

The Untapped Power of Operational Data in CX

A Radical Rethinking of Making Insights Actionable

ocxcognition.com

-
- **Tapping Operational Data** ³
 - **The Data Hierarchy** ⁴
 - **Defining Data Types** ⁵
 - **The Data Organization Challenge** ⁵
 - **Rebalancing Surveys** ⁵
 - **Repurposing Attitudinal Data** ⁶
 - **Can KPIs Drive CX Performance?** ⁷
 - **Attitudes and Operations in Balance** ⁷
 - **Creating Effective Success Recipes** ⁸
 - **Data Organization and the Chain of Attribution** ⁹
 - **Testing for Prediction, with a Bonus** ¹⁰
 - **The Customer Support Example** ¹⁰
 - **Aligning CX with the Business** ¹¹

Tapping Operational Data

Most CX programs fail to return any kind of useful results to shareholders. This unpleasant but undisputable fact requires a serious rethinking of the techniques for making CX programs successful. To briefly summarize: The vast majority of CX programs provide insights at a very low frequency, and for a small fraction of customers and accounts, so customer-facing teams can't act in time to change customer outcomes. In a business environment increasingly driven by customer lifetime economics, the inability to manage customer risk using predictive CX analytics becomes increasingly dangerous.

Fortunately, there's some good news. Though traditional approaches to monitoring and improving CX have fallen woefully short, most companies have a non-so-secret resource waiting to be mined for insights: operational data. While many CX thinkers emphasize the importance of operational data and the need for "operational data linkage" to CX metrics, most approach the topic from the wrong direction.

In this publication, we explore two critical concepts related to operational data and its applicability to effective CX work.

- First, we discuss "operational recipes" that create positive customer experience outcomes. Rather than seeing attitudinal data as merely an outcome of experience, smart companies see it as an input to create correctly calibrated operational performance data. Make no mistake, this is a reversal of typical CX thinking, which tends to be centered around survey data and attitudinal data.
- The second takeaway: The predictive nature of operational data is only one of its key values. Certainly, it is predictive, in that it informs us as to whether customers will be Promoters, Detractors, or Passives. But it's also diagnostic, in that once we have identified the customers being unhappy, we can track it back to operational performance levels. As a result, operational data is extremely actionable, especially when compared to attitudinal data.



The Data Hierarchy

We'll begin by doing a little bit of definitional work in terms of what the customer experience data universe actually looks like. It's tempting to think of data as a very messy business in most companies, because we all recognize we have imperfect data, and our job in some ways to navigate the reality of lack of data consistency and quality as we work to find useful ways to make the business change its behavior. Instead, let's start in a different place: With an understanding about what companies are trying to accomplish with data.

The summit of our hierarchy is that we're trying to improve returns to shareholders. And the means to do that is usually measured through a series of financial metrics such as revenue growth, profitability, or margins – all elements of an architecture of financial metrics that are highly linked to shareholder outcomes.

Next in the hierarchy of value: A series of operational metrics that companies usually use to actually run the business. Think of these as the buttons and the levers that the company uses in order to actually execute day-to-day operations. These metrics provide the control mechanism for the company; they are where accountability structures take place, and they provide the means for tasking people with accomplishing things. This operational data layer is extremely valuable because it provides the connective tissue between what people do and how their actions generate financial performance.

Beneath the operational data, we have all kinds of tools that offer diagnostics and insights. It's important to note that diagnostics and insights are really where a lot of the CX universe typically plays. We're here to provide insights on how the company can improve. But in many instances CX programs skip the operational data layer. That gap in the hierarchy of data means that, despite the constant conversation about making sure CX metrics are tied to financial metrics, a key element of the connection is missing.

Without a robust plan for dealing with operational data in a CX context, we're often disappointed that the linkage between financials and CX isn't as clear as we think it should be. If we want to get something actually done in the company, CX data needs to impact financial metrics, and it does so **through** the medium of operational metrics.



