The Effortless Experience
Conquering the New Battleground for Customer Loyalty

Matt Dixon
Executive Director, CEB

I’M THE OTHER GUY
I’M THE OTHER GUY

Bill Rancic

Award-Winning TV Personality

#customereffort
I’M THE OTHER GUY

Bill Rancic
Award-Winning TV Personality

Matt Dixon

I’M THE OTHER GUY

Bill Rancic
Award-Winning TV Personality

Matt Dixon
Questionable Personality,
Likes Watching Award-Winning TV
HAVE YOU SEEN THIS GIRAFFE?

THE MOMENT OF “WOW”
THREE QUESTIONS THAT GUIDED OUR RESEARCH

1. What impact do customer service interactions have on a customer’s future loyalty?
THREE QUESTIONS THAT GUIDED OUR RESEARCH

1. What impact do customer service interactions have on a customer’s future loyalty?

2. What are the things customer service can do to DRIVE loyalty?

3. How can service improve loyalty while still REDUCING operating costs?
WHAT IS LOYALTY?

- Repurchase
- Share of Wallet
- Word of Mouth
WHAT IS LOYALTY?

The TRUEST TEST of loyalty is when something goes WRONG.

OUR STUDY IN BRIEF
OUR STUDY IN BRIEF

- 125,000+ customers
- 5,000+ customer service reps
OUR STUDY IN BRIEF

■ 125,000+ customers
■ 5,000+ customer service reps
■ 100+ companies

3 major findings
FINDING 1: DELIGHT DOESN’T PAY

Below Customer Expectations  
Meets Customer Expectations  
Exceeds Customer Expectations

The Perception

More Loyal

Less Loyal
FINDING 1: DELIGHT DOESN’T PAY

- “Delight” only happens 16% of the time
- “Delight” increases operating costs 10-20%

The Perception

The Reality

More Loyal

Less Loyal

Below Customer Expectations
Meets Customer Expectations
Exceeds Customer Expectations

© 2013 The Corporate Executive Board Company. All Rights Reserved. SEC7385113SYN #customereffort
FINDING 2: SERVICE DRIVES DISLOYALTY

Customer Service Impact on Loyalty

More Loyal

1.00x

More Disloyal

3.97x

Source: CEB analysis.
FINDING 2: SERVICE DRIVES DISLOYALTY

Customer Service Impact on Loyalty

Drivers of Disloyalty
- Repeat contacts
- Channel switching
- Transfers
- Repeating information
- Robotic service
- Policies and processes customers have to endure
- "Hassle factor"

FINDING 3: MITIGATE DISLOYALTY BY REDUCING EFFORT

Customer Service Impact on Loyalty

Drivers of Disloyalty
- Repeat contacts
- Channel switching
- Transfers
- Repeating information
- Robotic service
- Policies and processes customers have to endure
- "Hassle factor"
THE BUSINESS CASE FOR THE EFFORTLESS EXPERIENCE

Low Effort | High Effort
---|---
Repurchase | 94% | 4%

Source: CEB analysis.
THE BUSINESS CASE FOR THE EFFORTLESS EXPERIENCE

- **Repurchase**
  - Low Effort: 94%
  - High Effort: 4%

- **Increased Spend/Share of Wallet**
  - Low Effort: 88%
  - High Effort: 4%

- **Negative WOM**
  - Low Effort: 1%
  - High Effort: 81%

Source: CEB analysis.

© 2013 The Corporate Executive Board Company. All Rights Reserved. SEC7385113SYN #customereffort
THE BUSINESS CASE FOR THE EFFORTLESS EXPERIENCE

- Repurchase: Low Effort 94%, High Effort 4%
- Increased Spend/Share of Wallet: Low Effort 88%, High Effort 4%
- Negative WOM: Low Effort 1%, High Effort 81%
- Overall Disloyalty: Low-Effort Experience 9%, High-Effort Experience 96%

Source: CEB analysis.

THE FOUR PILLARS OF LOW-EFFORT SERVICE
THE FOUR PILLARS OF LOW-EFFORT SERVICE

- Channel Stickiness
- Next Issue Avoidance
- Experience Engineering
- Frontline Control
WHICH WOULD YOU RATHER USE?

