



The raison d'être of your enterprise is to provide customer value: so how are you doing?

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Every enterprise starts life with a founder's conviction that a need isn't being met properly. That is true of the fifth school in a town, the third cycle shop, or the first Ethiopian restaurant. The raison d'être is to provide necessary schooling in a district that is under-served, or a better experience for cyclists closer to where they live, or a novel cuisine to variety-starved diners. In other words, to provide customer value. The point of even Elon Musk's Mars colonisation plan is to benefit humanity (while fulfilling the founder's dreams): the customer is "humanity".

The customer has a different status from other stakeholders. A government development agency may have the raison d'être to 'create jobs', but if all it does is to create jobs for its own employees, it is a failure – its customers are the unemployed people in the area. It has to create jobs by nurturing enterprises that create value for their customers. Your company's 'forward integration' move fails when its purpose is to make things better for you (the supplier) rather than the end customer. You invite disaster if you allocate resources to financially benefit investors when you are losing market share to competitors who satisfy customers better. Finally, your management team may be fatally prone to initiatives that build their empire rather than satisfying genuine needs.

Fortunately for civilisation, research shows that organisations that provide superior customer value also end up rewarding their employees and suppliers better, creating more jobs, rewarding investors better, building long-term viable enterprises, and fulfilling their founder's dreams.

So, now we've established what should get you out of bed in the morning, how well do you provide customer value? Do you measure and manage it? If "no", then why do you do anything else?

The purpose of this article is to help you get to grips with some of the many methodologies relating to customer value. These include:

- Customer Satisfaction (CSAT Score)
- Net promoter Score (NPS)
- Customer Effort Score (CES)
- Profit Impact on Market Strategy (PIMS®)
Customer Value Analysis (CVA®)

CSAT Score: a key performance indicator for business-to-consumer companies.

The goal is to measure a customer's satisfaction level with your company's product, service or interaction. CSAT score is often determined by asking customers a single question, a set of queries, or a long survey to assess their experiences, for example:

Q: How would you describe your overall satisfaction with this product? (Very dissatisfied, Somewhat dissatisfied, Neither satisfied nor dissatisfied, Somewhat satisfied, Very satisfied).

The answers are generally quantified as the percentage in the last two categories (between 0% and 100%). A high percentage indicates that most of your customers are satisfied.



Unlock customer insights with pims.ai's Customer Value Analysis (CVA®), a proven tool developed in over 40 years of research to measure customer perceptions of your offerings against competitors. By identifying key decision criteria and areas for improvement, CVA helps you align with customer needs, driving profitability and growth. Trusted for its strong correlation to business success, Customer Value Management empowers businesses to thrive in competitive markets.

Understand your value proposition // Set evidence-based priorities



PROs:

- CSAT's best asset is versatility because it allows you to ask customers a variety of questions.
- You can customize survey questions to delve into different strengths and weaknesses and highlight the best ways to meet your customers' needs.
- It is simple enough that it can be embedded in your customer interactions to give real time data on how things are changing.

CONs: CSAT is a poor predictor of loyalty and repeat business:

- CSAT has no competitive dimension: if a customer is 'somewhat satisfied' with you, their future behaviour depends on whether they are 'very satisfied' with competitors or 'dissatisfied' with them.
- CSAT doesn't measure which attributes are important to customer choice: multiple questions relating to different attributes tend to be weighted equally in calculating overall satisfaction.
- CSAT doesn't take into account that people who might respond "somewhat" or "neither" are unlikely to complete surveys, which is known to skew results.
- CSAT often limits its scope to a single interaction: the customer's previous interactions may have been very different. Although a low CSAT can predict attrition, a high CSAT doesn't accurately predict repeat business.

Net Promoter Score (NPS): currently in vogue as the go-to question that really counts

NPS embodies the fundamental idea that all of your customers fall into one of three categories: promoters, passives, or detractors. Promoters are dedicated, repeat customers who enthusiastically recommend your products or services to others. Passives are customers who are satisfied, but lack any enthusiasm or loyalty; passives could easily switch to a competitor. Detractors are customers who are decidedly unsatisfied with your company.

