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**INSIGHT REPORT**

# The State of CX Metrics, 2017

## SEVENTH ANNUAL COMPETENCY & MATURITY ASSESSMENT OF CX PROGRAMS AT LARGE COMPANIES

By **Bruce Temkin**, CCXP
Head of the Qualtrics XM Institute

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This report was originally published by Temkin Group and was updated to incorporate the Qualtrics XM Institute™ format. There were no substantive changes made to the content.

## EXECUTIVE SUMMARY

Temkin Group surveyed 169 companies to learn about how they use customer experience (CX) metrics and then compared their answers with similar studies we've conducted annually since 2011. We also had them complete our *CX Metrics Program Assessment* that evaluates the degree to which these efforts are *Consistent*, *Impactful*, *Integrated*, and *Continuous*. Here are some of the highlights:

- Only 11% of CX metrics programs received "strong" or "very strong" ratings, while 64% of companies received "weak" or "very weak" ratings. Only one out of five companies earned at least a moderate rating for being *Integrated*.
- Sixty-five percent of companies are good at collecting and calculating metrics, but less than 20% are good at using analytics to predict future changes in the CX metric.
- Satisfaction and likelihood to recommend remain the most popular CX metrics, with satisfaction at a transactional level delivering the most positive impact.
- Only 10% of companies always or almost always make explicit tradeoffs between CX metrics and financial results.
- Companies identified the lack of taking action based on CX metrics as a top obstacle to their programs. The identification of this as a top problem increased the most between 2016 (54%) and 2017 (62%).
- We asked companies about their effectiveness at measuring 19 different elements of customer experience. They are most effective at measuring customer service, phone interactions, and customers who are using their products and services. They are least effective at measuring the experiences of prospects, customers who have defected, and multi-channel interactions.
- When we compared companies with stronger CX metrics programs with those with weaker efforts, we found that the stronger firms have better overall CX results, more frequently use and get value from likelihood to recommend metrics, and report fewer obstacles.

## HOW COMPANIES ARE USING CX METRICS

For the seventh straight year, Temkin Group asked large companies about their use of customer experience (CX) metrics and then compared the results with survey responses from the past six years.[1] Our analysis shows that:

[1] In November 2017, we surveyed 169 professionals from companies across the world with at least $500 million of annual revenues. We compared these results to the data we collected in previous Temkin Group reports. See the Temkin Group report, The State of CX Metrics, 2016 (December 2016).

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- **Companies are best at collecting and calculating metrics.** We asked respondents about different areas of their CX metrics efforts and nearly two-thirds of them rated themselves as "good" or "very good" at *collecting and calculating CX metrics* (see Figure 1). This has been the highest rated area for all seven years of the study (see Figure 2). Companies have made the largest improvements in *using executive dashboards*.
- **Likelihood-to-recommend and satisfaction remain most popular.** We asked respondents which specific metrics they regularly track, and 85% reported tracking likelihood-to-recommend and satisfaction (see Figure 3). These metrics continue to be the most popular with large companies. The metric that increased the most over the last year is tracking the number and value of new customers.
- **Transactional satisfaction is the most successful metric.** To understand how companies use metrics, we asked respondents to rate how effectively they use both transactional-level and relationship-level metrics (see Figure 4). Seventy-five percent of respondents report success using transactional satisfaction, the highest level across all metrics. Companies report the next highest levels of success at the relationship level for likelihood to recommend and satisfaction metrics. The satisfaction metrics at both the transactional and relationship level, as well as transactional-level customer effort metrics, have improved the most since last year (see Figure 5).
- **Companies still push financial priorities.** We asked respondents how frequently their company performs 12 specific activities that are important components of CX metrics programs. At the bottom of the list, only 10% of respondents say that their company "always" or "almost always" *makes explicit trade-offs between CX metrics and financial metrics* (see Figure 6).
- **Leaders are active users of CX metrics.** The strongest CX metrics component is, once again, *leaders are expected to help improve CX metrics* (see Figure 7). Compared with last year, companies have improved the most in understanding the financial impact of changes in CX metrics and in considering CX metrics when making both strategic and capital investment decisions.
- **Lack of taking action is the key obstacle.** We asked respondents to select the significant problems their company's CX metrics program encounters, and we found that the most frequently selected obstacle was *lack of taking action based on CX metrics* (see Figure 8). The prevalence of this obstacle increased the most since last year, jumping eight percentage-points.

### Effectiveness of Measuring Different Customer Experiences

We asked respondents to rate how effectively their organization measures different types of customer experiences. We found that:

- **Customer service is the best-measured aspect of the lifecycle.** We asked respondents to rate how effectively their companies measure different stages of the customer lifecycle (see Figure 9). At the top of the list, 66% of companies think they measure customer service well, while only 27% of respondents think their company does a good job measuring the customers' experiences as they research a product. Since last year, companies improved the most in measuring purchase experiences.

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- **Non-customers remain somewhat invisible.** While 40% or more of respondents think they effectively measure the experiences of new customers or customers who have recently renewed or purchased more from their company, only 11% believe that they effectively measure the experiences of prospects before they buy. Furthermore, only 13% think they effectively measure customers who have defected (see Figure 10).
- **The phone is the most measured channel.** Sixty-two percent of respondents think they measure customers' phone experiences well, while 46% think they do a good job measuring online experiences (see Figure 11). At the other end of the spectrum, companies feel the least confident about how well they measure the customer experience across multiple channels and when they are on wireless devices.
- **Companies are better at measuring satisfaction than emotions.** Nearly half of respondents say they are good at measuring the completion of interactions, but only 26% think they are good at measuring the customer's emotional response to an interaction (see Figure 12). Unfortunately, companies were less effective at measuring both emotion and ease in 2017 compared to 2016.
- **Measuring purchase experiences has improved the most.** We compared all the different areas of measurement that we'd asked respondents about and found that the percentage that are good at measuring purchase experiences increased the most, from 39% in 2016 to 51% this year (see Figure 13). Meanwhile, the percentage of respondents who feel that they effectively measure customer effort declined the most since last year.

## COMPETENCY & MATURITY OF CX METRICS PROGRAMS

Companies need a good set of CX metrics that they regularly review and act upon, otherwise they will struggle to make trade-offs between CX and short-term business objectives, like sales and profitability. However, implementing an effective CX metrics program is more complicated that just defining some measurements. Companies need to build a holistic program that focuses on *what* they measure, *how* they review those measurements, and *how* those metrics drive decisions. Good CX metrics programs need to be:

- **Consistent:** If companies don't use the same core set of CX metrics across the company, they will never be able to have a strong, common dialogue around CX. How difficult would it be for an organization to operate if everyone had different measurements for "sales" or "profitability?" Using a consistent set of CX metrics helps to build a clear vocabulary, which ultimately allows an organization to have more productive discussions about CX.
- **Impactful:** CX metrics are meaningless unless organizations use them to make decisions. Companies need to identify metrics that are meaningful enough to drive decisions – and then actually act on them.
- **Integrated:** Companies make trade-offs across their business all the time. Sometimes short-term goals – like current quarter sales – will win out, while at other times, companies are willing to focus on long-term goals and invest in their future. Companies must integrate CX metrics into their trade-off business discussions.

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- **Continuous:** Reviewing CX metrics on a quarterly basis turns the data into a backwards-looking scorecard. For companies to actually make improvements in their business, CX metrics need to become an ongoing tool used to run – not just measure – the business.

### Temkin Group's CX Metrics Competency and Maturity Assessment

To gauge the effectiveness of CX metrics programs, we had respondents complete Temkin Group's *CX Metrics Program Assessment* (see Figure 14). Using this tool, we found that:

- **Very few CX metrics programs are strong.** When we analyzed the responses of large firms that completed the assessment, we found that only 11% of CX metrics programs received "strong" or "very strong" ratings, while 64% of companies received "weak" or "very weak" ratings (see Figure 15).
- **CX programs aren't integrated.** Our assessment evaluates CX programs across four areas: *consistency*, *impact*, *integration*, and *continuity*. At the high end, 49% of programs earned "strong" or "moderate" ratings for the *continuous* competency, while at the low end, only 21% of programs earned "strong" or "moderate" ratings for the *integrated* competency.

## EXAMINING STRONGER CX METRICS PROGRAMS

Using the results of our *CX Metrics Program Assessment*, we divided respondents into two groups—those with the highest ratings and those with the lowest ratings. We compared these two groups and found that organizations with stronger CX metrics programs have:

- **Better CX results.** Sixty-eight percent of companies with stronger CX metrics programs deliver "above average" customer experience, compared with only 44% of other companies (see Figure 16).
- **More likelihood-to-recommend metrics.** Companies with stronger CX metrics programs tend to track almost all of the metrics we listed more regularly than those with weaker programs; however, the largest difference is with likelihood to recommend (see Figure 17).
- **More success using all metrics.** Companies with stronger CX metrics programs are more effective at using all of the metrics we examined (see Figure 18). The largest gap between these two groups is found when it comes to using likelihood to recommend as both a relationship and transactional metric.
- **More focus on new customers.** While companies with stronger CX metrics programs are more effective at measuring all of the experiences we examined, they separate themselves the most from companies with weaker programs in terms of measuring the experience of new customers (see Figure 19).
- **More executive commitment.** Companies with stronger CX metrics programs run into fewer significant problems than those with weaker CX metrics efforts (see Figure 20). These groups differ most when it comes to executive commitment and action, where they diverge by more than 30 percentage-points.

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## ASSESS AND IMPROVE YOUR CX METRICS PROGRAMS

We recommend that you use the *CX Metrics Program Assessment* within your company. Here's how:

- **Self-assessments.** Take the test yourself and identify the strengths and weaknesses of your organization.
- **Group discussions.** Use the self-test in a group exercise. Discuss the strengths and weaknesses you identified, and compare areas of agreement and disagreement with others in the group.
- **Benchmarking.** Analyze how your score compares with the data Temkin Group provides about the 169 companies we assessed (see Figure 21).
- **Action planning.** Develop plans to improve the way you use CX metrics.

### Building a Strong CX Metrics Program in Five Steps

How do you create a strong CX metrics program? Temkin Group identified the following five steps that companies should follow to create a CX metrics program that will drive action across the organization (see Figure 22):[2]

- **Step #1: Determine a Core CX Metric.** Select a primary metric that measures the overall quality of customers' experiences with the organization.
- **Step #2: Set achievable goals.** Define realistic targets for the Core CX Metric based on an understanding of how the metric relates to business and financial objectives.
- **Step #3: Identify key drivers.** Find the moments, journeys, interactions, and customers that have the biggest impact on the Core CX Metric.
- **Step #4: Establish key driver metrics.** Develop metrics that evaluate how well the company performs on its key drivers.
- **Step #5: Make the suite of metrics actionable.** Leverage CX metrics to drive organization-wide support for customer experience improvements.

[2] See the Temkin Group report, Five Steps For Building A Strong CX Metrics Program (November 2017).