YOUR CUSTOMERS DON’T WANT TO TALK TO YOU
YOUR CUSTOMERS DON’T WANT TO TALK TO YOU

Company Perception

Web Preference

Phone Preference

1.0X

2.5X

YOUR CUSTOMERS DON’T WANT TO TALK TO YOU

Company Perception

Web Preference

Phone Preference

1.0X

2.5X

Actual Customer Preference

Pattern largely holds across issue types and demographics

Web Preference

Phone Preference

1.0X

1.0X

CEB

#customereffort

© 2013 The Corporate Executive Board Company. All Rights Reserved. SEC7385113SYN
YOUR CUSTOMERS DON’T WANT TO TALK TO YOU

<table>
<thead>
<tr>
<th>Company Perception</th>
<th>Actual Customer Preference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Web Preference</td>
<td>Phone Preference</td>
</tr>
<tr>
<td>1.0X</td>
<td>2.5X</td>
</tr>
<tr>
<td>1.0X</td>
<td>1.0X</td>
</tr>
</tbody>
</table>

Pattern largely holds across issue types and demographics

- 3-5 years ago, 66% of customers primarily relied on the phone
- Today, only 28% of customers report that they primarily rely on the phone

BUT THEY’RE STILL CALLING

First Contact Channel

57.7% of phone callers first went to the company’s Website

Source: CEB analysis.
BUT THEY’RE STILL CALLING

First Contact Channel

- Web
- Phone

Concurrent Channel Usage

- Web
- Phone
- Web and Phone
- Phone Only

57.7% of phone callers first went to the company’s Website

35.5% of phone callers were on the company’s Website while talking to a representative

Source: CEB analysis.

CUSTOMER CHOICE IS NOT THE ANSWER
CUSTOMER CHOICE IS NOT THE ANSWER

Conventional Wisdom:

∞ × ∞

We’ve got to come up with a way to allow:

- every customer to solve
- every issue in
- every channel
CUSTOMER CHOICE IS NOT THE ANSWER

Source: CEB analysis.

16% Value CHOICE Over Ease

• Want issue resolved in their preferred channel

• Prioritize channel choice above all else

Source: CEB analysis.
CUSTOMER CHOICE IS NOT THE ANSWER

16% Value CHOICE Over Ease

• Want issue resolved in their preferred channel

• Prioritize channel choice above all else

84% Value EASE Over Choice

• Want fast resolution without bouncing around channels

• Prioritize low effort over channel choice

Source: CEB analysis.

© 2013 The Corporate Executive Board Company. All Rights Reserved. 08171801111011

#customereffort

CHOICE OVERWHELMS

THE PARADOX OF CHOICE
WHY MORE IS LESS - BARRY SCHWARTZ
HOW THE CHOICES WE MAKE WEAR US OUT OF SATISFACTION

"Innovative and beautifully reasoned book about the paradoxes involved in making decisions. Schwarz is a must read." — Martin Seligman, author of Authentic Happiness
“I didn’t have time to write you a short letter... so, I wrote you a long one instead.”

-Mark Twain

Source: CEB analysis

THE GUNNING FOG INDEX

Source: http://gunning-fog-index.com/index.html
KEEPING IT SIMPLE

What Tim Geithner said:

“The US government should create one agency with responsibility for systemic stability over the major institutions and critical payments and settlement systems and activities.”

Source: CEB analysis

FOG Index Score: 24.60
KEEPING IT SIMPLE

What Tim Geithner said:

“The US government should create one agency with responsibility for systemic stability over the major institutions and critical payments and settlement systems and activities.”

What he should have said:

“Set up an agency that makes sure banks remain stable and follow the law.”

FOG Index Score: 24.60

Source: CEB analysis

© 2013 The Corporate Executive Board Company. All Rights Reserved.

#customereffort
KEEPING IT SIMPLE

What Tim Geithner said:

“The US government should create one agency with responsibility for systemic stability over the major institutions and critical payments and settlement systems and activities.”

What he should have said:

“Set up an agency that makes sure banks remain stable and follow the law.”

FOG Index Score: 24.60  FOG Index Score: 8.46

http://gunning-fog-index.com/index.html

Source: CEB analysis

THE FOUR PILLARS OF LOW-EFFORT SERVICE

Channel Stickiness  Next Issue Avoidance

Experience Engineering  Frontline Control
THE WORST QUESTION A REP CAN ASK

“Have I fully resolved your issue today?”

Source: CEB analysis.
THE WORST QUESTION A REP CAN ASK

“Have I fully resolved your issue today?”

Companies think 76.7% of customer issues are resolved in one contact

But customers claim only 40% of their issues are resolved in one contact

Source: CEB analysis.
WHY DO CUSTOMERS CALL BACK?

Drivers of Callbacks

[Diagram showing the structure of drivers of callbacks]
WHY DO CUSTOMERS CALL BACK?

**Drivers of Callbacks**

- **Explicit Issue Failures**
  - Failing to resolve the issue the customer contacted us about

- **Implicit Issue Failures**
  - Failing to resolve issues related to what the customer contacted us about

Source: CEB analysis.
WHY DO CUSTOMERS CALL BACK?

Drivers of Callbacks

Explicit Issue Failures
Failing to resolve the issue the customer contacted us about

54%

Implicit Issue Failures
Failing to resolve issues related to what the customer contacted us about

46%

Source: CEB analysis.

