NPS

CES

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CSAT

FCR

CHURN RATE

Measuring Customer Experience Beyond NPS

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Why Is Measuring Customer Experience Important?

The debate on the importance of customer experience is over. A recent Forrester study showed that "CX leaders grow revenue faster than CX laggards." Nevertheless, most companies are still struggling to improve customer experience and measure it in a meaningful way.

Even CX leaders are finding it difficult to make the quantitative link between customer behavior and business outcomes, so they can move beyond relying on gut feel and qualitative data to prioritize decisions..

Many customer experience measurement efforts can't answer critical questions about the experience and the customer journey.

While you will be familiar with widely known CX metrics such as Net Promoter Score® (NPS) or Customer Satisfaction (CSAT), how and when you calculate these metrics, as well as how they influence your actions, can have an big impact.

5.1x Revenue growth of CX leaders over laggards	**4.5x** Willingness to pay a price premium of customers who have excellent versus very poor experiences*	**2.7x** The operating margin for companies with engaged employees†
1-800 Contacts 12% increase in customer retention‡	**Southwest** 43 consecutive years of profitability§	**Delta Air Lines** $3 million reduction in costs to serve customers**

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[Source: Forrester Report - Why CX? Why Now?]

The Challenge Of Quantifying CX

According to a Harvard Business Review Analytic Services study, nearly half of all companies surveyed identified tying customer experience to business outcomes as very or extremely challenging. Even leading-edge companies face difficulties in this endeavor.

Providing an exceptional customer experience is hard and tying it to tangible business outcomes is even more difficult. In order to quantify customer experience, you first need to develop a unified view of the customer as she interacts with your brand across channels and over time.

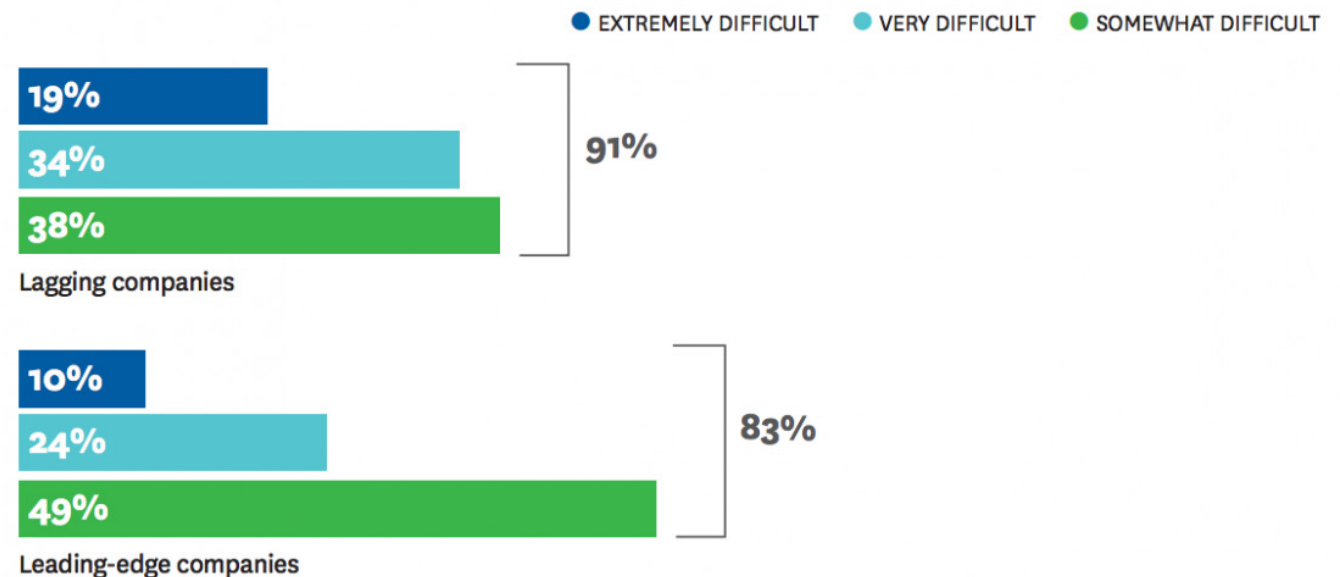To achieve this unified view and deliver personalized customer experiences, analytics must evolve from retrospective reporting to real-time, behavior driven engagement. However data overload and integration issues thwart a lot of these efforts.