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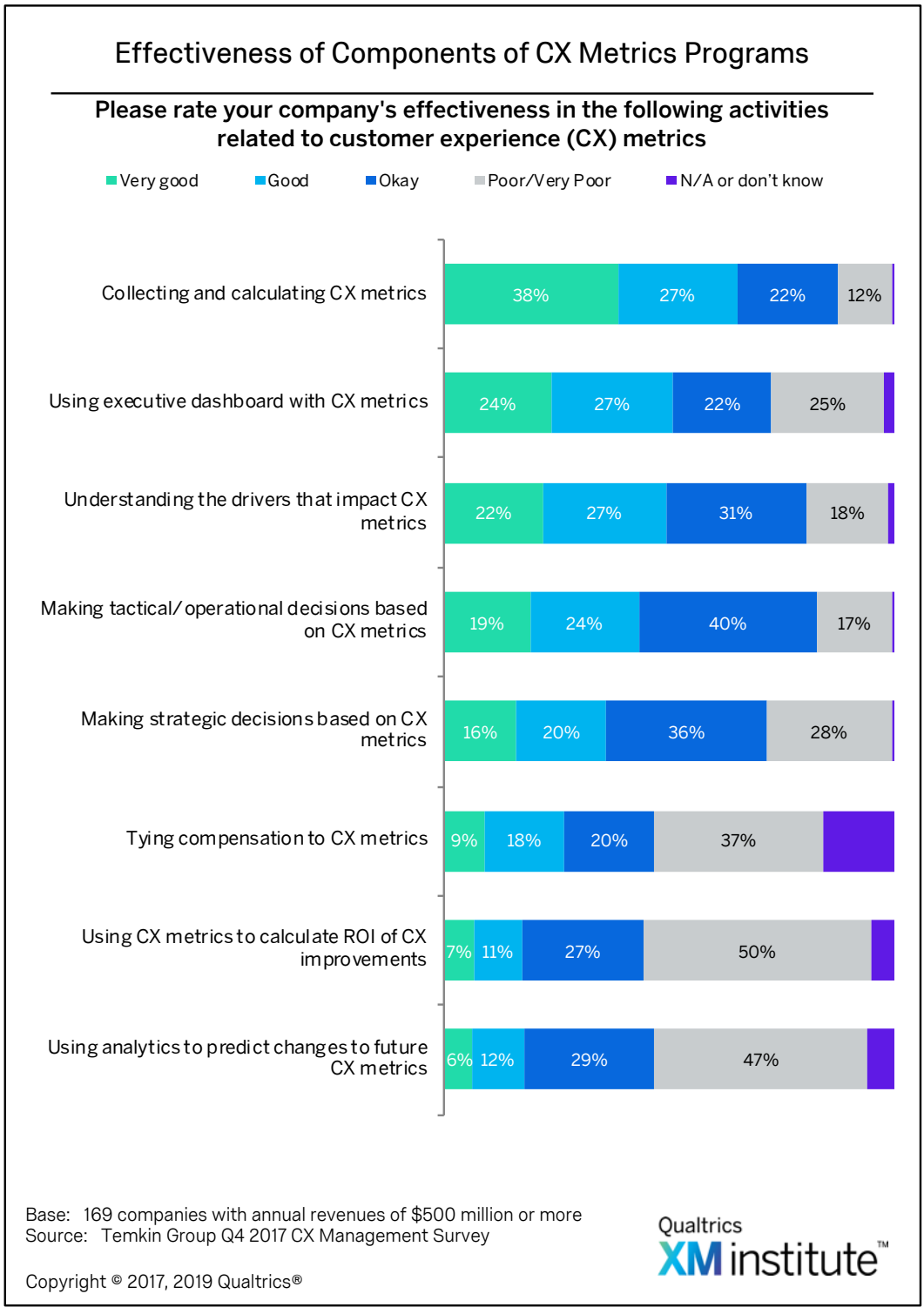


Figure 1

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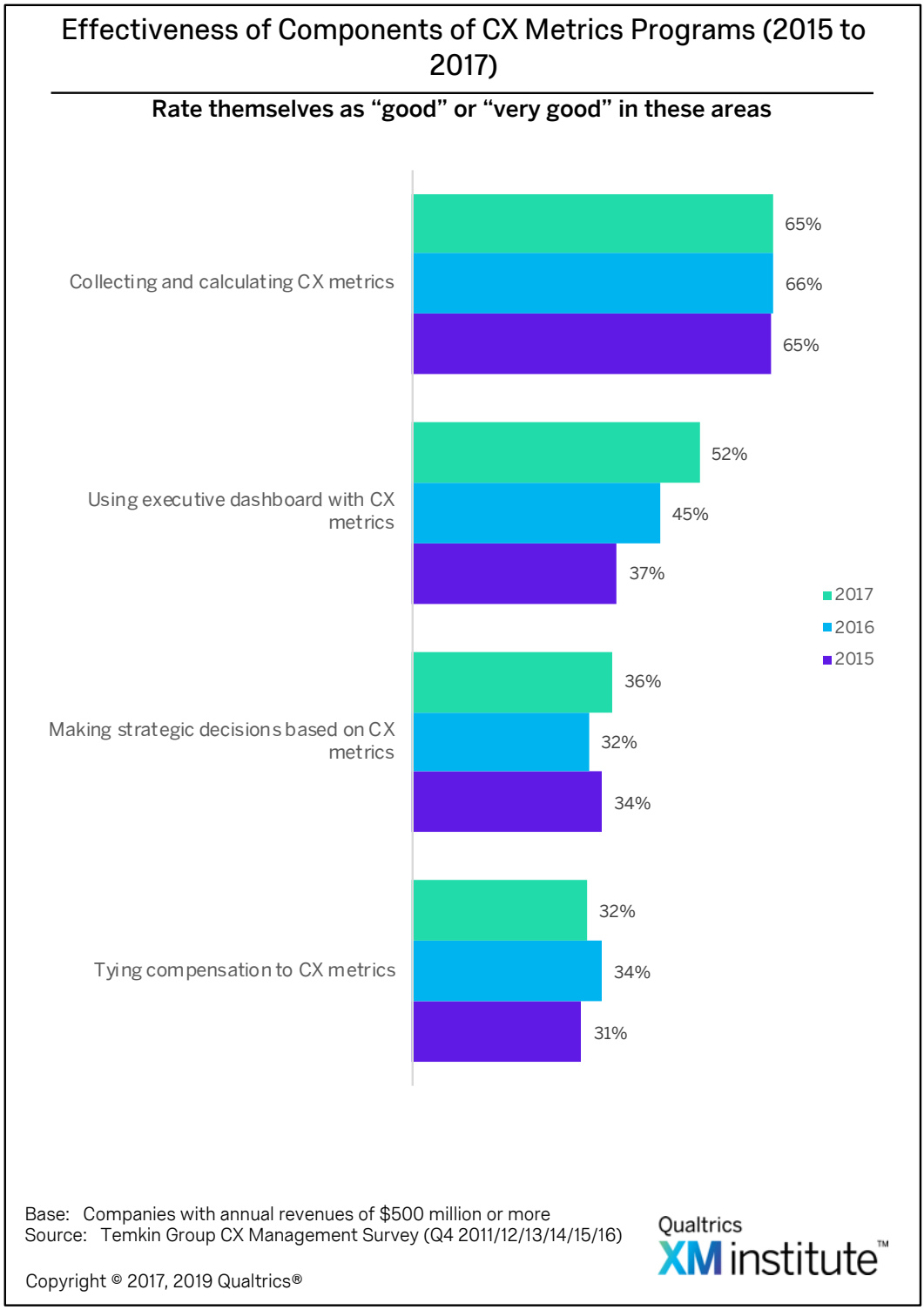


Figure 2

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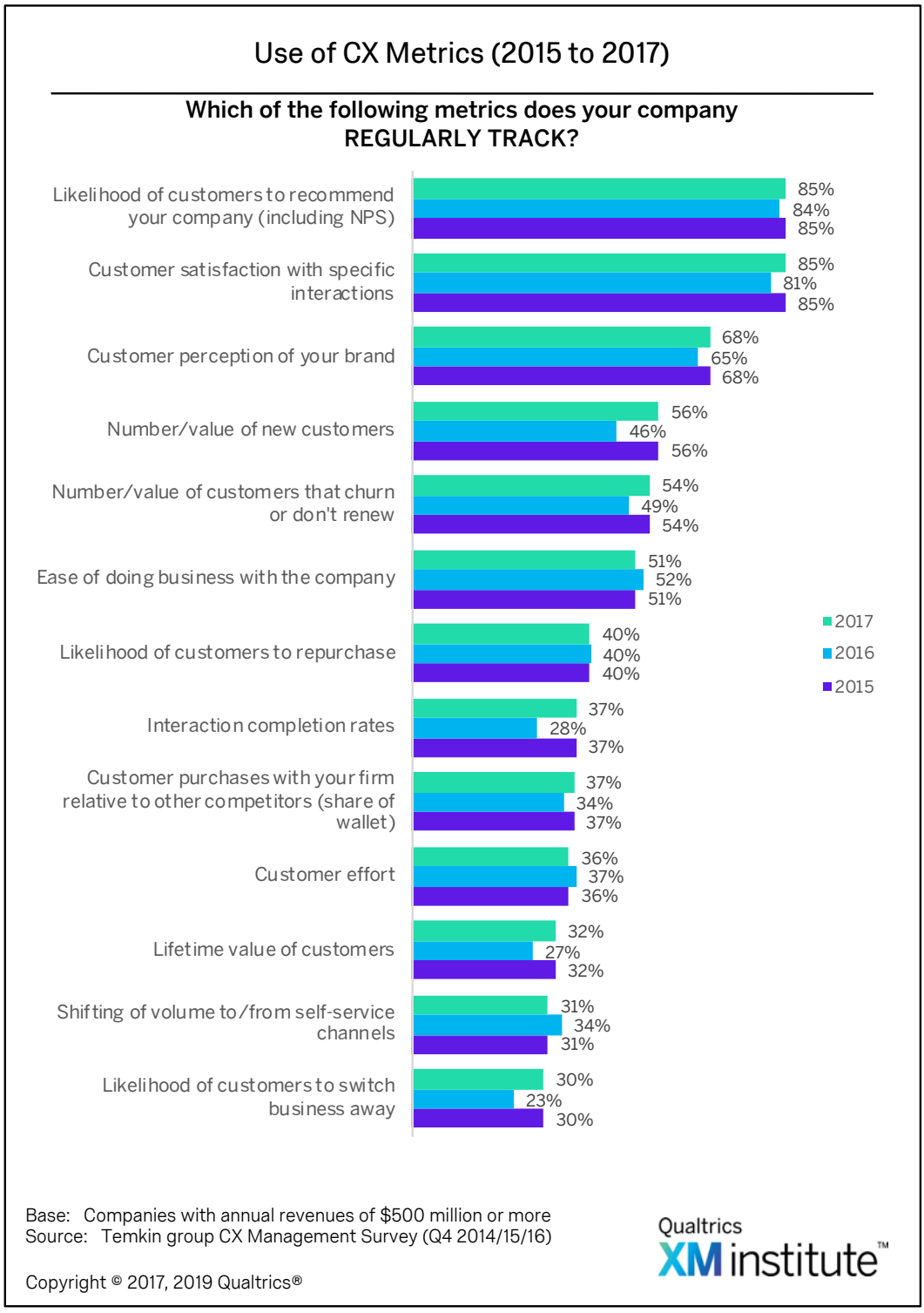