ONE STEP AHEAD
THE FOUR PILLARS OF LOW-EFFORT SERVICE

- Channel Stickiness
- Next Issue Avoidance
- Experience Engineering
- Frontline Control

CUSTOMERS PERCEIVE EFFORT DIFFERENTLY THAN WE THOUGHT
CUSTOMERS PERCEIVE EFFORT DIFFERENTLY THAN WE THOUGHT

What customers have to DO to resolve their issues

How customers FEEL when resolving their issues

Source: CEB analysis.
WORDS MATTER (a lot!)

ADVOCACY
Taking a position of active support on behalf of the customer

Source: CEB analysis.
WORDS MATTER (a lot!)

ADVOCACY
Taking a position of active support on behalf of the customer

Customer effort decreases 77%

Source: CEB analysis.

POSITIVE LANGUAGE
Using terms that prevent negative reactions

Customer effort decreases 77%

Source: CEB analysis.
WORDS MATTER (a lot!)

ADVOCACY
Taking a position of active support on behalf of the customer

Customer effort decreases 77%

POSITIVE LANGUAGE
Using terms that prevent negative reactions

Customer effort decreases 73%

Source: CEB analysis.

#customereffort

© 2013 The Corporate Executive Board Company. All Rights Reserved. SEC7385113SYN

WORDS MATTER (a lot!)

ADVOCACY
Taking a position of active support on behalf of the customer

Customer effort decreases 77%

POSITIVE LANGUAGE
Using terms that prevent negative reactions

Customer effort decreases 73%

ANCHORING
Strategically sequencing an option within a range of choices

Source: CEB analysis.

#customereffort

© 2013 The Corporate Executive Board Company. All Rights Reserved. SEC7385113SYN
WORDS MATTER *(a lot!)*

**ADVOCACY**
Taking a position of active support on behalf of the customer
- Customer effort decreases 77%

**POSITIVE LANGUAGE**
Using terms that prevent negative reactions
- Customer effort decreases 73%

**ANCHORING**
Strategically sequencing an option within a range of choices
- Customer effort decreases 55%

Source: CEB analysis.

---

HOW DOES THIS MAKE YOU FEEL?

Source: CEB analysis.
NOT YOUR FATHER’S “SOFT SKILLS”

Soft Skills:

Being polite, warm and empathetic toward customers in a way that reflects well on the rep and the company

Rooted in basic social norms and accepted etiquette
NOT YOUR FATHER’S “SOFT SKILLS”

Soft Skills:
Being polite, warm and empathetic toward customers in a way that reflects well on the rep and the company

Experience Engineering:
Managing or engineering a conversation using carefully selected language to improve how the customer interprets what they’re being told

Rooted in basic social norms and accepted etiquette

Rooted in behavioral economics and human psychology
THE FOUR PILLARS OF LOW-EFFORT SERVICE

- Channel Stickiness
- Next Issue Avoidance
- Experience Engineering
- Frontline Control

A WHOLE DIFFERENT BALLGAME
A WHOLE DIFFERENT BALLGAME

Yesterday

- Mono-channel
- Simple and predictable
- Information asymmetry
A WHOLE DIFFERENT BALLGAME

Yesterday

• Mono-channel
• Simple and predictable
• Information asymmetry

Today

• Multi-channel
• Complex and varied
• Information parity
OUT WITH THE OLD...

Source: CEB analysis.

Reps as Factory Workers

Source: CEB analysis.
OUT WITH THE OLD...

Reps as Factory Workers

- Little focus on hire quality
- Rote training
- Scripted resolution
- Internal QA checklists
- Emphasis on call efficiency
- Focus on individual performance
- Recruitment-oriented talent infrastructure

Source: CEB analysis.

...IN WITH THE NEW

Source: CEB analysis.
...IN WITH THE NEW

Reps as Knowledge Workers

• Use of candidate selection and assessment tools
• Focus on coaching over training
• Tailored resolution
• Customer-assessed quality measures
• Emphasis on call effectiveness
• Focus on network performance
• Engagement-oriented talent infrastructure

Source: CEB analysis.
THE FOUR PILLARS OF LOW-EFFORT SERVICE

- Channel Stickiness
- Next Issue Avoidance
- Experience Engineering
- Frontline Control

THE CUSTOMER EFFORT SCORE 2.0

A great way for service functions to detect potential disloyalty...

Overall Disloyalty

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Somewhat Disagree</th>
<th>Neither Agree Nor Disagree</th>
<th>Somewhat Agree</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company made it easy for me to handle my issue</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
</tbody>
</table>

Source: CEB analysis.

...and a way for service functions to positively impact Net Promoter Score®

Percent of Detractors

Low Effort High Effort

9% 96%

4% 67%

Source: CEB analysis.
COMPLAINTS CAN BE DIRECTED TO

Matt Dixon

Bill Rancic
The Effortless Experience
Conquering the New Battleground for Customer Loyalty

Matt Dixon
Executive Director, CEB