

# How to Measure Customer Experience

Turn Your Customer Experience Strategy into Actionable Plans



By Mark Grindeland, Senior Vice President and Chief Marketing Officer, TeleTech

In today's customer-centric economy, contact centers everywhere are focused on delivering quality customer experiences. But, how do you evaluate your current customer experience, put measurements behind your customer experience transformation efforts, and prove ROI? If the customer experience feels to you more like art than science, you're not alone. Here are the proven performance metrics you need to establish actionable plans and operationalize your strategy.

## Put On Your Thinking Cap:

### Key Indicators of the Customer Experience

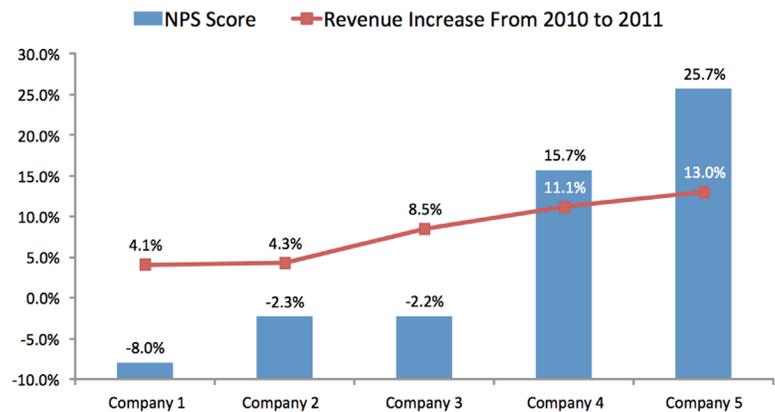
Social and mobile technologies are giving every consumer a voice and making every customer experience, purchase, and preference visible to the entire world in real time. In this new era of transparency, traditional contact center performance measurements are not enough anymore. Operational customer service outputs, call handling times, and even solicited customer feedback aren't always able to provide visibility into the quality of the customer experience. Furthermore, these metrics don't empower C-level executives to predict revenue and profitability. Instead, contact centers must shift their focus to capturing and acting on customer inputs, which provide better clarity into customer needs, motivations, behaviors, likes, dislikes, and sentiments about your products, services, and the customer experience. Once a business understands these inputs, they can change products, pricing, and services to improve the customer experience and drive better financial results. To understand the economic implications of improving the customer experience, the following metrics should be tracked:

- Customer value
- Customer retention
- Likelihood to repurchase
- Referrals
- Willingness to recommend

While different industries and companies choose to study a variety of other metrics, these loyalty metrics are becoming the widely accepted best practice for quantifying the customer experience. A recent study, conducted by Peppers & Rogers Group, found that the most commonly used measurement to connect customer experience with business performance outcomes is customer loyalty. In fact, 68 percent of companies use customer loyalty/retention metrics, 52 percent use willingness to recommend, and 45 percent use customer acquisition<sup>1</sup>. And best of all, there is a direct correlation between

FIGURE 1: Net Promoter Score® vs. Revenue

A comparison of five different communications and media companies



Source: Net Promoter Scores were extracted from Satmetrix reports. Revenue increase ratios were extracted from 2010 and 2011 annual reports.

customer loyalty and profitability. As a powerful influencer of profitability, loyalty can directly impact:

- Profit margins
- Cost efficiencies
- Retention rates
- Customer spending
- Word-of-mouth marketing

## Sharpen Your Pencil:

### The Calculation and Measurement Tools

So, exactly how do you measure customer loyalty, referrals, and willingness to recommend? There are many ways to do this, but the Net Promoter Score (NPS®) has become the most highly adopted measure of customer loyalty and is emerging as the industry standard for evaluating the customer experience. Developed by Satmetrix, Bain & Company, and Fred Reichheld, NPS is a progressive loyalty metric that stems from the Net Promoter® discipline, which is a complete methodology for using customer feedback to fuel profitable business growth. NPS was first popularized in Reichheld's book *The Ultimate Question*, and has since been embraced across many industries and by companies worldwide.

NPS measures customer loyalty by asking customers the ultimate question—would you recommend Company XYZ to a friend? The answer to this question helps companies determine the current state of their customer experience and opens the door to a wealth of data that can be used to develop improvement strategies that deepen customer

loyalty and drive revenue. The result categorizes customers into three groups (promoters, passives, or detractors) and calculates your Net Promoter Score by taking the percentage of brand promoters and subtracting the percentage of brand detractors.

