Enhance Your Measurement Practice To Better Capture Value For Customers

How To Identify Value Drivers That Matter And Define Metrics To Measure Performance
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Do Your Customers Get What They Need? Most Organisations Don’t Know

How Do Customers Derive Value?

Where Does Value Measurement Go Wrong?

Three Steps For Measuring Value For Customers

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How To Identify Value Drivers That Matter And Define Metrics To Measure Performance

“Value for customer” is a customer’s perception of what they get versus what they give up. The balance (or imbalance) between the two sides of this equation determines customer satisfaction and loyalty.

Yet, many organisations don’t understand how their customers derive value. Instead, they measure value using flawed proxies. To make matters worse, data about value is scattered across organisational silos. This makes it hard to assemble a complete picture of value for customers.

Discover how customer experience (CX) teams can overcome these challenges and measure true value for their customers. In this guide, we’ll show you how to:

• Recognise the four dimensions of value.
• Select the value drivers that matter most.
• Up-level existing metrics and measurement strategies.
• Identify and prioritise value gaps.
Do Your Customers Get What They Need? Most Organisations Don’t Know

Q: With so much investment in customer surveys, social listening, customer data platforms, and more, why are so many organisations struggling to foster customer loyalty and satisfaction?

A: Many organisations have sophisticated systems that measure the wrong things. Even mature CX teams struggle to comprehend what drives value for customers.

How Do Customers Derive Value?

Customers derive value along four dimensions, as described in the table below.

<table>
<thead>
<tr>
<th>Dimension of value for customers</th>
<th>Customers perceive value as positive or negative when:</th>
<th>Example: Open a bank account to transfer money to my kid in college</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Money is:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Gained or earned</td>
<td>▪ Get a sign-up bonus</td>
</tr>
<tr>
<td></td>
<td>▪ Spent or wasted</td>
<td>▪ Pay hidden fees</td>
</tr>
<tr>
<td>Functional</td>
<td>Objective is:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Fulfilled with appropriate effort</td>
<td>▪ Transfer money easily</td>
</tr>
<tr>
<td></td>
<td>▪ Obstructed or made difficult</td>
<td>▪ Not be able to transfer money or only with difficulty</td>
</tr>
<tr>
<td>Experiential</td>
<td>Interactions and sensations are:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Pleasant</td>
<td>▪ Feel welcomed by branch staff and enjoy attractive decor</td>
</tr>
<tr>
<td></td>
<td>▪ Unpleasant</td>
<td>▪ Feel ignored by staff and underwhelmed by dingy furniture</td>
</tr>
<tr>
<td>Symbolic</td>
<td>Meaning in relation to self or others is:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Created</td>
<td>▪ Feel financially savvy and like a better parent</td>
</tr>
<tr>
<td></td>
<td>▪ Destroyed</td>
<td>▪ Feel incapable and neglectful</td>
</tr>
</tbody>
</table>

Source: Forrester Research, Inc.
Where Does Value Measurement Go Wrong?

Overlooking some value drivers and overestimating others

Companies often have a skewed schema of value drivers' importance. Symbolic and experiential value tend to be overlooked. But they matter! We know that 44% of UK adults and 46% of French adults want to do business with companies who care about protecting the environment as much as they do — creating symbolic value.¹

Using flawed proxies for measuring value

Common value metrics are based on measuring what customers do — like the features they use and the content they consume. But these metrics seldom align with customers' perception of value. While leading the customer success management program at another software firm, Teresa Anania, now VP of global customer success at software provider Zendesk, found that feature use was a bad proxy for value. Instead, customers who built capabilities and workflows around those features derived the most value and created business value for the organisation in turn.²

Working with an incomplete picture of value

Data that could help measure value is collected by different parts of the organisation, at different cadences, and using different tools. This makes it hard to assemble a complete value picture. For example:

- Marketing has data on symbolic value from annual brand studies.
- Product management has data on functional value from product adoption, engagement, and UX metrics.
- CX teams have data on experiential value from touchpoint and relationship surveys.
- Pricing or sales teams have data on economic value from customer research or sales conversations.
Three Steps For Measuring Value For Customers

Fortunately, there is a concrete, step-by-step process organisations can undertake to revitalise and enhance their measurement practice so that it accurately captures value for customers.

