

METRICS

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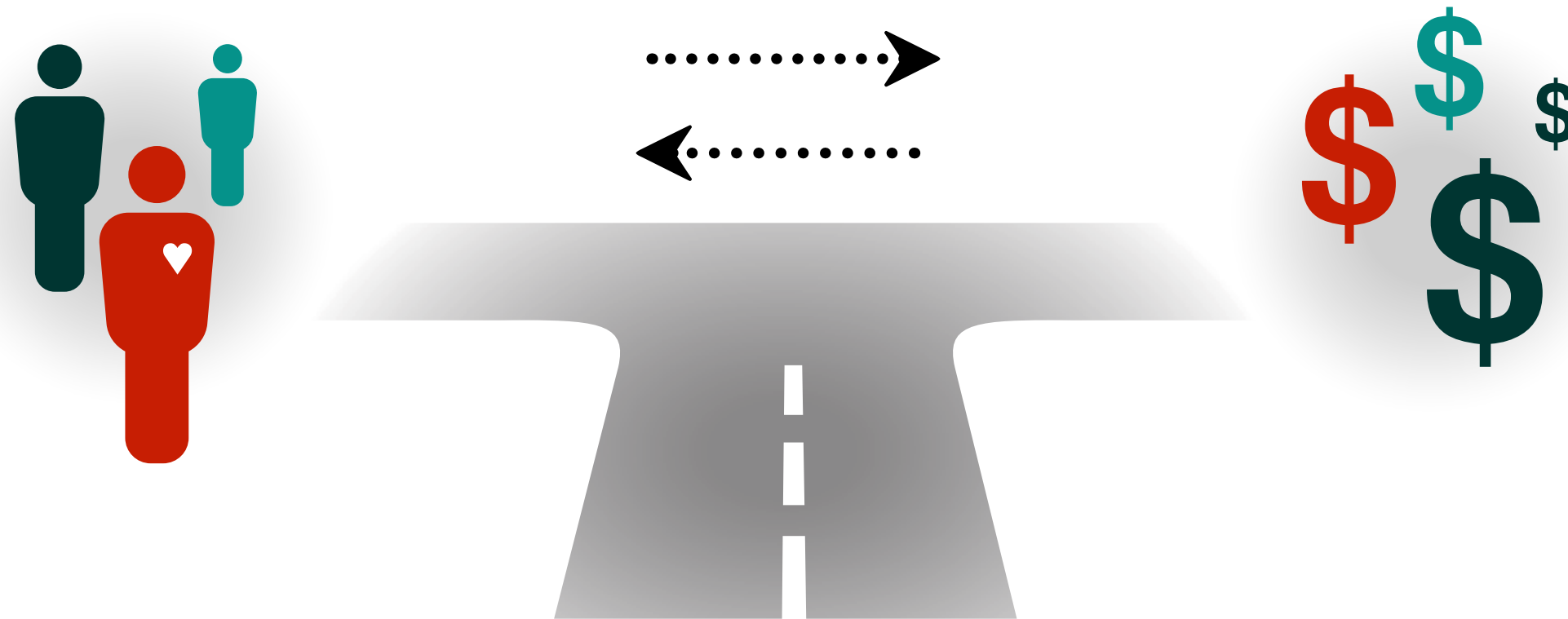
MEANING

=

MAGIC

TALKING POINTS

ISSUE 08 · How to use
business metrics in a
more meaningful way



There is a widely held perception among management circles that there has to be a conscious decision to either deliver increased profits or focus on the customer. That somehow focusing on both won't allow them to achieve their short term business objectives and therefore that customer focus is something we will get to once we have the business in control.

What is likely behind this belief is the dominant management disciplines that have helped these leaders get to the very place that requires these decisions. Using traditional thinking and frameworks has got them to the C-level, if they just work a little smarter, they will overcome the challenges facing the organisation.

