

## Customer Input Figures Into Bonuses

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*Dow Jones Newswires*

The bromide "the customer comes first" is gaining adherence in corporate boardrooms as more companies tie senior executives' incentive payouts to customer satisfaction.

While more-traditional incentive plans have often been based on such quantitative measures as per-share earnings, companies are increasingly adopting plans that take into account qualitative measures, including customer satisfaction.

"It's absolutely an increasing trend," said Alan Johnson, the managing director of New York-based compensation consulting firm Johnson Associates Inc. "Customer satisfaction criteria force you to understand what your customers are thinking about your products."

Corporate compensation committees are broadening their thinking regarding performance objectives, said Beth

Young, a corporate-governance expert at the Corporate Library, a Portland, Maine, governance-research firm.

"Over the last few years, there has been desire to move away from just using earnings [as a bonus-payout target] to new metrics that help shape long-term goals," she said.

Software company Siebel Systems Inc., telecommunications firm Motorola Inc. and auto maker Ford Motor Co. have had such incentives for a number of years. Among the companies joining them more recently are cable company Charter Communications Inc. and JDS Uniphase Inc., which reported similar incentive plans in proxy statements filed with the Securities and Exchange Commission.

Typically, companies determine incentive payments to their executives by conducting surveys among the customers or through scorecards marked by customers.

At Charter Communications, St.

Louis, the company's 2005 executive-bonus plan was altered to include customer service among such existing bonus criteria as revenue growth and operating cash flow.

Experts say customer satisfaction has gained priority as cable companies and satellite-television providers vie to woo customers from each other.

Under Charter Communications' bonus plan, which covers about 500 executives, the company has defined six customer-satisfaction metrics that are measured in each of its key market areas on a monthly basis.

The cable company's bonus payments for executive officers are generally targeted for 50% to 100% of base salary and could reach 150% of that amount if the goals are exceeded.

David Andersen, Charter Communications' senior vice president of communications, said in an email that the addition of new customer-satisfaction criteria "was an outgrowth of the in-

creased emphasis our executive team has placed on customer satisfaction."

JDS Uniphase, the San Jose, Calif., a maker of parts for fiber-optic communications networks, has struggled to become profitable following the bursting of the technology bubble in 2000.

In the late 1990s, JDS Uniphase grew by riding the Internet boom. Since the 2000 telecom downturn, however, the company's revenue has fallen 80%. The company has posted net losses in each of the past four years and has shrunk to 5,600 employees from 29,000.

JDS Uniphase, which implemented its "customers first incentive plan" for the year ended June 30, 2004, says all eligible employees get bonuses of 1% of their salaries if they meet customer-satisfaction targets.

Garry Ronco, the company's senior vice president of human resources, said meeting customer-satisfaction goals has become a priority as the company aims "to transform JDSU back to profitability."