WellCare Health Plans Inc. for outstanding customer service. Just two months later, federal officials suspended Well-Care’s privilege to sign up new Medicare clients. Citing repetitive customer care problems, regulators claimed that WellCare’s “performance was substandard in numerous areas” and was “one of the overall worst performers among all plans.”

Even at their best, most customer loyalty surveys aren’t especially telling or capable of providing actionable results. They take the pulse of the customer and provide a score, but they’re all too often ineffectual in guiding the development of a better customer experience and moving the needle.

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In short, many companies today are spending much and getting little in return for their investments in customer loyalty surveys.

The Good News: Ineffective customer loyalty surveys aren't a fait accompli. Done right, they offer rich, meaningful insights about the customer experience, as well as a trustworthy barometer of corporate well being. Taken on with more than just good intentions, they facilitate the discernment and implementation of the "right" actions – those actions that lie at the intersection of a better customer experience and a more profitable company.

LIES, DAMN LIES AND CUSTOMER LOYALTY SURVEYS

however, require a discipline to practice six habits.

Embrace management by facts, not anecdotes.

Many companies rely on the individual, personal experiences of employees or other anecdotal data (e.g., focus groups, comment cards, complaint records, etc.) as a surrogate for customer loyalty surveys.

How often have you heard a colleague say, "I know a customer who..." or "I know about this one recent complaint where..." or "In this focus group we just completed..." and so on. Sometimes known as the "person who" fallacy, these rich, vivid, anecdotes can have a hypnotic effect on the organization and disproportionately influence decision making. As a senior executive of a large DC trade association recently lamented to me, "if one member expresses an opinion about his needs, it's a trend; if two members share that view, it's a mandate." Worse yet, falling victim to the "person who" fallacy can lull a company into a sense of complacency about its need for a more intentional, empirical approach to listening to the voice of the customer. Would you manage your sales SURVEY Pipeline, marketing campaigns, product development efforts, or financial forecasts by anecdote? Of course not. And neither should customer loyalty outcomes be left to chance.

Companies that are "built to last" recognize that using intuitions, gut feelings, and anecdotal data about customer loyalty is a risky methodology for sustaining predictable, enduring, and profitable relationships with customers. Instead, they institutionalize some type of formal customer loyalty survey process that yields reliable, valid, and ongoing insights about the customer experience.

ACHIEVING A BETTER ROI FOR YOUR CUSTOMER LOYALTY SURVEY IS SIMPLE, BUT IT'S NOT EASY

Set your sights on improving performance, not chasing scores.

Score chasing comes in a variety of forms. Sometimes, companies literally beg for better scores. For example, following a recent car repair, I received a "pre-survey" from the local dealership ("Will you rate your experience as "Very Satisfied"?") a few weeks before I got the "real survey" from the auto manufacturer. And during a recent hotel stay, the front desk receptionist wore a button that read, "How about a 10?" ("On the survey you'll receive from our corporate office"). In both cases, the aim was to "coach" me to give a higher score (which, ironically, our research shows to have a negative impact on the score).

Other times, companies "correct" the scores. I once worked with a domestic auto manufacturer to end a practice whereby dealerships could request the removal of certain surveys from their overall score (i.e., those with lower ratings) because the customer was "unreasonable," "crazy," or otherwise "wrong."

Companies getting the most from their customer loyalty surveys have transformed their culture from one that's score-centric to one that's performance-inspired. I like Andrew Carnegie's vision of philanthropic effectiveness as an allegory here; the aim is to engineer "real and permanent good." Analogously, companies devoted to improving performance value a better customer experience – not

Habits For A Better ROI

Achieving a better ROI for your customer loyalty surveys is simple, but it's not easy. It won't cost more money, it's not reliant on new technologies, and it's not about the adoption of some novel business strategy. It does,

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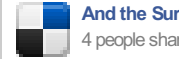
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a score. Their objective isn't solely to hit a target number tied to an "ultimate question" (i.e., Net Promoter) or some arcane industry-specific benchmark. Rather, the survey leads an effort to engineer a better customer experience – and the scores follow.

See the glass as half-empty.

An abundance of decision making research shows that people may be more influenced by a fear of "loss" than by a promise of "gain." Yet, for fear of presenting bad news and/or using the results for promotional campaigns, many companies ignore this practical consideration when it comes to their customer loyalty surveys.

