

Free the Data: The Business Impact of Democratizing Customer Feedback

Getting feedback into the right hands benefits customers, employees, and your bottom line.

Medallia
INSTITUTE



WHY THIS MATTERS

Democratizing customer feedback can be extremely powerful. To make this happen, companies must give all employees—from the frontline to the C-suite—access to real-time feedback that is uniquely relevant to them and their role. Getting the right information into the right hands creates more value for customers, empowers employees, and puts your organization on a more agile and innovative path to continued improvement.

KEY FINDINGS

Democratizing customer feedback by providing widespread access impacts three kinds of business performance in parallel:

- Performance with customers (e.g., creating satisfying experiences and resolving issues)
- Performance with employees (e.g., engaging and retaining staff)
- Financial performance (e.g., growth and profitability)

To achieve these benefits, companies must find ways to weave feedback into daily operations across their entire business. With these practices in place, companies are in a strong position to drive continuous improvement and create sustainable value.

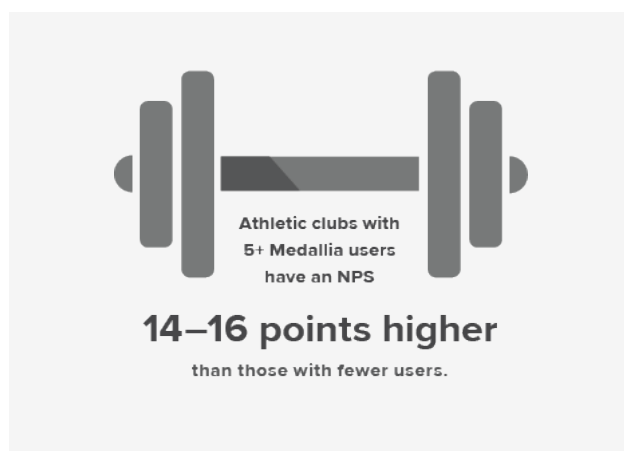
This idea—wiring customers into every decision—is a key component of Medallia’s OCEM Framework. Learn more about Operational Customer Experience Management by visiting our Resources page at www.medallia.com/resources.

Most mature companies now understand the value of customer feedback as a window not just into customer sentiment, but also into operational efficiency and business performance. Eager to identify and act on pressing trends, many companies devote significant resources to analyzing feedback, estimating changing customer preferences, and predicting what might happen next. These investments are all well and good—but they leave value on the table. In their hurry to analyze, many companies overlook another important issue: who in an organization ought to have access to feedback, and what they ought to do with it.

Results from our client community have long indicated that in the right hands, customer feedback is useful for far more than just identifying high-level trends. To explore these benefits in detail, the Medallia Institute has investigated hundreds of customer experience programs. We've examined how access to customer feedback impacts three kinds of business performance: **performance with customers, performance with employees, and financial performance.**

What we've found:

- Democratizing customer feedback helps frontline teams deliver better experiences
- Empowering employees with actionable feedback improves engagement and retention
- Wiring feedback throughout the organization drives stronger financial performance



Democratizing customer feedback helps frontline teams deliver better experiences

In many businesses, frontline employees see customer feedback only after a central insights team has interpreted and distributed it selectively. What happens when they have direct, timely access to feedback from the customers they serve?

When employees started using feedback on a regular basis, “we got a complete change of CX.”

Sunrise Communications

Our research has found that disseminating feedback broadly throughout an organization has a big impact on customer experience scores and on improving those scores over time. This pattern holds true across industries and business models, from automotive dealers to athletic clubs. In a recent study of more than 150 survey programs across 11 industries, we looked at the relationship between providing access to customer feedback and a program's Net Promoter Score (NPS, a metric widely used to measure customer satisfaction). We found that when more frontline managers have access to customer feedback, NPS is higher.¹ For example, athletic clubs with five or more Medallia users have an NPS 14 to 16 points higher (on a scale of -100 to 100) than those with fewer users.² In addition, a 2015 Medallia study of Toyota dealerships found that car dealers who shared customer feedback with more than 20

