THE BUSINESS VALUE OF BUILDING A BEST-IN-CLASS VOC PROGRAM

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Report Highlights

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Best-in-Class firms grow annual revenue by 48.2% year-over-year.	**Top performing VoC users enjoy a 55% greater client retention rate.**	**Top performing VoC users decrease customer service costs by 23.6% year-over-year.**	**Best-in-Class firms achieve a 292% greater employee engagement rate.**

Businesses adopt a VoC program for myriad reasons. The most common ones are increasing customer satisfaction, managing the company brand and supporting top-line revenue growth. However, simply adopting a VoC program is not enough to attain these objectives. When left poorly managed, companies will see minimal to no benefits from their VoC activities.

This report highlights the business case for following the lead of the Best-in-Class VoC users. We'll observe how doing so helps companies delight customers, ensure operational efficiency and enhance financial health of the business.

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You don't have to spend more to delight customers. Effective use of VoC data helps firms create happy clients while reducing costs and growing revenue.

Simply adopting a VoC program will take companies only so far. Those that enjoy continuous improvements adopt best practices and technologies to manage their success in the long-run.

Why Do Organizations Need a (Best-in-Class) VoC Program?

Listening to the needs of customers is never an option. Companies that think differently are reminded of the truth in many different ways, including loss of valuable clients and rising operating costs. Between January and March of 2015, Aberdeen Group surveyed 207 businesses regarding the trends, best practices and challenges impacting customer interactions. The top challenge cited by respondents to the survey was buyers having greater control on almost all aspects of customer / company interactions than they ever did before.

The good news, however, is that a group of high-performing businesses have emerged in converting this challenge to a competitive advantage. These organizations have earned the rank of Best-in-Class (see sidebar on next page), and they are 213% more likely to indicate that they are satisfied with their ability to address client needs, compared to All Others (64% vs. 30%). Table 1 below illustrates the three metrics we've used to determine these top performing organizations.

Table 1: Tuning in to the Voice of the Customer Unlocks Performance Improvements

Performance Findings (n=207)	Best-in-Class	All Others
Customer retention rate	87%	56%
Year-over-year change in annual company revenue	48.2%	4.9%
Year-over-year change in response time to customer requests	30.4%	3.9%

Source: Aberdeen Group, April 2015

Both the Best-in-Class and All Others in our research have VoC activities in place. However, each group observes different results. This shows that **simply collecting customer feedback and sentiment data is no longer sufficient to achieve optimal**

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results. Companies must be more strategic in utilizing effective processes and technologies to maximize their results. Top performers using VoC best practices retain 55% more of their client base, compared to All Others (87% vs. 56%). As a result, they enjoy an almost 10-times greater year-over-year increase in annual company revenue, compared to those trailing in VoC programs (48.2% vs. 4.9%).

Findings in Aberdeen's April 2015 Voice of the Customer: How to Convert Feedback into Better Results study highlight how the Best-in-Class build and nurture VoC programs to achieve the results noted above. On a high-level, what sets them apart from All Others is their focus on going beyond collecting feedback and sentiment data. While they are very efficient in doing so, they also have a keen focus on putting these insights into action. Please read the VoC study to learn how the Best-in-Class combine data gathering <u>and</u> usage to achieve maximum results.

Having briefly outlined the Best-in-Class organizations' secret, let's take a look at some other performance findings that clearly illustrate the importance of following the lead of the top performers.

Financial Benefits

Figure 1 on the next page highlights numerous key performance indicators (KPIs) companies use to gauge their financial health. While annual revenue is an important indicator of success, businesses also monitor and measure metrics such as client profitability, cross-sell and up-sell revenue and service costs. This helps balance the needs of Main Street (aka customers) with the needs of Wall Street (aka shareholders and investors). The below figure shows that this balance helps enhance the financial health of the business through increased revenue and reduced costs.

The performance of 207 companies participating within the VoC survey was analyzed through the three metrics noted in Table 1. As a result of this analysis respondents were assigned into three groups based on their performance:

- **Best-in-Class**: Top 20% of respondents based on performance
- **Industry Average**: Middle 50% of respondents
- **Laggard**: Bottom 30% of respondents

All Others is a fourth category that refers to the combination of Industry Average and Laggard firms.

