Customer Feedback: Do Or Die

Customer Experience Is Crucial To Success, But Many Companies Are Full Of False Confidence

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ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

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Executive Summary

Never before have financial services companies faced such tremendous pressure to serve their customers. New digital services threaten to steal incumbents' market share and attention; rapid innovations in products and services to serve customers are driving change; and word-of-mouth platforms and price comparison engines allow customers to shop, discuss, and compare offerings more efficiently than ever before. Not surprisingly, a leading German bank told shareholders it would make fans of its 8 million customers. Banks, lenders, and intermediaries run the risk of going out of business quickly if they don't.

When customers possess such power, smart business leaders focus on understanding their customers, what they want, and why. As such, customer feedback and customer feedback management have emerged as vital disciplines for financial services companies to maintain their competitive edge. Unfortunately, many organizations are not using their customer feedback programs to the fullest potential.

> **Forrester defines customer feedback management as: A system of software and processes that enables organizations to centrally collect, analyze, and report on feedback from key customer groups and tailor insights for various internal users.**

In April 2016, eKomi commissioned Forrester Consulting to evaluate how organizations are using customer feedback. To further explore this trend, Forrester Consulting sought to find out how organizations are using their customer feedback approaches to improve their products, services and their customer experiences. Forrester conducted an in-depth survey with 84 marketing and sales managers responsible for customer feedback in Germany, Austria, Switzerland, and the US.

KEY FINDINGS

Forrester's study yielded three key findings:

› **Customer experience will separate financial services winners and losers.** Financial services managers understand their business priorities — which include driving business by winning, serving, and retaining customers who are more demanding than ever before.

› **Financial services organizations have false confidence with their customer feedback approach.** More than 90% of organizations reported that they were using customer feedback effectively; however, when they discussed specifics, managers revealed worries about biased data, a lack of useable insights, unmanageable amounts of material to analyze, and a slow pace of analysis.

› **Enhance customer feedback capabilities.** Organizations are looking to improve their customer feedback approach by leveraging data efficiently and effectively. They can achieve this by using technology to collect feedback quickly and automate processes, and by enhancing mobile capabilities.

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Financial Services Firms Focus On Serving Empowered Customers

Financial services managers' orders are clear: Drive the business by winning, serving, and retaining customers who are ever-more demanding. Business leaders revealed that the key business priorities in 2016 across the DACH region and the US were (see Figure 1):

› **Improve satisfaction and loyalty.** The managers of financial services companies told us that a relentless focus on improved customer relationships was at the very top of their priorities. Fifty-five percent of respondents said that increasing customer satisfaction and loyalty is one of their key business priorities in 2016. In addition, 50% said that improving customer experience was also a top priority. By fully understanding customers and what they expect, financial organizations will dramatically increase customer loyalty, which can only be achieved by providing exceptional experiences and meeting the customers' needs.

› **Grow revenues.** More than half of organizations (51%) are prioritizing growing revenue.

Increased customer experience and satisfaction will drive increased revenue growth.

› **Improve operational efficiency.** A further 51% of respondents said that improving operational efficiency is one of their top business priorities for 2016, highlighting the need to deliver quickly on customers' expectations and staving off competition.

FIGURE 1
Satisfaction And Loyalty Are Key Business Priorities

"What are your organization's key business priorities in 2016?"
(Select all that apply)

Increase customer satisfaction and loyalty	55%
Grow revenues	51%
Improve operational efficiency	51%
Improve customer experience	50%
Reduce costs	45%

Base: 84 marketing and sales managers responsible for customer feedback at financial services organizations in the DACH region and the US

Source: A commissioned study conducted by Forrester Consulting on behalf of eKomi, May 2016

GATHERING AND ANALYZING CUSTOMER FEEDBACK UNDERPINS BUSINESS PRIORITIES

Customers have various platforms to voice their concerns and share their opinions based on their experiences with a brand. If your organization is unable to meet or address these concerns, your current customers will quickly become your ex-customers by going to a competitor that will meet or exceed expectations. And your executives care about customer feedback, too. Sixty-seven percent of organizations strongly agreed that executives support the customer feedback program.

In order for businesses to achieve their priorities, they must fully understand what customers want. So it comes as no surprise that specific initiatives to meet business priorities include (see Figure 2):

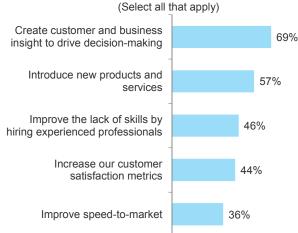› **Creating customer insights to drive decision-making.** Sixty-nine percent of respondents indicated a need to understand where and how they are actively engaging with customers to influence customers' perception of their brand. By learning customers' demands, financial organizations will be able boost satisfaction by innovating products or enhancing existing processes to better meet their needs.

