

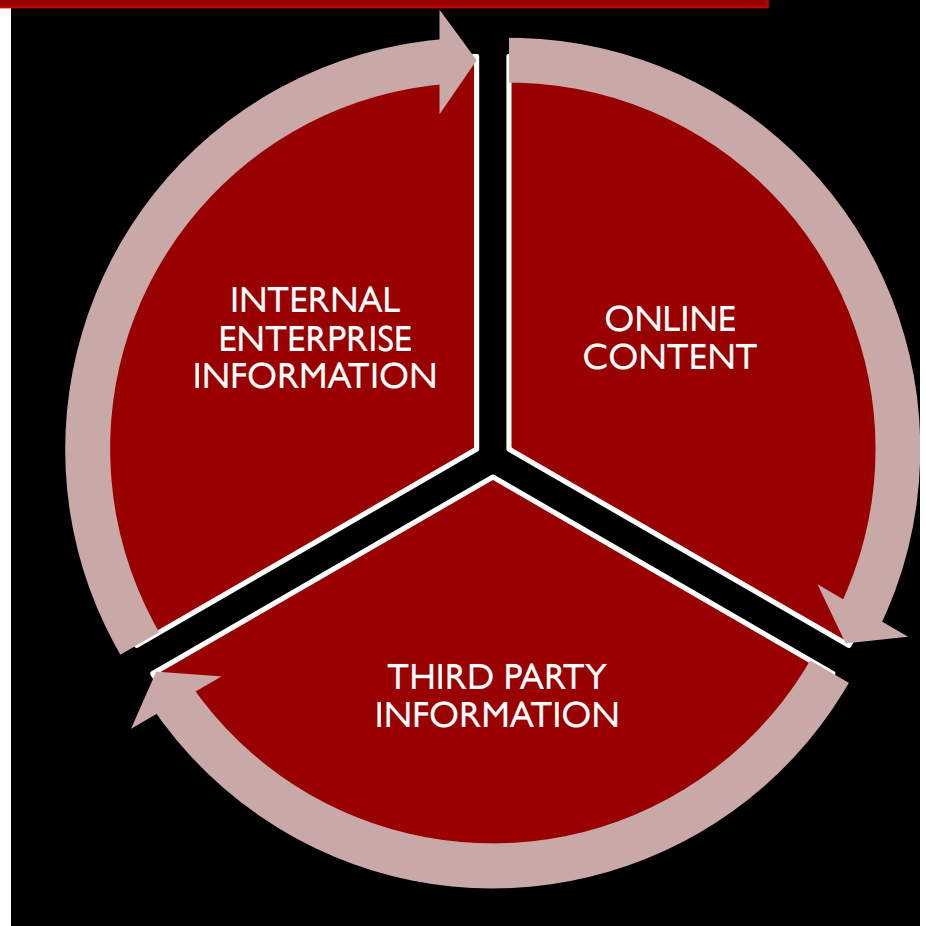


HYPATIA
RESEARCH & CONSULTING

Accelerating Performance by Calculating Results™

Customer & Market
Intelligence Research

Operationalizing Voice of the Customer: How Top Performers Create Actionable Insight



Best Practices,
Benchmarks &
Maturity Models

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Executive Summary

Voice of the Customer (VOC) and Customer Experience Management (CEM) business processes along with enabling software technologies— solutions formerly known as Enterprise Feedback Management (EFM)—have recently converged. Moreover, more than 20 vendors are racing to add Social Media Intelligence (SMI) capabilities to these solutions so that the ability to perform unified quantitative and qualitative customer analysis¹ (holistic customer intelligence) becomes a part of this VOC equation.

This blending of the quantitative with the qualitative customer feedback is nascent still at most B2B industries such as manufacturing, process industries, energy & utilities, and professional services firms. In B2C sectors inclusive of retail, financial services, banking, consumer goods and telecommunications, maturity levels in operationalization of VOC processes are more advanced. However, less than 4% of all companies surveyed have attained a visionary level of maturity as defined through our primary research.

Voice of the customer (VOC) is a market research technique defined as the process of capturing a customer's expectations, preferences and aversions. Ideally, Voice of the Customer analysis produces a detailed set of customer wants and needs that is prioritized by company objectives or strategic goals. Additionally, VOC typically consists of both qualitative and quantitative research processes. Hypatia Research found that the majority of VOC initiatives are designed to address four distinct business issues:

- Customer Service & Support
- Product Pricing, Quality, Innovation & Ideation
- Customer Analysis, Profiling & Segmentation
- Brand Reputation Management

In creating our maturity model, benchmarks and best practices, we found a wide range of procedures, organizational structures and techniques in use among the 400+ companies interviewed and surveyed. Nonetheless, we identified four main maturity categories that fit a majority of organizations.

