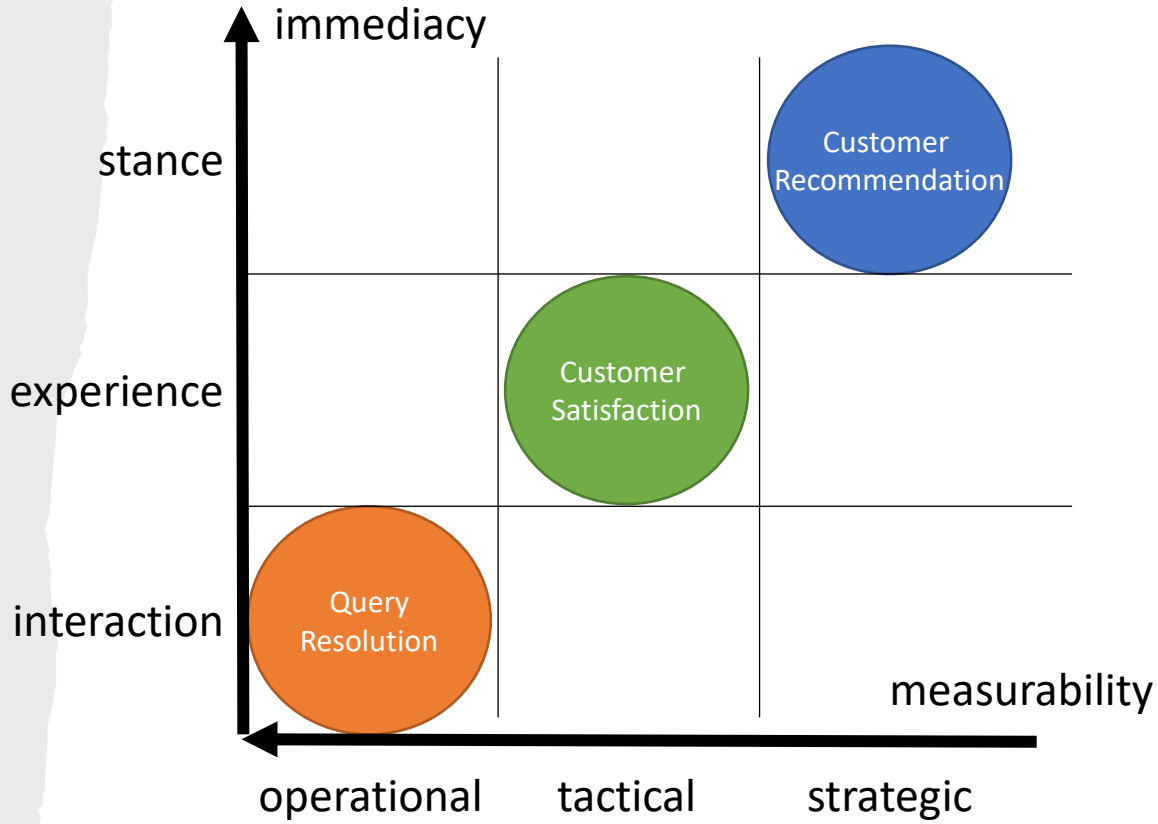
The Problem Child of Customer Experience

NPS

Customer experience pertains to how well a company fulfills its promises to customers

Three levels of measures have been developed over the years.



Query Resolution

Focuses on promptly and effectively addressing customer inquiries, improving operational efficiency by reducing response times and ensuring accurate information.

Example metric: First contact resolution, obtained right after an interaction.

