



## **Customer Surveys: Getting Inside Your Customer's Head**

A customer survey is an incredibly powerful tool for companies because it enables organizations to get inside their customers' heads to understand their needs, preferences and behaviors. This data can then be turned into information and insights which inform key company decisions including marketing, human resource, financial and competitive strategy. However, in order to achieve this objective a customer survey needs to be thoughtfully and methodically implemented. In our experience we have found that customer surveys are often not leveraged to their full potential. There are many reasons for this but a significant cause is that the surveys are not developed and deployed with an integrated strategy in mind. An effective strategy leverages an integrated company effort in targeting, reaching, acquiring and serving its customers.

Surveys are often driven by marketing research firms. These types of firms are good at and have experience with deploying surveys in the field but our experience has indicated that the majority, do not have the strategy expertise to create an "integrated strategic" survey and analyze the results accordingly. As a result the company is often not able to use the survey information to deliver an integrated and compelling customer focused strategy.

An integrated approach is critical if a company wants to truly realize the benefits from implementing the customer survey results. A simple example would make this clear. Let us assume that a customer survey indicated that "responsiveness to customer inquiries" is an extremely important customer criteria to a group of Company A's clients when they selected a vendor or company to do business with. However Company A scored poorly on this customer selection criteria. This is exacerbated by the fact that Company A's competitors were scoring highly on this important customer criteria. The answer might seem simple enough i.e. improve responsiveness to customer inquiries. Should Company A address this issue and if yes, how? The following are examples of factors that should be considered when making a decision. What internal factors are causing this lack of customer responsiveness? How important is responsiveness compared to the other dimensions/criteria that the customer wants? Are there other competitive strategy trade-offs? Does the company need to upgrade its customer service personnel skills through training etc? How does the marketing / advertising mix address the issue? Is it likely that any one department will succeed in addressing the issue without the support from other departments? Without addressing these types of integrated strategic questions, the customer strategy will fail.

There are three main areas to consider when deploying a customer survey

## **1. Survey Definition**

In creating a customer survey it is very important to define the:

### **Content Creation Issues**

1. Purpose and objectives of the survey
2. Target list of customers or clients (incl. whether there is a need for further segmentation of the customer base)
3. External customers' or clients' appetite for filling in surveys and its impact on content creation
4. Internal audience or users of the survey and its results

### **Process / Logistic Issues**

5. Timeframe to develop, deploy and analyze the results
6. Presentation of results – timeframe, audience and medium
7. Next steps – Decision making timeline, action items and implementation (This cannot be defined upfront but it is important to bear in mind when defining the types of questions that the survey will address)

This position paper will not attempt to discuss each of these in detail, but Select Strategy would be happy to discuss these further. Suffice to say that many companies fail to approach these issues in a methodical well thought out and executed manner. In making decisions on any of these factors, there are going to be trade-offs and it is critical that these trade-offs are clearly defined and their impact on the results clearly understood.

## **2. Survey Question Development and Deployment**

Based on the items defined in the survey definition section, a survey should be crafted to meet those specific requirements. Depending on the purpose and objectives of the survey, there should be a balance between quantitative and qualitative survey questions.

Quantitative questions are useful in achieving the following:

- a. comparing company performance against the competition
- b. understanding how a company's customers/clients trade criteria against one another (i.e. which dimensions are more or less important to customer / client segments when selecting a company to buy from or do business with)
- c. analyzing importance and performance trends over time

Qualitative questions or components of the survey provide the color and additional depth to the quantitative questions. Qualitative questions are normally administered in the same survey as

the quantitative questions but, depending on the circumstances, the nature of the customer and on customer time constraints, there may be occasion to create a separate qualitative component.

The written part of the survey can also be administered electronically and/or through the fax, telephone and/or mail. This is customer dependent given their preferences and the tools they have available – the overriding factor is to make it as easy as possible for the customer to fill in the survey honestly, accurately and return it on time. There is sometimes the need to complement this with one on one customer interviews to gain additional depth into customer answers as a follow up. This is based on the specific circumstances and should be determined on a case by case basis.