- Level One: Nascent VOC Processes
- Level Two: Limited VOC Processes
- Level Three: Operational VOC Processes
- Level Four: Visionary VOC Processes

So Many, Many Words!
Companies have a treasure trove of customer intelligence. Now they also have the tools to make sense of it.

“Travelocity decided it had to get to know its customers better. A company team spent several months poring over some 10,000 customer surveys, trying to figure out what people liked and didn't like.”

“As you can imagine, it was a very challenging process,” says Don Hill, director of customer advocacy.”

“That was only the tip of the iceberg. To keep up with customers, Mr. Hill figured, his team would need to track and analyze 30,000 survey responses, 50,000 emails, and notes from half a million calls to the company's service centers – every month.”

SCOTT MORRISON, Staff Writer Dow Jones Newswires in San Francisco.

¹ Defined as multi-source data acquisition for the purposes of performing holistic customer analysis with a goal of creating and applying customer intelligence.

Fragmentation is the Norm

Currently, VOC practices are a collection of highly fragmented efforts/initiatives that encompass a wide range of methodologies, internal expertise, analytical techniques and enabling technologies that have two things in common, Each point of customer interaction has potential to be utilized as an:

- 1) Opportunity to either satisfy and/or enhance a customer's experience, or
- 2) Occasion to gather customer intelligence on the quality of a customer's experience with a company's brand reputation, products, services, pricing and support

With many companies competing on razor-thin profit margins (courtesy of global sourcing practices and the resulting price pressures), customer perception of brand quality, product or service category ranking and quality of customer service are now critical to maintaining market share. In fact, a majority of C-level executives surveyed cited 1) customer retention and 2) customer acquisition as key reasons for investment in VOC initiatives. However the challenge experienced by a majority of organizations in turning customer voices into customer insights center on creating a measurable strategy combined with an operationally executable plan for leveraging VOC across customer-facing roles/functions. These strategies and plans should encompass issues such as:

- What strategic, operational and/or tactical goals will VOC address for our organization?
- Which customer data source(s) should we utilize for VOC?
- How often should we capture VOC information?
- Which role / function should manage this customer information?
- Which role / function should be accountable for analysis of VOC information?
- How will we leverage VOC as decision support to apply this customer intelligence?
- What business processes, performance metrics and rules of engagement should we deploy?
- How often should we disseminate key findings and to which key stakeholders?
- Which role/function should be accountable for taking action on customer intelligence gleaned from VOC initiatives?

Hypatia's Key Findings

- ✓ Companies must strive to integrate and analyze qualitative customer information from disparate sources such as EFM, Survey Tools, Call Center Interactions and Social Media along with quantitative customer data prior to creating actionable customer insight.
- ✓ 22% of Voice of the Customer initiatives are performed by external service providers that enhance company's legacy data with behavioral, transactional and demographic information.
- ✓ Vendors that offer Enterprise Feedback Management tools are rapidly evolving and repositioning themselves as Social Media players—which benefits companies that seek one platform or mechanism to capture, manage, analyze and apply customer intelligence.
- ✓ While most organizations perform at least one voice of the customer initiative on an annual basis, maturity levels vary greatly. Fewer than 10% of 400+ survey respondents have succeeded in effectively operationalizing these processes on a repeatable or scalable basis.