Taking a fresh approach to that type of thinking opens a new world of opportunity and growth. Like so many things now, as customers, we don't want to have to choose, we want both: customer satisfaction and profit.

When we present service design cases, user centred innovation approaches or business design strategies at schools, universities or conferences we often get this question from the audience: "How do you actually sell what you do to senior management?"

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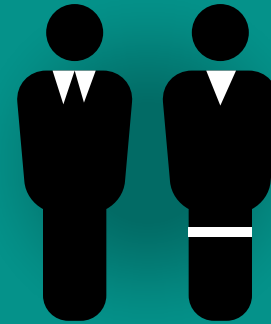
What the person asking the question really means is: how do you make your client, or your boss, believe in these approaches that are more forward looking, user-centred, design led, explorative and longer term than what most managers are used to? How do you get approval for projects that look uncertain at the surface level, however upon deeper reflection and involvement you know will create tangible business value for the organisation?



1

embrace
METRICS

We've come to understand how marketers and business managers assess the value of the kind of things we create for them. Where some people are skeptical about the ways Managers assign value to projects and design solutions, we appreciate and adopt the Metrics and as a way to bridge the gap between design thinking and business thinking.



2

uncover
MEANING

Create a deep and shared understanding of customer values, motivations and needs unpacking why customers really do what they do.



3

combine to
make **MAGIC**

It's not customer insights alone that drive business results, but how easily organisations are able to translate them into an actionable roadmap. Metrics + Meaningful Insights = Magical winning propositions.

HOW BUSINESSES ASSESS VALUE



Designers generally assess the value of their work on the basis of more qualitative criteria. Does the client or boss like it, does it work, does it trigger the right responses with customers, is it user friendly etc?. It's a mixture of personal intuition, empathy, rational judgement and collaborative insight that guides the making of decisions. We know from experience that many entrepreneurs take decisions on the same basis and in principle this way of working goes a long way towards achieving success.

This is quite different for most large organisations. Intuition is more a four-letter word and personal judgement lacks legitimacy as decision making criteria. Typically, undertaking anything less than a quantitative study to guide decisions and de-risk a new product launch is met with some reluctance.

We have exaggerated a little of course, but you get the point: large organisations feel much more comfortable with rational arguments to base decisions on. And rational arguments are best captured in the form of numbers.

“..business metrics: numbers that index how well an organisation is performing, monitored over time and used to guide decisions on innovation, customer experience design, marketing, sales, and service.”

It also follows that when it comes to designing and implementing innovative new products and services, a good foundation for basing decisions on is value. What will be the value of the new product or service? In assessing this value, you need to deeply understand the potential value the new product or service will bring, both to the customer you're serving and for the organisation you're designing for. We believe the best way to get this combined perspective is to combine design thinking to assess potential value with more business-like ways. The trick is to combine the world of quantitative business metrics with the world of qualitative customer empathy.

“LARGE organisations feel much more comfortable with rational arguments to base decisions on.”

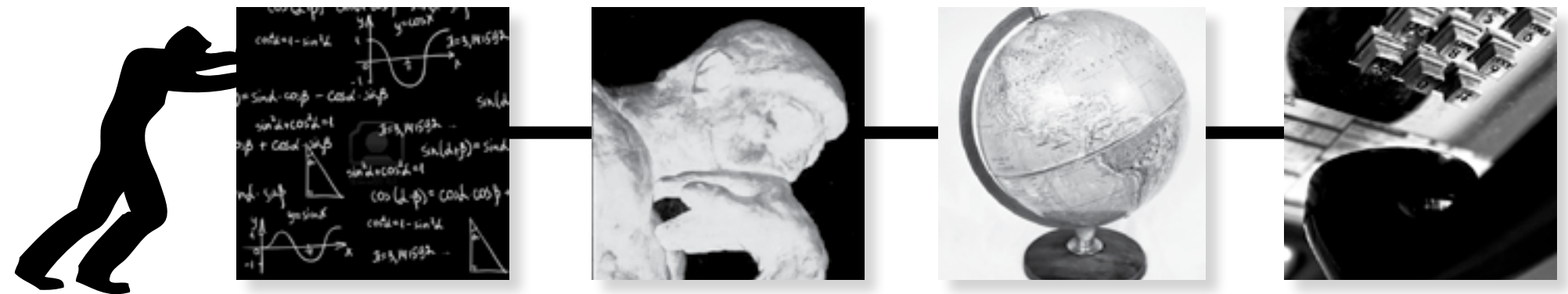
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What you want to base decisions on is *value*

