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To really win their loyalty, forget the bells and whistles and just solve their problems.

Stop Trying to Delight Your Customers

by Matthew Dixon, Karen Freeman, and Nicholas Toman

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Stop Trying to Delight Your Customers

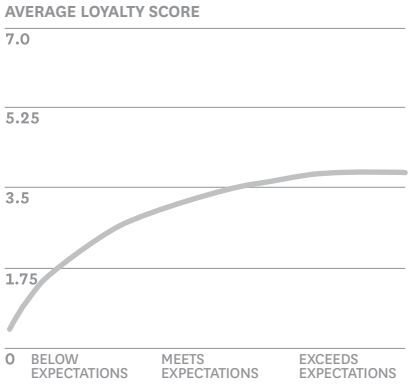
Idea in Brief

Conventional wisdom holds that to increase loyalty, companies must "delight" customers by exceeding service expectations. A large-scale study of contact-center and self-service interactions, however, finds that what customers really want (but rarely get) is just a satisfactory solution to their service issue.

Reps should focus on reducing the effort customers must make. Doing so increases the likelihood that they will return to the company, increase the amount they spend there, and speak positively (and not negatively) about it—in other words, that they'll become more loyal.

To meet customers' expectations, reps should anticipate and head off the need for follow-up calls, address the emotional side of interactions, minimize the need for customers to switch service channels, listen to and learn from disgruntled customers, and focus on problem solving, not speed.

HOW CUSTOMER SERVICE PERFORMANCE AFFECTS LOYALTY



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To really win their loyalty, forget the bells and whistles and just solve their problems.

Stop Trying to Delight Your Customers

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The idea that companies must "delight" their customers has become so entrenched that managers rarely examine it. But ask yourself this: How often does someone patronize a company specifically because of its over-the-top service? You can probably think of a few examples, such as the traveler who makes a point of returning to a hotel that has a particularly attentive staff. But you probably can't come up with many.

Now ask yourself: How often do consumers cut companies loose because of terrible service? All the time. They exact revenge on airlines that lose their bags, cable providers whose technicians keep them waiting, cellular companies whose reps put them on permanent hold, and dry cleaners who don't understand what "rush order" means.

Consumers' impulse to punish bad service—at least more readily than to reward delightful service—plays out dramatically in both phone-based and self-service interactions, which are most companies' largest customer service channels. In those settings, our research shows, loyalty has a lot more to do with how well companies deliver on their basic, even plain-vanilla promises than on how dazzling the service experience might be. Yet most companies have failed to realize this and pay dearly in terms of wasted investments and lost customers.

To examine the links between customer service and loyalty, the Customer Contact Council, a division of the Corporate Executive Board, conducted a study of more than 75,000 people who had interacted over the phone with contact-center representatives or through self-service channels such as the web, voice prompts, chat, and e-mail. We also held hundreds of structured interviews with customer service leaders and their functional counterparts in large companies throughout the world. (For more detail, see the sidebar "About the Research.") Our research addressed three questions:

- How important is customer service to loyalty?
- Which customer service activities increase loyalty, and which don't?

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• Can companies increase loyalty without raising their customer service operating costs?

Two critical findings emerged that should affect every company's customer service strategy. First, delighting customers doesn't build loyalty; reducing their effort—the work they must do to get their problem solved—does. Second, acting deliberately on this insight can help improve customer service, reduce customer service costs, and decrease customer churn.

Trying Too Hard

According to conventional wisdom, customers are more loyal to firms that go above and beyond. But our research shows that exceeding their expectations during service interactions (for example, by offering a refund, a free product, or a free service such as expedited shipping) makes customers only marginally more loyal than simply meeting their needs.

For leaders who cut their teeth in the service department, this is an alarming finding. What contact center doesn't have a wall plastered with letters and e-mails from customers praising the extra work that service reps went to on their behalf? Indeed, 89 of the 100 customer service heads we surveyed said that their main strategy is to exceed expectations. But despite these Herculean—and costly—efforts, 84% of customers told us that their expectations had not been exceeded during their most recent interaction.

One reason for the focus on exceeding expectations is that fully 80% of customer service organizations use customer satisfaction (CSAT) scores as the primary metric for gauging the customer's experience. And managers often assume that the more satisfied customers are, the more loyal they will be. But, like others before us (most notably Fred Reichheld), we find little relationship between satisfaction and loyalty. Twenty percent of the "satisfied" customers in our study said they intended to leave the company in question; 28% of the "dissatisfied" customers intended to stay.

The picture gets bleaker still. Although customer service can do little to increase loyalty, it can (and typically does) do a great deal to undermine it. Customers are four times more likely to leave a service interaction disloyal than loyal.

