How The Net Promoter Score (NPS) Is Like Global Warming

Why Omnibus Customer Experience Metrics Can Breed The Unintended Consequence Of Inaction

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Adam Alter, Assistant Professor of Marketing & Psychology at NYU's Stern School of Business, recently opined that global warming is a perfect storm of "threat-by-stealth"[1].

He notes that, despite the overwhelming agreement among experts that humans contribute to global warming and its apocalyptic impact, it very often remains a "political afterthought." Summarizing his theory about the psychology of ignoring such a super-threat, Alter suggests that global warming's "murky consequences aren't vivid enough to impress our distracted brains."

And so it is with many omnibus corporate customer experience metrics like the Net Promoter Score (NPS).

Simple Is Usually Not Actionable

These oversimplified measures are all too often failing to embolden leadership to act on the impending doom and disaster that accompanies a mediocre customer experience.

Many companies have been quick to adopt NPS and similar global indices describing the customer experience. Such "overall" measures are alluring in the C-suite. A single number or index is uncomplicated to calculate, easy to understand and simple to promote in and outside of the organization. They nicely fit into the strategic dashboards that are now popular. It's no wonder that leadership has been quick to pull the trigger on embracing a single score-mentality. However, in many of these same companies, the executive group has been less likely to rally around NPS and aggressively support serious investment in an enhanced customer experience.

Why the disconnect? Perhaps a primary reason that NPS often fails to precipitate action is found in the psychological principles operative in the global warming phenomenon; that is, maybe NPS and similar overall metrics induce more a state of complacency than a sense of urgency. For example:

1. **NPS as an indicator may be too general to capture the attention and imagination of the organization**. As the average temperature of the ocean or CO2 levels are to global warming so may NPS be to the customer experience. It may well be a leading indicator of impending malaise, but it's not close enough "to home" and probably doesn't apply to a particular executive's "neighborhood" or function.

2. **NPS may not promote accountability because it's not tied to specific phases of the customer lifecycle or individual functional areas of the organization.** So, as there are many factors and processes that contribute to global warming, likewise there are multiple sources of customer dissatisfaction and disloyalty. Action follows from ownership which stems from more proper and precise diagnosis of causes. In the

[1] http://www.huffingtonpost.com/adam-alter/global-warming-denial-psychology_b_2170419.html

absence of further reliable diagnostic data about the customer experience, NPS permits a leader to “rationalize” that his or her functional area’s contribution to the overall problem is small. Further, NPS damage is seldom tied to particular phases of the customer experience.

3. **NPS doesn’t create an economic call to action that is credible to Finance and Marketing.** While omnibus metrics do play a role in diagnosing opportunities to improve the customer experience, they are often insufficient. We have observed many instances where quantifying revenue damage and negative word of mouth is a catalyst for corporate action. This is a fundamental limitation of NPS which can be only generally tied to loyalty and has seldom been converted into quantified estimates of customers lost, revenue at risk per month or number of cases of negative word of mouth caused by poor customer experiences.

A Complementary Approach That Fosters Action

Addressing these fatal flaws of an orthodox NPS approach is simple but not easy. We advocate that any use of NPS be supplemented by the use of three corrective “measures.” In our experience, these complementary metrics and processes are powerful techniques for helping any organization overcome the “hypnotic trance” that the use of NPS alone can typically induce. The three compensatory analytical techniques include:

- The Market Damage model
- A proper key driver and sensitivity analysis
- A commitment to formal action planning

The Market Damage Model (MDM). Over the past four decades, we have frequently used the MDM to address a primary shortcoming of traditional customer experience measurement: it’s long on directional data but short on specifying the bottom-line consequences of inaction.

Using both customer experience survey data and company financial data as inputs, the output of the MDM is a dollar-value estimate of the revenue (or profits) at risk resulting from a “less-than-perfect” customer experience. The MDM effectively offsets each of the three weaknesses of an NPS-only approach. Specifically, the MDM:

1. Identifies specific problems in each phase of the customer experience that cause damage. Using the global warming analogy, as an extended drought or rising of tides represents specific causes of pain and cost that capture attention, so too will quantifying the specific number of customers encountering a particular problem.

2. Facilitates the identification of the cause of problems and accountability for action. Customer problems do not occur in the abstract; they are encountered at specific times and caused by specific processes and functions which can be noted, reported and fixed. The MDM can be tied to problem occurrence, complaint behavior and

problem resolution; all of which can be easily measured and are conceptually simple to grasp.