Q: How likely is it that you would recommend us to a friend? (Please score on a scale of 0 - 10 where 0 means "not at all likely" and 10 is "extremely likely").

The answers are generally quantified as the percentage of promoters (scoring 9-10) minus the percentage of detractors (scoring 0-6). A high percentage is good.

PROs:

- NPS only requires a customer to respond to one simple question, which makes it easy to complete and more likely the customer will do so.
- The nature of the question is not limited to a single interaction – it encompasses the respondent's entire history – and also takes into account the competitive dimension.
- It is particularly suited to tracking progress in real time.



CONS: Lack of evidence that NPS correlates with a boost in real world business:

- NPS is one dimensional – it just asks a single question, so it gives only a narrow perspective.
- NPS gives no clue as to which attributes to improve to better satisfy your customers.
- There's no proof that promoters will actually recommend your company to those in their lives.
- National differences in how people score on a 10-point scale. In the USA, where the pass mark in most exams is 70%, a score of 6 is indeed a poor score. In Europe, where the pass mark in most exams is 50%, 6 is quite a good score. In East Asia, most people score conservatively 7 or 8, falsely implying they are passive. In Africa and the Middle East by contrast there are lots of 0s and 10s.

Customer Effort Score (CES): how much effort a customer must exert to have their needs met by you

Q: How much effort did you personally have to exert to get your request dealt with? (Please score on a scale 1 – 5 where 1 indicates very low effort and 5 indicates very high effort).

The quantified result is the average score (between 1 and 5): a low number says that you are making things easy for the consumer, a high number that customers are putting in much too much work to interact with you.

PROs:

- CES focuses on a single element - customer effort. The sole goal is to eliminate or minimize any barriers for customer service.
- CES has been proven to be a strong indicator of customer loyalty, and tracks progress in real time.

CONS: CES just addresses customer service:

- CES doesn't look at important factors affecting customer behaviour such as price or product quality.
- CES doesn't delve into why customers have requests in the first place.
- CES doesn't identify what makes interactions difficult for customers.
- CES has no competitor dimension.

Profit Impact of Market Strategy (PIMS®) Customer Value Analysis (CVA®)

PIMS® is a multi-company, multi-industry research project to identify the differences across businesses that make a difference to profitability and growth, and to develop methods to translate those insights into action items that will in turn improve your performance. The PIMS® database has thousands of observations measuring customer value along two dimensions: relative quality and relative price – superior value is a combination of higher quality and lower price.

Relative quality is measured by identifying specific attributes of product, service and image, weighted by how they affect customer buying decisions. Your business and each significant competitor are scored (0 to 10) from the customer's perspective on each attribute.

Your relative quality score is the weighted % of times you beat a competitor minus the % of times the competitor beats you – across all product/service/image attributes. Customer value is standardised relative quality minus standardised relative price (the standardisation taking into account the price sensitivity of the market). A high CV score says that your offering, by and large, beats competitors on the attributes that matter. Empirical evidence says that that helps both growth and profitability.

PROs:

- Comprehensiveness and empirical base.
- By definition, PIMS CVA® takes into account everything that matters from a customer's perspective. It can therefore pinpoint what needs to be improved and by how much. Note that since relative score on the 0-10 scale is what counts, the geographical biases are eliminated.
- By looking at the experiences of look-alike businesses who started in a similar position in a similar environment, PIMS® can suggest what are likely to be winning tactics on marketing, innovation, sales effort and so on.



CONS: PIMS CVA® requires market research input from customers (for business-to-business companies this may be a simple exercise):

- PIMS CVA® doesn't just get customers to answer one or two questions but takes in-depth soundings via structured interviews, focus groups, etc..
- PIMS CVA® requires input from non-customers as well as customers (i.e. is suited to multi-client market research).
- PIMS CVA® is therefore something that you do infrequently as a baseline for business strategy rather than continuous real time evaluation of changes in processes, products or services.

In conclusion

As you might suspect, no single methodology can properly address all of your company's concerns. These measurements can be combined and used with other complementary tools to render a comprehensive look at your company's needs. The best advice is to use these tools in tandem with any industry specific tactics or anecdotal evidence that you uncover. Through experimentation, you'll find the blend that is the most effective for your company, and most importantly, your customers.