Using biased scales and questions (e.g., Are you Very Satisfied, Mostly Satisfied, Somewhat Satisfied, or Only A Bit Satisfied?), selecting "special" samples of customers (e.g., excluding those who are known to have had problems), and putting a positive "spin" on the results (e.g., combining Very Satisfied respondents with Somewhat Satisfied respondents to get a higher satisfaction score even when those who were Somewhat Satisfied are three times less likely to buy again), are but a few of the tactics used for viewing the world through rose colored glasses.



The most powerful customer loyalty results quantify the risk associated with not taking action to improve the customer experience. Companies earning a better ROI for their customer loyalty surveys purposefully include survey questions to ferret out areas of customer dissatisfaction and potential causes of customer defection (e.g., providing participants with a list 50-60 problems they may have experienced, presenting respondents with a list of competitors and asking which company is the best, etc.). While such practices are counter to conventional wisdom, the resulting data go a long way toward compelling action.

Set credible targets.

Some years ago, a well known consumer transportation company sought our counsel during their customer satisfaction crisis. Bad press coupled with stagnant customer satisfaction index (CSI) made for a rather anxious Board Of Directors.

Hoping to send a message, the Board set a CSI target of 80. A goal which seemed completely defensible until you considered a current CSI of 66 and an average annual change that had not exceeded about 5 points over the prior few years.

Target setting isn't about sending messages or emotional appeasement. Those companies realizing a better ROI for their customer loyalty surveys predicate their targets on a goal of encouraging continuous, long-term, incremental improvement. Thus, targets are rationally, carefully, and methodically calibrated on the basis of current and past performance (e.g., what's the floor and ceiling, what's the observed average change, etc.), statistical considerations (e.g., what is the level of statistical significance for the proposed target), and credibility (e.g., will the organization embrace the target?).

**TARGET SETTING ISN'T ABOUT
SENDING MESSAGES OR
EMOTIONAL APPEASEMENT**

Concentrate on what matters most. Sometimes less is more. Better a small success than a colossal failure.

Of course, when applied to customer loyalty, these strategies work best when you focus on those elements of the

customer experience having a significant impact on loyalty. All too often, customer loyalty surveys measure many things, without measuring the right things. We recently worked with a US professional services organization to explore the validity of their metrics. Their two-page questionnaire featured a

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few key outcome measures (e.g., overall satisfaction and loyalty) and 20 satisfaction questions that were designed to help them predict satisfaction and loyalty (covering various aspects of the customer experience). Together, these 20 measures only predicted about 30% of customer loyalty. In other words, they were measuring a lot of things they assumed were predictors of customer loyalty; very few were.

All else being equal, you'll get a better ROI for your customer loyalty surveys if they help you target your limited resources so that you can improve where it truly counts. You don't have to measure everything; but at least measure those few things that really make a difference.

Tell a good story.

When people look at the results of a customer loyalty survey, they tend toward one of three reactions. Some see nothing (the data resemble a television test pattern or the linkage between the results and their day-to-day job is muddled). Others, especially when the results are negative, express confusion or get defensive (since the data are complicated or inconsistent with their own experience, there must be something wrong with the data). And still others get it, but ask, "so what?" Storytelling breaks down these barriers to using the results and engages the organization in prescribing actions. The best stories help the company establish a shared narrative and business case for change. These stories create an economic imperative to act – by quantifying what's at risk from not taking action – and connect the dots between the survey results, the right actions, and the benefits of effectively executing those actions. A long-time financial services client of ours demonstrated the value of good storytelling to me. Their corporate culture for sharing survey results was all too familiar. Directors from every department were shepherded into a conference room to endure an annual, two-hour perfunctory PowerPoint briefing which almost always ended in the edict, "things must change." They didn't; at least until this company reinvented the process for sharing results.

Although senior leadership continued to set the priorities for improvement, the broader organization was held accountable for driving change. Empowered cross-functional teams of mid-level managers were engaged in a day-long, structured and facilitated dialogue to formulate action plans for improving customer loyalty. Since launching this new protocol, this company has been ranked first in its syndicated customer satisfaction survey for five out of the past six years.



Scott M. Broetzmann, is co-founder, President & CEO at Customer Care Measurement & Consulting (CCMC). CCMC's customer satisfaction and loyalty surveys and analytics are used by leading Fortune 500 companies from every industry to get a better ROI for their investments in the customer experience. Learn more about CCMC by visiting www.customercaremc.com or e-mailing scott@customercaremc.com.

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