

Listening to The Voice of The Customer¹

To ensure that products and services satisfy customer needs, it is essential for a firm to gather their customers' "voice". Stated differently, listening to customers is a first and essential step for developing and implementing a [customer-centric strategy](#).

The process of [listening to customers](#) can take many forms. Informal listening happens when managers and front-line employees talk to customers in the normal course of providing service. Qualitative listening happens when companies conduct in-depth interviews, focus groups, and observational studies to understand customer needs. More accurate, and quantifiable listening takes the form of customer surveys.

CUSTOMER LISTENING THROUGH CUSTOMER SURVEYS

Customer surveys provide descriptive customer research, or research that "describes" the state of affairs or needs related to marketing activities. Descriptive research does not measure variables in an experimental sense. It may be classified as descriptive research, although most descriptive studies of customer are more concerned to capture descriptive research may also include longitudinal studies, tracking studies, and to some extent qualitative research. In terms of methods, descriptive studies may also involve different levels of complexity. For instance, studies may be cross-sectional, or longitudinal, as well as the researcher using self-reports (i.e., surveys and questionnaires).

LISTENING TO CUSTOMERS USING DESCRIPTIVE RESEARCH: EXAMPLES

Descriptive research captures the customer's voice in both business-to-consumer (B2C) contexts and business-to-business (B2B) contexts. Examples of descriptive research include studies such as the following.

- To ascertain its brand image, a firm does a *cross-sectional* customer survey of its own and its competitors' brands on various dimensions such as trust, reliability, safety, sustainability, service, and dependability. These results are then presented to management in the form of a perceptual map to management.

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- 1. To segment the customer base, a firm conducts a cross-sectional survey of its current and potential customers. The survey data are analyzed with behavioral variables (e.g., interests, buying habits, purchase behavior, and quantity purchased). A cluster analysis identifies segments that are profiled based on brand perceptions and attitudes, behavioral intentions, and purchase behaviors.
 - 2. To determine factors that drive [brand attitudes](#), firms measure customer satisfaction with average scores for product, price, value, product management, sales process, and communication. A regression analysis is then used to identify key drivers of value.
 - 3. Administrative firms use professional research agencies such as CB Research and Associates to measure customer satisfaction, brand perception (NPS), and reliability of their brand.
 - 4. Sales trends of consumer packaged goods are tracked by brand, category, and market from professional longitudinal data provided by firms such as Nielsen.
 - 5. To quantify business factors affecting employee retention, a [survey-based analysis of sales of home prices](#) among its working sales. Feedback from this qualitative research is used to create and refine employee-related policies.
 - 6. A survey of university students shows that ethics are commonly associated with the student union. A series of focus groups are conducted to identify specific areas of improvement. Based on the results, the administration develops strategies to improve satisfaction.
- These are examples of firms listening to their customers using descriptive research. We will focus on the use of cross-sectional survey research. Customer listening can also use [qualitative research](#). Focus groups and in-depth interviews of their customers are described in a separate unit.

CROSS-SECTIONAL SURVEYS FOR CUSTOMER LISTENING

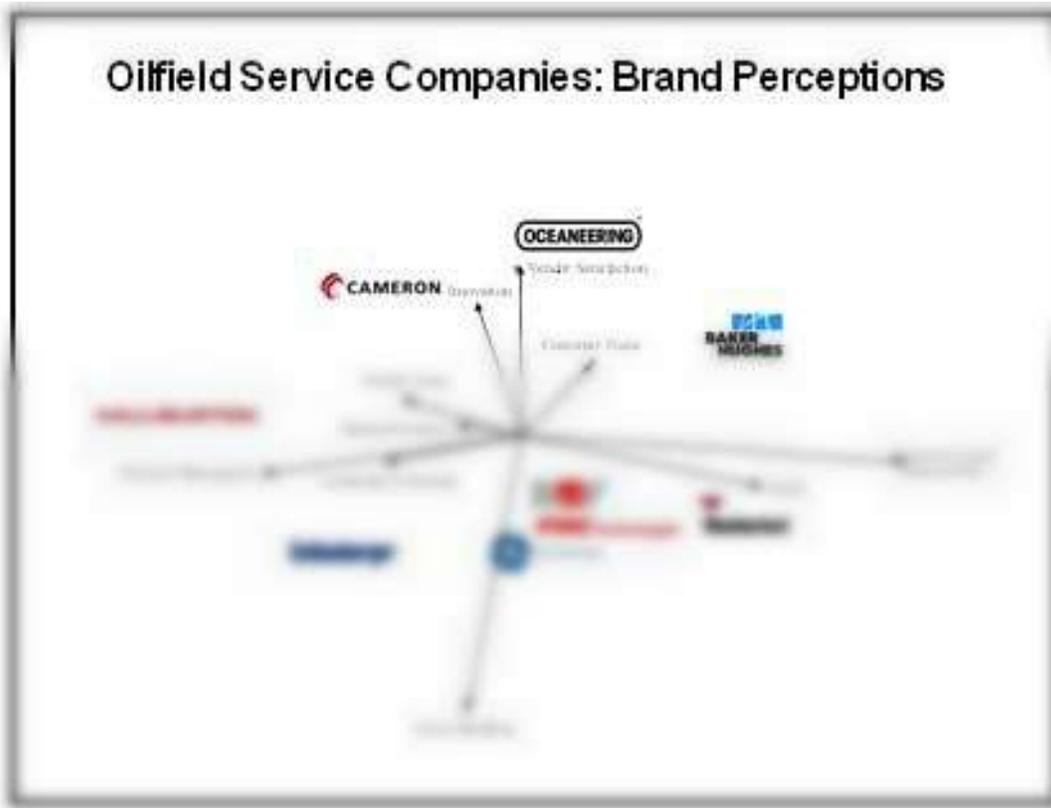
Cross-sectional descriptive research provides management with a snapshot of the marketplace. Each customer is surveyed at *one point in time*. Based on the responses of customers participating in the survey, conclusions can be drawn to “describe” customer perceptions, attitudes, and behaviors. We next describe typical cross section studies, providing examples.