1. **Find key drivers across all four dimensions of value.**

Many firms think of functional or economic value drivers first. That is a mistake: The value customers get from doing business with an organization is also heavily driven by meaning (symbolic value) and the interactions those customers are having (experiential value). But symbolic and experiential value drivers are not obvious — sometimes not even to the customers themselves. That’s why CX teams must collaborate with stakeholders across design, research, and data science to:

   - Choose a level at which to begin defining value drivers.
   - CX pros can dig into value on three levels — relationship, journey, or touchpoint. Starting at the relationship level gives a broad understanding of how an organisation contributes to value in customers’ lives.

   - In contrast, analysing at the journey or touchpoint level provides insights into a specific goal or task. That specificity makes a journey or touchpoint well suited for a first foray into value analysis, especially for CX pros whose influence is limited to specific journeys or touchpoints.

2. **Formulate a hypothesis of how customers derive value.**

Mining customer feedback and operational data (e.g., product usage) provides initial insights into what contributes to value and what detracts. When John Legere, the former CEO of T-Mobile, joined the company, he listened to hours of customer calls. He identified value drivers (e.g., not being locked in when needs change) and translated them into “uncarrier” ideas (e.g., not requiring contracts).

3. **Use research to substantiate your value-driver hypothesis.**

Techniques like interviews and ethnography reveal customers’ needs, motivations, and goals. That makes them priceless in finding out what customers value, uncovering hidden value drivers, and determining what customers don’t value.

AARP found that when a member lost a loved one, the member expected the organisation to provide some services and partner with experts for others (such as counseling). But what members really wanted was for AARP to help them reduce the complexity surrounding those experiences, regardless of who delivered the service.
Two

Decide how to measure value drivers.
Use a combination of approaches to ensure that your measurement strategy is suitable, viable, and poses a low burden on customers. Work with stakeholders who own measurement efforts across the firm to:¹⁰

Assess which existing data sources could be a good fit.
For each value driver, assess whether your organisation already collects suitable data."¹ Sam Harris, head of insights and experience at HESTA, an Australian retirement savings firm, shared that HESTA uses existing brand metrics to measure symbolic value and leverages existing financial data to measure economic value.

HESTA’s Value Drivers And Metrics

<table>
<thead>
<tr>
<th>Economic value</th>
<th>Functional value</th>
<th>Experiential value</th>
<th>Symbolic value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value drivers include:</td>
<td>Value drivers include:</td>
<td>Value drivers include:</td>
<td>Value drivers include:</td>
</tr>
<tr>
<td>• Ability to save money</td>
<td>• Ability to live comfortably based on retirement money</td>
<td>• Interacting with HESTA and managing money feels easy and achievable</td>
<td>• Working with an organisation that is an advocate for its (mostly female) members</td>
</tr>
<tr>
<td>Value metrics include:</td>
<td>Value metrics include:</td>
<td>Value metrics include:</td>
<td>Value metrics include:</td>
</tr>
<tr>
<td>• Net investment return</td>
<td>• Retirement readiness score (a comparison of accrued money to a comfortable living standard)</td>
<td>• Effort: clarity and simplicity¹</td>
<td>• Supports members and their industry²</td>
</tr>
<tr>
<td>• Fees</td>
<td>• Confidence in financial future¹</td>
<td>• Net Promoter Score (NPS)¹</td>
<td>• Stands up for rights of women in Australia²</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Member satisfaction¹</td>
<td>• Invests money in environmentally and socially responsible ways²</td>
</tr>
</tbody>
</table>

¹Survey-based metric
²Survey-based metric – measured as a percentage of members who agree with these statements

Note: Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

Adapt existing data collection efforts to improve fit.
The Microsoft Services division received more survey responses and insights by moving away from asking very detailed value-driver questions. Now, it measures a general value perception by asking how much clients agree with statements like “delivered a helpful mix of services to advance your goals” or about their “satisfaction with value provided.” It then asks a “why” question and extracts insights about value drivers from clients’ responses.¹²

