
Customer Voice Management: Driving Value by Listening to Customers

Like steering a tanker by observing its wake, traditional CRM (Customer Relationship Management) solutions focus on managing and analyzing customer interactions while ignoring the information about attitudes and intentions that would allow businesses to predict customers' future needs, wants, and behaviors. But, traditional "customer attitude" research methods are slow and expensive, reducing their value.

However, a new class of software solutions has emerged that help firms factor the "voice of the customer" into critical value-adding processes such as product development, sales and marketing, and after-sales service. Aberdeen believes that these Customer Voice Management (CVM) solutions empower firms to break through to a new level of customer focus, with dramatic benefits for their ability to deliver value and to drive sales and profits.

Executive Summary

Conventional CRM software — sales, marketing, and service — gives businesses tools to sell, to market, and to service customers across multiple channels, from e-mail and the Web to live-person call centers, direct mail, and personal selling. The effectiveness of CRM solutions depends on customer intelligence — e.g., information about customer product preferences, past buying behaviors, and lifetime value to the firm. Thus, operational CRM tools have been increasingly coupled with datamarts, data warehouses, and data mining and analytics solutions. The objective of these investments has been to gather together front- and back-office information concerning the customer and to use this data to inform and optimize all customer interactions.

However, until recently, the emphasis of such data collection has been to capture customer and prospect demographics and to profile information about product interests and information concerning online and offline behaviors with respect to the firm, such as buying history, complaints, etc. The problem with this emphasis is that it is inherently historical in nature and backward looking — like steering a tanker by observing its wake. It fails to capture customer motivations, intentions, and attitudes, which are the best predictors of *change* in behavior. For example, traditional CRM tracking systems may capture the fact that a customer has stopped buying or has failed to complete an online purchase. But *why* that customer has defected is, at best, a guess. Moreover, using past behavior to predict how customers will react to new offerings that are significantly different from earlier products is problematic at best.

Measuring customer attitudes, intentions, opinions, and satisfaction has long been the province of traditional market research agencies and professional market researchers. Such research is typically expensive and slow, and traditionally has been conducted either annually or on an ad hoc, project-by-project basis. However, as businesses move online and both product development and customer buying cycles accelerate, such slow, expensive methods of capturing the "voice of the customer" are proving to be increasingly inadequate.

In recent years, a number of companies have emerged that offer Web-centric solutions for capturing customer attitudinal information and feeding it back into key business processes such as product development and managing the customer experience. These companies have in common the desire to

simplify the data gathering process — putting it in the hands of rank-and-file marketers — and to integrate continuous information concerning customer attitudes into the ongoing business processes of a firm. Thus, learning is maximized, and an optimized return on relationship (ROR) is provided across the entire organization.

This Aberdeen *Market Viewpoint* identifies some of the many powerful uses of customer input for optimizing marketing decisions and processes such as new product development or managing customer relationships. It then reviews the major data collection alternatives that have been available to marketing managers and points to the shortcomings of these alternatives that have limited their adoption. Next, it briefly reviews the potential of the Web and the Internet to transform the process of incorporating the voice of the customer into managerial decision-making. Finally, it delineates the dimensions of a new software market category, Customer Voice Management, and introduces several suppliers that are demonstrating the potential and value that comes from this emerging class of software applications.

Voice of the Customer: The Power of Listening

The importance of customer focus and, specifically, organization around the customer's wants and needs has been a theme of marketing academics and consultants for more than 25 years. An extensive body of research has shown that a marketing orientation, that explicitly includes customer focus leads to higher market share and profitability.¹ Marketing-oriented firms seek to understand customer needs and wants. Then, based on that understanding, they structure their organizations, product offerings, and processes around delivering value to meet those needs. Investments in market research have grown dramatically in recent years — to more than \$27 billion in 1999 — as marketers seek to better understand their current and prospective customers. Much of this research has been focused on explicitly measuring consumer attitudes, perceptions, wants, and needs. It has also focused on using the “voice of the customer” (VOC) to drive business decisions.

The following are at least three critical domains where capturing VOC has proven to be of critical importance to a firm's ability to deliver value (Figure 1):

1. *The domain of creating value* — conceiving, developing, and producing new products;
2. *The domain of communicating and delivering value* — customer acquisition processes; and
3. *The domain of sustaining value* — customer service and relationship management processes.