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› **Introducing new products and services.** To support rapidly growing customer needs and to operate effectively, businesses must understand where there are gaps and weaknesses by listening to the voice of the customer and changing the way they innovate and develop products and services (57%). Customers are more likely to buy from and be loyal to businesses that show a wider breadth of digital capabilities and address their requirements.

› **Improving workforce skills.** The distinctive professionals required to develop and achieve business goals may be in short supply. Almost half (46%) of respondents indicated that by hiring experienced professionals, they will be able to achieve their business goals. They will be able to extract useful insights from key customer data points and listen to the voice of the customer.

RATINGS AND REVIEWS ARE AT THE CORE OF CUSTOMER FEEDBACK

Customers who have poor experiences will take their business elsewhere, so it is important to provide a smooth journey. Providing rating and review offerings enables customers to give feedback on the products and services candidly. They use these tools to decide whether they can trust the organization and the brand. Sixty-percent of survey respondents said that customers look for ratings and reviews if they are not familiar with the firm. And 55% of customers only purchase products and services if ratings and reviews are present.
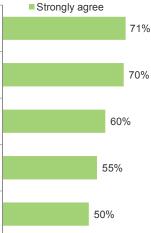
The survey showed that financial services organizations are using rating and review feedback as a critical component to develop content for new customers (71%) and existing customers (70%).

FIGURE 2
Customer Insights Drive Decision-Making

"Which of the following initiatives must you enhance to achieve your business priorities in 2016?"
(Select all that apply)

Create customer and business insight to drive decision-making	69%
Introduce new products and services	57%
Improve the lack of skills by hiring experienced professionals	46%
Increase our customer satisfaction metrics	44%
Improve speed-to-market	36%

Base: 84 marketing and sales managers responsible for customer feedback at financial services organizations in the DACH region and the US

Source: A commissioned study conducted by Forrester Consulting on behalf of eKomi, May 2016

FIGURE 3
Customers Are Influenced By Ratings And Reviews

"How strongly do you agree or disagree with the following statements on the influence of ratings and reviews on customers purchasing decisions?"

■ Strongly agree

Ratings and reviews are used to develop content for new customers	71%
Ratings and reviews are used to develop content for existing customers	70%
Customers look for ratings and reviews only if they are not familiar with us	60%
Customers only purchase products and services if ratings and reviews are present	55%
Customers prefer word of mouth to reading ratings and reviews	50%

Base: 84 marketing and sales managers responsible for customer feedback at financial services organizations in the DACH region and the US

Source: A commissioned study conducted by Forrester Consulting on behalf of eKomi, May 2016
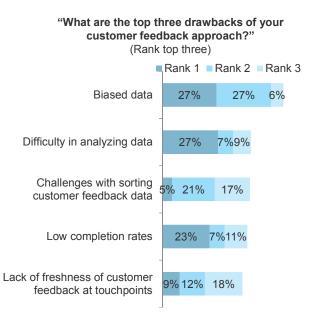
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False Confidence Undermines The Effectiveness Of Customer Feedback Management

When asked directly, business leaders at financial services companies expressed a remarkable level of confidence in their own customer centricity; 92% of respondents told us their customer feedback program was effective or very effective. However, when we drilled into the details of their program, we found that many managers expressed grave reservations about the quality of their data and their analysis capabilities. This is only the first set of data points that suggests a disconnect between managers' confidence and their customer feedback capabilities. Specifically, managers told us their customer feedback management was hampered by (see Figure 4):

› **Biased data.** In general, organizations are prone to confirmation bias; by paying more attention to evidence that supports their existing beliefs and retrieving feedback from already satisfied customers, they contaminate the data. Twenty-seven percent of respondents ranked the issue of biased data as the No. 1 drawback.

› **Difficulty analyzing data.** Companies must gather feedback from all segments of their customer feedback approach and factor in all touchpoints and channels to make sense of the data, yet over a quarter of respondents (27%) ranked the difficulty of analyzing data as one of the biggest drawbacks. Data must be connected across all channels to create a more unified view of customers, and companies must focus on customer needs and customer value drivers across data sources. Technology, skills, and manpower are needed to enforce this work and are crucial to analyzing the data.