Brand Perception and Brand Positioning Study

Firms want to know how customers perceive their brand relative to other brands. A survey is administered to customers who rate the firm’s brand and competitor brands on different product or service attributes. The attributes may measure brand personality, satisfaction with various attributes, and consumer perceptions of the brand usage process (consumer journey), among others. The results of the study are visually depicted as a brand-positioning map using a

factor analysis or a correspondence analysis. A positioning map identifies the brand's position relative to competitors.

Brand Perceptions and Brand Positioning Study
 This study is based on customer perceptions of brand relative to other brands. It is not to be used to determine the true brand and competitive brands in different markets.



Customer Segmentation and Customer Profiling Study

The goal of a customer segmentation and profiling study is to obtain a random sample of all customers (current and potential), divide the sample into segments, and describe them.

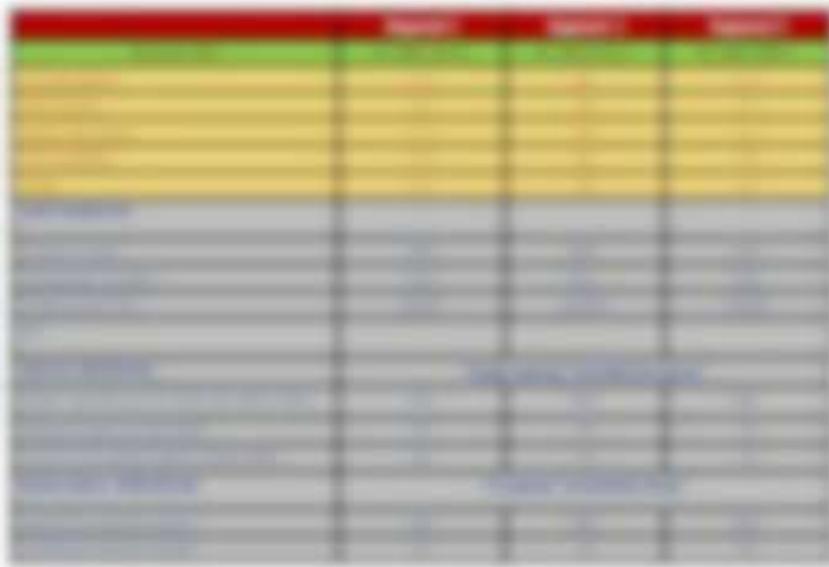
Based on the firm's objectives, the segments may be based on factors such as customer attitudes, perceptions, intentions, and so forth (e.g., health-care or some combination of these). These factors, which are used to derive the segments, are known as segment drivers. These drivers form the underlying basis for identifying customers into the different segments.

The segments are profiled based on segment descriptions such as demographics, needs, habits, and other observable customer characteristics. Demographic variables help the firm to profile the target segment and implement the segmentation strategy. Here are two examples:

1. **Health-care providers:** A firm developed specific targeting strategies for segment 1. The group has a high tendency to follow a health regimen. This group also had a relatively higher likelihood to purchase over-the-counter medicines such as Tylenol for treating headaches.
2. **College apparel:** The manufacturer of college apparel wanted to help its retailers understand different buyers, their preferences, and habits. A national sample of 1,000 college apparel buyers that is not coming for the segment profiling study.

Figures 2a and 2b. Customer segmentation and profiling study examples.

