Measuring customer experience
Beyond the acronyms

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To measure is to know

NPS, CES, CSI, VFM: the measurement of customer experience has yielded a lot of acronyms. But which is the right TLA (Three Letter Acronym) for your business?

To measure is to know - if you cannot measure it, you cannot improve it.

Lord Kelvin

Most companies understand the basic premise that to truly know whether their customers are enjoying a good experience they need to quantitatively measure that experience.

What is often less understood is the best way to measure the reality for your customers. Here we will look at the differences between some of the more commonly used measures. What questions should you be including in your customer surveys? What are the pros and cons associated with each measure? What numbers should be reported; averages, net-scores, top-box percentages, indices?

There is a surprising amount to consider. Future Thinking are experts in this field; we aim to offer some guidance in this short guide.

The most common customer experience KPIs’, pros and cons

As a first step, we need to understand some of the most common measures out there. These metrics all have their merits; there are many reasons why they are so extensively used. They also have limitations and so numerous organisations use two or more of these KPIs’ to ensure they are not missing a trick. This is all well and good, although it often makes sense to have one lead measure that the whole company can get behind and focus on improving.

Overleaf is a guide to 4 of the most common KPIs’ often adopted by service-orientated organisations:

<table>
<thead>
<tr>
<th>Measure</th>
<th>CSAT</th>
<th>COMPOSITE MEASURE</th>
<th>NET PROMOTER SCORE (NPS)</th>
<th>CUSTOMER EFFORT SCORE (CES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHAT IS IT?</td>
<td>Customers are simply asked how satisfied they are with their overall experience. Question wording can vary as can the scale used.</td>
<td>Combines several separate metrics (such as CSAT, NPS, Value for Money) to calculate a single score. The number of metrics and the weight applied to each can vary.</td>
<td>Calculated from a single question: “On a scale of 0-10 how likely would it be for you to recommend [company name] to a friend or colleague?” NPS = % of Promoters (scoring 9-10) – % of Detractors (scoring 0-6).</td>
<td>A measure of the ‘effort’ a customer feels they have to put in to engaging/ transacting with a business. Often relates to individual touchpoints rather than the entire relationship. Question(s) asked with an Agree / Disagree scale.</td>
</tr>
<tr>
<td>KEY FEATURES</td>
<td>A holistic measure; gauges customer opinion across all touchpoints and experiences</td>
<td>Combines several measures identified as being important to the business; provides a powerful overall view of customer experience</td>
<td>A holistic measure; gauges customer opinion across all touchpoints and experiences</td>
<td>A measure designed to take into account that it is not always necessary to ‘delight’ customers in order for them to remain loyal</td>
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<tr>
<td></td>
<td>A good indication of past company performance. Accompanying diagnostics allow key issues to be identified and fixed</td>
<td>Often a more academic approach based on advanced analytics; designed to ignore simplicity and transparency in order to produce more effective results</td>
<td>Measures two important drivers of corporate success: customer advocacy and customer detraction. Therefore believed to be a better predictor of growth than CSAT</td>
<td>Often used to capture customer impressions at a transactional (touchpoint) level as opposed to a more holistic impression of the entire company. Results in actionable information for each touchpoint</td>
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<td></td>
<td>Linking previous survey results with actual customer behaviour can result in a composite measure that is a better predictor of corporate growth than all the alternatives</td>
<td>Levels of recommendation should have an effect on future sales. This makes NPS a leading measure that can be used to predict the future</td>
<td>Some studies show CES is arguably a better predictor of corporate growth than CSAT and even NPS. Based on past performance but strongly linked to retention i.e. high effort = churn</td>
<td></td>
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<tr>
<td></td>
<td>Does not involve complex calculations; results that are easy to explain and communicate throughout the organisation</td>
<td>Can be based on holistic KPIs, transactional measures or even a combination</td>
<td>Not as simple to understand as CSAT but still relatively easy to explain; the principle of recommendation will be grasped throughout the organisation</td>
<td>Not quite as simple to understand as CSAT but ‘ease of doing business’ is still a concept that will resonate throughout an organisation</td>
</tr>
<tr>
<td></td>
<td>Easily understood by customers; survey questions will be simple and headline results can be used for marketing purposes</td>
<td>A leading measure; if applied correctly, has the potential to predict the future, not just measure the past</td>
<td>A very common measure: the use of one consistent question means results can be benchmarked across industries</td>
<td>Becoming more popular, allowing comparison to industry benchmarks where consistent question wording and scales are used</td>
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</table>
**Four of the Most Common KPIs** continued

