

## 2009 Voice Of The Customer Award Nomination Form

### Background Information

<b>Company:</b>	Vanguard
<b>Division/organization:</b>	Client Insight
<b>Contact Name:</b>	Lisa McCann
<b>Contact Title:</b>	Principal
<b>Contact Email Address:</b>	Lisa_S_McCann@vanguard.com
<b>Contact Phone Number:</b>	610-503-3632

### Nomination Details

#### What voice of the customer activities are you submitting for consideration?

##### **A Variety of Listening Posts**

Most investment firms are either publicly traded or privately owned. Vanguard is different: We're client-owned. Helping our investors achieve their goals is literally our sole reason for existence. Having no other conflicting loyalties, we make every decision with our clients' needs in clear perspective. The only way to determine these needs is through careful listening. Vanguard listens to its clients - individual investors, financial advisors, and institutions - through a variety of "active" and "passive" feedback mechanisms.

We actively solicit feedback through market research surveys, focus groups and interviews with clients. Our goal is to get their perspective on Vanguard products and services and on those of our competitors. We also try to learn more about them personally, which can help us develop new products and services that better meet their needs. We use a variety of techniques, ranging from traditional survey tools to online chat as well as ethnographic techniques such as collaging to consistently monitor our clients and identify themes that should be highlighted for business leaders. For many of our research efforts, year-over-year tracking enables us to determine progress in key areas, including Net Promoter Scores (NPS), which we use across all our business units.

In late 2007, our voice of the customer program identified issues with Vanguard's problem resolution service. Clients who had reported a problem or mistake made it clear that they expected better from Vanguard associates and the overall experience of addressing the concern. A team was assigned to understand and address the situation. The Vanguard team mapped the problem-resolution process to identify trouble spots leading to client dissatisfaction, tracked individual case histories to better understand client perspectives, and listened to client phone calls to hear their voices first hand. A revised process was put into place in early 2008. By late 2008, favorable ratings for the service experience jumped 59% while overall ratings of associates increased 43%.

We also analyze passive feedback, documenting issues that clients raise when they call, e-mail, write, visit the Vanguard website, or, meet with a Vanguard representative. Our client-service associates, whether talking on the phone, responding to e-mail, or opening regular mail, are trained to recognize and collect voice of the customer comments, which are then retained in a central database repository. A team of professionals analyzes and assesses this information with additional client feedback and provides frequent updates to the business regarding client needs, perceptions of Vanguard, and particular areas of concern that require immediate attention.



#### Headquarters

Forrester Research, Inc., 400 Technology Square, Cambridge, MA 02139 USA  
Tel: +1 617.613.6000 • Fax: +1 617.613.5000 • [www.forrester.com](http://www.forrester.com)

In addition to voice of the customer, we also collect suggestions from our employees (we call them crew members). Vanguard's voice of the crew effort encompasses suggestions and ideas for process, product or service improvement originating from their discussions with clients, or from their own experiences working through the processes required to do their jobs. Voice of the crew is a powerful enhancement to our voice of the customer efforts. We regularly integrate the various "voices" we analyze to determine broad patterns and issues. Often, crew-identified concerns match those voiced by clients, leading to changes that improve the client experience as well as our crew satisfaction.

Given our virtual service model (we don't operate walk-in offices), our client's experience with Vanguard.com is critical to our success. In early 2007, voice of the customer identified multiple opportunities to improve the process of naming beneficiaries for clients' accounts. The team assigned to explore and solve the problems made changes throughout 2007. As a result, criticism of this particular web functionality decreased 81% from the previous year.

Finally, we have begun monitoring social media for chatter about our brand in the digital world, to understand what clients are saying about us.

Another way we use passive feedback is through in-depth analyses of client data. Not all clients call Vanguard associates, participate in surveys or provide commentary on the Web. All clients do, however, "talk with their wallets". Examining patterns in clients' investing behavior is critical to gaining a better understanding of how Vanguard is performing on their behalf.

### **Interpretation Begins Centrally**

The hub of voice of customer is Vanguard's Client Insight (CI) Department, a central group supporting all business units across the enterprise. Several teams within CI play a part in enabling, gathering, analyzing, and interpreting client voices to assess key areas where Vanguard must focus to improve. This central hub is critical because it enables a holistic view of the client.

The Market Research and Voice of Client team plays a critical role when it comes to making voice of customer actionable. Whether for a specific project or ongoing monitoring, this team gathers together the various client voices to conduct a comprehensive analysis. The goal is to present each business with a complete view of client scenarios and actionable insights to address the complete experience, rather than a set of disconnected recommendations.

"Connecting the dots" for our business partners makes it less likely that actions will be taken which only address part of a problem, leaving the client wanting more.

The Integrated Insight team combines disparate pieces of information, from database analytics to secondary research to answer broad strategic questions for the business. The Integrated Insight team serves as front-line consultants when business questions arise and often triage the exact type of information needed for a given situation.