When an individual metric like NPS improves, it is feted as a success and perhaps accepted without too many questions.

Correlation, though, does not equal causality, meaning that you are not controlling for other factors that could have caused an improvement in a specific metric, nor can you simply assume an exact relationship with hard metrics, like revenue or churn.

Tying Customer Experience to Business Outcomes Is Difficult for Everyone

How difficult is it to tie customer experience investments to business outcomes?

● EXTREMELY DIFFICULT   ● VERY DIFFICULT   ● SOMEWHAT DIFFICULT

19%
34%
38% } **91%**
Lagging companies

10%
24%
49% } **83%**
Leading-edge companies

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An Overview Of Customer Experience Metrics

Whether you're just starting out or have an established CX measurement program, it pays to review the wide variety of ways to measure customer experience. Take a look at the key customer experience metrics that will help you measure the health of your CX.

Retention-Related Metrics

Net Promoter Score® (NPS)

Customer Satisfaction (CSAT)

Customer Churn Rate

Customer Effort Score (CES)

Efficiency-Related Metrics

Average Resolution Time

First Contact Resolution (FCR)

RETENTION-RELATED CX METRICS

A focus on retention enables companies to keep their profitable customers, improve customer loyalty, reduce churn, increase cross-sell and upsell, and increase Customer Lifetime Value.

1. Net Promoter Score® (NPS)

NET PROMOTER SCORE SHOWS THE PERCENTAGE OF YOUR CUSTOMERS WHO WOULD
RECOMMEND YOU TO OTHERS—FRIENDS, FAMILY OR COLLEAGUES.

Net Promoter Score® (NPS) is the most well-recognized customer experience metric that there is. It is also the simplest. NPS is typically measured by asking the following single question:

How likely are you to recommend [business] to a friend or colleague?

Customers rate your company on a scale of 0-10. Respondents are grouped in the following categories:

- Promoters (Score 9-10)
- Passives (Score 7-8)
- Detractors (Score 0-6)

Net Promoter Score® is arrived at by subtracting the percentage of detractors from promoters.

Promoters	Passives	Detractors								
☺	☺	😐	😐	😣	😖	😖	😖	😖	😖	😖
10	9	8	7	6	5	4	3	2	1	0
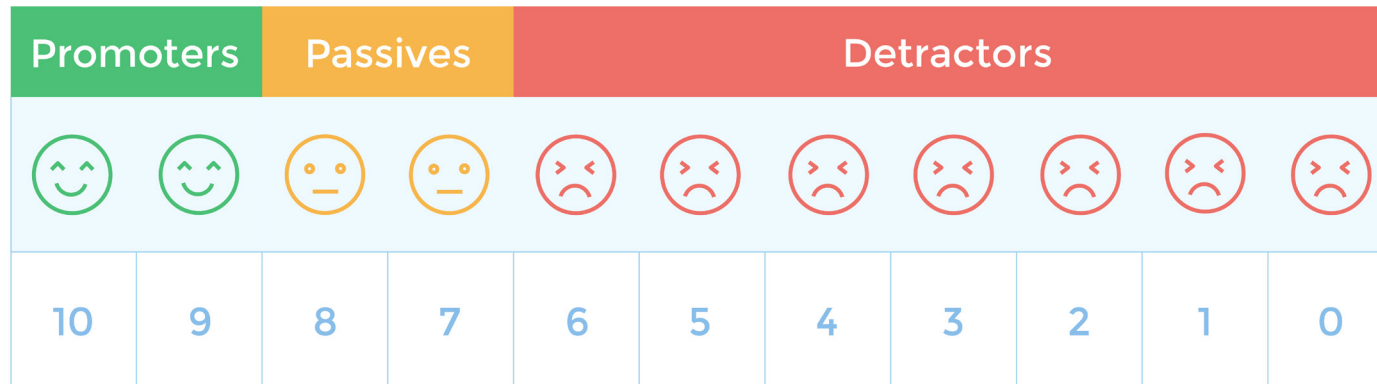
Net Promoter Score = **% Promoters** - **% Detractors**

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2. Customer Satisfaction (CSAT)

CUSTOMER SATISFACTION IS THE MEAN OR
AVERAGE SATISFACTION SCORE OF CUSTOMERS
FOR A GIVEN EXPERIENCE.

