



# **The New NPS Manifesto**

Modernizing CX and NPS for Financial Success

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**The majority of NPS® initiatives fall short of desired financial goals; our research and experience shows why and provides a way to remedy these shortcomings: [NPS Outcome Engineering](#)**



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# The Situation

**“It’s all part of my journey  
- I’ve done a lot of stupid things,  
but you learn by your mistakes.”**

OZZY OSBOURNE

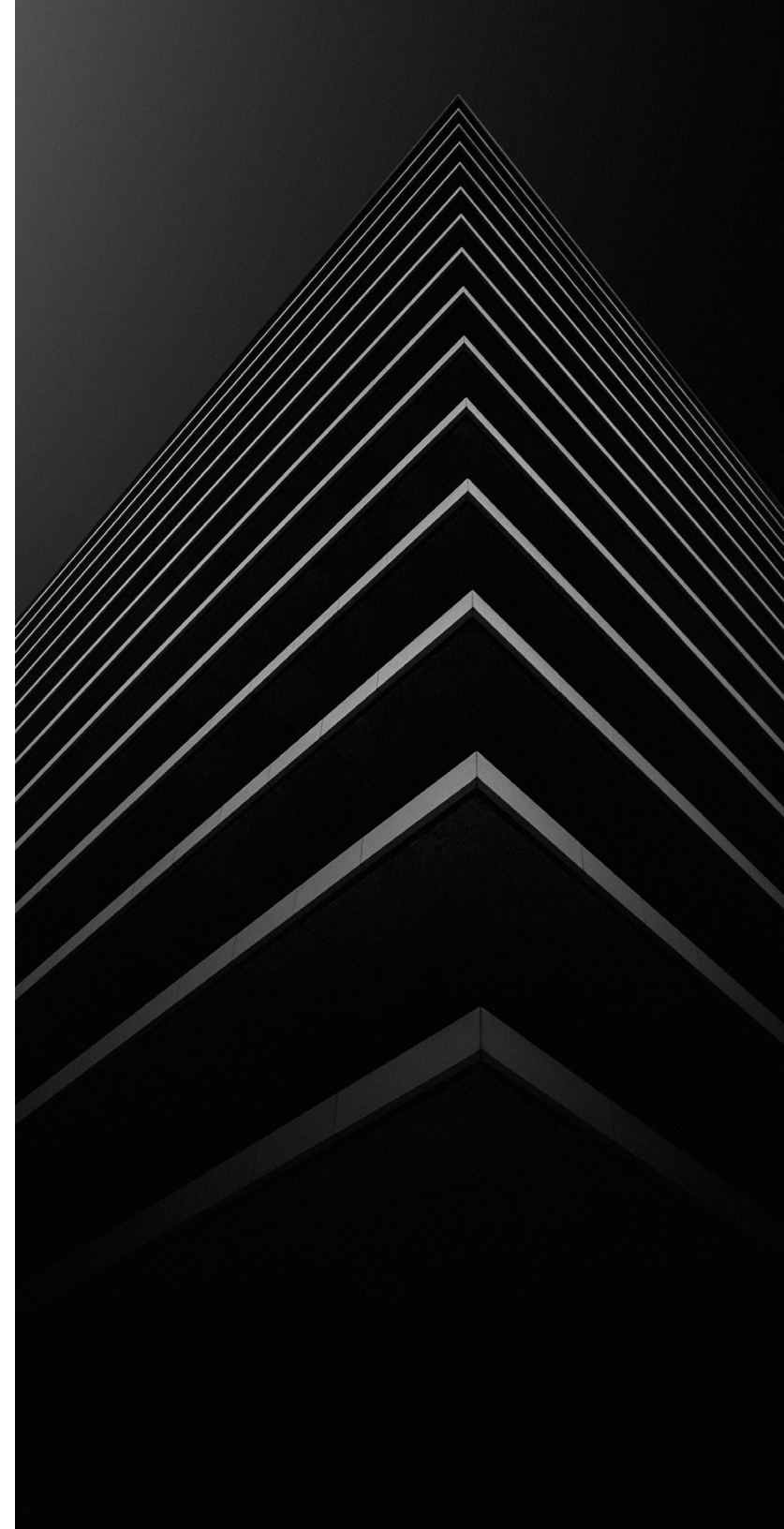
Most customer experience initiatives fail.