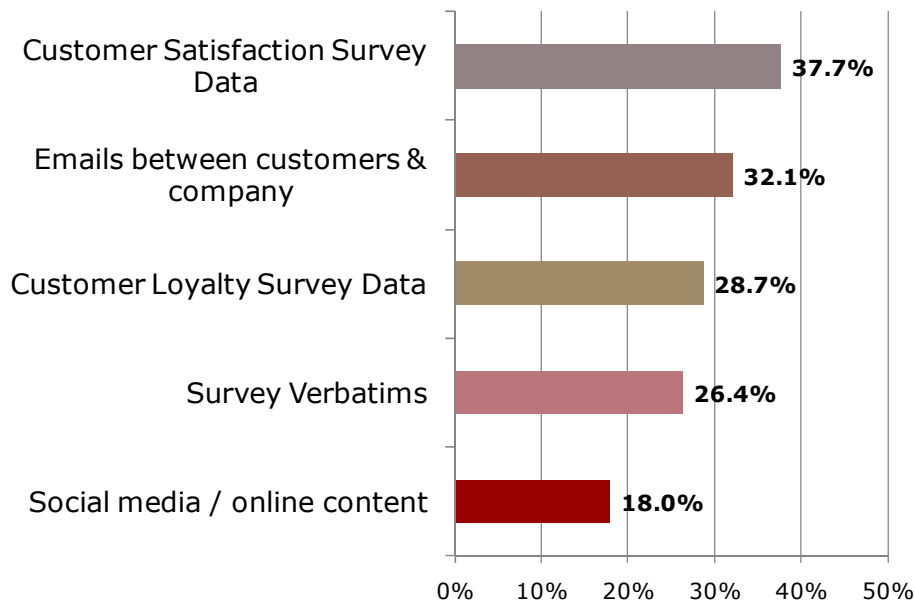
Turning Customer Voices into Customer Insight

Figure 1 emphasizes the nascent impact that social media currently has on VOC initiatives. Many organizations are in "listen" or "understand" or even "categorize" mode, but at best, utilize the following 5 VOC information sources in a siloed approach.

For example, customer satisfaction and loyalty surveys are largely quantitative in nature, and are analyzed and reported on via numbers or percentages. Contextual information such as survey verbatim, online content and emails between organizations and their customers are seldom analyzed or even shared with the same job functions/roles that perform

quantitative customer satisfaction and loyalty survey analysis. Moreover, mapping unique customer identities from quantitative data with unstructured information is either performed manually or is nearly impossible at present.

Figure 1: Voice of the Customer: Most Valuable Information Sources



Source: ©2011 Hypatia Research, LLC

Vendor & Service Provider Selection Criteria

In addition to the above challenges, companies will need to consider selection of VOC resources from existing internal expertise as well as from an abundance of external choices among service providers and vendors that supply enabling technologies.

Service Providers:

- Market Research Firms
- Marketing & Advertising Agencies
- Management Consulting Firms
- Marketing Services Providers

Enabling Technologies:

- Enterprise Feedback Management
- Survey Tools
- Social Media Techniques: Chat Rooms, Communities, Blogospheres, etc...
- Call centers: Online or Phone, IVR, etc...
- Customer Verbatims
- Emails

The aforementioned market fragmentation compelled us to categorize VOC providers by 8-10 discrete yet interdependent dimensions as well as by product features and professional service capabilities. These criteria were utilized for both the Hypatia Galaxy™ rankings and our overall assessment of these software solution providers.

Table 1: Vendors Included in VOC Research Study: 2011

Allegiance	CustVox	MarketSight	Questback
Alterian	Cymfony/TNS	MarketTools	ResponseTek
Attensity Group	Empathica	Medallia Inc. ²	SAS
Clarabridge	Foresee	Mindshare	Teradata
ClickTools	Globalpark	Omniure	Visible Technologies
Confirmit	IBM SPSS	Qualtrics	Vovici

Our Assessment:

Economic realities such as low cost country sourcing, product commoditization and multi-channel competition challenge organizations to significantly invest in improving the experience provided to customers. All things being equal, an organization’s key differentiator is the level of customer support and experience supplied at each point of customer interaction.

While each industry has its unique challenges to address, investment in VOC is increasing. Whether an organization has point solutions, outsources to a services provider, or creates an internal customer intelligence center of excellence team, the need to select, integrate (inclusive of processes and best practices) and utilize various enabling technologies to capture and leverage a holistic analysis of the customer experience exists.

Organizations that seek to establish greater customer intimacy with an end goal of retaining and growing market-share should review our research findings as part of internal due diligence.

"The difference between EFM and VOC is like the difference between Physics & Engineering—Static data capture versus applied insights"
Hypatia Research, LLC

² Medallia provided a briefing, but opted out of providing a product demonstration and a customer reference. As a matter of fairness to other VOC vendors, we elected to exclude them from our Galaxy rankings.

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Chapter One: Introduction

Key Findings

Enterprise Feedback Management + Customer Experience Management + VOC =
Customer Intelligence

Voice of the customer (VOC) is a market research technique defined as the process of capturing a customer's expectations, preferences and aversions. Ideally, voice of the customer analysis produces a detailed set of customer wants and needs that is prioritized by company objectives or strategic goals. VOC typically consists of both qualitative and quantitative research processes.