It is typically measured by an automated survey that asks customers to rate an experience such as a product return, a customer care call or a password change through an auto-generated post-interaction survey. The scale typically ranges from 'Very Satisfied' to 'Not at All Satisfied.

CSAT is a useful metric as it is based on an immediate reaction of users' to a product or service experience. In fact, a lot of businesses target obtaining a CSAT score within 30 minutes of a product or service being used.

How would you rate the recent product experience?

★★★★★
Excellent (5)
Very satisfied

★★★★☆
Good (4)
Somewhat satisfied

★★★☆☆
Average (3)
Neither satisfied nor dissatisfied

★★☆☆☆
Poor (2)
Somewhat dissatisfied

★☆☆☆☆
Very Bad (1)
Very dissatisfied

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3. Customer Churn Rate

Customer churn rate is a measure of how many customers stopped buying from your business or canceled their service in a given period of time.

Basic churn rate is calculated by detrmining the customers lost during a timeframe and dividing it by the total number of customers at the start of the timeframe.

Churn rate can also be calculated as revenue churn i.e. proportion of recurring revenue lost in a given time period. Revenue churn is commonly used in SaaS and other subscription-based business models.

HOW TO CALCULATE BASIC CUSTOMER CHURN RATE

To start, choose a timeframe for your calculation. Companies typically calculate monthly customer churn rates but you could also do quarterly or annually. In this timeframe, determine the customers lost and divide it by the total number of customers at the beginning of the month.

$$\text{Customer Churn Rate} = \frac{(\text{Customers at start of timeframe} - \text{Customers at end of timeframe}^*)}{\text{Customers at start of timeframe}}$$

Avoid including new sales during the month.

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3. Customer Churn Rate (con't)

Revenue churn rate can be calculated in two flavors: gross and net

To calculate your gross revenue churn rate, start by choosing a timeframe. In your chosen timeframe, determine the revenue lost from existing customers and divide it by the revenue at the start of the timeframe.

$$\text{Gross Revenue Churn Rate} = \frac{\text{Revenue lost from existing customers during timeframe}}{\text{Revenue at start of timeframe}}$$

To calculate your net revenue churn rate, start by choosing a timeframe for your calculation. Companies typically calculate monthly customer churn rates. Net revenue churn also takes into account increases in revenue due to up-sells to higher cost subscriptions and is a critical indicator of the health of a SaaS business.

$$\text{Net Revenue Churn Rate} = \frac{(\text{Revenue lost from existing customers} - \text{Revenue gained from upsells})}{\text{Revenue at start of timeframe}}$$

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4. Customer Effort Score (CES)

Customer effort score determines the relative effort required by the customer to work through an interaction.

This interaction could be a simple one such as looking for a product or a more difficult one such as resolving a technical issue. It is usually measured on a defined scale through an automated post-interaction survey. For instance, you could ask, 'How much effort did you have to put in to resolve this issue?' and the responses could vary from 'Very low effort' to 'Very high effort'.

CES is a good metric to measure whether your efforts to reduce customer experience obstacles are bearing fruit or not. Customers are looking for speedy and convenient resolution to problems and resent having to expend a lot of effort in a product- or service-related task.

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EFFICIENCY-RELATED CX METRICS

Efficiency-related metrics focus on doing the most optimal operational activity to deliver a delightful customer experience at a lower cost to the company.

5. Average Resolution Time (Time to Resolution)

Customer Average Resolution Time is the measure of the time it takes to completely resolve an issue, beginning from when the customer first brings the issue to attention and ending when the issue is fully resolved.

This metric is also sometimes known as 'Time to Resolution,' 'Mean Time to Resolution' and 'Resolution Time.' It is calculated by analyzing a team's overall average time to resolution of a group of cases within a specified timeframe.

$$\text{Average Resolution Time} = \frac{\text{Sum of all times to resolution in a timeframe}}{\text{Total no. of cases solved in that timeframe}}$$

Average Resolution Time correlates well to customer satisfaction. The longer it takes to resolve customer complaints and issues, the unhappier customers become, even leading to churn sometimes. This metric is also a good yardstick to measure how your team is performing and how efficient your processes are.