Welcome to the world of business metrics: numbers that index how well an organisation is performing, monitored over time and that are used to guide decisions on innovation, customer experience design, marketing, sales, and service.

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THE VALUE OF BUSINESS METRICS

FOR (SERVICE) INNOVATION

AND DESIGN

In recent service innovation and customer experience design work for companies like Virgin Mobile, and DeltaLloyd/Ohra we have developed a way to bring the two modes of decision making together under one umbrella.

These projects were especially metric-intensive and at the same time, they were guided by deep qualitative customer insights. The projects have confirmed how much more effective design thinking, service design, user centeredness and design research become

when they are attuned to the metric dashboard of the organisation you work with. We've also learned that with some creativity and critical scrutiny, metrics like NPS, customer satisfaction and customer retention measures DO NOT hamper innovation like many designers of the 'out-of-the-box' persuasion would like to make you believe. To the contrary, if you use them well, they accelerate the way towards innovation.



So we believe a purely **business metric** based decision making framework won't cut it. But neither will a purely **customer centric** framework.

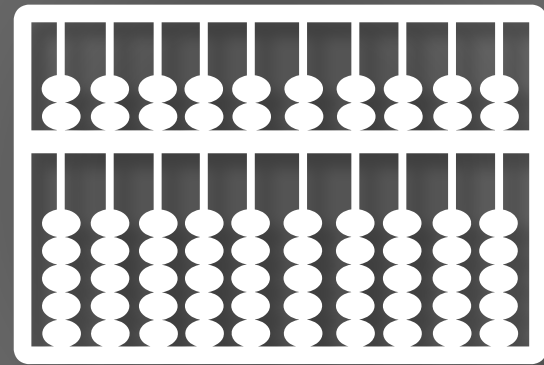
Here's why:

Most organisations base their fact-based research on their own way of looking at the world: through the lens of their business lines, channels, or departments. They would typically measure how frequently a certain channel is used, or which products perform better than others in certain markets. This gives them back data that is easy to digest by the process owners within these same business lines, channels or departments. But guess what: a customer isn't interested in product-market combinations, channels or business lines. She's interested in getting her job done and she's interested in a seamless, pleasant and effective experience.

Now explorative customer insight research is very good at looking at the world from a customer's point of view. It will typically observe the user in her environment to dig up deep contextual insights in customer motivations, desires and behavior. But somehow, these results are hard to digest for your business line managers: the insights maybe nice and they may even trigger some ideation, but usually they don't get much further than that. They simply don't fit the existing paradigms that are used for decision-making because they are too soft, open-ended and generic. They look like answers but what was the question again? So on the one hand you have fact based research that doesn't look at the world through your customers' eyes,

and on the other you have customer research that doesn't connect to how your business operates. That's why so much quantitative research fails to benefit the customer and so much qualitative research fails to benefit the business.

We call this the worldview paradox. Piles and piles of unused or even unread research reports testify to the numbing impact this paradox has on research based innovation.



