

Closing the Loop

Saving Relationships By Effectively Resolving Customer Issues

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ABSTRACT

Poor experiences happen. It's how your organization responds to these negative customer experiences that either make—or break—your brand perception.

This white paper discusses how to effectively create a closed loop system that not only resolves immediate customer concerns, but also identifies patterns and processes that, when improved, move your organization beyond “case management” to proactively addressing issues before they happen.

YOU CAN'T AFFORD TO LEAVE CUSTOMER ISSUES UNRESOLVED

We've all been there: You're shopping with your favorite retailer, getting your car serviced, or taking a holiday when the worst happens. Your order is wrong or an associate is rude, and this negative experience completely changes your perception of the brand.

I actually had a personal experience with this type of interaction a few months ago. I was flying from Canada to Utah with a layover in New York. My initial flight was delayed, so I landed in New York with about 20 minutes to catch our connecting flight home. I ran up to the gate just in time to see the attendant close the doors. Long story short, despite my best efforts, the plane took off, I waited in line for two hours to rebook, and was then put up in a dingy hotel for the night.

Needless to say, when I completed the survey they sent me the next day, my comments were not positive. I swore I would never fly that airline again and then went about my day. To my surprise, later that afternoon, I received a call from the airline. Over the next 15 minutes, we chatted about my experience, the agent apologized, and gave me bonus flight points.

Within the space of a single, simple phone call, I went from a strong detractor to a promoter. I'm a frequent flyer for work, and I spend thousands of dollars with this

airline each year. Imagine my experience multiplied across hundreds of customers on thousands of flights each day and the ramifications to that airline's revenue should each customer defect.

My experience was not uncommon, and the stats bear that out. A study from Lee Resources shows that 91% of unhappy customers won't return to your brand.¹ Research also shows that it takes about 12 positive experiences to make up for one unresolved negative experience.²

Your business simply cannot afford to leave customer issues unresolved. Clearly, closing the loop with your customers can have a huge impact on your bottom line. This isn't a surprise to anyone in the customer experience (CX) industry. The bigger question is how to do that effectively.



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DEFINING CLOSED LOOP

The first step toward creating an effective closed loop system is understanding the different components and having a solid working definition.

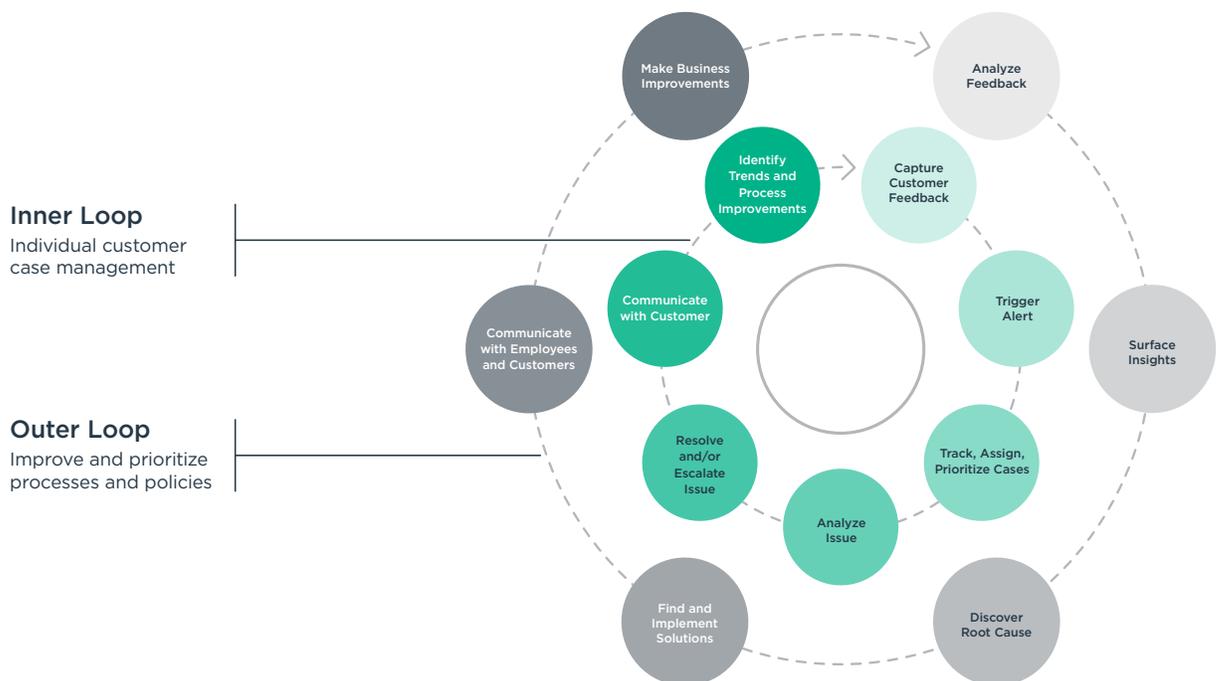
Bain & Company has literally written the book on this in *The Ultimate Question 2.0*, so we won't dive too deeply here. But the essential definitions of a closed loop system are as follows:

- **Closed Loop System:** The ability to identify and resolve individual customer issues and larger organizational patterns and trends based on those issues while communicating solutions back to customers and employees.

- **Inner Loop:** The ability to identify and resolve individual customer issues while communicating solutions back to customers and employees.
- **Outer Loop:** The ability to identify and resolve larger organizational patterns and trends based on individual customer issues while communicating solutions back to customers and employees.

Read more about Bain's definition of closed loop on their blog:

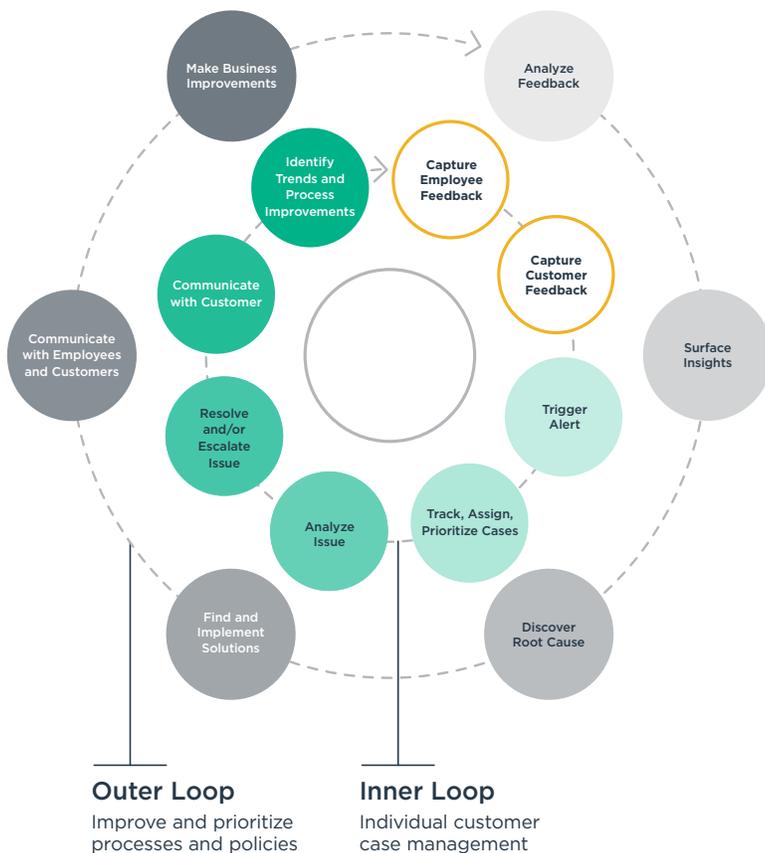
<http://www.netpromotersystem.com/system-processes/index.aspx>



Over the years, I've noticed a trend: Most businesses get 80-90% of the way to closing the loop and then call it good. This is a symptom of a few problems, including a missing data set and an inherent misunderstanding of the importance of communication.

The Voice of the Employee

First, there's a gap in the paradigm. Even in the previous graphic, there's a missing piece: collecting and listening to the voice of the employee. The graphic should look like this:



Without this critical data set, you're only getting part of the story. A recent study by CustomerThink found that 66% of CX professionals consider employees the top source of actionable insights about their customers' experiences—and for good reason.³ Employees interact with customers daily, in a variety of ways. They also know your business and can offer an insider's view of both the disconnects and the opportunities between what you hope to deliver and what customers actually experience.