6. First Contact Resolution (FCR)

First Contact Resolution measures the number of customers whose question or request is resolved on the first attempt.

You can define FCR criteria based on your unique business by answering questions such as, 'Is FCR affected when a customer contacts the wrong department,' or 'Does FCR include abandoned calls?' or 'Does resolved mean that the customer's problem was solved and they were satisfied?'

The formula for calculating FCR will differ according to how you define the criteria. However, here's a basic way to calculate it:
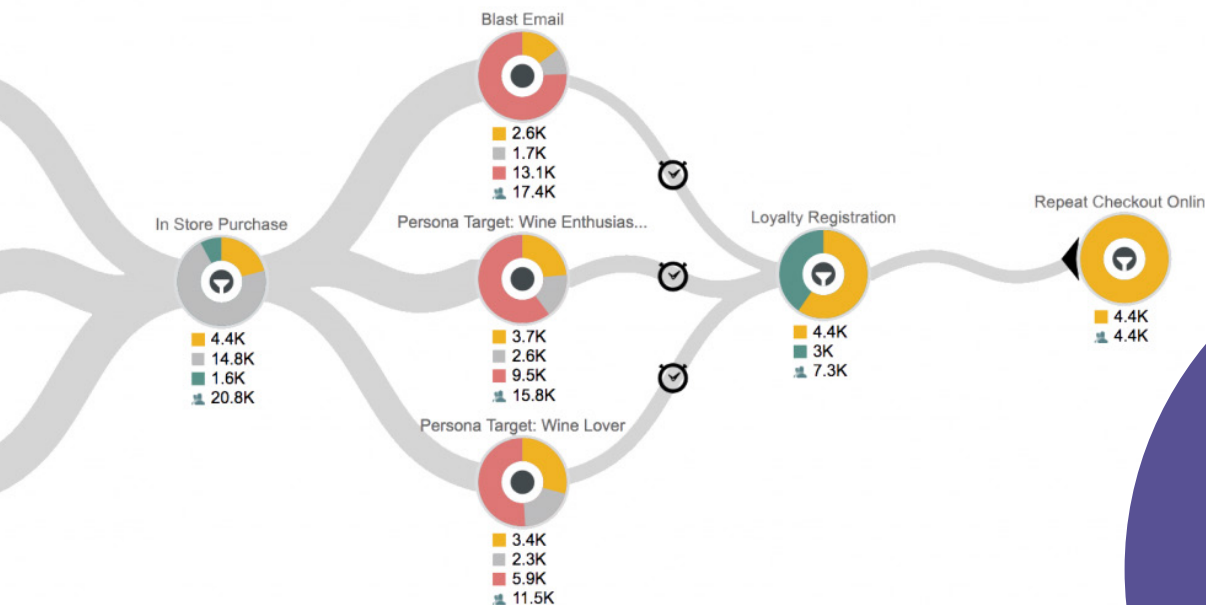
$$\text{First Contact Resolution} = \frac{\text{No. of resolved incidents on first contact}}{\text{Total no. of incidents}}$$

FCR has gained a lot of importance among customer experience professionals as a high FCR typically indicates high customer satisfaction. FCR also indicates that your customer service processes and teams are working efficiently and producing the desired results.

Use Journey Analytics to Improve How You Measure Customer Experience

Given the importance of CX measurement and the investment in resources it involves, it is critical to do it systematically, comprehensively and efficiently.

In the following pages, we will cover five ways that you can use a journey-driven approach to effectively measure customer experience.

Blast Email

- 2.6K
- 1.7K
- 13.1K
- 17.4K

In Store Purchase

- 4.4K
- 14.8K
- 1.6K
- 20.8K

Persona Target: Wine Enthusias...

- 3.7K
- 2.6K
- 9.5K
- 15.8K

Persona Target: Wine Lover

- 3.4K
- 2.3K
- 5.9K
- 11.5K

Loyalty Registration

- 4.4K
- 3K
- 7.3K

Repeat Checkout Onlin

- 4.4K
- 4.4K

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"Companies are increasingly using customer analytics techniques like customer satisfaction analysis, customer engagement analysis, and customer journey analytics to understand and improve CX."
— Forrester

1. Use the right CX metric at the right point in the customer journey

A lot of companies tend to use one customer experience metric, usually NPS or CSAT, throughout the customer journey. This single metric approach can be really problematic. If the customer has different experiences and different needs at each stage of the customer journey, how prudent is it to employ just one metric at each of these different stages?

