



# THE FORESEE CXA METHODOLOGY: WHITE PAPER



## OVERVIEW

ForeSee helps organizations measure and analyze their customers' experience with advanced predictive analytics and a robust scientific methodology that together radically change the way organizations make important decisions. Our proven method accurately identifies the causal relationships between key indicators of customer satisfaction and future behaviors, enabling executives and managers to prioritize investments that will have the biggest impact on the customer experience.

The ForeSee CXA methodology links customer satisfaction directly to financial outcomes, including customer spending, shareholder value, cash flow and business performance. By focusing on customer satisfaction to improve the customer experience, ForeSee offers its clients a unique advantage by providing better tools for managing the customer experience.

ForeSee's proven cause-and-effect theoretical framework is based on empirical findings from 80 years of social psychology research, 20 years of econometric research and more than a decade of practical field implementation at leading global organizations. The heart of the company's methodology is centered on consumer behavior theory, psychometrics and statistics – combining survey-based, voice-of-the-customer-derived performance measurement with advanced modeling algorithms to deliver powerful diagnostic capabilities, actionable insights and prescriptive guidance.

## EFFICIENT ALLOCATION OF SCARCE RESOURCES

All management decisions make basic cause-and-effect assumptions (i.e., If we do X, Y will happen), but without knowing what outcomes to expect, decision-making may devolve into a guessing game. Unfortunately, managers often base their decisions on hunches, and data and correlations that do not support causal inferences. Since the allocation of scarce resources to accomplish desired objectives is the fundamental management task of all organizations, it is critical that organizations quantify the impact of changes before making them.

The ForeSee CXA methodology is based on a theory that isolates the effects that specific changes to the customer experience will have on customer satisfaction and desired behaviors, providing managers with powerful, forward-looking insights that tie business decisions to specific financial outcomes.

## ESSENTIAL QUESTIONS FOR MEASURING CUSTOMER EXPERIENCE

To measure the customer experience accurately, managers must implement a system that asks customers three essential questions:

1. **How are we doing?** To measure all areas of the customer experience in order to provide meaningful performance measurement in each area, both as a snapshot and across time.
2. **What should we do?** To prescribe customer experience improvement targets and prioritize investments.
3. **Why should we do it?** To predict how prescribed improvements affect financially relevant business outcomes prior to investment.

## BENEFITS OF THE FORESEE CXA METHODOLOGY

The ForeSee CXA methodology provides three distinct benefits that address the questions above:

1. **Powerful Diagnostic Capabilities** – ForeSee's valid, reliable and sensitive customer experience measurement delivers metrics that managers can rely on to accurately assess the customer experience.
2. **Prescriptive Guidance** – Advanced modeling algorithms quantify the link between perceived experience and attitudinal evaluation, prioritizing the best course of action and helping managers optimize resource allocation.

3. **Prognosis of Future Outcomes** – ForeSee’s cause-and-effect framework predicts future outcomes to serve as a basis for accurate return-on-investment (ROI) calculations, before investments are made. It provides specific, quantifiable data about how changes to a process, service, aspect of quality, etc. will affect customer satisfaction and profits.

## UNDERSTANDING CUSTOMERS’ POST-EXPERIENCE THOUGHT PROCESSES

ForeSee’s framework uses models to evaluate customers’ post-experience thought processes in order to create the most accurate picture. These include:

- > The perception of the performance of various facets of the product or service;
- > The attitudinal evaluation of the experience (including satisfaction); and
- > The future behavioral intentions toward the product or service.

## THREE INDICATORS OF CUSTOMER SATISFACTION

ForeSee uses three measurable indicators to assess and define the dimensions of customer satisfaction – overall satisfaction with the experience, whether the experience met expectations and whether the experience was ideal. The measures examine:

1. How well the experience fulfilled the user’s needs or desires;
2. How well the experience met the user’s expectations; and
3. How well the experience compared to a hypothetical ideal experience for the user.

Questions based on these three concepts are used to build a composite measure of customer satisfaction that offers superior reliability, validity, and precision. Three questions are necessary to achieve these benefits because satisfaction is made up of multiple dimensions. By consistently asking these questions, comparisons can be made across individuals, organizations, market segments, and even industries over time. This ability is invaluable for customer satisfaction benchmark comparisons.

## KEYS TO SUPERIOR PERFORMANCE MEASUREMENT

ForeSee delivers superior customer experience measurement because it uses measures that are accurate, reliable and precise:

- > **Accurate** – The degree to which measures are free from measurement error and reveal the truth about an object or quality of an object.
- > **Reliable** – The degree to which measures are free from random error and therefore yield consistent results.
- > **Precise** – The ability of a measure to reveal small differences in values over successive measurement occasions or between groups (also known as the power to detect change).

## IMPROVING PRECISION AND POWER

ForeSee combines best practices from psychometric science with an advanced structural equation modeling algorithm. The key characteristics of ForeSee's superior CXA methodology are highlighted below:

- > **Voice-of-the-Customer (VOC) Measurement** – The ForeSee methodology discovers the true meaning of a customer's experience and converts the customer's "voice" into actionable insights.