<table>
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<th>Measure</th>
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<th>Composite Measure</th>
<th>Net Promoter Score (NPS)</th>
<th>Customer Effort Score (CES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limitations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merely measures satisfaction of a customer; does not tackle advocacy, detraction or loyalty - satisfied customers leave businesses everyday</td>
<td>The calculation can be overly complex and is difficult to explain</td>
<td>An inherent lack of precision that comes from basing all analysis on a single question. Exacerbated by collapsing the results into just three categories: Promoters / Neutral / Detractors</td>
<td>The opposite of NPS: works at a transactional level but cannot provide a holistic view.</td>
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</tr>
<tr>
<td>Not as insightful for companies where satisfaction is already very high; can result in flat trends and lack of new insight</td>
<td>Often leads to flat trends; substantially improving one or two components may not be reflected at an overall level</td>
<td>Almost too simple; often results in a failure to conduct diagnostic analysis to interpret the results</td>
<td>Not appropriate for all touchpoints and processes e.g. ignores elements such as the product or quality of service</td>
<td></td>
</tr>
<tr>
<td>Not as strongly correlated to corporate growth as other measures</td>
<td>Recommended actions are often confused; which element are we trying to improve?</td>
<td>A volatile measure, prone to high levels of fluctuation due to the calculation</td>
<td>Requires a genuine customer interaction in order for a measurement to take place. Not as appropriate for all touchpoints</td>
<td></td>
</tr>
<tr>
<td>A lagging measure; tackles what has happened rather than looking at what might happen</td>
<td>Not suitable for identifying actions specific to individual touchpoints</td>
<td>Captures more holistic impressions of a company; difficulties when setting specific actions per touchpoint</td>
<td>Not a key driver of acquisition; less useful for those looking to expand their customer base</td>
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</table>

Are there further alternatives? Of course, the answer is yes. A key message from this paper is that you need to do what works for your business at any given moment in time. Future Thinking do use all the common measures extensively but we have also worked with our clients to develop bespoke metrics that fit their own unique circumstances.

**What Makes a Good KPI?**

The phrase ‘actionable insight’ is a cliché in market research but it is appropriate to use it in this context. To put another spin on Lord Kelvin’s famous quote, we could say “there is no point in measuring it, if you cannot improve it”. In other words, the KPI must be something that customer facing staff can influence. If they feel they have little or no control over the results, the KPI simply becomes a number and potentially de-motivational one.

Let’s consider two further alternatives to expand on this:

**Value for Money**

Questions related to VFM are regularly included in customer surveys. Indeed, Future Thinking has conducted our own research that indicates that VFM is often the best indicator of whether a customer will remain with a company. The link between loyalty and VFM was stronger than for NPS, CES and CSAT.

So why isn’t VFM always considered to be a lead KPI by customer experience teams? The answer is perhaps obvious; VFM is intrinsically related to price. Base prices, special offers, loyalty rewards; these are all factors that can influence perception of value and these are all out of the control of customer facing staff.

**Likelihood to Remain a Customer / Re-Purchase**

The most common customer experience measures are often used to predict loyalty and re-purchase intent. So why don’t we use more blatant questions rather than trying to infer future behaviour from NPS or CSAT. For example, why don’t we simply ask customers outright how likely it is that they will continue to be a customer?

There is a lot to be said for this approach. Again, research conducted by Future Thinking shows that such questions are a good (although certainly not a perfect) indicator of future loyalty. The problem lies in terms of the diagnostics. Customer experience is just one of the factors that influences loyalty. Techniques such as Key Driver Analysis can help you identify what is driving CES or CSAT and actions can be put in place by customer facing teams. For ‘likelihood to remain a customer’ measures, it’s not so simple. There is very little that can be done if a customer is leaving due to a change in personal circumstances. Likewise, improving customer service may not help retain a customer if prices rise significantly or if the competition launch a great new product.

