Linking Customer Experience Metrics to ROI: Attainability and Actionability for Any Company

Successfully Driving Customer-Centric Culture and Initiatives Through Real-World Insights and Analytics

BEYOND PHILOSOPHY
Building Great Customer Experiences
Your hosts...

Michael Lowenstein
Thought Leadership Principal

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Founder & CEO
Beyond Philosophy introduction

Customer Experience is all we do.. Since 2002!

We work globally with offices in London and North America; with partners in Africa & Asia.

We focus on the emotional side of customer experience

‘Secrets of a Successful Global Customer Experience Program’ – Palgrave MacMillan 2015

Thought leadership is our differentiator

Evidence based consulting & training
Organizations we have worked with…

- American Express
- McKesson
- Allianz
- RBC
- Barclaycard
- Capital One
- RBS (The Royal Bank of Scotland)
- Virgin Mobile
- CAT
- Microsoft
- T-Mobile
- Progressive
- Aflac
- Turkcell
- IBM
- Dell
- FedEx
- Fireman’s Fund
Seven S Customer-Centric Direction

- Structure
- Systems
- Strategy
- Shared Values
- Style
- Skills
- Staff
Any Actionable Metric Has Value: The Current Customer Experience Measurement Landscape

Comparing Satisfaction, Loyalty Indices, NPS, CES, Delight, and Advocacy/Bonding
Customer Satisfaction Measurement

- American Customer Satisfaction Index (ACSI), Survey Research Center, University of Michigan, 1994
- Core tracking covers several hundred companies
- 100 point scale of satisfaction level
- Largely measures functionality and tangibility (time, cost, accuracy, completeness, cost, etc.)
- Strong tactical and transactional orientation
- Attitudinal response; passive and benign
- Proven to be minimally connected to/driving future action, such as loyalty behavior, industry to industry
Loyalty/Secure Customer Indices

• Typically composed of three elements: satisfaction, future purchase intent, and recommendation likelihood
• With some question variation, very actively used core approach by many b2b and b2c companies; in use for decades
• Satisfaction, because it is fairly transactional, rather than relationship-based, tends to have limited correlation with actual loyalty behavior
• Recommendation has multiple analytical challenges: aggregate score, non-granular, etc.
• Satisfaction and recommendation tend to dampen CLI and SCI actionability
Customer Delight Score

• Per Tim Keiningham and Terry Vavra, 2001
• Not recommendation or satisfaction, but, defined as ‘extreme satisfaction’ or ‘complete satisfaction’ using scale
• Tends to be transactional
• Early attempt at building emotions into the experience
• Addresses unseen, yet important, customer needs
• Endeavors to measure how companies surprise and elate customers, and differentiate themselves from competition
Net Promoter Score (NPS)

• Fred Reichheld (Bain) and Satmetrix, 2003
• Net recommendation (subtracting Detractors from Promoters) represents method for C-suite to address macro loyalty drivers; easy to understand
• Found to be challenging to apply on a universal basis (cannot be used in all industries/purchase situations); may not help an organization be more customer focused or customer-centric
• Range of actionability/analytical issues
  - Questionable because of hypothetical nature, scale, calculation method, and actual meaning/value of recommendation, multiple ways of arriving at score
  - Low correlation between NPS score and customer action
  - Non-granular application: difference, and group aggregated, score rather than individual customer classification score
  - Non-discriminating (same customer can recommend multiple brands)
Customer Effort Score (CES)

- Developed by Corporate Executive Board, 2008
- Measures customer perception of how easy/difficult it is to do business with a firm, such as frequency of complaint resolution contact
- Transactionally-based, rather than relationship-based
- Only addresses aspects of service, not overall experience
- More relevant with fairly generic, utilitarian products and services
- Needs accompanying granularity, re. technologies, business processes, and employee behavior contribution to customer ease/difficulty of doing business
The Impact of Customer Influence has Pushed the Strategic Relevance of Advocacy/Bonding

- Grow Revenue
- Position Brand
- Increase Share
- Decrease Risk

Current: Advocacy/Bonding

Late 90s: Loyalty

Advocacy captures the influence the customer and partner base have, in addition to measures below.

90s: Satisfaction

Embrace customer retention within the framework, but it does not capture the influence customers have on “other” customers and partners.

80s: Quality

Satisfaction gets to some of the intangible dimensions of the relationship, but is a passive measure and does not explain nor predict retention/loyalty behavior.

Assessing customer relationship has its genesis in quality assessment. Realization that quality alone does not generate a satisfied customer.