› **Difficulty in sorting through customer feedback.** Organizations must organize, analyze, and prioritize their customer feedback so that they can obtain valuable information and identify how to address customer feedback. Forty-three percent of respondents ranked sorting through customer feedback data as one of the top three drawbacks of their approach.

FIGURE 4
Organizations Are Struggling To Dive Deeper Into Customer Insights

"What are the top three drawbacks of your customer feedback approach?"
(Rank top three)

Base: 84 marketing and sales managers responsible for customer feedback at financial services organizations in the DACH region and the US

Source: A commissioned study conducted by Forrester Consulting on behalf of eKomi, May 2016

Enhance Customer Feedback Capabilities To Achieve Business Goals

Financial services organizations must raise the level of their customer feedback capabilities to keep pace with customers' demand and meet business objectives. In order to catch up, organizations are reacting and stepping up their efforts. Forrester's data shows that organizations are looking to (see Figure 5):

› **Collect feedback faster.** More than half of respondents (58%) are expanding their ability to collect feedback at a faster rate. As a result, organizations will be able to react to the ever-demanding customer quickly and thus generate positive business outcomes.

› **Fully automate processes.** Fifty-seven percent of survey respondents indicated the need to create a fully automated process.
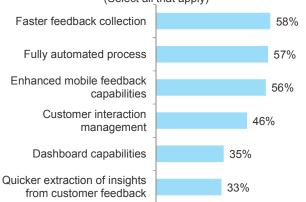
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This is about adding in not just predefined texts but also unstructured free-text feedback. This requires having advanced and intelligent mechanisms and thus using this data to support users effectively and efficiently.

› **Enhance mobile feedback capabilities.** Fifty-six percent of organizations look to enhance their mobile feedback capabilities. Why? Because customers are on the move and are increasingly using their smartphones to conduct everyday activities. By enhancing this particular area, organizations will be able to serve customers on all mobile devices. In a Forrester Research report, it is predicted that mobile subscriptions will reach 5 billion by 2019, representing 69% of the world's population and including almost 3.5 billion smartphone users.[1] This is a huge opportunity to deliver clear value, optimize efficiency, and simplify presentation.

FIGURE 5
Organizations Are Expanding Their Feedback Approaches

"What areas of your customer feedback program are you looking to expand?"
(Select all that apply)

Faster feedback collection	58%
Fully automated process	57%
Enhanced mobile feedback capabilities	56%
Customer interaction management	46%
Dashboard capabilities	35%
Quicker extraction of insights from customer feedback	33%

Base: 84 marketing and sales managers responsible for customer feedback at financial services organizations in the DACH region and the US

Source: A commissioned study conducted by Forrester Consulting on behalf of eKomi, May 2016

WITHOUT BOOSTING CURRENT APPROACHES, ORGANIZATIONS PREVENT SUSTAINABLE GROWTH

Firms are implementing or planning to invest in customer feedback approaches to enhance the quality of their feedback program. The survey revealed that the majority of respondents are looking to expand their feedback approach through (see Figure 6):
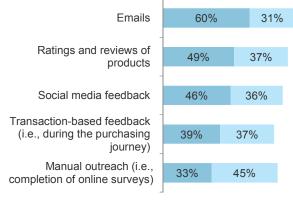
› **Emails.** Ninety-one percent of firms are expanding or planning to implement metrics for email. Although it is a valuable method to gather feedback, there are ways to improve the manner in which organizations are effectively collecting data, such as faster feedback collection.

› **Ratings and reviews.** Eighty-six percent of firms are expanding or planning to implement ratings and reviews of products. Ratings and reviews are a powerful tool. They reveal how customers feel about their experience when using a specific product or service, yet this approach can be further automated to assess how to address customer concerns.

› **Social media.** Eighty-two percent of organizations are also expanding or planning to implement a new social media feedback process. Sometimes the best way of gathering customer feedback is through the candid approach that social media offers. Yet only 23% of firms even make a habit of collaboratively analyzing customers' feedback across departmental silos. [2]

FIGURE 6
Organizations Are Expanding Their Feedback Approaches

"What are your plans to invest in the following customer feedback approaches?"