One of the key lessons is that if a measure is going to be used to judge the performance of a team, that team must have a direct and strong influence over the results.
AVERAGES

By reporting an average score, every respondent is contributing to your KPI. So, shifting a customer from scoring 1 out of 5 to 2 out of 5, will make a difference.

A major criticism is that customers don’t feel the average; they feel the variance. Take the example below:

Company A and Company B both have 3 customers:

Company A delivers a solid, dependable service i.e. little variance

Company B over-delivers in some cases and spectacularly fails in others; it is highly likely that Customer 6 will leave and could end up at Company A

Although this is an extremely simplistic example, it is fair to say that Company A has a more desirable model. If reporting averages, we should also take account of the distribution of scores – this is why top-box and bottom-box reporting are sometimes preferred.

INDICES

Another criticism of a simple average is that, although everyone will understand the calculation, the number itself often needs contextualising. So, stating that an average satisfaction score is 3.9 out of 5 can be useful but does not necessarily have a great impact within a business; what does 3.9 actually mean in the real world?

Some businesses will take their average score and convert it to an index, usually on a 1-100 scale. Psychologically, reporting a score out of 100 has more meaning to most. However, we must be careful that this is not simply down to misinterpretation. For instance, an index score of 80 calculated from an average does not mean that 80% of customers are satisfied; experience will show that this is often what people mistakenly believe. Hopefully this paper has highlighted that there are a surprising number of issues to consider when deciding what to measure and how to report the results. There are no right or wrong answers; to reiterate, it’s all about what works for your business.

Future Thinking has much experience helping our clients in this regard; here are a few final thoughts:

While NPS is based on a very specific question and results in a single number, other metrics can be reported in a variety of different ways. Whilst customer experience professionals and insight teams will want the detail, management and the wider business will just want the headlines; so what numbers should you actually report? Again, it’s going to come down to what suits your business but there are a number of choices.

TOP-BOX REPORTING

You will often see statements such as “92% of our customers are satisfied with the service they receive”. What does this actually mean?

Usually, this is ‘top-box’ reporting. For instance, a common approach is to ask satisfaction on a 5-point scale:

<table>
<thead>
<tr>
<th>Very dissatisfied</th>
<th>Quite dissatisfied</th>
<th>Neither / nor</th>
<th>Quite satisfied</th>
<th>Very satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Taking the ‘top 2 boxes’ (Quite / Very Satisfied) gives you a percentage of satisfied customers. This makes a nice headline but ignores the difference between a score of 4 and 5. It also ignores the difference between scores of 1, 2 and 3. For this reason, just reporting the percentage of satisfied customers can hide some uncomfortable truths.

In addition, if you are using a more granular scale such as 1-10, it is likely that only the extreme ends of the scale will be labelled; so what scores indicate a satisfied customer? This can be subjective and so, if an arbitrary figure is chosen (e.g. 8 and above) this must be made clear in any reporting.

BOTTOM-BOX REPORTING

In some circumstances, looking at the percentage of dissatisfied customers can actually be advantageous. Whatever scale you use, it is those customers who score the lowest that are the most likely to go elsewhere. If your business objective is to get the basics right and not to ‘over-deliver’ than a focus on the bottom-boxes is recommended. In these circumstances, it matters less whether a customer is very satisfied or quite satisfied – you simply want to reduce dissatisfaction.

The same limitations described for top-box reporting apply.

NET SCORES

Effectively this approach combines results from top-box and bottom-box reporting to come up with a single score. The calculation is usually along these lines:

\[
\% \text{Satisfied} - \% \text{Dissatisfied} = \text{Net Satisfied}
\]

This calculation is essentially the one used by the Net Promoter Score where the percentage of Detractors is subtracted from the percentage of Promoters. So, although net scores do take account of customers at either end of the scale, some of the criticisms levied at the NPS calculation (e.g. volatility) also apply here.