Define new data collection approaches and consider survey alternatives.
Alternatives to surveys lower the burden on customers and avoid bias in survey results for value drivers.¹³ Instead of asking whether client contacts feel like experts, Adobe measures how many client contacts achieved an “expert” badge as a metric for symbolic value and shares this data in strategic business reviews.¹⁴
## Methods For Measuring Value For Customer

<table>
<thead>
<tr>
<th>Suitability</th>
<th>Overall</th>
<th>Surveys</th>
<th>Unstructured feedback</th>
<th>Operational data</th>
<th>Financial data</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Field survey questions for value drivers.</td>
<td>Analyze text or speech for sentiment about value drivers.</td>
<td>Measure value proxies in customer behaviours (e.g., digital, call center).</td>
<td>Measure value proxies in financial data.</td>
</tr>
<tr>
<td>Functional</td>
<td></td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Experiential</td>
<td></td>
<td>High</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Symbolic</td>
<td></td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Economic</td>
<td></td>
<td>Medium</td>
<td>High</td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>

### Suitability

- **High** = high suitability
- **Medium** = medium suitability
- **Low** = low suitability

- **Viability**
  - **High**
    - Many organisations already have surveys and can add value-driver questions.
  - **Medium**
    - Requires budget for a vendor (or in-house technology and expertise)
    - Works only where sufficient data is available
  - **Medium**
    - Requires the right data to be available
    - Requires analytics expertise to mine it
  - **Medium**
    - Requires the right data to be available
    - Requires analytics expertise to mine it

- **Burden on customer**
  - **High**
    - Low to medium
    - Low for data from unsolicited feedback (e.g., call transcripts)
    - Medium for data from solicited feedback sources (e.g., reviews)
  - **None**
    - None
Prioritise and close value gaps.

Once you’re collecting value metrics, the next step is to analyse the results to prioritise value gaps, then pull in stakeholders across the organisation to drive actions based on those insights. \(^{15}\) To do that:

Identify and rank value gaps.

Value gaps occur when organisations are either underserving customers or serving them in ways they don’t expect or appreciate. \(^{16}\) To find those gaps, conduct an importance-performance analysis. This combines data about the importance of value drivers (from the validation step) with data about the performance on those drivers (from the measurement step). The results are typically displayed in a two-by-two importance-performance matrix. To get a quantitative rank order — especially of focus areas — feed this data into an analysis of the potential gain in customer value. \(^{17}\)

Consider competitive performance to help pick tactics for closing gaps.

Organisations that outperform competitors overall or in key drivers could advertise that and/or charge higher prices. The ones whose competitors outperform them could invest to catch up or cede the market and use their resources to refocus on customers whose value needs they can better meet. To identify performance relative to competitors, AT&T asked customers whether its own products and services — and those of competitors — were worth what customers paid. \(^{18}\) In addition to surveys, CX pros can use publicly available data about customers’ perceptions as input, such as by mining social media data in partnership with text analysis vendors.

Going Forward

As your organisation matures its ability to understand and improve value for customers, you’ll be in a stronger position to innovate around “waves of value.” These “waves” refer to the rise and fall of the importance of value dimensions as well as the fluctuation of value needs within a value dimension. For example, in the 1990s, the privilege of being among the few people with ubiquitous internet access on personal devices drove symbolic value. Now, the symbolic value is in the privilege of being able to “unplug.” \(^{19}\)

Design will become more important, as this human-centric skill set is perfectly suited to understand what customers value. Along with UX stakeholders, design teams will reenergize goal-oriented design, resulting in a resurgence of value-driven design.

And most importantly, your organisation will be able to invest where it will make the greatest positive impact on customers and customer relationships.
Recommended resources

A Guide To CX Measurement And Prioritisation In Europe (also available in French and Italian)

A Guide To Capturing the ROI of CX

CX EMEA Event:
30 September – 1 October

Read All Our CX Insights

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Endnotes

1 The provider had analyzed which features its customers with the highest customer lifetime value (CLV) (a proxy for those customers’ contribution to the software vendor’s business success) used. When the firm applied the insights to try to get customers with a lower CLV to adopt those features, it found that those customers didn’t derive the same value and therefore also didn’t rise to the same level of CLV.