This is a painful realization for us, but it comes from over 15 years of experience and over 1,000 enterprise program implementations. Of course, success or failure is dependent on the benchmark. At OCX Cognition, we find that even having accurate, constantly updated CX metrics is not in itself a worthwhile objective. Rather, our yardstick for success is financial impact: a meaningful change to growth or profitability or both. Against that standard, our research has found that 5% or fewer CX programs meet a standard that the CEO or board would find meaningful.

We believe that a new approach is warranted, in order to create far better outcomes. We call it NPS Outcome Engineering. But before we get to that, we should fully understand the extent of the challenge.

5% may be poor, but we see few signs of that metric improving. Indeed, as more companies adopt CX, there is every reason to believe that failure rates will increase, because delayed CX strategy adoption also correlates with weaker executive commitment.

CX initiatives need to be based on indisputable business logic. When corporations don’t get anticipated results, they respond logically, sometimes stopping the effort entirely. 50% of initiatives are effectively shut down with a change of corporate leadership. In response to this, CX leaders often see underfunding as a root cause of failure. We prefer to see inadequate investment as a reaction to unconvincing argument. If management doubts that the initiative will yield concrete benefits, they quite reasonably do not commit adequate funds.





# The Evidence

**“Full of sound and fury,  
signifying nothing.”**

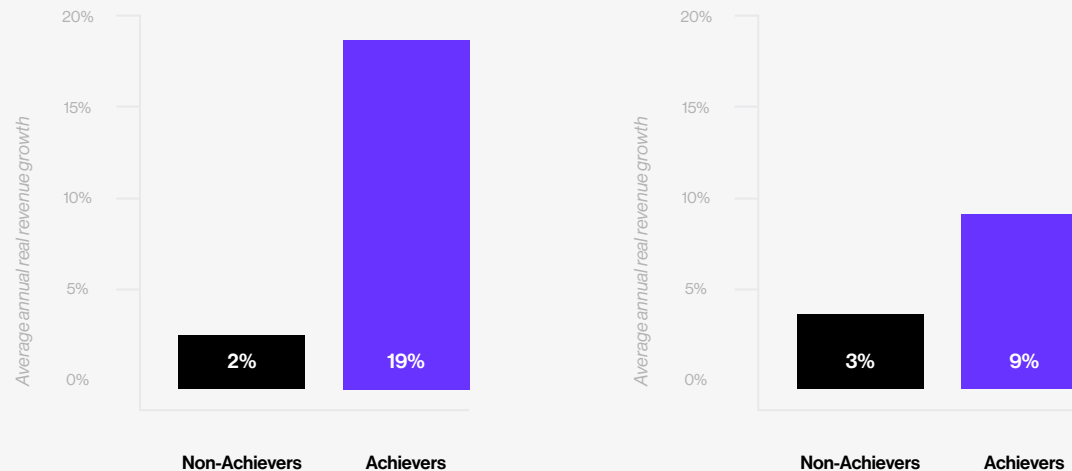
SHAKESPEARE, MACBETH

That seems unlikely. Our results do confirm the transformative and leveraged financial impact of CX improvement and / or the costs of shortcomings. We find impact on brand equity, customer acquisition costs, cost-to-serve and other secondary, but important, indicators such as employee retention. CX initiatives help businesses find and monetize hidden value. Where a business is competing through customer experience, and where that business truly delivers on customer experience – according to the customer – income follows; quite spectacularly, in fact.

