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Enterprise feedback management (EFM): What lies beyond the hype?

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Enterprise Feedback Management (EFM): What Lies Beyond the Hype?

Abstract

Purpose – The needs of CMOs to utilize a firm's data productively in order to support decision making combined with the reported benefits of Enterprise Feedback Management solutions has resulted in a rapid rise in usage and valuation of EFM providers. The explicit promise of EFM providers is improved financial performance, whereas there is no scientific research investigating this link. To investigate the link between EFM usage and financial performance is core of this research.

Design/methodology/approach – To gain insight into this link survey data from 127 US-based firms on their usage of EFM platforms was linked to their stock market performance over several years.

Findings – This research did not find any significant positive relationships between different aspects of EFM usage investigated and stock returns. It is important to note that these results should not be taken as validation that EFM systems do not result in positive financial outcomes for firms. It may be that superior market performance as measured through stock returns is difficult to observe through a cross-sectional analysis. Instead these results indicate that superior market performance as measured through stock market performance is not an obvious, generalizable outcome for firms that have adopted EFM systems.

Originality – Enterprise Feedback Management has rapidly grown across many consumer facing industries, with EFM platform providers receiving very high market valuations on relatively small revenue streams. This is one of the first scientific papers to study the usage and impact of these EFM systems.

Keywords: EFM, Enterprise Feedback Management, Closed Loop Systems, Customer Surveys

Paper type: Empirical paper

Enterprise Feedback Management (EFM): What Lies Beyond the Hype?

Introduction

CMOs have found themselves very underprepared to handle the rapid increase in data availability. For example, recent research found that companies only use half of their structured data (i.e. numbers) and less than one percent of their unstructured data (i.e. text) to support decision making (DalleMule and Davenport, 2017). To address this situation, the majority of CMOs have recognized the need to invest in new technology, and advance their analytics and insights skills (IBM 2011, p. 6). In part because of the rise in availability of customer data at various customer touchpoints and along the consumer journey, firms have increasingly embraced a focus on customer experience (CX) management as a means of competitive differentiation (McLellan 2014).

The combination of this need for advanced technology to gather and analyze disparate customer data sources to provide strategic guidance in to managing the customer experience has led to the development of a new industry: enterprise feedback management (EFM) providers. EFM platforms allow firms to centrally manage customer data collection (e.g. surveys, web, etc.) while allowing analysis and distribution of the data throughout the organization; data distribution is typically tailored to provide insights specifically targeted to the relevant group (or individual) within the organization.

EFM platform usage is clearly relevant for managers, particularly given that 93 percent of business leaders report CX as critical to their overall performance (Harvard Business Review Analytic Services 2017). Similarly, De Keyser et al. (2020) observe that it has become one of the dominant concepts for academic researchers as well, as can be clearly demonstrated by the Marketing Science Institute designating it a top research priority for the 2010-2020 period (MSI

2010, 2012, 2014, 2016, 2018). Given CX's emphasis on customer perceptions of their interactions with firms, a great deal of research on the topic appears in the leading journals in service and marketing (De Keyser et al. 2020). Therefore, since EFM platforms have become the technology backbone of CX programs for many of the world's largest firms, an understanding of the state of their usage and performance is essential to gauging the level of maturity and success of CX programs in general.

The explicit promise of EFM providers is improved financial performance. For example, an analysis of six EFM-using firms conducted by Forrester that was commissioned by the EFM provider Medallia states that the "organizations experienced benefits of $36.6 million over three years versus costs of $5.1 million, adding up to a net present value (NPV) of $30.4 and an ROI of 591%" (Odell 2018, p. 2). Similarly, a Forrester study that was commissioned by the EFM provider Qualtrics states that the organizations it investigated "experienced benefits of $38.4 million over three years versus costs of $5.2 million, adding up to a net present value (NPV) of $33.2 million and an ROI of 633%" (Davison, Cavallaro, and Casildo 2019, p. 2)

The needs of CMOs to use their data productively for decision making combined with the reported benefits of EFM solutions has resulted in a rapid rise in usage and valuation of EFM providers. This can be clearly seen in the $8 billion price paid for EFM provider Qualtrics by SAP. To put this valuation into perspective, at the time of sale Qualtrics had annual revenues of $372.4 million and positive cash flow of $39.6 million (Sherman 2018). By comparison, market research provider, Ipsos, had annual revenues of approximately $2 billion and profits of $141.3 million with a market capitalization of $1.1 billion. Other EFM providers such as Medallia (Pound 2019) and SurveyMonkey have launched successful IPOs despite not being cash flow positive.

Despite the widespread use and high valuations of EFM companies, however, there is almost no information in the scientific literature regarding how managers actually use these systems and the resulting impact on their firms' financial performance. To gain insight into these questions, managers from 127 US-based firms from 122 different industries (based on 2-digit SIC codes) were interviewed regarding how they use EFM platforms to measure and manage customer feedback. Additionally, stock market performance over several years was appended to the publicly available firms to identify any abnormal returns that could be related back to the use of EFM—the examination did not find any significant positive relationships between different aspects of EFM usage investigated and stock returns.

Investigating the Current State of Enterprise Feedback Management Systems

Enterprise Feedback Management systems aim to elicit and act on customer feedback whereas the importance of customer feedback has been well researched in the literature (e.g. Castelli et al. 2017; Frösén and Wirtz 2018), and is arguably self-evident. In general, the overarching goal of these feedback processes is to guide company actions designed to enhance customers' perceptions of their experiences with the firm or brand thereby enhancing customers' loyalty-related attitudes and behaviors which are expected to lead to improved financial performance (Rust, Zahorik and Keiningham 1996).

In a thorough review of the literature to date, and the current state of the practice regarding customer loyalty measurement and management, Aksoy (2013) found that while customer loyalty is a strategic priority for most firms, few companies applied sophisticated analytics to the customer feedback data they collected. As noted earlier, however, there has been a strong increase in the usage of EFM platforms since Aksoy's (2013) published findings. EFM platforms typically offer sophisticated analytics capabilities within the software platforms (e.g.

text analytics, key driver analysis, etc.), so EFM platform users should have the potential to relatively easily incorporate advanced analyses into their customer feedback. Moreover, as there are ever increasing sources of data (in addition to the traditional customer surveys) and EFM platforms advertise their ability to incorporate multiple data sources, such as for example unstructured data such as text, so that managers have the potential to incorporate new data sources to augment their customer feedback data.

To date, however, there is very little information regarding how firms use EFM platforms to measure and manage customer feedback. Therefore, this work seeks to extend the research of Aksoy (2013) to gain insight into how firms are currently leveraging EFM platforms and newly available data sources to better measure and manage the customer experience, and to gain insight into the impact on firm financial performance.

Methodology

Measurement instrument

The questionnaire used in this analysis was developed by the authors in accordance with common standards and procedures (Dillmann, Smyth and Christian, 2014). It was reviewed by a senior officer at an EFM provider to ensure that it would accurately gauge the state of EFM usage. It included screener questions (Hulland et al. 2017) to ensure that respondents were qualified to answer questions on the topic. The topics covered in the survey included: 1) the importance of customer experience within the firm, 2) the type of data and systems used to understand customers, 3) the length of time using an EFM system and the perceived level of maturity, 4) attitudes, standards and procedures of analyzing the data including linking it to financial performance, 5) dissemination responsibilities, channels and frequencies, and 6) management objectives, bonuses and employee satisfaction. If not stated otherwise, all questions

used 5-point Likert scales. To avoid bias caused by the order of responses, question order was randomized (Perreault 1975).