For example, if you are expecting a product delivery and you call into a company's customer care center to get an update. Before hanging up, the customer care agent asks if you would recommend the company (NPS). But you haven't yet received the delivery, leave alone had a chance of using the product. A hundred things could go wrong (or right!) in your experience along the journey.
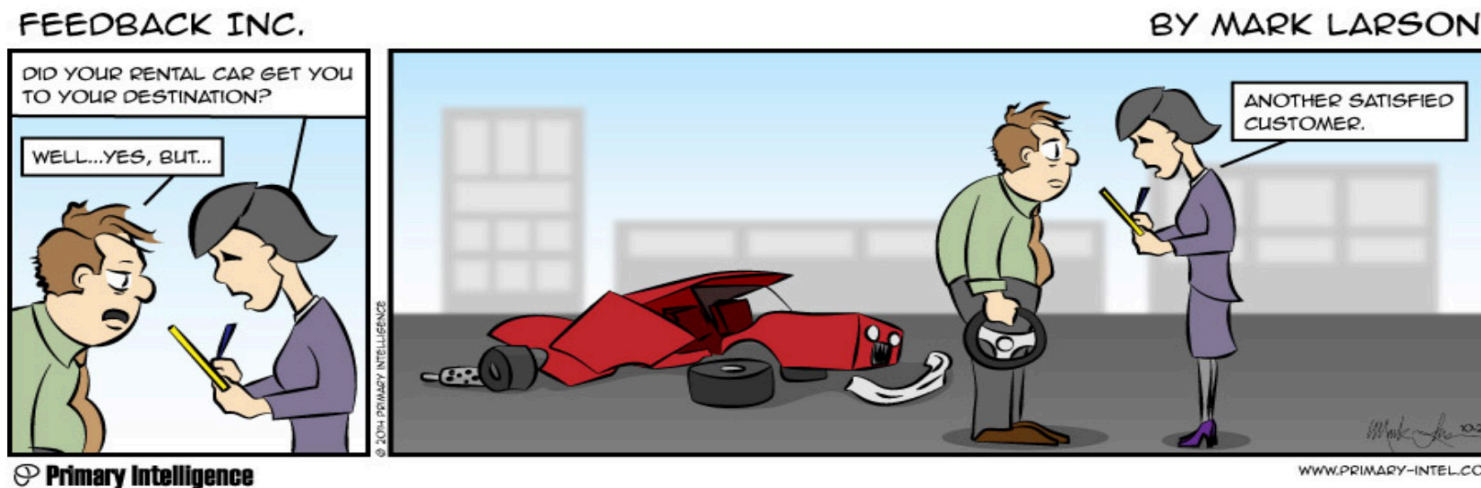
To get much more accurate and actionable results, companies should first discover end-to-end customer journeys using customer journey analytics. . Once you have understood the different touchpoints and how they impact the overall journey, you would be in a far better position to pick the most appropriate metric to use at each touchpoint.

In the product delivery example above, NPS is not the best fit, as it works well at the end of a process cycle, such as contract renewal. The key is to be flexible and decide after discovering the customer journey in detail.

2. Ask for feedback through the customer's preferred channel at the optimal time

Your customer has limited time. And they want to expend as little of it as possible giving feedback to you. Making your customer experience measurement process short and easy is typically a goal for most customer experience teams. But equally important is reaching out to customers at the most optimal time through their most preferred channel.

This isn't as obvious as it sounds.

Say you want to capture feedback after a customer calls into your call center. To do this, you are likely to pass the customer on to a recording platform to capture their feedback at the end of the call. But this may not be the best way for the customer who has already been on the line with an agent for over ten minutes. She likely wants nothing more than to hang up and get on with her life. Maybe an SMS or a brief email afterwards would produce a better result.

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2. Ask for feedback through the customer's preferred channel at the optimal time (con't)

Before you act, it's best to avoid acting purely on your intuition. Use your customer journey analysis to discover your customers' preferred channels for engagement. A customer journey analytics platform can trigger engagement at any point in the customer journey by integrating with your existing martech stack. This way you never have to leave the environment to set up an interaction and indeed the whole process can be automated.

