Customer Quotient ™
US Report 2016

What if you really knew me?

c_space

Customer Inspired Growth

Hi. We've met before.

Or, at least we tried. Was it in that dashboard? That report? I forget. I'm sure you did, too. Because I was just a percentage of "how likely I am to recommend you." What I spent today. Or how many steps I took yesterday. All the things that you track about me to try to understand who I am.

But none of that is the real me. It's just data about me. A reflection of who you think I am. But, you know, there is more to me than that: the stuff that you can't measure. Like the feeling I get when I find the perfect pair of jeans. And the frustration I feel when I don't. What makes me smile. What draws me in. What pushes me away.

But, what if you really knew me? Think of all the possibilities. I would be loyal without the points. I would look forward to opening and reading your emails. I would create the hashtag campaign for you. And, I would be trusted by your team when I told them how to improve that product.

Here's the deal. I know I'm complicated. But there is one thing you can know about me for sure. I want to make my life better for me and the ones I love. And you have a role in that.

Honestly, I don't want to be ripped off. I want the best experience, something that I am actually excited to share. I want to feel good about choosing you.

I know this all sounds complicated, but it's the truth. I may be unique – as are all of your customers – but we all want this. So, why not start with me?

Once you start trying – and working with me – you'll be amazed at how much I give back. Way more than you expected. I'll be there for those tough decisions, for those times you need me the most.

Then, we can build a relationship and succeed together. And isn't that what we both really want?

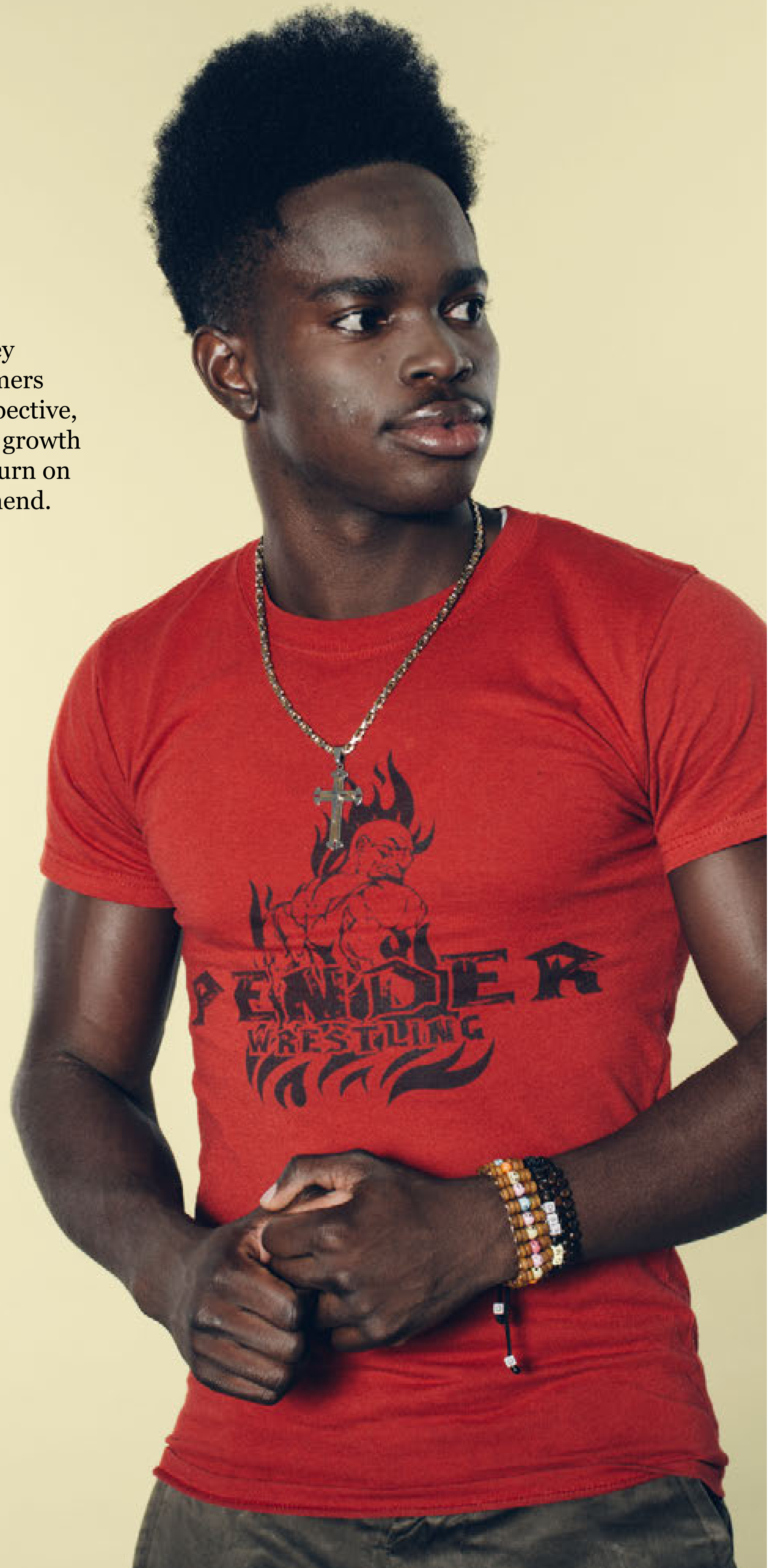
Sincerely,

Your Customer

What is CQ?

Customer Quotient ™ (CQ™) is the capacity of a company or brand to build strong relationships with its customers.

The CQ framework measures the five key attributes of brand behavior that customers really value – from the customer's perspective, not the company's – that correlate with growth and profitability, including revenue, return on assets (ROA), and likelihood to recommend.



What's the truth about customers?

The truth about your business – what works, what doesn't, and what needs to change – is elusive. It can hide behind employees' egos or fears – bad news is softened to seem benign, and good news is inflated to seem remarkable. Or it's held captive inside a department and never reaches your desk.

In most cases, the truth is not found inside the organization. It lives somewhere outside, with your customers. And the truth about customers, and how they are changing, cannot be overlooked. Many of the factors that influence customers are intangible. They are the "soft" qualities of a brand that are intuitively felt by and profoundly important to customers. The qualities that resonate, drive loyalty and recommendations, and make for a great customer experience. But these intangibles so often evade description for the simple reason that they exist in the customer's perception and are not captured by traditional measures.

And that's precisely what is so exciting about this year's Customer Quotient (CQ). It illuminates the truth about brands, entirely from the customer's point of view, and the relationship between the two. CQ assesses what draws customers to certain brands – like REI, Wegmans, Dove, or Marriott.

CQ describes and measures the five key attributes of brand behavior that consumers really value; ones that correlate with growth and profitability, including revenue and return on assets (ROA), and predict likelihood to recommend. And, it provides guidance about what to do about it, and how to measure success against it.

Analyzing this year's CQ data, the authors of this report, together with their team of researchers and consultants, present intriguing insights and hard truths. For example, when it comes to brand loyalty, do discounts, points, and rewards really keep customers coming back, or is there something deeper and more emotional at play? They also take a look at why small changes by big brands can make an even bigger difference to customers' lives, and the bottom line.

So enjoy what follows. Hopefully, it makes you wonder and opens your eyes to new ways of thinking about your brand from the customer's point of view.

Contents

The Most Customer Inspired Brands in 2016

REI, Google, Beachbody, and some of the other brands beloved by consumers.

Top Brands by Industry

Industry	Top Company *	CQ Score
Specialty Retailer	REI co-op	8.64
Grocery	Wegmans	8.30
Healthcare & Pharma	St. Jude Children's Research Hospital	8.29
Household, Beauty, & Personal Care	Dove	8.26
NGO	St. Jude Children's Research Hospital	8.05
Technology	Google	7.81
Apparel	L.L.Bean	7.65
Travel & Hotel	Marriott	7.59
Amusement	Disney	7.56
Restaurant	Chick-fil-A	7.49
Food & Beverage Manufacturing	Ben & Jerry's	7.35
Financial Service	charles SCHWAB	7.31
Department or Discount Store	NORDSTROM	7.01
Automotive	SUBARU	5.75
Fitness	BEACHBODY	4.91
Media	Google	4.58
Healthcare Insurance	KAISER PERMANENTE.	-3.02
Courier	FedEx Express	-3.49
Telecommunication	Straight Talk	-5.00

*In the CQ methodology, we ask consumers to think of any company that "really gets them"… and one that really doesn't. Consumers tell us in what industry those companies belong and then go through the rating process, which means companies can appear in more than one industry. Google, for example was both the highest scoring technology and media company.

CQ Ranking by Industry

Industry	Average CQ	CQ Median Spread
Household, Beauty, & Personal Care	5.97	6.14
Amusement	5.59	3.89
Technology	4.95	3.25
Grocery	3.93	5.27
NGO	3.78	3.30
Fitness	3.37	2.66
Food & Beverage Manufacturing	2.93	3.69
Apparel	2.61	2.64
Travel & Hotel	2.24	4.32
Restaurant	2.04	1.90
Specialty Retailer	1.98	2.30
Healthcare & Pharma	-0.43	-0.52
Automotive	-0.65	-0.48
Financial Service	-0.68	0.45
Department or Discount Store	-1.79	-0.44
Media	-4.06	-5.98
Courier	-4.68	-4.31
Healthcare Insurance	-6.65	-6.14
Telecommunication	-8.66	-8.47

-10 -8 -6 -4 -2 0 2 4 6 8 10

lowest CQ median CQ highest CQ

Have We Been Wrong all Along about How to Grow?

Why profitability and growth are clearly – and positively – related to the strength of your customer relationships.