Furthermore, the bar for success keeps rising, favoring the leaders who have codified continuous improvement. Much as the Red Queen explains to Alice, you must accelerate performance – run faster – just to maintain competitive position. For example, sub-par basic contact center experiences nowadays are more of a shock than a routine experience, in a marked change over the last 20 years.

In short, the evidence continues to support the imperative to compete through customer experience. The rapid adoption of intent to compete this way suggests corporations have at least acknowledged this new reality.

So no, competition through differential customer experience is not a flawed concept. Perhaps unsurprisingly, the dramatic separation of the spectacular success of the few as opposed to the failure of the majority is lies in the execution.



Source: Bain & Company, Satmetrix



# Root Causes

“Ideas are a commodity.  
Execution of them is not.”

MICHAEL DELL

We have found that executional failure typically manifests itself in specific ways: executive failure to take action; lack of employee engagement; and an inability to drive change in business strategy, operations or culture. However, these failures are best thought of as symptoms. What are the causes?

The 'big three' drivers that create success, and their chief vulnerabilities, are:

- **Integration of the CX Strategy:** the initiative is seen as an independent effort falling outside the context of the corporate strategy.
- **Strong and contemporary data and analytics capability:** traditional research methods can hobble initiatives with a 'data divide' that results in shortcomings in both data and analytical skills.
- **Customer-centric organizational model:** the initiative vulnerability stems from not prescriptively aligning organizational design and employee assets to deliver on the competitive CX requirements.

## Strategy



Challenge: **Independent**  
Solution: **Integrated**

## Data and Analytics



Challenge: **Research Model**  
Solution: **Predictive Model**

## Organization



Challenge: **Insular**  
Solution: **Customer Centric**

The three drivers of a CX initiative performance

All three drivers are prerequisites for success. Failure in one or more typically foreshadows disappointment.

# Integration of CX Strategy

**“Strategy is about making choices, trade-offs;  
it’s about deliberately choosing to be different.”**

MICHAEL PORTER

Decisions around investment, execution and strategy for CX must not be isolated from overall business strategy. There are three typical strategic context elements that should inform CX, but often they don’t.

The first element is competitive context. Our research shows that customers evaluate choices in two ways. The first is comparison with equivalent or substitute products or services; the second is comparison with non-equivalent offerings that nevertheless anchor customer expectations.

It is important to understand that NPS numbers cannot be easily compared across industry sectors; what matters for success is typically within-sector relative performance. But even within their own context, industries have very different segments of customers with specific expectations, profit pools and NPS thresholds. Is winning for your business having the best NPS in your industry, or having the best NPS in the fastest growing, most profitable part of your industry?

The second context is financial linkage. The majority of CX initiatives don’t fully understand the financial linkage between their CX performance and their business performance. Such linkages can be multifactorial, but understanding them is nonetheless crucial. Inadequate insight often results in insufficient and misdirected investment, a double whammy. Don’t assume that improvements in NPS are, per se, financially beneficial in all combinations of improvement. Perhaps the better question is: how beneficial?

The third contextual element is that not all customers are economically equivalent. Customizing journeys and delivered experiences is essential to good results, but it is challenging to execute across multiple customer segments. Informed, targeted intervention holds the promise of more bang for fewer bucks.





# Data Quality

**“It ain’t what you don’t know that gets you into trouble. It’s what you know for sure that just ain’t so.”**

THE BIG SHORT, QUESTIONABLY ATTRIBUTED TO MARK TWAIN

If you don’t have good data, you don’t have good insight. The challenge is quite foundational and it stems from a dependence on surveys for data collection, the ageing engine of legacy CX approaches. As technology provides more platforms for surveying, customer patience and willingness are spread ever thinner. And customers, certainly consumers, would probably prefer to tell Instagram and Twitter instead. A poor solution is only getting worse.