Buyer Behavior Study for Prescription Medication



Segment Profiles: College Apparel Shoppers

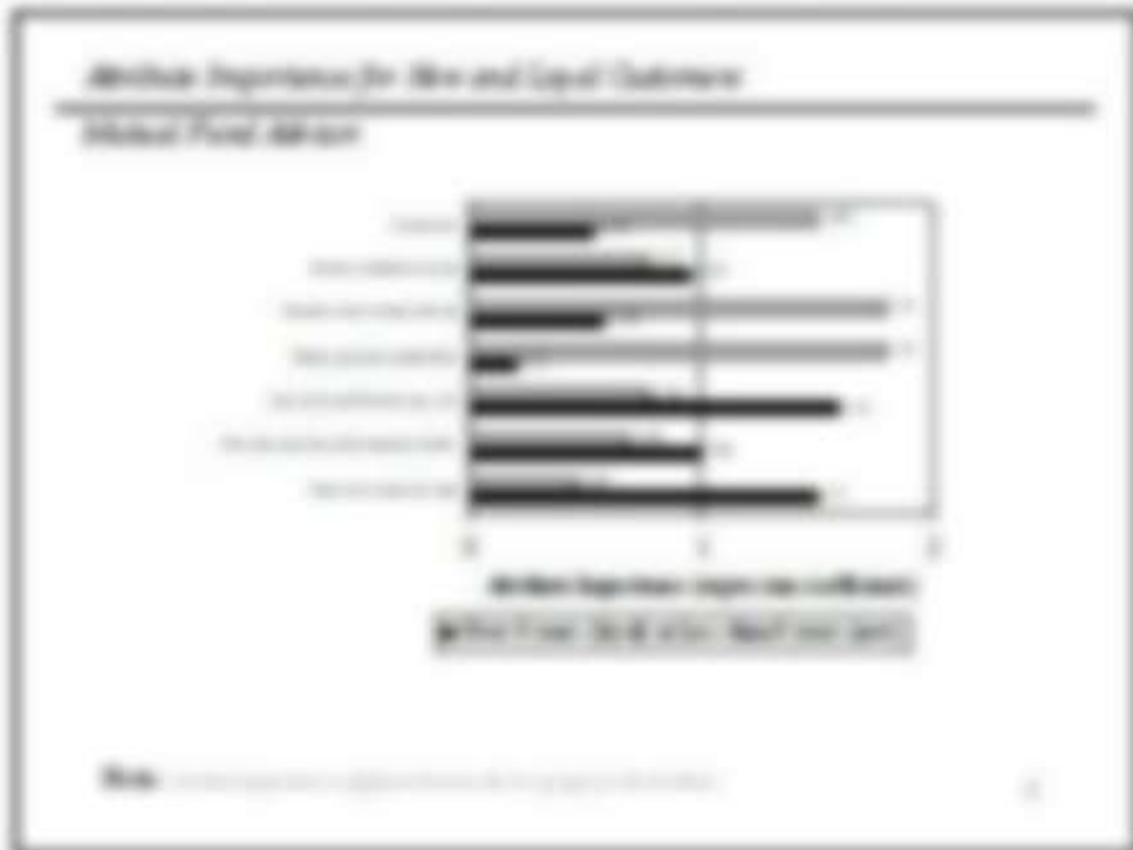
Segment	Age	Income	Education	Occupation
Segment 1	18-24	\$10K	High School	Student
Segment 2	25-34	\$15K	College	Student
Segment 3	35-44	\$20K	College	Student
Segment 4	45-54	\$25K	College	Student
Segment 5	55-64	\$30K	College	Student
Segment 6	65-74	\$35K	College	Student
Segment 7	75-84	\$40K	College	Student
Segment 8	85-94	\$45K	College	Student
Segment 9	95-104	\$50K	College	Student

Customer Satisfaction Study

A customer satisfaction study measures the level of satisfaction among customers with different attributes along with overall satisfaction, and likelihood to repurchase/recommend. A customer-satisfaction study uses multivariate-regression to measure attribute importance, or the extent to which an attribute affects overall satisfaction. Then, the firm can focus on attributes that are important to customers, but where it rates low on satisfaction. This guides resource allocation for customer-satisfaction improvement.

The study below shows the importance two groups of customers place on different aspects of their experience with a virtual food delivery. The study helped the client firm in identifying different strategies for optimizing overall satisfaction and customer retention among newly acquired customers compared with long-standing customers. Among newly acquired customers, the firm focused on marketing, making them feel comfortable by spending time with them. Among established customers, the service rep focused on providing the right amount of information, providing the right amount of information, and being efficient.

Figure 3. The key drivers of overall customer satisfaction with a virtual food delivery.