Figure 3

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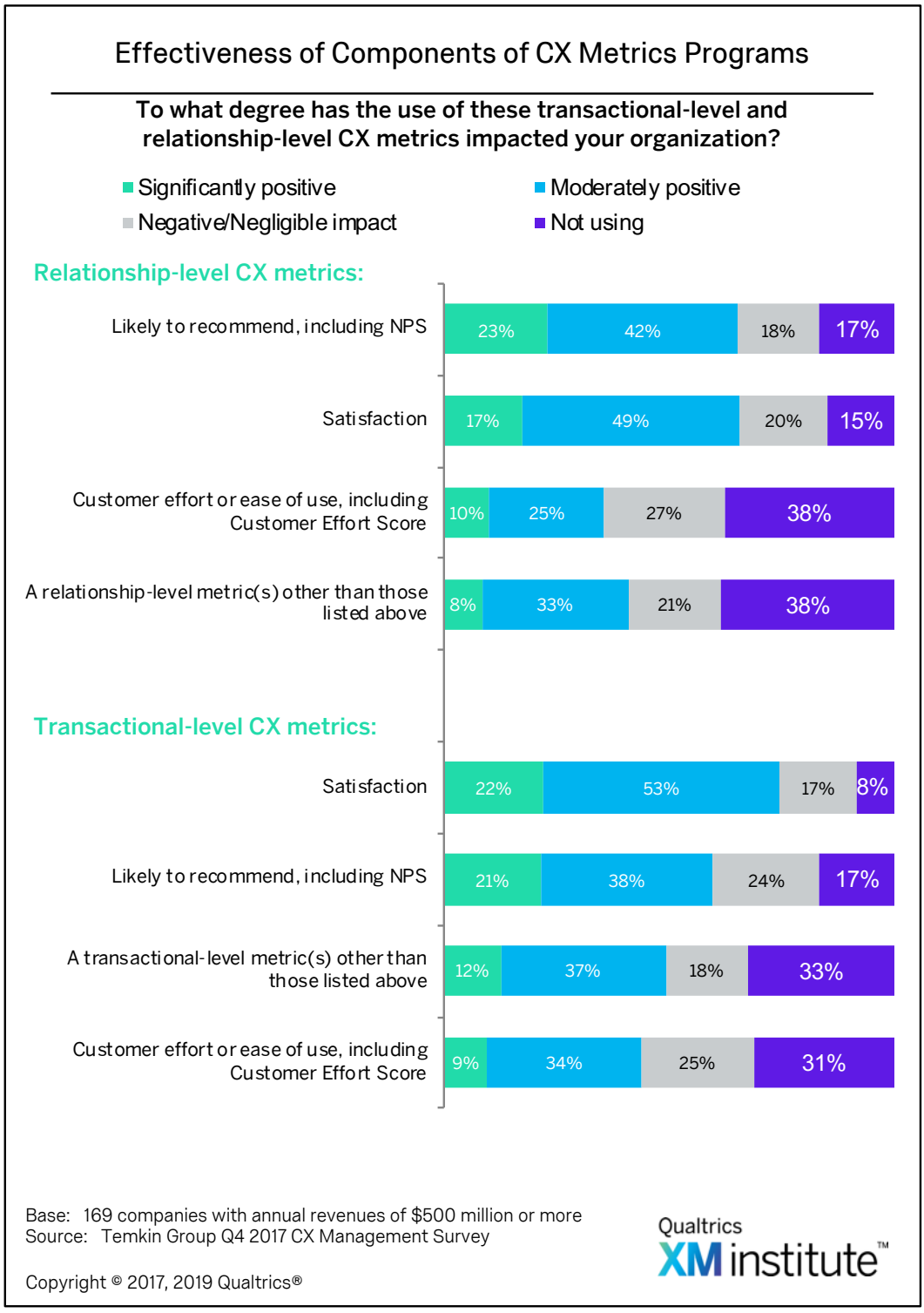


Figure 4

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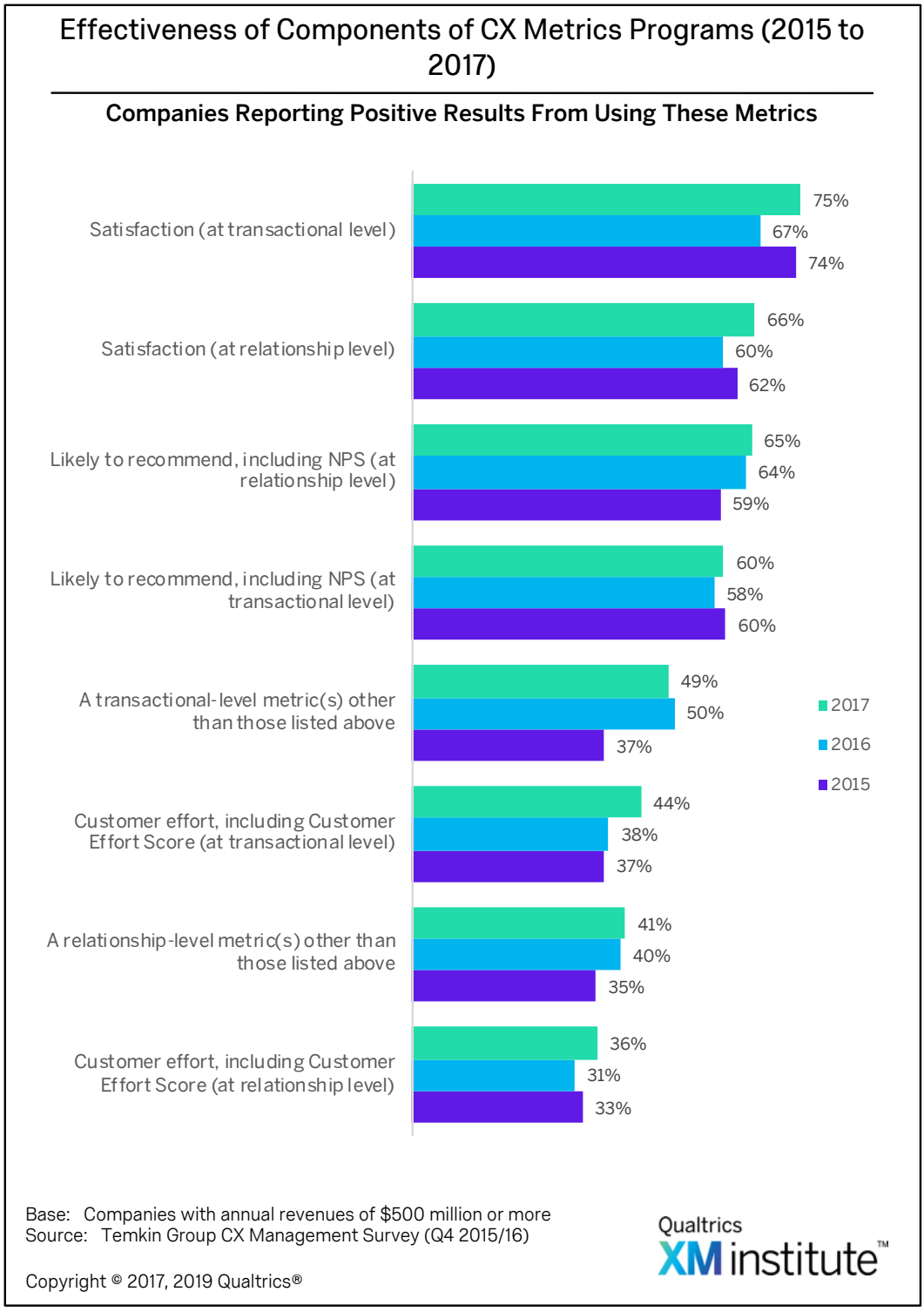


Figure 5

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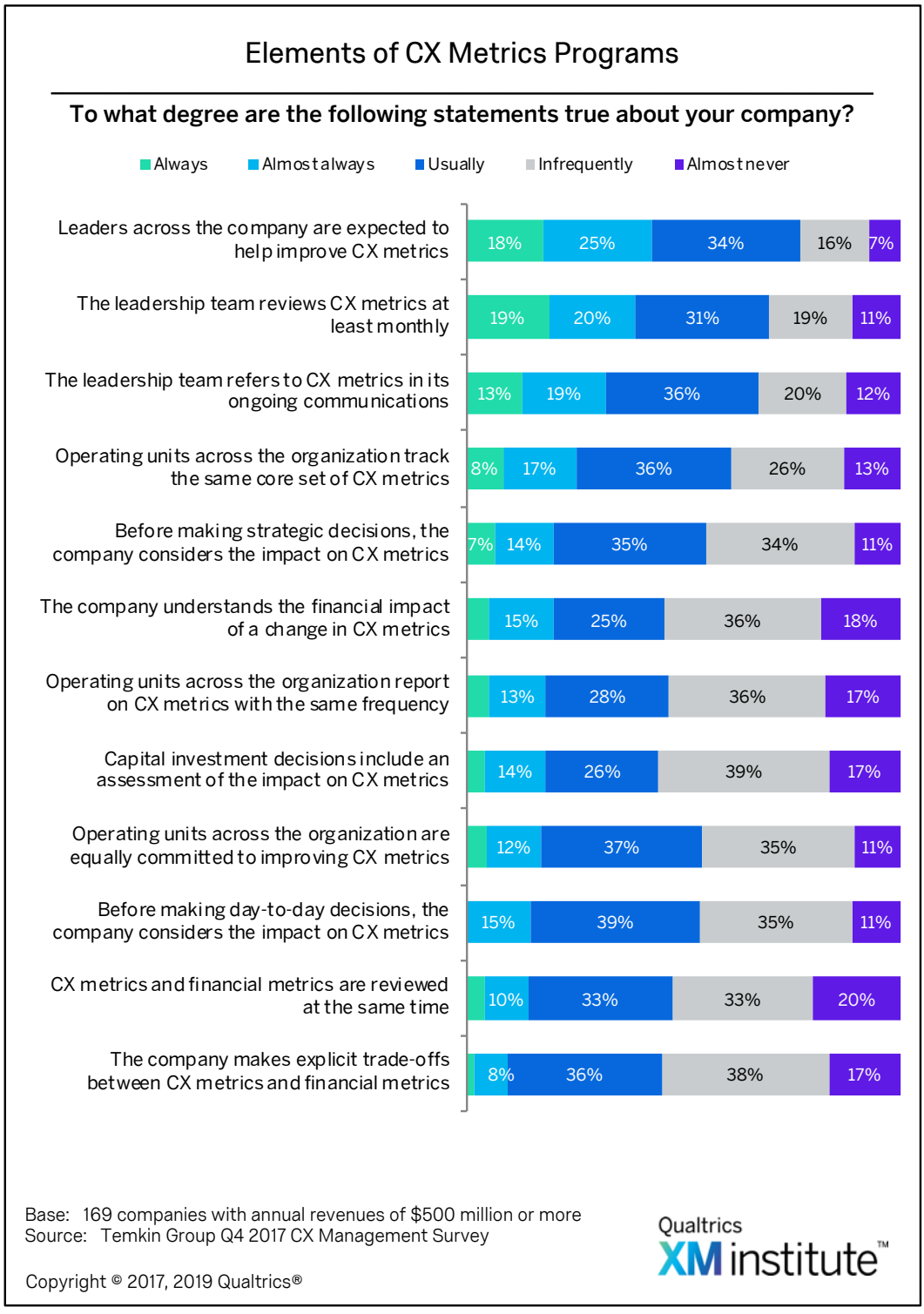