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2001-2014
Key Performance Metrics Question: Is it possible to demonstrate the impact of enhanced customer experiences on business outcomes in monetary terms?
Customer Advocacy/Customer Bonding Measurement
a combination of two key constructs: rational and emotional attitudes toward a brand (brand impression and perception) and downstream customer communication behavior (word-of-mouth) resulting from strategic and tactical experiences. Advocacy offers a contemporary and real-world measure to extend enterprise understanding of customer loyalty and business performance.
Experts Agree on the Power and Actionability of Customer Advocacy/Bonding

"Leading companies) use the word-of-mouth effect of unpaid advocates – truly loyal customers – to boost their reputation. Advocates will do your marketing for you if you mobilize them, listen to them and engage them."

Professor Philip Kotler, Northwestern University (2010)

“Word-of-mouth is the primary factor behind 20 to 50 percent of all purchasing decisions. And its influence will probably grow…”

McKinsey (2010)

“Loyalty is very passive. I may be loyal and buy products from a brand, but I don’t go out and speak about the brand. Advocacy is active.”


“Customer advocacy is the best indicator of experience success”

Forrester (2010)
“Leading companies want to build strong bases of loyal, profitable customers who are also advocates for the organization. Advocates spend more, remain customers longer, and refer family and friends, thus increasing the quality of the existing customer base and new acquisitions.”

– IBM Global Business Services

“We predict that customer advocacy will be the new focus for business leaders. Creating the customer experience via customer advocacy will become the single most important initiative that cutting-edge, forward-thinking, innovative companies will adopt.”

– Hitachi Consulting
An Advocacy/Bonding Conceptual Framework

Develop Insights

Value

Touchpoints

Customer Experiences

Brand

Staff

Customer Relationship with Supplier/Brand

Measure Customer Attitudes, Emotions and Behavior

Business Outcomes

Retention Rate

Share of Wallet

New Client Acquisition

What is the right construct to measure relationship?
What is the most actionable measure of a customer relationship? Is it . . .

- Satisfaction?
- Engagement?
- Commitment?
- Loyalty?
- Secure Index?
- Recommendation?
- Advocacy?

The best measure:

- Should reflect today’s real-world market conditions
- Should relate directly to business outcomes

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What is the return on customer investment?

Where is the brand’s competitive advantage based on enhanced customer experiences?

Are we measuring the right customer attitudes and behaviors?

Can the metrics help us make key decisions and allocate resources for our business?

Accountability

Relevancy

Most customer satisfaction research programs today come under two types of pressures:
The Strategic Roles of Customer Advocacy and Bonding

In marketing and services decision-making guidance and ‘how-to’ action, including...

- Marketing and Communications Planning and Engagement Media Effectiveness
- Customer Service/Touchpoint/Process Experience Effect
- Company Image and Reputation Impact
- Product and Service Development
- Web Site Visit/Usage Optimization
- Customer Relationship Building
- Brand Messaging and Positioning Assessment
- Loyalty Program Development/Refinement
- Customer Life Cycle Optimization
Understanding Customer Advocacy and Bonding

The concept of customer advocacy /bonding is used to mean different, but directly related, behaviors to different organizations. The advocacy/bonding framework segmentation and analysis offers:

- The best understanding of customer loyalty behavior for your brand or business
- Strategic segmentation of your customer base to focus on your best customers and reduce the damage to your brand from your Alienated customers
- The most direct linkage to business performance, and improvement opportunities

Also, it is critical to note that:

- Advocacy is NOT Recommendation
- Advocacy is NOT Loyalty
- Advocacy is NOT Word-of-Mouth
- Advocacy is NOT Referral
- Advocacy is NOT Promotion

Advocacy and Bonding Are Much More!
How Is Customer Advocacy/Bonding Measured?

Multiple questions are asked in a customer experience feedback survey and customer responses to these scaled items are used to classify them into four advocacy groups and set the basis for in-depth analytical insights. A full scale advocacy battery, based on customer support experience, includes:

- Customer favorability towards brand
- Future consideration
- Intensity of brand support
- Use of online and offline social networks
- Positive and negative buzz/volume
- Distribution of most recent purchases/competitive brand set
Positive and Negative Things Said Past Six Months

An *advocating/bonded* customer speaks positively about their experience, through use and/or service, and perception of the brand.