Flavors of VOC

However, VOC is also a process of gathering customer information from multiple touch-points, channels, and vehicles that employ various methodologies. These range from individual interviews and focus groups through survey and analysis to even psychographical or ethnographical techniques. Whether the methodology utilizes phone/IVR, online, written, face to face, behavioral and transactional analysis or observational techniques, convergence occurs when all of these customer voices are extracted, organized, standardized into a usable taxonomy or hierarchy and then analyzed to create actionable customer insight. Sounds complicated? It is.

Hypatia Research found that the majority of VOC initiatives are designed to address four distinct business issues:

- Customer Service & Support
- Product Pricing, Quality, Innovation & Ideation
- Customer Analysis, Profiling & Segmentation
- Brand Reputation Management

Technology is not yet able to supply a silver bullet that magically captures, manages, analyzes and transforms both customer data (the structured stuff)

AND customer information (the contextual stuff like call center notes, social media and survey verbatims) into actionable customer insight.³ While many software providers do offer solutions and tools that facilitate the capture of

MARKET Research Approach

Hypatia Research applies a hybrid methodology [quantitative & qualitative] that evaluates the Market-drivers, Actions, Responses, Knowledge, Expertise, and Technology enablers (MARKET) that influence corporate behavior in specific business environments. These terms are defined as follows:

Market Pressures — external forces that impact an organization's market position, competitiveness, or business operations

Actions — the strategic approaches that an organization plan in response to industry pressures

Responses—how organizations invest and overcome business challenges.

Knowledge & Expertise—competencies, skills and processes required to execute on corporate strategy.

Enabling Technology— the key functionality of technology solutions required to support the organization's enabling business practices

³ IBM's Watson may come close, but this is not a realistic or pragmatic solution for most companies—yet©

VOC, human expertise coupled with operationally executable business process are still necessary in order to create actionable customer insight.

Research Approach & Vendor Rankings

Why this focus on actionable insight? Knowledge for the sake of knowledge without a purpose is outside our mission. Since 2001, Hypatia's tagline has been calculating results. Our research methodology, a hybrid approach that combines qualitative and quantitative input from end-users, benchmarks the business return on investment⁴ realized by organizations of all sizes.

Hypatia takes an end-user approach to customer intelligence research. Similar to [Consumer Reports](#)⁵, our industry experts are objective in providing end-user organizations with independent primary research assessments as decision-support in evaluating various enabling technologies, service providers and consulting firms. To maintain its independence and impartiality, Hypatia Research does not engage in syndicated research sponsorships⁶, accepts no outside advertising, no free samples and utilizes proprietary research techniques to evaluate vendors.

Along with our trademarked Hypatia's⁷ Galaxy™ evaluation rankings of vendors that offer VOC software tools, this study provides demand-side end-users with analysis of current company initiatives to operationalize voice of the customer insights.

Survey Respondent Profiles

According to our research, these are the top industries where VOC techniques have the strongest foothold. These happen to also be the sectors with the highest competition in their landscape—unlike not for profit. The majority of respondents in the “other” industry came from companies whose revenues are under \$50M.

