Customer Feedback Strategy in 4 Simple* Steps

***Turns out they're not so simple...**

Alright, you did it. You asked for feedback from your customers, so you can be done now, right?! WRONG! Asking for feedback and receiving those responses is just the beginning. In fact, it's step one in the ACAF Customer Feedback Loop model. What, exactly, does ACAF stand for? Here are the deets:

1. **Ask** for customer feedback
2. **Categorize** the feedback
3. **Act** on the feedback
4. **Follow-up** with customers who shared feedback

Seems simple enough, right? Let's dive a little deeper into each step.

1. Ask for customer feedback

Of course, you can't reliably gather customer feedback if you don't ask for it. (Okay, except for those customers who are going to tell you what they think whether you want to hear it or not, but we digress.) Most customers are very willing to share their opinions on why they love you and what could make them love you even more, but many won't share that information unprompted.

They want to know that you want to know! So whatever it may be that you're trying to better understand about your customers, start by simply asking the question.

The specific question(s) and the details of who and when to ask are important details here. The three most common survey types are Net Promoter Score (NPS), Customer Satisfaction (CSAT), and Customer Effort Score (CES); each with their own industry-standard format.

Net Promoter Score (NPS)

NPS measures the likelihood that a person will recommend your product or service. These surveys ask the question '**How likely are you to recommend *company X* to a friend or colleague**?' on a scale of 0 – 10. Responses are categorized into Promoters, Passives, and Detractors, and overall score is calculated by taking the percentage of Promoters and subtracting the percentage of Detractors.

NPS = % Promoters - % Detractors

While NPS is quickly becoming an industry standard in Customer Success, we caution against relying upon it too heavily, without additional supporting data. As TSIA points out, the 'how likely' question is not actionable, and calculations can be misleading or even manipulated. According to SurveyMonkey's global benchmark, the average NPS across all industries is +32, while the top 25% have an impressive average NPS or +72.

Customer Satisfaction (CSAT)

As the name implies, CSAT measures satisfaction with a business, purchase, or interaction. These surveys ask the question '**How satisfied were you with *X*?**' using a corresponding scale of text, emojis, stars, or numeric rating. Your overall CSAT score can be presented as your most frequently received response, but is more commonly expressed as a percentage, with 100% being total customer satisfaction and 0% total customer dissatisfaction.

CSAT = # of Satisfied Customers / # of Survey Responses X 100

We wholeheartedly agree with HubSpot's estimation that "a big strength of Customer Satisfaction Score lies in its simplicity: It's an easy way to close the loop on a customer interaction and determine whether or not it was effective in producing customer happiness…This makes it easier to find potential bottlenecks and improve the customer experience." Average CSAT scores vary by industry, typically somewhere between 75% - 85%.

Customer Effort Score (CES)

CES measures how easy or difficult it was for a customer to interact with your company by asking a question like '**How easy or difficult did *Company X* make it to do *X activity*?**'. That activity could be anything from navigating a company's website, to a support interaction, or even the act of being their customer. CES survey respondents select an answer on a scale ranging from 'Very Difficult' to 'Very Easy' – typically within a seven-point scale. Overall CES is expressed as a number from 0 – 100. It's essentially the percentage of customers who agree that the designated activity was easy, just without the percentage sign.

CES = # of 'Easy' Responses / # of Survey Responses x 100

Heralded by some as 'the new NPS', CES has been gaining popularity in recent years due to its focus on customer experience and reputation as a more effective determinant of customer loyalty than other survey types. A Harvard Business Review study found that 'delighting customers doesn't build loyalty; reducing their effort – the work they must do to get their problem solved – does."

Wildcards

You may be wondering 'what if the type of feedback I'm looking for doesn't fit into one of those categories?' Despite the fact that NPS, CSAT, and CES are the most common survey types does not mean that they're your only options for gathering valuable feedback. In fact, asking for feedback can be an opportunity to think outside the box and be creative! To get the creative juices flowing, here are a few additional ways to ask for customer feedback.

Add a follow-up question to NPS, CSAT, or NPS. By simply adding a follow-up question that asks *why* a survey respondent answered the way they did, you can gain more detailed information on exactly what's working for customers, and what's not. For example, if a customer rates you with a smiley face on a CSAT survey (yay!), they would see a second question on the same survey that reads something like 'Thanks for the positive feedback! Can you tell us what made your experience so great?' Alternatively, if another customer rated you with a sad face on that same survey, their follow-up question would read something like 'We're sorry we let you down. Can you tell us more about your experience so we can get it right next time?"