*By **Manila Austin** and **Adam Brzozowski***

Today's companies employ myriad customer experience metrics to manage the business, assess the relevance and appeal of their brands, and, hopefully, better understand their relationship with customers.

Sophisticated tracking systems, social media listening tools, transaction data, and a range of satisfaction and loyalty measures are used to make inferences about customers' preferences and to detect patterns in their behaviors. But useful as these methods may be, none represents the customer's perspective. They focus primarily on the needs of the business, and solving for those needs rather than the customers they serve.

The Customer Quotient Framework

Customer Quotient (CQ) rebalances how we understand customer experience by creating a framework that looks at companies' behaviors through the lens of customers. It incorporates traditional measures of loyalty and experience, but reframes them from the customer's perspective.

CQ measures how customer inspired companies across industries behave and how customers would experience and describe those behaviors. Through developing this research, we identified five key brand behaviors that predict loyalty outcomes and are clearly linked to profit and growth:

— An open and genuine interest in dialogue with consumers, as opposed to continual, even incessant, messaging and requests for feedback

— An appreciation of relevance; speaking the customer's language and sharing their values

— An empathic understanding of consumers' needs and preferences and an ability to exercise better "customer intuition" than competitors

— The ability to deliver superior customer experiences, respecting customers' time, appreciating their loyalty, and making customer service everyone's job, regardless of function or level

— The desire and ability to provide emotional validation, creating a sense of belonging and making people feel smart and proud for being customers

CQ describes and measures how companies perform in each of these crucial areas, giving a broad, holistic view of the customer relationship from several key angles [1].

1. For more information on methodology – how CQ is calculated and the details of our 2016 sample – please see the final section of this report or visit www.cspace.com/CQ.

For the first time, in 2016, the relationship between CQ and revenue growth was measured by percentage change in year-over-year growth in revenue from two annual fiscal periods ago. A simple linear regression model was constructed between lagged two-period annual revenue growth and the 2016 CQ survey results, rolled up by parent company, thereby generating the coefficient estimate and R-Squared.

Your Customers Are the Key to Sustainable Growth

At C Space, we have long believed that companies that “get” their customers outperform those that don’t. Last year, we set out to explore this idea on a broad scale and put our assertion to the test. We wanted to know if the five company behaviors (p. 14) we heard about from the 100,000+ consumers with whom we engage every day were, in fact, related to superior business performance.

Our first annual benchmark report, Customer Inspired: How to Achieve Growth in the 21st Century[2], describes our research process and results in great detail. The short answer to our essential question, however, was yes:

CQ is clearly and consistently linked to measures of both profitability and growth.
This year, we collected data from nearly 20,000 US consumers (and in a parallel effort, more than 4,000 consumers in the UK market), replicating analyses from last year and observing year-over-year changes in the US across 19 industries. While there are some important macro themes and implications, which we explore in the subsequent sections of this report, we did validate and expand upon the central CQ proof-points, demonstrating our framework’s relationship to positive business outcomes.

CQ remains a powerful predictor of both advocacy and intent to purchase.
The brand behaviors that compose CQ were selected based on their ability to significantly predict two key outcome variables: whether or not respondents had recommended a brand or company to a friend or family member, and whether or not they intended to continue purchasing. This is as true today as it was in 2015. We were able to successfully develop a classification model that was 90% accurate in predicting these outcomes based on the CQ questions when tested on cross-validation data. In other words, CQ appears to be a powerful predictor of these key business performance indicators.

2. http://learn.cspace.com/customer-inspired-how-to-achieve-growth-in-the-21st-century

What’s a .3% - .5% point increase in ROA worth?

Expressed solely in terms of revenue and net income, some examples are as follows.[3]

For **Google** it’s
between $2,029M and $3,382M in revenue and
between $442M and $737M in net income

For **Verizon** it’s
between $5,393M and $8,988M in revenue and
between $733M and $1,221M in net income

For **Walmart** it’s
between $18,138M and $32,743M in revenue and
between $599M and $998M in net income

For **JetBlue** it’s
between $246M and $410M in revenue and
between $26M and $43M in net income

CQ is clearly – and positively – related to profitability.
Last year, we were able to link CQ to improved return on assets (ROA) and revenue growth. This year, we replicated and expanded on those findings: CQ is positively and significantly related to profitability, with a one point increase in CQ associated with a 0.3% - 0.5% increase in ROA. This may seem quite modest, but if one calculates what this means

3. Based on data obtained from Google Finance, Sept. 2016.

The relationship between CQ and Return on Assets (ROA) has been measured twice, once in 2015 using the 2015 CQ Survey results, measuring 2014 return on assets (net income / assets) and again in 2016, measuring 2016 CQ vs 2015 ROA. Both analyses used parent company as the unit of analysis. For 2015, the coefficient was estimated at .5% (i.e., an increase in CQ of one point resulted in a commensurate .5% improvement in ROA). In 2016, we estimated that coefficient at .3%. Random sample variation, changes in which industry companies are mentioned in, volatility in returns, and trends in CQ scores are expected to produce a distribution of coefficients. As such, we provide ROA as a ranged estimate in order to increase the likelihood that actual performance will fall within the estimated values of the model.

materially for companies, it can be billions of dollars.

CQ is clearly related to revenue growth (p. 15). We found CQ to be positively and significantly related to revenue growth with an R-Squared of 12.6% ($p < .0001$). In fact, our analyses show that if companies improve their CQ by a full point, the upside is a potential 0.43% lift (which, again, can mean billions of dollars).

CQ varies by industry, and is a key differentiator when consumers have the power to choose. We expanded our analyses in 2016 to examine the potential effects of important moderators, such as industry concentration (i.e., the degree of revenue concentration among the top firms in a given industry). We chose a four-firm concentration threshold, with which we found CQ to be significantly and negatively associated ($p < .01$). This means that those industries that are characterized by relatively few, dominant players (e.g., telecommunication) are also the least customer inspired. Inversely, the more democratized an industry becomes (i.e., the more consumers are able to pick and choose) the more important it is for companies to have strong CQ.

Companies today are much more likely to invest in advertising to customers rather than actually understanding them (on average, spending $14 on advertising for every $1 that they spend on insights).

Barriers to Customer Inspired Growth and What Can Be Done about Them

The concept of customer centricity – developing and improving customer experiences as a way to grow a business – is now a common business buzz phrase and interest in the topic has ballooned in recent years. What company would claim it doesn't want to be customer centric? Indeed, Google data show searches of "customer centricity" up by 150% in the last five years, and searches for "how to be customer centric" up by 800%. And in our research, year-over-year, we see a clear and consistent link between having good intuition about your customers and desirable outcomes: advocacy, profit, and growth.

Despite the demonstrated connection between customer intuition and business outcomes, however, many companies are not sufficiently in touch with their customers. Many pay lip service to customer centricity without being truly committed. For example, companies today are much more likely to invest in advertising to customers rather than actually understanding them (on average, spending $14 on advertising for every $1 that they spend on insights).

Others make the investment, but struggle to see a commensurate return. Harvard Business Review (HBR) reports that, despite spending $11 billion on CRM software, "many companies don't understand [their customer] relationships at all"[4]. And, according to Boston Consulting Group, only 35% of executives would describe their consumer insight capabilities as best in class[5].

Even if you are committed, customer centricity efforts can still flounder in execution; because successfully making your customers feel like you "get" them depends upon more than understanding. Real results require action: infusing the organization with powerful customer insights and working across functions and silos to bring those insights to bear on the business. When companies are able to do this they reap great rewards, as one of our clients describes:

4. Jill Avery, Susan Fournier, and John Wittenbraker, "Unlock the Mysteries of Your Customer Relationships." Harvard Business Review. July-Aug. 2014.
5. Mary Egan, Kate Manfred, Ivan Bascle, Emmanuel Huet, Saron Marcil, The Consumer's Voice - Can Your Company Hear It? Boston Consulting Group, 2009.

"Early this year we completed a CQ benchmark which clearly showed us where our strengths and opportunities lay in the eyes of the consumer. This work became the rallying point for corporate strategy, marketing, and design execution, and has even been infused into our employee evaluation metrics. For us, CQ is so much more than a diagnostic tool, it has created new language and behaviors that have brought the customer to the center of the organization. We can now cut through clutter and opinions and focus on what really matters: developing amazing customer inspired experiences."

This is easier said than done, however, given the "complicatedness" of the companies in which we work. Scholars of organizational development and complexity theory have documented how company life has become more cumbersome, and how complicated systems (versus "complex" ones) are less adaptive, less resilient, and ultimately, ill-suited to thrive in the dynamic, uber-connected 21st century marketplace. For example, today's companies set themselves six times as many performance requirements as they did in 1955; bureaucracy has increased by 60%; and managers in "complicated" companies can spend up to 60% of their time in meetings[6].

Given the layered, siloed environments in which we operate, the pressure of multiple, competing objectives, and the still very real distance between customers on the 'outside' of companies and employees within, we recommend a three-pronged approach to developing CQ (and achieving organic growth):

— Help people across an organization understand what their customers really want from them, and where their deficits lie (in priority order). These are the kinds of gaps and opportunities the CQ framework is designed to surface.

— Work with company leadership to determine the specific organizational factors that can support or get in the way of developing CQ – e.g., cultural factors, leadership behavior, ingrained company centric processes and procedures – and identify which ones are most critical to address.

— Develop a workable plan or roadmap to help immerse line managers, employees, executives, manufacturers, suppliers, and agency partners in customer truths and collaboratively create ways to act on them[7]. We suggest starting small and scaling quickly, targeting specific groups of business partners to build a groundswell and fuel momentum.

6. Yves Morieux, "Smart Rules: Six Ways to Get People to Solve Problems Without You." Harvard Business Review. Sept. 2011.