Figure 6

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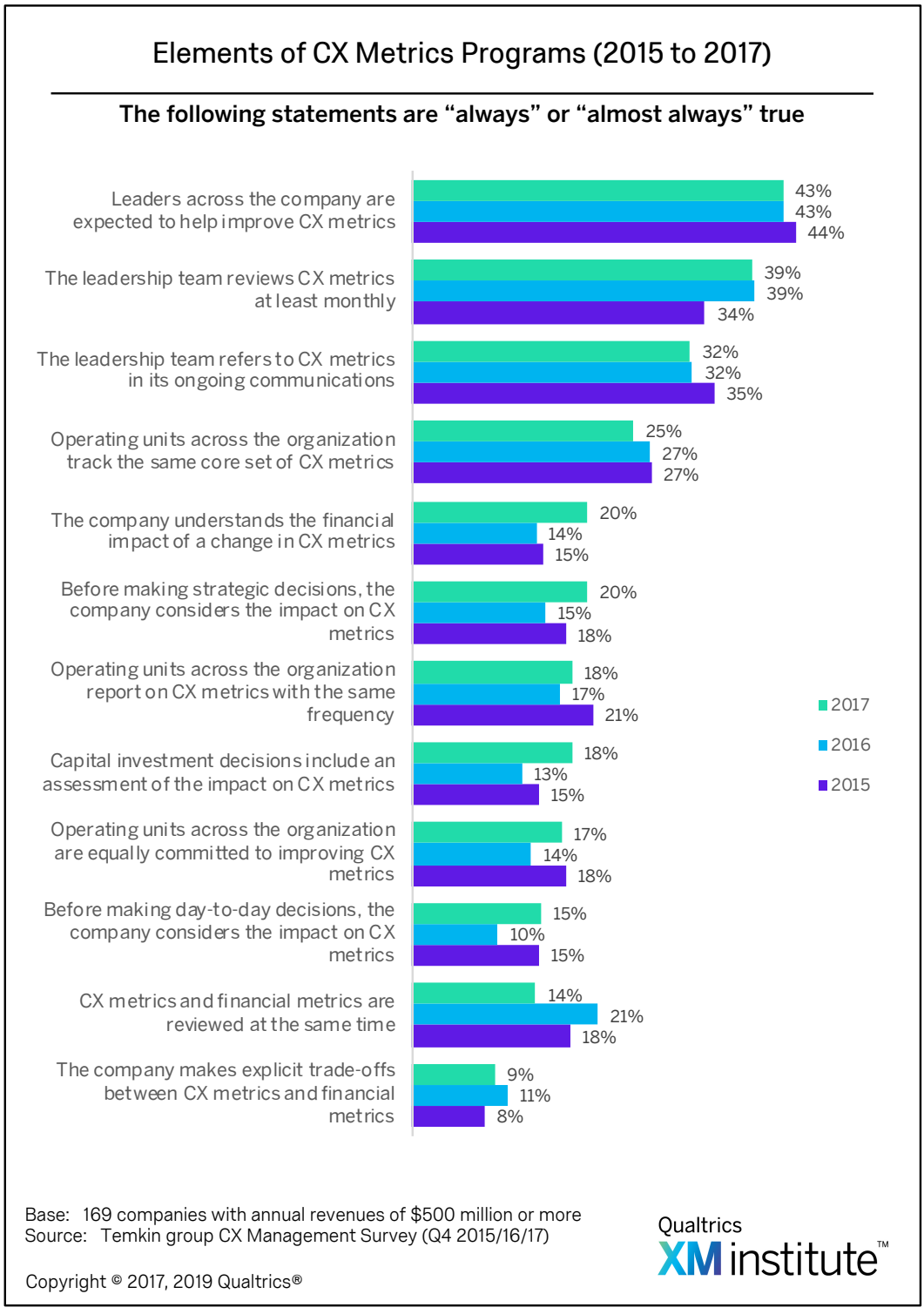


Figure 7

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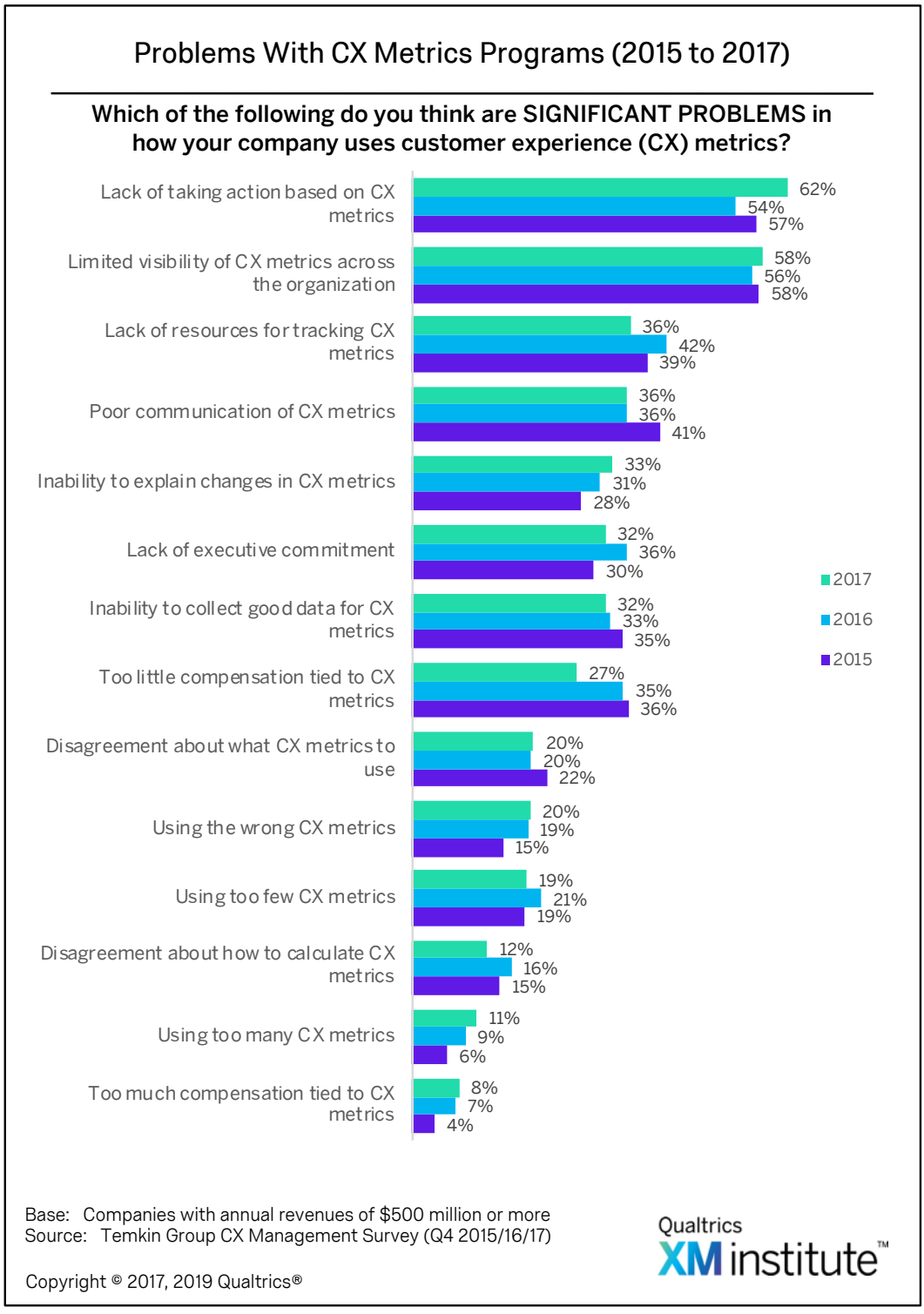


Figure 8

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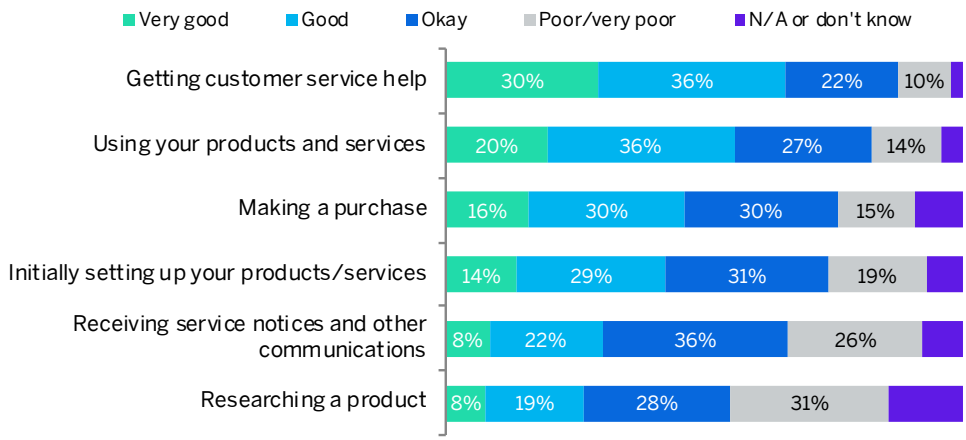
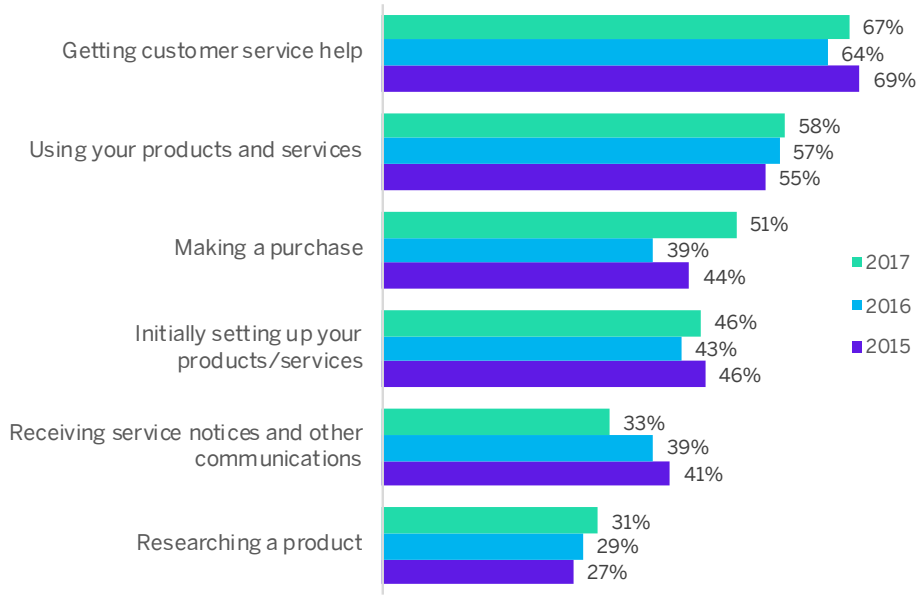
## CX Measurement Across The Customer Lifecycle