There is a need to make the survey extremely efficient to ensure that it is completed and completed as accurately as possible. A quid pro quo should sometimes be considered as an incentive for customers to take the survey. With consumers an opportunity to win a prize is often a good incentive. Business customers often respond well to receiving general survey results that have been sanitized and apply to the general industry. This must be done in such a way as to ensure that no competitive advantage or confidential information is provided to customers.

Garbage In, Garbage Out (GIGO), is a principle that applies to customer survey development and too easily can become a reality when a company has not thought ahead from survey development to results. The survey should be designed with how the results will be analyzed and presented firmly in mind. If this is not done, the survey data will surely be wasted and a company will not be able to turn the data into information and finally into insights to inform decision making. This is where many surveys and research firms tend to fall down as their presentation format is often a cookie cutter approach based on previous projects and presentation formats and is not carefully customized to the company's specific strategic issues.

### **3. Customer Survey Analysis: Information and Insight**

Analyzing the results should provide insight into customer needs, preferences and behaviors and how a company can meet those customer requirements. For example, the hypothetical simplified example below, of a financial services company indicates what their customers feel is most important to them and how they feel the company is meeting their needs relative to the competition. It is important to understand that this is only an example. The customer criteria will differ by industry and it is very important to define those customer criteria very clearly by getting significant input from your company management team, based on a clearly defined methodical process, prior to developing and executing the customer survey.

Your company is different as you have a specific service/ product offering, marketing/advertising mix and culture and therefore we recognize that there is a need to clearly define the customer criteria that you want to test with you customers. A methodical and clear process to define the customer criteria should be put in place prior to creating the survey questions. This would include systematic interviews with the management team and key company staff members, to identify what they think is important to their customers. It is also important to speak with customers directly prior to developing the survey form. This process should include gaining a

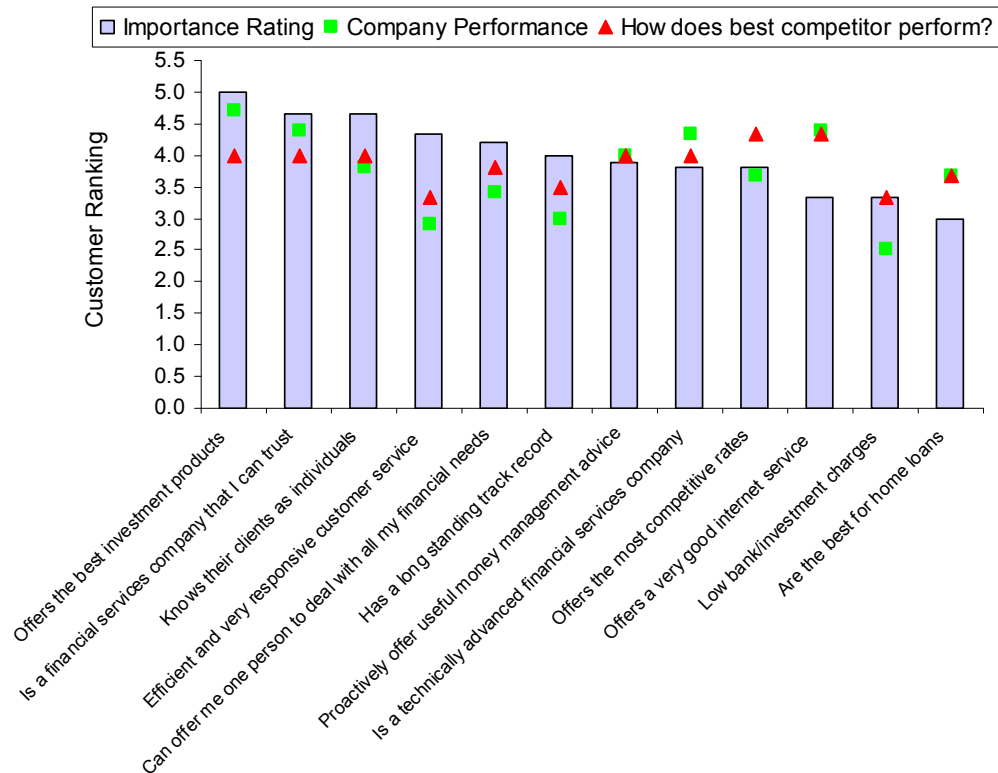
more detailed understanding of the customer's selection process – what drives the customer's need for the company's product or service. Who is making the decision about which company to use or buy from? What criteria are the customers comparing when they make that decision and how do they weigh up these criteria against each other? It is very important that this work is started prior to the customer survey to ensure valuable survey results.

