

# CONDUCTED PROPERLY, CUSTOMER SURVEYS CAN INFORM STRATEGIC DECISIONS

**Customer surveys can yield need-to-know intelligence, but all too often they produce only nice-to-know facts.**

**Bruce L. Katcher, Ph.D.**

LATE LAST YEAR, THE CEO OF AN INTERNATIONAL SUPPLIER OF TEST Equipment to the semiconductor industry sat down at his desk to review the findings of his firm's recent customer satisfaction survey. He was excited because the company was in the second year of a three-year plan to improve sales by 25%, and he expected the survey results to help him fine-tune the plan. Yet, much to his dismay, the survey offered little insight.

He had hoped that the results would help him learn which products held the most interest to specific customers. But the customer service staff had asked only about satisfaction with day-to-day services and not about the customers' purchasing plans. While it was nice to know that 92% of customers were satisfied with the company's telephone system, this CEO needed to know what features customers liked best about current products, what features were unnecessary, and what new products customers would need next year.

This is a common problem. Conducted properly, customer satisfaction surveys can provide a wealth of information directly related to an organization's strategic plan. Improperly conducted, such surveys do little more than provide interesting but not very useful information.

## **Why Customer Surveys Often Fail to Inform Strategy**

There are three major reasons why customer satisfaction survey programs don't provide strategic value.

1. *Customer surveys are viewed as merely a performance appraisal tool.* In response to poor customer ratings, managers typically use Band-Aids rather than perform major surgery. Instead of focusing primarily on training and motivating employees to provide better service, management should focus on more fundamental issues such as whether the organization's products, services, and culture need to change in order to improve customer satisfaction.

2. *The wrong people are involved.* Customer satisfaction is critically important to all organizations, yet the job of gathering and interpreting customer satisfaction data is often relegated to lower levels of the organization. These people are not in a position to evaluate the results from a strategic perspective, nor are they able to implement the major organization-wide changes that may be needed.

3. *Management engages in analysis paralysis.* Far too often, customer satisfaction survey data is over-analyzed, scrutinized, and beaten to death. Management responds with denial and finger-pointing instead of constructive actions or strategic decisions.

## Guidelines for Success

Here are eight general guidelines to help you establish a useful customer satisfaction survey program, one that will provide meaningful input to your strategic plans.

**1. Use an External Consultant.** Use an independent external consultant to help make certain you are asking the right questions in the right way and drawing the proper conclusions from the results. In-house personnel may have tunnel vision about the appropriate items that should be included in the survey, probably have not been trained on how to properly phrase survey items, and could try to protect their own self-interests by not including important questions or biasing the interpretation of the results.

**2. Establish Clear, Quantifiable Objectives Related to Your Strategic Plans.** Conducting an exploratory customer satisfaction survey to find out what your customers think about your organization's products and services typically does not serve any useful strategic purpose. The survey should be developed with specific objectives in mind. Consider the following examples.

*Objective of a major pharmaceutical company:* Cost-effectively outsource desktop computer services by maintaining costs at the previous year's level and achieving a minimum of 85% customer satisfaction.

*Approach:* (1) Assess the effectiveness of our desktop computer services vendor by conducting an internal customer satisfaction survey to determine whether or not 85% of our employees are satisfied with the services they are receiving. (2) If 85% are not satisfied, we will enforce the penalty provisions of our contract with the vendor and identify improvements that must be made within this fiscal year. (3) If 85% are satisfied, we will continue and perhaps renew the vendor's contract next year.

*Objective of a mid-sized adhesives manufacturer:* Increase the gross revenue from our B-customers by 20% within the next two years.

*Approach:* (1) Conduct a customer satisfaction survey that will identify the specific needs of B-customers. (2) Use the survey to identify how the needs of these B-customers differ from those of A- and C-customers. (3) Reconfigure the product and service offerings provided to B-customers by the end of this fiscal year.

*Objective of a mid-sized retirement services organization:* Reduce customer turnover from 10% to 5% within the first year and from 5% to under 2% by the end of the second year.

*Approach:* (1) Conduct customer satisfaction surveys twice a year that will identify those customers who are considering taking their business elsewhere. (2) Implement a customer retention program that includes personal quarterly visits by senior management to these customer sites.

**3. Involve Senior Management.** Delegating the implementation of a customer satisfaction survey program to middle management is fine, but if senior management does not embrace the process, little good will result. The program will succeed only if senior management is involved in setting its objectives,

monitoring the data gathering process, interpreting the results, and actively implementing the solutions.

**4. Make Certain that Customer Perspectives Are Included in the Survey.** In developing a customer satisfaction survey, always get input from your customers first. For example, management may want to know about the technical requirements customers foresee for next year, but customers see issues such as delivery time and warranties as more important. These issues should be included on the survey as well.

The survey must provide an opportunity for customers to voice their opinions, both positive and negative. There are several ways to identify the key issues of importance to customers before developing the survey.

*Conduct pre-survey interviews with customers.* Ask a representative sample of customers what they particularly like and dislike about the products and services your organization provides to them. This will help identify their key concerns.

*Ask front-line employees for their input.* Front line employees probably have a better perspective than senior managers about customers' major concerns. They should therefore have input into the creation of the survey instrument.

