



## CFI Group **Insights** for Fall 2006

As Fall 2006 comes to an end, CFI Group is busily preparing for 2007. We expect next year to bring even more success for CFI Group and our clients. More and more, organizations are seeing the value of enriching their customer relationships with insightful decision-making and action planning.

We hope you enjoy the Fall 2006 issue of Insights. This is your newsletter and we encourage you to share your experiences with us. Please let us know what we can do to make Insights more valuable to you. Our email is [insights@cfgroup.com](mailto:insights@cfgroup.com).

Feel free to forward this newsletter to others in your organization. [Click here](#) to subscribe to CFI Group **Insights**.

### Selecting, Setting and Monitoring Targets

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Duncan Todd  
Senior Consultant  
CFI Group - London

Measuring customer satisfaction is a critical first step toward business success. CFI Group's measurement and "cause and effect" analysis show where improvements should be directed to generate optimum returns. But unless employees are given appropriate direction and incentives to make these improvements, positive change may not take place. Selecting measures, setting targets and measuring progress towards those targets are all essential to realizing the return on any customer satisfaction program.

There are two aspects that must be considered for implementing change: a) selection of appropriate measures, and b) setting appropriate target levels for these measures. The following are guiding principles for selecting targets, and some pitfalls to avoid.

#### Principles for Selecting Measures

Target Selection	Implications
Accuracy of measurement	Accuracy is essential for senior management to believe in and support satisfaction improvement initiatives. Accuracy is also critical to reliably identifying true improvements, for aligning resources based on an optimal mix of financial results, and

	for using targets as a basis for compensation.
Within individual or team control	Employees should be empowered to meet their goals and rewarded on the basis of their individual or team performance. If external factors significantly influence the measure, employees may be compensated based on luck with the external influence, or compensation may be unjustly withheld despite having done an excellent job. In either case, motivation is devalued.
Identifiable and understandable drivers	Employees must understand how to achieve their targets. Depending on the measure, this may require assessment of teams and their training needs. If employees don't understand what drives performance or they don't have the necessary skills, they can't make the improvements that need to be made. This greatly reduces the value of having targets.
Linked to strategy	Ultimately, every measure - individual or team - should tie back to the strategic goals of the business. If the measure(s) covers only a small subset of the customer base, or too narrow customer perception, then overall performance improvements aren't likely to be achieved.

It isn't enough just to have the right measures selected and in place. It is also important that these targeted measures encourage the right employee behaviors. The right measures with the wrong settings may be as bad as having no measures at all. The following are some guides for setting targets that motivate positive employee and team behavior.

### Principles of Target Setting

Target Setting	Implications
Stretch targets, not easy targets	Targets are intended to motivate improved performance - to take a significant step towards the strategic goal. If the stretch can't be achieved, employees may not try because they'll believe they're going to fail anyway. If the targets are too easy, employees won't need to try very hard, and potential improvement will be diminished.
Supported with appropriate resources	Targets need to take into account the resources available, and other factors that may influence performance over the year. Even reasonable targets won't be attained if the necessary resources aren't committed and available. Setting targets without committing resources will simply cause employees to ignore them.
Strive for continuous improvement	Target setting should always be an improvement on current performance. While mitigating factors may be considered, using current performance measures will result in getting the improvements you asked for... none at all.

A major and often neglected contributor to the success of a customer satisfaction initiative is effective communications and ongoing monitoring of progress. The most meaningful targets with perfect settings are unlikely to be accomplished if they aren't communicated broadly across the organization. While individuals can do great things, most initiatives depend on team contribution, support and commitment. Communication is the most certain way to ensure that everyone works together toward strategic goals and success.

Finally, every initiative benefits from monitoring progress against targets. By measuring progress, management can make sure that the necessary resources are available, and ensuring corrective actions are identified and promptly acted upon. Anything less will diminish the value of your satisfaction initiatives.

These high-level principles are just the beginning of the target selection, setting and monitoring process. Wouldn't it be nice if you could simply turn the crank and have the optimum measurements and settings come out? Of course, it's never going to be that easy but if you want to get closer to this ideal, don't miss the Winter Issue of CFI Group *Insights!*

## Measuring the Website Experience

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By Larry Freed

President & CEO of ForeSee Results

Companies have traditionally relied on behavioral metrics as the leading performance metrics for a website: how many unique visitors come to the website each month, how many visitors "convert" to a sale or a lead, how many pages they visit, where they leave the site, the path they take to navigate throughout the site, etc. Increasingly, managers of web operations are finding that this type of data falls short of providing compelling metrics that gauge the website's contribution to the company's bottom line.