Data is often scarce and rarely well structured. This, and a lack of a rigorous standard for organizing data, is true even of many of the hundreds of companies who publish the NPS on earnings calls with public investors. Errors abound, from the obvious (miscalculation), to the technical (measuring the wrong events), to the more sophisticated (timing); as a result, corporations continue to fail on basic design parameters in their data structure.

For example, an NPS rating taken right after a customer service event is likely to skew positive, not least because of selective sampling. An NPS query tacked onto a customer support experience can cause conflation of that experience with overall sentiment towards the company. Or does the company solicit NPS input before the product has in fact arrived? When we audit NPS results for public companies, such errors are commonplace.

This should not be entirely unexpected. NPS seems a simple-to-administer metric, but it is in fact nuanced and complex at every stage. Its performance is based on the idea that it encompasses the entire customer lifecycle, from product needs all the way to returns or repurchase. Errors in data design often mean that the performance you think you have is, in all likelihood, not correct. If you are flying blind following mis-calibrated instruments you should not be surprised at the outcome.

The most insidious result of this data quality issue is, however, the destruction of management confidence in CX as a power to transform the business. The majority of senior leaders aren’t uninterested in CX transformation; they just don’t have confidence in the data put in front of them. In many cases they are right to be skeptical.

# Insight

**“Who you gonna believe, me or your lying eyes?”**

DUCK SOUP, THE MARX BROTHERS

We will reach the positive message in a moment. But consider next how data requires analysis to yield insight. We have been active participants in well over 1,500 executive presentations around CX. Basic performance and reporting measures dominate discussion, understandably – such measures are an important means to hold managers accountable. However, when the insights that should accompany the measurements are missing or, more likely, weak, decision making stalls.

The problem stems from poor analytics. The majority of CX programs rely on outdated analytic techniques unsuited to an era in which data-driven decision making has become common management practice. Statistically valid, or not, where is the connection to the operations or economics of the business? If quantification of the impact of changes is absent, how, specifically, do you plan to improve your NPS by 10 points? And what financial result will that yield?

We have the technology and data science to fix these disconnects. The challenge remains in shifting how we think about CX data.

## Traditional NPS



Surveying, Customer response driven

Annual or Semi-annual  
20%-30% of **Individuals**  
Responds to **Surveys**

## Spectrum NPS



Survey, Calibrated Machine Learning, Customer signal driven

Real Time  
100% of **Accounts**  
Responds to **Signals**

Currents NPS methodology versus Synthetic NPS, the Owen CX revolution

# New Approaches

**“You can’t solve a problem on the same level that it was created. You have to rise above it to the next level.”**

ALBERT EINSTEIN

What if it was possible to understand the health of every customer, their status as a Promoter, Passive or Detractor, not just when we survey them, but every day? What if every customer, not just those who respond to surveys, could be tracked in this fashion? Real time insight into every customer all the time would change the game. It would allow companies not just to build a far deeper and more comprehensive measurement of their performance, but also to have a real understanding of how to improve execution. Perhaps even more important, business would finally have an ability to assign resources and react to customer challenges in time to make a difference. It’s possible, today. Here’s how.

Consider how every customer event in your business lifecycle has the potential to change customer loyalty – and their status as a Promoter, Passive or Detractor. That event could be digital or physical, but it leaves a footprint in the operational data of the company.

We can capture that operational event data – and translate it into a machine learning engine that helps us understand both the impact of our operational performance and predict, accurately, the status of every customer every day. This learning engine parses each signal coming from a customer interaction. It offers insights into the condition or status of that customer relationship. If the sign of a sentiment change is strong enough, it notifies the right people, immediately. If not, the new information will help to contextualize future signals.