7. See www.cspace.com/ for case examples.

What Supports and/or Hinders CQ Development?

Questions to Ask Yourself when You Get Stuck

1
Does leadership "walk the talk," truly championing the customer?

2
How does your company really feel about customers? Are they treated as human beings or are they just seen as numbers on a spreadsheet?

3
Where are your company's customer blind spots? How do your formal structures and processes support or impede customer inspired behavior?

4
Do people who interact with customers daily in the field, on the floor, online, or in call centers, and those in corporate or back office functions have the tools and technologies they need to engage with customers?

5
Do you have a culture that supports strengthening the customer-company relationship (on customers' terms, not yours)? Are employees engaged? Are they empowered?

The Five Keys to Customers' Hearts

What are some of the best brands doing to consistently make customers feel the love?

*By **Katrina Lerman***

CQ is grounded in what customers, not companies, really value. Our premise is that customer inspired companies should feel different to customers than those that are not. CQ includes familiar measures of loyalty and experience, but reframes them from the customer's lens instead of the company's – capturing what desirable corporate "relationship behavior" feels like from a customer's point of view. Think of CQ as buying criteria, or an emotional blueprint, of what draws customers to certain brands.

We found that consumer loyalty was related to the same qualities that define and are the product of strong, rewarding relationships. By relationship, we don't mean traditional marketing tactics: overly familiar language, intrusive texts or phone calls, or creepy tracking with big data. Rather, we are referring to a sense of shared value and belonging, genuine dialogue, respect, and understanding. Instead of overtly forcing a relationship consumers may not want, companies should focus on demonstrating good relationship behavior, consistently making consumers feel valued, respected, and understood.

1. Customer Experience

It almost goes without saying that brands today must deliver superior customer experiences; it's merely "table stakes" in an ultra-competitive, omni-channel environment. This includes things like respecting customers' time, appreciating their loyalty, committing to the highest quality, and making customer service everyone's job, regardless of function or level. When the customer experience is coherent and seamless from end to end, it suggests efficient coordination and data sharing across the organization.

Wegmans, the top-rated grocery brand, provides a delightful in-store experience with quality products and thoughtful services that help turn the often stressful supermarket shopping trip into a relaxing adventure. A caring and family-oriented corporate culture makes employees feel empowered and customers feel proud to shop there.

"They are very responsive to customer input. They are also ranked as a best place to work, which tells the customers they respect their employees which means their employees are going to be much more friendly, welcoming, and helpful to customers."

"They offer W Kids at many locations as a safe place for my child to play while I shop, which is so much more convenient than having him with me ... They offer Helping Hands to load groceries into your car. They even have complimentary umbrellas available when it's raining! I feel like throughout the store, they anticipate the needs of their customers and assure that they are met throughout their visit."

Global hotelier **Marriott** has long been recognized for providing some of the best service in the industry. Their CQ scores in this area are driven by the brand's consistently high quality and commitment to service from all employees, regardless of role or level. Although their loyalty program is robust, fans still describe their relationship with the brand in intimate terms; they talk less about points and rewards and more about how the brand shows them their business is valued through small personalized touches, like knowing their name or surprises for their kids. Employees are frequently praised for their ability to efficiently track and proactively execute on customer preferences. These are the details that create memorable experiences and emotional connections.

"When staying at a Courtyard by Marriott recently I was so impressed at how the management and associates seemed to know if I had a question or needed something before I even approached them. They made me feel like I was their only guest and their attention to my needs made me feel like family and not a paying customer."

"The employees are always asking questions as to what my preferences are, what they can do to help make my stay more comfortable and enjoyable. The hotel keeps all this information so that the next visit they already know what to line up for me or to suggest to make my stay much more enjoyable."

2. Emotional Rewards

The meaningful emotional benefits that a brand provides are harder to quantify and measure than something like customer experience, but our research shows that these are the distinctive qualities that really separate the good brands from the great. Creating a sense of belonging, making people feel respected, smart, and proud as customers, not making people feel ripped off – this is how customers describe brands that understand them best. In other words, consumers actually feel differently about themselves by being a customer.

Trader Joe's is loved for its unique, curated selection of private-label brands, helpful employees, and neighborhood feel, all of which help cultivate a sense of belonging and community.

"Their stores are very welcoming, from naming the checkout lanes after local streets, to their signage related to prices. Almost everything they do in the store, including the employees' attitudes towards customers, makes it feel less like a chain and more like a local store."

"Trader Joe's understands that shopping can be stressful, and they go out of their way to make me feel at home in their stores and to make the shopping experience as stress-free – and even FUN – as possible. Trader Joe's also knows that I pay attention to how a business treats its employees, and they pay their employees fairly and treat them right."

Publix is praised for going above and beyond to make their customers feel respected and cared for, from stocking requested items (with a phone call notifying its arrival) to helping to carry grocery bags to the car.

"They have the quality of products I look for and they make the customers feel special. You feel really good when you leave the store & can't wait till next time."

"They train their employees to actually help customers. Answer questions without making people feel like they are bothering them. Go the extra step to make their customer feel important!"

As high-touch brands that become an essential part of consumers' everyday routines, grocery stores have the potential to inspire intense emotion, loyalty, and passion from their faithful customers. In fact, they comprise half of the top 10 companies in CQ score and were the third-most-mentioned category overall – indicating grocery brands are both well-liked and top-of-mind. Publix and Trader Joe's scored in the top 10 for Emotional Rewards specifically, and both have excelled at creating a unique bond with their specific customer base.

Above all, these brands have managed to connect with their customers on a personal, emotional level – an achievement that would not be possible without an empowered and empathetic team of frontline employees who make real the brand's customer centric values and principles. As the site of potentially multiple weekly trips, and the source for our most intimate, sustaining products, where we buy our groceries says something about us. And, at the end of the day, consumers want a grocery store that reflects their values and that makes them feel good about shopping there.

3. Relevance

Relevance is another hallmark of customer inspired companies. It means consumers perceive the company's products, services, and messaging as useful to their lives and resonant with their values. And, the brand is able to speak to customers through marketing and advertising in a way that is personal, meaningful, and relatable. More than anything, a relevant brand provides unique value by understanding customer needs and meeting their expectations in ways other brands can't.

Ben & Jerry's, the top-rated food and beverage manufacturer, wears its heart on its sleeve and isn't afraid to put its corporate values front and center. Their cheeky product names, commitment to the environment, and liberal politics all reinforce their brand persona as, literally, two laid-back Vermont dudes with an ice cream dream. As a result, they've developed a loyal following of customers who not only love their frozen treats, but feel that the brand is a natural fit with their lifestyle, values, and worldview.

"They have values that are not typical of large for-profit corporations and are not so far removed from the main street. Ben and Jerry seem to still be well-connected to their roots, similar to ours."

"They focus on quality and innovation in their product and set an example in supporting social causes."

"They know their niche and their customers, they have committed themselves to values beyond making a profit, so by pursuing those values they can match up well with like-minded customers."

REI had one of the great customer inspired success stories of the past year when they closed all stores on Black Friday, the biggest retail day of the year, encouraging customers and employees alike to #OptOutside and spend the day in nature rather than in a shopping mall. Although hailed in the media as a bold risk, the #OptOutside campaign wasn't really a gamble for REI, thanks to their intimate knowledge and understanding of their core customer base. REI has truly created their brand in their customers' image; they knew their message would resonate and that the long-term financial benefits would outweigh one day's lost profits.

The already customer centric culture at REI is evidenced by the fact that, despite the company's undoubtedly successful year (they reported a 9.3% increase in revenues and a 7% increase in comparable store sales in 2015, along with a 23% uptick in digital sales[1]), their CQ score barely changed from last year – because it was already one of the top-scoring brands across all dimensions! However, it wasn't featured in last year's report because of low mentions – and that's where the real story lies. REI's recognition among consumers skyrocketed this year, with a 270% increase in mentions from 2015 to 2016. More than a mere social media stunt, REI's #OptOutside took the company's deep understanding of what its customers value and used it to start a conversation with millions of others who might otherwise have never found the brand.

"REI has developed a subculture re. eco-outdoor enthusiasts. They tastefully represent their products in a simple clear manner, while supporting ecological efforts without being overwhelming."

"It's owned by the membership. Employees take part in outdoor sports and have tested the equipment. The catalog and store appearance are unassuming, like the outdoors are. They understand and can relate to land preservation and conservation issues. The company donates to causes that the membership cares about, that is, that relate to preserving wilderness and other outdoor recreation areas. They know I'm not looking for fashion as much as utility."

1. "REI #OptOutside Campaign Results Show Power Of Sincerity Plus Engagement." Retail Touch Points. 17 Mar. 2016. Retrieved from: http://www.retailtouchpoints.com/features/news-briefs/rei-optoutside-campaign-results-show-power-of-sincerity-plus-engagement

4. Openness

Can we talk? Can you hear me now? Having a customer focused culture doesn't mean much if customers don't perceive that you are really open to letting them into your business. Companies that score high in this dimension are perceived as being accessible, and genuinely interested in two-way dialogue with customers. These brands are also seen as authentic and believable in their messaging and communications; customers agree "they mean what they say."

Two female-oriented beauty brands, Dove and Olay, are standouts in this area, having cultivated a strong and loyal following of women through messaging and advertising that resonates with this target. Both brands were among the top-five CQ scores for women and saw scores increase from 2015 to 2016. They also show global appeal, ranking highly with women in both the US and UK.

Dove's hugely successful Campaign for Real Beauty, featuring a range of non-models and celebrating the bodies of "real women," has elevated the brand to heroic status for many women. The campaign is credited with opening up an important cultural conversation in the beauty world and beyond, positioning Dove as not just a caring brand but a company that really stands for something.