Sample

To investigate firms' use of Enterprise Management Feedback Systems, a market research firm recruited a sample of consumer insights managers in large, US-based corporations. Respondents were recruited from a panel of managers maintained by a large market research panel supplier to ensure that they met the professional requirements; specifically, respondents must be either a decision maker or decision influencer, or an analyst or researcher involved in a company's a) voice of customer, b) customer experience, c) customer insights, d) brand tracking, or e) call center measurement program. In addition, questions designed to gauge respondents' ability to knowledgeably answer EFM-related questions were used to screen out unqualified respondents. No additional incentives outside of those provided by the panel company to encourage participation were provided. The survey was administered by a US-based market research firm experienced in both academic and business-to-business market research.

In total, 141 managers completed the survey, representing 127 unique firms. The overwhelming majority of firms were large public or private firms (as opposed to small- or medium-sized firms), which appears to be reflective of the market given the costs associated with implementing EFM platforms. As the unit of analysis is the firm, data for respondents representing the same firm were aggregated for each firm. Assuming the accuracy of responses from these duplicate respondents are equal we used an unweighted mean to aggregate which is in line with the recommendation in literature (Van Bruggen, Lilien and Kacker, 2002). Of the 127 firms, 89 (70.1%) currently use an Enterprise Feedback Management (EFM) platform. The proportion of public vs. non-public firms was very similar for both EFM and non-EFM

companies and therefore the small difference was not statistically significant (Chi-Square .648). To ensure that the sample was not skewed to a particular industry, both SIC and NAICS codes were appended to the data. Examination of the two-digit NAICS codes demonstrate that a broad group of industries were represented (a breakdown of firms by NAICS code is available in the Appendix). Only two industries received 18 percent or more of total responses: 1) retail at 18%, and 2) construction at 18.9%. All other industries represented less than 10% of total responses.

In addition, firm financial performance information for 2013, 2014, 2015, 2016, and 2017 was appended to the 78 publicly traded companies represented in the survey. Specifically, stock returns, value weighted market returns, equal weighted industry returns, value weighted industry returns, market adjusted returns, and industry adjusted returns (both annually and aggregated over three years) were linked to EFM and non-EFM usage (Fama and French 1992; 1996; 2004).

Results

In this section, the results of the survey are reported with particular attention given to differences (if any) between EFM and non-EFM companies in the sample. As EFM platforms are designed to manage customer feedback, survey questions and their corresponding results reflect the nature and degree to which customer feedback measurement and management are integral to the organization. In addition, because EFM companies often publicize firm financial outcomes reported to be associated with implementation of their platforms (e.g., Davison, Cavallaro, and Casildo 2019; Odell 2018), the analysis of firm-level stock market performance data for EFM and non-EFM companies are reported. The report is grouped and discussed in four related categories: 1) Customer Experience Management (CXM) Prioritization & Maturity, 2) Customer Information Processes and Data Analytics, 3) Management Support for Efforts Related to Customer Feedback, and 4) Firm Financial Outcomes and EFM Usage.

Findings on Customer Experience Management (CXM) Prioritization & Maturity

EFM platforms are often sold with the stated objective of managing (and improving) the customer experience. For example, some of the companies often include CX or XM (experience management) or Experience in the names of their products to clearly link them to customer experience management (e.g. MaritzCX, QualtricsXM, Medallia Experience Cloud). Therefore, it is perhaps to be expected that the vast majority of EFM using firms in the sample (~~86.6 percent)~~ place customer experience management in the top three of their strategic imperatives (86.6 percent), with over a quarter of firms sampled ranking it the number one strategic priority (see Figure 1). It should be noted, however, that despite the high importance placed within these organizations on CX, the results were not significantly different from the non-EFM companies included in this investigation.

The findings reported in Figure 1 are very similar to those of Aksoy (2013) regarding "customer loyalty" as a strategic priority: Number 1 (13.0 percent), Top 3 (57.6 percent), and Top 5 (22.8 percent). The similarity in the results of these two investigations would appear to suggest that managers either view customer *experience* measurement and management and customer *loyalty* measurement and management as synonymous or the development has moved from loyalty towards customer experience being the new focus. Clearly a primary aim of both for managers is to improve customer behaviors (typically associated with loyalty) that would be expected to benefit the firm (e.g. repurchase, share of wallet, positive word of mouth, etc.). Therefore while these constructs are distinct in the academic literature, their strong connection to each other would logically lead to synonymous associations among managers. This, however, has the benefit of providing a point of comparison between the results of Aksoy (2013) and this investigation. While the alignment is likely not perfect, it may be close enough on core elements

investigated to determine whether EFM usage has resulted in large changes in management practices.

*** INSERT FIGURE 1 AROUND HERE ***

Although the term customer experience (CX) has only recently become a highly used buzzword in the management (e.g. Baldwin 2017) and academic (e.g. De Keyser 2015) literature, EFM using firms also perceive themselves to be relatively sophisticated regarding their measurement and management of the customer experience. In total, 68.5 percent of EFM using companies perceive their CX maturity level as being Advanced or Expert (see Figure 2). Only 2.2 percent perceive their firms as a Beginner. The perceived high level of sophistication given the relative recency of the heightened attention to CX appears to offer additional evidence that firms have been measuring and managing the customer feedback with the goal of improved customer experiences for enough time to be very comfortable with their ability. Again, usage of an EFM system, however, does not appear to distinguish firms in this regard; perceived maturity levels were not significantly different for EFM and non-EFM companies included in this investigation.

*** INSERT FIGURE 2 AROUND HERE ***

Findings on Customer Information Processes and Data Analytics

Customer feedback measurement often happens in various departments often with department-specific goals within organizations, hence different EFM programs have different foci with different terms used to describe this process. Being involved in an EFM program was one of the screening criteria for participation in the survey, whereas we screened on five of the most commonly used programs. Figure 3 presents results for these five of the most commonly used programs for customer feedback measurement within organizations: 1) voice of customer, 2) customer experience, 3) customer insights, 4) brand tracking, and 5) call center measurement.

While the first three terms are widely used by managers, however, they appear to have overlap in terms of application. For example, these terms are frequently used together by EFM providers when discussing customer feedback management and customer experience (e.g. QualtricsXM 2019a). Therefore, before reporting the results of this investigation, it is important to clarify how managers describe/define these labels. Because the descriptions below are from leading firms within the industry, it is likely that they reflect the views of managers as well.

Voice of Customer: QualtricsXM defines *Voice of Customer* as "customer's feedback about their experiences with and expectations for your products or services. It focuses on customer needs, expectations, understandings, and product improvement" (QualticsXM 2019b).

Customer Experience: MaritzXM describes *Customer Experience* as "how customers feel about their collective experiences and interactions with a company—including their overall relationship with a specific brand. "CX," together with terms like "Customer Experience Management (CXM or CEM)," are also often used to describe an organization's ongoing efforts to measure, manage, and improve their customers' perceptions and experiences" (MaritzCX 2019).

Customer Insights: CustomerInsightLeader.com defines *Customer Insights* as "A non-obvious understanding about your customers, which if acted upon, has the potential to change their behaviour for mutual benefit" (CustomerInsightLeader.com 2014).