Defining Data Types

To explore the CX data universe, we're going to have to define terminology for three different types of data.

The first is attitudinal data. This is literally what customers think, what their attitudes are. That's typically the data that's collected as part of CX programs via surveys. Many CX professionals are over-invested in the centrality of attitudinal data and its collection, which doesn't serve the overall effort to improve CX terribly well.

The second set of data is financials. That's the most highly structured data set, because it's regulated and standardized. This publication won't give a great deal of attention to the specifics of financial data, focusing instead on the third type, operational data.

Operational data is literally the measurement of the operations of the company. Every time the company does something, some event occurs, that can be captured and measured. Included in operational data is a subset referred to as behavioral data. It measures how customers behave. If a customer purchases something that's considered behavioral, if they click on a website, it's behavioral.

There's often a blurred line here. It can be helpful to think of behavioral data as simply a different form of operational data. It's highly quantifiable, precise, and specific; that's unlike attitudinal data, which is much more about feelings. Behavioral data is one way or the other; people clicked, or they didn't click.

The Data Organization Challenge

Many companies find that data tends to descend into a black hole, which is attributable to two big problems. One is that the data is not very well organized. And second is that the data, even if it is organized, is often sparse. That's because the majority of companies fall short on capturing data about their interactions with customers. We need to solve both problems – data organization and data quantity – in order to make the data useful.

Rebalancing Surveys

For most CX leaders, attitudinal data is the portion of the CX data universe that's most familiar. Recall that attitudinal data is mostly collected via survey, which have some core problems. Because surveys are administered periodically and produce low (and falling) response rates, the data that results is low frequency and low quality. Traditional extrapolation techniques break down as sample sizes collapse. These reasons alone mean that treating survey results as the primary source of CX of data results in poor outcomes.

Here, we focus on another key problem with surveys: Their incorrectly weighted emphasis on brand over operations.

Measurement of brand attributes was one of the key goals of early survey efforts, so it's common even today, but turns out to be not terribly predictive of customer behavior. Instead, think about brand as a context, a promise you make that anchors expectations against which execution happens.

It's helpful to think of it this way: Brand perception sets the stage on which all the action actually occurs. That means it's not a useless type of information to gather – it provides context. It doesn't need to be constantly validated, and it's unlikely to tell us whether customers are loyal or not. But because it's of interest to everyone, and because of the history of surveys, brand perception questions often dominate customer surveys.

In reality, operational execution determines whether customers are loyal. For that reason, the most important types of survey questions are those that produce data that actually syncs up with operational data from the start. In other words, measure in surveys what you measure operationally. This makes integration and linkage much easier, in fact possible. And without that, you're just never going to get a particularly useful alignment with operational data or take full advantage of operational data.



Repurposing Attitudinal Data

Historically, we think of attitudinal data as the most direct way to understand how customers experience their interactions with a company. Survey designers tend to think of attitudinal data design as being its own particular field, which exists in isolation away from operational data.

This approach needs to be completely inverted.

The whole purpose of attitudinal data is that it should form a logical link to operational data. To be clear, this represents a radical repurposing and reprioritizing of attitudinal data. But the traditional view that attitudinal data exists in isolation from operational data results in:

- Poor utilization of operational data
- Poor actionability in attitudinal data

Traditional CX programs are massively overdependent on attitudinal data. We tend to think the CX universe is 90% attitudinal data, with some operational data attached and some financial data attached. And that's a complete misunderstanding of how we should be thinking. In fact, the CX universe should be 90% operational data, and more like 10% attitudinal data.

Can KPIs Drive CX Performance?

Most companies have a series of key performance indicators, or KPIs, which are best thought of as a subset of operational data elements that have been simplified so that they are more actionable. Simplification is a great idea, since it acknowledges the reality that focus is essential and bandwidth for execution inherently limited. But from a customer experience perspective, most KPIs are useless.