"Their advertising campaigns about natural women, celebrating all kinds of women, not just airbrushed models, really connect with women behind their social insecurities."

"They are a caring company – I always think of my mother when it comes to the product. An item that I know doesn't harm me in any way, an item I fully trust."

Olay has formed a strong emotional relationship with older women in particular, creating products to help them address real concerns and feel their best. Their messaging takes on the sensitive topic of aging in an authentic, yet cheeky way that makes women feel the brand really knows them, listens to them, and internalizes their needs.

"Campaigns tailored to women's comfort, bathing needs, shaving needs, insecurity about growing old."

"[They] listen to people across the world to address all kinds of skin and beauty issues and desires, to provide high quality luxurious products that really work."

5. Empathy

Empathy is an extremely important, yet hard-to-quantify characteristic of customer-centric companies. It involves internalizing consumers' needs and preferences throughout the organization, consciously adopting the customers' point of view. Frontline employees who interact directly with customers can be especially critical here. Empathetic brands exercise better "customer intuition" than their competitors; they simply "get" their customer base, and use this as a source of competitive advantage.

Grocer **H.E.B** has a passionately loyal following, especially in its home state of Texas, based on its intimate and intuitive understanding of its customer base. Its use of local suppliers, selection of popular regional products, and involvement in the local community resonate with customers and make patronage a point of state pride for customers.

"They are (for the most part) a Texas chain. And their commercials make you feel like a good Texan for shopping there."

"Their advertising appeals to the family values I believe in. It's personable and makes me feel good about shopping there."

Chick-fil-A is the restaurant industry leader across CQ dimensions, and Empathy is no exception. Given founder Truett Cathy's corporate philosophy of "servant leadership," it's no surprise that customers frequently praise Chick-fil-A's dedicated and helpful employees. Families, in particular, find that the genuine and thoughtful concern shown by employees separates Chick-fil-A far ahead of the fast-food pack. Although the company's unabashedly religious roots are a deterrent for some customers, those same Christian principles are manifested in the servant leadership philosophy, which emphasizes humility, sincerity, and respect.

To ensure that these empathetic values remain at the heart of the business, even as it experiences remarkable growth, the company is notoriously selective with talent to ensure that everyone – from franchisees to fry cooks – fits with their unique corporate culture. Both their growth and their popularity is reflected in their 2016 CQ ratings: not only did their score increase year-over-year, but they saw a 45% increase in mentions as they expand to new regions of the country.

"As a mother, they know how to attract mothers. Offer a play place with friendly staff who assist with refills and cleaning up. In some instances, they offer the order in the drive-thru and they'll have it waiting at a table for you when you haul all your kids into the restaurant."

"Invested & involved in the community. Always saying 'my pleasure' instead of 'you're welcome.' ... that makes a HUGE difference!! Having play spaces & sanitizer hand wipes!!!"

"They are super customer-oriented. Any restaurant that has Cheerios for my baby understands and gets it. They bend over backwards."

Share of Heart: The Best Safeguard against Disruption

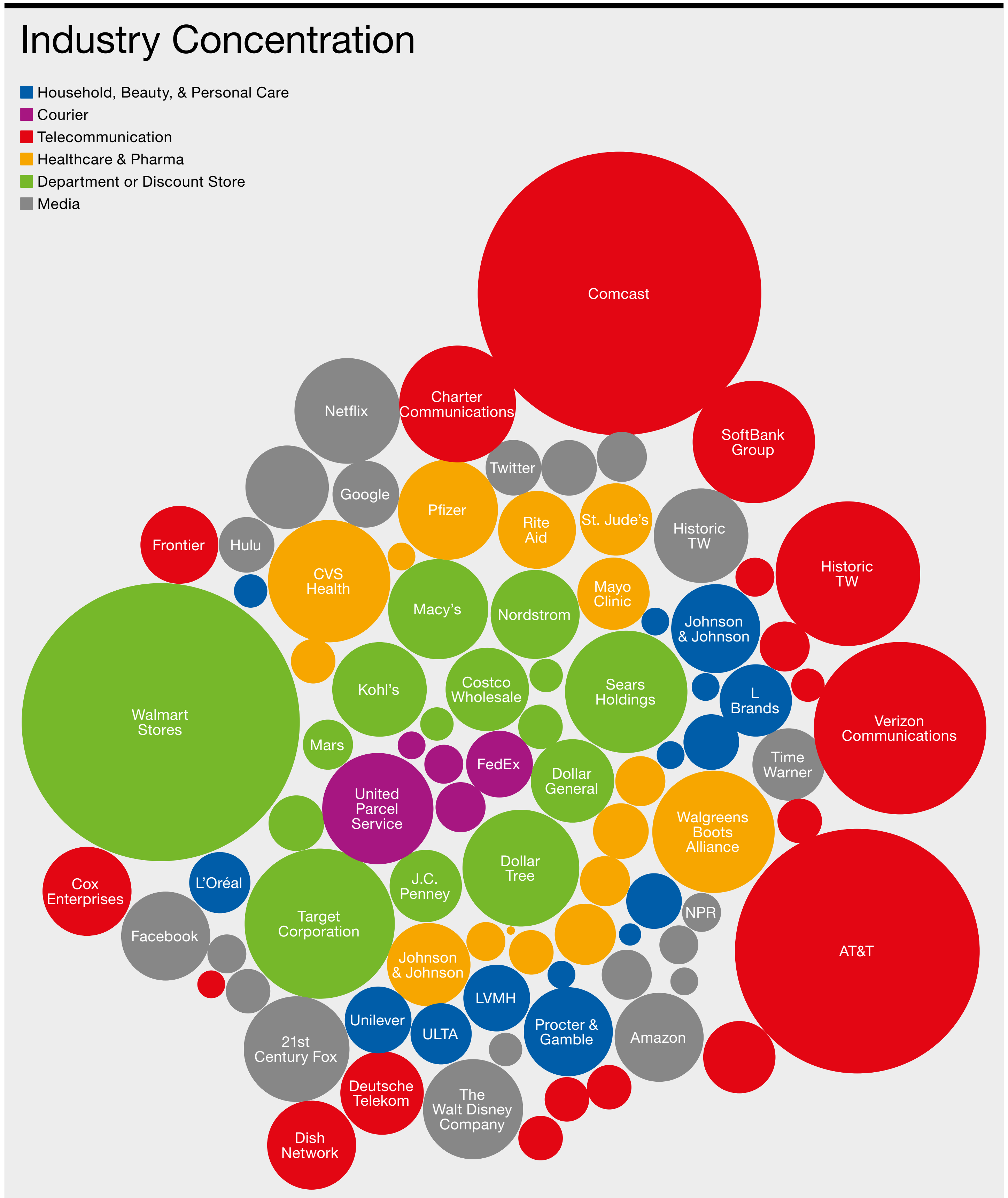
Why the fate of all brands – regardless of industry – lies in customers' hands.

By ***Manila Austin***

As a customer, it is easy to feel inconsequential or at the mercy of big business. It seems like every day on my news feed I read about another new company merger or acquisition.

There are clearly two forces vying for dominion – companies and customers. For every move toward consolidation and marketplace dominance by a few large players, which can limit consumer choice, new products and services are proliferating and taking hold in nearly every industry. And while it makes sense that companies pursue profit by amassing resources and creating economies of scale, these tactics are not a guaranteed safeguard against disruption.

Indeed, today's marketplace is noisy and dynamic, and consumers' expectations evolve and diversify rapidly. In the high stakes game of winning share of wallet, I'm betting on those companies that are learning, instead, to win their customers' share of heart.



Greater consumer choice demands better brand behavior

In this year's study, we found a significant and inverse relationship between CQ and industry concentration: i.e., the percentage of revenue within a given market that is generated by a small number of firms (we used the standard four-firm threshold). Our data show that consumers rate brands much more favorably in those sectors characterized by a diversity of competitors; ones in which they have more choice.

It's not surprising that companies in monopolized industries feel less pressure to be responsive to changing consumer demands. But with greater choice comes the pressure for brands to perform to consumers' standards, which can be an uncomfortably high bar. The research underpinning CQ predicts that, with 90% accuracy, customers will recommend and continue purchasing brands when they deliver relationship value. In fact, as markets and sectors become more democratized and "open source," the "soft" aspects of what a brand can provide – empathy, authenticity, emotional validation, and respect – matter tremendously.

The bubble chart on the opposite page illustrates the relative concentration of different industries, as well as how dominant companies are within an industry. For example, telecommunications has the most extensive collection of bubbles and many of them are large, which means it is the most monopolized and its component companies make most of their revenue within that sector (as opposed to being diversified across sectors). The telecom industry, providers of fixed and mobile voice, text, and data transmission, showed the lowest CQ of all industries we studied in 2016 (-8.66). [Note: Names of companies were removed from smaller circles to improve readability.]

From a customer's perspective – and we don't need a bubble chart to tell us this – telecommunication companies, and cable providers in particular, have us in a virtual stranglehold. In some areas, there may be only one network available; so no choice at all. Customers know this, feel it, and they are angry.

We see this widespread dissatisfaction in the numbers and in the words of our study participants. Nearly 4,000 people chose to rate telecommunication companies (that's one-fifth of the entire US sample!), and 99% of those people did so in the negative:

"They have absolutely no regard for the customer. They essentially do the opposite of what consumers want."

"Their services are meant to pigeon-hole customers rather than giving them choices—though they might feel like they are getting personalized plans and services, they are actually just being told what is best for them and are limited in their choices."

This strategy of pigeonholing customers characterizes how many telecom service providers structure their offerings and treat their customers. It is, indeed, the opposite of how people want brands to behave.