Brand tracking: ABA Research defines brand tracking as a "way of continuously measuring the health of a brand, both in terms of consumers' usage of it … and what they think about it (ABA Research 2020). QualtricsXM argues that three general categories of metrics are "key measures" of brand tracking: 1) brand loyalty, 2) brand awareness, and 3) brand associations, defined as customers' perceptions of what a brand stands for (QualtricsXM 2020)

Call center management: Genesys defines call center management as "the way in which organizations manage the daily operations of the call center, including forecasting, scheduling, employee training, reporting and all customer interactions" (Genesys 2020).

Figure 3 presents the programs used by EFM using firms to gauge customer feedback. Despite the overlap in the Voice of Customer, Customer Experience, and Customer Insights terminology, Customer Experience is the most widely stated program at 86.6 percent. This is followed by Customer Insights at 77.6 percent (with Voice of Customer coming in at 60.7 percent). Brand tracking is used by less than half of respondents at 41.6 percent. Call center measurement is used by over sixty percent of respondents (62.9 percent). Program usage levels, however, were not significantly different for EFM and non-EFM companies included in this investigation.

*** INSERT FIGURE 3 AROUND HERE ***

While EFM platforms are often associated with customer surveys, most EFM using companies use additional data sources to understand their customers (see Figure 4). Almost seventy percent (68.5 percent) of firms use customer behavior databases/database analytics to improve their understanding of the customer. And almost one-third (31.5 percent) use third party data (e.g. Acxiom, Epsilon, etc.) to improve their understanding of their customers.

*** INSERT FIGURE 4 AROUND HERE ***

A broad mix of metrics are tracked within firms' customer surveys (see Figure 5). The most widely tracked metrics are Customer Satisfaction, Customer Complaints, and Recommend Intention. As a point of reference, Aksoy (2013) gauged the metrics firms use to measure and manage customer loyalty. An inspection of Figure 5 reveals that the percent of firms using these metrics is almost universally higher in this investigation than in Aksoy's (2013) investigation.

This difference, however, appears to be a result of differences in sampling requirements between the two studies. In Aksoy (2013) respondents were marketing CMOs, SVPs, VPs and managers identified through D&B Hoovers a US based marketing research firm. As noted earlier, in this investigation respondents had to be a decision maker or decision influencer, or an analyst or researcher involved in a company's a) voice of customer, b) customer experience, c) customer insights, d) brand tracking, or e) call center measurement program; this was done because the focus is on EFM usage. The criteria for inclusion in this investigation, however, is likely to increase the percentage of firms reporting usage of common customer survey metrics. An examination of the relationship between the findings of Aksoy (2013) and this investigation appears to support this. In particular, while the there are differences in the percentages reporting usage of the metrics in the two studies, the relationship between the variables is very high. Specifically, the correlations between metrics used by firms to gauge customer loyalty in Aksoy (2013) that were also used by respondents in this investigation to monitor the customer experience was .948 for EFM using companies and .962 for Non-EFM companies.

This investigation also revealed differences in the variables tracked between EFM and Non-EFM companies. Specifically, EFM using customers are significantly more likely to measure a) Likelihood to Repurchase, b) Frequency of Purchases, c) Number of Purchase within Specified Timeframe, and d) Customer Effort Score than Non-EFM companies in the sample.

*** INSERT FIGURE 5 AROUND HERE ***

The majority of firms in this investigation calculate/derive metrics associated with relatively clear linkages to firm financial performance (e.g. customer revenue, number of purchase, customer lifetime value, etc.). The most commonly derived metrics are Lost

Customers/Retention Rate, Customer Revenue, and Number of Purchases within a Specified Timeframe (see Figure 6).

This investigation also revealed differences in derived metrics between EFM and Non-EFM companies. Specifically, EFM companies are significantly more likely to derive a) Customer Profitability, and b) Customer Equity than Non-EFM companies in the sample. It is important to note that both of these metrics are relatively difficult to calculate accurately, therefore this may reflect a general difference in the analytic capabilities of EFM versus Non-EFM companies.

*** INSERT FIGURE 6 AROUND HERE ***

The majority of firms in this investigation also use a number of analytic techniques to glean insight from their customer data (see Figure 7). The three most commonly used techniques are segmentation/profiling, correlation analysis, and factor analysis. Here too, this investigation revealed differences between EFM and Non-EFM companies that may reflect a general difference in the analytic capabilities of these companies in the sample. EFM companies are significantly more likely to derive a) Customer Profitability, and b) Customer Equity than Non-EFM companies. Specifically, EFM companies are significantly more likely to use a) Structural Equation Modeling, and b) Cluster Analysis than Non-EFM companies.

*** INSERT FIGURE 7 AROUND HERE ***

Findings on Management Support for Efforts Related to Customer Feedback

The overwhelming majority of respondents agree or strongly agree that their customer feedback systems have broad support throughout the organization (see Figure 8). Moreover, respondents agree or strongly agree that their systems capture information regarding the key touchpoints with customers, have a strong closed loop system for following up with customers,

and provide insightful and actionable strategic guidance. Analysis of Figure 8, however, clearly indicates that at least directionally EFM using firms are more likely to strongly agree with these views. Nonetheless, the difference is statistically significant for only one attribute reported in Figure 8: Executive Team Commits the Necessary Resources to Improve the Customer Experience. This difference may result from the fact that EFM platforms tend to require a significant investment (in both time and money) to implement, and allow broad and visible distribution of customer data throughout an organization.

*** INSERT FIGURE 8 AROUND HERE ***

Findings on Firm Financial Outcomes and EFM Usage

As noted earlier, EFM platform companies often publicize highly positive return of investment (ROI) numbers associated with the implementation of their platforms (e.g. Davison, Cavallaro, and Casildo 2019; Odell 2018). Moreover, 97.0 percent of respondents from EFM-using firms stated that there is a positive relationship between their firm's customer feedback data and its financial performance. [By contrast, 85.7 percent of Non-EFM companies in the sample stated that there is a positive relationship.] Furthermore, 55.4 percent of EFM respondents who indicated there was a positive relationship stated that this was a very strong relationship.

Given the general consensus of a strong positive relationship between EFM and Voice of Customer implementation with firm financial performance by both EFM providers and respondents in this investigation, it is plausible to expect this relationship to be reflected in the market performance of these EFM using firms. Therefore, to determine if the implementation of EFM systems tended to lift firm financial performance, stock performance for public companies from 2013 to 2017 was included in this investigation. [It is important to note that all firms in this

sample had implemented their EFM systems on or earlier than 2017, with the median year for implementation being 2012; 75.6 percent of firms implemented their EFM systems on or prior to 2015, and only 6.1 percent began in 2017.]

Table 1 shows the comparative relationship between a variety of measures of stock performance for both EFM and Non-EFM companies in the sample (Fama and French, 1992; 1996; 2004). Analysis of the results did not find any support for a positive difference in stock performance between firms using EFM and those not using EFM to manage their Voice of Customer programs. Moreover, perceived maturity level did not result in any significant positive outcomes for EFM using companies in the sample.

It is important to note that these results should not be taken as validation that EFM systems do not result in positive financial outcomes for firms. Rather, it may be that superior market performance as measured through stock returns is difficult to observe through a cross-sectional comparison of EFM and Non-EFM firms with Voice of Customer programs. Instead these results indicate that superior market performance as measured through stock market performance is not an obvious, generalizable outcome for firms that have adopted EFM systems.