Figure 1: VOC Drives Success in Three Value Domains



Source: Aberdeen Group, March 2002

The Domain of Creating Value

Though this domain encompasses all of the processes internal to the firm, as well as the management of upstream suppliers, the most critical value creation process engaged in by firms is new product development (NPD). As firms have moved from “over the wall” sequential product development patterns toward the faster integrated product development (IPD) model — characterized by cross-functional teams working toward a common product vision from concept through market launch — customer input throughout the NPD cycle has become a critical element of successful new product initiatives. Many studies have been conducted on the factors that differentiate successful new products from those that fail — between 20% and 90% of new products fail depending on the industry and study — but the conclusion of the research has been uniform. Together, superior perceived value, effective development processes, and precisely targeted launches explain most of the differences.

The single overwhelming predictor of success is superior value in the eyes of the customer. Superior offers are based on a new product idea that meets the needs of the market and a product that lives up to the concept. This result points to the importance of initial marketing research to identify unfilled needs or latent problems, as well as research to confirm that the product, as delivered, meets those needs.

An effective development process is also critical to NPD success. Significantly, one of the contributors to effective NPD is that the project team cleaves to a compelling vision for the product concept that is based on hard data concerning consumer needs. Similarly, effective NPD programs tend to prototype more and use these prototypes to secure early consumer feedback on the product concept.

Finally, successful products are characterized by appropriate marketing launch activities that include offering attractive value propositions to well-targeted audiences. Again, effective segmentation, targeting, and selection of which benefits to emphasize in promotions, distribution, and pricing all depend on a thorough understanding of customer preferences and attitudes.

The benefits of excellence in the domain of creating value include shorter NPD cycle times; lower costs; greater productivity; superior value propositions to the market; and, ultimately, higher profits.

The Domain of Communicating and Delivering Value

The domain of communicating and delivering value involves three of marketing’s “four Ps”: promotion, place (distribution), and pricing — all of the activities and processes involved in communicating with customers, making products available to them, transacting exchanges, and capturing value from them. There are many processes in this domain in which knowledge of the customer plays a critical role. Following are some examples:

- *Selecting the desired brand positioning:* Which customer needs are going unmet? What perceived position in the market will best deliver value against those needs? How are competitive brands viewed in the market?
- *Developing the promotional program:* What benefits should be emphasized — via which media and on what occasions — in order to position the brand appropriately?
- *Developing the distribution program:* How do customers prefer to buy this type of product? Are the customers’ perceptions of a particular channel consistent with the desired brand image of the product?
- *Managing sales effectiveness:* What product best fits customers’ needs, and how can salespeople be coached to dynamically collaborate with customers in the sales process?
- *Pricing the product:* How much value do customers assign to the product? What are their alternatives? How does price impact the product’s image?

The benefits of excellence in the domain of communicating and delivering value are also attractive: superior market awareness, positioning, sales, and market share.

The Domain of Sustaining Value

The domain of sustaining value involves all of the processes, infrastructure, and people associated with supporting customers after the sale. It is particularly concerned with the interface between the customer and the organization — and its employees — and is at the heart of the CRM movement. The processes of managing the customer experience during and after the sale — collectively termed Customer Experience Management (CEM) — are heavily dependent on understanding customers' attitudes and perceptions and on explicitly giving them a voice in how the firm interacts with them over time.

In recent years, the dramatic upsurge of investments in CRM technologies for Web self-service, and in contact center solutions facilitating customer support via multiple communication channels, points to the importance of this domain. Yet, managers must capture and integrate VOC information into their efforts to build and optimize their customer support infrastructure. Success in this domain drives long-term customer satisfaction, loyalty, and profitability.

The Power of Listening in Building Loyalty

Finally, there is at least one additional benefit of encouraging customer voice behaviors. Customers who communicate with firms about their wants and preferences — or even to complain about problems — and who feel heard by the firm are more loyal and less likely to switch to alternative suppliers or products. Thus, an effective CVM system not only helps firms to deliver superior value to the market, but also engenders loyal customers.

CVM: Encouraging and Managing Customer Voice

Managers have long appreciated the benefits of gathering customer attitudinal and preference information. However, most methods for doing so are technically demanding or involve major tradeoffs in terms of their cost, speed, relevance, data quality, sample quality, and flexibility (Table 1). As a result, formal market research regarding customer needs and attitudes has generally been the province of professionals, and it is often outsourced at great expense.