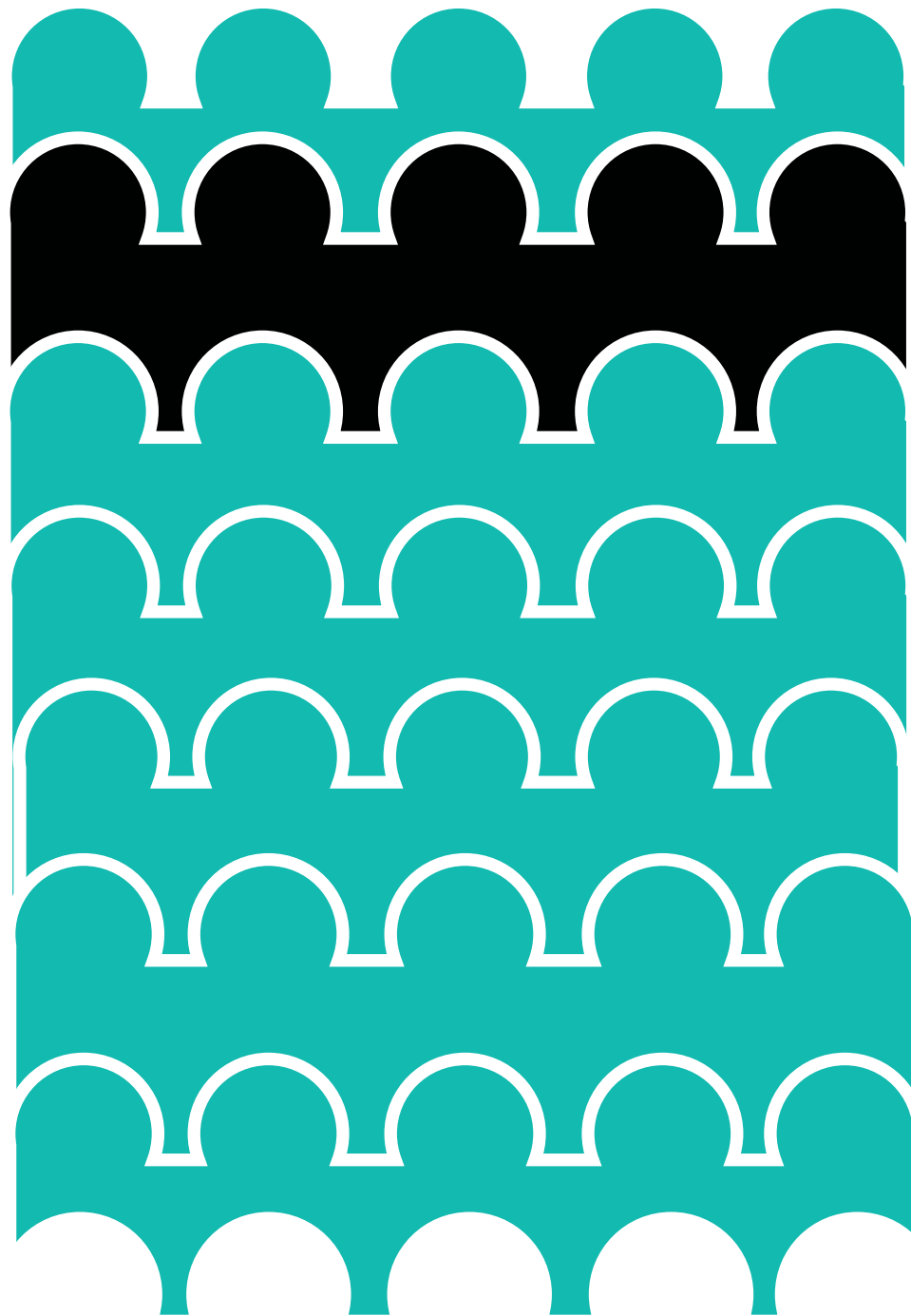
We've been lucky to collaborate with some great people within the organisations we work for that know that business metrics are not the Holy Grail. They realize that weighing the ingredients is not the same as cooking, and (to stick to the cooking metaphor) measuring the steak won't tell you how good it will taste. In other words: they understand that business metrics aren't a goal in itself. They are a tool for business improvement and potential value creation that, when used well, increase the success rate of innovation, both from a customer and a business perspective.