**How effective is your company at measuring these customer experiences?**




**Rated as "good" or "very good" (of those who have the metric) in 2015 to 2017**




Base: Companies with annual revenues of $500 million or more
Source: Temkin Group CX Management Survey (Q4 2015/16/17)

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Figure 9

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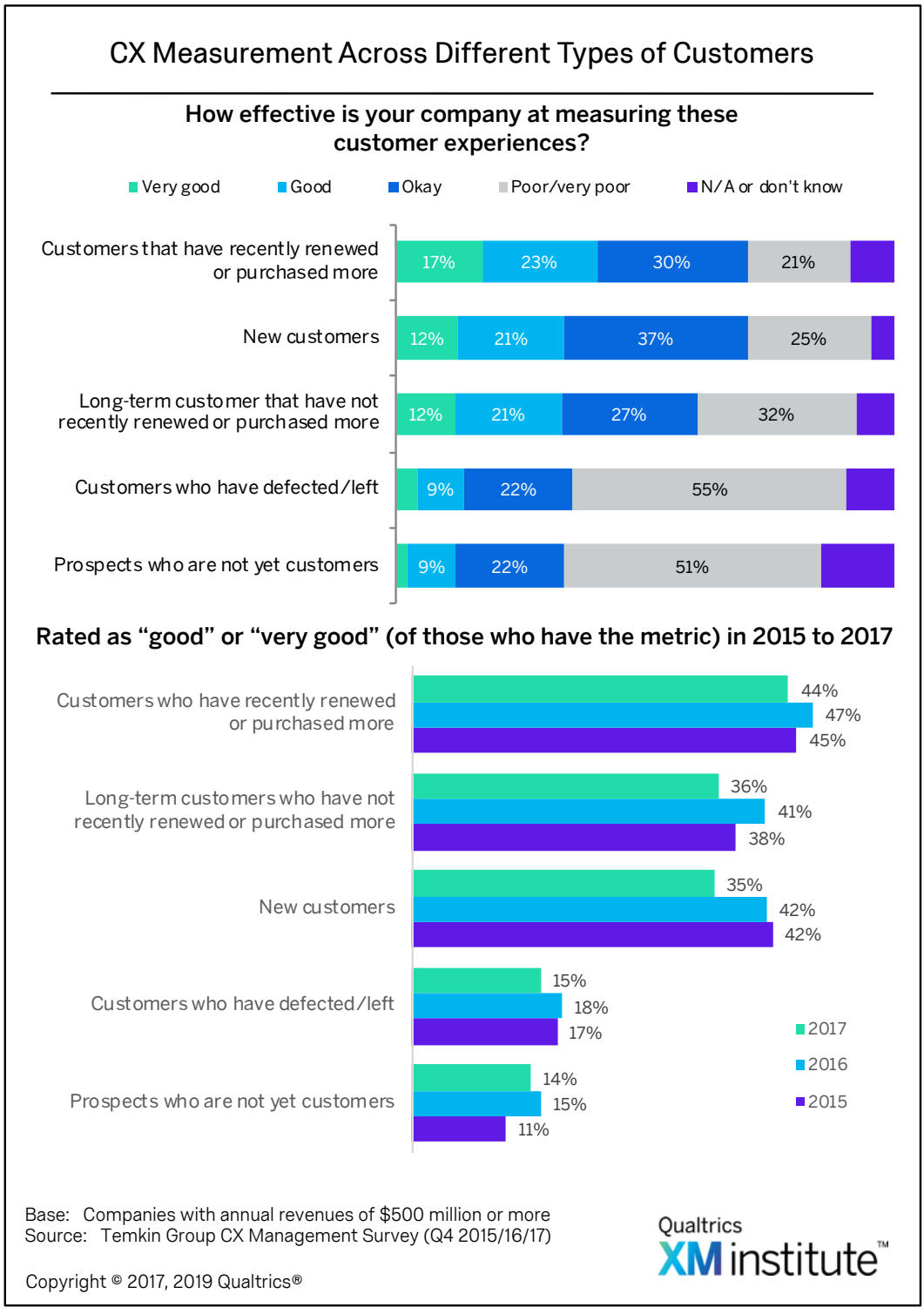


Figure 10

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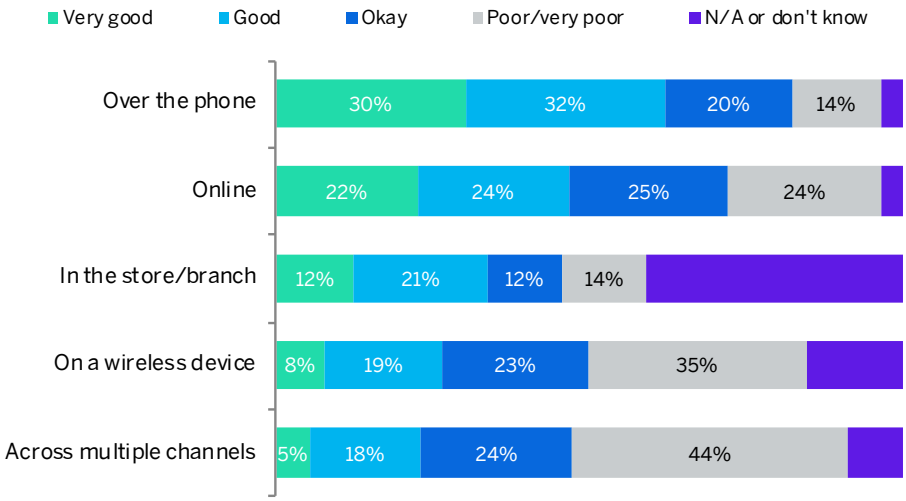
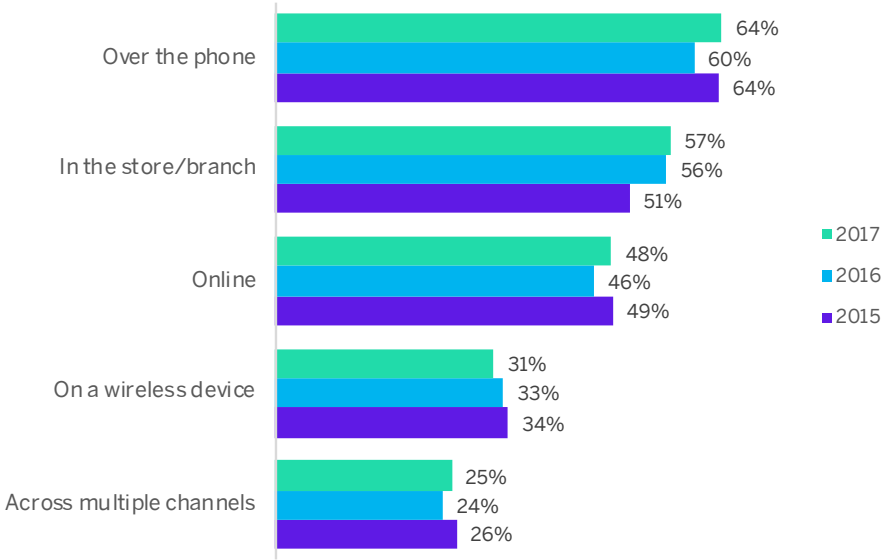
## CX Measurement Across Different Types of Customers

**How effective is your company at measuring these customer experiences?**




**Rated as "good" or "very good" (of those who have the metric) in 2015 to 2017**




Base: Companies with annual revenues of $500 million or more
Source: Temkin Group CX Management Survey (Q4 2015/16/17)

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Figure 11

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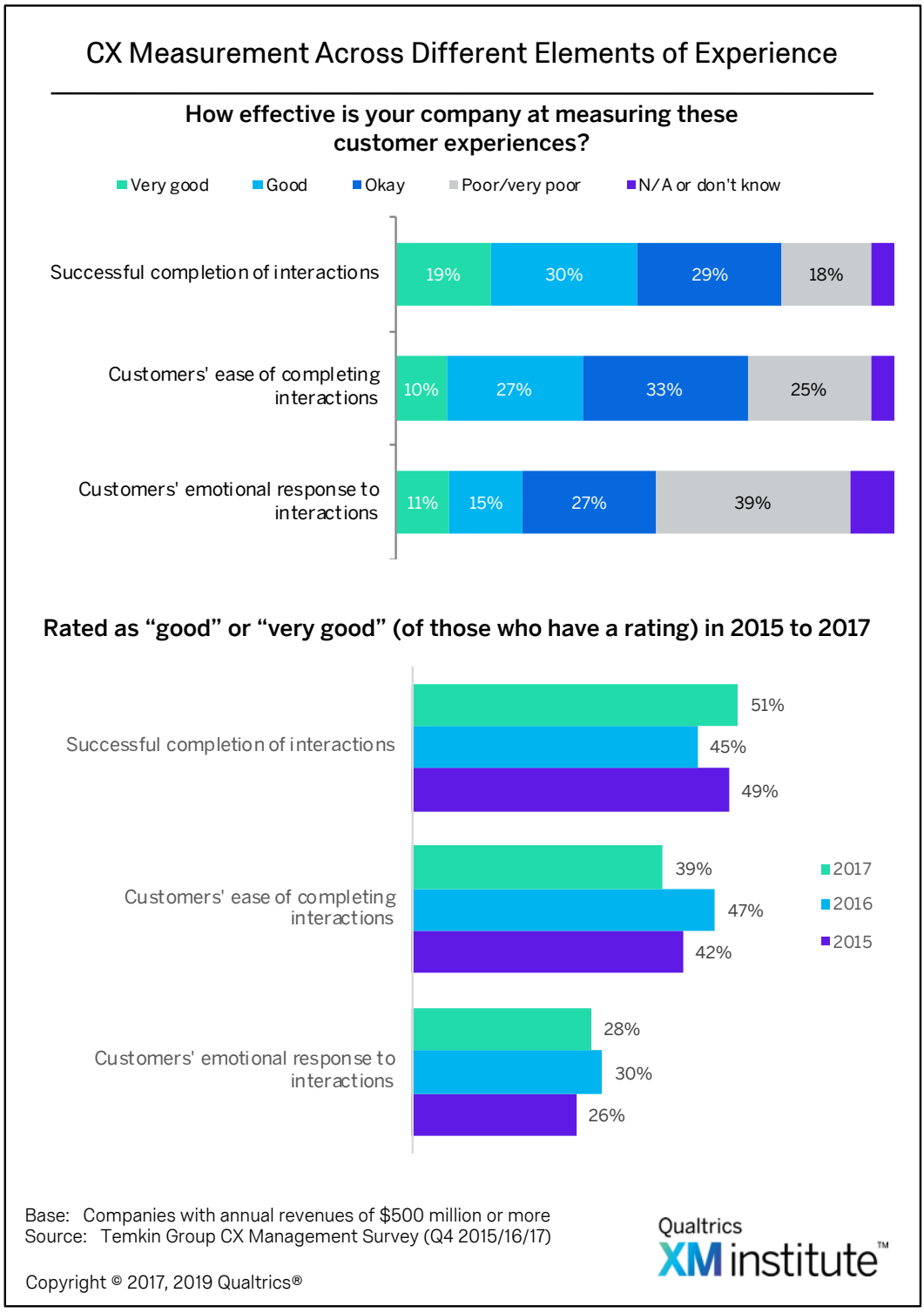