Today's customers have more means, power, and control to circumvent traditional business offerings to get what they want, when, and how they want it.

Just because you're big doesn't mean you have to behave badly.

There are many reasons why companies might feel protected from disruptive forces: If they have tight control over their supply chain, vast investments in infrastructure (making it hard for start-ups to replicate or supplant them), or when there are regulations and policies in place that minimize competition, for example. But it doesn't have to be this way. This year's CQ report shows that some companies, even in the most concentrated or entrenched industries, manage to demonstrate the kind of behavior that consumers seek from brands, and reward with their loyalty.

Straight Talk, for example, was the highest scoring telecom company in our study. It is challenging the industry premise of requiring a (company-centric) contract based on access to a dedicated network. Straight Talk offers choice and low commitment. Rather than being roped into a two-year contract or a single network provider, Straight Talk (a partnership between Walmart and Tracfone) allows those who already own a smartphone to disengage with the original provider, extricate themselves from a contract and still get 4G service. This year's CQ respondents voiced plenty of complaints about Straight Talk – as they did for all the telecommunications providers in this research – but Straight Talk may be seen more positively than its industry peers because its offering is more in step with what consumers actually want.

The household, beauty, and personal care industry stands out in that it has long been dominated by a handful of manufacturers, yet offers consumers myriad brands and sub-brands from which to choose. It is no accident that companies in this industry showed the highest average CQ in both 2015 and 2016.

And, even iconic 20th century companies – ones that have enjoyed market dominance for decades – are shifting their brand behavior. McDonald's, after many years of consideration, finally gave customers what they want: Starting in October of 2015, customers could get Egg McMuffins and McGriddles all day long. While this change appeared disruptive at first, slowing down operations at non-breakfast times,

McDonald's is starting to gain share back from competitors[1] and its CQ is rising (from -5.22 to -3.92 over the same time period). For the past two years, Walmart's CEO has made it a company-wide mission to make the 680 million square feet of store space "clean, fast and friendly.[2]" It, too, saw an improvement in CQ scores this year: a 1.69 improvement (-5.77 to -4.08), which, according to our model, can mean billions of dollars in additional revenue.

These examples show that corporate behemoths and conglomerates don't have to break themselves apart to become customer centric; but to stay relevant in the 21st century, all companies will need to figure out how to demonstrate customer centric behavior.

1. http://www.businessinsider.com/mcdonalds-all-day-breakfast-competition-2016-2
2. https://www.washingtonpost.com/news/business/wp/2015/04/01/wal-marts-plan-to-boost-business-without-changing-what-it-sells/

Technology is the great enabler. Use it or lose to it.

I'm old enough to remember when there were only four "real" TV channels. Even ten years ago, Netflix wasn't streaming, and we still looked to "cable" for media entertainment. Traditional television broadcasting companies had control over their markets; similar to those companies today that have established infrastructures in place, thwarting would-be competitors.

But recent technological innovation has changed all that, of course. With the widespread availability of the Internet and broadband service, consumers readily adopt new options for accessing, viewing, and experiencing media in all its various forms. In fact, this year's study showed technology companies topping the charts in the media category. Google, Netflix, and Amazon were the three highest rated media companies in 2016 (with CQ scores of 4.58, 4.10, and 3.98 respectively).

In contrast, traditional media companies were largely rated in the negative, with their average CQ dropping a dramatic 9.11 year-over-year. And the major broadcasting companies do appear to be struggling to find growth. The industry saw an $18 billion shortfall in revenue in 2015, and the value of the Dow Jones Media Index fell from $811 billion to $640 billion between August 2015 and February 2016[3].

The technology sector, however, shows the opposite trend[4]. The soaring popularity of technology companies rated within and as part of the media category represents a larger shift that is as dramatic as it is telling. And we have every reason to expect that this rate of change and extra-category disruption within all industries will increase. On average, companies' lifespan on the S&P 500 is now only 15 years (a 50-year reduction over the last century); and experts predict that, within five years, the majority of companies in that index will be ones we have never even heard of yet[5].

It's not so farfetched to imagine that, in another five years, every industry will see technology companies – ones with the creativity and operational agility to meet new consumer demands – outperforming their traditional counterparts. And I'm not talking about inventing new functionality for the sake of having something different to offer; more bells and whistles[6]. To be relevant, companies must use technology to stay in step with what matters most to consumers; delivering new functionality and creating new options that show consumers they are understood, respected, and valued.

Getting customers, keeping them, growing them – keeps us all in business. But today's customers have more means, power, and control to circumvent traditional business offerings to get what they want, when, and how they want it.

As industries become commoditized and as companies within those industries struggle to differentiate their offering from competitors', the subtle, emotional, and intangible brand behaviors CQ defines become ever more important. Ultimately, whether or not a company intuitively "gets" its customers may be the most important differentiator in a fractured, crowded marketplace. Developing this kind of intuition is the ultimate path to winning customers' share of heart.

3. https://www.accenture.com/t20160422T103424__w__/us-en/_acnmedia/Accenture/next-gen/pulse-of-media/pdf/Accenture_Future_of_Broadcast_V_POV.pdf
4. http://www2.deloitte.com/us/en/pages/technology-media-and-telecommunications/articles/technology-industry-outlook.html
5. http://www.bbc.com/news/business-16611040
6. Patrick Barwise and Sean Meehan, Simply Better: Winning and Keeping Customers by Delivering What Matters Most." Harvard Business School Press, 2004.

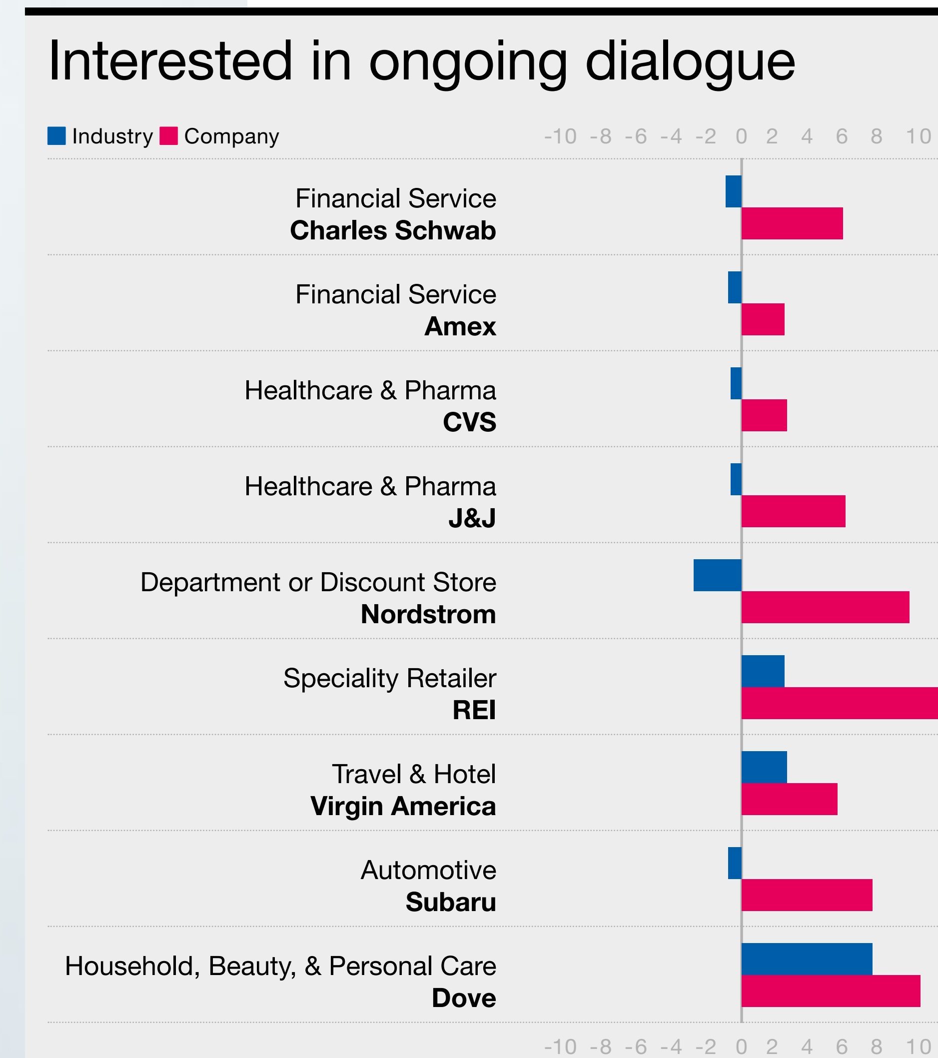
In Transparency We Trust

Product quality is no longer enough. Neither is saying, "Trust me."

*By **Julie Wittes Schlack***

In a year rocked by scandals – some related to safety, some to deceitful practices around emissions controls – it's no surprise that in 2016, we saw huge CQ variability in the automotive industry. Scores ranged from -6.91 to +6.03, demonstrating that even within a category in which all brands meet some fundamental measures of quality, relationship matters. Consumers want to feel confident that manufacturers mean what they say and follow through by acting on it. Companies that betray consumers' emotional faith pay a heavy price.