The problem – from a CX perspective – is that most KPIs originate internally, so they tend to be created and understood from the perspective of the company. KPIs started off in financial departments and measure operations that matter because they have very strong linkage to financial performance. Of course, that's very useful for companies managing for efficiency and profitability, but they're not ideal for CX.

In the customer experience realm, *customer-driven* KPIs are what's needed. These are subsets of operational data that aligned with the way the customer thinks about the business. And they tend to be quite different from internal KPIs.

An example: In manufacturing, a simple example of an internal operational KPI that affects financials is the throughput of the manufacturing facility – how much can be produced in a certain time. That certainly affects cost. On the other hand, from a *customer* perspective, they don't care about throughput that way. Instead, they care about order to delivery cycle. Those two metrics are both useful, but useful for different purposes. One is predominantly there to drive efficiency to help understand profitability, the other is there to understand whether or not you're performing in the eyes of your customer.

Attitudes and Operations in Balance

Let's recap the central contention of this discussion: The right set of **attitudinal data** matched with the correct set of customer-driven KPIs from **operational data** can let companies understand the customer experience in time to change it for the better.

For attitudinal data, we care about survey data this is both *aligned* with operational factors, and reveals customer *relative* choice. We're really interested in whether customers value one thing or another. In other words, do they care about technical support as much as they care about an onboarding process? Do they care about early life quality as much as they might care about shipment time? And these trade-offs need to be framed in *operational* data terms.

It's possible to produce attitudinal data sets that give these insights, but it's very rarely done. Surveys can do an excellent job of it if, and only if, they are designed very specifically to show relative operational choice from customers.

KPIs achieve their proper balance in the CX equation when they are aligned with the way customers think, as opposed to the way the internal organization thinks. Teams commonly design KPIs around our functional accountability structure, or set goals that have nothing to do with how customers actually evaluate the process in question. From a CX perspective, that approach must be strenuously avoided.

Creating Effective Success Recipes

If attitudinal data and operational data are correctly balanced and connected, they give rise to an alluring idea: a recipe for customer success. Practically speaking, that means a company would be able to know that if it executes these five to 10 operational performance measures to this level of performance, then there's a high probability of creating a Promoter.

That's an extremely actionable formula for success for a company: it's selected a subset of operational performance measures known to be the right ones, calibrated correctly to the overall customer journey, and at a known level.

Here's an example from the early years for the personal computer industry. In the PC laptop market, the formula for creating Promoters was simple for many years. Three things were essential:

1. The product was delivered within a certain window of time. The specifics for that window have changed over time, but delivery within a window was critical.
2. The product booted successfully. When the customer turned the machine on, it actually came up with an expected, functional screen.
3. Avoid manufacturing errors. The first 30 days were the highest risk period for manufacturing defect for a product like a personal computer, so avoiding problems in this time frame was key to creating Promoters.

If you got these three things right, the distribution of customers turned out to be 85% Promoter, 10% Passive, and 5% Detractor. Now, that's a pretty alluring formula for success. And companies might ask, Well, what about all the other things? Is our tech support any good? What about the order process? But for the PC industry at the time, those things had only a small effect on customer loyalty. The recipe for success was simple and clear.

Two Critical Ingredients

To create customer success recipes that deliver reliable results, two approaches are non-negotiable.

- 1) Organize data sets together from the start. That means operational data and attitudinal data must follow one identical organizational principle. Be willing to forgo optimizing either of them independently, to optimize the together jointly.
- 2) Use testing to determine whether your hypotheses about the customer experience are correct. You'll be testing your operational data for predictive value.





Data Organization and the Chain of Attribution

At OCX Cognition, we've done a great deal of work to create industry-specific data designs that serve as a blueprint or framework for organizing data. Using a streamlined, data-driven customer journey framework, our designs map out the best way to structure and align operational data, attitudinal data, financial data, systems, accountability structures, and more.