*** INSERT TABLE 1 AROUND HERE ***

Implications for Managers

The results of this investigation lead to a number of important conclusions. One of the most obvious is that EFM using firms are the priorities and the metrics to measure and manage customer feedback very similar to non-EFM firms. There is some indication that EFM using firms are more likely to monitor some lesser used or more complex metrics, the most commonly used metrics tend to be the same for all firms with Voice of Customer programs. Moreover, based upon a comparison to the results of Aksoy (2013), it appears that in general these metrics

are designed to measure and manage customer loyalty even though the programs have different names (e.g. customer experience, consumer insights, etc.).

Another important finding is that the majority of respondents to the survey believe that that managers at all levels throughout their organizations (senior level, business unit level, and line level) are supportive of their voice of customer initiatives. Moreover, respondents tend to believe that these efforts receive the appropriate resources, are well designed to capture relevant customer information, and provide meaningful and actionable insights.

Nonetheless, despite a widespread believe among respondents of a positive impact of these programs on financial outcomes, this investigation did not find improved financial performance (specifically stock market performance) for EFM using firms relative to non-EFM companies in the sample. While this does not conclusively prove that no relationship exists, it does suggest that such a conclusion will not be immediately obvious, and will likely require more sophisticated firm-level longitudinal analyses to establish such a link (should one exist). The difficulty looking across industries to find a financial relationship might be expected given the findings of Frösén and Wirtz (2018). Specifically, they observe that the "optimal characteristics of feedback systems to be contingent on labor intensity, industry regulation, and market concentration" (Frösén and Wirtz 2018, p. K-12).

Implications for Researchers

While EFM platform usage is of obvious importance to managers, it also has important implications for researchers. As was observed throughout this paper, EFM platforms represent the closed-loop systems upon which many of the largest customer experience (CX) initiatives operate. Therefore, when arguing the managerial implications of their research, service researchers investigating CX-related issues should give serious consideration as to how their

findings could be implemented within the current EFM infrastructure, or point to new capabilities that must be created to effectively incorporate the findings of their research.

A key benefit espoused by EFM providers is the ability to provide closed loop feedback systems for contact between firms and their customers. This notion of closed loop feedback would appear to be connected to the "Loyalty Loop" concept introduced by McKinsey (Court et al. 2009). Specifically, a closed loop process would appear to reduce consumers' needs to consider and evaluate competitive alternatives. While this argument appears plausible, however, research is needed to understand 1) if closed loop systems effectively reduce the buying cycle as proposed by the Loyalty Loop model, and 2) what factors influence the effectiveness of closed loop systems on consumers' buying decisions.

The findings also demonstrate that managers are still primarily tracking important, but relatively simple metrics—e.g. customer satisfaction, customer complaints, recommend intention, etc.—to gauge customers' perceptions of their experiences. Most academic research regarding CX argues for different, more comprehensive metrics to for customer experience measurement (e.g. Keiningham et al. 2020). The fact that simple metrics are by far the most widely used metrics in firms' customer experience management efforts is likely a reflection of the acknowledged complexity and lack of tangibility of the majority of current academic research into CX (Becker and Jaakkola 2020; De Keyser et al. 2020; Lemon and Verhoef 2016). De Keyser et al. (2020) argue that researchers must provide more cogent frameworks and a common nomenclature or CX will continue to struggle "to reach a level of maturity that can and should be expected."

Conclusion

The usage of EFM platforms has grown rapidly. Given the valuations of EFM providers relative to their current revenue and profits, it is also clear that the investment community believes that they will experience continued high growth rates for years to come.

The rapid growth of EFM systems and a lack of obvious financial returns, however, has resulted in some degree of pushback. For example, Greenwich Associates published a report entitled "Customer Experience Management: The EFM Hangover" which argued that many companies have been disappointed with their investments in EFM (Vose 2018).

Nonetheless, it is clear that EFM systems provide advanced capabilities that allow firms to manage their voice of customer efforts. It is also clear that their EFM systems will increasingly become key components of many (perhaps most) firms' efforts to measure and manage the customer experience. As EFM systems become more ubiquitous, however, their ability to help firms differentiate themselves from their competitors will naturally be more difficult to achieve; for some industries this may have already occurred. Moreover, incorporating EFM systems absent a well-developed strategy that meaningfully leverages the capabilities of these systems is unlikely to result in above industry and/or market returns. Therefore, while EFM tools have become quite sophisticated, tools by their nature are limited to improving processes; they cannot solve problems. Leveraging these tools for competitive advantage requires a sound strategy.

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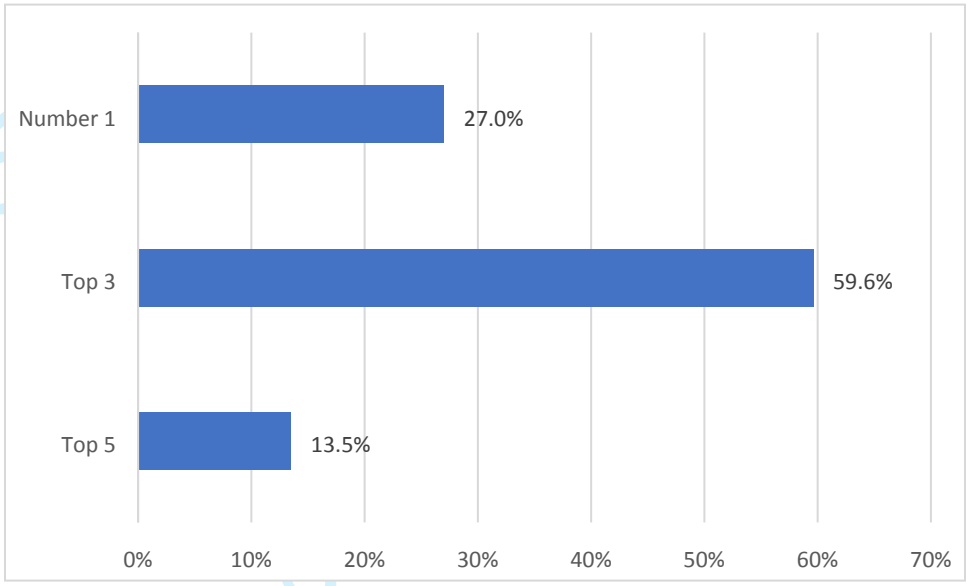
APPENDIX

Number of Public and Non-Public Firms by 2-Digit NAICS Code

2-Digit NAICS Code	Not Public	Public
21	1	1
22	2	0
23	0	1
31	0	2
32	0	1
33	2	4
42	2	3
44	7	15
45	1	11
48	0	2
49	0	2
51	0	12
52	3	20
53	1	0
54	0	1
56	2	3
61	0	1
62	8	1
71	0	1
72	4	7
81	0	1