- > **Multiple Measures** – Asking a number of questions enables ForeSee to evaluate intangible psychological concepts accurately (e.g., perceptions and attitudes about experience and satisfaction). Because single measurements of psychological phenomena have a high probability of random measurement error, they are typically discouraged. However, when ratings for three to five items are combined to triangulate the essence of the customer experience, the validity is increased by 20% to 30% over that of other methods. While an individual item contains measurement error, multi-item measures are less prone to distortion from biases, cancelling out random error and improving stability, reliability and precision over time.
- > **Smaller Samples, Same Precision** – Because of the increased precision of ForeSee’s multiple-measure methodology, it can use smaller sample sizes without sacrificing accuracy, resulting in a cost savings for clients.
- > **State-of-the-Art Analysis Algorithm** – The ForeSee modeling analysis uses a structural equation algorithm to produce a system of optimally weighted scores. The weights are based on the relationships between experiences, evaluations and intentions.
- > **Network of Multiple-Measure Concepts** – ForeSee’s measurement system is based on a network of multiple-measure concepts linked together in a cause-and-effect framework. The experience and satisfaction indices and future intention outcomes are a function of the framework. The process ensures prescriptive and prognostic power, and minimizes the correlation problems that limit the effectiveness of competing methodologies (e.g., measures correlating among themselves).
- > **10-Point Scales** – ForeSee implements 10-point scales in its customer experience measurement because they yield more precise results and provide more meaningful information, increasing the explanatory power of the system, especially for organizations with inherently small customer populations.

## ABOUT FORESEE'S TECHNOLOGY PLATFORMS

ForeSee's unique combination of technology platforms is organized around data capture, data refinement and knowledge sharing.

- > **Data Capture** – ForeSee uses surveying techniques (i.e., questionnaires) or observation (e.g., recording website behavioral patterns). Data collection includes sampling rates, triggering processes, database creation/management and session recording.
- > **Data Refinement** – ForeSee uses advanced statistical technologies to build models and other constructs, as well as clinical techniques, to analyze the customer experience, particularly the usability of websites.
- > **Knowledge Sharing** – ForeSee applies technologies that focus on the presentation and customization of refined data. The ForeSee Portal aggregates data from multiple sources and provides tools that enable clients to manipulate results for further custom analysis, including business-intelligence tools, filters, comment clustering and prepared analysis reports.

## THE POWER OF FORESEE PREDICTION

Accurate predictions are the ultimate proof of a good measurement system. The ForeSee CXA methodology and causal analytic framework, combined with more than a decade of experience measuring and analyzing customer experience for some of the world's largest brands, offer a unique customer experience to satisfied clients. ForeSee provides reliable measurement based on a scientific cause-and-effect framework that helps organizations better evaluate decisions, determine the best course of action, and predict financially relevant future outcomes before any investment is made. We help managers and executives accurately measure and analyze the customer experience to efficiently optimize customer satisfaction, the ultimate driver of business growth.

**Elements of the ForeSee Methodology**

	<b>Diagnosis</b> → "How are we performing?"	<b>Prescription</b> → "What should we do?"	<b>Prognosis</b> → "What happens if we do it?"
<b>Objectives</b>	<ul style="list-style-type: none"> <li>&gt; Accuracy</li> <li>&gt; Reliability</li> <li>&gt; Precision</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Impact or key-driver analysis</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Prediction of future financial outcomes</li> </ul>
<b>Characteristics</b>	<ul style="list-style-type: none"> <li>&gt; Voice-of-the-customer (VOC)-based</li> <li>&gt; Multiple measures, optimally weighted</li> <li>&gt; Reduced measurement error</li> <li>&gt; Reduced confidence intervals</li> <li>&gt; Unstandardized performance scores</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Calculated within the context of a complex cause-and-effect network</li> <li>&gt; Based on unstandardized slopes, not correlation</li> <li>&gt; Optimized with regard to key management objectives</li> <li>&gt; Control of multicollinearity for more reliable impact estimation</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Predictive "what if" tool</li> <li>&gt; Quantifies the effects of changes across multiple nodes</li> <li>&gt; Future effects are comparable across time, location, or segment</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>&gt; Accurate</li> <li>&gt; Meaningful</li> <li>&gt; Comprehensive</li> <li>&gt; Comparable</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Prioritizes improvement efforts</li> <li>&gt; Provides impacts that are additive and comparable across groups</li> <li>&gt; Allows for more efficient allocation of resources</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Focuses on the dynamic quantification of change</li> <li>&gt; Increases ability to predict key financial outcomes before investing</li> <li>&gt; Enables fact-based ROI calculation</li> </ul>



## ABOUT FORESEE

As a pioneer in customer experience analytics, ForeSee continuously measures satisfaction across customer touch points and delivers critical insights on where to prioritize improvements for maximum impact. Because ForeSee’s superior technology and the proven ForeSee CXA methodology connect the customer experience to the bottom line, executives and managers are able to drive future success by confidently optimizing the efforts that will achieve business and brand objectives. The result is better business for companies and a better experience for consumers. Visit us at [www.foresee.com](http://www.foresee.com) for customer experience solutions and original research.