Figure 12

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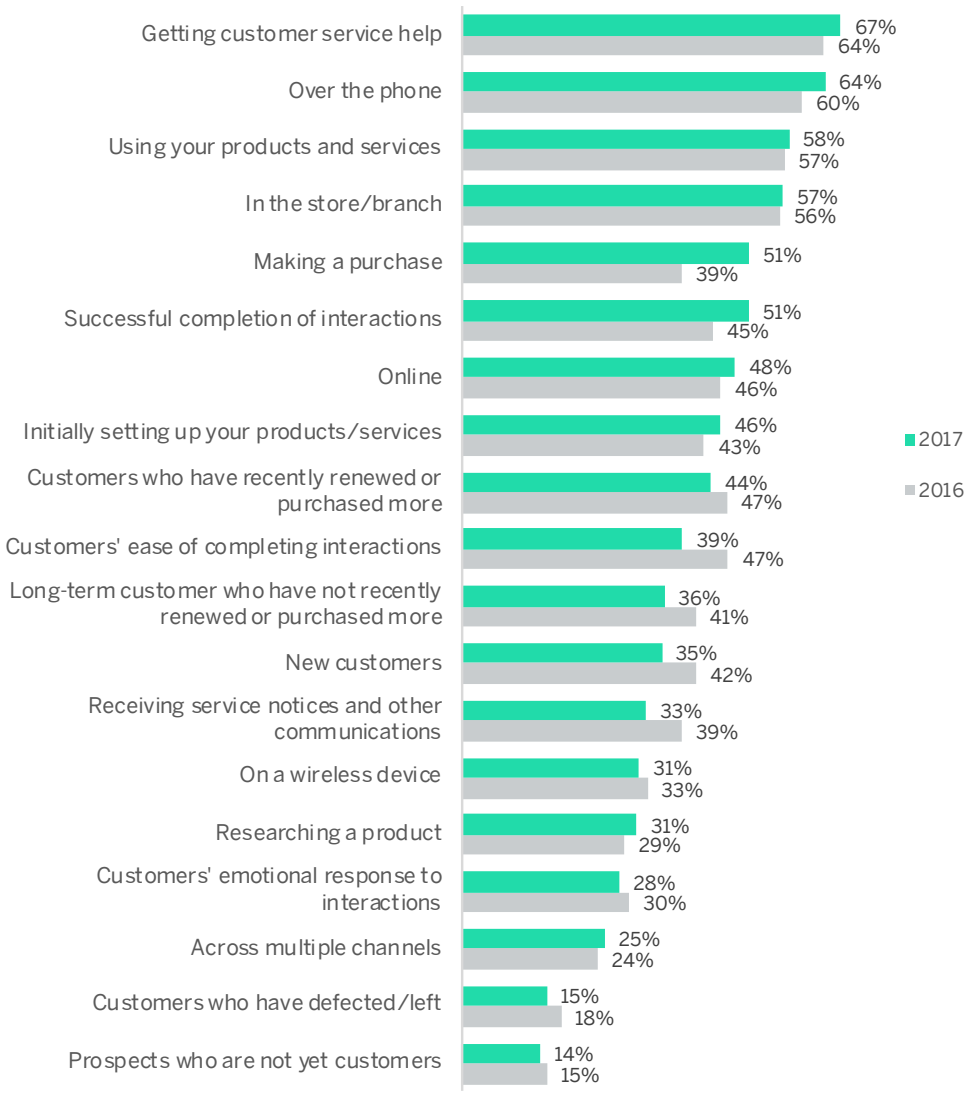
## CX Measurement Across Different Elements of Experience

**How effective is your company at measuring experience in these areas? (Percentage that responded "good" or "very good")**




Base: Companies with annual revenues of $500 million or more
Source: Temkin Group CX Management Survey Q4 2016 and 2017

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Figure 13

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## Temkin Group's CX Metrics Program Assessment

**To what degree do the following activities occur within your company?**

1 = Almost never 2 = Periodically 3 = Usually 4 = Almost always 5 = Always

| | |
|---|---|
| 1) Operating units across the organization track the same core set of CX metrics | |
| 2) Operating units across the organization report on CX metrics with the same frequency | |
| 3) Operating units across the organization are equally committed to improving CX metrics | |
| **CONSISTENT subtotal** | |
| 4) Before making day-to-day decisions, the company considers the impact on CX metrics | |
| 5) Before making strategic decisions, the company considers the impact on CX metrics | |
| 6) Capital investment decisions include an assessment of the impact on CX metrics | |
| **IMPACTFUL subtotal** | |
| 7) CX metrics and financial metrics are reviewed at the same time | |
| 8) The company makes explicit trade-offs between CX metrics and financial metrics | |
| 9) The company understands the financial impact of a change in CX metrics | |
| **INTEGRATED subtotal** | |
| 10) The leadership team reviews CX metrics at least monthly | |
| 11) The leadership team refers to CX metrics in its ongoing communications | |
| 12) Leaders across the company are expected to help improve CX metrics | |
| **CONTINUOUS subtotal** | |
| OVERALL TOTAL | |

| CX Metrics Subtotals: | | Overall Total: | |
|---|---|---|---|
| 3 to 6 | Very Weak | 12 to 28 | Very weak |
| 7 to 9 | Weak | 29 to 36 | Weak |
| 10 to 12 | Moderate | 37 to 44 | Moderate |
| 13 to 15 | Strong | 45 to 52 | Strong |
| | | 53 to 60 | Very strong |