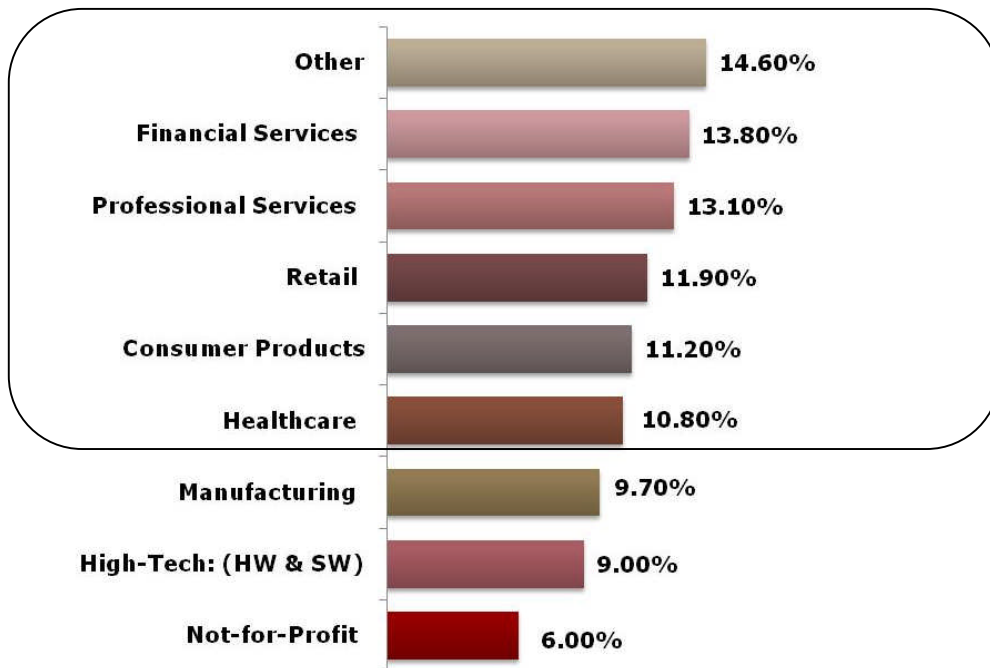
⁴ From enabling technologies and services providers

⁵ <http://www.consumerreports.org/cro/aboutus/mission/overview/index.htm>

⁶ Vendors may license distribution rights to Hypatia Research studies after completion, but may not commission syndicated studies.

⁷ Hypatia of Alexandria (c.370-415 AD), a professor of astronomy, mathematics and philosophy, invented several scientific devices—the astrolabe, plane-sphere, and hydro-scope (hydrometer). These instruments were used to calculate the distance between planets, the position of visible stars at any time of the year, and the gravity of liquids respectively.

Figure 2: Industry Sectors: Voice of Customer



Source: ©2011 Hypatia Research, LLC

For this primary research study, we requested specific demographics in regards to job functions and roles within organizations across industries. Among the 438 respondents, we achieved an optimal balance among roles and company sizes. For complete profile and segmentation break-outs, please refer to the Appendix.

About the Authors

[Leslie Ament](#), Vice President of Research and Client Advisory Services at [Hypatia Research, LLC](#) is a Customer Intelligence Management thought-leader and industry analyst who focuses on how organizations **capture, manage, analyze and apply** actionable customer insight to improve customer management techniques, reduce operating expenses and to accelerate corporate growth. Her research coverage include: Business Intelligence, Media Intelligence/Search/Text Analytics, CRM, Web Analytics, Marketing Automation and Customer Data Management/Data Quality.

Previously, Ament served on management teams and lead global marketing and market research groups at Demantra, Inc. (acquired by Oracle), Arthur D. Little Management Consulting, Harte-Hanks, Banta Corporation, International Thomson Publishing (Chapman & Hall, UK) and Carnegie Hall, Inc. She is a member of the American Marketing Association, Society for Competitive Intelligence Professionals, Customer Relationship Management Association, DataShaping Certified Analytic Professional, Arthur D. Little Alumni Association, Software Industry Information Association and a Board Member of the Product Management Association.

Ament completed her doctorate Phi Kappa Phi at the University of Illinois, Urbana Champaign and her Master's and Bachelor's degrees at Indiana University-Bloomington. Her passions are international travel, spicy food, classical music, jazz, and Chicago-style rhythm & blues. Contact her at LAR@HypatiaResearch.com.

[Louis Olds](#), Senior Analyst, has significant expertise in business intelligence, analytics and enterprise software. Prior to joining Hypatia, Olds was VP at KXEN a provider of data mining tools, VP at PeopleSoft [acquired by Oracle], and Senior Analyst at First Nationwide Bank and TMAC. As an independent consultant, Olds focused on helping clients define strategic requirements, understand competitive threats and opportunities, survey the market for compatible technologies and provide guidance for solution features and architecture.

Moreover, Olds is experienced in on-demand pricing analytics solutions specific to CPG/Retail industries as well as applications for natural language search and text analytics. He holds a B.S. Chemistry from the University of Southern Mississippi.

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Appendix A: Research Methodology

Hypatia Research, LLC interviewed executives and employees from more than 400 companies that utilize VOC software and services across numerous industries.