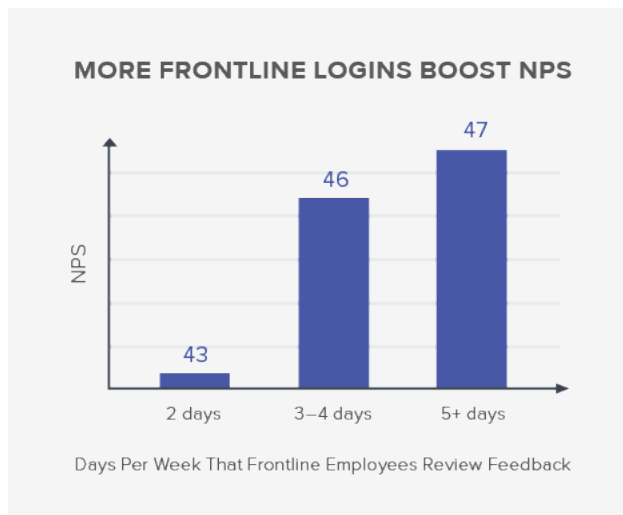
¹ This analysis controls for industry, survey program type (transactional vs. relationship), primary business audience (B2B vs. B2C), whether a program was linked to a call center, and the number of employees at each company.

² From a 2015 Medallia Institute study of 195 Clubworks clients, controlling for club size (approximate number of members).

employees achieved year-over-year customer satisfaction increases that were, on average, 49 percent greater than those dealerships who shared feedback with five or fewer employees.³

Of course, the frequency with which employees use their access matters, too. In the study of hundreds of survey programs mentioned above, we found that NPS is four points higher when frontline employees log in to review customer feedback five days a week or more (compared to two days a week or less).⁴

So how should companies handle broad dissemination and drive more usage? To make feedback most relevant and actionable for frontline employees, it's important to tailor the way information is reported to people in specific roles. In the hospitality industry, for example, desk clerks, housekeeping, and maintenance all need to receive and act on different pieces of information. Our research found that, across industries, when companies tailor the type of feedback and reporting they provide to meet the needs of specific users—allowing for specialization in the feedback employees see—they see greater year-over-year improvements in NPS than companies that don't.⁵



³ The Medallia Institute, "Information Distribution Among U.S. Auto Dealerships," internal report, 2015.

⁴ This analysis controls for industry, survey program type (transactional vs. relationship), primary business audience (B2B vs. B2C), whether a program was linked to a call center, previous year's NPS, and the total number of Medallia users.

⁵ Defining three or more user groups is associated with more than four points greater gains in NPS.

When employees access feedback relevant to their jobs, they're better equipped to learn and reach their goals. Most important, they're able to satisfy customers and more effectively resolve customer issues. Creating these learning opportunities starts with access. By widely disseminating customer feedback, companies give employees the tools they need to drive continuous improvement.

"The frontline has pride in what they do; they always have that desire to help customers. By getting real-time feedback into the hands of thousands of employees, we give them a voice."

Dexter Johnson
Head of Enterprise CX,
Farmers Insurance

Empowering employees with actionable feedback improves engagement and retention

In a 2015 Medallia survey of 1,000 customer-facing employees working in five industries in the United States, we found that employees whose companies collect feedback frequently (monthly or more) are 10 percentage points more likely to be engaged than those whose companies collect feedback once a quarter or less often. As Forrester puts it, companies can drive higher levels of engagement by "challenging employees to deliver great customer experiences."⁶ Tapping into the voice of the customer can become addictive: for example, 40 percent of Medallia mobile app users log in every day (compared to 36 percent of Twitter users).⁷

⁶ Forrester Research, "Customer Obsession an Employee Engagement Strategy, Too," 2016.

⁷ Pew Research Center, "Social Media Update 2014," 2015.