By the same token, some of the high-performing companies in this category (Subaru, Lexus, and Tesla) teach us what companies can and should do to generate trust and authenticity. This year's CQ data suggests that, beyond providing great customer service, what makes or breaks consumers' experience

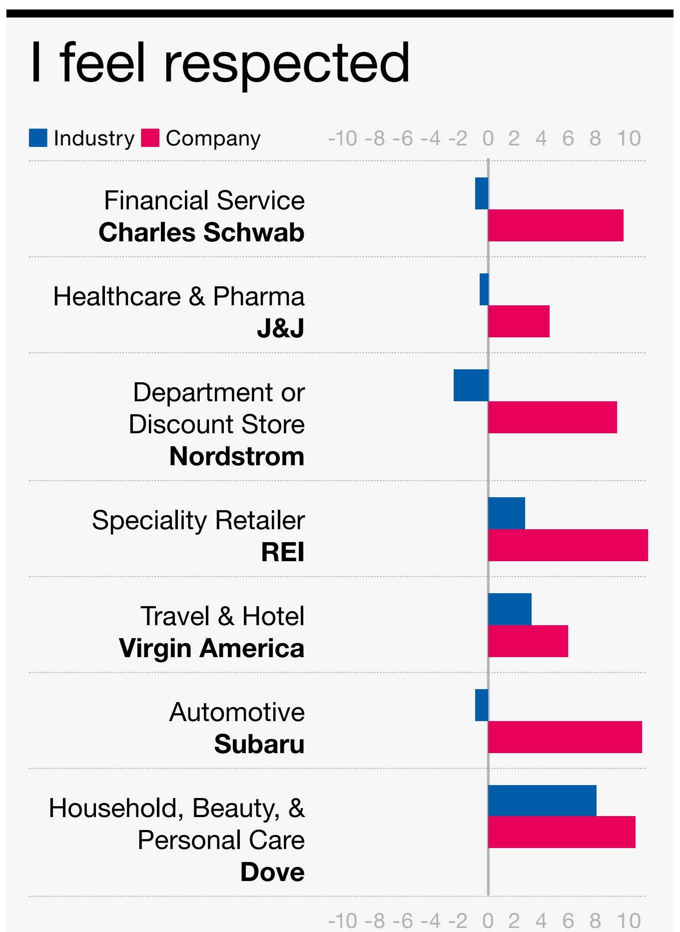


with a car brand is not horsepower, torque, or technology. Rather, it's the brand's willingness to be transparent about both its strengths and stumbles.

For instance, respondents praised Tesla not just for its electric vehicles, but for its willingness to acknowledge its mistakes (such as paying outsourced workers below minimum wage) and correct them. Equally powerful is the brand's understanding of who their consumers are, and ability to make them feel a part of a larger community. Indeed, as The Atlantic[1] noted, with Subaru's gay and lesbian focused marketing campaign, "all Subaru did was notice a group of customers who often felt unwelcome and invisible, and create ads for them."

Clearly, product quality is no longer sufficient for a brand to be valued. This year's CQ data illustrates that trust is about much more than having confidence in the reliability of a product. It too is founded in

1. https://www.theatlantic.com/business/archive/2016/06/how-subarus-came-to-be-seen-as-cars-for-lesbians/488042/



relationship – in the auto industry and beyond. As we examined CQ respondents' explanations of why they'd chosen the companies they had (in both positive and negative mentions) we were struck by the interpersonal aspect of the language people used.

For instance, one respondent described American Express as "Very good listeners." Another praised Charles Schwab because "By knowing me and my goals from face-to-face meeting they KNOW me." We also saw this relational language in descriptions of high performing retailers like Nordstrom ("They always seem to be aware of the person they are helping rather than a faceless sale," and "I like that after a purchase, your bags are not handed to you over the counter. The salesperson walks it around and hands it to you.")

But that sense of being known and in a relationship with a brand goes beyond financial services or retail companies, where direct consumer interaction is a given. It extends to automotive firms like Subaru ("They seem to make changes to their products that are requested by owners," and "They make you feel like you have joined their family when you buy a Subaru"). Consumers value feeling known, and companies – even manufacturing and consumer packaged goods companies like Unilever – can manifest that knowledge in the products they make and the messages they send.

The quantitative data support this. Companies like American Express, Charles Schwab, Subaru, Nordstrom, Johnson & Johnson, and Dove all significantly outperformed their respective industries on several CQ measures, including openness and ongoing dialogue – both key markers of a healthy relationship. And when companies had overall poor CQ scores, respondents again used relational language to explain their anger ("They disrespected customers by altering the results of emissions tests on their vehicles"). Beyond openness and ongoing dialogue, we noticed three other qualities that engendered trust in high performing companies.

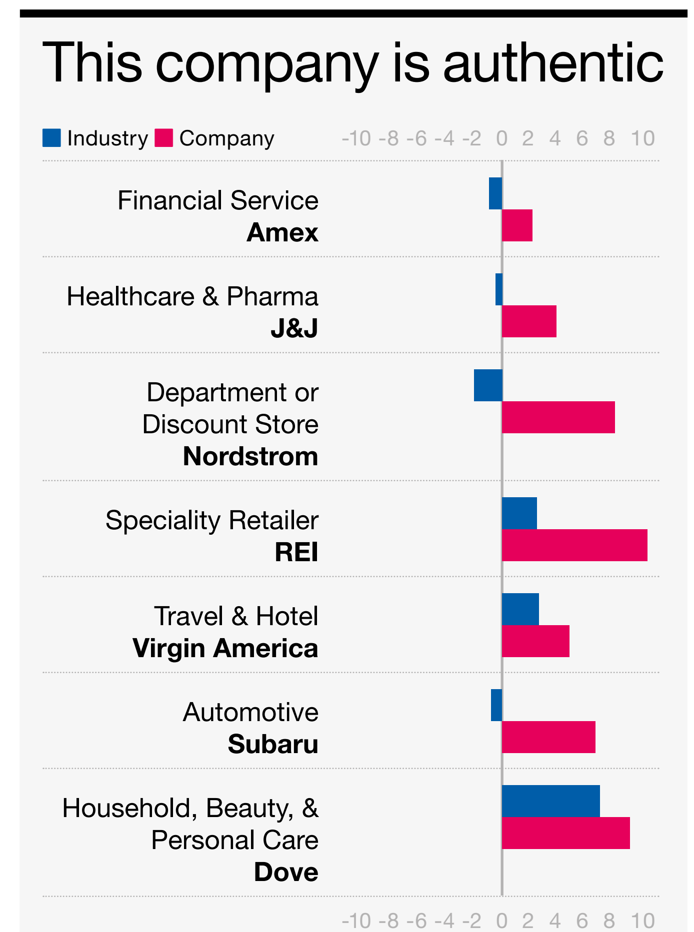
Reciprocity and Respect

Those companies that aroused the greatest positive passion were those that not only earned their customers' trust, but, like American Express, demonstrated that they trusted their customers in return – whether in relation to transactions like payments and returns (e.g., "They always take a customer's side in billing dispute," and "They know that I am trustworthy and will pay my bill on time"), or in regard to corporate challenges and policies. For instance, when REI announced that they were closing their stores on Black Friday and encouraged employees and consumers to spend the day outdoors and/or with their families instead, they not only demonstrated a keen understanding of their customers' values, but also trusted that those who might have chosen to shop that day would not abandon REI out of temporary frustration.

Authenticity

As the 2016 election campaign so startlingly reveals, voters place tremendous stock in their sense that a candidate is "telling it like it is." This perception of authenticity supercedes the actual capability, record, or experience – in short, the quality – of the candidate. The same holds true with consumers. While some basic level of quality is table stakes, they place a premium on brands like REI or Subaru – those they believe to be plainspoken, forthright about their values, and behaving in a fashion that's consistent with those values.

Unilever's Dove brand remains a stellar model of these relationship behaviors in action. The brand makes consumers feel respected in its messaging. "Love the skin you're in is a great quote," one respondent wrote. "It's deep. Most people can relate." Another said, "They use



all body and skin type to empower how women feel, not just having thin supermodels that are Photoshopped." But Unilever also does so in its products ("They have several products that cater to every single type of person and his or her beauty or personal needs"). Most importantly, Unilever not only displays authenticity ("They focus on reality. No gimmicks"), but ensures it through their innovative approaches to infusing the company with the consumer voice and perspective.

So how do they do that? One way is by treating the company's consumer insights (CMI) function as a strategic partner in every function and level of the organization. As demonstrated by Kantar Vermeer's Insights2020 study (described in a recent issue of Harvard Business Review)[2], "...substantially more overperforming firms than underperforming ones (61% versus 46%) include insights leaders at all key stages of the planning cycle." By mandating that CMI help drive business performance and making this group accountable for helping other functions achieve growth targets, overperforming companies help to ensure close partnership between CMI and product design, development, and marketing.

But Unilever goes beyond top-down edicts requiring collaboration between business functions. "It's understood across the firm that insights can come from anyone at any time," notes the HBR article. That's why the company's CMI team encourages and enables every employee to engage directly with customers through a combination of live events, just-in-time live video chats with consumers, and in-house apps that allow employees (from factory workers to leadership of global brand teams) to capture and aggregate their observations. This rich dataset serves as the raw materials from which CMI can identify consumer pain points and new opportunities.

If Volkswagen had adopted this consumer centric approach, would they have embarked on such a massive, systemic deception? I'd like to think not. I'd prefer to believe – in fact, do believe – that companies who truly put customers at the heart of their business will recognize that, as Trendwatching.com[3] put it, "Brand values matter more than ever." Today's consumers are less obsessed with what they own than with who they are. And happily, "ethical" and "trustworthy" still factor into that equation.

2. Frank van den Driest, Stan Sthanunathan, and Keith Weed. Building an Insights Engine, Harvard Business Review, Sept. 2016.
3. Trendwatching.com

From Brand Loyalty to Customer Love

Loyalty is a feeling, not a collection of points.

By ***Katrina Lerman*** *and* ***Julie Wittes Schlack***

A co-worker recently described an experience with a major department store that illustrates the problem with loyalty as defined by most major brands today. As a longtime member of the store's loyalty program, she received an email offer to save $200 off of a $500 purchase – but only during the upcoming weekend. "Sure, I want that $200," she told me, "but not this weekend. I want it when I'm ready to shop!" The company was dictating the terms of their relationship and making it clear that they put their own needs above hers. Coupons and giveaways, sales and promotions are not the same as a brand showing that they're loyal to you, on your terms.