Note: Five non-public firms could not be classified into a specific NAICS code

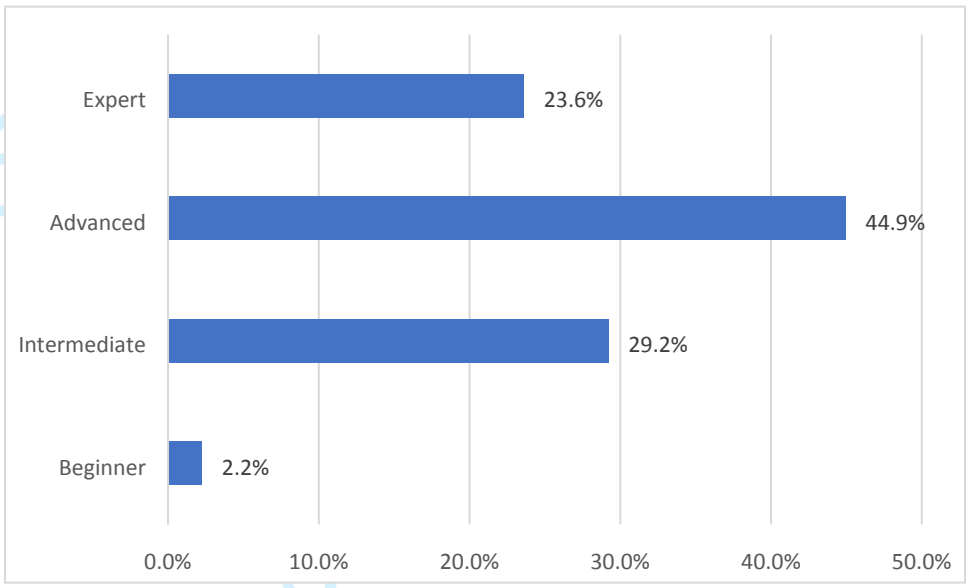
Figure 1: Ranking of Customer Experience Management as a Strategic Imperative



N = 89 EFM companies in sample

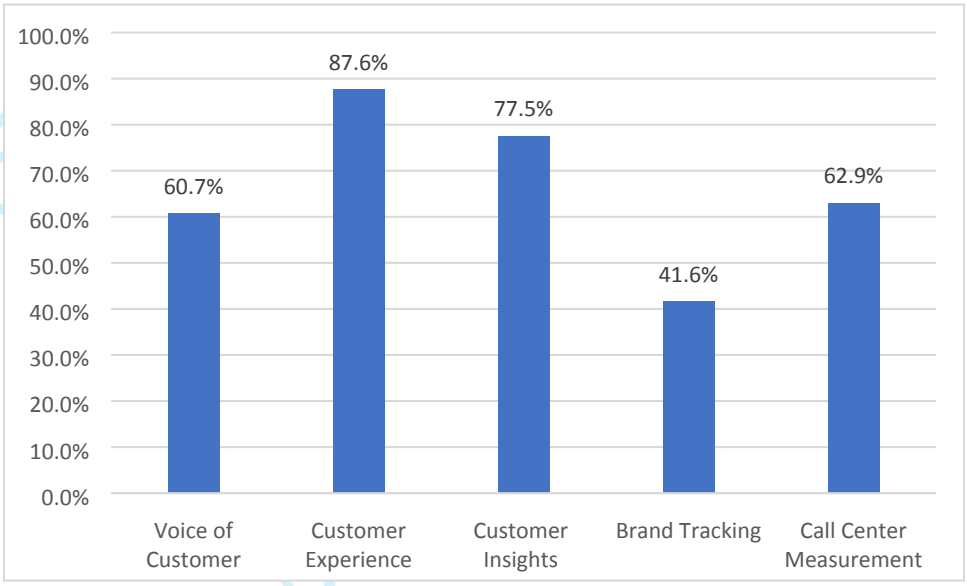
NOTE: No statistically significant difference between EFM and Non-EFM companies in the sample.

Figure 2: Perceived CX Maturity Level



N = 89 EFM companies in sample
NOTE: No statistically significant difference between EFM and Non-EFM companies in the sample.

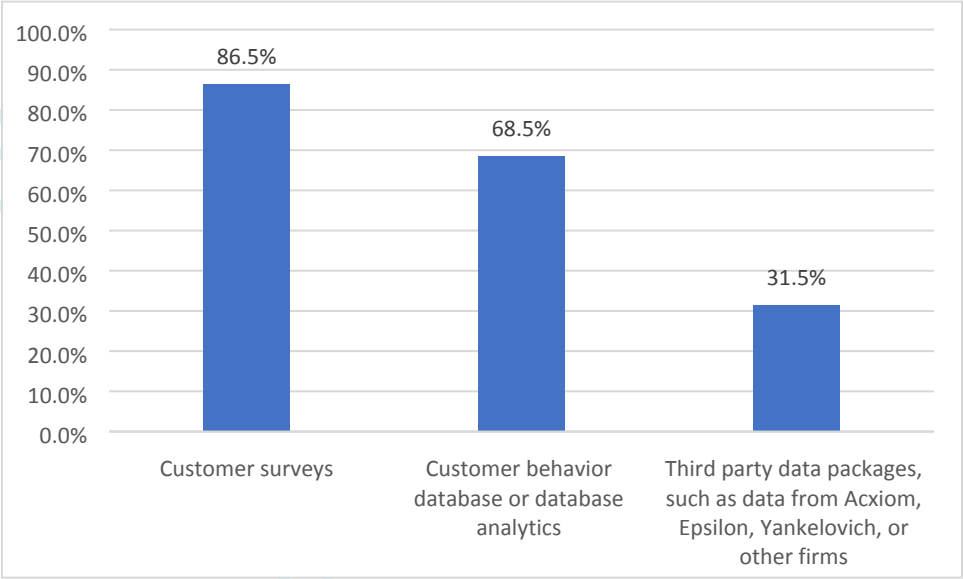
Figure 3: Programs to Gauge Customer Feedback