The Analytics team is a central hub for complex analyses. These may be descriptive to answer a question of "what?," diagnostic to answer the "why?," and prescriptive to answer "where should we focus?" Analyses focus on questions regarding client behavior, marketing effectiveness, NPS and many other strategic issues.

### **Action Owners are Clear**

The goal of Client Insight is to deliver actionable insight to its business partners, who in turn assign action owners or action teams to each specific initiative. While Client Insight continues to work with the business, it is the business that ultimately owns the improvement project. Each of these action owners or teams is tracked to ensure that progress is made. In some cases, a process change may be warranted; in others, a technology solution is needed; and in still other situations, the business may decide that no change is required at all. As part of CI's monitoring, the business receives continuous feedback on how each change is affecting the client experience, allowing the business to constantly adjust and improve.

## How has this activity improved your organization's business results?

Vanguard clients have instant access to financial and competitor information. With a simple call or mouse click, investors can reach every major player in our industry. Careful analysis of client feedback is the most effective means of ensuring that we attract and retain clients in a highly competitive marketplace. In order to earn the trust of a new client, convert new clients into loyal clients and turn loyal clients into advocates of the brand, we must be as close to flawless as we can be. Our best guide to achieving flawless quality and industry-leading efficiency is clients' insights on what we do well and what we can do better.

Vanguard's attention to voice of the customer significantly affects our business results. In the past two years alone, issues identified through listening to both our clients and our crew have resulted in approximately \$6.9 million in cost reduction or avoidance in our Retail business.

- \$2.6 million from process efficiencies
- \$1.1 million from improving the asset transfer process
- \$1.0 million from improving fulfillment of literature
- \$0.9 million from improving our problem resolution efforts
- \$0.9 million from document management improvements
- \$0.4 million from improving transaction processing quality and efficiency

In our Institutional Retirement Plan Services (IRPS) business, client identified issues with interactions including plan contributions, loan repayment and beneficiary designations led to a multi-year initiative to overhaul and improve workflow. While the project is not yet complete, it has already resulted in cost savings of approximately \$1.3 million. Anticipated savings in 2009 exceed five times that amount.

A separate project in our IRPS business focused on e-delivery. Clients told us they wanted less mailbox clutter, more information available online and for Vanguard to decrease their impact on the environment. Vanguard began providing electronic statements, confirmations, notices, and newsletters as well as multi-media learning. As a result, we saw both a decrease in customer complaints and reduced or avoided approximately \$6.5 million in costs.

While cost reduction is one indicator of success, it is certainly not the only one. Since 2005, the voice of the customer program has identified numerous opportunities for our phone representatives to better meet the needs of both clients and prospects.

Acting on voice of the customer data, one retail business unit developed new training programs to focus on client-identified opportunities for our representatives to improve, revised the quality measures that are part of representatives' performance evaluations to reflect client-critical factors, and adjusted monitoring processes so that supervisors could review the entire client experience, not simply one call. Due to these and other changes made in this business area, client conversion rates have improved by 32% since 2005. This translates into a 94% increase in new assets from these clients. Not surprisingly, client perceptions of representatives, on such factors as their professionalism and whether they appropriately set expectations for the clients, have also improved substantially.

Our participant services group has also seen significant improvement in client satisfaction with phone representatives. Understanding there were issues with a variety of areas (as noted above) Vanguard focused on not only improving the process internally, but also training representatives to better meet client needs. In just one year, service satisfaction for these clients improved 30%.

## How has this activity improved your customers' experiences?

*"I really appreciate that Vanguard is doing this and polling "the little guy". Things like this set Vanguard apart from its competition. Vanguard is a top quality company and the fact that you value my opinion makes me feel like a valued client."* – Client comment received April 2009.

When Vanguard listens to clients and responds to better meet their needs, our clients notice. They send letters and e-mails, or call to tell us their thoughts (as was the case above) and speak positively about the company to others. We rely on voice of customer to understand our clients and improve their experiences. Our goal is not only to meet clients' investment needs, but also to perform so flawlessly that our clients become Vanguard's ambassadors. NPS is our best measure of clients' willingness to recommend Vanguard.

**Changes initiated due to voice of the customer have resulted in:**

- A 32% increase in Net Promoter Score from clients of a major institutional business between 2007 and 2008. During this time the business increased its focus on client needs and worked to provide a more consistent and seamless client experience to provide more timely and useful research for clients, and invested substantially in improving the website for clients.
- A 14% increase in Net Promoter Score among a key institutional business segment between 2007 and 2008. During this time period, perceptions of the Plan Website improved 41% while Participant Education witnessed a 63% lift. Each of these areas had undergone changes during 2008 due to voice of the customer.
  - o Launched a self-provisioning tool which provides clients with access to customized plan data, eliminating the need request it from Vanguard.
  - o Implemented a broad E-delivery initiative.
- A 59% improvement in favorable ratings for our retail problem resolution service and a 43% increase in overall ratings of associates - within the span of 1 year.
- Increased client communications to both retail and institutional clients during the economic and market downturns that have occurred in 2008 and 2009.