How has the notion of loyalty become so distorted? Would we treat other dimensions of the customer-brand relationship in this way? Imagine a "trust" program ("For the month of August, we're going to trust you!") or an "empathy" program ("Buy six lattes, and get one barista to actually care about you!"). Loyalty should not have a minimum purchase or expiration date attached. It's not a one-time offer. If we're loyal, we're loyal in the same way that friends are loyal. Our attachment isn't conditional. If a brand has behaved well enough to earn your loyalty, it's not something to be expired or blacked out; it's real.

Furthermore, the proliferation of "loyalty programs" – particularly in the age of big data – has conflated the notion of loyalty with transactional rewards like coupons and promotions. From the company perspective, a lot of loyalty programs are effective ways to capture consumer data for more accurate tracking and targeting. And customers get discounts and rewards, which they like. But do they actually make them feel loyal to the company? Or do these programs simply cover up for bad behavior or lack of alternatives?

The Problem with Loyalty Programs

What is loyalty, really? How do we measure it? Traditionally, consumer loyalty is defined by measures such as intent to continue purchasing or likelihood to recommend the brand. And while these are certainly important KPIs for any company looking to grow their business, they are framed entirely from the company's point of view: What will you (the consumer) do for me (the brand)? They do not attempt to measure the softer, more emotional qualities of a brand that actually matter to customers in choosing to do business with one company over another.

Furthermore, we have observed with our clients that loyalty programs are not a guaranteed path to increase revenue and share of wallet, but rather bring their own unique set of challenges. Many companies struggle to manage, optimize, and realize maximum value from their loyalty programs. They have too much data and don't know what to do with it. They find that pulling the same price and promotion levers over time leads to diminishing rewards.

It's a problem across industries: At grocery stores, loyalty programs may foster return visits and repeat purchases, but they do little to provide consumers with the intangible, but very real benefits that drive true emotional attachment. As evidence, one of the supermarkets that shoppers experience as most intuitive, most customer centric, most in synch with them – Trader Joe's – has no loyalty program at all, but rather cultivates a loyal following through their unique product selection and corporate culture.

Airlines – and the legacy US airlines, in particular – use their large scale and complex loyalty programs to keep customers coming back, even in the face of inconsistent performance and middling service. But they operate essentially as undifferentiated commodity providers, and, as a result, their customers show little emotional attachment or affection. As one longtime flyer lamented, "After 25 years of loyalty and almost 4 million frequent flyer miles earned, American Airlines will not even let us call customer relations, let alone have a meaningful dialogue about what loyal customers need."

On the other hand, Alaska Airlines – one of the highest rated CQ airlines – demonstrates customer centricity by tailoring their experience to the local Pacific Northwest market and engaging in a respectful, open dialogue with their fliers. In return, their customers show a passionate affection for and unflagging loyalty towards the brand. "They seem to welcome me as a customer," says one happy passenger, "instead of expecting me to welcome them as an airline."

Loyalty Is a Two-way Street

The CQ model turns traditional measures of customer loyalty on their heads. Most critically, we treat intent to purchase and recommendation behavior as outcomes of true loyalty, not the definition of it. We found in both the 2015 and 2016 benchmark studies that the customer centric brand behaviors identified by CQ significantly predict these two key variables with over 90% accuracy. That is to say, brands with strong intuition naturally engender advocacy behaviors, but these behaviors are a result of the emotional connection companies have created with their customers, not the reason for it.

An examination of loyalty through the CQ lens reveals a critical truth about the way customers define loyalty: it must be reciprocal. Like other good relationship behaviors – trust, empathy, open dialogue – it must flow both ways. Loyalty is as much about a brand showing customers they value their business and recognizing that they have plenty of other ways to spend their time and money, as it is about customers showing a brand that they value it above all others.

The main problem with relying solely on conventional loyalty programs to connect with consumers is that they reinforce a relationship that is purely transactional, which fosters a fickle relationship between consumers and retailers. Loyalty is actually an emotional relationship, not a synonym for repeat purchases.

If retailers want consumers' loyalty, they need to do more than give them a plastic card to scan for discounts at checkout. Loyalty is fundamentally a relationship-based notion; it's emotional, not transactional. It's not a function of points or coupons, but "Do I feel well treated?" No matter how tactical the benefits of any loyal brand relationship, it's still at its heart an emotional and personal connection.

Across industries, we have seen that a loyalty program – or lack thereof – makes little difference in whether a company is seen as customer centric. We are loyal to the companies and retailers who show us they understand us through the products they offer and the customer experiences they create. Empathy, intuition, emotional benefits, shared values – these are the attributes of strong and durable relationships, and the very same qualities that ultimately drive meaningful and lasting shopper loyalty.

Now that We Know Each Other Better, What Now?

Questions brands can ask themselves to create customer inspired growth.

Thanks for taking the time to read this. I feel like we've gotten to know each other a little bit better, don't you?

I want to be as helpful as possible, so here are some questions I thought of for you to ask yourself as we continue to build our relationship.

Speaking of building our relationship, can we start from the beginning?
We've already talked about how I am constantly changing. So, chances are you probably need to make some changes, too. Instead of simply trying to keep up with me, start with me. I can be your partner. I want to be included at the beginning of a project as much as I am included at the end.

Can you trust me?
We both know that we have trust issues. If you really want me to trust you, show me that you trust me too. I can tell when you or your co-workers doubt me. But I promise, I am smarter than you all think. I'm pretty darn creative too. I'll always be honest about whatever it is you're trying to do. And if you don't trust me, work on it. Give me more assignments, more questions. Anything. Have faith in me and I'll prove the value of your trust.

What do you stand for?
I know that you have a lot at risk. And mistakes can be costly. But, I want you to take some chances on me! I will respect you for it. The closer you get to me, the more you'll realize that taking some risks isn't really that dangerous. Because you've asked me about it. Because I gave you the idea for it. Chances are, I'll totally love it!

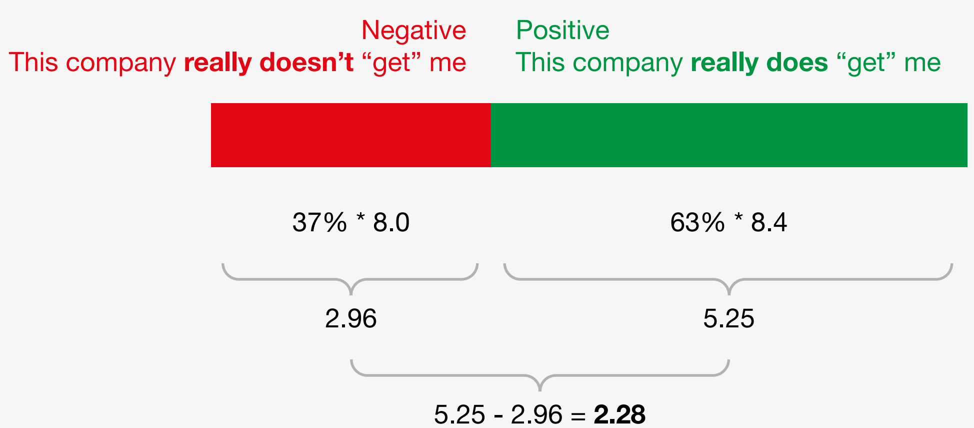
Is loyalty a feeling or a reward?
What keeps me faithful to you – what keeps me coming back – is when you make me feel special, valued, and respected. It's not all about the points! I'm enrolled in way too many of those "rewards programs" already. That's not to say I don't love a good perk. It's just that my loyalty is a product of my emotions. Like when I get an experience from you that I can't get anywhere else. Or when you don't rip me off. And what keeps you loyal to me? My desire to return the favor – with my repeat business, by raving about you to my friends.

Will you recommend me to your friends?
You know, I am in so many places. Your store, your website, your Facebook page. I love knowing you, but do your co-workers know and care about me? Do they think about me when making decisions? Do they feel empowered to advocate on my behalf? I would love to be able to share my ideas with more of them. I know my voice may not always be the top priority, but it should be. I'm kind of a big deal.

In the Weeds

Learn more about the methodology and sample for CQ.

Example of calculating CQ: Toyota



Toyota was mentioned 72 times: 63% of those were in the positive, 37% were in the negative.
The average score of positive mentions was 8.4, average (reversed) score of negative mentions was 8.0.
When we do the calculation [CQ = (63% * 8.4) – (37% * 8.0)], we get a CQ score of 2.28.

The CQ survey is designed to solicit consumers' largely unaided evaluations. Rather than ask people to rate a prescribed list of companies or brands (that they may not be very familiar with), we ask them to think of a company that "really gets them" (among other things). After having a company in mind, participants are asked to identify that company's industry; they are then shown a list of company and brand names within the industry they selected. The lists are randomized to control for order effects, and participants can write in their own industry, company, or brand name if they can't find it as a drop-down option. After rating the company they feel has good "intuition," we ask them to think of a company that has poor customer intuition, and then go through the same rating process. So, all in all, each study participant rates two companies – one that has good intuition, and one that does not.

This approach yields two distinct, but important, pieces of information, both of which are used to calculate a company's CQ ranking:

— How frequently a company is identified – by customers – as really relevant to them, or not (so, the relative proportion of "good" and "bad" mentions per company)

— How much a company's customers feel it is really relevant to them (average survey rating responses for both "good" and "bad" intuition)

To calculate CQ, we transform the seven-point scale into a ten-point scale and then take the cross-item average of the positive ratings for a given company, and multiply that by the percentage of favorable mentions for that company. We then reverse score the ratings of companies with "bad" intuition, taking those average company scores and multiplying them by the percentage of unfavorable mentions. Finally, we subtract the sum of bad scores from the sum of good, and the result is a CQ score ranging from -10 to 10. Written as a formula, the CQ calculation reads:

CQ = (% of positive mentions * positive average) — (% of negative mentions * negative).