Advertising Evaluation Study

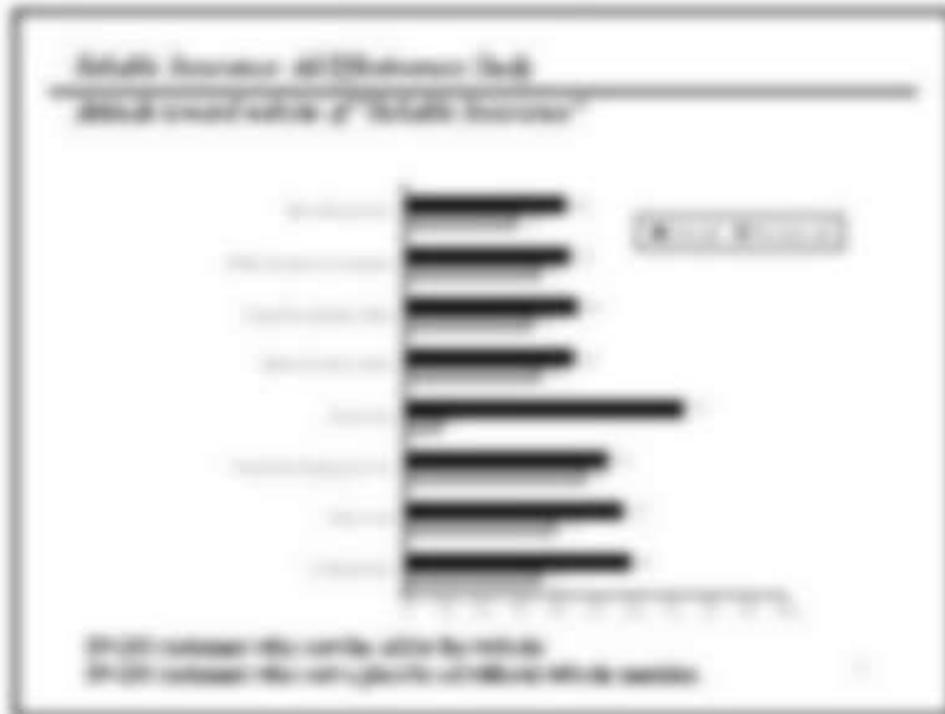
Many firms conduct advertising evaluation studies using a before-and-after design. A random sample of customers is surveyed before an ad is run in the market. After some time (typically 1–3 weeks after the ad is launched), another random sample of customers is surveyed. The samples can be compared to determine the difference in perception among consumers².

Figure 6 shows results from a study that compared attitudes toward an insurance company's website between two randomly assigned customer groups.

- (a) Customers who saw a website ad explaining the benefits of the website.
- (b) Customers who saw a graphic ad that did not mention the website.

Among those who used the website, customers using the website of had more favorable attitudes on (1) "easy to use" (2) "help to save" and (3) "allows me to compare rates."

Figure 6. An advertising effectiveness study for an insurance website.



² Although this type of study lacks [internal validity](#) and cannot be used to infer true causality, it provides firms with a quick reading of the ad's effectiveness. In another design, a firm may use random assignments such that half the customers are exposed to the ad, while the other half are not.² Attitudes between the two groups are then compared.

Customer Satisfaction and Employee Engagement Study

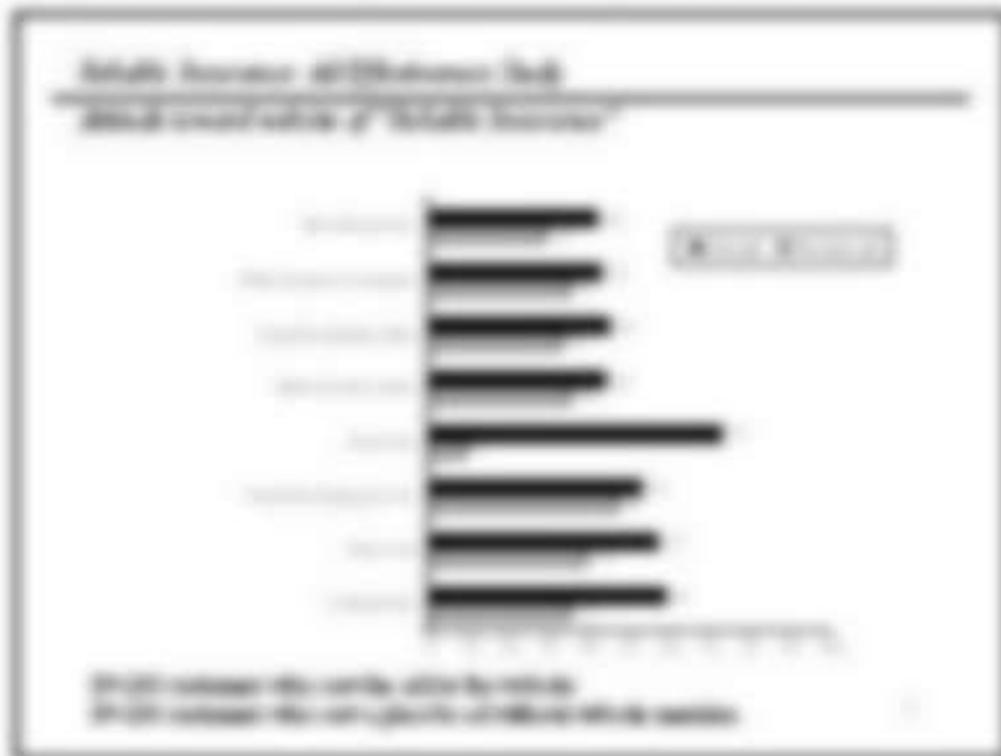
Recognizing the importance of employees to satisfy and retain customers, firms measure overall employee satisfaction as well as customer satisfaction through surveys. These surveys assess the impact of employee satisfaction on customer satisfaction and subsequent customer behaviors. The study involves two types of surveys. An employee survey is filled out by a small sample of employees at each sub-unit (e.g., bank branch, retail outlet, dealership facility). It measures overall job satisfaction and its antecedents such as satisfaction with supervisor, wages, organizational processes, and so forth. Concurrently, customers from each sub-unit are surveyed to measure their satisfaction with product/service features, their overall satisfaction, and behavioral intentions.