Standardized – but configurable – designs like ours have a couple of key advantages. First, they clearly connect operational data to customer loyalty via a chain of attribution. Relying on the principal of organizing data sets together, they trace the operational drivers of customer loyalty through the following path:

- Operational data elements organized into groups
- Attitudinal scores tied to each operational data group
- Attitudinal scores for each element of the customer journey
- The overall account or portfolio score
- Customer behavior, such as churn, continued subscriptions, or additional purchases

The blueprint imposes strict order on the data sets, both operational and attitudinal, make it possible to follow the next step of testing for attribution.



Testing for Prediction, with a Bonus

Testing for prediction is essentially a way to verify the chain of attribution. It allows us to verify whether the operational elements we're looking at do in fact *predict* customer behavior. If they don't, it means we're looking at the wrong elements of our operations, and we need to go back to the data sets and re-work the chain of attribution. If they do, we have our customer success recipe correct. We can see, from operational data, whether any customer or account is a Promoter, Passive, or Detractor, with all the associated behaviors of those categories.

An enormous benefit of the predictive power of operational data is its comprehensiveness. It's much better to predict the status of customers and accounts than to measure that status directly, because prediction occurs continuously and can be applied to every account. Prediction is superior to surveying.

Additionally, the beauty of this system is it provides attribution. So, if the customer is a Detractor, we can trace that back to the combination of operational events that created that outcome. Remember that the animating idea here is the ability to create goals that the organization can actually act upon. When we say programs aren't actionable, this is what we mean: we're not framing them in operational metrics. Predictive metrics solve this problem.

The Customer Support Example

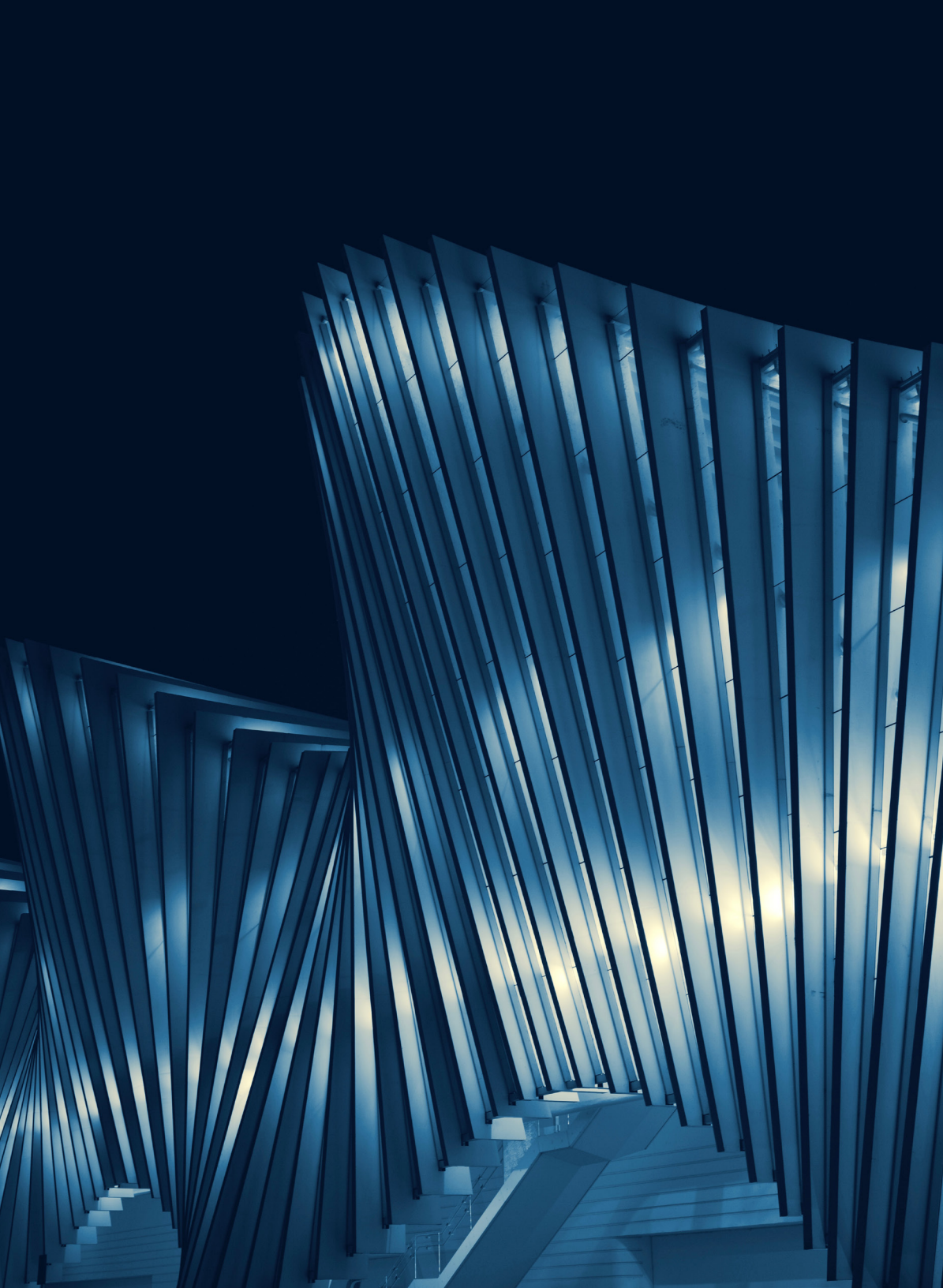
Many companies look at how customer or support impacts the customer experience. We'll pause to make the point that many companies misunderstand the impact of customer service or support on customer experience; that impact can vary widely. On one extreme, it can have absolutely no impact at all. On the other extreme, it can be completely deterministic about whether people are Promoters or Detractors. This is likely to happen in a business in which the product is not differentiated, but the service is. But many companies don't look at their data in the right way, and don't actually know what's the case for them.