N = 89 EFM companies in sample

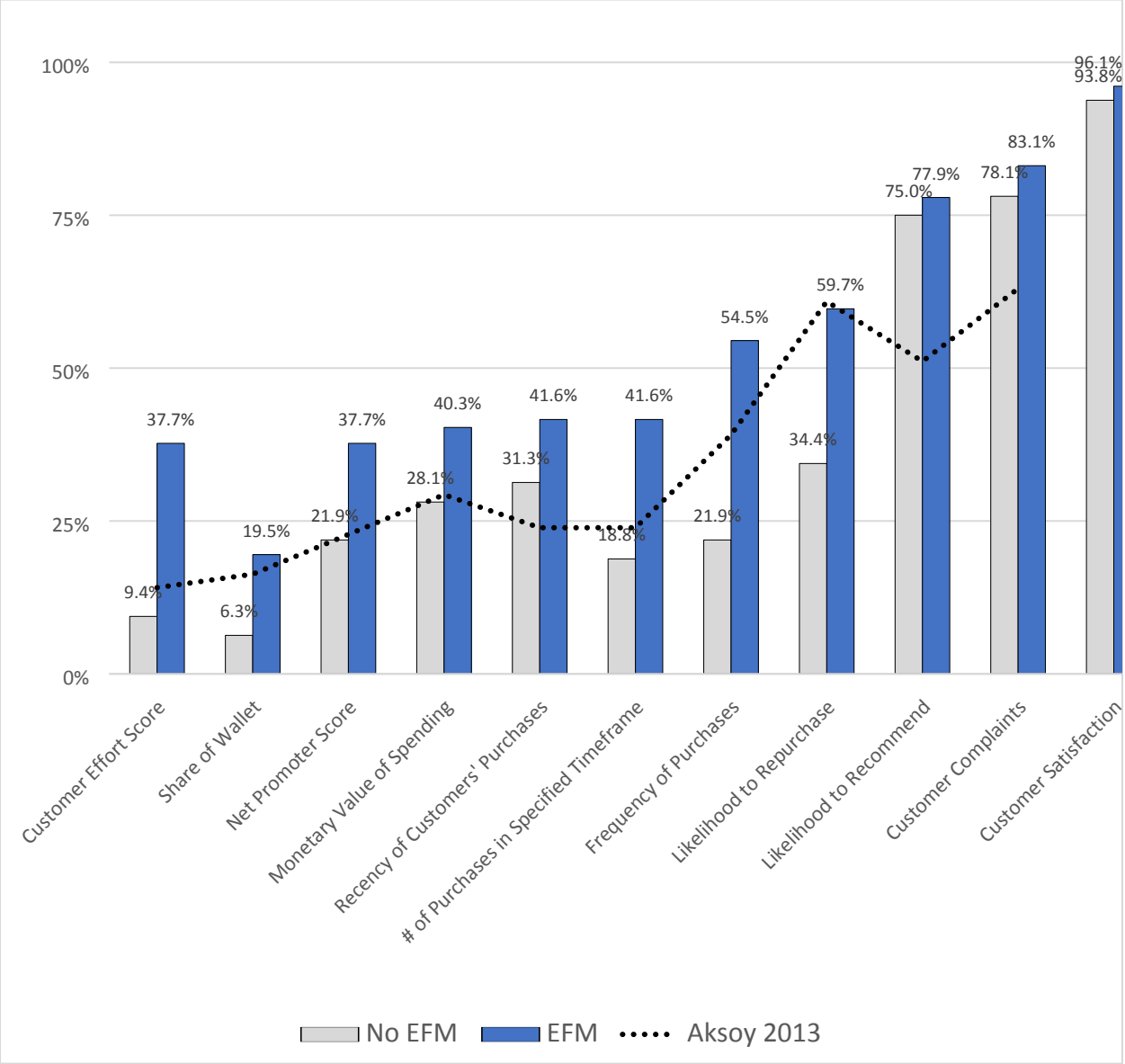
NOTE: No statistically significant difference between EFM and Non-EFM companies in the sample.

Figure 4: Sources Used for Understanding Customers



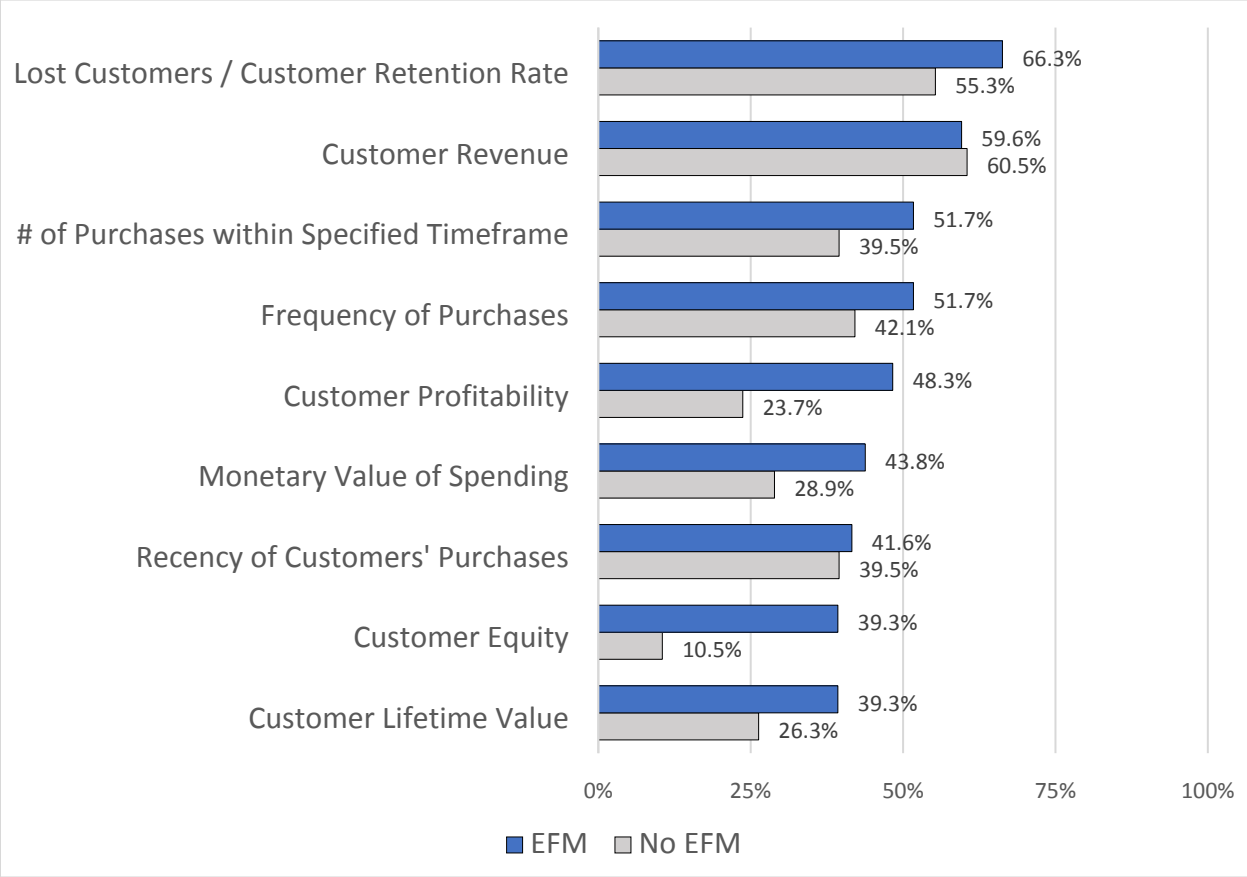
N = 89 EFM companies in sample
NOTE: No statistically significant difference between EFM and Non-EFM companies in the sample.