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Figure 14

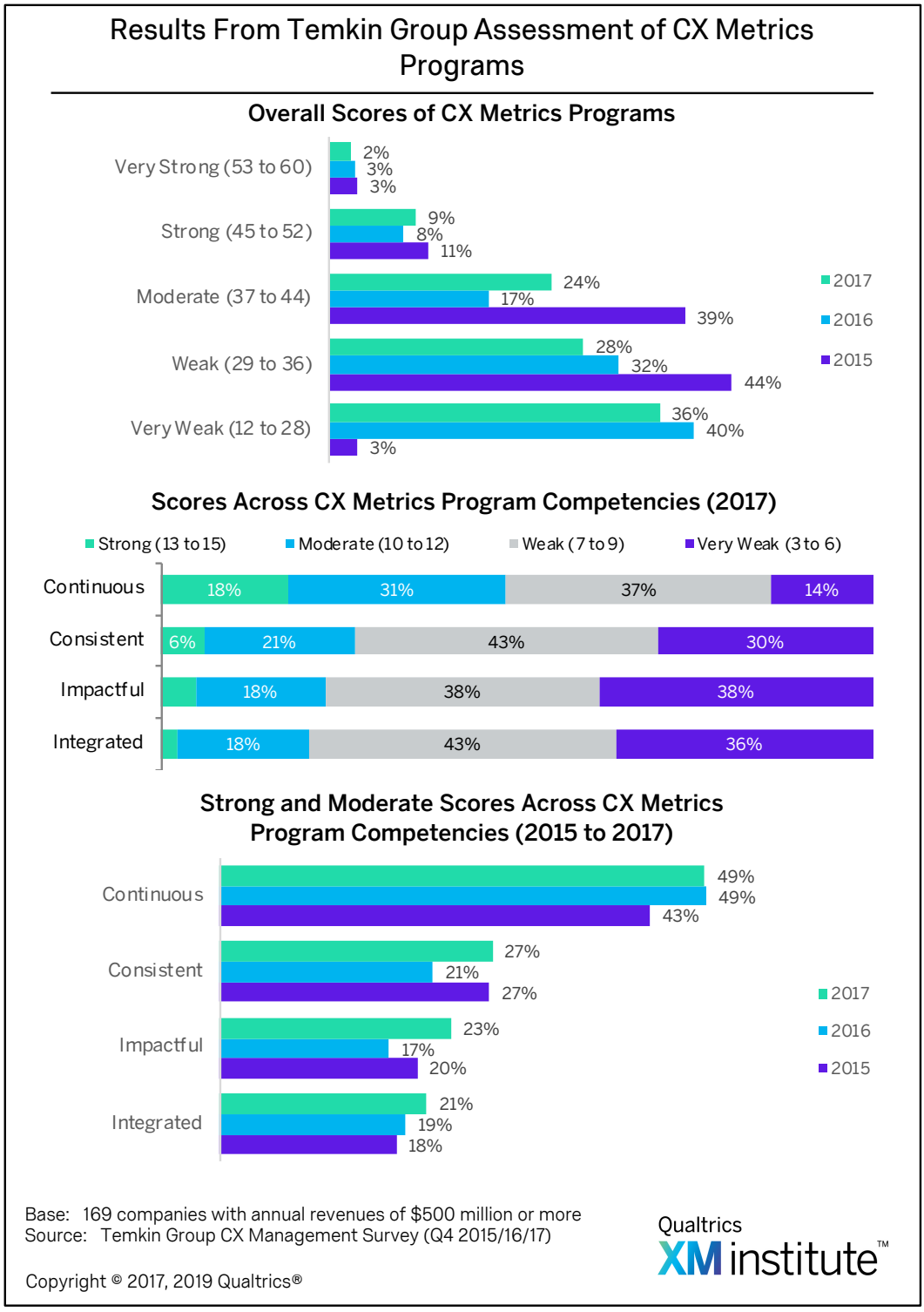


Figure 15

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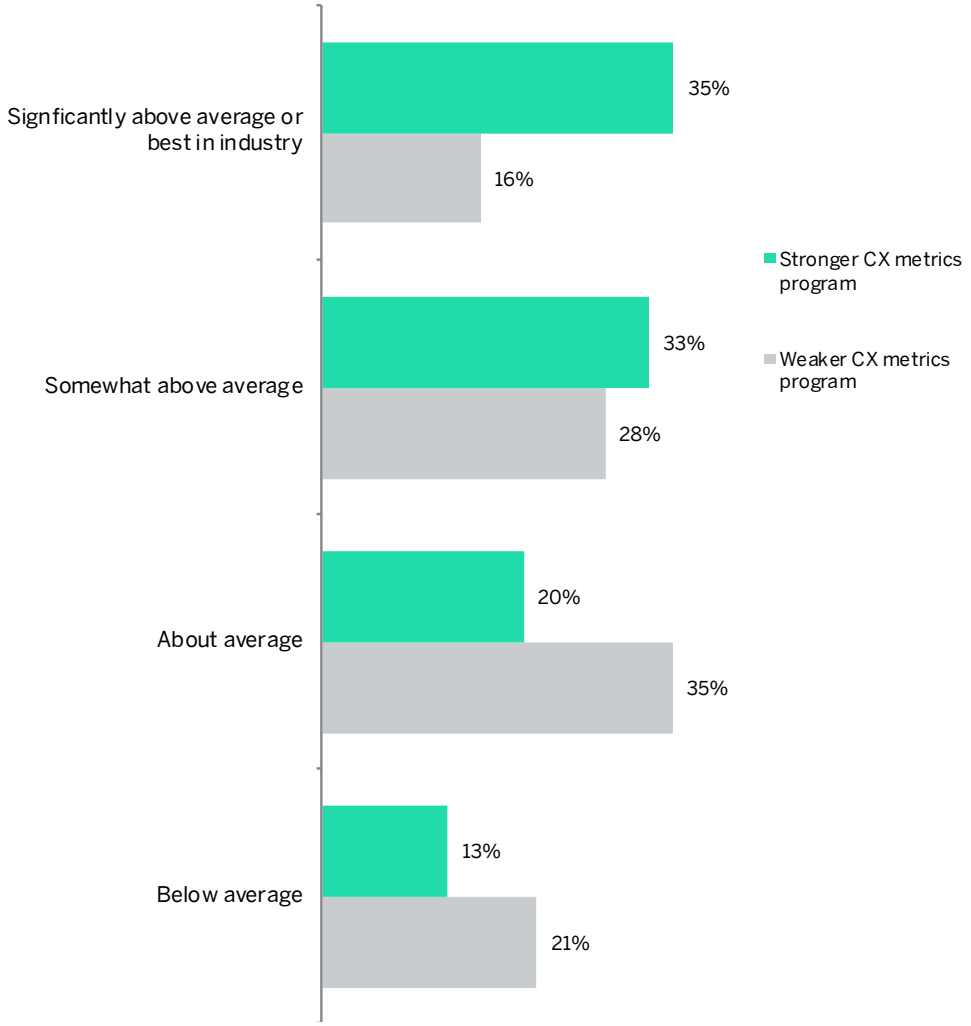
## Comparing Strong and Weak CX Metrics Programs: Customer Experience and Business Performance

**How would you rate the OVERALL CUSTOMER EXPERIENCE that your company delivers?**




Base: 169 companies with annual revenues of $500 million or more
Source: Temkin Group Q4 2017 CX Management Survey

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Figure 16

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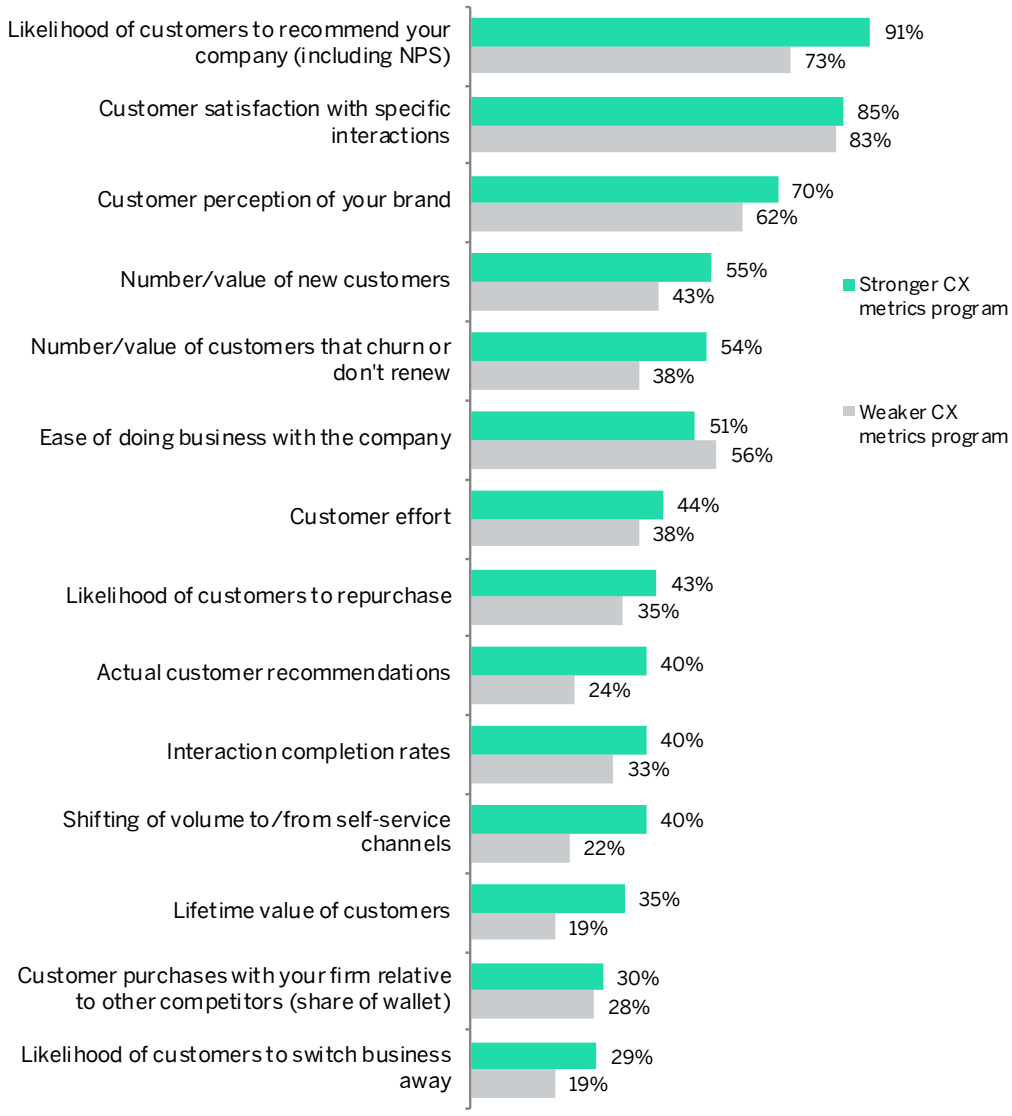
## Comparing Strong and Weak CX Metrics Programs: Metrics Tracked

**Which of the following metrics does your company REGULARLY TRACK?**




Base: 169 companies with annual revenues of $500 million or more
Source: Temkin Group Q4 2017 CX Management Survey

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Figure 17

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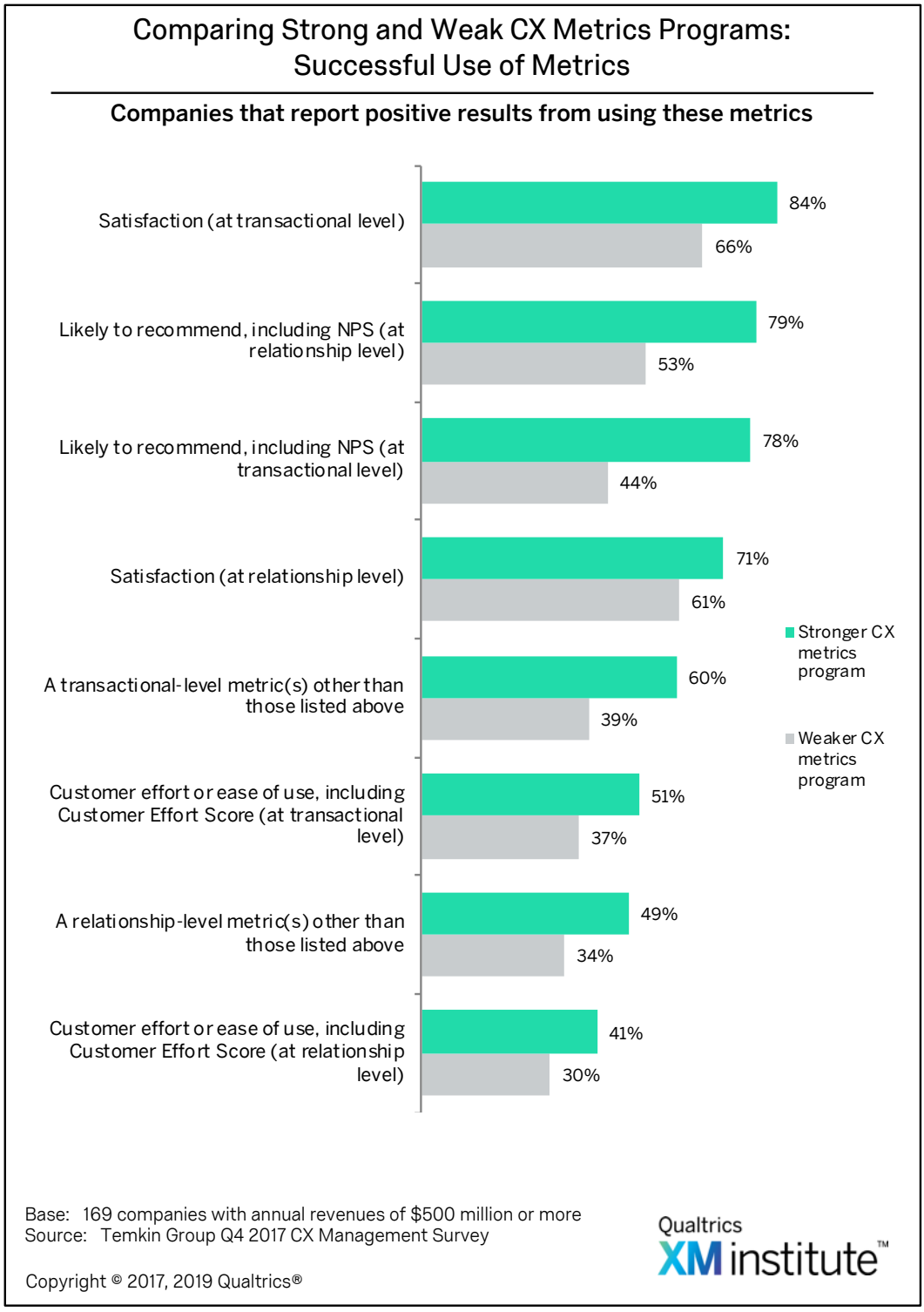