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As a result, for many firms marketers' efforts to gather VOC information for use in informing new product development efforts, optimizing marketing mix planning, or improving customer experience during transactions have tended to be sporadic at best, and the information is often of questionable validity. Moreover, even the most sophisticated firms, in terms of their customer research capabilities, face a formidable task in aggregating, prioritizing, and disseminating the broad range of structured and unstructured customer feedback that they receive. Finally, the new potential channels for managing customer voice, including inbound and outbound e-mail and Web surveys, although promising, add their own technical and research method challenges to the mix.

Table 1: Alternative Methods for Gathering Customer Needs Information

| | Data Source | Cost per Respondent | Time and Frequency | General Data Quality | Sample Size and Quality | Research Expertise Required | Format of Results |
|---|---|--|--|--------------------------------------|--|------------------------------------|--|
| Traditional Information Gathering Approaches | Customer visits and personal interviews | High; up to \$1k/visit | 2 week prep time; up to ½ day plus travel time/ interview; per project | High; requires expert interviewers | Small typically non-random | Moderate | Notes; filled out survey? |
| | Focus groups | Moderate; up to \$20k/group | 2 weeks prep; ad hoc per project | Moderate; requires expert moderators | Small; non-random | High | One time report; transcript and video tape |
| | Consumer Councils | Moderate; up to \$50k+ | Months to prep; 1-4× per year | Moderate | Small; non-random; lead users | Moderate | Lengthy e-mails; Notes |
| | Sales Reports | Direct: \$100; opportunity cost: \$1,000 | Hours; sporadic – poor sales cooperation | Moderate to low | Small; biased | Low | Notes |
| | Phone-based surveys | \$10+/call | 1 to 1.5 hours per complete; can be very fast; periodic | High to moderate | 30 to 200 completes typical; moderate | High | Qualitative or quantitative reports |
| | Mail-panel surveys | Moderate; \$5-10 per respondent | 2 months; 1-4× per year | Moderate | Moderate to large; professional respondents | Moderate to high | Qualitative or quantitative reports |
| | Mail surveys | Low-Moderate; \$2-5 per respondent | 2 months+; 1-4× per year | Moderate (decreasing) | Moderate to large. Non-response a critical issue | High | Qualitative or quantitative reports |
| | In-bound calls to call centers | Moderate; \$2 per call | Minutes; sporadic but ongoing | Moderate; unstructured | Variable; complaints data | Low | Call reports; Pareto analysis |
| Internet-based Approaches | In-bound e-mail | Hours of salary, opportunity cost | Hours/days of sorting; sporadic | Poor; unstructured data | Variable; often biased | Low to moderate | Overflowing e-mail inbox |
| | Outbound e-mail surveys | Very low; less than \$1/respondent | Days; frequent to continuous | Moderate | Large; moderate (improving) | High | Qualitative or quantitative reports |
| | Web-based surveys | Very low | Days; continuous | Moderate to low | Variable; moderate to low | High | Qualitative or quantitative reports |

Source: Aberdeen Group, March 2002

Emerging Requirements for CVM Solutions and Services

Over the last two years, a number of new suppliers of software and software-mediated services have emerged that are defining a new market space — which Aberdeen calls Customer Voice Management — that is focused on helping marketers factor customer voice into their planning and processes for creating, communicating, and sustaining customer value. CVM solutions are the implementation tools that facilitate supplier learning from the relationship. However, they also facilitate *customer* learning about the *supplier*

to the extent that their use signals the supplier's investment in sustaining and furthering the relationship with the customer. While these CVM suppliers' value propositions and approaches to the market vary, Aberdeen has noted some common themes beginning to emerge concerning the standards that best-of-breed CVM suppliers must meet.

Accessible to marketers: A key shortcoming of most of the existing solutions for gathering VOC data is that they are difficult to deploy without formal training in market research. Moreover, marketers are chronically stretched for time. The result is that internal experts or external outsource suppliers are typically enlisted to execute VOC research, with the resulting delays and cost impacts. CVM suppliers must either provide comprehensive outsourced services — including consulting, execution, and analysis/reporting — or provide software that is particularly intuitive for rank-and-file marketers to use. This software would include wizards, workflow templates, and context-sensitive online helps and would be coupled with consulting services.