Direct access to feedback from customers gives your employees an understanding of the experiences they're delivering, and an employee's ability to please customers on a consistent basis will naturally have a big impact on his or her job satisfaction. When done properly, empowering employees with customer feedback can trigger a virtuous cycle in which satisfied employees create satisfied customers, and vice versa. For example, in the hospitality industry we've observed a link between lower rates of employee turnover and higher NPS.⁸



When employees interact frequently with customer feedback, their own satisfaction improves along with business outcomes. In the same survey of 1,000 customer-facing employees, we found that putting these practices in place at the team level is particularly impactful. Ninety percent of frontline employees report being satisfied at work when their teams review feedback at least once a month, while only 40 percent are satisfied when their teams review feedback once a quarter or less often.⁹ Teams that review feedback frequently also have more loyal employees; to leave their current

jobs, they say they would require a greater increase in salary than employees on teams that review feedback infrequently or not at all.

In the same study, we found that when teams meet more frequently to review customer feedback and set improvement goals, employees are more likely to recommend their company's products or services to others. Driving widespread accountability for satisfying customers involves everyone in the CX mission, creating companies that are loved by customers and employees alike.

Wiring feedback throughout the organization drives stronger financial performance

Democratizing customer feedback predicts higher customer experience scores, more improvement in CX metrics over time, and happier employees. It has also been linked to greater financial returns.

For example, in the Medallia study of Toyota dealerships described above, the 49 percent bump in year-over-year customer satisfaction, which was correlated with more employee access, translated directly into higher sales per dealer—204 more cars annually in 2014 alone.³

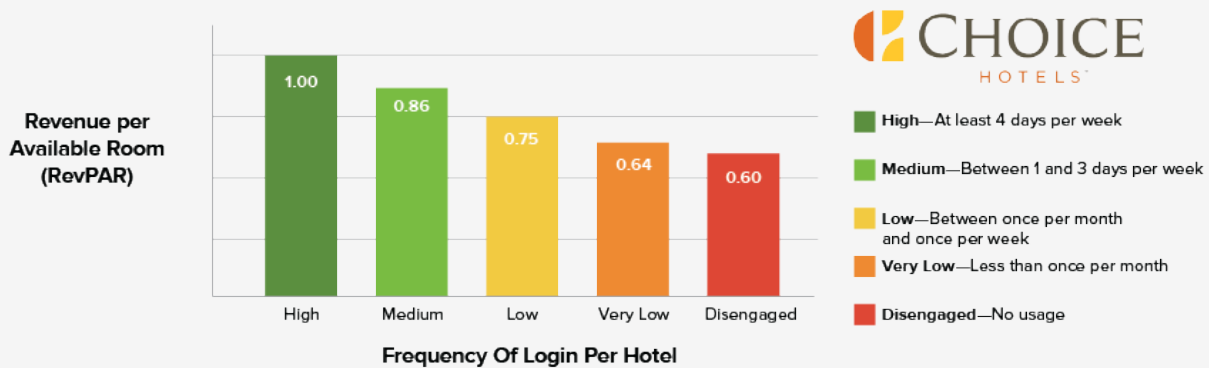
When employees interact with feedback in a meaningful way, they create better experiences and attract more customers. Choice Hotels found that the frequency with which its employees log in to review customer feedback is associated with greater revenue per available room.¹⁰

⁸ "How Much Does Employee Retention Impact Customer Satisfaction?", Medallia Blog, 2016.

⁹ A statistically significant difference, controlling for other factors that impact employee satisfaction: company size, household income, industry, frequency of collecting/reviewing feedback at the company and individual level, length of job tenure, and whether the employee is full- or parttime, a supervisor, support versus sales/service, and part of a union.

¹⁰ Choice Hotels Guest Insight System and Smith Travel Research, 2013.