■ Already implemented/expanding
■ Planning to implement

	Already implemented/expanding	Planning to implement
Emails	60%	31%
Ratings and reviews of products	49%	37%
Social media feedback	46%	36%
Transaction-based feedback (i.e., during the purchasing journey)	39%	37%
Manual outreach (i.e., completion of online surveys)	33%	45%

Base: 84 marketing and sales managers responsible for customer feedback at financial services organizations in the DACH region and the US

Source: A commissioned study conducted by Forrester Consulting on behalf of eKomi, May 2016

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Despite what organizations may think, they are actually struggling in managing their customers' feedback due to the large amounts of information and biased data. It is essential for organizations to address specific areas of their customer feedback approach before expanding their approach to measuring feedback. Why? Disparate customer feedback data and poorly scalable practices will add to the measurement frustrations organizations still face. By using a predefined set of options for customers to choose from in their programs, organizations are unlikely to hear about new opinions, suggestions, and ideas that could be provided to enhance current processes. With only fixed and predefined answers, organizations will be unable to leverage customer feedback in a truly insightful manner.

IN-HOUSE AND MANUAL CUSTOMER FEEDBACK MANAGEMENT LIMIT PERFORMANCE

Financial services organizations are fighting for market share through a combination of software, products, and services, leading them to become more coherent in providing excellent customer experiences. These experiences rely more on technology. Technologies enable organizations to improve their services and achieve results efficiently, by providing detailed feedback to help marketing teams look at the business from a customer's viewpoint. A customer feedback solution must be easy to implement and easily integrated with existing tools. It must also provide insights on your customers by reinvigorating the relationship connections between the financial sector and its clients.

But today's approach is not up to scratch. When we asked respondents how they develop their customer feedback management solutions, respondents revealed that (see Figure 7):

› **In-house systems are used more often.** Exactly half of respondents (50%) have automated systems developed and built in-house. What this means is that organizations will limit their ability to keep up with how customers are engaging with the business. Additionally, hiring the right personnel to maintain and update the program will lead to higher costs, countering the business objectives.

› **Just over a quarter of firms are using manual processes.** Twenty-six percent of firms are using traditionally manual processes to gain customer feedback information, either through email or telephone. This challenges organizations to meet demands in a timely manner and, what is more pertinent, overcome the lack the agility that is required in today's digital market.
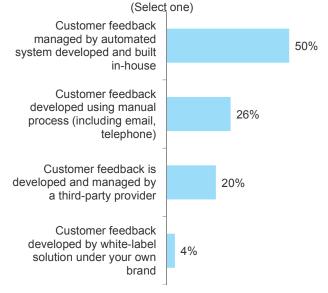
This means that there is a lack of the true nature of what customers want and need.

› **Customer feedback is developed and managed by a third-party provider.** Only 20% of firms are using a third-party provider when retrieving customer feedback. By delegating responsibility to third-party providers, organizations gain more trust as they rely on their partners to provide information and resources. They are able to keep up with technology trends due to the additional costs of enhancing current platforms.

FIGURE 7
In-House-Developed Systems Have Prohibited Firms From Fully Utilizing Customer Feedback

"How have you developed or how do you plan to develop your customer feedback management solution?"
(Select one)

Customer feedback managed by automated system developed and built in-house	50%
Customer feedback developed using manual process (including email, telephone)	26%
Customer feedback is developed and managed by a third-party provider	20%
Customer feedback developed by white-label solution under your own brand	4%

Base: 84 marketing and sales managers responsible for customer feedback at financial services organizations in the DACH region and the US

Source: A commissioned study conducted by Forrester Consulting on behalf of eKomi, May 2016

TECHNOLOGY PARTNERS PROVIDE THE TOOLS THAT TURN INSIGHTS INTO ACTION

In order to achieve business priorities and improve decision-making, financial services organizations must have a systematic response to customer complaints, pain points, and general feedback. To achieve this, they will have to improve tracking, understanding data on a deeper level and
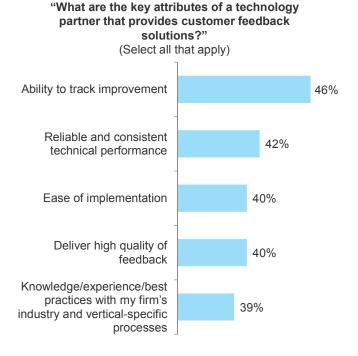
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creating a more pleasant experience for the customer. However, they will not be able to achieve this without the help from technology partners.

We assessed the key attributes organizations are seeking from technology partners that provide customer feedback solutions. The survey revealed that organizations look for (see Figure 8):

› **The ability to track improvements.** Technology partners can help organizations understand whether they are addressing changes and thus track improvements in their approach (46%). By tracking improvements, organizations will create a more unique experience that will create value for their customers.

› **Reliable technical performances.** Technology partners can bring reliability and consistent technical performance (42%) to customer feedback programs due to their robust set of capabilities, skills, and expertise.