Figure 18

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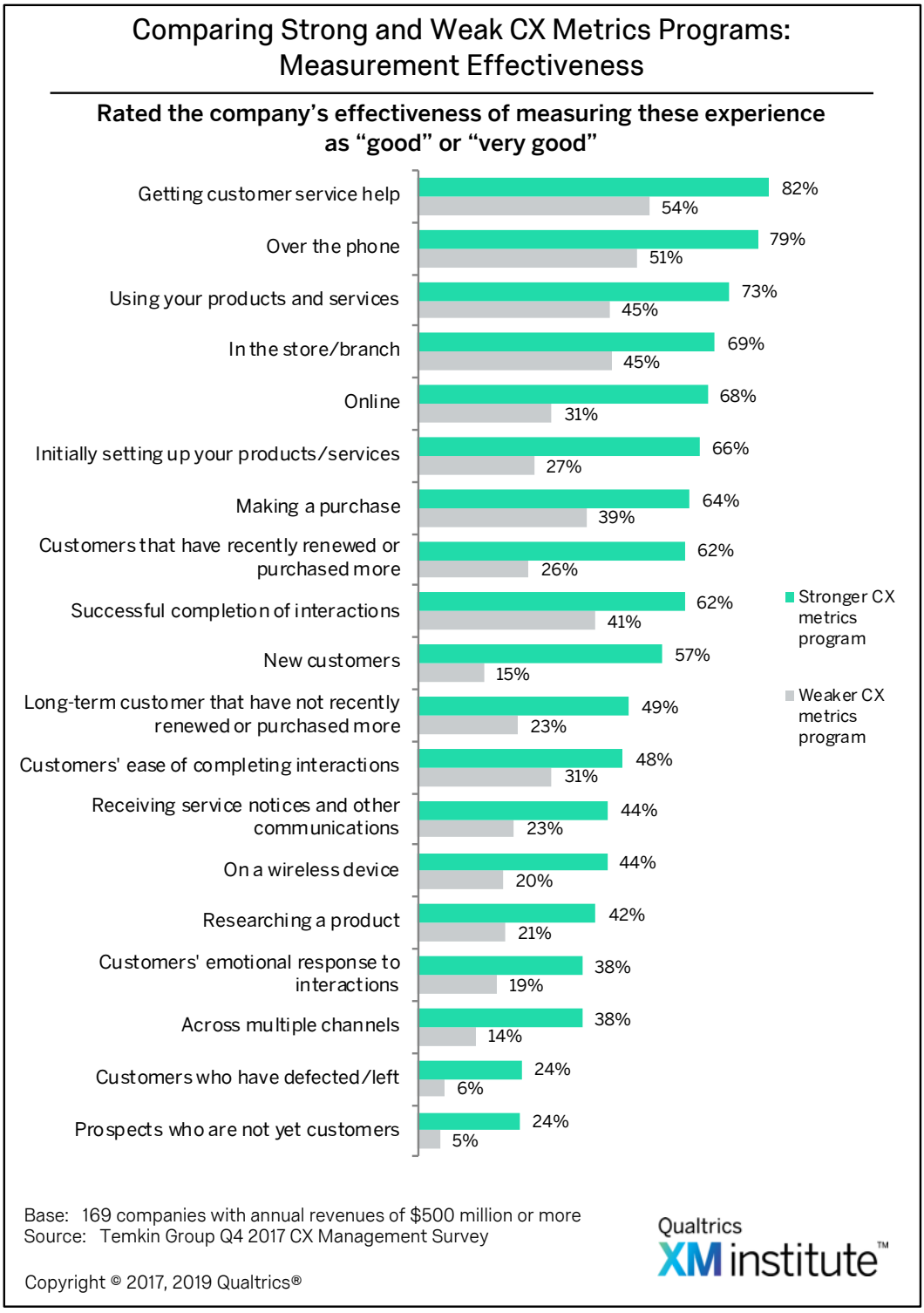


Figure 19

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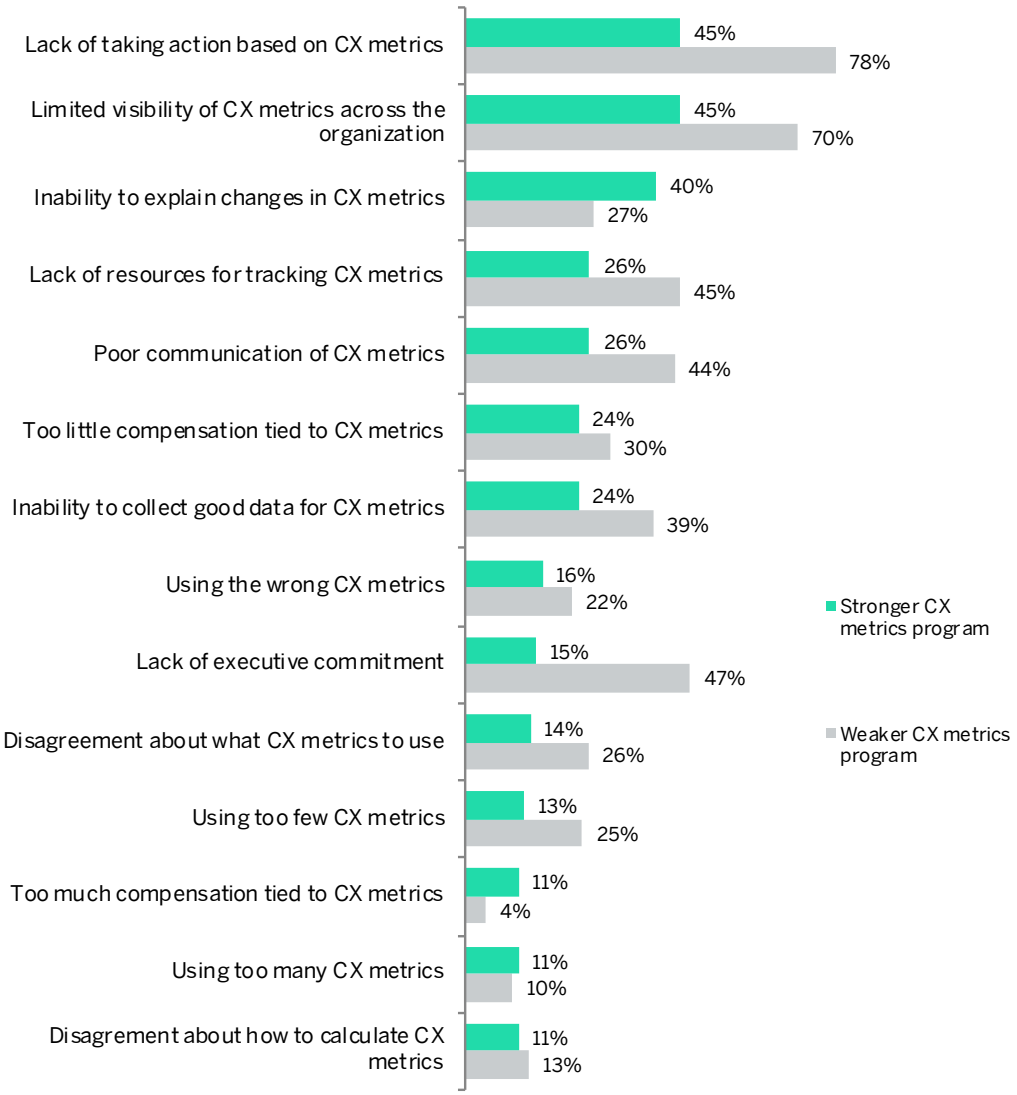
## Comparing Strong and Weak CX Metrics Programs: Obstacles to Success

**Which of the following do you think are SIGNIFICANT PROBLEMS in how your company uses customer experience (CX) metrics?**




Base: 169 companies with annual revenues of $500 million or more
Source: Temkin Group Q4 2017 CX Management Survey

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Figure 20

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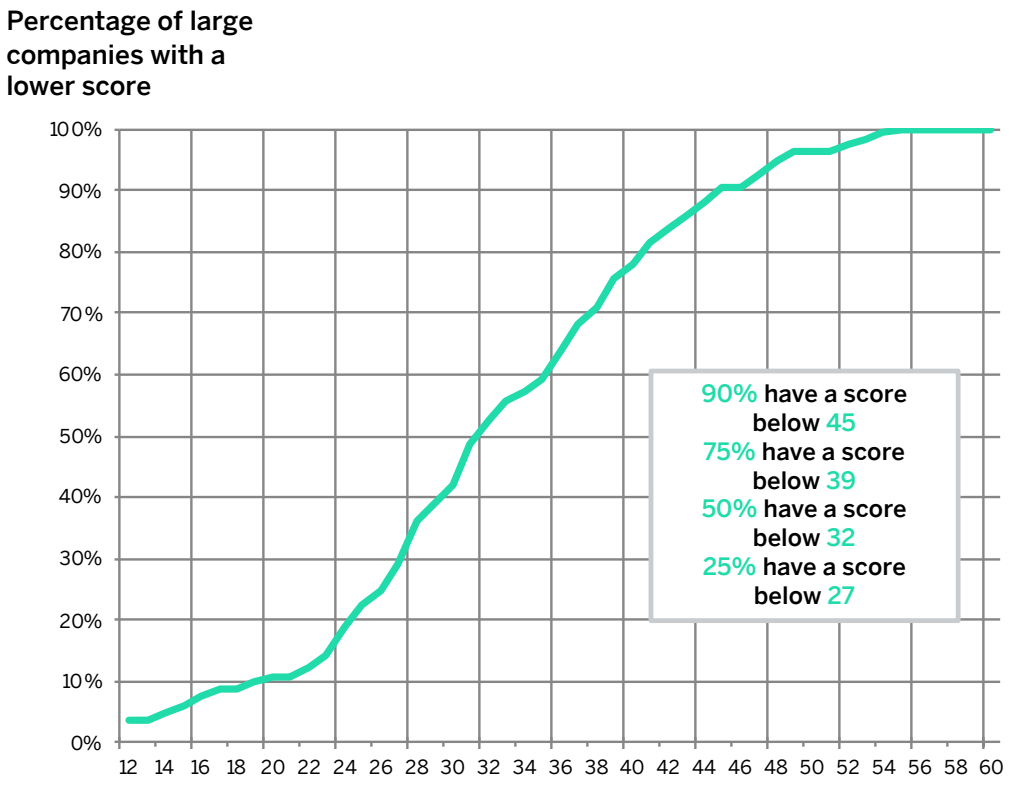
## Percentiles of Results From Temkin Group CX Competency Assessment




**Percentiles for Temkin Group CX Metrics Program Competencies**

| | .25 | .50 | .75 | .90 |
|---|---|---|---|---|
| Consistent | 6 | 8 | 10 | 12 |
| Impactful | 6 | 8 | 9 | 12 |
| Integrated | 6 | 7 | 9 | 11 |
| Continuous | 7 | 9 | 12 | 14 |

Base: 169 companies with annual revenues of $500 million or more
Source: Temkin Group Q4 2017 CX Management Survey

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Figure 21

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## Five Steps For Building a Strong CX Metrics Program

| Steps | Best Practice |
|---|---|
| Step 1: ***Determine a Core CX Metric*** | A Core CX Metric should:<br>• Be understandable to all employees<br>• Provide actionable insights<br>• Not be limited to attitudinal metrics<br>• Reflect the attitudes and behaviors most essential to the brand<br>• Relate to business objectives<br>• Be regularly revisited |
| Step 2: ***Set Achievable Goals*** | Goals for Core CX Metrics should:<br>• Be grounded in a baseline<br>• Vary according to business situation<br>• Be set as a range, not an absolute number<br>• Incorporate findings from competitor studies<br>• Stop at the point of diminishing returns |
| Step 3: ***Identify Key Drivers*** | To uncover key drivers, companies should:<br>• Leverage analytical tools<br>• Talk to key stakeholders<br>• Find key drivers for each main segment<br>• Investigate customer journeys |
| Step 4: ***Establish Key Driver Metrics*** | Key Driver Metrics should:<br>• Encompass more than just survey metrics<br>• Be based on data, not intuition<br>• Connect individual performance to the overarching CX strategy<br>• Include leading indicator metrics<br>• Be created when necessary |
| Step 5: ***Make the Suite of Metrics Actionable*** | To use CX metrics to drive customer-centricity, companies should:<br>• Tailor distribution by audience<br>• Define the role-specific behaviors that drive metrics<br>• Create a culture of accountability<br>• Celebrate successes<br>• Include CX metrics in trade-off decisions<br>• Invest in improving key drivers<br>• Selectively tie CX metrics to compensation |

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