Try a thumbs up/thumbs down survey. You may remember back in 2017 when Netflix changed their rating system from a five-star scale to a thumbs up/thumbs down methodology. They likened the new system to a dating app (swipe left for no, right for yes) or the 'Like' feature on social media platforms. Within the first year after making the switch to the more simplified rating system, Netflix "saw a 200% increase in the number of logged customer ratings," according to TSIA's Phil Nanus. "This, in turn, gave them better intelligence to match the type of content its subscribers would like to have. With this increased engagement in customer satisfaction surveys, can we expect a similar methodology being implemented in B2B VoC surveys?" wonders Nanus. This is a great example of how B2B companies can learn from their B2C counterparts.

Create a custom survey with open-ended questions. Perhaps you're launching a new product and want to gather insights from your beta testers in order to put the finishing touches on before going live to a broader audience. Or maybe you're evaluating creating monetized Customer Success plans, but need to understand which services your customers would be willing to pay more as part of that white glove service. Either of these scenarios present an opportunity to utilize open-ended survey questions to obtain the more in-depth feedback you need.

Bonus tips:

Mix and match question types. Try pairing open-ended questions with checkbox questions, or multiple choice questions with ranking questions.

Test survey delivery methods. Surveys can be delivered via email, text message, live chat or chat bot, in-app, social media, on a web page or landing page, on a community forum or request board, or even during one-on-one customer meetings. There are a ton of options! So, test multiple delivery methods to determine which one (or more!) works best for your audience.

2. Categorize the feedback

Once you've successfully asked for and gathered customer feedback, you're left with a bunch of raw data. Dozens, hundreds, or thousands of responses to the question(s) you've asked, and maybe even some questions or comments back to you that may or may not be related to your original line of questioning. So, what exactly do you do with all that data? How do you turn individual survey responses into *actionable* feedback?

Start by identifying a single location where all that customer feedback can be collected, stored, organized, and shared. Many organizations are temped to do this in a spreadsheet, which may work for a while, *if* you have a quality Data Analyst on hand, but is difficult to maintain and scale as your business grows.

We recommend using a single centralized location as your single source of truth for customer feedback, like your CRM, CS platform, ticketing system, or a dedicated customer feedback solution. These tools have been created to, or can be configured to, aggregate all your data in one place and help you identify themes and trends over time.

There are a few schools of thought on how to categorize feedback once you've gathered it into a singular location. For example, HubSpot recommends utilizing three categories of product feedback, customer service feedback, and marketing/sales feedback, and differentiating between useful and useless negative feedback, whereas Gainsight breaks it down into three buckets consisting of business analytics, outreach analytics, and program insights.

Our best advice: choose the categories that make the most sense for *your* business, whether that is by following one of the examples outlined above or creating your own. Then, continue to break the data into subcategories to make the data set more digestible. For example, if one of your categories is product feedback, your subcategories may look something like this:

Major product issues. These are urgent problems, like a system outage or prominent feature malfunction, that make it nearly impossible for customers to use the product as you (or they) intended.

Minor product bugs. These are annoying, but likely don't impact the overall usefulness or value of your product, like the need to reload a specific page, or a temporary slowdown on a certain feature.

Feature requests. What new features would your customers like to see from you? While you may not be able to develop everything on the list, you'll be able to use this feedback to help you prioritize product development.

Regardless of your categories and subcategories, use the breakdown to help you identify recurring patterns or themes in the feedback – *both* positive *and* negative. Do a trend analysis based on keywords you've identified or a root cause analysis by asking 'why?' to understand the true source of any customer concerns. On industry standard surveys like NPS, CSAT, or CES, track your results over time to identify patterns and benchmark your results against industry averages to see how you stack up.

Once you have all your data gathered in once place, you can also begin to slice and dice it in order to dive deeper into your customers' experience. Categorize your survey responses by segment to identify discrepancies in customer experience or differing priorities based on company size or vertical. Utilize a quadrant chart to let the data guide you towards the next step in the process: action.

3. Act on the feedback

After asking for feedback and categorizing that feedback, it's time to take action. An often-overlooked aspect of acting on customer feedback is sharing that feedback internally. Feedback should be shared with your product, Customer Success, support, sales, and marketing teams at a cadence that works for *them* (not you). Maybe that means sharing feedback in real-time with an automated email notification, or maybe via a daily, weekly, or monthly report. We recommend sharing *all* feedback with *all* stakeholders, along with some sort of notation or categorization on what may be most relevant to their specific area of expertise.

Once the right internal stakeholders have access to customer feedback, they can utilize it to help inform their strategies and begin to act. We recommend holding regular team brainstorming sessions on how best to incorporate customer feedback into your plans, and then update those plans accordingly.

Did a high volume of feature requests for one specific feature change your product roadmap? Update it! Did lower than usual NPS responses uncover a slower-than-usual support response time? Create a plan to rectify it. Did an influx of confused responses over a new product update identify a need for additional training content? Outline the steps you'll take to develop and release that educational material.