Different customer segments are also likely to have different criteria and factors that propel them to make certain decisions. Basic examples of segmentation variables in business customers can include size of business, level of education of decision maker, age of business and previous experience with these types of decisions. In consumer segments age, income, education and gender are just some of the basic segmentation variables that can affect groups to act differently from other groups. It is important to identify the appropriate segmentation variables and understand what motivates these different groups/segments to act and what levers the firm can use to activate positive behaviors in that segment. This analysis should start with hypothesis generation with the management team prior to the survey and be integrated into the survey and used in analyzing the survey results.

Figure 1 is an illustrative example from a financial services company addressing high net worth individuals and only serves to prove the need to compare i) importance ratings of criteria that customers use when selecting companies to ii) company performance and iii) competitor performance. (Do not be concerned if your industry is different from this specific illustration. The customer categories, are used only for illustrative purposes and are carefully crafted for each industry and industry segment. For example healthcare, manufacturing, banking, defense etc will have different X axes but the same methodology and principles apply. The criteria will however be determined based on a clearly defined process tailored for each company and their industry).

The blue bar in the figure above, indicates how important each criteria / category is to customers when they decide who they should buy from (0 is very unimportant, 5 is extremely important). The green square reflects the company's performance in meeting these customer selection criteria, while the red triangle represents how the competition is meeting the same customers' selection criteria (0 is poor performance, 5 is excellent performance).

**Fig. 1: Ranking of Selection Criteria by Customers(On a scale of 1 to 5)**



For example one aspect that is evident from Fig. 1 is how the company is underperforming relative to the competition on i) efficient and responsive customer service ii) has one person to address all my financial needs and iii) has a long standing track record. These are all important criteria / dimensions to the high net worth individual customer. However, the company is beating their closest competition on the most important customer criteria (the highest blue bars – i) offers the best investment products and ii) is a company the customer trusts). Significant insights can begin to be gleaned from this type of analysis which can then be combined with the qualitative “colorful” data from the customer survey. The qualitative data will not however be discussed in this position paper, in the interest of brevity.

There are many decisions which can be impacted here including (these are only a few examples of the type of strategic implications that should be considered):

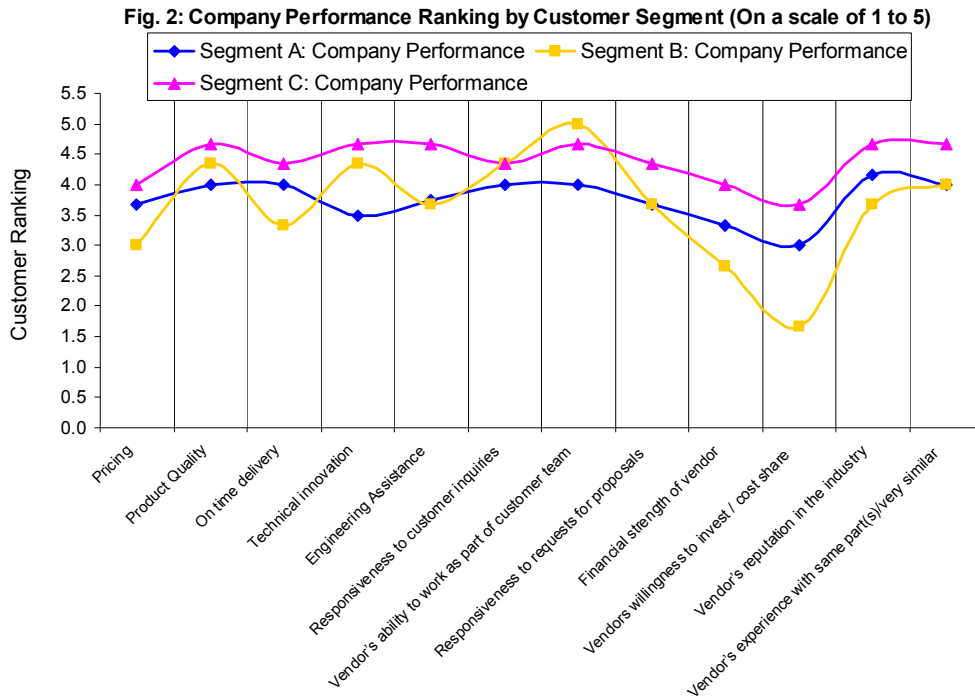
- a) Should the company enhance its business model to include a more integrated and seamless customer service channel addressing their high net worth individual’s financial needs? This may include a need to reduce silos within the company and create communication structures and enhanced information sharing between departments?