HOTELS THAT ACCESS FEEDBACK REGULARLY SEE GREATER REVENUE



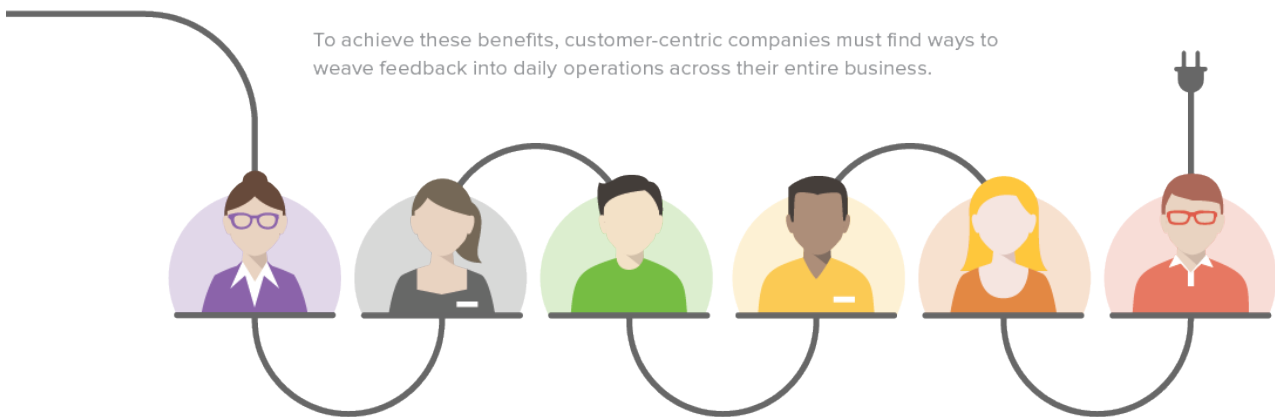
In a study with Best Western, we analyzed business outcomes for over 4,400 hotel properties worldwide. Properties that increase their usage of Medallia by at least one login per day see their occupancy rates increase, on average, 4.9 percentage points more than properties that don't increase usage.¹¹

Engaging deeply with feedback on a regular basis also has a measurable impact. In the same study with Best Western, we looked at the specific ways in which employees interact with customer feedback. Hotel properties that document what they learn during closed-loop calls at least three times per week have, on average, occupancy

rates that are 6.7 percentage points higher than occupancy rates at properties that don't document what they learn. In addition, investigating problem types and root causes at least three times per month is associated with a greater change in year-over-year occupancy rates (a 4.6 percentage point difference on average). Learning from customer feedback drives sustainable value.

We've seen that making customer feedback truly operational has many benefits. Getting feedback into the right hands allows companies to leverage the voice of the customer throughout the organization to drive stronger financial performance.

To achieve these benefits, customer-centric companies must find ways to weave feedback into daily operations across their entire business.



¹¹ The Medallia Institute, "OCEM for Competitive Advantage," internal report, 2015.

CONCLUSIONS & RECOMMENDATIONS

Democratizing customer feedback by distributing it throughout an organization benefits customers, employees, and your bottom line. Providing employees with frequent customer feedback reinforces customer-centric behaviors and attitudes that help businesses thrive. When employees are empowered to act on the feedback most relevant to their role, they consider feedback systems an integral part of their job and deliver better customer experiences. To achieve these benefits, customer-centric companies must find ways to weave feedback into daily operations across their entire business. With these practices in place, companies are in a strong position to drive continuous improvement and create sustainable value.

1. **Provide widespread access to customer feedback.** From senior executives to

the frontline, employees benefit from direct, timely access to feedback from the customers they serve. Learning from customer feedback drives sustainable value, and this process starts with access.

2. **Tailor feedback and reporting to meet the needs of specific functions.** When employees access feedback relevant to their jobs, they're better equipped to learn and reach their goals. Empower employees with the tools they need to deliver great customer experiences.
3. **Design management practices that support meaningful interactions with feedback.** Encourage teams to review feedback regularly, document what they learn during follow-up calls, and investigate the root cause of problems. Tangible practices turn customer-centric culture into impact.

About Medallia

Medallia is the pioneer and market leader in Experience Management. Medallia's award-winning SaaS platform, the Medallia Experience Cloud, leads the market in the understanding and management of experience for customers, employees and citizens. Medallia captures experience signals created on daily journeys in person, digital and IoT interactions and applies proprietary AI technology to reveal personalized and predictive insights that can drive action with tremendous business results. Using Medallia Experience Cloud, customers can reduce churn, turn detractors into promoters and buyers and create in-the-moment cross-sell and up-sell opportunities, providing clear and potent returns on investment. www.medallia.com

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