

Synovate Customer Experience Case Study

TELUS Connects the Dots



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Customer Experience

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Challenge

During a period of significant strategic and organizational change, the large Canadian telecommunications firm TELUS Corporation (see sidebar on last page) sought to make a strong business case for measuring and managing employee commitment and customer loyalty in the pursuit of stronger market and financial performance.

Response

Synovate Customer Experience statistically quantified connections between employee commitment and customer loyalty, finding that stronger employee commitment was linked to enhanced customer loyalty. Synovate Customer Experience also ran an exploratory linkage study for one TELUS business unit and found strong links between customer loyalty and business performance for that BU.

Outcomes

Synovate Customer Experience demonstrated that a 10 percent improvement in employee commitment translates into a 2 percent increase in customer loyalty. In addition, the firm showed that a dozen of TELUS' existing financial metrics were significantly and positively correlated with customer loyalty and could therefore be impacted through initiatives that increased customer loyalty. With the full analytical results, senior leadership at TELUS now have data that support the pursuit of key people programs to strengthen employee commitment, as well as data that validate its customer-focused business strategy and provide direction for action.

The Impetus to Connect Business Metrics

In transforming itself from a business monopoly to an innovative, entrepreneurial company in the highly competitive telecommunications industry, TELUS Corporation has adopted a customer focused strategy. As part of this customer-centered approach, Darren Entwistle, TELUS' CEO since 2000, reorganized the company from a product-line structure to a customer facing one, with business unit heads responsible for different groups of customers. In order to keep its new strategy on track, TELUS also stressed management accountability through a balanced-scorecard, tracking both internal and external metrics to assess managers' performance.

Two of the scorecard metrics were customer loyalty, a cornerstone of the customer focused strategy, and employee commitment,

defined as employees' emotional, intellectual, and behavioral connection to the organization. TELUS recognizes that strengthening employee commitment is a key foundation for the culture change that is required if the company is to succeed.

While TELUS managers intuitively sensed that a more committed workforce would improve customer interactions and, ultimately, strengthen customer loyalty, no research had been conducted to support this idea. If the company could establish a causal path between these metrics, it might not only validate the importance of the metrics in managers' minds, but would also give managers additional tools for improving their scorecards.

Since 2000, Synovate Customer Experience had designed and executed TELUS'

customer loyalty research. In 2004 TELUS challenged Synovate CE to help it determine if there is a connection between employee commitment and customer loyalty, the nature of that connection, and its strength.

Enabling the Data Sets to Talk to Each Other

Synovate CE's plan was to conduct linkage analysis (a statistical process measuring the effects of one data set on another) on customer loyalty research results and the measures of employee commitment. The employee commitment scores were based on scores from selected questions on TELUS' annual employee opinion survey, "Pulsecheck."

But there was one large complicating factor: the surveys were designed independently and the two research programs were executed as distinct streams, disconnected from each other.

In addition, while Pulsecheck was a company-wide study, the customer loyalty research was BU-specific. Synovate CE's critical first steps, therefore, involved creating models for the data sets that would permit comparison and linkage analysis.

Forging the Links of the Employee-Customer-Business Performance Chain

Since the respondents for the two data sets were mutually exclusive, Synovate CE's consultants needed to create a common unit of analysis to link the Pulsecheck and customer loyalty models together. In this case, the common unit of analysis was created through a combination of time period, customer-facing business unit, and segment. Having completed that process, Synovate CE's consultants were then able to conduct the linkage analysis of the two data sets.

This analysis showed a decisive link between employee commitment and customer loyalty. At the time of the study, a 10 percent improvement in employee commitment created a 2 percent increase in customer loyalty. For TELUS, customer loyalty is an index of items in the overall customer