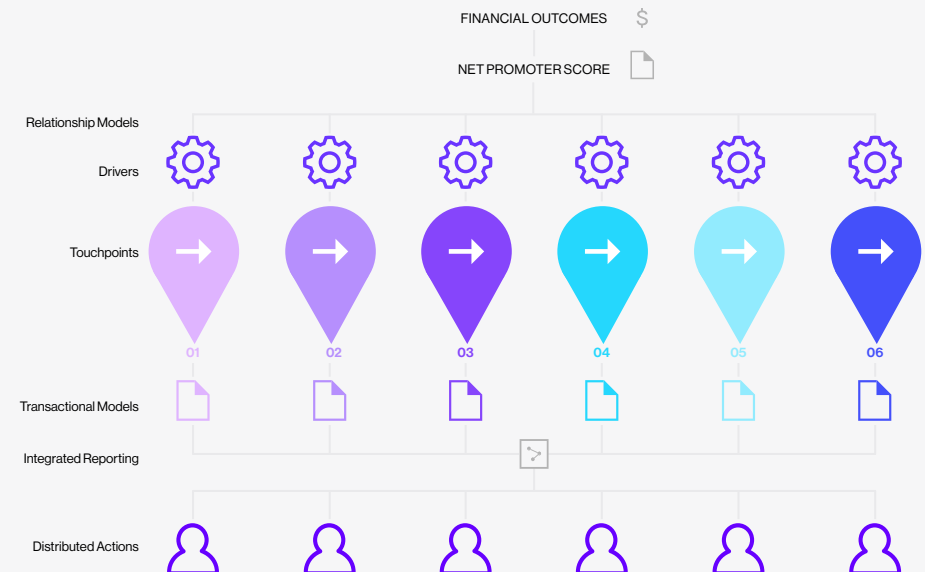
We call this kind of data Spectrum NPS. Surveys are used to calibrate the engine, but the NPS data generated is typically 20 times better than surveys in quality and customer coverage. Instead of getting updates on customers every six months, or even every year, the data updates every time an event occurs that meaningfully changes the customer experience.

# Solving Complex Questions

Spectrum NPS marks the foundation of a new generation of strategic decision tools for management. We can now solve questions such as: what operational changes, in combination, lead to what changes in NPS and hence financial benefits? How do we optimize the changes for cost, benefit and impact? If we are committed to specific NPS outcomes, what combination of changes is most likely to deliver them?

But equally importantly, it provides customer-facing team members with a personalized, just-in-time notification of significant changes in the health of their account.

Even better, calibration is often very common within an industry. Our expertise in program data design allows us not only to adapt industry reference models in order to move quickly, but also to take advantage of collective industry performance data to calibrate our clients’ implementations.



In Synthetic NPS, all key signals and processes are captured, calibrated and modeled. The result is a CX simulator that is real-time, covers 100% of accounts, responds to all relevant data, and allows for immediate change and intervention.

# The Organization

**“We have met the enemy and he is us.”**

POGO CREATOR WALT KELLY'S 20TH CENTURY PARODY OF OLIVER HAZARD PERRY'S QUOTE

This brings us to organizational alignment, the third driver. Unsurprisingly, human variables – the structure of the organization, management team, incentives and culture – all play a critical role in program success. There are three typical challenges to realizing value.

The first challenge is that the data side of CX has a troubled history in organizations. Human stories – anecdotes – carry more psychological weight than statistics, as do also our inbuilt or acquired biases. A history of bad, legacy CX processes and incentive schemes can make managers and other employees very wary. Responsive, evidence-driven organizations need quality data and compelling insights tailored to the needs of line management.