Best practices are encouraged: A related requirement is that the supplier must support and/or encourage best research practices in both the gathering and analysis of VOC data and in its appropriate deployment throughout the value lifecycle. Again, this requirement can be met by means of consulting and training services combined with aids built into the software or by wholly outsourcing the service.

Strong linkages are provided to front- and back-office solutions: In some cases, much of the data these solutions work with resides in data stores associated with other applications — customer data warehouses, call center databases, SFA (Sales Force Automation) contact databases, etc. Moreover, the VOC reports and analyses that CVM solutions generate must be passed back to other applications such as collaborative product development solutions or CRM platforms seeking to provide a 360-degree view of the customer. This requirement has significant implications for CVM and CRM solution architecture. Finally, it will often be a CRM/e-Marketing solution that addresses the requirement of closed-loop processes.

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Closed-loop processes — letting customers know they've been heard: One of the greatest failings of customer satisfaction measurement systems of the past has been lack of follow-up: If customers cannot see that their feedback is having any impact, they quickly lose interest in talking to the supplier. Thus, best practice solutions will explicitly make provisions for letting customers know that they have been heard, and that their input does impact decision-making. That facilitates the customer side of the learning relationship in that customers learn about the supplier and come to value the relationship increasingly over time.

Suppliers helping to define the CVM market:

Although many firms are involved in providing customer satisfaction and perception research services, firms such as BetaSphere, CustomerSat, Informative, ListenPoint, Online Insight, SatMetrix, and Truis demonstrate the growing range of approaches to the CVM challenge. These firms vary in size, application focus, methodological emphasis, and business model (Figure 2, Table 2). Nevertheless, Aberdeen research suggests that each delivers significant value to firms seeking to achieve competitive differentiation, long-term customer satisfaction, and improved profitability.

Table 2: Solutions and Services of Representative CVM Suppliers

| Supplier | Market Focus | Solution Description |
|--|---------------------|---|
| <p>BetaSphere 1335 San Antonio Palo Alto, CA 94303 (650) 930-0200 www.betasphere.com</p> | CVM | <p>BetaSphere's Feedback Management Server (FMS) was the first software application focused entirely on capturing VOC feedback from customer acceptance testing for new product development projects. A thin-client, Web-centric application running on Linux 2.x or Solaris 2.5 and an Oracle 8.x database, the FMS offers many features that support effective VOC research in support of new product development projects ranging from evaluator recruitment and feedback management through project workflow and response management.</p> <p>BetaSphere builds on the FMS platform to deliver an array of solutions for product development CVM. BetaSphere offers its FMS software either via hosted subscription or as a license that scales based on a customer's feedback measurement requirements. Two turnkey outsourcing options are also available.</p> |
| <p>CustomerSat 1049 Terra Bella Ave. Mt. View, CA 94043 (650) 567-9885 www.customersat.com</p> | CVM | <p>Released in March 2001, CustomerSat's eCEM (Enterprise Customer Experience Management) System 4 is a comprehensive, hosted solution for capturing, linking, and analyzing ongoing customer and employee feedback from a wide range of contact points and disseminating role-appropriate views of the results to stakeholders throughout the organization. The application suite includes modules for obtaining Internet-based feedback from call-center-based CRM solutions; e-mail and live chat support solutions; Web site reactions and experience measurement; employee satisfaction monitoring; help desk and IT (Information Technology) services support feedback; and feedback from partners, distributors, and salespeople. Comprehensive consulting services are provided, including satisfaction research outsourcing support.</p> |
| <p>Informative 2000 Sierra Point Parkway, Suite 301 Brisbane, CA 94005 (650) 534-1010 www.informative.com</p> | CVM & CRM | <p>Informative's C-Feedback Suite consists of two modules: one for working with structured VOC inputs, the other for working with unstructured VOC data. Informative's structured feedback module provides full research campaign authoring capabilities, including an easy to use interface, question templates, and a business logic engine; multichannel execution support, including live collaboration, and easy integration with existing CRM systems; real-time reporting using both predefined and custom reports; and intelligent escalation — intentions data can be combined with transactional data from CRM systems to drive immediate responses to customers.</p> <p>Informative's unstructured feedback module, based on technology it recently acquired from Recipio, is a revolutionary system for gathering and dynamically scoring unstructured feedback from end-users. It is being employed by firms such as Dell, General Motors, NBC, Pepsi, Proctor and Gamble, and others to engage customers in collaborative dialogs about current products, new product ideas, etc., while giving them immediate feedback about how other respondents rank their ideas — a CVM tool that builds customer community.</p> |
| <p>ListenPoint 2305 Camino Ramon, Suite 225 San Ramon, CA 94583 (925) 498-2100 www.listenpoint.com</p> | Product Mgmt. & CVM | <p>ListenPoint's current software offerings enable firms to engage stakeholders such as customers, employees, and partners in collaborative conversations that result in "rolled-up" opinions on key product strategy and marketing questions and prioritized lists of requirements for new product planning. Unique technology is used to build consensus on open-ended unstructured (Voice of the Customer) input from hundreds or thousands of people. Leveraging feedback from a wide array of initial customers, ListenPoint is developing a comprehensive enterprise platform that will facilitate a market and customer-centric approach to the overall product planning and management process. It will address the needs of product researchers.</p> |