Figure 2 shows results from a study that compared attitudes toward an insurance company's website between two randomly assigned customer groups.

- (a) Customers who use a website of exploring the benefits of the website.
- (b) Customers who use a website of 25 percent of that did not explore the website.

Among those who used the website, customers using the website of had more favorable attitudes on (1) "more time" (2) "less to use" and (3) "allows me to compare rates."

Figure 2. An advertising effectiveness study for an insurance website.



WHAT CAN BE MEASURED IN A DESCRIPTIVE STUDY?

Customer surveys use a variety of scales and items to measure customer perceptions, attitudes, intentions, behaviors, and background variables, such as demographics at the individual, household, and or firm level. These scales and items provide a *structured approach for data collection*. In a structured survey, each respondent fills out an identical survey will allows the analyst to compile the results of all the surveys for statistical analysis.

- **Brand Perception and Attitude:** A survey measures customer brand perceptions and attitudes using a Likert or semantic differential scale. Examples include:

- **Semantic Differential Scale**

- How things look on these dimensions:

- Safe - Unsafe

- Friendly - Unfriendly

- **Likert Scale**

- How much agreement with each statement

- My needs are well as they are (strongly disagree - strongly agree)

- The staff at Home Depot is friendly and courteous (strongly disagree - strongly agree)

- (strongly agree)

- Other examples are shown in the Appendix.

- **Behavioral Intention:** Surveys can measure customer intention to purchase a brand, repurchase a brand, engage in word of mouth, and recommend. Typically, these intention variables are used as surrogates of actual behavior. The presence of high intention scores should not be interpreted as corresponding to high behavior among customers because intentions are imperfectly correlated with actual behavior. An example of measuring behavioral intention is shown next.

As the next example shows, a survey can measure:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Intention to purchase	1	2	3	4	5
Intention to repurchase	1	2	3	4	5
Intention to recommend	1	2	3	4	5

- **Brand Belonging:** Companies often ask consumers to categorize their brand belonging. For instance:
 - a. In the past six months, how often have you visited a business grocery store?
 - b. What percentage of your disposable income is accounted with how it and what percent are with how it?
 - c. In the past week, how many times have you visited the **Target** store?
 Despite the limitation of use to use correspondence with actual behavior, brand belonging are used extensively to understand customer behaviors.
- **Demographics:** Companies provide demographics such as gender, race, income, marital status, and area or residence. These are used as classification variables in the analysis. An example is shown in the Appendix.

ANALYZING SURVEY DATA FOR CUSTOMER INSIGHTS

Descriptive cross-sectional studies are analyzed using three types of analyses.

Univariate analysis

Univariate analysis is used to describe each variable separately, one variable at a time. This can be done using either frequency counts (or percentages) or averages. Consider the variable “My assets are safe at Money Bank,” which is rated on a 10-point scale (1=strongly disagree, 10=strongly agree).

- The analyst may calculate the average score on this variable, for example, 7.5.

- Using percentages, the analyst may report the top two low scores (percentage of people giving a rating of 1&2), for example, 80%.
- The analyst may report top two scores (percentage of people giving a rating of 9&10), or top three low scores (percentage of people giving ratings of 1&2&3), or any top 5 low scores.
- The average score and the top 5 low score are positively correlated through the magnitude of the correlation depends on the distribution of the respondents' scores.