› **The ease of implementation.** Implementing systems can be a long and arduous process; thus, financial services organizations are seeking technology partners that are able to implement customer feedback programs easily (40%).

FIGURE 8

Technology Partners Have All The Capabilities To Help Organizations Achieve Business Goals

"What are the key attributes of a technology partner that provides customer feedback solutions?"
(Select all that apply)

Ability to track improvement	46%
Reliable and consistent technical performance	42%
Ease of implementation	40%
Deliver high quality of feedback	40%
Knowledge/experience/best practices with my firm's industry and vertical-specific processes	39%

Base: 84 marketing and sales managers responsible for customer feedback at financial services organizations in the DACH region and the US

Source: A commissioned study conducted by Forrester Consulting on behalf of eKomi, May 2016

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Key Recommendations

Although pressures to grow revenues, reduce costs, and improve operational efficiencies are ever-present in today's dynamic business climate, providing excellent customer service and satisfaction is now the main competitive differentiator. Customers interact with your brand by using products and services, but the ever-demanding customer will require more from the organization. Customer feedback is essential in understanding how customers are thinking, what they want, and where they would like to see changes. Marketing and sales managers should use Forrester's in-depth survey results to guide their strategy and accelerate their journey to becoming more customer-centric. They should also:

> **Address false confidence by auditing your customer feedback approach.** Financial services organizations must continually assess the satisfaction metrics, frequency of responses, and data collection to truly understand the effectiveness of customer feedback approaches. Gather information consistently to analyze and evaluate how well the customer feedback program is performing.

> **Leverage ratings and reviews to help organizations dive even deeper.** If customers get stuck during a process or are unable to find the right information, they will not be impressed and this will be reflected in their review of the brand. If you are able to identify customer pain points and address them quickly, you will increase the chance of retaining that customer. With ratings and reviews, organizations are able to develop new content for new (71%) and existing (70%) customers.

> **Enhance mobile feedback capabilities.** Now more than ever, more and more people are using smartphones and tablets to complete their everyday tasks. By enhancing mobile capabilities, organizations will be able to reach customers who are on the move.

> **Boost performance by working with technology partners.** By working with technology partners, you will benefit from their expertise and knowledge and have access to case studies to prove their value. The partners will also provide invaluable support — these industry experts will become trusted advisors who will help you to provide knowledge transfer to your staff much more quickly.
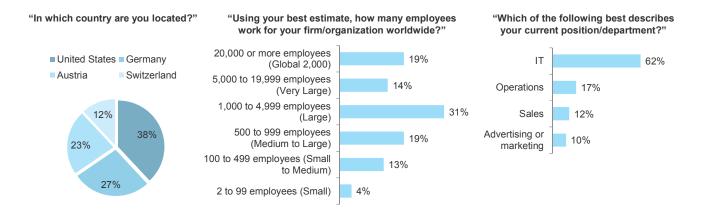
Appendix A: Methodology

In this study, Forrester conducted an online survey of 84 marketing and sales managers responsible for customer feedback in their organizations in Austria, Germany, Switzerland, and the US to evaluate customer feedback approaches. Survey participants included decision-makers in IT, operations, sales and advertising, or marketing. Questions provided to the participants asked about the business priorities of their organizations, what areas they collect customer feedback on, how customer feedback is used, and how it is leveraged across the organization. The study began in April 2016 and was completed in May 2016.

Appendix B: Demographics/Data

FIGURE 8

Survey Demographics: Country, Employee Size, And Department

"In which country are you located?"

- United States
- Germany
- Austria
- Switzerland

12%
23%
38%
27%

"Using your best estimate, how many employees work for your firm/organization worldwide?"

20,000 or more employees (Global 2,000)	19%
5,000 to 19,999 employees (Very Large)	14%
1,000 to 4,999 employees (Large)	31%
500 to 999 employees (Medium to Large)	19%
100 to 499 employees (Small to Medium)	13%
2 to 99 employees (Small)	4%

"Which of the following best describes your current position/department?"

IT	62%
Operations	17%
Sales	12%
Advertising or marketing	10%

Base: 84 marketing and sales managers responsible for customer feedback at financial services organizations in the DACH region and the US

(Percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of eKomi, May 2016

Appendix C: Endnotes

[1] Source: "The Best Of Mobile User Experience, 2015," Forrester Research, Inc., August 10, 2015.

[2] Source: "The Convergence Of Brand, Marketing, And Customer Experience," Forrester Research, Inc., February 10, 2016.

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