Questions were designed to determine the following in regards to VOC practices:

- ✓ Which market pressures and internal challenges serve as catalysts for investment?
- ✓ What are the barriers to adoption?
- ✓ What opportunities exist for vendors that seek to enter this market space?
- ✓ How should companies structure and organize for VOC processes? Conversely, when should external resources be utilized for effective VOC initiatives?
- ✓ What types of service providers and software vendors have either point solutions or comprehensive offerings comprised of VOC platform and/or services?
- ✓ Which company roles or functions are most accountable for the capture, management, analysis and application of voice of the customer intelligence?
- ✓ Which performance metrics are indicative of tangible return on investment versus which are most often measured?
- ✓ What are the various capability categories and customer information sources for VOC processes?

Responding executives held roles and job functions within corporate strategy, market research, customer analytics, product marketing, customer service, merchandising, web analytics & IT, with roles at the manager, director, VP and C-level.

Industries represented included financial services, professional services, retail, consumer goods, healthcare, manufacturing, hi-tech (software / hardware) and non-profit. Company size segmentation comprised 32% small businesses at <\$50M, 34% mid-market and 34% large enterprise with revenues at >\$1b.

Survey Respondent Profiles

For this research, we requested specific demographics in regards to job functions and roles within organizations across industries. Among the 438 respondents, we received an optimal balance among the following roles:

- C-Level and VP: 33%

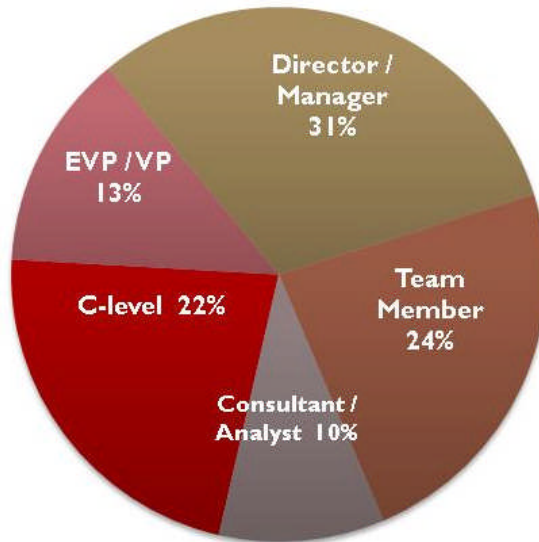
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- **Actions** — the strategic approaches that an organization plan in response to industry pressures
- **Responses**—how organizations invest and overcome business challenges.
- **Knowledge & Expertise**—competencies, skills and processes required to execute on corporate strategy.
- **Enabling Technology** — the key functionality of technology solutions required to support the organization’s enabling business practices

- Directors and Managers: 31%
- Team Members and Individual Contributors: 24%
- Consultants and Analysts: 10%

Figure 14: Survey Respondent Role(s)

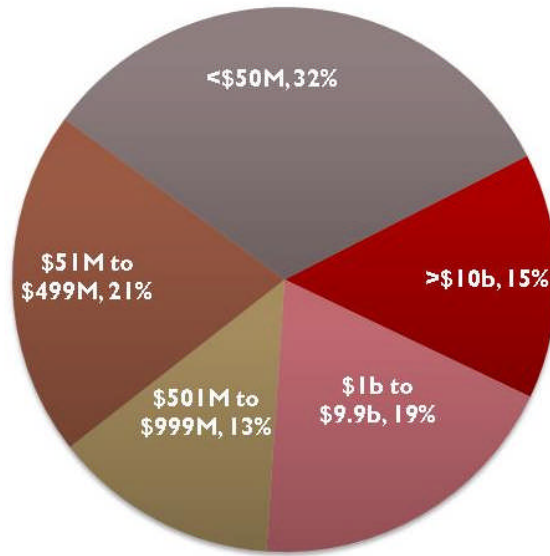


Source: ©2011 Hypatia Research, LLC

Respondents by company size fell into three major segments;

- Equal to or less than \$50M: 32%
- \$51M to \$999M: 33%
- Greater than \$1B: 34%