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Figure I: Creating Happy Customers Don't Cost More
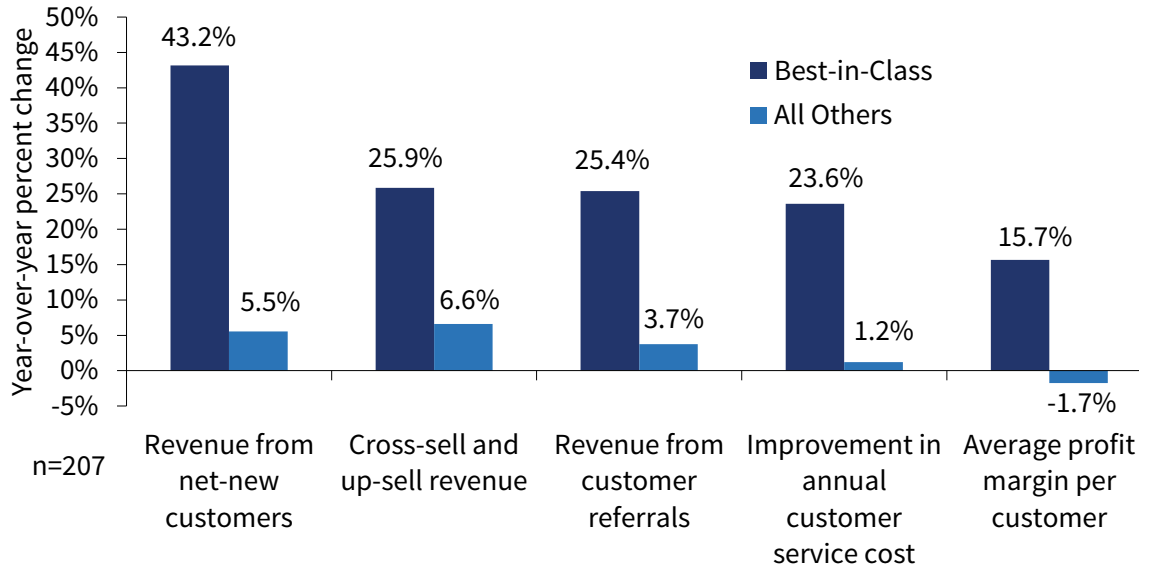
Source: Aberdeen Group, April 2015

Staying in tune with buyer needs through VoC data helps companies maximize customer profitability.

On a high-level, there are two particularly important takeaways from the above figure. First is that **customer delight doesn't have to cost more**. Best-in-Class firms improve (decrease) their service costs by 23.6% year-over-year. They do this while reducing response time to client needs by 30.4% year-over-year. Attending to buyer needs in a timely fashion and addressing them effectively doesn't require spending more. It requires using best practices that allow using VoC data in a smart fashion.

The second important takeaway from the above figure is that top performers enjoy more revenue coming through customer referrals while also growing the profit margin for each account. This means that they excel in activating their loyal buyers to share their positive experiences with others to **grow referral business**. It also means that the Best-in-Class regularly monitor and determine the changing needs of their buyers and present them with the most relevant products / services to address their changing needs to maximize profitability of each account through the lifecycle of interactions they have with the business.

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Operational Benefits

We've observed that following the lead of the Best-in-Class in VoC activities is a financially savvy decision. Figure 2 shows that it's also a wise decision to instill and maintain operational efficiency in the business.