Customer Outcome and Business Performance Measures

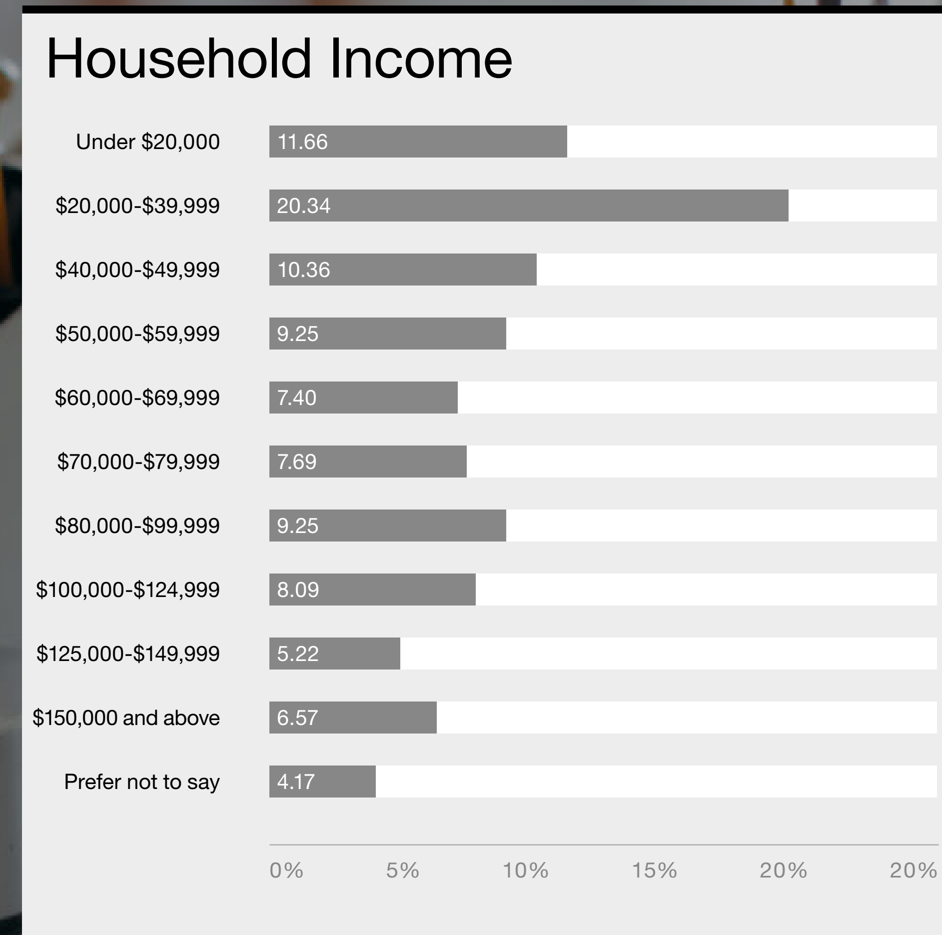
Business performance is, of course, the ultimate goal and litmus test for any measurement approach. So it was obvious and necessary to examine how CQ was associated with marketplace results. We collected financial information for every publicly traded company in our data set (published on Google Finance) to generate metrics for growth and profitability.

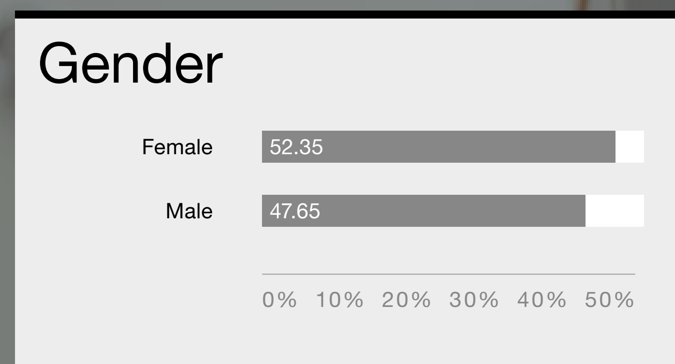
— **Growth**: For the first time, in 2016, the relationship between CQ and revenue growth was measured by percentage change in year over year growth in revenue from two annual fiscal periods ago. A simple linear regression model was constructed between lagged two period annual revenue growth and the 2016 CQ survey results, rolled up by parent company, thereby generating the coefficient estimate and R-Squared.

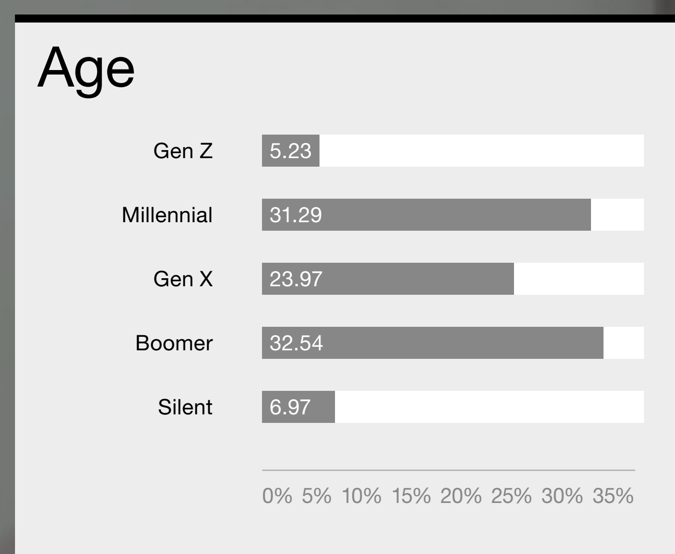
— **Profitability**: The relationship between CQ and Return on Assets (ROA) has been measured twice, once in 2015 using the 2015 CQ Survey results, measuring 2014 return on assets (net income / assets) and again in 2016, measuring 2016 CQ vs 2015 ROA. Both analyses used parent company as the unit of analysis. For 2015, the coefficient was estimated at .5% (i.e., an increase in CQ of one point resulted in a commensurate .5% improvement in ROA). In 2016, we estimated that coefficient at .3%. Random sample variation, changes in which industry companies are mentioned in, volatility in returns, and trends in CQ scores are expected to produce a distribution of coefficients. As such, we provide ROA as a ranged estimate in order to increase the likelihood that actual performance will fall within the estimated values of the model.

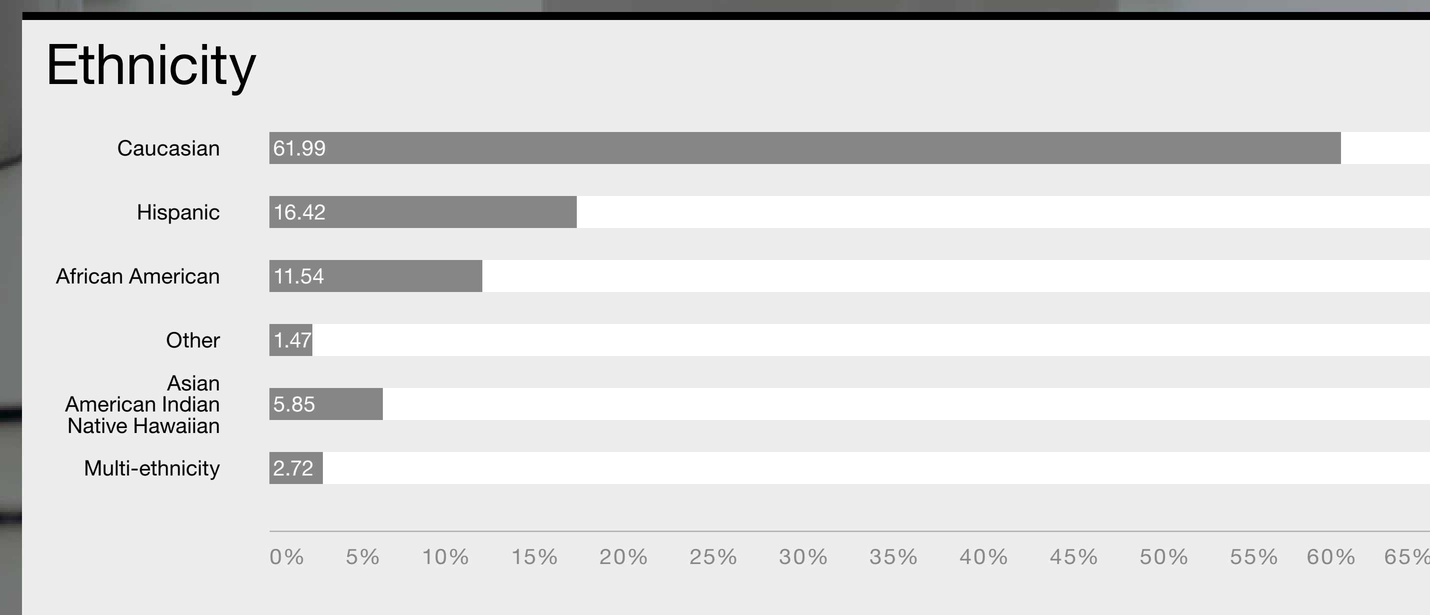
Our 2016 US Benchmark Sample

Data were collected in May 2016 from nearly 20,000 US consumers (N = 19,476). The breakout of study participants follows:










What if I really knew you?
c_space
Customer Inspired Growth
cspace.com/cq