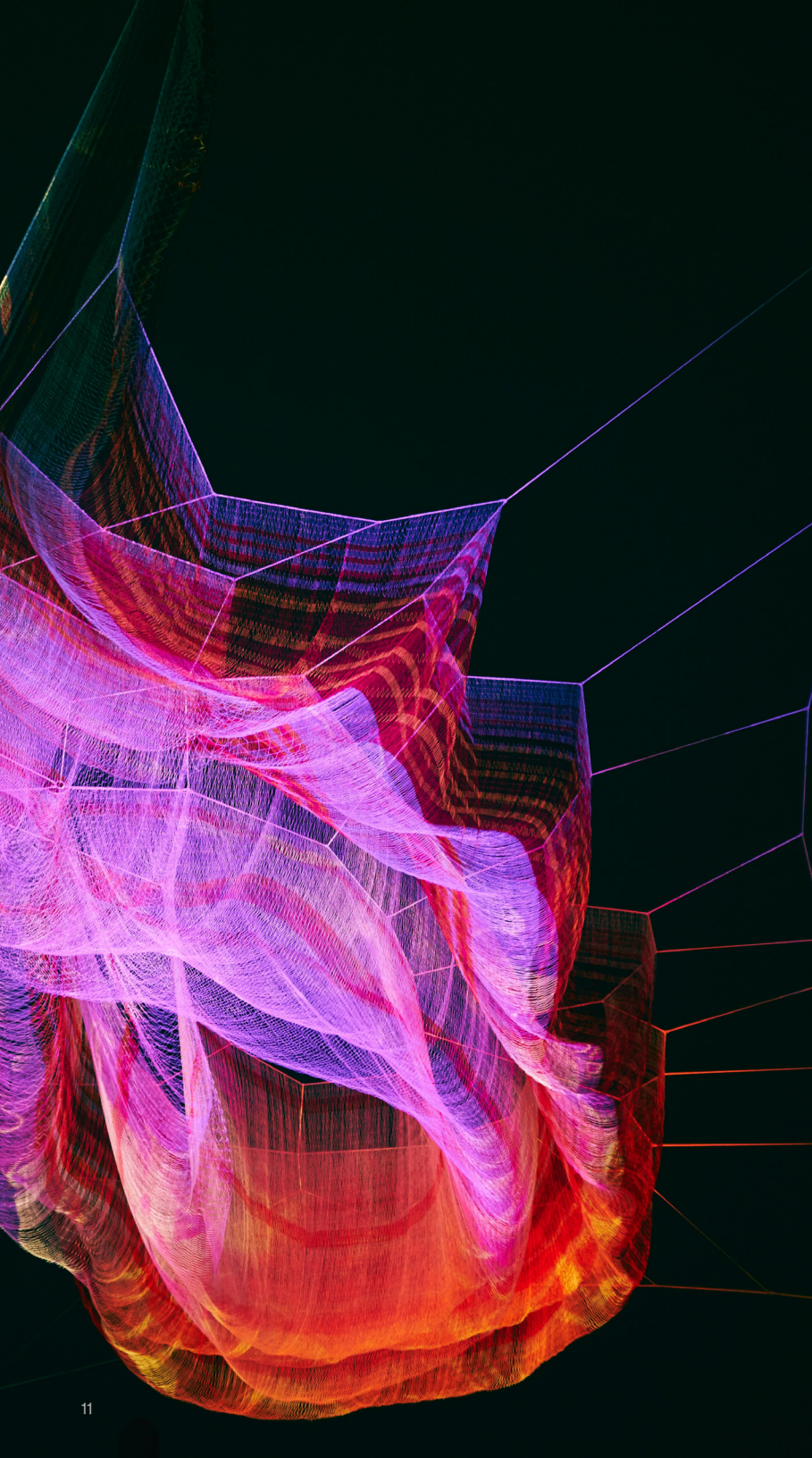
The second challenge is more structural. Customer driven growth solutions require enterprises to turn their attention away from what the company does to what the customer requires. It's an approach outside the traditional corporate processes that the company has likely optimized based on functional management thinking from the last century. The solution is to build end-to-end 'customer viewpoint' analytic models that put the holistic view of the customer journey into the hands of employees and leadership.