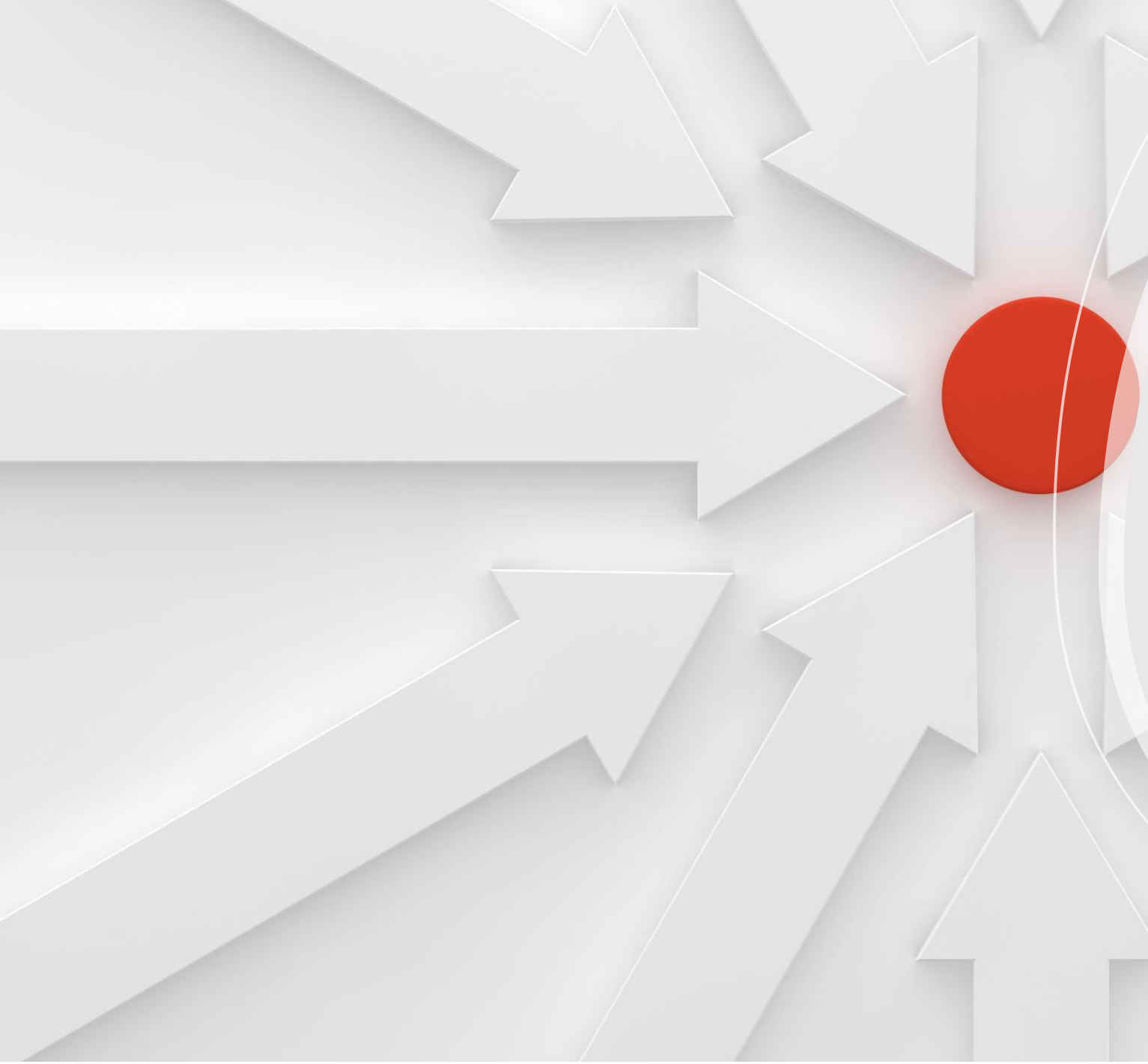
- Reduces response times and ensures accurate information.
- Improves resource allocation and staff productivity.
- Enhances customer service quality and reduces escalations.

Customer Satisfaction

Guides tactical decisions to improve the overall customer experience, directly impacting customer retention and loyalty by measuring how well a company meets or exceeds customer expectations.

Example metric: customer satisfaction, obtained right after an interaction, or customer surveys later on

- Measures the success of customer experience initiatives.
- Guides improvements in products and services.
- Influences customer retention and loyalty rates.



Customer Recommendation

Reflects overall brand perception and long-term strategic growth potential through word-of-mouth and customer advocacy, gauging customers' likelihood to recommend the company to others.

- Indicates overall brand perception and customer advocacy.
- Gauges the effectiveness of marketing and communication efforts.
- Helps identify areas for long-term growth and investment.

Measuring customer recommendation is tricky, because this measure should be unbiased by recent interactions to truly reflect the stance of customers formed over many interactions, and possibly over many months.

Net Promoter Score

The most common metric used to measure customer recommendation is Net Promoter Score (NPS).

Net Promoter Score (NPS) is measured using a single survey question that asks customers to rate their likelihood of recommending a company, product, or service to a friend or colleague on a scale of 0 to 10. Based on their ratings, customers are categorized into three groups:

1. Promoters (score 9-10): Loyal enthusiasts who are likely to recommend the company and contribute to its growth.
2. Passives (score 7-8): Satisfied but unenthusiastic customers who are vulnerable to competitive offerings and may not actively promote the company.
3. Detractors (score 0-6): Unhappy customers who may spread negative word-of-mouth and potentially damage the company's reputation.

To calculate the NPS, the percentage of detractors is subtracted from the percentage of promoters:

NPS = (% of Promoters) - (% of Detractors)

The resulting NPS ranges from -100 (worst) to +100 (best), indicating the overall level of customer advocacy and satisfaction.

NPS – The Problem Child

- NPS emerged as an easy collect measure to capture customer recommendation. An NPS of 80 and above is thought to be a good heuristic to follow.
- But, there are two problems with it. One statistical and one practical.

The statistical problem

- NPS is typically gathered across all touchpoints and following each customer interaction with a business.
- The most recent interaction can introduce a bias in the recommendation measurement. This bias causes the customer's true position to be influenced by their recent experience, making their response less reflective of their long-term attitude towards the company.
- So, what is measured is closer to satisfaction, than recommendation.

The practical problem

- Throughout the years, numerous consultancies, venture capitalists, and other stakeholders have promoted the use of NPS. Consider an industry where each company aims for an NPS target of 80.
- While this indicates strong advocacy for the companies, from a customer perspective, it suggests that most brands are being recommended almost equally.
- Consequently, achieving a high NPS target may not necessarily enhance word-of-mouth or lead to increased conversions.

The solution

- Gathering customer recommendations should be done through independent surveys instead of after touchpoint interactions, and these scores should be benchmarked against competitors' recommendations.
- As recommendation is subject to cultural influences, it's important to include a verbatim response for added context.
- While this approach may not be as straightforward as collecting NPS, it provides a more accurate measurement of recommendation, which can be acted upon to boost conversion rates.

Can we help?

hello@eraconsulting.dk