But this is only true if quite a bit of design thinking, or empathic, intelligent creativity is involved in crafting and using the metrics first.

If not, the result can be a pure focus on metrics resulting in a reputation among the design and innovation community of having a narrow-minded steering on numbers, without understanding their true meaning, and without the mechanisms in place to translate this meaning into focussed, relevant improvements.

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Adoption & Adaptation



We think it all starts with (service) designers taking the time to understand and respect an organisation's metrics dashboard. What is being measured and why? Who works with the metrics and how? What decisions are based on it and what issues do they point at? If you want to embed your design work in an organisation's strategy you will have to adopt these metrics and let their intelligence guide your research and design work. But although the metrics that are used within an organisation may seem to be a given, the trick is to be constructively critical and not take them for granted. This implies that a designer will have to have the business understanding and skills to start adapting that dashboard to the innovation task at hand. You will have to match the dashboard measures, with the design objectives that have followed from your research insights.

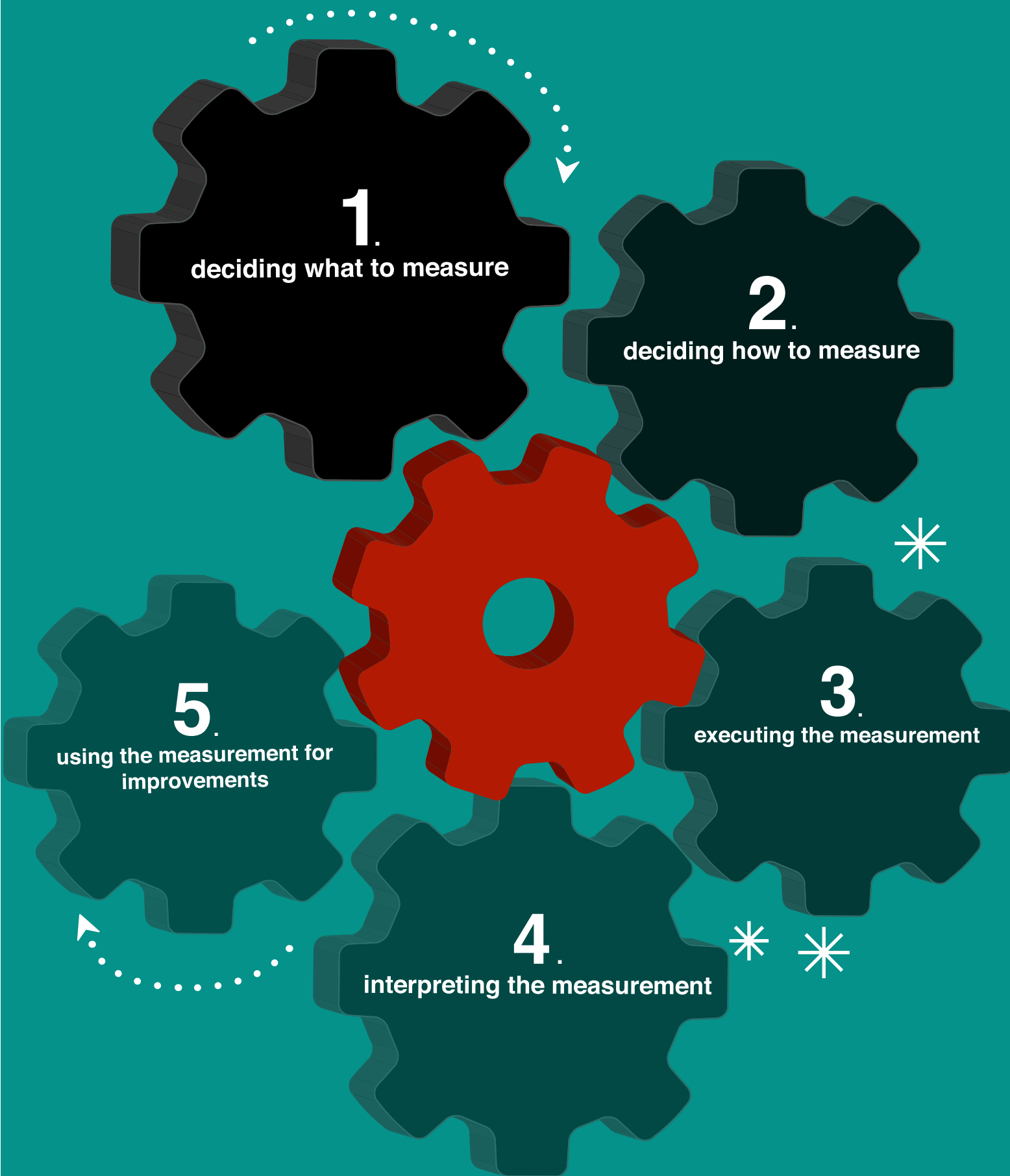
One concrete example of this adoption/adaptation is NPS, or Net Promoter Score. Most of the organisations we work with use NPS as an indication of customer loyalty. The NPS score is used as a proxy for how well an organisation is doing, and a raise in NPS will typically be one of the ways by which an organisation measures its strategic progress. NPS is a good enough way to 'objectify' improvements that make customers more loyal (although there is plenty debate on whether this is in fact the case, see these discussions; [example 1](#) and [example 2](#)). It is usually supported by large, more or less, representative surveys and lots of people use it for quarterly and daily decision-making. So NPS merits adoption. The problem with