Finally, corporate leadership has to rethink the financials of CX initiatives. This should start with a recognition that the sums of money in play are huge. Significant market share gain, profitability improvement, total costs to serve a customer, growth – or perhaps just survival – are the stakes. Getting to the right data, to the right insights, and to breakthrough execution is a small price to pay, but a “survey program” funding mindset won't get the job done. One of the characteristics of leading CX practitioners is that the distribution of initiative funding is shifted away from data collection and towards execution and organizational engagement; away from surveying customers and towards analytics, insights, and implementation of improvements.

We are not naïve enough to think that these organizational transformations are simple, but we are convinced that they are essential. When the business economic focus shifts from short term financials to the management of customer lifetime value, the new organizational model may amount to a 'tear down' of what went before.







# NPS Outcome Engineering

**“All happy families are alike; each unhappy family is unhappy in its own way.”**

LEO TOLSTOY, ANNA KARENINA

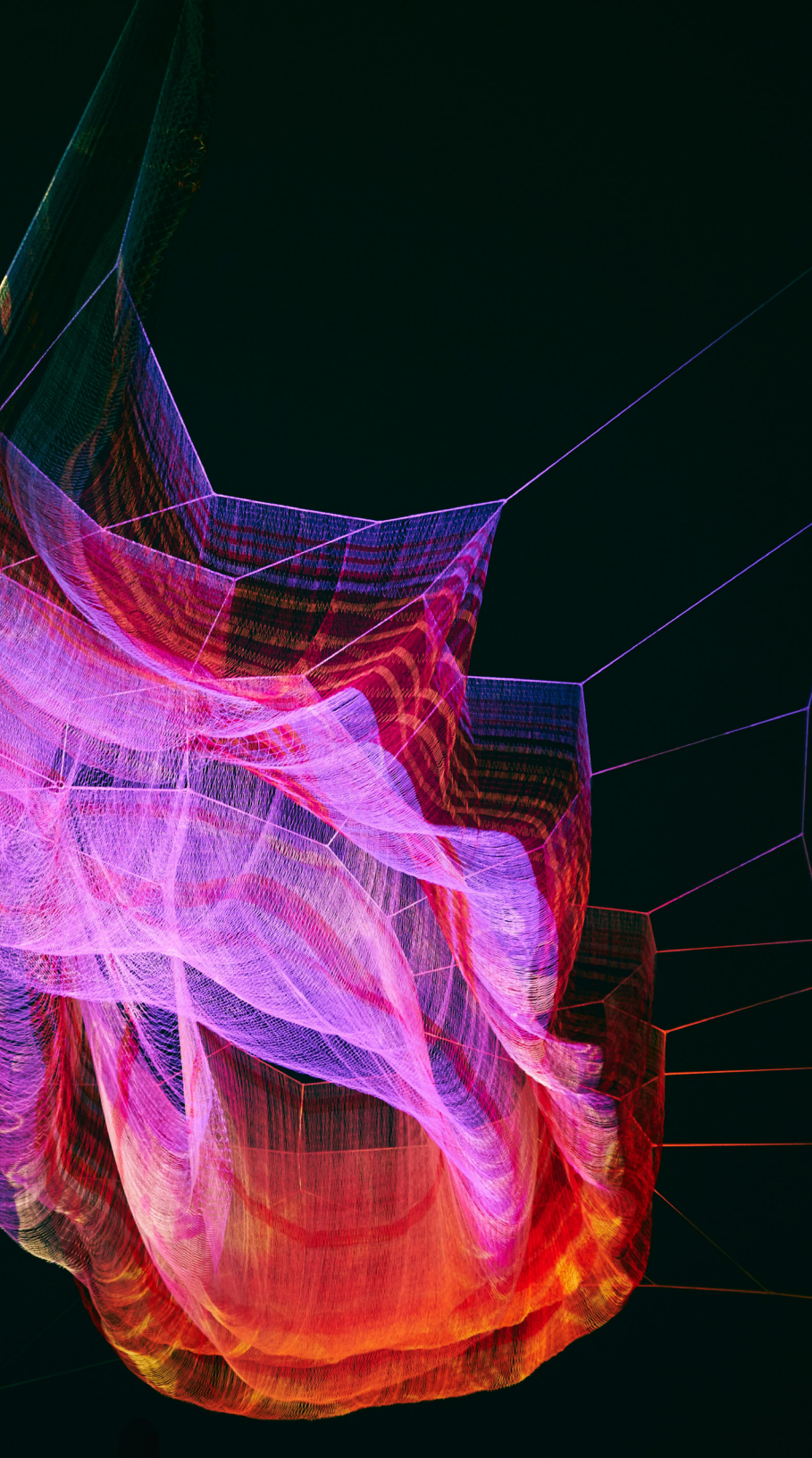
All successful CX efforts are alike. Failing programs do so in their own way. It is possible to encode success.