Another way to think about the sources of customer loyalty is to imagine two pies—one containing things that drive loyalty and the other containing things that drive disloyalty. The loyalty pie consists largely of slices such as product quality and brand; the slice for service is quite small. But service accounts for most of the disloyalty pie. We buy from a company because it delivers quality products, great value, or a compelling brand. We leave one, more often than not, because it fails to deliver on customer service.

Make It Easy

Let's return to the key implication of our research: When it comes to service, companies create loyal customers primarily by helping them solve their problems quickly and easily. Armed with this understanding, we can fundamentally change the emphasis of customer service interactions. Framing the service challenge in terms of making it easy for the customer can be highly illuminating, even liberating, especially for companies that have been struggling to delight. Telling frontline reps to exceed customers' expectations is apt to yield confusion, wasted time and effort, and costly giveaways. Telling them to "make it easy" gives them a solid foundation for action.

What exactly does "make it easy" mean? Simply: Remove obstacles. We identified several recurring complaints about service interactions, including three that focus specifically on customer effort. Customers resent having to contact the company repeatedly (or be transferred) to get an issue resolved, having to repeat information, and having to switch from one service channel to another (for instance, needing to call after trying unsuccessfully to solve a problem through the website). Well over half the customers we surveyed reported encountering difficulties of this sort. Companies can reduce these types of effort and measure the effects with a new metric, the Customer Effort Score (CES), which assigns ratings from 1 to 5, with 5 representing very high effort. (For details, see the sidebar "Introducing the Customer Effort Score.")

During our study, we saw many companies that had successfully implemented low-customer-effort approaches to service. Following are five of the tactics they used—tactics that every company should adopt.

1. Don't just resolve the current issue—head off the next one. By far the biggest cause of excessive customer effort is the need to call

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Obstacles All Too Common

Most customers encounter loyalty-eroding problems when they engage with customer service.

56% report having to re-explain an issue

57% report having to switch from the web to the phone

59% report expending moderate-to-high effort to resolve an issue

59% report being transferred

62% report having to repeatedly contact the company to resolve an issue

The Bad-Service Ripple Effect

Service failures not only drive existing customers to defect—they also can repel prospective ones. Our research shows:

25% of customers are likely to say something positive about their customer service experience

65% are likely to speak negatively

23% of customers who had a positive service interaction told 10 or more people about it

48% of customers who had negative experiences told 10 or more others

back. Many companies believe they're performing well in this regard, because they have strong first-contact-resolution (FCR) scores. (See the sidebar "What Should You Measure?") However, 22% of repeat calls involve downstream issues related to the problem that prompted the original call, even if that problem itself was adequately addressed the first time around. Although companies are well equipped to anticipate and "forward-resolve" these issues, they rarely do so, generally because they're overly focused on managing call time. They need to realize that customers gauge the effort they expend not just in terms of how an individual call is handled but also according to how the company manages evolving service events, such as taking out a mortgage or setting up cable service, that typically require several calls.

Bell Canada met this challenge by mining its customer interaction data to understand the relationships among various customer issues. Using what it learned about "event clusters," Bell began training its reps not only to resolve the customer's primary issue but also to anticipate and address common downstream issues. For instance, a high percentage of customers who ordered a particular feature called back for instructions on using it. The company's service reps now give a quick tutorial to customers about key aspects of the feature before hanging up. This sort of forward resolution enabled Bell to reduce its "calls per event" by 16% and its customer churn by 6%. For complex downstream issues that would take excessive time to address in the initial call, the company sends follow-up e-mails—for example, explaining how to interpret the first billing statement. Bell Canada is currently weaving this issue-prediction approach into the call-routing experience for the customer.

Fidelity uses a similar concept on its self-service website, offering "suggested next steps" to customers executing certain transactions. Often customers who change their address online call later to order new checks or ask about homeowners' or renters' insurance; therefore, Fidelity directs them to these topics before they leave the site. Twenty-five percent of all self-service transactions on Fidelity's website are now generated by similar "next issue" prompts, and calls per household have dropped by 5% since the policy began.

2. Arm reps to address the emotional side of customer interactions. Twenty-four percent of the repeat calls in our study stemmed from emotional disconnects between customers and reps—situations in which, for instance, the customer didn't trust the rep's information or didn't like the answer given and had the impression that the rep was just hiding behind general company policy. With some basic instruction, reps can eliminate many interpersonal issues and thereby reduce repeat calls.

One UK-based mortgage company teaches its reps how to listen for clues to a customer's personality type. They quickly assess whether they are talking to a "controller," a "thinker," a "feeler," or an "entertainer," and tailor their responses accordingly, offering the customer the balance of detail and speed appropriate for the personality type diagnosed. This strategy has reduced repeat calls by a remarkable 40%.