Keep in mind that customers typically have feedback fatigue from being asked for their opinion by every service provider at every interaction. So, you want to ensure that you reach out to measure customer experience at the most important moments, also known as 'moments of truth'. If you are not tracking the entire customer journey, you will likely fail to measure important interactions and thus miss the step that is failing and needs improvement.

Using customer journey analytics, you can discover the most important points for interaction and only prompt customers for their opinion at that point.
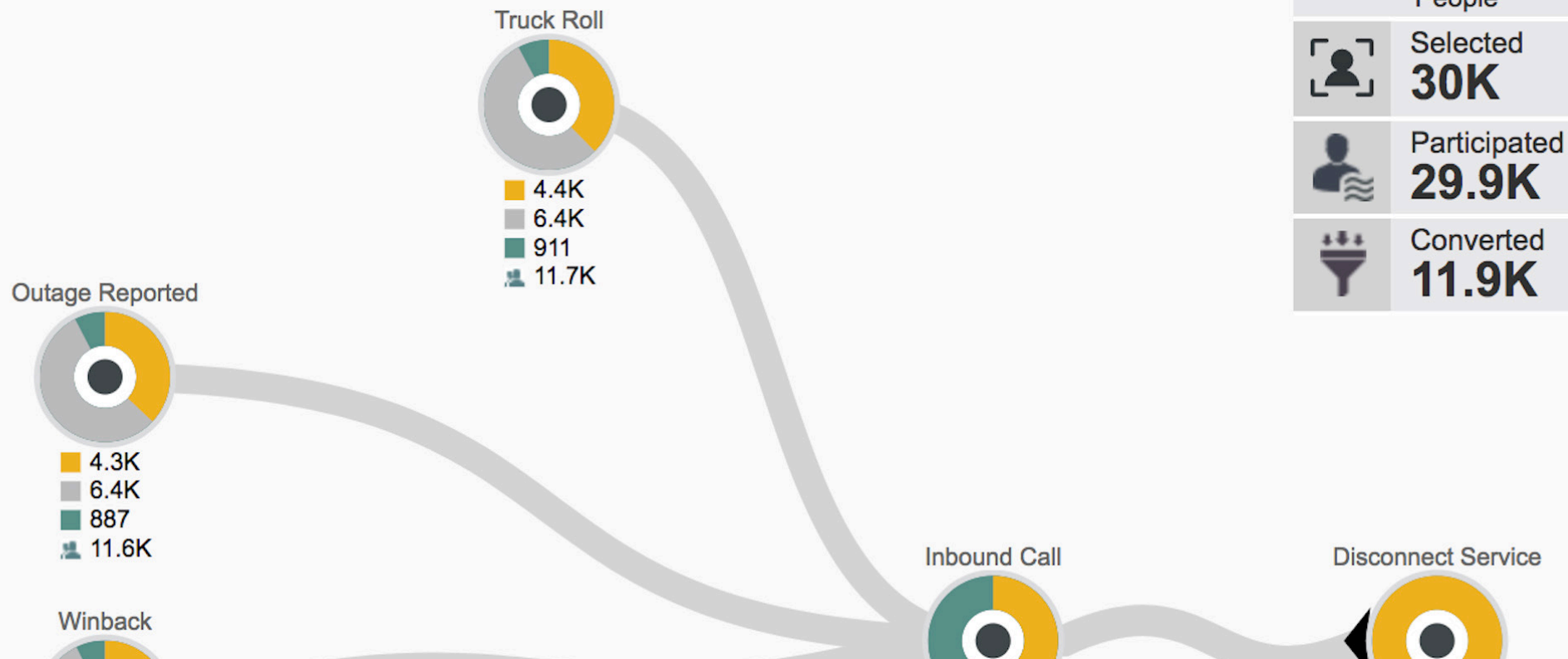
3. Calculate customer experience metrics for individual behavior segments

Not all customers behave the same way, nor do they have an equal impact on your revenue. As a customer experience professional, you need to make sure your CX measurement efforts focus on your most valuable customers. Customer journey analytics helps you do just that.

