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VOICE OF CUSTOMER PLATFORMS: A LEMONS' MARKET?

BY CARLOS ESPINOSA, CSO AT CLIENTSHIP

What is a Lemons' Market? This expression became well-known thanks to George Akerloff's 1970 paper (Nobel Memorial Prize in Economic Sciences), published in the Quarterly Journal of Economics. It explains the characteristics and consequences of asymmetry between supply and demand in any competitive market.

The article focused on the used car market, where the seller knows everything about the vehicle's history and current state. The buyer must make decisions based on external appearances, trust generated by the seller's speech, influence capacity, and personal image.

This asymmetry creates what Akerloff called "adverse selection," which can eventually lead to the market's collapse due to a lack of balance between value and pricing from both sides.

IS CURRENT VOC (VOICE OF CUSTOMER) TECHNOLOGY A LEMON'S MARKET?

Well, let's take a step back to find the origin of VoC solutions. Setting aside Satmetrix, which had its successful momentum at the beginning of the NPS Fever (similar to the Gold Fever or the Tulipans Fever), three players started their businesses around the same time and remain the leading players in the VoC industry today (see for more details: "The Forrester Wave™ Customer Feedback Management, Q1 2023"): SurveyMonkey, Qualtrics, and Medallia.

Although they initially pursued different strategies, reading their press and investors' releases, as well as the opinion of some analysts, they are now trying to converge in the wide segment of Enterprises and mid-market due to their need for rapid growth.

SurveyMonkey was the leading free VoC platform for any company of any size (it is still the second-choice solution, even in huge organisations, for surveys of processes not covered by the main in-house VoC software).

Medallia was founded in 2000 by a husband and wife and managed to thrive for more than 15 years before hiring an external CEO, leading to an IPO and tremendous global success. Perhaps due to their vision of becoming the VoC platform of choice for large enterprises. On the other hand, Qualtrics grew slowly for many years in a similar way to Medallia, but they focused on the Academic research "market" (let's say surveys' tool consumers). Of course, there are other important players like InMoment, SMG, Concentrix, etc.

WHY USE ALL THESE VOC PLATFORMS?

I believe it's quite similar to the acquisition flow we witnessed in the 90s with CRM solutions. Nobody knew exactly what to do with them (and some still don't), but everyone was 100% sure they needed to have them on their corporate shelves.

CEOs attended (maybe from 2005 to 2015) presentations from top global strategy consulting firms talking about NPS and the dramatic need to evaluate it to survive. Once back in the top floor of the HQ building, there was a direct message to the CMO, COO, or CXO (if that position already existed) with a clear question: "Are we measuring NPS?" This triggered one of the biggest and most intensive waves of software acquisitions from enterprises that we have recently witnessed.

IT IS TIME TO DEMOCRATISE VOC

Then, for example, the CXO googled "NPS software" and found glamorous solutions with big customer logos and high evaluations from market research moguls. A quick call, a million-dollar bill, and their NPS was up and running!

Does this look like a Lemons' Market? Definitely. Beyond the marketing slang around customer experience on the VoC vendor websites, the software wasn't much more than a surveys and dashboards engine. New features arrived, but there remained and still remains a huge gap between the value and the pricing companies get, causing the same "adverse selection" effect pointed out by George Akerloff, based on the same premises: a significant lack of information about the product and a non-transparent market that tends to, as we are now foreseeing, close to oligopolistic manners.

One of the main consequences is that many companies (not only SMEs but also enterprises) are investing their entire CX budgets in such "lemons," preventing them from investing in other relevant CX initiatives, like those from the CX cultural perspective. Moreover, many CEOs (and not a few CXOs) consider that, due to the immense bill paid every year, they are "best in class in CX," when basic processes related to customer centricity are almost non-existent in many of those organisations. Assuming an equivalence between a big payment for VoC and CX maturity is one of the most terrible biases generated by this Lemons´ Market, and considering the adverse selection outcomes, it is leading the whole CX strategic benefits to almost a barren field of lost opportunities.

Is there a solution? Yes, of course. Companies should be less blinded by the fireworks of the VoC vendors' powerhouses and be more conscious of what they have, what they pay for, and, most importantly, what they are getting back from those platforms. Some VoC start-ups, like a David versus Goliath endeavor, are democratising VoC technology with best-in-class AI-powered solutions, flexibility, and top-notch professional services at a really reasonable price, trying to bring light into the VoC market and prevent the CX profession and projects from being devoured by the voracity of a small bunch of advantageous players.

As someone in a leadership role within the company, I see it as my responsibility to push the envelope of the CX industry. That means promoting healthy competition and being welcoming to new players, in order to turn this sector into an exciting and challenging space. It's about getting rid of the tunnel vision that some CXOs still have, the notion that only specific platforms are the viable options, when in fact, there's a whole ocean of possibilities to explore.

This mission (Democratise CX technologies) does wonders for the worldwide CX community. I get that summoning courage isn't a walk in the park. However, history has taught us the outcomes of turning a blind eye instead of taking responsibility for enriching our shared environment.