Let's look at the data sets related to a support incident:

- The occurrence of the support incidence itself (operational data)
- The resolution outcome of the incident (operational data)
- The customer satisfaction information (attitudinal data)

In a typical company, a great deal of effort goes into ensuring that resolution is "successful" and that satisfaction is "high," and this seems intuitively correct. But when data like this is tested for prediction, it's often the case that the very fact of a support incident is highly predictive of Detractor status, whereas the success of resolution and even the satisfaction with the interaction have no predictive correlation.

To restate, that means the effectiveness of support resolution did not matter at all in customer loyalty or behavior, and neither did support touchpoint satisfaction. The quality of the service did not mitigate the impact of a support event on loyalty, even when customers were satisfied with the support they got. The root cause of disloyalty was the very fact that there was a fundamental reason to call tech support. Operationally, then, the best investment is in preventing the need for support calls, not improving the quality of service. It completely contradicts the intuitive understanding of customer attitudinal data.



Aligning CX with the Business

If CX programs aspire to demonstrate their effectiveness for the business they need to create diagnostics and analytics that point to operationally measurable outcomes. It's the surest way to speak the language of action for the company.

The good news is that operational KPIs, if they shift to the center of the CX data universe, can be both predictive (better than surveys at identifying promoters and detractors) and diagnostic (providing operational attribution for the root causes of loyalty).

Making that shift requires a fundamental rethinking of CX programs. Their primary purposes should be:

- Uncovering the “operational recipes” that create positive customer experience outcomes.
- Distributing and evangelizing the diagnostic insights in operational performance levels.

Predict customer futures.

**AI that turns operational data into
predictive CX analytics.**

OCXCognition™

success@ocxcognition.com | US: +1 650 996 6192

OCX Cognition predicts customer futures. Our breakthrough SaaS solution, Spectrum AI, lets enterprises transform what's possible in customer experience. Reduce your customer risk, break down silos, and drive speedy action – when you can see what's coming, you can change the outcome. Building on more than 15 years of CX-focused expertise, we've harnessed today's advances in AI, elastic computing, and data science to deliver on the promise of customer-driven financial results. Learn more at www.ocxcognition.com.