NPS is that it generally doesn't tell you what to do to improve it, because, unlike most supporters of the NPS claim, it typically looks at the world through a business lens.

“It measures to what extent your customers are willing to promote your channels, product groups, or touch points.”

But, as stated before, that's not how your customers operate. When they call your contact centre, that action is only a very small part of a larger experience. When you ask them to tell you whether they are willing to promote that specific touch point, you get an answer back that doesn't reflect the context and the larger meaning of a customer's experience. So NPS needs adaptation.

The adaptation we apply is to delve deep into the data that supports the aggregated NPS score. We reallocate NPS drivers across the customer journey, in order to get closer to how customers see the world. This in fact helps us assess which parts of the journey cause promoters to promote and which cause detractors to detract. Rather than haphazardly putting Band-Aids on touch points, or even worse, redesigning the whole customer journey, the adaptation of the metrics dashboard, NPS in this case, has helped us and our clients to focus on redesigning those parts of the journey that really matter to the customer and to their business.



Co-creating a metrics dashboard

Obviously you will have to do all this in close collaboration with the business stakeholders and intelligence experts involved. Once you've arrived at this point of collaboration, we advise you to follow these five stages to get to a symbiosis in business and customer worldview that resolves the worldview paradox.



Deciding what to measure

The measurement is an assessment of the extent to which you are reaching strategic or tactical goals. So you need to set those goals first: what are we trying to reach? Are we trying to make customers happier, are we trying to retain them longer, or are we trying to make it easier for them to use our services, to name just a few possible goals. Setting these goals is an essential activity in any innovation or design project, and our experience designers can play a very important role in reframing and clarifying these goals. What they should play a bigger role in is to define the metrics that will assess whether those goals were met in the end.



Deciding how to measure

We think in general designers tend to take business metrics as a given. Something they can't influence. The client is measuring in a certain way and that's that. In our experience, it's much better to approach metrics as part of the design job, much the same way industrial designers are used to set up a program of (quantifiable) requirements before they embark on a project. Deciding how to measure the goals under 1 should be part of the design brief regardless of whether it concerns rigorous quantified measurements or a more qualitative approach or (preferably) both.



