Avoiding the pitfalls of customer participation

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Marketing

Key topics

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Why customer feedback should only be considered as one side of the story

“If I had asked people what they wanted, they would have said faster horses." So (supposedly) said Henry Ford, highlighting the importance of innovation-led business development and the dangers of an overly responsive approach to customers.

In spite of this wisdom, however, the idea that the customer is always right has come to be one of the central tenets of the business world. For the most part this is no bad thing – engaging with customers and responding to their feedback can create brand loyalty and boost sales.

However, what is less often considered is the impact customer feedback has on staff, particularly in this age of platform proliferation, in which customer-obsessed businesses allow the opinions of buyers to drive internal decisions.

A 2016 study, for example, found that 43 per cent of participating organisations used customer feedback ratings to determine how much frontline staff were paid.

And even if they don't go that far, many firms now measure staff performance by customer feedback – an approach that risks alienating staff, creating mistrust between staff and the company, or even confusing staff priorities to the detriment of the business overall.

Confused loyalties

In a company which takes feedback in context, not using it as the sole basis for rewarding and remunerating frontline staff, members of staff are driven by the goals of the business, focusing on customer service in terms of how it benefits the organisation as a whole. In a company which links staff treatment and pay too closely to customer feedback, however, the dynamic shifts, with staff effectively forced to serve two masters – the business and the customer.

When these come into conflict, for example if a customer demands treatment outside of the company's normal policies, staff have to weigh up the consequences of positive customer feedback and negative managerial feedback (or the opposite) and the effect this will have on how their overall performance is rated.

This can change staff behaviour in a number of ways. For a start, staff focused on how customer praise will benefit them might act outside of their accepted boundaries, for example by offering unauthorised perks such as free gifts. In the opposite scenario, staff facing negative feedback for, say, a personal error might feel driven to ask or even beg customers not to leave a bad review – off-putting behaviour that would not be necessary if staff did not feel managers were more interested in customer opinion than in delivering a good service.

Finally, in situations where staff are facing non-personal customer complaints, for example about product quality, they often find the company is more willing to appease loud, aggressive, threatening customers, which encourages a greater proportion of customers to behave this way to staff in the future. This makes the job far less pleasant, makes staff feel less valued than customers, and puts their safety at risk.

The most valuable asset

The question for businesses, then, is how to balance the frontline staff experience with customer participation, without distancing customers or making staff feel ignored. There are some key managerial guidelines that can help businesses achieve this:

- **Enrich raw feedback data with qualitative insights:** When frontline staff feel their treatment is based on raw feedback data, they focus on personal reward over what's good for the business. This can be avoided by focusing on qualitative (rather than quantitative) customer feedback data. US hotel chain Ritz-Carlton, for example, focuses on stories of customer satisfaction rather than raw metrics, with colleagues reporting positively on one another.
- **Build a positive culture:** In our research, we met staff who tried to encourage customer clemency with emotional appeals, such as by mentioning low salary figures and how many children they had, in order to force a positive review. This can damage a company's reputation, but can be avoided by making staff feel valued for their work itself, irrespective of feedback. Southwest Airlines, for example, keeps customers happy by treating staff as the most valuable asset.
- **Give staff a voice:** Customers can use feedback to vent about unrelated issues – they might give negative feedback when the weather is bad or a shop floor is busy, for example. Action based on such frivolous complaints demotivates and upsets staff. As well as making sure to differentiate petty and genuine feedback, this can be mitigated by giving staff a voice, such as through a staff feedback counter that mirrors provisions for customer feedback. Respecting the frontline experience in this way builds trust and makes individuals feel valued.
- **Disregard extreme customers:** Fear of retribution leads staff to give in to unacceptable customer requests, for example those that involve breaking rules. To avoid this, make sure staff know that they are supported in refusing extreme demands and responding appropriately to abuse. This could be as simple as letting them know they are allowed to put down the phone to rude, uncooperative customers. As Southwest co-founder Herb Kelleher put it: "Sometimes customers are not right. Our people are right, and we let them know that we back them."

Of course, this advice is not foolproof – some industries and companies may not be able to give staff as much freedom as others. However, the key principles are universal: staff should not be made to feel secondary to customers, nor should they feel silenced and ignored, with their job security and salary at the mercy of even the most unreasonable outside review.

Data from customer feedback should be seen as one side of the story, with the staff experience another equally important side. Balancing the two will yield the best possible experience for staff and, as a result, a more positive customer experience too.

This article draws on findings from the paper "Overcoming the Dark Side of Customer Participation", published in MIT Sloan Management Review*, by Omar Merlo and Andreas Eisingerich (Imperial Business School).*

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Dr Omar Merlo is Associate Professor of Marketing Strategy and Academic Director of the MSc Strategic Marketing programmes at Imperial College Business School. Previously, he was a Lecturer at the University of Cambridge and the University of Melbourne, and has held visiting positions at institutions including LSE, UCL, Oxford, ETH Zurich, USI, and EPFL Lausanne.

His main research interests are in strategic marketing, services and relationship management, and brand management. His work has appeared in leading journals such as Journal of Marketing, MIT Sloan Management Review, Harvard Business Review, Journal of the Academy of Marketing Science, Industrial Marketing Management, and Journal of Service Research. A consultant and executive educator with extensive international experience, Dr Merlo has worked with organisations including McKinsey, Samsung, Unilever, Audi, Barclays, HSBC, ING, and others.

Read Omar's Imperial Profile for more information and publications.

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