For instance, a telecom provider used customer journey analytics software to uncover which customers were having the highest number of unresolved complaints. Next, they determined which of these customers called the customer care center and then eventually went on to discontinue their service. Finally, they calculated their key

CX metrics for each behavioral segment and monitored the impact of their improvement programs on these metrics over time.

The U.S. health insurance sector also employs segment-based CX metrics. Some insurers, for example, focus their customer experience measurement on healthy customers, as they are the most profitable and use their health insurance less often. Health insurance providers therefore want to make sure that their healthy customers remain happy, so they don't take their business to another insurer.

Truck Roll

■ 4.4K
■ 6.4K
■ 911
👥 11.7K

Outage Reported

■ 4.3K
■ 6.4K
■ 887
👥 11.6K

Winback

People

Selected
30K

Participated
29.9K

Converted
11.9K

Inbound Call

Disconnect Service

4. Monitor customer experience metrics in real time and over time

Customer experience teams need to share detailed reports on metrics both at a journey level and at an overall level. This helps executives get a status check on critical insights. Customer journey analytics tools can be used to create custom dashboards to help you monitor these metrics in real-time and also track and report on them over time.

Moreover, you can access the journey driving each metric with a simple click to reveal real-time statistics, as well as discover any high-impact micro-journeys.

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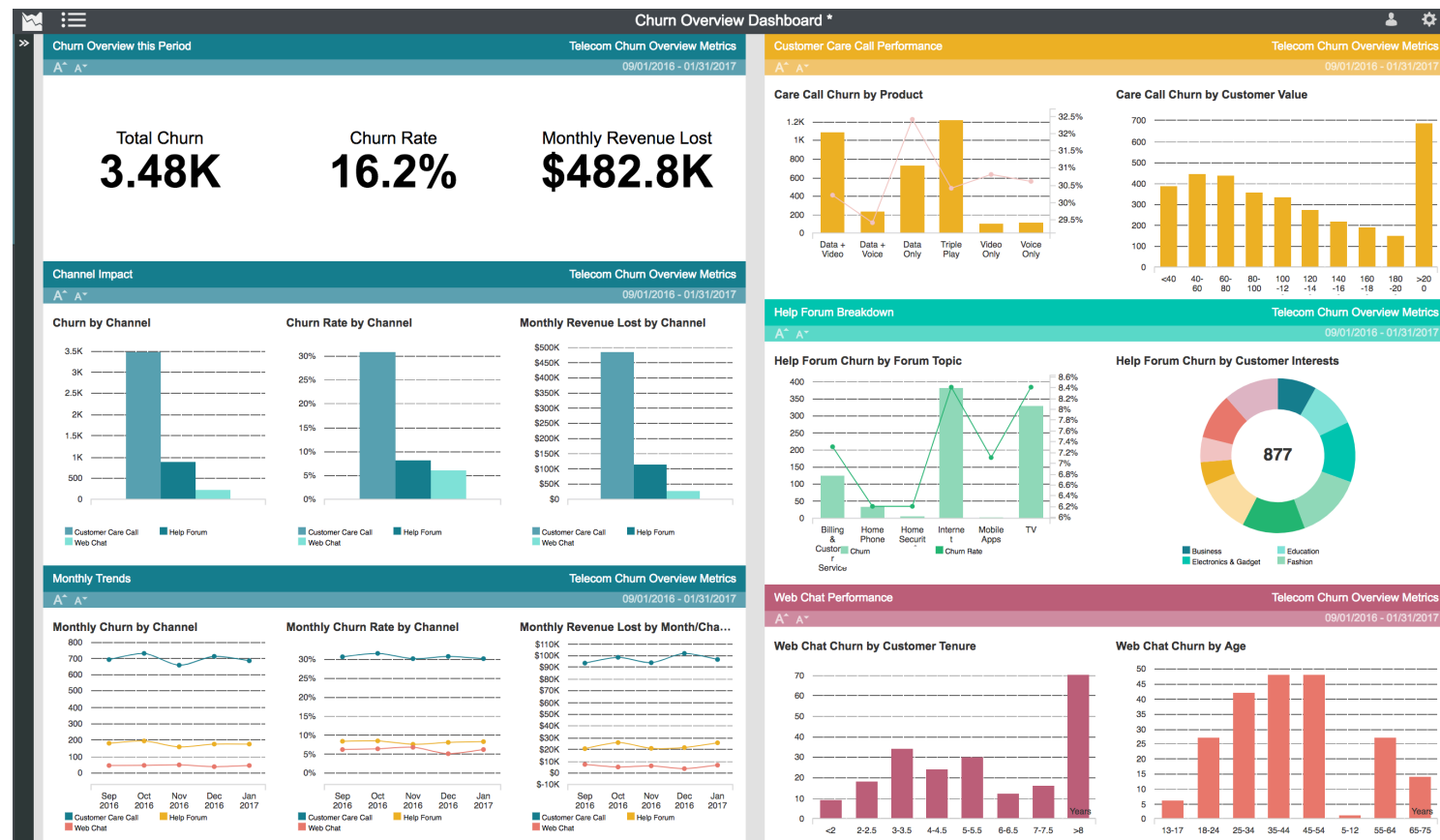
5. Determine your customer experience measurement priorities