Executing the measurement

When it comes to human-centred branding, design and innovation, often what you're measuring is human emotions or opinions. So in order to get real meaningful answers you've got to ask the right questions. Bad questions give you superficial answers. We've been amazed at how useful a designer's natural empathy for users can be in crafting the kind of questions that give you back real insight, rather than confirmation of what you already knew.



Interpreting the measurement

And then you sit there with piles and piles of SPSS data, pie charts, stats and numbers. It's Worth nothing if you take the numbers at face value. Only very creative brains can transform this pile of numbers into actionable and meaningful insights that drive business growth. Plus combine the numbers with qualitative insights to form a solid basis for innovation. Measuring and interpreting data from the past isn't so very hard. Measuring and interpreting data for the development of future products and services is. Designers, in their continuous quest for useful, reliable and inspiring stepping stones into the future, are very well-equipped to help you with this.



Using the measurement for improvements

Finally the actual design work starts: the metrics give guidance in developing new products, services or processes that make customers happier, retain them longer or make it easier for them to use your service (or whatever your goal was). Because you've measured you know what to improve. And because you asked the right questions and interpreted them well you also know why it needs improving. Now what designers are naturally good at, is knowing how to execute those improvements. They just need to get involved in crafting the metrics, and be willing to go continue with stage 1 when their first prototype is finished, to assess whether what they came up with is meeting the goals that were set for the project. So the model is circular and the process is iterative, each loop getting you closer to the end goal.



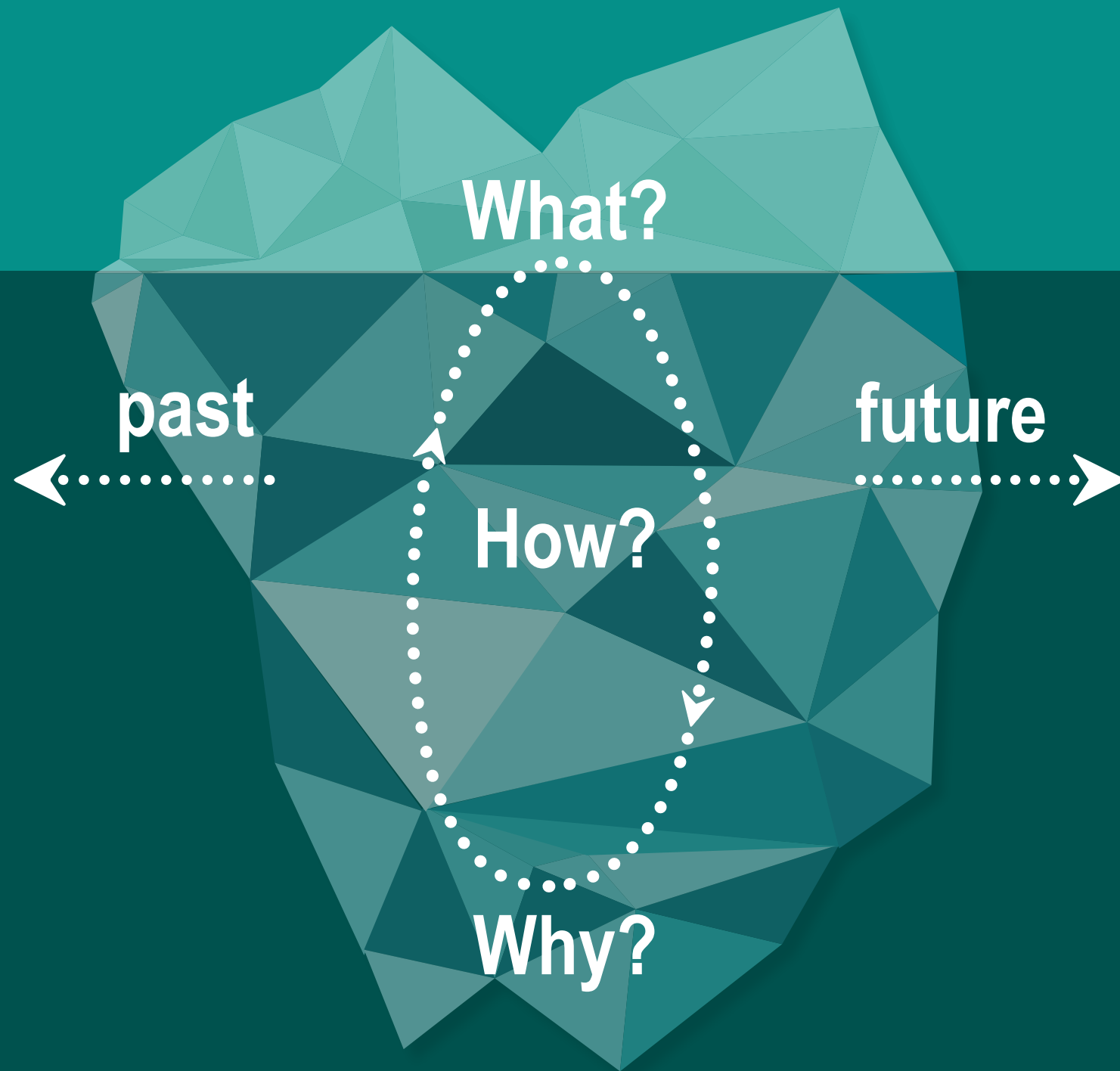
The pitfalls of embracing business metrics