Figure 2: Engaged Employees Are a Key Attribute of Best-in-Class VoC Programs

Source: Aberdeen Group, April 2015
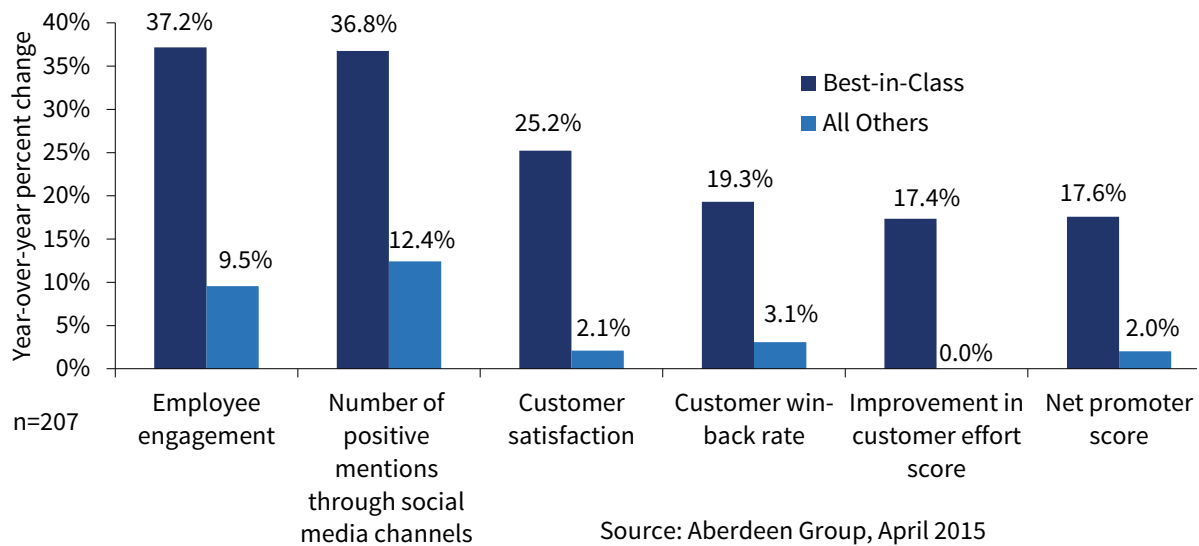
The ease of doing business is highly influenced by how organizations manage customer interactions. If a company is not easy to do business with, this will result in customers expending additional (and unnecessary) effort, whereas those that design their activities with customer experience in mind will minimize buyer effort. To this point, the above figure shows that Best-in-Class firms enjoy 17.4% annual improvement (decrease) in customer effort score (see sidebar), whereas All Others don't attain any improvements. Effective use of VoC data helps the top performers determine their strengths and weaknesses in addressing customer needs. This helps them **maintain activities that delight clients and modify those that result in sub-par buyer experiences**. The annual increase in customer

Customer Effort Score

This metric refers to the work customers must do to get a particular need (e.g. getting a quote and receiving support for a service issue) addressed by the business. There are multiple ways to calculate this metric (e.g. 1-5 score and 1-10 score). As long as the method of measurement remains consistent, tracking and measuring this metric is more important than the method used to do so.

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Best-in-Class VoC users engage their employees around the customer, helping them tightly align business operations with buyer needs.

satisfaction rate enjoyed by the Best-in-Class (25.2%) validates that such operational adjustments are well-received by the clients.

Another important operational improvement illustrated above is increase in employee engagement rate. This metric refers to the percentage of employees rating themselves as highly focused on attaining their goals and contributing to the success of the business. While individual goals of employees will vary, delighting customers is a common objective for all stakeholders in most businesses. Considering that the Best-in-Class report a 37.2% annual increase in employee engagement rate, this signals that these companies enjoy a highly focused and driven workforce aimed at creating happy clients and contributing to organizational success.

Key Takeaways

Taking the initial steps to launch a VoC program by collecting customer feedback and sentiment data are helpful if companies are not already doing so. However, this is no longer a key differentiator. The most successful organizations today – those that ensure customer satisfaction and grow financial health – are the ones that put these insights into action. Juxtaposing the performance results of Best-in-Class firms against All Others shows that this is an extremely valuable endeavor.

Top performing VoC users distinguish themselves by operationalizing the feedback and sentiment data they collect across multiple channels. As a result, they enable employees to better address client needs as well as modify business processes to address inefficiencies resulting in unnecessary costs. If your business is not already enjoying the Best-in-Class results highlighted in this document we strongly recommend you to read the VoC study to follow the lead of these top performers.

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Doing so will help you truly transform your business and establish long-lasting and profitable relationships with your customers.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

Voice of the Customer: How to Convert Feedback into Better Results; April 2015	Flash Forward: 2015 Customer Engagement Channels Adoption; November 2014
Customer Engagement: From Interactions to Relationships; March 2015	Customer Communications Management: Maximize CEM Results with Interactive Content; November 2014
CEM Executive's Agenda 2015: Leading the Customer Journey to Success; February 2015	Customer Engagement Analytics: How to Use Data to Create (and Keep) Happy Customers; June 2014
Big Data in CEM: The Path to Productive Employees & Happy Customers; February 2015	

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