The lighting company Osram Sylvania sifts through its call transcripts to pinpoint words that tend to trigger negative reactions and drive repeat calls—words like "can't," "won't," and "don't"—and coaches its reps on alternate phrasing. Instead of saying "We don't have that item in stock," a rep might explain, "We'll have stock availability for that item in two weeks." Through such simple changes in language, Osram Sylvania has lowered its Customer Effort Score from 2.8 to 2.2—18.5% below the average we see for B2B companies.

LoyaltyOne, the operator of the AIR MILES reward program, teaches reps to probe for information they can use to better position potentially disappointing outcomes. A rep dealing with a customer who wants to redeem miles for an unavailable flight might learn that the caller is traveling to an important business meeting and use this fact to put a positive spin on the need to book a different flight. The rep might say, "It sounds like this is something you can't be late for. The Monday morning flight isn't available, but with potential delays, you'd be cutting it close anyway. I'd recommend a Sunday evening flight so that you don't risk missing your meeting." This strategy has resulted in an 11% decrease in repeat contacts.

3. Minimize channel switching by increasing self-service channel "stickiness." Many companies ask, "How can we get our customers to go to our self-service website?" Our research shows that in fact many customers have al-

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ready been there: Fifty-seven percent of inbound calls came from customers who went to the website first. Despite their desire to have customers turn to the web, companies tend to resist making improvements to their sites, assuming that only heavy spending and technology upgrades will induce customers to stay there. (And even when costly upgrades are made, they often prove counterproductive, because companies tend to add complicated and confusing features in an attempt to keep up with their competitors.)

Customers may become overwhelmed by the profusion of self-service channels—interactive voice response, websites, e-mail, chat, online support communities, social media such as Facebook and Twitter, and so on—and often lack the ability to make the best choice for themselves. For example, technically unsophisticated users, left to their own devices, may go to highly technical online support communities. As a result, customers may expend a lot of effort bouncing between channels, only to pick up the phone in the end.

Cisco Consumer Products now guides customers to the channel it determines will suit them best, on the basis of segment-specific hypotheses generated by the company's customer experience team. Language on the site's home page nudges technology gurus toward the online support community; those with less technical expertise are steered toward knowledge articles by the promise of simple step-by-step instructions. The company eliminated the e-mail option, having found that it didn't reliably reduce customer effort. (Our research shows that 2.4 e-mails, on average, are needed to resolve an issue, compared with 1.7 calls.) When Cisco Consumer Products began this program, in 2006, only 30% of its customer contacts were handled through self-service; the figure today is 84%, and the volume of calls has dropped accordingly.

Travelocity reduced customer effort just by improving the help section of its website. It had learned that many customers who sought solutions there were stymied and resorted to the phone. By eliminating jargon, simplifying the layout, and otherwise improving readability, the company doubled the use of its "top searches" and decreased calls by 5%.

4. Use feedback from disgruntled or struggling customers to reduce customer effort. Many companies conduct postcall surveys to measure internal performance; however, they may neglect to use the data they collect to learn from unhappy customers. But consider National Australia Group's approach. The company has frontline reps specifically trained to call customers who have given it low marks. The reps focus first on resolving the customers' issues, but they also collect feedback that informs service improvements. The company's issue-resolution rate has risen by 31%.

Such learning and intervention isn't limited to the phone channel. Some companies monitor online behavior in order to identify cus-

About the Research

We defined "loyalty" as customers' intention to continue doing business with a company, increase their spending, or say good things about it (or refrain from saying bad things). During a three-year period, we surveyed more than 75,000 B2C and B2B customers about their recent service interactions in major nonface-to-face channels, including live phone calls, voice prompts, web, chat, and e-mail. The companies represent dozens of industries, ranging from consumer electronics and packaged goods to banking and travel and leisure, in North America, Europe, South Africa, Australia, and New Zealand. We isolated the elements of each interaction that drove customer loyalty, both positively and negatively, and controlled for variables including the type of service issue, whether it was handled by an in-house or an outside contact center, the rep's tenure with the company, the company's size, the customer's personality type, the customer's mood prior to the interaction, switching costs, the frequency with which ads were seen or heard, the perceived product quality and value, product price, the industry, and the specific company. Finally, we conducted several hundred structured interviews in order to understand companies' customer service strategies and operations in detail.

Although our research focused exclusively on contact-center interactions, it makes intuitive sense that the findings apply to face-to-face encounters as well.

What Should You Measure?

The number one cause of undue effort for customers interacting with contact centers is the need to call back because their issue wasn't resolved on the first attempt.