When adopting business metrics in innovation and design processes, there are two things to watch out for. Both have to do with the limitations of large-scale quantitative research.

1 The only way to predict the future is to create it your self. In our experience you cannot reliably ask customers in a large scale questionnaire what they will want tomorrow. You can ask them about the past and the

present, but not the future. A customer can tell you how she rated a certain experience on a scale of 1 to 10. But if you want to know what she would like to see improved in that experience you need a different questioning technique. One that is more personal, contextual, more supporting of her answers and guiding towards future needs. Time intensive research methods like contextual inquiry, laddering interviews or design ethnography may be in place. There's just no way you can capture the

results of these techniques in a reliable quantitative framework. Since business metrics, in their nature, rely on quantitative reliability, they must measure what happened in the past, not the future. As a designer of an organisation's future business endeavours you have to be very aware of this limitation, and the responsibility on your shoulders: you will have to help your organisation look forward, based on the solid foundation of looking backward.



2 Metrics just point you at the answers to ‘what’ questions. They may help you find out what channel customers prefer, what products they use most, or what’s wrong with a certain touch point. These are the kind the questions that generate answers that can be computed into a quantitative framework. What these ‘what’ answers don’t tell you is the reason behind them. They don’t tell you why a certain type of customer prefers a certain channel in a certain context, they don’t tell you why a customer disliked being put on hold, they don’t tell you why one service is preferred over the other. Qualitative customer insight research will show you the answer to these very important ‘why’ questions. When executed well this type of research will explain the motivations behind behaviour, or the ‘why’ behind the ‘what’. However, it still leaves you without a solution. You now know what the issue is (the business worldview) and why it is an issue (the customer worldview). Next up is the designer’s worldview: to match the two worldviews into a plan that tells you how to solve the issue.

Figure: The limitations of business metrics are that they don’t help you understand a customer’s future needs and they don’t uncover the why and how underneath customer issues. Just like a floating iceberg: you can study its past track and you can safely say where it is now, but to predict its course in the future you need different techniques. And the tip of the iceberg (the answers to ‘what’ questions) only give you a very limited understanding of the whole system.

CONCLUSION



Metrics, when designed and used well, can inspire, drive growth and be a useful tool for (service) designers. Because good design processes are synergetic: iterative combinations of facts, imagination, and empathy, to reach goals that are good for the customer and good for the business. We believe that combining the business worldview with the customer's worldview is essential in effective innovation. It requires a new approach to customer research, finally combining metrics with meaning to arrive at real innovative magic!

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