To this end, the analysis can usually be conducted using a spreadsheet or a basic statistical analysis package. The results, which consist of the average scores or top 5 low scores, are reported as simple tables or bar charts. An example is shown below.

In this example, segmentation is based on the two groups, and the goal is to understand the differences in the two groups. The goal is to understand the differences in the two groups. The goal is to understand the differences in the two groups.

Figure 1: A scatter plot showing the relationship between two variables.



The relationship between the two variables is positive. The goal is to understand the differences in the two groups. The goal is to understand the differences in the two groups.

Bivariate Analysis Using Cross Tabulations: The goal of a bivariate analysis is to analyze two variables at a time. In most customer-research studies, this is done using two-way cross-tabulations, known simply as “tabs.” For any given study, you have to decide on the banner and the stub used for the tabs. The banner of a cross tab is the column variables and typically consists of segmentation variable(s) by which the data is broken down. The stubs are the rows, and consist of the variables that are expected to vary by segments, or by banner.

statements of agreement immediately after the Toyota recall in 2009 and 2010. The stub in the cross tab was the average rating of each statement that was measured on a scale of agreement or disagreement.

The study "The average rating of Toyota's brand" which is used as a diagnostic tool in strategic planning. Strategically, it helps to understand customer perceptions, attitudes, and behaviors. It also helps in identifying the following categories:

1. Overall brand health
2. Overall brand perception
3. Overall brand reputation

In addition, the study also shows that customer perceptions have a direct impact on brand equity. It helps in understanding the overall brand perception and the percentage of people who are in each category of the customer perception. The report also includes a summary and strategic insight for each brand perception category.

	2009		2010		Average Rating	
	Agree	Disagree	Agree	Disagree	Agree	Disagree
Brand Health	85%	15%	80%	20%	82%	18%
Brand Perception	75%	25%	70%	30%	72%	28%
Brand Reputation	90%	10%	85%	15%	87%	13%

The study also shows that customer perceptions have a direct impact on brand equity. It helps in understanding the overall brand perception and the percentage of people who are in each category of the customer perception. The report also includes a summary and strategic insight for each brand perception category.

Brand Health: Overall perception of the brand. It is a key indicator of brand equity and is measured by customer ratings of brand health.

An example is shown next. This [study](#)³ examined a customer agreement with various statements immediately after the Toyota recall in 2009 and 2010. The stub in the cross tab was the average rating of each statement. The banner was brand ownership (Toyota, Other). The results were displayed as a series of bars for each statement that customers rated. For each statement there are two bars: Toyota and other brand. This cross-sectional, descriptive study

³ Vikas Mittal, Rajan Sambandam, & Utpal Dholakia (2010), "Toyota Steers Clear of Reputation Damage," Marketing Research, Summer, 9-13. Available at SSRN: <https://ssrn.com/abstract=2351456>

causes unit sales to increase. From this mental model, a manager may feel comfortable

In many cases, managers use their mental models to interpret causal ordering in the variables measured in the survey. For instance, based on their experience and previous causal models, managers may have a mental model of causality that an increase in production through various means will cause an increase. From this mental model, a manager may feel comfortable interpreting the cross-sectional results of a correlation between the amount of production and unit sales as a "causal" cause. Clearly, the magnitude of the association may well be inflated due to common methods bias inherent in cross-sectional research.

Another limitation of cross-sectional research is that it does not allow one to observe changes within a unit. Thus, a person's perceptions of a brand may change over time. However, if one happens to measure it at a time when perceptions are high (e.g., right after an advertising campaign), and one repeatedly measures such perceptions over months, one may describe them as being "high" even after some time has passed. In reality, the perceptions may have declined after a period of time, rendering the causal construction incorrect.

LONGITUDINAL DESCRIPTIVE RESEARCH

In contrast to a cross-sectional study, which is best described as a *snapshot*, a longitudinal study is like a *movie*. In a longitudinal study, data from the same entity is gathered over multiple periods of time. The same customer may be interviewed each month to obtain data on what groceries they purchased each month and their spending patterns. An automotive buyer may be surveyed within two weeks of buying a new car, after six months of ownership, and after three years of ownership. By interviewing the same entity over time, the researcher can draw conclusions about changes in the levels of interest variables.

Relative to cross-sectional models, longitudinal models are less prone to common method bias and more susceptible to different responses to questions. In many longitudinal studies, respondents may drop out of the study for various reasons, or decline to answer longer than repeated questions. Longitudinal models also suffer from measurement and nonresponse instability. In other words, when the respondent is filling out the survey during a good and great, the work and striving to do well, the respondent will change their responses. Yet, longitudinal models have advantages to cross-sectional studies. The ability to track causal relationships and other relationships is critical for understanding management. Therefore, they may be preferred over cross-sectional studies in many situations.