Depending on the type of feedback you've gathered, you may need a bit of time to formulate a plan that you can then share with your customers. If you find yourself in that scenario, then acting on the feedback should also include a short and sweet response to those that provided feedback – thanking them for taking the time to do so, and setting proper expectations about when they'll be hearing from you again.

Ideally, this would take the form of an automated email, that is triggered to send immediately after the customer submits their feedback. Customers won't be likely to share feedback again if they think that you aren't listening, so if you know you won't be able to provide a thorough follow-up immediately, be sure to set proper expectations so they don't feel overlooked or unappreciated.

4. Follow-up with customers who shared feedback

The fourth and final step of the ACAF feedback loop is all about following up with the customers that took the time to share their opinions with you. We cannot overemphasize the importance of this step, and sadly, it's another area that's often overlooked. If customers don't feel like their voice is being heard, the stream of feedback they provide is likely to dry up. And without that feedback, the risk to customer churn, and even to business failure, increases exponentially.

"The feedback process doesn't end with you using the feedback you've been given, it ends with you communicating back to the customer...If you don't close the loop you risk alienating your customers. Best case scenario: They stop helping you build a better product. Worse case scenario: They look elsewhere." explains Gainsight.

You have options when it comes to *how* you follow-up. Here are a few to consider:

A personalized thank you email. Notice we said *personalized*. That's the key here. This shouldn't simply be a canned template, but a genuine note, from a human being, thanking your customer for taking time out of their busy schedule and for their thoughtfulness in the feedback they provided.

If the feedback was less-than-glowing, be sure to clearly outline how you plan to make it right. Ask open-ended questions if you need more information, and don't forget the empathy! Even if you don't agree with the complaint, empathizing with their concerns will help ensure they feel heard. You may also want to connect them directly with someone on your Support team who can act as a more immediate source of help, should they run into any further issues.

On the other hand, if the feedback was positive, your email should take a different tone. Positive feedback can be rare, so celebrate when it comes your way, and treat those customers like the brand evangelists they are! Maybe offer a discount code for their next purchase, or give them a sneak preview of an upcoming release. Consider asking if you can share their praise publicly, if they'd be willing to be a customer reference, or if they have any referrals they can share with you or the sales team.

A personalized thank you letter or card. Proof that there is still room for snail mail in today's world! We'd recommend reserving this option for customers who provided exceptionally valuable or in-depth feedback. They went the extra mile for you, so they'll appreciate this rare thoughtful gesture in return.

A phone call. This likely isn't a viable option for every customer who provides feedback, but can be a useful tool when you need more information or feel the need to ease any concerns in a more personal manner.

A public roadmap or feature request board. While a fully fledged product roadmap isn't always realistic, creating a go-to location where customers can check back on the status of requests they've made or concerns they've raised can be invaluable. HubSpot's Ideas Forum is a great example! But skip this option if you don't have a realistic plan for how to keep this consistently updated with the latest information.

A published report. Unlike a roadmap or feature request board, a report is more of a 'point-in-time' view versus a living document. So, this may be a better option if you have limited resources to keep statuses updated. In this scenario, the report would include an overview of the feedback you received (likely the most common themes you identified during the 'Categorize' step of the process), as well as your plans for how to incorporate that feedback into your plans for the upcoming month, quarter, or year.

Regardless of *how* you reach out and what type of feedback the customer provided, your follow-up should be relevant, timely, and informative. Be sure to express how grateful you are for their feedback and explain how that feedback will impact your company's plans and their experience as a customer in the future.

Turns out they're not so simple

Utilizing customer feedback to guide your company's business goals and strategic direction is one of the most powerful ways to make customers feel engaged with and valued by your business. And while the ACAF Customer Feedback Loop is a simple way to break down the process of gathering and utilizing that feedback, we'll be the first to admit that it is far from easy to execute each of these steps and sub-steps exceptionally well.

While it may not be easy, it will be worth it. There is research abound that shows the power of a strong customer feedback strategy. From Grohe's calculation that a 10% improvement in NPS correlates with a six- to seven-percent increase in revenue growth, to Qualtrics' discovery that a 20% increase in CSAT can lead to a 15% increase in revenue *and* 20% reduction in cost to serve, or Harvard Business Review's case study about Charles Schwab, who saw an 11% revenue increase after implementing a new focus on direct customer feedback to 'turn the company around' back in 2008.

If those statistics still don't have you convinced, we'll leave you with eight excellent reasons, courtesy of Delighted, why a closed-loop customer feedback process is worth it.

1. Deepen customer loyalty to your brand
2. Build trust by actively caring for your customers
3. Establish a direct line of support to quickly resolve future issues
4. Catch at-risk customers prior to churn
5. Isolate product issues early
6. Identify where you're excelling and double down
7. Pinpoint where you will need to improve
8. Create a customer-centric culture across the organization

Need help putting a customer feedback strategy like this into action? ESG is here to help.