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| | | product managers, and executives across a division or enterprise. Scheduled for release in mid-2002, this platform and family of applications will include augmented workflow capabilities; additional analytics and reporting; additional natural language processing capabilities; new algorithms to prioritize feedback; and integration with CRM systems. The product family will also include a number of enterprise applications, portals, and dashboards. ListenPoint offers both licensed and hosted solutions. |
| Online Insight 7000 Central Parkway, Suite 1400 Atlanta, GA 30328 (770) 508-1440 www.onlineinsight.com | CVM & MSE | Online Insight's suite of marketing and sales effectiveness (MSE) solutions rest on a unique CVM platform that uses adaptive conjoint (tradeoff) analysis technology. Three modules address, respectively, the customer (Insight Sales), the sales agent (Insight SalesPro), and the marketer (Insight Intelligence). For example, a Web site deployment of Insight Sales can engage customers in real-time, collaborative conversations concerning their personal preferences for product features and attributes. From the personal preference information, Online Insight's analytics engine predicts the supplier products that best meet the customer's needs and dynamically presents them to the customer for purchase consideration. Similar functionality in the other modules can coach salespeople as they collaborate with customers to arrive at the optimal product choice or can inform marketing about the relative importance placed on different product features in consumers' choice process — a key input to marketing promotion and new product planning. |
| Satmetrix 100 View Street Suite 200 Mt. View, CA 94041 (650) 314-2300 www.satmetrix.com | CVM | Satmetrix Systems offers an integrated array of software and services that work together to provide a customer experience “dashboard,” or monitoring system, for organizations. Comprehensive consulting services are offered to help Satmetrix Systems' customers develop the appropriate customer experience management system. Clients can track customer feedback for the firm as a whole or for sub-units as needed. The feedback can be integrated via the Web into an organization's existing business processes to resolve problems, prevent their recurrence, and upgrade customer service. Recognizing that employee and partner attitudes strongly impact customer satisfaction, Satmetrix Systems offers hosted services for measuring employee, partner, and employee satisfaction. |
| Truis 375 Fremont Street San Francisco, CA 94105 (415) 581-1000 www.truis.com | CVM | <p>Truis initially developed a service comprising a comprehensive methodology for the collection, management, and distribution of qualitative customer feedback in B-to-B (business-to-business) markets. More recently, in response to client demand, Truis has designed and launched the Truis IQ System — a hosted Web customer intelligence management application. The focus of the IQ System is on capturing and using customer-interview-based intelligence throughout the organization via intelligence reporting, communications, and administration/security.</p> <p>The intelligence management features of the IQ system enable users to segment the customer population based on a variety of attributes to generate a wide range of predefined or ad hoc reports such as win/loss reports, lists of hot issues, lists of customer references sorted by industry, etc. The IQ system also enhances communications between the firm and the customer, as well as among departments within the firm. For example, customer change requests for new products can be logged, distributed to the members of new product teams, and the status reported back to the customer. Finally, the IQ system administration module enables customer intelligence managers to manage end-user profiles, establish the business rules for managing automated processes such as notifying stake-holders of new customer issues or updated reports, and to configure systemwide settings for system access, report distributions, and so forth.</p> |

