Using Customer Feedback to Spur Innovation and Improvement

Innovation has always been important in the world of business, but in today's hypercompetitive marketplace it is the lifeblood. Case in point: A 2012 survey by Citibank found that 53 percent of small businesses – the majority of business in America -- had "reinvented" themselves to stay afloat or competitive during the economic downturn. Of those, 47 percent did so by overhauling their products and services; 24 percent by adjusting their infrastructure, such as technology or staffing; and 18 percent by beefing up their sales and marketing efforts.

"Never one to sit idle, a small business owner continually invests in change in order to stay relevant," observed Citi Small Business Managing Director Maria Veltre.

Indeed, innovation is a permanent fixture on the business landscape, according to Deloitte Touche Tohmatsu Limited (DTTL). In 2013, it surveyed 5,000 future business leaders from 18 countries and found that 78 percent of them believe innovation is essential for business growth. Unfortunately, it also found that only 26 percent of them think current business leaders are doing enough to catalyze it.

One likely reason for the gap is the high cost of R&D: Although the return on talent and technology is great, so is the investment.

Fortunately, you don't need expensive laboratories and engineers in order to innovate. According to three innovative companies — KangoGift, Spendology, and Merchant Cash and Capital (MCC) — all you really need are the customers you already have. Here they list their top tips for turning free feedback into fuel for innovation:

1 Keep in touch.

MCC provides alternative financing to small businesses that need emergency funding. For founder and CEO Stephen Sheinbaum, innovation is all about improving. And since it drives customer satisfaction, improvement is critical.

"When people owe you money, you want their experience to be as positive as possible," Sheinbaum says. "Because if they have an unpleasant experience, when the going gets tough they're going to look for any excuse to not pay you."

The worst part about borrowing money is the application process. That's why MCC is always looking for ways to streamline it, according to Sheinbaum, who says MCC stays in constant contact with customers for inspiration.

Specifically, it uses online surveys and personal interviews to determine what customers liked and loathed about the loan process. Conducted by loan officers three to five days after money is distributed, the interviews are especially valuable. Recently, for example, loan officers learned during interviews that customers were having a hard time assembling the financial documents needed to process their loan applications. In response, MCC began looking for technology vendors who could expedite the process. Now, customers don't have to retrieve their financials at all. Instead, they click a link, giving MCC's technology partners permission to do it for them.

"Using automation and technology to streamline our underwriting process makes it much more user-friendly," Sheinbaum says. "We're now funding people in a matter of hours, down from several days to a week."

2 Follow the data.

Like MCC, HR technology company KangoGift regularly interviews clients about the customer experience. The interviews take place once a quarter and typically last 90 minutes. During that time, clients share what they do and don't like about KangoGift's technology, which managers and HR departments

use to digitize employee rewards and recognition.

Innovation comes when the company combines quantitative data with the qualitative insights yielded from those interviews.

"Google Analytics allows us to understand exactly where our users go in our system and exactly how they use it," says KangoGift Founder and CEO Todd Horton. "Alone, it's a good way to look backward [at where our users have been]; combined with interviews, however, it helps us look forward [at where they want to go]."

Recently, for example, KangoGift noticed a trend in its site data: Many users were sending recognition awards with "Happy Anniversary" messages. Intrigued, it began asking customers during interviews about length-of-service anniversaries.

"Once we started to interview customers, we learned that it's a tremendous pain point for them. If your anniversary is June 1, the company may not get around to recognizing it until August or September because it's an administrative nightmare, and because it's just not top-of-mind," Horton says. "So, we launched a new product that automates anniversaries. On an employee's anniversary, or even their birthday, it automatically sends a [digital gift card] on behalf of the company and lets their manager know so they can celebrate."

The new product is on track to generate 20 percent of KangoGift's total sales this year. "This wouldn't have come about if we were just emailing a survey every quarter," argues Horton,

who says customer interviews have proven so valuable that every phone correspondence with a customer now ends with an open-ended question: How are we doing? "It's part of our DNA. Every time a customer reaches out is an opportunity to learn something."

Embrace criticism.

3 Customer feedback can unearth a need for new products. For Spendology, however — a company that specializes in products and services with financial and ecological benefits — it revealed opportunities to improve an existing one: the Z Hook, a quick-drying bath towel hook that's designed to reduce mold and mildew, saving time, money and energy by allowing customers to wash their towels less frequently.

Prior to launching the first iteration of the Z Hook, inventor Keith Alexander Ashe solicited feedback from prospects using social media. "Specifically, we released product photos in Twitter, WordPress, Pinterest and Reddit's DIY forum," says Ashe, Spendology's founder and CEO. "We received scathing criticism from Reddit regarding the safety of the product. Thus, I went back to the drawing board and worked with designers to figure out how to eliminate the product's 'rough edges.' The result is a product design that is safer and more aesthetically pleasing."

Although it was difficult to hear, criticism via social media ultimately yielded a better product, according to Ashe, who supplemented digital feedback with live feedback gained during focus groups and a product launch party. Based on everything he

heard, he went through approximately 15 different redesigns before releasing the next version of the Z Hook.

"It was a very iterative process," Ashe concludes. "At the end of the day, though, it was customer feedback that drove the next step in innovation."