**5. Do Everything Possible to Encourage Customers to Respond.** If you do not receive a good response rate, senior management will spend more time focusing on the credibility of the data than on what actions should be taken to improve customer satisfaction. A survey professional can help you determine an adequate sample size. Here are some things that can be done to increase the response rate.

*Use multiple methods.* Some customers prefer to respond to mail surveys and others may be more inclined to use the Web. Offer both methods. For more exploratory investigations, telephone interviewing is more appropriate.

*Provide an incentive.* Incentives that have proved successful include entry to a raffle for a vacation, a contribution to a charity for every completed survey returned, a gift certificate to amazon.com, or a discount on the company's products.

*Over-communicate.* Send personalized letters from a CEO or other high-ranking executive telling customers that a survey will be arriving shortly and that their input is important.

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Have your sales staff telephone customers to ask them to complete the survey. Send several follow-up reminders via telephone and email. Make follow-up telephone calls to those who have not responded by the deadline.

*Personalize the survey.* Customers don't like to wade through a lot of irrelevant questions. Develop personalized surveys that ask only those questions relevant for the customer. For example, it makes little sense to ask executives about day-to-day issues and makes little sense to ask frontline contacts about issues such as long-term purchasing plans. Develop two survey forms, one for executives and another for the day-to-day customer contacts.

*Make it easy for customers to respond.* Use a short emailed web survey. For mail surveys, provide postage-paid reply envelopes. Also, consider offering a toll free number or dedicated email address for customers to provide additional feedback.

**6. Develop an Action Plan Implementation Process.** The key to the success of any customer satisfaction survey program is what happens after the data is collected. Many organizations spend a tremendous amount of time honing the appropriate questions but precious little time on how the results will be acted upon. A plan that outlines who will review the results and who will be responsible for acting on them should be put in place at the very start of the program.

**What Doesn't Work.** Here are two commonly used approaches that typically don't work.

*We'll Just See What Happens and Keep Our Fingers Crossed.* The Senior Management Team (SMT) reviews the results, acknowledges that there are problems, and then does nothing. No specific actions are identified, no timetables are outlined, and no one is held responsible. Also, the results are not discussed in terms of the objectives of the survey program or their implications for the strategic plans of the organization.

*Let Customer Service Take Care of It.* The SMT never even reviews the results. Customer service gathers the data and then is expected to develop the appropriate action plans and make certain they are implemented throughout the organization. However, customer service lacks the authority to make changes outside of its own small domain. Also, this approach does not provide an opportunity for the SMT to review the implications of the results for the organization's strategic plan.

**What Does Work.** Four approaches can be effective.

*The "Senior Management Team Do it All" Approach.* (This approach is recommended for organizations in which the CEO believes that delegating action planning to department heads or to an employee team will not be effective.) The SMT reviews the results in light of the study's objectives and assesses the implications of the results for the strategic plan. They then target three to five specific areas for improvement. Each member of the team then volunteers to be responsible for developing and implementing one of the action plans according to a timetable defined by the CEO. Implementing the action plans becomes part of the goals and objectives of each SMT member.

*The "Delegate Through the Hierarchy" Approach.* (This is effective when the CEO believes department heads can be entrusted to implement important action plans successfully.)

The SMT reviews the results and identifies three to five specific areas for improvement. They then delegate the responsibility for implementing these plans to the appropriate departments (e.g., operations, customer service, marketing, and sales). The heads of each department are held accountable for implementation.

*The "Establish a Committee" Approach.* (Use this approach in relatively flat organizations when employee involvement is critically important to really make things happen in the organization. This approach helps to empower employees and is ideal when grassroots problem solving is needed.)

The SMT reviews the results, targets three to five specific areas for improvement, and then delegates implementation to a "Customer Satisfaction Team." The team, comprised of key members of each department, is charged with developing and carrying out the action plans. Ideally, the CEO or a key member

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of the SMT serves as the facilitator of the group and provides the clout that may be needed throughout the organization to make certain the action plans are implemented.

*The "Use a Consultant" Approach.* (Use this approach when the credibility and expertise of an outsider will increase the probability that action plans will be implemented.)

The SMT reviews the results with an experienced outside consultant. The results are discussed in light of the study's objectives and the strategic plan. Three or four specific areas are targeted for improvement. The consultant is then empowered to work with key department heads to implement the action plans. Typically, the consultant works with employee teams within each department.

**7. Communicate the Results Widely.** The results of the survey, as well as the actions that will be taken should be communicated to three major audiences.

*All Customers.* Soon after the study has been completed, the CEO should send a letter to all customers. The letter should thank them for participating, tell them the major results (both positive and negative), and outline what measures will be taken to address any areas of concern.

*Concerned Customers.* Special letters, phone calls, or visits should be made to customers who have expressed specific concerns. Senior management should make these contacts, not the employees who may be the source of the problem. Tell these customers how you will address their concerns.

*Employees.* The results of the study should also be communicated to all employees. They should know which customers expressed concerns and what they are expected to do to improve the situation.

**8. Make the Survey Process Ongoing Rather than a One-time Event.** Surveying your customers should become part of how you conduct your business, not an isolated event. Surveying on an annual basis will enable you to track trends and assess the effects of changes you have made in response to prior surveys. It will also enable you to continue to assess the viability of your strategic plans.

A properly conducted customer satisfaction survey program can be an extremely valuable tool for assessing the effectiveness of strategic plans and fine tuning those plans.

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