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The Global Gathering for the Global Contact Center Community

Seattle, WA
May 7 - 10, 2012

Session #: 403

**Understanding the
Two Major Customer Insight Metrics –
CEM & NPS**



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Agenda – the Metric Gladiators

- ❑ Why want insight into our customers' views
- ❑ Levels of customer engagement
- ❑ Review of key players in this metric arena
 - NPS®
 - CES™
 - CSAT
 - SCI

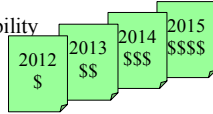



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Why Customer Insight Metrics?

- ❑ Organizational goal:
Long term viability & profitability
- ❑ How?
 - Higher revenue
 - Lower costs
- ❑ Customer retention is key
 - Longer term customers buy more and cost less
- ❑ So, what measurements indicate if a customer is
 - Likely to keep buying from us
 - And maybe buy more from us?
 - Give us good “word of mouth”

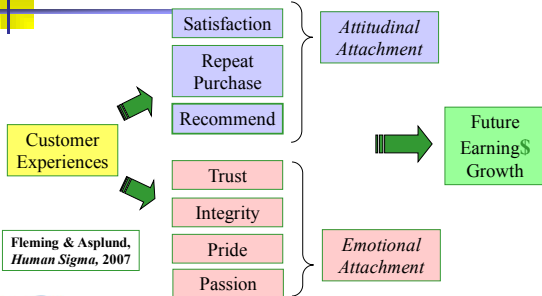


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Levels (Types) of Engagement

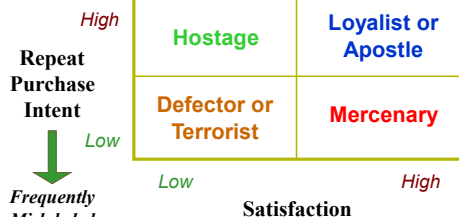


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Loyalty vs. Satisfaction – The Apostle Model of Customer Behavior



Jones & Sasser, “Why Customers Defect,”
HBR, Nov. 1995

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Net Promoter Score®

- ❑ What is it?
- ❑ What's the basis for it?
- ❑ The Controversy !

How likely is it that you would recommend [Company X] to a friend or colleague?

Resources

- Reichheld, "One Number..." *Harvard Business Review*, Dec. 2003
- Reichheld, *The Ultimate Question*, HBSP, 2006
- <http://www.netpromoter.com>
- <http://www.infoquestcrm.co.uk/pdfs/Net%20Promoter%20Score.PDF>
- http://www.greatbrook.com/net_promoter_score.htm
- http://www.greatbrook.com/net_promoter_score_criticism.htm
- http://www.greatbrook.com/survey_program_misuse.htm



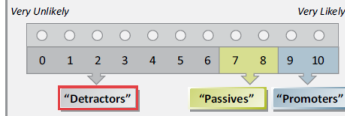
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Net Promoter Score®

The "Net Promoter" Loyalty Question

"How likely is it that you would recommend (your firm) to a friend or colleague?"



$$\frac{\% \text{Promoters} - \% \text{Detractors}}{\text{NPS}}$$

"The real issue is how a company *knows* what its customers are feeling, and how it can establish *accountability* for the customer experience."

– Reichheld, *Ultimate Question*



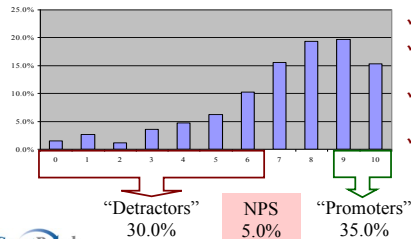
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"Net Scoring" – It's not Mystical...

It's just another statistic to describe any distribution



- ✓ It's one number
- ✓ People "get" percentages
- ✓ Responsive to changes
- ✓ Provides focus to the low end



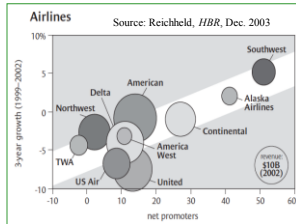
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NPS® Research Background – Satmetrix *Longitudinal* Study w/ Fred Reichheld

- ❑ **Stage 1:** Posed several summary attitudinal questions to 4000 customers and correlated to future purchase behavior.
 - **Recommendation question had best correlation**
- ❑ **Stage 2:** Tracked recommendation scores for 1000s of customers & compared to company 3-year growth rates. NPS® best predictor in most industries.



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Is NPS® More Actionable?

The Issues (well, some of them...)