It is critical to measure NPS across multiple communication channels. The new economy is dominated by the social marketplace, and social networks are a valuable resource for tapping into customer sentiment. Customer inputs on social media should be collected and calculated into your NPS and customer experience metrics. By drawing on an even larger pool of customer intelligence (including customer feedback surveys, contact center conversations, text or chat analytics, social media mentions, and online discussions) contact center leaders can create a more complete picture of their brand promoters and detractors in order to pinpoint more improvements needed to enhance the customer experience and impact business results.

To increase growth, a company must increase the percentage of promoters and decrease the percentage of detractors. This framework accurately predicts customer behavior and can be acted upon much more readily than the idea of raising the customer satisfaction index. There are many ways to mobilize brand promoters and recover detractors before they voice opinions publicly, but the key is organizational responsiveness. Next-generation technologies provide automatic alerts that can help contact centers identify these customers in real time. Plus, technology-enabled solutions empower contact centers to more effectively execute marketing campaigns and structured processes to build customer loyalty and trust. In the end, the more your customer experience strategy increases your Net Promoter Score, the more power it has to improve business outcomes and drive shareholder value.

#### **Sit Back and Watch the Results: Measurements in Action**

Now that we have turned customer experience transformation from an art to a science—does it really work? Yes – but it takes time and commitment. Here are some examples:

##### **• Logitech Increases Net Promoter Score by 70%**

Logitech was having trouble delivering a consistent and quality service experience. So, they partnered with customer experience experts to leverage Net Promoter Score insights that would improve their customer care operations. After embedding customer feedback processes into decision making at all levels, and after creating a system to mobilize brand promoters and identify brand detractors before they became vocal, Logitech's Net Promoter Score increased by 70 percent over a two-year period.

##### **• Internet Provider Increases Net Promoter Score by 228%**

When a large DSL Internet provider acquired a new company, it immediately worked with customer experience experts to implement Net Promoter methodology at the new consumer division. Emphasis was placed on shifting contact center performance metrics and incentive programs to the Net Promoter Score, training employees for the

cultural shift, and analyzing customer quotes to expose common categories for improvement. With data-driven strategies, they increased NPS by more than 228 percent in two years.

#### **The ROI of NPS**

But where's the ROI? Satmetrix research shows a 92 percent correlation between NPS and revenue increase ratios. Figure 1 on page eight compares five different companies in the communications and media industry. Companies 1, 2, and 3 have lower NPS and recognized smaller growth rates between 2010 and 2011. However, Companies 4 and 5 have higher NPS and recognized higher growth rates during the same time period.

#### **Dos and Don'ts for Turning Your Customer Experience into Actionable Plans**

1. Don't get overwhelmed by all the data. Start simple and focus on just one measurement that is both sensitive to changes in your business and links to the outcomes you care about.
2. Don't be afraid to trade operational metrics (like average call handle time) for customer loyalty metrics like customer retention, referrals, and willingness to recommend. After all, customer inputs are better indicators of growth than contact center outputs.
3. Do invest in technology or find creative ways to identify and empower your biggest brand promoters. Brand promoters generate more customer loyalty and more revenue.
4. Don't forget to infuse the importance of quality customer experiences into your company culture. Training front-line employees is critical, and incentive programs based on NPS and customer experience measurements can act as a catalyst for cultural transformation.
5. Do ask for help when evaluating your current customer experience, designing a research-based strategy, and executing your action plan. Look for a partner who provides a complete solution, including Satmetrix (the co-founder of NPS) technology, customer experience analysts who are also strategy design experts, and a team of NPS-certified professionals who can execute flawlessly. ■

#### **About TeleTech**

For nearly 30 years, TeleTech has helped the world's most successful companies design, build, implement and manage superior customer experiences across the customer lifecycle in order to drive shareholder value. As the go-to partner for the Global 1000, the TeleTech group of companies delivers technology-based solutions that maximize revenue, transform customer experiences and optimize business processes.

**Learn more at [www.telettech.com](http://www.telettech.com).**

#### **References**

<sup>1</sup>Peppers & Rogers Group, The ROI of Customer Experience, 2012

Net Promoter, NPS, and Net Promoter Score are trademarks of Satmetrix Systems, Inc., Bain & Company, and Fred Reichheld.