Companies trying to measure how well reps resolve issues in a single call typically use the first-contact-resolution (FCR) metric, but fully half the time that doesn't supply information about repeat calls and the reasons behind them. Tracking repeat calls within a specified period (we recommend seven to 14 days) is not only easier than measuring FCR but also casts a wider net, capturing the implicit, or nonobvious, reasons customers call back, such as related downstream issues or an emotional disconnect with a rep. A word of caution: Tracking repeat calls instead of using FCR inevitably makes performance appear worse. However, we believe that it is a far better way to spot and eliminate sources of undue customer effort and that it can help companies boost loyalty in ways FCR cannot.

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tomers who are struggling. EarthLink has a dedicated team of reps who step in as needed with clients on its self-service website—for example, by initiating a chat with a customer who has spent more than 90 seconds in the knowledge center or clicked on the "Contact Us" link. This program has reduced calls by 8%.

5. Empower the front line to deliver a low-effort experience. Incentive systems that value speed over quality may pose the single greatest barrier to reducing customer effort. Most customer service organizations still emphasize productivity metrics such as average handle time when assessing rep performance. They would be better off removing the productivity "governors" that get in the way of making the customer's experience easy.

An Australian telecommunications provider eliminated all productivity metrics from its frontline reps' performance scorecards. Although handle time increased slightly, repeat calls fell by 58%. Today the company evaluates its reps solely on the basis of short, direct interviews with customers, essentially asking them if the service they received met their needs.

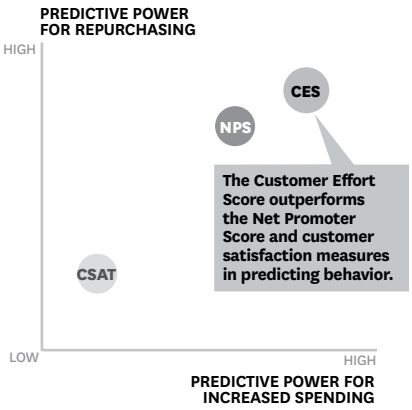
Freed to focus on reducing customer effort, frontline reps can easily pick low-hanging fruit. Ameriprise Financial, for example, asks its customer service reps to capture every instance in which they are forced to tell a customer no. While auditing the "no's," the company found many legacy policies that had been outmoded by regulatory changes or system or process improvements. During its first year of "capturing the no's," Ameriprise modified or eliminated 26 policies. It has since expanded the program by asking frontline reps to come up with other process efficiencies, generating $1.2 million in savings as a result.

Some companies have gone even further, making low customer effort the cornerstone of their service value proposition and branding. South Africa's Nedbank, for instance, instituted an "AskOnce" promise, which guarantees that the rep who picks up the phone will own the customer's issue from start to finish.

The immediate mission is clear: Corporate leaders must focus their service organizations on mitigating disloyalty by reducing customer effort. But service managers fretting about how to reengineer their contact centers—departments built on a foundation of delighting the customer—should consider this: A massive shift is under way in terms of customers' service preferences. Although most companies

Introducing the Customer Effort Score

We evaluated the predictive power of three metrics—customer satisfaction (CSAT), the Net Promoter Score (NPS), and a new metric we developed, the Customer Effort Score (CES)—on customer loyalty, defined as customers' intention to keep doing business with the company, increase the amount they spend, or spread positive (and not negative) word of mouth. Not surprisingly, CSAT was a poor predictor. NPS proved better (and has been shown to be a powerful gauge at the company level). CES outperformed both in customer service interactions.



CES is measured by asking a single question: "How much effort did you personally have to put forth to handle your request?" It is scored on a scale from 1 (very low effort) to 5 (very high effort). Customer service organizations can use CES, along with operational measurements of such things as repeat calls, transfers, and channel switching, to conduct an "effort audit" and improve areas where customers are expending undue energy. Many of the companies we work with use CES to intervene with customers at risk of defecting.

We found the predictive power of CES to be strong indeed. Of the customers who reported low effort, 94% expressed an intention to repurchase, and 88% said they would increase their spending. Only 1% said they would speak negatively about the company. Conversely, 81% of the customers who had a hard time solving their problems reported an intention to spread negative word of mouth.

We believe that the superior performance of CES in the service environment derives from two factors: its ability to capture customer impressions at the transactional level (as opposed to NPS, which captures more-holistic impressions of a company) and its ability to capture negative experiences as well as positive ones.

A related diagnostic tool, the Customer Effort Audit, can be downloaded at http://www.executiveboard.com/salesandmarketing/CCC-CustomerEffortAudit.html.

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believe that customers overwhelmingly prefer live phone service to self-service, our most recent data show that customers are, in fact, indifferent. This is an important tipping point and probably presages the end of phone-based service as the primary channel for customer service interactions. For enterprising service managers, it presents an opportunity to rebuild their organizations around self-service and, in the process, to put reducing customer effort firmly at the core, where it belongs.

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