Let's take a look at how this plays out in the real world. I worked with a large financial institution that regularly issued replacement credit cards. Customers were leaving feedback that their new cards had been lost or stolen in transit, and because of this issue, were unwilling to refer their friends to the company. In an attempt to rectify the issue, the company was taking additional calls, issuing new cards, and using expedited shipping—all at an additional expense.

However, over time, customers continued to complain about lost or stolen cards. The company hadn't addressed the root of customers' concerns. In fact, immediately shipping a new card perpetuated the perception that the original card had been lost or stolen.

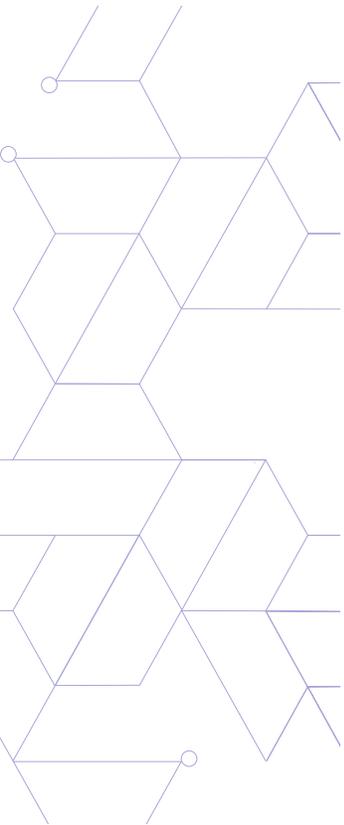
The company then turned to the employees in the contact center to help understand why the new measures hadn't worked. Based on employee feedback, the root cause was identified as a communication issue. Instead of sending a new card, the company retrained agents to place a special emphasis on the shipping window or anticipated delivery date of the original card and coached agents to reiterate that timeframe to customers who called before the deadline.

Thanks to this simple change in process, the company saw a decrease in service center calls, the number of replacement cards issued, and overnight shipping

charges—the cumulative savings totaled approximately \$3.5 million in just one year. Combining customer feedback with employee feedback led to significant bottom-line savings.

“To better diagnose the root causes of CX issues, companies need to get more systematic about mining employees’ feedback. Effective voice of the employee programs need to collect employees’ feedback, uncover root causes of issues, react to feedback, and explain how VoE insights are used to improve the customer and employee experience.”

—Forrester Research⁴



Circular Communication

The second problem is that businesses forget that actually closing the loop requires communication back to both customers and employees, depending on the issue. Without this, the cycle is broken. When customers take the time out of their busy lives to leave you feedback, they expect you to listen and take action, and most importantly, *to let them know what you did to address their concerns.*

This communication loop doesn't have to be complicated. It can be as simple as an email letting a customer know that you've identified the issue and are working hard to fix it. And effective communication doesn't mean that you're saying yes to every request, piece of feedback, or idea. It can be a post on your intranet letting employees know that while you understand

their feedback, it's simply not feasible to change policy ABC at this time because of reasons XYZ.

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The important thing to remember is that getting your employees' input is an essential piece of the puzzle. Without it, you're not truly closing the loop. You're leaving your customers and employees in the dark.

SEVEN BEST PRACTICES FOR IMPLEMENTING A CLOSED LOOP SYSTEM

Simply knowing what a closed loop system is, is obviously not enough. Even having the right technology in place won't get you to where you want to go: reducing customer churn and improving loyalty. Technology is just a facilitator. Your organization needs to be ready—from the executive to the front-line employee—to take steps to create a culture of support to bolster your closed loop efforts.

Step 1: Get Executive Buy-In

Closing the loop with your customers requires executive buy-in—a concept much easier to talk about than actually put into practice. The truth is that executives are busy. They have many demands on their time. And while they don't need to be involved in the day-to-day of closing individual cases (although it always helps), you will need their support. How do you get it? Here are three tips for encouraging executives to participate in your closed loop initiatives:

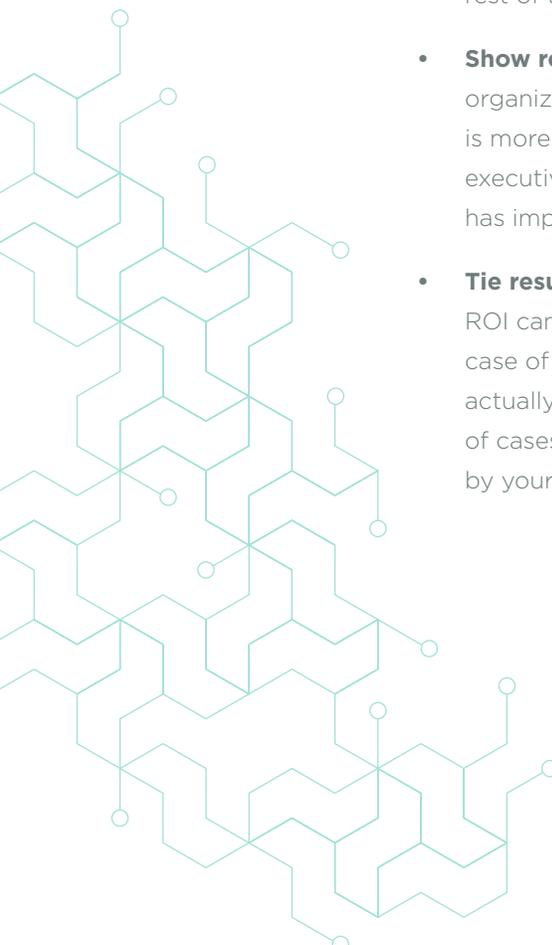
- **Find an executive sponsor:** Getting larger executive team support becomes easier when you have an advocate. Try to find an executive to sponsor your program and advocate for it with the rest of the team.
- **Show real client successes:** Every organization has them and nothing is more powerful than showing your executive team how closing the loop has impacted real customers.
- **Tie results to organizational metrics:** ROI can be hard to measure. In the case of closing the loop, however, it's actually pretty easy. Track the number of cases you've closed and multiply it by your customer lifetime value.

Executive buy-in for closed loop can feel a bit like a chicken and egg scenario. They want results before they're willing to invest in more resources or new policies, but without additional resources, you're hard-pressed to produce results.

The easiest way we've found to get around this cycle is to begin your program with a pilot. Choose a few, targeted locations or teams and roll out closed loop processes with them. This allows you to prove out the efficacy of the program without a huge investment of resources.

Closing the loop is a tried and true way to impact the bottom line:

- **A 10% increase in customer retention results in a 30% increase in company value.⁵**
- **A 5% increase in customer retention increases profits by up to 125%.⁶**



Step 2: Prioritize Initiatives

I've personally been involved in hundreds of closed loop implementations. One of the unifying factors I've constantly seen in every new program is that businesses get overwhelmed. The feedback coming in exposes gaps across the organization and it can quickly feel like you're climbing a never-ending mountain of problems.

Rome wasn't built in a day and organizational issues exposed through a closed loop program certainly won't disappear overnight. This is where prioritization becomes paramount. At risk of using yet another cliché, go after the low-hanging fruit first.

For example, I worked with a financial institution that had a policy of charging

a small monthly fee for customers who preferred to use a teller or have an in-person interaction versus using an ATM or online banking. When they began their closed loop initiative, this feedback came in consistently and was severely impacting their overall satisfaction (OSAT) score.

While there were many changes they could have focused on, they chose to go after a quick, easy success. They eliminated the fee and customer satisfaction soared.

There will be initiatives you want to tackle that will require major organizational change. I strongly recommend starting with the easy win, gaining credibility through proven successes, and then tackling the larger, more complex, issues.

Step 3: Harness Existing Business

Many companies are moving to a model where they have a dedicated CX closed loop team. This cross-functional team is tasked with resolving any customer issue raised via customer feedback (survey, social media, etc.).

When staffing these teams, consider hiring from within. When trying to understand the issues your customers are facing, employees with deep organizational knowledge can be invaluable. Employees with backgrounds in operations, procurement, production,

or even marketing or sales have a unique understanding of how your business operates. This knowledge not only allows them to solve individual customer problems, but to also identify root cause and how processes could be streamlined or adjusted to close that outer loop.



of the time, a person will become a **repeat customer** when a complaint is resolved in the customer's favor

Step 4: Commit to Faster Resolution

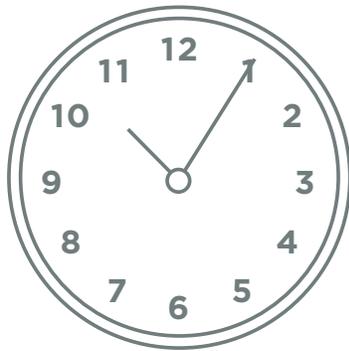
Today's world is always on and the customer is more empowered than ever. This means when they give you feedback, they expect you to respond—and quickly.