TRACKING STUDIES

A tracking study is different from a longitudinal study. In a longitudinal study, the same entity (e.g. the customer) is surveyed or observed over different time periods. Thus, in such a study, the same customer would provide data over several time periods. While this type of longitudinal study could well be a tracking study, the typical tracking study is based on

aggregating data from cross-sectional studies over time. Specifically, a different set of customers is surveyed in each time-period.

For example, a firm may conduct a cross-sectional survey of customers who may be asked to rate their overall opinion on government performance. A similar survey for the same firm, however, is also conducted in a second time-period. In other words, a random sample of customers is drawn and these are interviewed every quarter. Suppose for the first time, the survey for seven consecutive quarters are Q4, Q3, Q2, Q1, Q4, Q3, Q2 and Q1 (quarters associated with a 28-point survey). Similarly, suppose the survey for the second time-period are Q3, Q2, Q1, Q4, Q3, Q2, Q1, and Q4. These surveys, which comprise the data for the tracking study, have several properties:

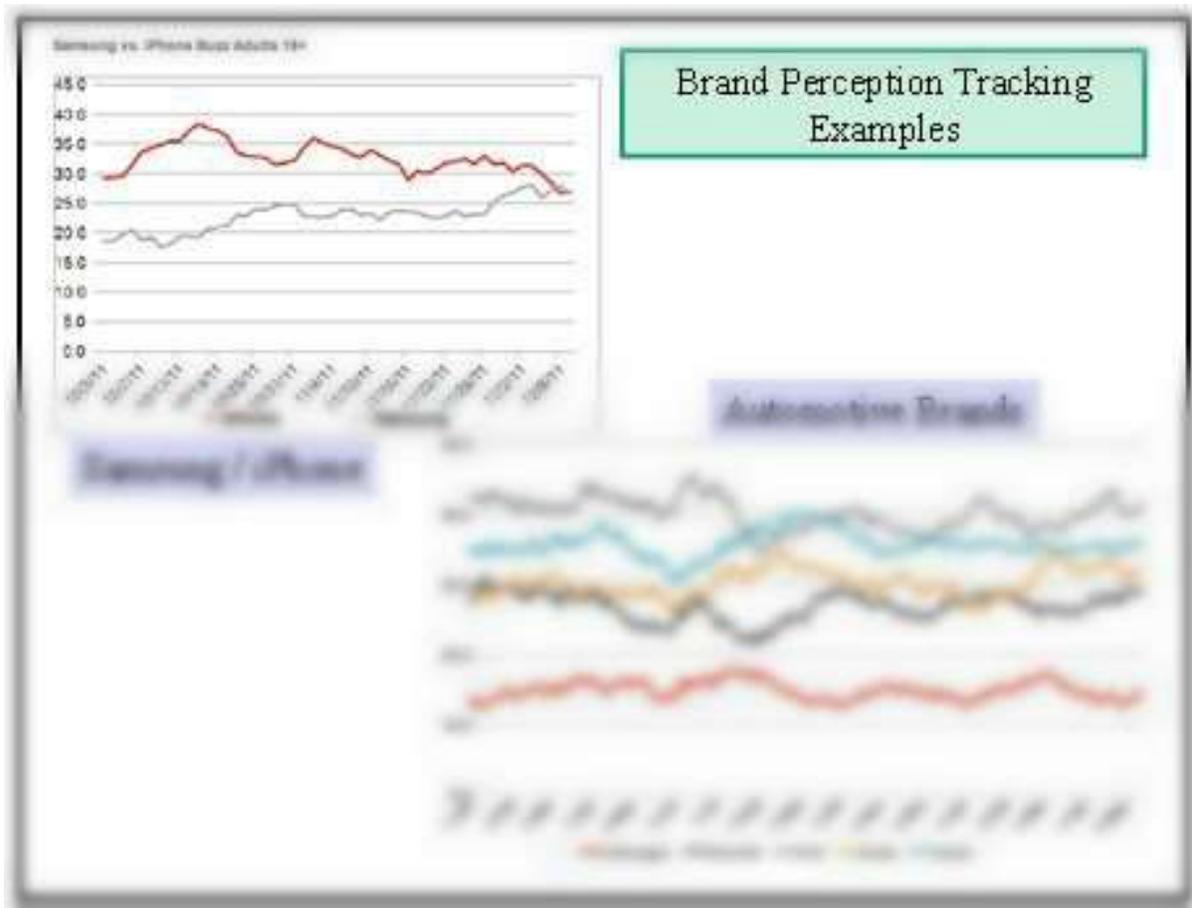
- 1. They are based on cross-sectional surveys of customers at each time. Thus, the tracking study is not a longitudinal study of the customer base because every quarter a new cross-sectional sample of customers is surveyed. In other words, it is not the same customer that is followed over time quarters. The results from these surveys aggregate cross-sectional surveys and are meant to understand customer trends over time.
- 2. They are based on the same survey instrument and usage. By aggregating the longitudinal cross-sectional data from individuals over time, a longitudinal view can be created at a more aggregate level of analysis (i.e., the survey in which the individual is conducting the cross-sectional survey).