**What technology vendors or service providers are critical to your success?**

- ✓ **Vovici** Enables us to quickly and inexpensively reach out to clients for specific questions without the need for a full-service market research firm.
- ✓ **NICE - Call recording system** To understand client feedback on a particular issue, teams often go back to the actual recorded client calls to assess root causes.
- ✓ **Opinion Lab** Provides daily feedback on website issues.
- ✓ **TeaLeaf** Enables detailed understanding of client behavior on the web, so we can assess areas for improvement in usability of Vanguard.com.
- ✓ **Webtrends** Aggregates client behavior on the web so we can pinpoint improvement opportunities for Vanguard.com.
- ✓ **iModerate** Enables real-time chat with clients during online surveys to provide detailed understanding of key issues, without the need for more costly in-person research.
- ✓ **Oracle-based data warehouse** Consolidated data regarding client accounts and information.
- ✓ **Cognos** Enables integrated reporting and the flow of data to dashboards used to monitor at the personal and team-level performance.
- ✓ **Lotus Notes-based CI Request Database** Allows crew across Vanguard to request information regarding Voice of the Customer

**What are the most innovative characteristics of your activities?**

***Listening is everyone's responsibility***

While Client Insight may be the "go-to" resource for voice of the customer data, all levels of management, including top executives, have a responsibility to listen to our clients. As Jack Brennan, our chairman stated, "Every one of us should come to work every day with a commitment to making Vanguard a better place for clients to invest." One way crew members of all levels actively listen is through participation in Vanguard's "Swiss Army," which is a group of some 1,000 professional personnel who pitch in on Vanguard's toll-free telephone lines or assist in processing transactions

during particularly busy times. Vanguard CEO Bill McNabb and his fellow senior leaders don headsets and take calls from investors alongside Vanguard's regular service representatives. These sessions give our management team the opportunity to talk directly to Vanguard fund shareholders and to exchange ideas with fellow crew members. This direct contact ensures that executives stay in touch with the questions, concerns, and frustrations voiced by clients.

***Voice of the customer is integrated into business decision-making***

Listening to voice of the customer is inherent in the Vanguard culture. Decisions that affect clients whether related to products, services or changes in processes all take client voice into account. Often, the need for a change was identified through careful monitoring of client feedback.

***Voice of customer data is easily available and readily shared***

Through CrewNet, the Vanguard intranet, crew members at any site can request voice of customer data on a particular topic of interest. Additionally, we provide direct links or synopses of research results on this central website. Research and data analysts are also available via email or phone to consult on specific business questions or concerns. In addition to fielding such ad-hoc requests, analysts share voice of the customer data with each business on a regular schedule throughout the year.

***Client Insight facilitates discussions by providing clear next steps based on data***

Taking data and transforming it into actionable insight can only happen when Client Insight is a strategic partner to the business. This means regular communication to ensure teams are aware of key business initiatives, changes that are planned or under consideration, goals and objectives, as well as the individual responsible for specific issues and follow-up actions. In each report, specific recommendations are provided based on the data, which should improve the overall client experience.

***Owners are assigned to each specific issue***

For each critical voice of the customer issue developed, the business assigns an owner. This person is responsible for developing a deep understanding of the problem and then developing and implementing solutions as needed.

***Progress on issues is tracked***

Not all issues can be solved quickly. To ensure that client concerns are not lost in the shuffle, issues are tracked and the owners are expected to provide regular status updates regarding progress.

***Rewards and Recognition are visible***

Crew are regularly recognized and rewarded for their efforts in serving clients. When phone associates do an exemplary job, Vanguard clients often write and tell us about it, whether via e-mail or regular mail. Crew who receive client praise in this way are recognized publicly. If a crew member receives five client letters in a given year, praising their performance, they are permanently recognized in a "Hall of Fame" and their name inscribed on a plaque that is displayed in their department.

Not all crew interact directly with clients. Teams which successfully develop and implement solutions to problems, thereby improving the client experience, also are recognized and rewarded. Recognition is departmental or corporate-wide, depending on the impact of the solution and may come with a financial reward as well.

## **What lessons have you learned that would be most valuable for other firms?**

- Develop a culture where listening to clients is expected and appreciated
- Train crew to recognize, capture and share voice of the customer
- Recognize and reward crew who listen and respond to client feedback
- Communicate client-influenced business changes, both internally and externally, to make "visible" your commitment to listening to and acting on feedback
- Develop a consistent framework for key categories relevant for your business so that multiple sources of data can be easily compared

- Ensure that multiple sources of customer feedback are integrated
- Share learning across both analytic teams who evaluate voice of the customer and the business units that use it to drive improvements
- Make it easy for business partners to access voice of customer information
- Make voice of the customer insight actionable and easy to understand, this helps to focus the business on what to do or fix
- Assign owners for any critical client issue that warrants change or further examination
- Respect your client list. Carefully monitor and track the number of requests for survey feedback