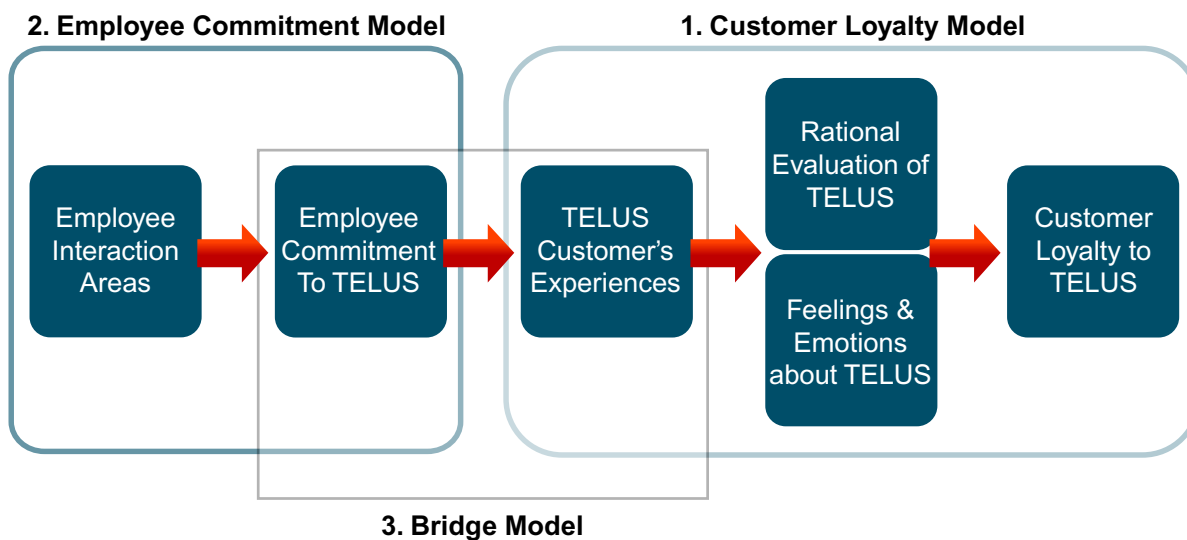
relationship research program that measures customer likelihood to "Recommend," "Continue," and "Expand" business with TELUS.

These results validated TELUS' dual emphasis on both direct customer issues and people-focused priorities. In addition, Synovate Customer Experience's research pinpointed which issues management needed to target in order to improve employee commitment at the overall company level and at the BU and segment levels.

With the full analytical results, senior leadership at TELUS now has data that validate its customer-focused business strategy and provide direction.

The managers who had engaged Synovate Customer Experience to conduct the linkage analysis knew that an additional step would further support the employee-customer-business performance chain — to make a statistical connection between customer loyalty and business performance. To quantify this financial linkage would create an even more powerful incentive in managers' minds to focus on both employee commitment and customer issues. In order to lay the groundwork for a possible full-scale study, TELUS engaged Synovate CE in late 2005 to conduct an exploratory analysis of relationships between customer loyalty measures and selected financial metrics for one business unit, Consumer Solutions CFBU (Customer- Facing BU).

Employee-Customer Linkage Framework



Synovate CE presented its linkage findings to management in February 2006. It found a strong link between Consumer Solutions' financial metrics and overall customer loyalty. Of the Consumer Solutions' financial metrics tested against customer loyalty, a majority produced significant positive correlations with the loyalty measures. This analysis showed that if TELUS focused on improving customer loyalty it would see consequential improvements in financial performance.

The financial linkage results, coupled with the earlier employee commitment and customer loyalty research, gave TELUS' leaders some quantitative support for their efforts to transform the company to a customer centered, highly competitive entity. And HR leadership can more confidently press ahead with its employee commitment initiatives, knowing that they can positively impact the company's business performance.

Shauna Moscovich, TELUS' Manager of the Customer Value Measurement Program, commented, "Synovate CE's work brought needed objectivity to the business case for both customer and people programs — programs that are key to the company's strategy and financial health."

Synovate Customer Experience is a global thought leader in customer loyalty and employee commitment, performance tracking, mystery shopping, footfall and shopper behaviour analysis, automated collection of customer feedback, and customer experience management consulting. Our Experience Management (ExM) solutions and services cover all touchpoints to evaluate the total sum of all customer interactions, allowing clients to develop more profitable relationships with customers. **For more information, visit www.synovate.com/ce**

TELUS Corporation is the second largest telecommunications company in Canada and is the largest serving Western Canada. In 2005 the company generated \$8.1 billion (Canadian) in revenues, and among major telecom companies TELUS was a top quartile global leader in growth of revenue, operating earnings, earnings per share, and cash flow. Among its wireline and wireless telecommunications products are data, Internet protocol (IP), voice, video, and entertainment services. **Learn more about TELUS by visiting www.telus.com**



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