NPS Outcome Engineering is a new way to plan and execute CX initiatives. It takes the traditional 'survey centric' view of CX and inverts it with a 'value chain' perspective, linking key operational process measures, performance measures, CX metrics, and financial outcomes.

We started with a surprising assertion: that most customer experience initiatives fail. We stand by that – based on our data, not just our opinion. Which begs a simple question: when the stakes are so high for an enterprise and its customers, can leadership ignore the odds and decline the challenge to re-think their approach? We know that failure is not inevitable and that best practices exist to minimize risk. The game-changer has been to re-think the way organizations approach CX.

The mindset of the traditional NPS approach goes like this. First, design surveys to capture data. Next, analyse the limited data using traditional research tools, such as driver analysis. Finally, present results; closed loops may or may not get actioned. Beyond that, the effectiveness of the initiative is often exhausted, as weaknesses in strategic alignment, quality of data and team engagement become apparent. All the resources of the program often dissipate just trying to execute surveys, and the program has neither the focus nor the capabilities to go much further.





# The Future of NPS

NPS Outcome Engineering turns this process upside down using three key techniques.

- **First**, it's built on a new value chain architecture. This approach plans out the executional processes, data and metrics that are necessary for success, but also links the business strategies and goals all the way through to innovations in process and customer interactions. As its name implies, it inverts CX thinking by challenging the organization to move from 'survey first' thinking to 'outcome first'.
- **Second**, we shift from survey NPS to the higher quality Spectrum NPS, and as a result, the entire value chain improves, dramatically. The organization moves from data starvation to robust, real-time insights. As companies build these new data assets, they are continuously developing clarity around the health of their business and their customers.
- **Finally**, NPS Outcome Engineering prescribes a highly programmatic approach to constructing CX initiatives with a far more expansive view of organizational impact, data design and operational integration. It ensures that program teams avoid the trap of becoming a data collection quagmire. The result shows in both the effectivity and the efficiency of CX efforts.

**“Newman's first law: It is useless to put on your brakes  
when you're upside down.”**

PAUL NEWMAN

The legacy of cumbersome, traditional research methodologies has resulted in misallocation of resources, loss of focus, and neglect of the more impactful elements of CX. Leaders who see CX as a side project - disconnected from the strategic choices that shape the business - will be disappointed by the outcomes.

Old fashioned customer surveying, data design, and analytic approaches belongs in the past. They provide dial-up quality data in a broadband, always on world.

NPS Outcome Engineering is the foremost opportunity to build more capable, insightful, and operational customer experience programs. This is the future of NPS.

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# **This is the future of NPS.**

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OCX Cognition delivers the future of NPS. The company implements CX programs that result in financial value through its revolutionary NPS Outcome Engineering approach. Drawing on more than 15 years of CX expertise and 1000+ CX initiatives, OCX Cognition ensures customer experience success with a combination of technology and data science powered by machine learning, programmatic consulting, and research-based CX insights and education. Learn more at [www.ocxcognition.com](http://www.ocxcognition.com).