After analyzing your customers' behavior you may realize that you need to add metrics for key outcomes, perceptions and real-world behavior that you aren't capturing or are only doing a superficial job of tracking.

Those metrics that are well aligned at important points in the customer journey should be prioritized.

Similarly, customer experience metrics that are not well aligned should be thoroughly analyzed to determine whether the resources being spent on measuring, analyzing and reporting them are better spent elsewhere.

Customer Journey analytics can be used to prioritize which customer experience metrics you create, monitor, report and act on.

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Conclusion

A disciplined and effective customer experience measurement program is essential for companies to understand which parts of the customer experience are working and which parts need to be improved.

Understanding the key customer experience metrics and applying them at appropriate stages with the most important customers is paramount. Customer journey analytics can play a key role in this endeavor by providing a journey-driven perspective and improving the return on your investment in customer experience measurement.

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Discover and Influence Your Customers' Journeys

Pointillist makes it easy for marketers and CX professionals to uncover and optimize the journeys that matter to your customers, so you can improve marketing and customer experience results.

- Visualize real customer journeys rapidly

- Measure the impact of customer behavior on your metrics and KPIs

- Create personalized customer experiences

Unlike other analytics solutions, Pointillist lets you connect the dots between customer interactions and quantitative business goals in seconds, rather than days or weeks. By using machine learning to reveal high-impact journeys and predict likely behavior, Pointillist is like having a personal data scientist that's always on call.
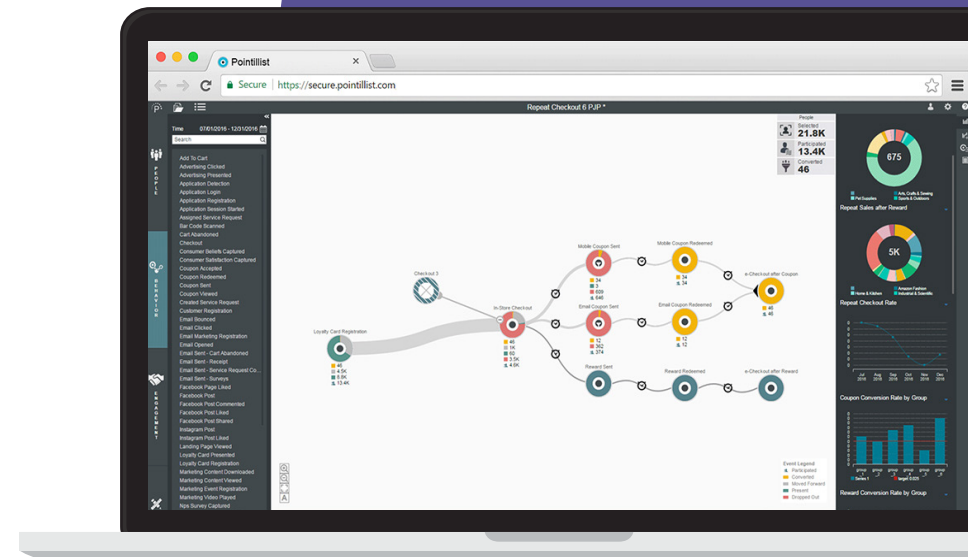
Contact Us

321 Summer Street

Boston, MA 02210

1-888-MYJRNYS (1-888-695-7697)

info@pointillist.com

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