- ❑ Others unable to replicate findings
 - Keiningham et al., *Journal of Marketing*, July 2007
 - Morgan & Rego, *Marketing Science*, Sept-Oct, 2006
 - www.infoquestcrm.co.uk/pdfs/Net%20Promoter%20Score.PDF



Recommendation = Promotion??
No way!

Net Recommender Score?
Not sexy



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Is NPS® More Actionable?

The Issues (and some more...)

- ❑ The Recommendation question in many situations is
 - **Nonsensical**
 - **Irrelevant** -- some people cannot recommend, esp. B2B
 - **Ambiguous.** *Recommend based on what?*

Based on your most recent experience?



Critical distinction for transactional surveys!

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Is NPS® More Actionable?

The Issues (and some more...)

- ❑ By itself, the NPS® question is devoid of diagnostics
 - The *Ultimate* – **but not the Only** – Question
- ❑ Creates a focus on recommendations, but what's the real causal link – the drivers – of LT profitability?



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Is NPS® More Actionable?

(and yet some more issues...)

- ❑ Has become a **measurement tool**, not an **operational control tool**
 - Can actually *hide* problems by treating symptoms
 - Contrary to Reichheld's prescription
 - From *NP Score* to *NP System*

Important Customer Satisfaction Notice!!!

Subaru of America has changed its scoring of the customer satisfaction survey. The change is called "Top Box Scoring".

Any score less than 1 or 2 on questions 1, 3 & 9 are failing grade as [redacted] Subaru receives a ZERO score.

These 3 questions are scoring your service advisor and how they treated you and your intent to return in the future if work is needed.

The remaining questions are diagnostic and do not effect the overall Dealership score although they are important to us.

Please if you can not give us a grade of 1 or 2 on those questions call our service manager, Lou [redacted] before filling out the survey with questions or concerns at [redacted].

If you have design issues with your vehicle or comments about another dealership please voice them in the comment section.

It is very important to us that you fill out and return the survey promptly. As it allows us to determine the quality of service that we provide. 80% of our technicians have been with us 15-32 years. Subaru is a certified Stellar Performer Dealership! Subaru has won 1st place in Subaru of America's "CIRCLE OF EXCELLENCE PROGRAM" 2 YEARS IN A ROW.

Thank you from your team:
Dolly [redacted] Michael [redacted] and Norman [redacted]

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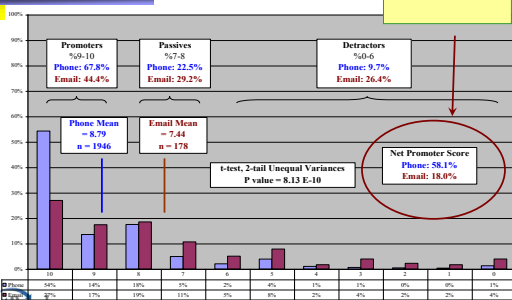
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Is NPS® More Actionable?

(one last issue, really...)

Net Scoring is susceptible to shifts in scores



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Hype Example from LinkedIn

Philips is looking for a Customer Experience Manager for our Ultrasound team in Bothell, WA

The Customer Experience Manager helps the Ultrasound business achieve its business and growth objectives through Net Promoter Score and related customer experience activities. This person will lead day-to-day Net Promoter Score (NPS) related activities for the Ultrasound Business Unit (BU) and will drive the NPS process and timeline.



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Customer Effort Score™

- ❑ What is it?
- ❑ What's the basis for it?
- ❑ The holes in the research

Customer Effort Score™

How much effort did you personally have to put forth to handle your request?

- (1) Very Low
- (2) Low
- (3) Moderate
- (4) High
- (5) Very High

Comments: _____

Resources

- Dixon et al., "Satisfy, Don't Delight," *Harvard Business Review*, July 2010
- www.greatbrook.com/customer_effort_score.htm

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Customer Effort Score™ (CES)

- ❑ Research by Customer Contact Council
- ❑ 75,000 people surveyed on contact center interactions in both B2B and B2C settings.
- ❑ Key Findings:
 - "First, delighting customers doesn't build loyalty; reducing [the customer's] effort - the work they must do to get their problem solved - does."
 - "Although customer service can do little to increase loyalty, it can (and typically does) do a great deal to undermine it... The loyalty pie consists largely of slices such as product quality and brand; the slice for service is quite small. But service accounts for most of the disloyalty pie."

• Dixon et al., "Satisfy, Don't Delight," *HBR* July 2010

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CES Hype



- “CES is emerging as the latest ‘it’ metric, and will likely continue to garner attention over the coming years as its use becomes more widespread.”
 - Aaron Turner, Research Director, Market Strategies International, January 2011 white paper
- “An authoritative study by the Customer Contact Council contends that customer loyalty—that Holy Grail—is no longer driven entirely by customer delight, if it ever was.”
 - <http://www.assistly.com/blog/8-customer-service-issues-impede-loyalty-2/>

Just because it's published in Harvard Business Review doesn't mean it's quality research!