There are several commonly used approaches to measuring the website experience from a voice of customer perspective:

### Customer Surveys

Thanks to inexpensive technology, customer surveys are extremely easy to implement on the web, but the challenge lies in wielding them to gather accurate, consistent, precise and reliable information. Too often, survey questions are written by various stakeholders within the company, sometimes with particular outcomes in mind, which undermines the reliability of the measure, not to mention it can significantly skew results to achieve a foregone conclusion.

For customer surveys to be truly valuable and actionable, they must control for sample bias, survey bias and engineer in enough consistency over time and across industries to provide valid benchmarking measurement. Another danger of customer surveys is overreacting to anecdotal feedback, which is skewed to the most critical and most laudatory comments and does not link to future behavior (e.g. a vociferous complainer may be a loyal customer who still plans to give the company his business whether or not his input is heeded).

Another pitfall is focusing on page-level surveys that give feedback on a specific web page. Since the website experience is cumulative and is highly influenced by site visitor intent and perceptions in addition to the visitor's self-directed path through the site, the feedback received is potentially misleading and highly subjective.

### **Focus Groups and Usability Studies**

These research forums engage a small number of representative customers and ask them to conduct a series of specific activities on the website. While this may yield interesting qualitative observations, they are not true performance metrics since the experience of a handful of guided site users is not a realistic proxy for the real-time website experience of a self-directed site visitor. In addition, these studies are not predictive of future behavior nor can they be accurately projected to a mass audience.

### **Panels**

Proxy panels that collect site visitor data are used for benchmarking purposes in some industries. This approach can yield misleading results if the panel isn't truly representative of the company's site visitors. Also, the benchmarking that is commonly done with panel-based industry norms focuses on the competitor's site visitors, not the company's own site visitors. By chasing the competition, which may have a significantly different site visitor audience due to differences in marketing, products, site design and other factors, a company can stray from a customer-centric approach that will ultimately yield greater loyalty and retention to drive financial performance.

Companies that truly embrace a customer-centric philosophy should consider using customer surveys that apply the ACSI methodology to website measurement. The scientific methodology of the ACSI has been shown to provide an accurate, precise and reliable read on the satisfaction of site visitors - for both the overall site visitor base and for distinct audience segments, e.g., members vs. non-members, first-time visitors vs. repeat visitors, and other groups of interest.

What the ACSI methodology does that other customer measurements can't accomplish is to isolate the specific drivers of satisfaction with the web experience, quantify their relationship to overall satisfaction and project the influence on desired site visitor behavior. Seasoned research analysts who work with this system have the tools to identify and prioritize where making improvements will cause the greatest impact on behavior and on the ROI of the improvements. ForeSee Results, the leader in online customer satisfaction measurement with over 15 million completed surveys over 22 industries and a partner of CFI Group, applies the ACSI methodology to website experience measurement. To get a more complete view of the customer experience, ForeSee Results can integrate customer satisfaction data with behavioral data collected through clickstream tools or can integrate with CRM data in the company's database. This combination affords a 360 degree view of how well the website is performing from the site visitors' perspective.

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Larry Freed is President and CEO of ForeSee Results, CFI Group's sister company. ForeSee Results applies the methodology of the American Customer Satisfaction Index to the web and is the market leader in online customer satisfaction measurement and management. [www.ForeSeeResults.com](http://www.ForeSeeResults.com)

## ACSI Unchanged; Consumer Spending Gets a Boost

### Q3 2006: Manufacturing/Nondurables

The American Customer Satisfaction Index (ACSI), published by the National Quality Research Center at the University of Michigan Ross Business School, issued its quarterly release on November 14, 2006. The ACSI is an economic indicator based on modeling of customer evaluations of the quality of goods and services purchased in the United States.

For the third quarter of 2006, the American Customer Satisfaction Index (ACSI) is unchanged from the second quarter. At a score of 74.4, it remains near its all-time high and 1.6% above where it was a year ago.



The consumer non-durables sector, measured each year in the third quarter and reported in the fourth, improved by 0.6% to an ACSI score of 82.3 - the highest of any sector in ACSI. Customer satisfaction is traditionally higher for non-durables than for other industry sectors. Very little service is required, either before or after purchase. Consumers have access to a multitude of products, brands and purchase alternatives - and very few things go wrong with them. Switching-costs are relatively low so the existence of many unhappy customers at any given time is unlikely. Finally, prices have not increased much - at least not relative to gasoline, energy, or health care.

High levels of buyer satisfaction suggest higher spending, but consumers' inclination to spend is always tempered by the availability of cash and credit. With the mid-year slowdown in the economy, it is usually assumed that consumer spending will slow as well. Yet, there are some signs that spending may not weaken. Interest rates have stabilized. Oil prices are coming down. The stock market has been doing well. Customer satisfaction is high. On the negative side, home prices have been falling. Overall, however, it does not look like spending will be much different during the remainder of the year.

For more information on the ACSI and its most recent release, visit [www.theacsi.org](http://www.theacsi.org).