<table>
<thead>
<tr>
<th>Total Population</th>
<th>Total Software</th>
<th>Microsoft</th>
<th>HP</th>
<th>IBM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive Said</td>
<td>5.7</td>
<td>6.4</td>
<td>5.2</td>
<td>4.4</td>
</tr>
<tr>
<td>Negative Said</td>
<td>4.3</td>
<td>4.5</td>
<td>2.9</td>
<td>3.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advocates</th>
<th>Total Software</th>
<th>Microsoft</th>
<th>HP</th>
<th>IBM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive Said</td>
<td>8.2</td>
<td>10.6</td>
<td>6.7</td>
<td>8.7</td>
</tr>
<tr>
<td>Negative Said</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Impact of Advocacy/Bonding Improvement Through Service Quality: Case Study of a B2B Client

Current ABC Bank Performance (22%) vs. Achievable Target Over Next 3 yrs (28%)

Share of Wallet/Retention vs. Percentage of Advocates

Retention

Share of Wallet

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## Advocacy/Bonding Segmentation: Profile of Attitudes (Top Two Box Ratings)

(Scale: 1 – 10; 9 and 10 Are Top Boxes)

<table>
<thead>
<tr>
<th>Critical Attribute</th>
<th>Advocate</th>
<th>Allegiant</th>
<th>Ambivalent</th>
<th>Alienated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Brand</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has earned my trust and confidence</td>
<td>81</td>
<td>28</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>It is a pleasure to do business with them</td>
<td>78</td>
<td>22</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>The bank is definitely for people like me</td>
<td>79</td>
<td>26</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td><strong>Staff</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff makes me feel like a valued customer</td>
<td>75</td>
<td>22</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Staff are trained to offer reliable services</td>
<td>71</td>
<td>20</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Staff follows up with information as needed</td>
<td>71</td>
<td>18</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td><strong>Value Proposition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Breadth of checking and savings accounts offered</td>
<td>62</td>
<td>13</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Variety of cards with different features suitable to you</td>
<td>53</td>
<td>11</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Communication of different products and their features</td>
<td>60</td>
<td>13</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>

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Building Great Customer Experiences
Advocacy/Bonding Driver Analysis

Swing up and swing down (discriminant function) analysis identifies the emotional and rational experience performance attributes that will drive customers from Alienated to Ambivalent, Ambivalent to Allegiant, Allegiant to Advocate.

Quality of Staff Services

Analysis repeated for brand, product and key touch point attributes for input into an overall improvement action plan.
Relationship Attributes for B2B Services Company
Swing Up (to Advocate)/ Swing Down (to Alienated)

- Anticipates future needs
  - Critical to Reducing Alienated: 19%
  - Critical to Building Advocates: 35%
- Always respectful and professional
  - Critical to Reducing Alienated: 10%
  - Critical to Building Advocates: 0%
- Is a company I can trust
  - Critical to Reducing Alienated: 15%
  - Critical to Building Advocates: 14%
- Is considered an expert in the employment services industry
  - Critical to Reducing Alienated: 25%
  - Critical to Building Advocates: 5%
Advocacy Applied to Customer Life Cycle Evaluation:
Defected B2B Customer Advocacy-Based Research Example
Price is the most frequently stated reason for defection.

- Changes in business focus also fuel discontinuation.

- Though content is also mentioned, a closer look at the verbatim comments indicate that most often a business focus change rendered the content less meaningful, rather than a dissatisfaction with the content itself.
Building Customer Advocacy and Reducing Alienation

- Customer service
- Timeliness of information
- Usefulness of product delivery method
- Product quality
- Information content's relevance to your needs
- Competitiveness of pricing
- Billing accuracy
- Timeliness of problem resolution
- Licensing requirements
- Ease of doing business
- Reputation
- Market Leadership
- Understanding of your data/information needs
- Customer focus

[Bar chart showing various customer-related factors, with percentages indicating their importance.]

- Customer service: 18%
- Timeliness of information: 19%
- Usefulness of product delivery method: 23%
- Product quality: 18%
- Information content's relevance to your needs: 5%
- Competitiveness of pricing: 36%
- Billing accuracy: 5%
- Timeliness of problem resolution: 2%
- Licensing requirements: 2%
- Ease of doing business: 4%
- Reputation: 2%
- Market Leadership: 6%
- Understanding of your data/information needs: 6%
- Customer focus: 15%
Concluding Advocacy/Bonding Value Message

“The benefits of building advocacy can’t be ignored. Satisfaction and loyalty are important, but they’re old news. It’s a new dawn in customer experience strategy, where the customer controls over 50 percent of the overall brand message. Forward thinking companies will be the ones that can identify and work with their customer advocates to genuinely build trust in the brand, the customer base, and the bottom line.”

Cultivating Customer Advocates: More Than Satisfaction and Loyalty
2011 Peppers & Rogers Group White Paper
And finally...

- Metric’s forum...
  - A debate of this webinar...
    Thursday June 26\textsuperscript{th} 2014

- Customer Experience Measurement online training
  November 5\textsuperscript{th} & 19\textsuperscript{th} 2014
  - Discount code: WEBINAR25
THANK YOU!

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