Figure 5: Metrics Tracked within Customer Surveys



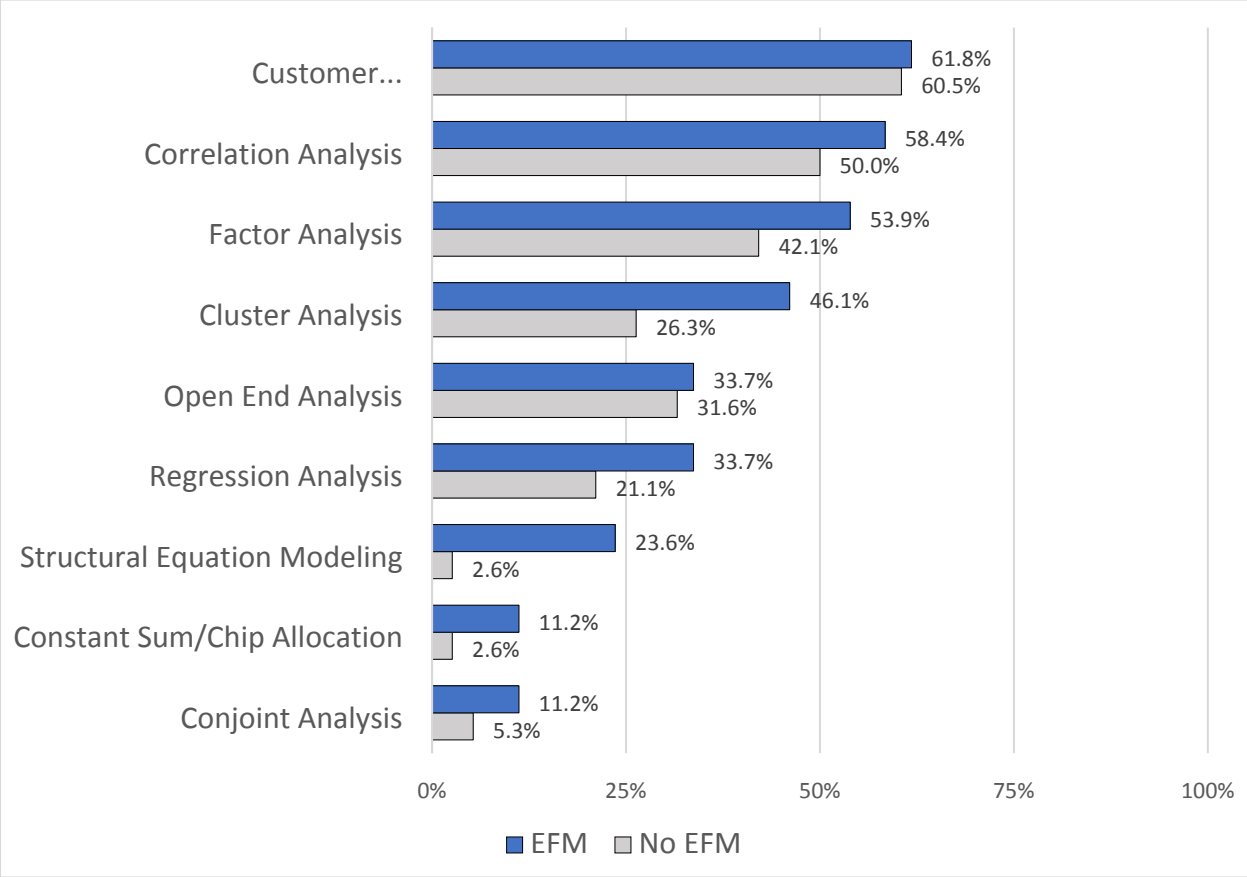
N = 77 EFM companies and 32 Non-EFM companies in sample
NOTE 1: Difference between EFM and Non-EFM companies significant at the 95% confidence level for a) **Likelihood to Repurchase**, b) **Frequency of Purchases**, c) **# of Purchase within Specified Timeframe**, and d) **Customer Effort Score**
NOTE 2: Customer Effort Score not monitored in Aksoy 2013

Figure 6: Metrics That Are Calculated or Derived



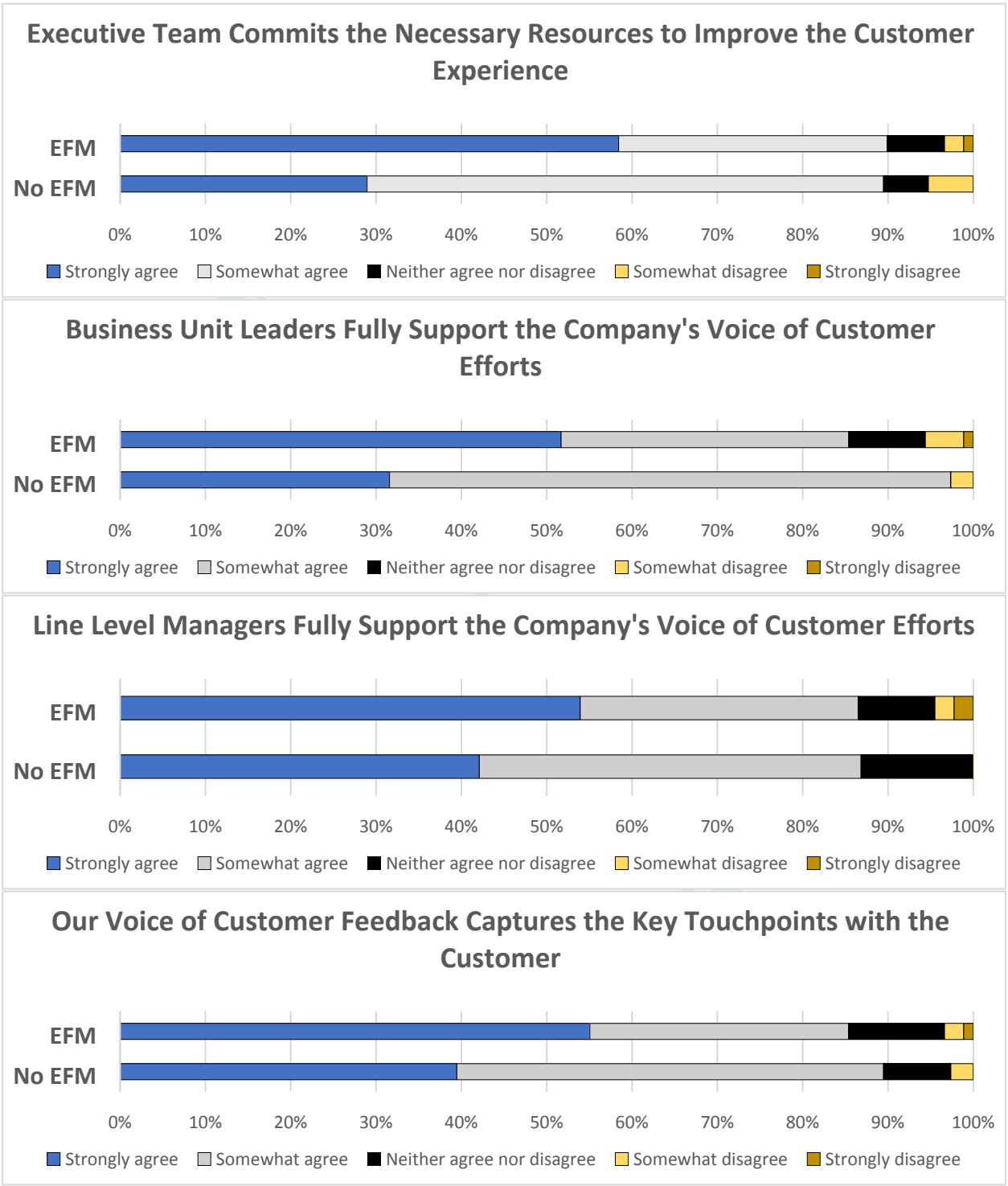
N = 89 EFM companies and 38 Non-EFM companies in sample
Note: Difference between EFM and Non-EFM companies significant at the 95% confidence level for a) **Customer Profitability**, and b) **Customer Equity**.