3. Quantifies the revenue and word of mouth damage of the overall level of problems (think temperature or CO2 increases in the global warming analogy) and of each individual problem in a manner that is credible to Finance and Marketing . This translation of simple descriptive data to a business case rooted in financials creates a credible call to action and supports a more rational decision-making protocol for allocating resources and calculating ROIs.

A Proper Key Driver & Sensitivity Analysis. When executed properly, key driver analysis (the methodology for identifying what matters most) is central to getting executive attention. Done correctly, it calls attention to what is to be gained from effective action and thereby ensures the proper allocation of finite resources for improving the customer experience.

Despite great advances in sophisticated analytical tools, we see many key driver analyses as methodologically flawed. For example, they rely on a measure of "stated importance" (i.e., what the customer self-reports as "important"), the "squeaky wheel" method (i.e., areas of lowest satisfaction) or simple correlation analysis (i.e., one-by-one association of a set of customer experience measures with overall satisfaction or loyalty).

Our experience suggests that a more effective methodology for key driver analysis entails using multivariate techniques (e.g., factor analysis coupled with multiple regression) that permit the researcher to restate key driver outcomes in the language of executives. Executives care less about "what's important" and care more about an understanding of what can be learned by effectively acting on things that matter. In our own practice, we prefer the use of a simple key driver sensitivity analysis. For each attribute measured (i.e., each element of the customer experience measured), we ask and answer one simple question: What is gained in overall satisfaction or loyalty from a 5 percent point increase in satisfaction for the individual driver?

As well, assuming that you have sufficient data to do so, you may also consider doing two key driver analyses: one for customers reporting "no problems" and a second for customers who have had a recent problem. Often, this analysis will yield additional detail about the nuance of the key drivers. Customers' emphasis on service dimensions becomes significantly stronger once they encounter a serious problem.

A Commitment To Formal Action Planning. As part of our own continuous improvement effort, we field a client satisfaction survey following every engagement. Our questionnaire includes all of the usual suspects, such as a set of satisfaction attributes related to the client's experience with the various aspects of the engagement, overall satisfaction, and a gauge of the intention to recommend. However, the most important question we ask is, "Have you taken tangible action to improve the customer experience based on the work that we've co-produced?"

More than 90 percent of CCMC clients report that they are using the results of CCMC surveys to take actions to enhance the customer experience. Taking action on survey results is more the exception in the general marketplace. Even among companies that tick all of the technical best practices boxes for increasing survey impact, many still fail in their attempt to positively influence the customer experience because they have no process in place to connect the dots between the survey findings and operational accountability. Intentionally operationalizing meaningful changes in business practices is a compulsory event that we refer to as action planning.

Assuming that the ultimate goal of any survey is to contribute to a positive, incremental and sustainable improvement in the customer experience, action planning is the magic elixir to bring about this outcome. It is the antidote to complacency.

As we define it, action planning is the intentional and ongoing process of identifying, operationalizing, and implementing specific actions that affect enough customers, over a long enough period of time, to increase positive ratings for those selected elements of the customer experience that yield the greatest payoff.

Tactically, action planning consists of a formal, face-to-face gathering of a cross-functional group of key stakeholders (as few as 8 and as many as 50) engaged in a day-long facilitated session focused on three to five priorities for action that have been identified by the survey. Strategically, action planning is an ideation effort; it is the connective tissue between the survey findings/recommendations and the change in organizational behaviors. The various methodologies for implementing this facilitated event are plentiful (e.g., brainstorming techniques, visualization practices, etc.).

Regardless of the methodologies used, the critical point is to ensure that an action planning effort is in place. We have found that action planning dramatically increases the ROI that companies can earn for their survey investments by ensuring that they focus finite resources on and act on what matters most to customers. When compared against those who do not implement a formal action planning process, companies that engage in formal action planning are significantly more likely to achieve sustainable increases in customer satisfaction and loyalty, achieve those notable gains more quickly and at a lower cost, and ensure that the survey results are integrated into the culture of the organization.

Defeating NPS Groupthink

It would not be difficult to argue that NPS and related omnibus metrics have helped propagate a certain customer experience groupthink. The “magic” of NPS has fostered the evolution of a virtual and overly cohesive group of corporate decision makers which believes itself to be infallible or invincible when it comes to the customer experience. In many cases, nothing could be further from the truth. In such cases, it’s more likely that no one is paying attention to signs of impending customer doom because they lack the right data and processes.

The key to preventing the oft negative outcomes associated with NPS is to use it in conjunction with three companion tools: quantification of the market damage of inaction, a proper key driver and sensitivity analysis and a formal action planning process.

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