For example, 42% of consumers said that if they contact a brand for support, they expect a response within 60 minutes. And 57% said they expect that turnaround time regardless of time of day or day of week.⁷ These expectations can place a huge burden on companies. But those businesses who are able to meet these expectations are rewarded with greater loyalty and increased customer spend.

In fact, a study by Lee Resources showed that when you resolve a complaint in the customer's favor, they will become a repeat customer 70% of the time.⁸

Ultimately, brands wanting to implement a closed loop process must be committed to faster resolution times. It's no longer good enough to get customer feedback and wait for days or weeks to respond. So how do you improve response times?

- Create a dedicated CX response team to handle customer feedback-related cases.
- Use a combination of personalized and automatic responses.
- Choose a technology provider who can prioritize cases based on time open, impact to the business, or customer lifetime value.



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Step 5: Increase Organizational Agility

“Active inertia is an organization’s tendency to follow established patterns of behavior—even in response to dramatic environmental shifts.”

—Donald Sull, Harvard Business Review

A close cousin of committing to faster resolution times is the ensuring the correct level of organizational agility. The ability to pivot based on market volatility or customer demands is obviously easier for smaller organizations; however, it may be even more important for enterprises where the ability to personally interact with each customer is diminished.

In an article by Donald Sull in the *Harvard Business Review*, he talks about “active inertia:”

“Active inertia is an organization’s tendency to follow established patterns of behavior—even

in response to dramatic environmental shifts. Stuck in the modes of thinking and working that brought success in the past, market leaders simply accelerate all their tried-and-true activities. In trying to dig themselves out of a hole, they just deepen it.”⁹

In order to have a successful closed loop program, organizations must be wary of “doing things the way they’ve always been done.” Being able to look at processes, programs, and policies objectively and then move quickly to adjust is critical to resolving customer issues, reducing churn, and ensuring organizational success.

Step 6: Make Individual Contact

Read the entire 2017 CX Trends study at inmoment.com

InMoment recently released its latest CX Trends study, which highlighted the importance of personalization. Customers are increasingly expecting brands to know who they are at each touchpoint along the customer journey, from advertising, to purchase, to support and beyond.

When we think of personalization as an industry, we tend to think about targeted ads and integrated CRMs. There is, however, another type of personalization: personal contact. We have seen it over and over again. The power of a personal note or phone call simply can’t be overstated.

“Handwritten letters. I know it’s kind of old fashioned, but I think in today’s digital world customers notice and appreciate that we take time to write letters to them. One employee and his team started a letter-writing campaign, thanking customers based upon their longevity. They would do it every Thursday, and it’s now mushroomed, and it’s become “thank you Thursdays” company-wide. Our employees sit down with a list of customers, which includes something about the customers, like how long they have been with Sprint, and they handwrite letters thanking the customers for doing business with Sprint.”

—Dan Hesse, Sprint Nextel¹⁰

Step 7: Empower Your Employees

Zappos is often held up as the pinnacle of customer experience success—and with good reason. They are consistently at the top of the list of e-commerce customer service rankings rankings.¹¹ And their secret is well documented: Empower your employees.

There are stories all over the internet about how Zappos customer service representatives use their best judgment to create truly loyal customers. These reps have gone out of their way to overnight shoes to a groomsman who forgot his or send flowers to a woman who ordered six pairs of shoes because her feet were damaged by medical treatments.

Even more telling is that Zappos employees don't have a script.¹² Employees who are bound by strict policies designed to save the company every penny often can't address customer complaints. Corporate handbooks simply can't span the vast array of circumstances customers encounter, so they create sweeping rules that, in theory, will provide a decent experience. What these handbooks actually do is actively prevent employees from using their best judgment to provide an appropriate solution.

In most cases, employees know exactly what the right solution is. They know your business and they know your customers. When they have trust and autonomy, they'll make the right decisions.

“In my 20 years of studying the elements that lead to employee engagement, one thing is clear. When you empower people with the right tools, resources, environment, information, support, and most importantly a voice, they will move mountains for you. These are the people that put their full selves into their work. They become the champions within their teams, and are the one's that your customers will remember as a reason they want to come back.”