2 Customers may overstate the importance of value drivers that are socially desirable. For example, customers might say it’s important that a brand acts socially and environmentally responsible (symbolic value) but then choose a brand that’s cheapest even though it’s not socially or environmentally responsible (economic value). Conversely, customers may underestimate the importance of value drivers that are socially less desirable, like status.

3 But even at the journey and touchpoint level, CX pros must consider the purpose of a journey or touchpoint in a customer’s life. For example, a customer might want to open a bank account today, but the real purpose is to transfer money to a child in college.

4 For how to prioritize journeys or touchpoints, see the Forrester report “The Journey Measurement Framework: Assess And Predict Journey Performance.”

5 Companies get customer feedback through soliciting customers’ thoughts using tools like surveys and review requests. But they can also mine unsolicited data like call transcripts, emails, and social media posts.

6 The ideas T-Mobile identified were the start of its “uncarrier” strategy that boosted the company’s growth. For more information on how “uncarrier” ideas affected the T-Mobile brand, see the Forrester report “Conquer Three Emotional Territories To Power Your Brand Experience.”

7 These techniques can help organizations understand the value needs customers have in their relationship with a company for a journey or touchpoint. Laddering is another technique that can identify the underlying motivations of doing business with a firm or of buying and using a product or service. To do that, start by asking customers why they picked products and services from your company, then ask why the feature or benefit they mention was good and what role it had in the customer’s life. Source: Sara Leroi-Werelds and Sandra Streukens, “Customer Value Measurement,” Marketing Science Institute, 2011 (https://www.msi.org/wp-content/uploads/2020/06/MSI_Report_11-102.pdf).

In B2B, you’ll have to do this analysis for each relevant client role. Win-loss analyses give additional insights. These are deep dives into past deals to identify the reasons beyond the win or loss of business, usually using customer interviews.

For more insights into how to use qualitative research to understand customer needs, see the Forrester report “Empirical Innovation: Prioritize Evidence Over Instinct To Innovate Successfully.”

See the Forrester report “Expectations And Experiences: The Impact Of Your Customers’ Expectations On CX Quality.”

8 Hidden value drivers are those value drivers that are harder to find in customers’ self-expression because customers aren’t aware of them or don’t want to/cannot express them.

9 Stakeholders include people who are responsible for customer insights work, business insights analyses, brand and marketing surveys, product metrics, and digital measurement.

10 Because the measurement data is already collected, feasibility is of secondary concern. Ask stakeholders with experience in defining and measuring metrics to judge whether an existing metric is suitable for measuring a value driver and how much it burdens customers.

11 Similarly, SAP surveys clients about whether its paid customer success program (“Preferred Success”) delivers value by asking respondents to rate the value delivered.

12 That’s especially important for value drivers that are either less socially desirable or highly socially desirable.

13 Adobe awards those badges to contacts at client organizations that have achieved an expert status and are now part of a community of experts.

14 Several customer success software vendors like CustomerSuccess, GainSight, and Totango help companies gather and analyze value metrics, especially for firms that work with a larger number of smaller clients.

15 Companies need to avoid providing experiences that their customers won’t accept from the business. See the Forrester report “Delight The Right Customers To Build A Successful Business.”

16 The PGCV index was a method first developed by a US government agency. Source: Willard C. Hom, “Make customer service analysis a little easier with the PGCV index,” EBSCOhost Connection, March 1997 (https://search.proquest.com/openview/34131761f7dbac9d1c6f58f5f65c95/?pq-origsite=gscholar&cbl=34671).

17 This question helped AT&T compare its position on that question to that of competitors. Note that this question excludes other “sacrifices” customers make like effort, time, or low confidence or trust. CX pros who want to apply this either ask about more types of sacrifices or keep the question more general (e.g., asking whether the products and services are worth it) and leave the interpretation of worth to customers.

18 “Only a small subset of the population can actually afford to take an extended break and shut off their digital lives for an entire day. Whereas technology was once only available to the privileged few, those with privilege are now the ones with enough wealth, freedom, and social support to forgo technology altogether.” Source: Allison Matyus, “Unplugging for 24 hours is a luxury that most people can’t afford,” Digital Trends, March 6, 2020 (https://www.digitaltrends.com/news/national-day-of-unplugging-luxury-privilege/).