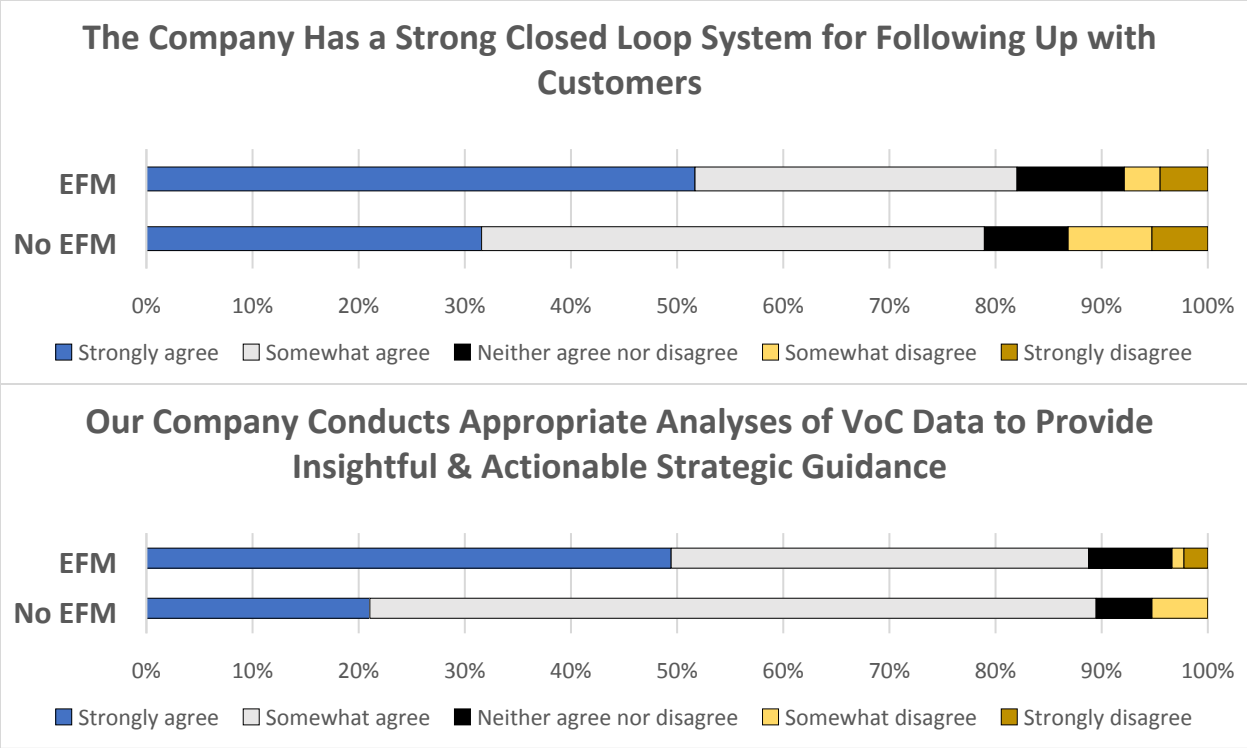
Figure 7: Techniques Used When Analyzing Customer Data or Customer Survey Data



N = 89 EFM companies and 38 Non-EFM companies in sample
Note: Difference between EFM and Non-EFM companies significant at the 95% confidence level for a) **Structural Equation Modeling**, and b) **Cluster Analysis**.

Figure 8: Perception of Support and Systems for Customer Experience Efforts





N = 89 EFM companies and 38 Non-EFM companies in sample
Note: Difference between EFM and Non-EFM companies significant at the 95% confidence level for **The Executive Team Commits the Necessary Resources to Improve the Customer Experience**.

Table 1: Linkage to Stock Returns for Public Companies in Sample

	EFM		No EFM					
	Mean	N	Mean	N	Mean Dif	t	Sig	
2017 stock return	0.20	52	0.20	26	0.00	-0.041	0.97	
2016 stock return	0.20	52	0.15	26	0.06	0.875	0.38	
2015 stock return	-0.09	53	0.11	26	-0.20	-2.752	0.01	*
2014 stock return	0.17	52	0.10	25	0.07	1.212	0.23	
2013 stock return	0.42	50	0.41	23	0.01	0.119	0.91	
2017 value weighted market return	0.21	52	0.21	26	0.00	0.000	1.00	
2016 value weighted market return	0.13	52	0.13	26	0.00	0.000	1.00	
2015 value weighted market return	-0.02	53	-0.02	26	0.00	0.000	1.00	
2014 value weighted market return	0.11	52	0.11	25	0.00	0.000	1.00	
2013 value weighted market return	0.30	50	0.30	23	0.00	0.000	1.00	
2017 equal weighted industry return	0.18	52	0.15	26	0.03	0.884	0.38	
2016 equal weighted industry return	0.15	52	0.14	26	0.01	0.362	0.72	
2015 equal weighted industry return	-0.07	53	-0.05	26	-0.02	-0.833	0.41	
2014 equal weighted industry return	0.08	52	0.04	25	0.03	1.267	0.21	
2013 equal weighted industry return	0.46	50	0.46	23	0.00	-0.058	0.95	
2017 value weighted industry return	0.24	52	0.21	26	0.03	1.024	0.31	
2016 value weighted industry return	0.13	52	0.11	26	0.03	1.170	0.25	
2015 value weighted industry return	-0.02	53	0.04	26	-0.06	-2.186	0.03	*
2014 value weighted industry return	0.13	52	0.11	25	0.01	0.599	0.55	
2013 value weighted industry return	0.38	50	0.39	23	-0.01	-0.181	0.86	
2017 market adjusted return	-0.01	52	0.00	26	0.00	-0.041	0.97	
2016 market adjusted return	0.08	52	0.02	26	0.06	0.875	0.38	
2015 market adjusted return	-0.07	53	0.13	26	-0.20	-2.752	0.01	*
2014 market adjusted return	0.06	52	-0.01	25	0.07	1.212	0.23	
2013 market adjusted return	0.11	50	0.10	23	0.01	0.119	0.91	
2017 industry adjusted return	-0.04	52	-0.01	26	-0.03	-0.487	0.63	
2016 industry adjusted return	0.07	52	0.04	26	0.03	0.482	0.63	
2015 industry adjusted return	-0.07	53	0.06	26	-0.14	-2.037	0.05	*
2014 industry adjusted return	0.04	52	-0.02	25	0.06	1.127	0.26	
2013 industry adjusted return	0.03	50	0.02	23	0.02	0.222	0.82	
RETURN 15to17	0.30	52	0.46	26	-0.16	-1.352	0.18	
RETURN 14to16	0.28	51	0.35	25	-0.07	-0.710	0.48	
RETURN 13to15	0.78	48	0.76	23	0.03	0.205	0.84	
VW mkt return 15to17	0.32	52	0.32	26	0.00	0.000	1.00	
VW mkt return 14to16	0.21	51	0.21	25	0.00	0.000	1.00	
VW mkt return 13to15	0.39	49	0.39	23	0.00	0.000	1.00	
EQ wgt ind return 15to17	0.26	52	0.24	26	0.02	0.375	0.71	
EQ wgt ind return 14to16	0.15	51	0.13	25	0.02	0.334	0.74	
EQ wgt ind return 13to15	0.47	49	0.47	23	0.01	0.161	0.87	
VW ind return 15to17	0.36	52	0.36	26	-0.01	-0.165	0.87	
VW ind return 14to16	0.25	51	0.27	25	-0.02	-0.502	0.62	

VW ind return 13to15	0.49	49	0.56	23	-0.06	-1.186	0.24
MKT adj return 15to17	-0.02	52	0.14	26	-0.16	-1.352	0.18
MKT adj return 14to16	0.06	51	0.14	25	-0.07	-0.710	0.48
MKT adj return 13to15	0.10	49	0.21	23	-0.11	-0.787	0.43
IND adj return 15to17	-0.06	52	0.10	26	-0.16	-1.371	0.17
IND adj return 14to16	0.03	51	0.09	25	-0.05	-0.538	0.59
IND adj return 13to15	0.01	49	0.05	23	-0.04	-0.337	0.74

NOTE: The above returns were also analyzed by perceived maturity level; maturity level did not have a significant impact on returns for any EFM using company.