- b) Is there a need to upgrade the skills of their employees in the customer service department through improved selection, training and performance appraisal and feedback? What is the root cause of the poor customer's perception?
- c) Are focused marketing initiatives required to improve the customer's perception of enhanced service and if so, what tactics should be employed to achieve this? This cannot be an empty marketing promise i.e. if the underlying causes of poorer customer service are not addressed the company will undermine its future marketing efforts and customer's trust.

These questions have strategic implications for products / services, marketing, human resource, competitive strategy and financial decisions. Insight into the competitors' business and marketing models would also help to inform these decisions. Follow up discussions, interviews with customers, management and staff, are conducted to inform the root causes for these issues. A successful course of action is then defined where appropriate departments could expend the correct level of resources to address the problems in an integrated and cost effective manner, while making the appropriate trade-offs.

The points highlighted above represent only a few of the important variables and insights from Figure 1. Select Strategy would be happy to discuss the other information and insight with interested parties, in more detail.

Where there is more than one segment being served, it is important to perform this type of analysis by customer segment as the picture may be very different from one segment to another. For example a customer may be serving its business customer segment very well but be performing poorly with its retail customers. In Fig 2.using an illustrative example from a manufacturing environment, the company is performing differently in its different customer segments. This would also be looked at relative to the importance of the different selection criteria for those customers. There is therefore a need to analyze specific customer segments and to make decisions on how to better serve these specific markets.



Here are some important questions to think about when addressing customer segment decisions:

***On which customer segments should the company focus?***

- Which of these truly distinct segments are most attractive? Attractiveness comprises various dimensions such as:
  - The size and profitability of the customer segment?
  - The strategic importance of that segment to the company's business currently and in the future
  - The competitive dynamics in that customer segment – who is serving them and how are they being served (current and future)
  - The potential for the company's products / services to meet the needs of that customer segment relative to current and potential competitor products and services - can the company create a sustainable competitive advantage?

***How will the company succeed in serving these customer segments?***

- Understand the target customer segments and what influences their actions:
  - What are the core catalysts that drive the segment to buy a service or product – these can be practical and they need to be clearly understood and defined in detail in each of the target customer segments

- What is the leverage that the company can use to meet the core catalyst and serve the customers' needs. The leverage is defined as the target customer's actions, views and behavioral responses that the customer exhibits when selecting, purchasing and making use of the product or service and that the company can leverage in order to appeal to that customer segment.
  - How does the company achieve this leverage. Is the leverage a skills, marketing, service, product offering or financial issue. What is the cost/benefit analysis of these different leverage points. Where will the company get the most bang for its buck?
  - Define the service and value provided to the customer group to address the areas of leverage and what effect it has on the customer groups' behavior? This behavior can then be translated into a value proposition for the company.
- The company can then create marketing messages and tactics to deliver on the strategy. What are the visual and psychological profiles of the target customer segments that would be used to tailor messages to address the customer group's core catalysts and leverage points? Translate this visual and psychological profile into tangible, clear actions for the sales force that they could use to activate the customer?

## Conclusion

The purpose of this brief position paper is, not to provide you with a blue print of how to conduct a customer survey, but to highlight just some of the complexities and key issues associated with customer surveys. A customer survey can be a very powerful strategic tool if used in an integrated and effective manner. There is a wealth of data in a customer's head – you just need to know how to get at the data and how to **turn that data into** information and **strategic integrated insights** which can provide you with that competitive edge in the marketplace.