The next typical tracking method involves tracking customer satisfaction over time, or tracking brand perceptions over time. Customer satisfaction or brand scores for each firm are tracked over time using a different cross-sectional of customers in each time-period. In other words, a cross-sectional sample of customers is surveyed every period. Over time, the different cross-sectional surveys can be compared to create a longitudinal variable. For an individual firm, examples of variables that may be tracked over time include:

- 1. Top three scores on variables such as brand perceptions and reputation measures.
- 2. Average rating on attitude, perceptions, and intention variables.

Two examples from tracking studies are shown in Figure 8.

Figure 8. Tracking brand perceptions over time.



QUALITATIVE DESCRIPTIVE RESEARCH

Qualitative research takes the form of focus groups or in-depth interviews conducted with key informants chosen based on the researcher's judgment. Different from observational research (e.g., ethnography), focus groups and in-depth interviews rely on people's ability to verbalize their thoughts and feelings about the topic at hand. In many cases, pairing qualitative research with a survey can substantially improve the insights gained. Two examples follow.

- 1. An MNC conducted a survey and found that 70% of its members wanted their government to "do more to help support" business. It was not clear to the MNC what specific actions government could take to support such requests. To this end, a series of focus groups were conducted to elicit specific suggestions that were perceived as important and/or strategic and why. These groups helped to provide concrete guidance for a marketing program designed to help government meet their requests with support.
- 2. A researcher asked several students to conduct a survey to see how people view "flexible" education as different from traditional education. However, no battery of items existed that could be used for the survey. A focus group elicited people's perceptions of what attributes would define a "flexible" education. The focus group findings were used to generate the items for the survey. See Figure 2 for the items generated using the focus group findings.

1. [Link to survey on government support](#) provides more detailed description.

CONCLUSION

When interested in a customer-based strategy and execution approach, most companies do not know how to do it. The strategy planning process, however, can be used to generate key findings to feed into the customer. As such, it is important for executives to fully understand how surveys are conducted to assist in gathering the customer's voice. This section provided an overview of customer surveys to business such as understanding

Suggested readings and references:

Christensen, G., Bruce Greenhalgh, and G. Anderson (2007) Marketing Research 2nd edition, Progress Publishers Company.

Greenhalgh, Bruce and G. Anderson (2007) How to Conduct Your Own Survey, John Wiley & Sons, Inc.

Greenhalgh, Bruce and G. Anderson (2007) The Survey Research Handbook, John Wiley & Sons, Inc.

APPENDIX: EXAMPLES OF SURVEY ITEMS

DEMOGRAPHICS

These last few questions are for classification purposes only.

- 1. **What is your gender?**
Male
Female
- 2. **What is your age group?**
18-24
25-34
35-44
45-54
55-64
65+
- 3. **What is your highest level of education?**
High School
Bachelor's
Master's
PhD
- 4. **What is your current occupation?**
Student
Professional
Managerial
Administrative
Sales
Service
Other
- 5. **What is your annual household income?**
Less than \$10,000
\$10,000 - \$19,999
\$20,000 - \$29,999
\$30,000 - \$39,999
\$40,000 - \$49,999
\$50,000 - \$59,999
\$60,000 - \$69,999
\$70,000 - \$79,999
\$80,000 - \$89,999
\$90,000 - \$99,999
\$100,000+

1. **Identify the key drivers of your business model.**
 - Revenue
 - Costs
 - Profit
 - Cash flow
 - Working capital
 - Inventory
 - Accounts receivable
 - Accounts payable
 - Fixed assets
 - Intangible assets

2. **Identify the key drivers of your business model, including the impact of each driver on the business model.**
 - Revenue
 - Costs
 - Profit
 - Cash flow
 - Working capital
 - Inventory
 - Accounts receivable
 - Accounts payable
 - Fixed assets
 - Intangible assets

3. **Identify the key drivers of your business model, including the impact of each driver on the business model.**

Business Model Canvas

The Business Model Canvas is a tool for developing business models. It is a 9-part canvas that can be used to describe, design, and test business models. The canvas is divided into nine sections: Customer Segments, Channels, Customer Relationships, Revenue Streams, Channels, Customer Relationships, Revenue Streams, Channels, Customer Relationships, Revenue Streams.

	1	2	3	4	5	6	7	8	9	10
Customer Segments										
Channels										
Customer Relationships										
Revenue Streams										
Channels										
Customer Relationships										
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