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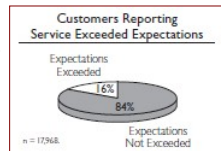
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CES Issues

(where to start...)



- The description of the research is vacuous
 - “Reliable” research means “replicability”
 - Survey instrument not provided
 - Different scale lengths appear to have been used
 - Analysis procedures never really described
 - 84% said expectations not exceeded but what percent of those had expectations met? We're not told. Why hide the breakdown?

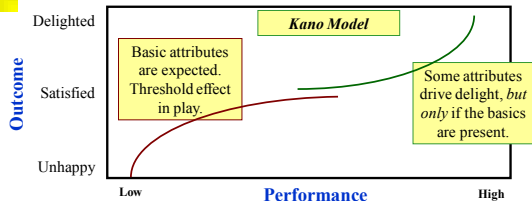


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CES Issues – Misconstrue Relationship of Satisfiers and Delighters



Perhaps low customer effort is a delighter!
In fact, the researchers never define “Delight”

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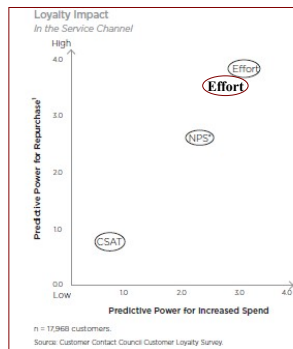
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CES Issues

(more issues...)

- The predictive power of CES (vs. NPS and CSAT) is based on **correlations & regressions** from their survey only.
No measures against actual future behavior.
 - Plots are imprecise and no data given for NPS or CSAT.



¹ Predictive power evaluated by the coefficients derived from regression analysis. Effort regression coefficients are 3.65 and 2.92 for repurchase and increased spend respectively.

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CES Issues

(perhaps worst of all...)

- The core CES question is confusing

1. How much effort did you *personally* have to put forth to handle your request?

☐ Very Low

☐

☐

☐ Very High

Tell me what that means?



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CES Summary

CES may be the best thing
since sliced bread.

But...

If you don't have confidence in the
research methodology, then you should
not believe – or worse, *apply* – the
findings!!



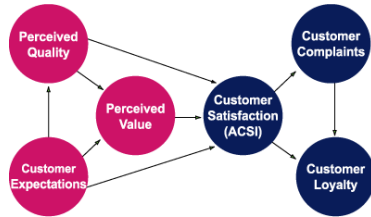
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American Customer Satisfaction Index

Their focus is on the Satisfaction question



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<http://www.acsi.org/>

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How About Using More Than One Metric?

- ❑ A composite score is more reliable in more situations
 - Might be satisfied but can't recommend
 - Might buy again but very dissatisfied

Would you want a one-question final exam?

- ❑ So, why focus on one metric?
 - <http://blog.vovici.com/blog/bid/24909/Best-Customer-Satisfaction-Loyalty-and-Experience-Measure-for-You>
 - http://www.customerthink.com/blog/right_way_measure_customer_experience

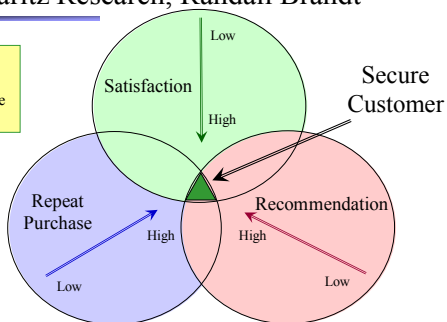
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Secure Customer Index – Maritz Research, Randall Brandt

- Secure
- Favorable
- Vulnerable
- At Risk



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Beyond the Secure Customer Index

- ❑ Burke Consulting adds
 - **Earned loyalty**
 - **Preferred vendor**
- ❑ Gallup adds
 - **Emotional Attachment**
 - Trust
 - Integrity
 - Pride
 - Passion

But what's
the right
weighting for
each
measure?



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Summary

- ❑ The debate continues...
- ❑ An index is the better, safer approach
- ❑ But if you must use one...
 - **Validate the best predictor for your situation**
- ❑ Most important, go beyond measurement
 - **Identify unhappy customers**
 - **Take action**
 - **Embed the learning in improved processes**



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Thank you for attending this session!

**Please remember to complete your session
evaluation and hand it to the room monitor.**
