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Customer Feedback Metrics

The predictive power of customer satisfaction, NPS
 and other metrics

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Summary

Background and recommendations





Why monitor Customer Feedback Metrics?

- › Customer feedback metrics provide companies with insights into the attitudes of the customers.
- › These metrics are capable to predict future customer behavior and firm performance.
- › In addition, these metrics are used to quantify the impact of marketing activities and they give managers the chance to stop 'bad' campaigns in time and to roll out 'successful' campaigns faster.
- › Finally, metrics can be used to improve make a firm more 'accountable' and with that strengthen the position of the marketing department in the company. A wide range of studies have shown that this has positive consequences for the financial results of the company.



What do these concepts mean?

- › Customer Feedback Metrics (CFMs)
 - *These are not directly observable attitudes that a customer has towards (parts of) the company. These metrics are measured by using surveys.*
- › Customer Satisfaction
 - *A widely used and researched CFM that measures the extent to which the customer is satisfied with (parts of) the company.*
- › Net Promoter Score (NPS)
 - *A popular CFM that measures the extent to which customers are prepared to recommend the company to friends and family. Depending on the score, customers can be categorized as 'detractors', 'passives' or 'promoters'.*
- › Customer Effort Score (CES)
 - *A new CFM that measures how much effort it takes the customer to make their request taken into consideration by the company.*



How popular is this subject?

- › The relationship between customer satisfaction, customer behavior and company performance, received much attention in the scientific literature.
- › The popularity of customer feedback metrics among companies is high, especially with the advent of the Net Promoter Score (see a small selection of companies using the NPS below).
- › Companies have little insights into the predictive power of the different metrics, while this is crucial when using these metrics in practice to improve firm performance.





How to use Customer Feedback Metrics?

- › Using multiple metrics gives better predictions than using only one metric.
- › Customer satisfaction and the Net Promoter Score strengthen each other and are both good predictors of customer behavior and business performance.
- › Be cautious when adopting new (not widely researched) metrics. The promises of these metrics are often overly optimistic.
- › To get the most out of the metrics, choose (1) for an asset that needs to be monitored (e.g. customer equity), (2) a significant measurable component of this asset (e.g. retention), (3) find out which customer feedback metric(s) predict changes in this section the best (i.e. the strongest and/or the earliest).
- › Tracking and optimizing metrics is not a goal in itself! Metrics provide insights into the state of the customer base and helps to identify problems, develop strategies and improve business results.



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The existing metrics

Which customer metrics are out there?

