

In Search of the Perfect Metric

Don't hold out for a magic bullet

MOST PEOPLE would like a magic bullet or secret ingredient to make everything easier. That certainly applies to voice-of-the-customer (VoC) strategists, who have long sought a universal metric that accurately measures and predicts customer behavior. Measures such as satisfaction, loyalty, value, Net Promoter Score, commitment, and trust have frequently been debated on the basis of their strengths and weaknesses.

Unfortunately like most so-called magic bullets, the perfect universal customer metric does not exist. However, that doesn't mean there isn't an ideal metric that will work for your business.

First, let's look at the two primary reasons customer metrics fall short:

- **The metric isn't aligned with business goals.** Too often, a metric is adopted because it is simple or was touted in a business book. However, it may not be an indicator of growth, market share, share of wallet, or other business objectives. In other words, the metric doesn't align with the business and fails to predict customer tendencies.

- **The metric is not used effectively.**

Employees often see the metric merely as a rating, rather than a useful way to guide decisions. Or it is used to incent the wrong behavior. In a conversation I recently had with a technology account representative, she admitted

how she often "cherry picks" her customers and begs them to fill out a survey just so she can hit the goal mandated by her corporate office.

How can companies overcome these obstacles?

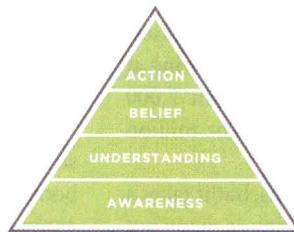
SELECTING THE RIGHT METRIC

Ultimately, the right metric is the one that most accurately predicts customer behavior and ties to your business goals. Let's consider two very different (but real) companies.

- A European manufacturing firm in a B2B environment enjoys strong market share and maintains a high level of customer loyalty. Since its products are significant capital expenditures, the firm needed an indicator that represented the depth of its relationship with each customer. It adopted a partnership metric that combined three critical elements—reliability, competence,

and mutual success—and found that these characteristics allowed the firm to better manage customer relationships and forecast business outcomes.

- A software company that serves B2B and B2C markets considered a few customer metrics and analyzed them to understand which tracked most consistently with their growth objectives. Since the company provides a software solution and relies heavily on future purchases from current customers, it found that a measure of customer loyalty is best aligned with the growth goals of its business, and most accurately predicted buying patterns of its customers.



The hierarchy of engagement

As these companies demonstrate, the

key to selecting the right metric for your business is to consider your objectives and the business environment in which you operate.

PUTTING THE METRIC TO USE

Just as important as selecting the right metric is the way a company puts it to use. For a metric to be effective, employees must be engaged. I see engagement as a four-level hierarchy.

- **Awareness.** People must be aware of the company's VoC strategy and familiar with the metric being used. This requires effective internal communication and support from executives.

- **Understanding.** People must get it. They need to know what the company is trying to achieve, how it works, and what they are supposed to do.

- **Belief.** They need to believe in it. Employees need to be convinced that customer metrics are valid and useful in guiding business decisions.

- **Action.** Once the above are accomplished, employees are much more likely to take action. However, if any of the steps are missed, they will see these efforts as irrelevant or insignificant, and little action will result.

There is a perfect customer metric. It is the one that aligns with your business and is put to use in productive ways. It may not be straight from a book or the one you have used for years, but it can be an excellent way to build productive customer relationships to fuel your business.

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