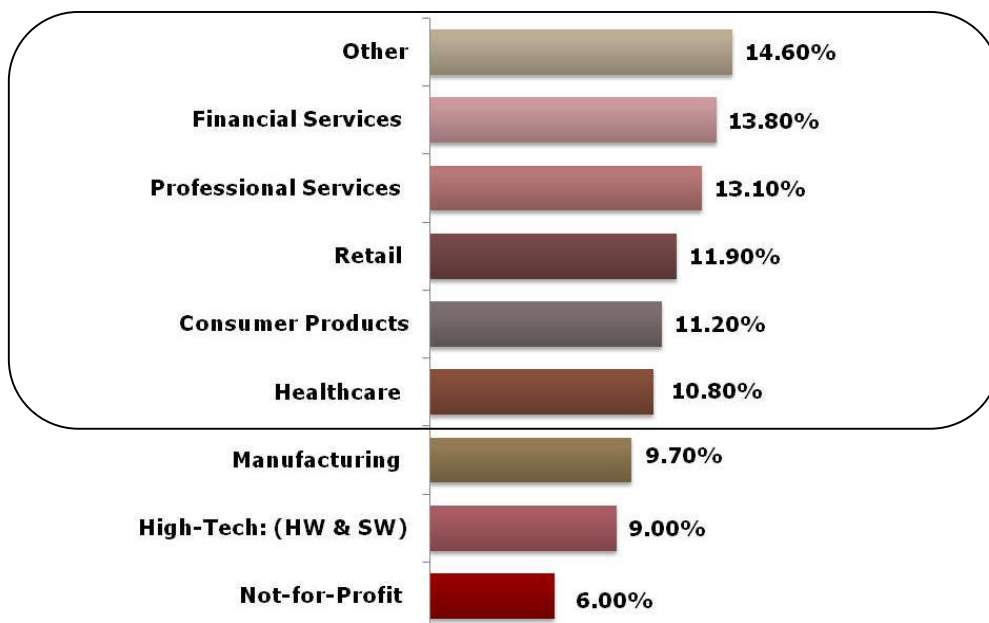
Figure 15: Company Size



Source: ©2011 Hypatia Research, LLC

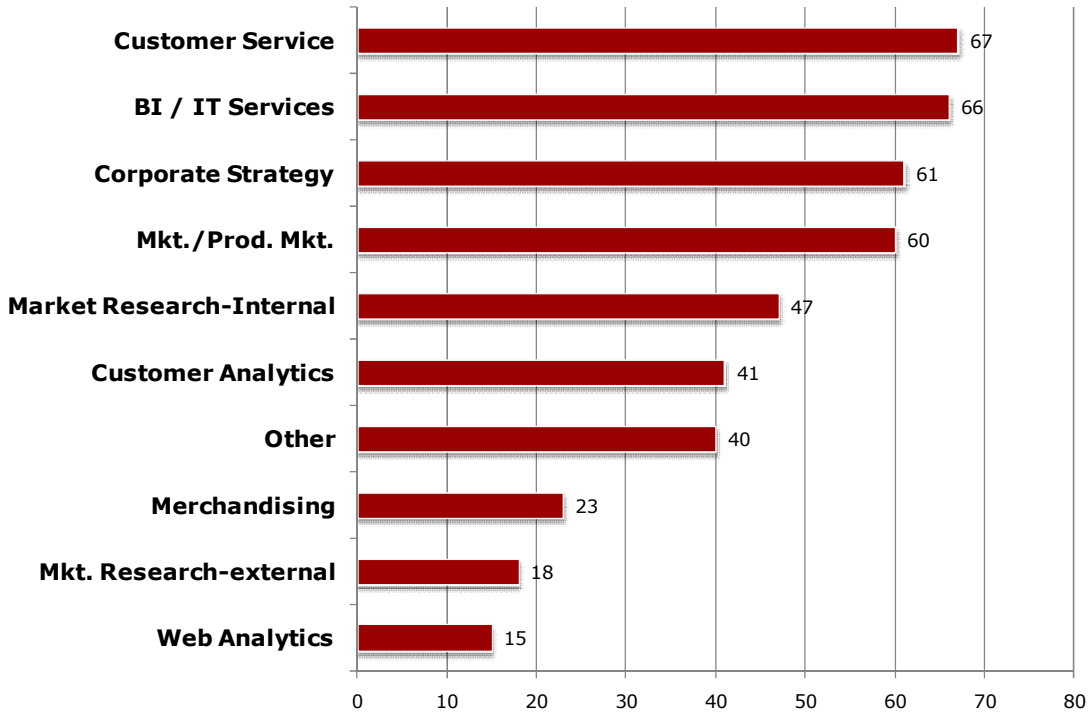
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Figure 16: Industry Sectors: Voice of Customer



Source: ©2011 Hypatia Research, LLC

Figure 17: 438 Survey Respondents: By Functions(s)



Source: ©2011 Hypatia Research, LLC