—Dr. Paul Warner, Ph.D.
Vice President of Customer and Employee Insights, InMoment



It takes **12 positive experiences** to make up for one unresolved negative experience.



Following best practices is a great start to implementing a closed loop system; however, many businesses still fail to see any sort of return on their program. Why? The answer is simple: the inner loop is easy, but the outer loop has been virtually impossible to achieve.

At the beginning of this paper, we defined the outer loop as, “the ability to identify and resolve larger organizational patterns and trends based on individual customer issues while communicating solutions back to customers and employees.”

Without the outer loop, you’re left with a traditional case management system.

The real stumbling blocks for businesses have been threefold:

1. Lack of a holistic view of the data
2. Lack of process understanding
3. Lack of sophisticated technology solutions

Getting a Holistic View of Your Data

The outer loop is data-voracious. In other words, if you don’t have enough of the right type of rich data to feed the outer loop process, you’ll never find significant patterns or trends in that data. Taking advantage of this data requires getting your current data out of siloes. Most organizations have a variety of case or ticketing management systems and all generally live in different parts of the organization. However, the outer loop also requires customer feedback (to understand the symptoms of the problem) and employee feedback (to understand root cause) to function correctly, both of which are also siloed.

Without a single source of truth for customer, employee, and case data, your outer loop program is doomed to fail.

Understanding Your Internal Processes

The outer loop is complex. And it's complex in a different way for every organization. In order to be effective, whatever solution you implement must have a deep understanding of internal operational and communication processes. The reason this is so critical is that the outer loop involves much more than a single customer case. It takes into account feedback and unstructured data

from across the organization and then uses that data to change internal processes. But every organization's processes are different, so understanding the process well enough to identify patterns and trends outside the norm, then create recommendations that can realistically be implemented is challenging.

Finding the Right Technology Solution

Finding a technology solution that can bring you a holistic view of your data while accounting for the complexity of internal processes often requires a certain level of configurability and flexibility that many solutions simply don't provide. A one-size-fits all solution is not viable in this instance—and to date, the only solutions available have relied so heavily on customization that time-to-insight was prohibitive or were so generic that they were essentially useless.

Another missing piece has been the analytics on unstructured or “human” data. Structured data analytics have been around for years, but can't accurately determine, based on employee and customer feedback, why a pattern or trend is occurring. The rise of prescriptive, predictive, text, diagnostic, and other types of analytics is the beginning of this new revolution in automating the understanding of root cause.

To help you choose a vendor that can provide a true closed loop system, ask yourself the following questions. Does the vendor:

- ***Offer both inner and outer loop solutions?***
- ***Integrate advanced analytics into each phase of the process?***
- ***Prioritize cases based on configurable parameters: customer value, time, severity, etc.?***
- ***Incorporate the voice of the employee (VoE) into the system?***
- ***Allow you to escalate cases automatically?***
- ***Ingest, analyze, and display different sources of customer data (CRM, employee, etc.)?***
- ***Understand organizational processes?***
- ***Identify root cause, not just symptoms?***
- ***Empower employees to reach out to customers within a single system?***
- ***Provide a way for employees to share best practices and communicate successes?***
- ***Have proof of success implementing closed loops systems in the form of customer success stories?***

THE ROI OF CLOSING THE LOOP

Return on investment (ROI) is the holy grail of customer experience. Every CX practitioner wants to prove it's real, but the quest to find it can be fraught with peril and, in the end, many businesses end up believing it's completely fictional.

Fortunately, closed loop systems are among the easiest places to find that return across many different areas of the business. Clearly customer churn is an easy place to start. As mentioned above, you can track the number of cases you've closed/ customers you've saved and multiply it by your customer lifetime value (CLV).

of Customers Saved x CLV = Revenue Retained

However, there are many different ways a closed loop system can impact the bottom line. Because every employee and department—from marketing to operations—owns the customer experience and is therefore involved in closing the loop, each can focus on finding ROI in an area of the business that affects them.

Beyond the Score: The True Value of Customer Feedback

Marketing

- I value customer loyalty
- I value social engagement
- I value effective marketing campaigns

Operations

- I value inventory management
- I value operational consistency
- I value vendor performance

Product

- I value accurate product pricing
- I value successful products and services

Human Resources

- I value customer satisfaction
- I value positive company culture
- I value employee performance and retention

Finance

- I value low customer churn
- I value increased spend
- I value lower acquisition costs

For example, from an operations perspective, a true closed loop program can streamline operational processes which can lead to greater cost efficiencies. Marketing can use it to increase customer loyalty, HR can use it to improve employee retention, and the list goes on.