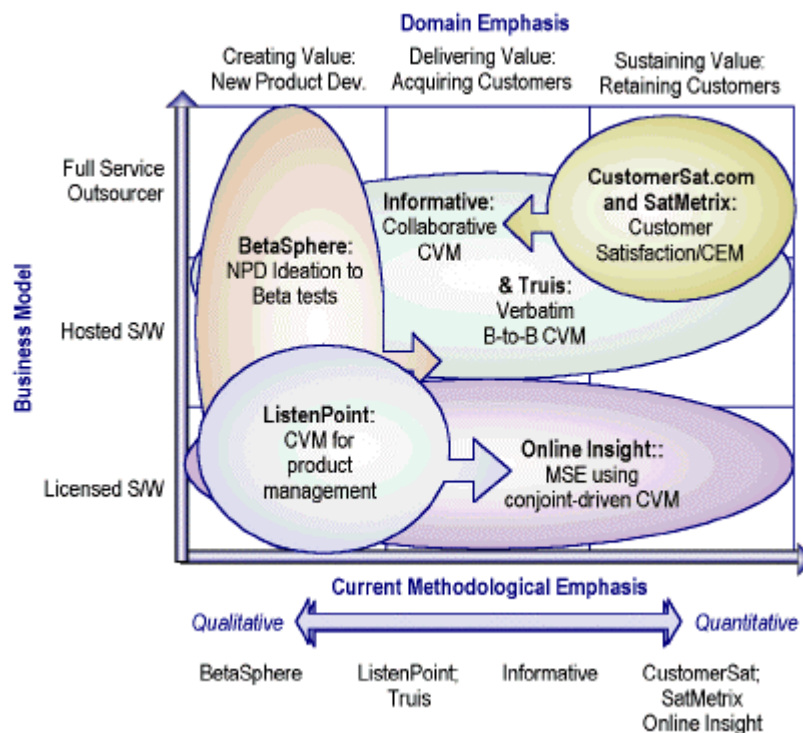
Source: Aberdeen Group, March 2002

Aberdeen Conclusions

The entire process of creating, delivering, and sustaining value for customers depends heavily on developing and maintaining an intimate knowledge of customer attitudes and preferences, as well as their wants and needs. Moreover, two decades of research on customer satisfaction and complaining behavior has shown that customers who feel that they can impact managerial decision-making by “complaining” are much more loyal and, in the long run, profitable. Two parallel paradigm shifts in business practice — toward high-speed, integrated product development and toward customer relationship management — have further highlighted the importance of proactively empowering and encouraging customers to communicate with suppliers.

Nevertheless, incorporating the voice of the customer into a firm’s business processes and plans has historically been a slow, technically demanding and expensive process — with the result that many firms are still making decisions based on “gut feel” and historical data concerning past sales behavior. However, a number of firms have emerged in recent years that are combining technical know-how and software applications with market research sophistication. The result is the delivery of increasingly valuable CVM solutions and services for gathering and using VOC data for managerial decision-making throughout the product and customer lifecycle.

Figure 2: Positioning of Representative CVM Suppliers



Source: Aberdeen Group, March 2002

A strategic issue that is just beginning to be fought out in the marketplace is the appropriate degree of domain focus. Some CVM suppliers (such as BetaSphere) are focusing on the value creation domain,

providing VOC inputs into the new product development process. Others, like CustomerSat.com and SatMetrix, are focused on the domain of sustaining value — what they call customer experience measurement or management — and are primarily concerned with interfacing with and completing the CRM initiative. Still others, like Informative, are focused less on a particular domain than on facilitating customer perceptions and attitudes research as a whole or, like Online Insight and ListenPoint, are using CVM as inputs to other processes such as sales effectiveness or product management.

Moreover, both service and software supplier business models are being applied to the CVM market space. Aberdeen research suggests that the market demand is such that each of these strategic positions and business models, if effectively executed, will be adequate to sustain several suppliers over the next few years. However, in the long term, successful CVM suppliers will either need to develop very close ties or merge with suppliers of related applications for collaborative product development or

CRM. Alternatively, they could develop a comprehensive, technology-enabled market research service capability that addresses the entire value lifecycle. The seven CVM suppliers profiled in this *Viewpoint* are positioned to be among the long-term winners. They deserve consideration by firms looking for cost-effective, manager-friendly ways of becoming more customer-centric, responsive, and profitable.

1 Frederick E. Webster, Jr., “Defining the New Marketing Concept,” *Marketing Management*, Vol. 2, No. 2 (1994), 23–31.

2 John A. Goodman and Alan R. Malech, “Using Complaints for Quality Assurance Decisions,” Washington, D.C.: TARP Institute Working Paper, 1985.