What Numbers Should We Actually Report?

Whereas NPS is based on a very specific question and results in a single number, other metrics can be reported in a variety of different ways. Whilst customer experience professionals and insight teams will want the detail, management and the wider business will just want the headlines; so what numbers should you actually report? Again, it’s going to come down to what suits your business but there are a number of choices.
Final Thoughts:
IDENTIFYING WHAT WORKS FOR YOUR BUSINESS

1. Identify your business objectives and choose the KPIs that are most directly related

Many papers written on the subject of customer experience measurement seem to imply that all businesses have the exact same challenges. This, of course, is not true. Frederick F. Reichheld would have us believe that Net Promoter Score is the “The One Number You Need to Grow” but can this really be true for every company in every market? Business objectives will vary and so will the best measure; for example, a company looking to expand its customer base will have different needs to a company that is looking to consolidate after expansion.

Essentially a KPI is a quantifiable measurement used to gauge performance against stated goals. Without first identifying your goals, you cannot select the right KPIs.

2. Limit the number of KPIs you are focussing on

Less is more here. We want to improve our performance against our KPIs by identifying which levers to pull. Too many KPIs may well lead to an overwhelming number of actions and a confusing, even contradictory, picture.

3. Establish who will be using the numbers and their grasp of research

Simplicity is often key, especially at boardroom level. Reporting a complicated series of indices, net scores or composite measures will not be appropriate for all audiences. One single number that is easily grasped is much more likely to become the focus of attention, with results resonating throughout a business. Likewise, if the research findings will also be used outside of the business (e.g. for marketing purposes or to be communicated to suppliers), then simple measures will be far more effective.

4. Consider using your KPIs for target setting

If you really want to focus the minds of those in your organisation towards improving your KPIs, setting targets is the way forward. Indeed, many organisations even choose to link bonus payments to the results.

Of course, all the usual rules apply here: targets must be fair and realistic. For instance, it is not usually advisable to set a stringent target without historical data related to your business. A good starting point is often to take a benchmark and then look for an improvement over a specified time period.

5. Ensure that those being measured by the KPI have some influence over the results

This is clearly linked to the point above. We established earlier that, even though a measure such as Value for Money may be strongly correlated with loyalty, it would not be a good KPI for customer facing staff. Those who are being judged on the KPI must have a large degree of control over the factors that contribute towards the result. If they cannot realistically affect the scores, the measurement will be seen as unfair and could even have negative effect on morale.

6. Don’t ignore the whys’

This paper has concentrated purely on the quantitative aspects of measuring customer experience. We have already suggested that it is important to establish the drivers behind the KPIs in order to identify actions; however, this does not have to be purely about data and advanced analytics. Future Thinking has an experienced qualitative team what work alongside our data analysts to help understand root causes. Qualitative research can be used to help us uncover why the scores are as they are.

Combining qualitative and quantitative research can give us a rounded view of the whole customer experience.

The measurement of customer experience is critical to any business. If you do not know how you are performing and where you are experiencing issues, you will not know where to concentrate resources. But knowing this is not enough; you need to consider exactly what you should measure and how to communicate the results.
Future Thinking takes a consultative approach to market research with commercial focus driving everything we do. That’s why we focus our attention on the three key areas that drive competitive advantage: Launch, Communicate, Experience.

We’re a global company of researchers, marketeers, statisticians, strategists, innovators, creatives and industry experts, integrating qual, quant and analytics through the latest technologies, to deliver research that engages audiences and drives action.

Our mission is to deliver consumer and business insights that tells stories, inspires action and travels within an organisation, long after the debrief.

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Craig has been working in the world of market research for over 20 years. During that time he has worked with numerous clients across a range of sectors. Whereas it’s fair to say that all have shared the common goal of measuring and improving customer experience, the solutions have often been very different. Craig is a firm believer in working with companies to design or adapt bespoke research programmes that meet individual objectives. He joined Future Thinking in 2010 where he is currently a Research Director in the Experience team.

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