In an attempt to limit customer churn, one company partnered with InMoment to identify at-risk customers and immediately reach out to understand the issue and retain their business. The company installed InMoment's customer listening technology within several of its regional customer care centers to enable immediate feedback following each interaction.

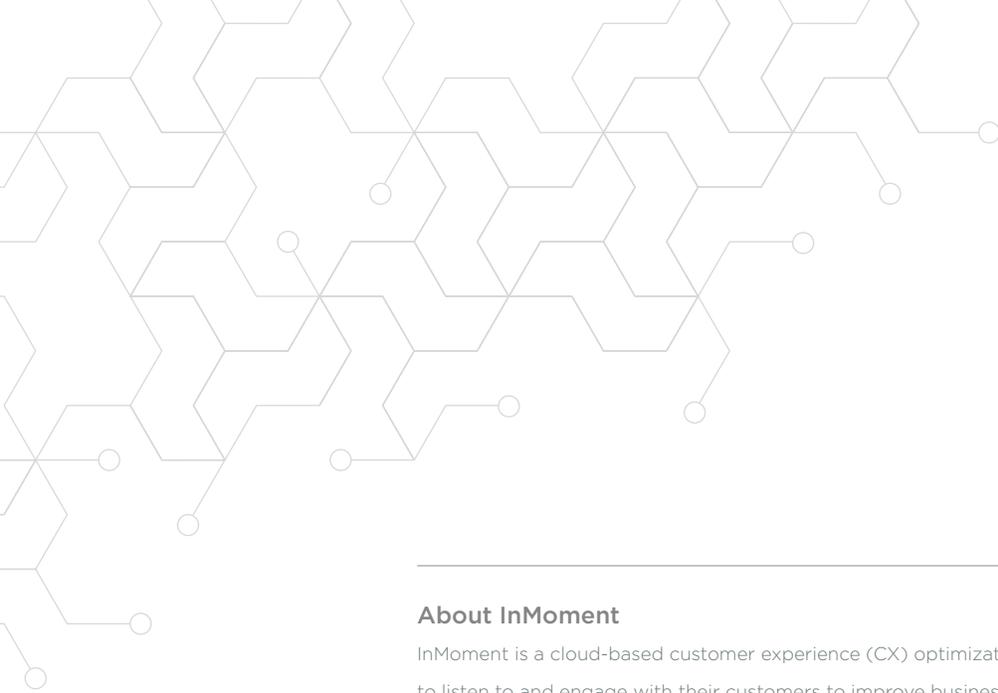
Customers who give negative responses are asked if they would like to speak with a manager regarding their issues. Using real-time alerting, managers are notified of

customer callback requests immediately. Three percent of all respondents request a callback, totaling 1,000 customer recovery opportunities each month (12,000 per year).

According to research by Pulitzer Prize-winning reporter, investigative journalist, and economics specialist, David Cay Johnston, the average cost of a triple-play package (phone, cable, internet) is \$160 per month. At this rate, the average annual value of each customer is \$1,920. Using this formula, InMoment helped the company identify \$23 million in potential revenue by implementing a streamlined process for identifying and rescuing dissatisfied customers.

THE GOLDEN RULE OF CX

At the end of the day, implementing or refining a closed loop system hinges on your business's dedication to not just receiving the feedback, but acting on it. Remember the golden rule of CX: Don't ask if you're not willing to make changes. And don't make changes without telling your customers and employees the actions you've taken. Do that and you're well on your way to achieving an effective and impactful closed loop system.



About InMoment

InMoment is a cloud-based customer experience (CX) optimization platform that gives companies the ability to listen to and engage with their customers to improve business results through better experiences. Through its Experience Hub™, InMoment provides Voice of Customer (VoC), Social Reviews & Advocacy, and Employee Engagement technology, as well as strategic guidance and tactical instruction, support, and services, to 350 brands across 25 industries in 128 countries. The company is the leading VoC vendor for the food services, retail, and contact center industries, with deep domain expertise in B2B, healthcare, hospitality, and numerous others.

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