An excerpt from

Shifting the Loyalty Curve

Mitigating Disloyalty by Reducing Customer Effort
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Loyalty: Your Three Biggest Questions

Several Critical Member Questions Governed the Council’s Research

1. To what extent does customer service matter in driving customer loyalty?

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

3. How can I improve loyalty while still reducing my operating costs?
Got It Covered
To Identify Key Loyalty Drivers, the Council Administered an In-Depth Customer Survey

Sample of Participating Member Companies

Data Sample Snapshot

Control Variables

Customer Characteristics
- Issue type
- Tenure with company
- Age
- Income
- Personality type
- Mood prior to contact

Additional Control Variables
- Switching costs
- Advertising (frequency seen or heard)
- Overall product quality
- Product price
- Product value
- Word of mouth about product (quality, price, features, availability, reliability)
- Industry
- Company

Total Number of Customer Respondents:
- 17,968

Industries Represented:
- Consumer Electronics
- Consumer Packaged Goods
- Retail
- Utilities
- Banking
- Government
- Health Insurance
- Other Insurance
- Travel/Leisure
- Shipping/Express
- Telecom
- Other

Miscellaneous Details:
- Includes sales and service centers
- Includes in-house and outsourced centers
- Various contact center sizes represented

A Global Perspective

Source: Customer Contact Council research.
The Loyalty Opportunity

The Council Tested Many Variables Based on Input from the Membership

The Actions We Tested

What Can Customer Service Do to Make Me More Loyal?

Improve Experience with the Rep
- Rep confidence
- Ability of rep to understand customer
- Rep listening ability
- Service personalization
- Rep knowledge of how to resolve issue
- Rep concern
- Rep understands customer state of mind
- Rep accent
- Rep setting expectations
- Certainty of follow-through

Reduce Customer Effort
- Number of transfers
- Repeating information
- First contact resolution
- Number of contacts to resolve
- Perceived additional effort to resolve
- Ease of contacting service
- Ease of reaching right person
- Time to resolve

Provide “Moments of Wow”
- Extent to which service is willing to go above and beyond
- Service organization’s knowledge about customer
- Exceeding expectations
- Teaching the customer
- Offering alternatives to resolution
- Value of alternatives presented

The Outcomes We Tested

Satisfaction | Loyalty
---|---
- Repurchase
- Buying More
- Word of Mouth

Source: Customer Contact Council research.
**The Fruits of Your Labor(?)**

*Council Research Demonstrates That Exceeding Expectations Yields a Marginal Lift in Customer Loyalty*

**Impact of Customer Service on Customer Loyalty**

*Member-Articulated Versus Actual Customer Behavior*

The Council tested customer service interactions against customer loyalty, discovering that exceeding expectations in the service channel yields little benefit to customer loyalty.

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**Council Conclusion**

1. Members **underestimate** the value of meeting expectations in customer service interactions.

2. Members **overestimate** the change in customer loyalty resulting from exceeding customer expectations in customer service interactions.

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**The Silver Lining**

**Customers Reporting Service Exceeded Expectations**

- Exceeds Customer Expectations
- Meets Customer Expectations
- Below Customer Expectations

- 16% Expectations Exceeded
- 84% Expectations Not Exceeded

**The Cost of Exceeding Expectations (Versus Meeting)**

- +20% More
- 6-10% More
- 15-20% More

- 11% More
- 21% More
- 37% More

Source: Customer Contact Council research.
Major Finding #2: Satisfaction Is Not a Predictor of Loyalty

Smiling As They Walk Out the Door

Council Analysis Demonstrates That Customer Satisfaction Is a Misleading Indicator of Customer Loyalty

Satisfaction Versus Loyalty

The Ugly Truth

- 20% of “satisfied” customers intend to leave
- 28% of “dissatisfied” customers intend to stay

Ahead of Their Time?

“Most managers rejoice if the majority of customers that respond to customer-satisfaction surveys say they are satisfied. But some of those managers may have a big problem.”

“Detailed analysis of individual customers… typically finds that between 60 and 80 percent of customer defectors score themselves as “satisfied” or “very satisfied” on surveys preceding their defection.”

Major Finding #3: Reducing Effort Has the Greatest Impact on Loyalty

Different Goals, Different Drivers

**Soft skills have the greatest impact on satisfaction...**

Key Drivers of Customer Satisfaction

- Improved Experience with the Rep
- Reduced Customer Effort
- Provided "Moments of Wow"

- Rep confidence
- Rep concern
- Rep listening ability
- Ability of rep to understand customer
- Rep understood mood
- Service personalization
- Certainty of follow-through

- Number of transfers
- First contact resolution
- Perceived additional effort to resolve

- Service organization’s knowledge about customer

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**...but reducing effort has the greatest impact on loyalty**

Key Drivers of Customer Loyalty

- Improved Experience with the Rep
- Reduced Customer Effort
- Provided "Moments of Wow"

- Service personalization
- Number of transfers
- Repeating information
- First contact resolution
- Number of contacts to resolve
- Perceived additional effort to resolve

- Teaching the customer

Council Conclusion

To generate satisfaction, improve rep soft skills.

To increase loyalty, reduce customer effort.

Source: Customer Contact Council research.
Defining Our Opportunity

The Contact Center Has a Greater Stake in Mitigating Disloyalty, Primarily by Reducing Customer Effort

Customer Service Influence on Customer Loyalty

Percentage More Likely to Be Loyal

Effort Matters...a Lot

Ninety-six percent of customers who put forth high effort to resolve their issues are more disloyal.

Only nine percent of customers with low effort are more disloyal.

Total Potential Impact: 87%

More Loyal

12%

“Moments of Wow”: Teaching Customer

Effort: First Contact Resolution

Total Potential Impact: (342%)

Effort: More than One Contact to Resolve

(219%)

75%

(18%)

(20%)

(40%)

(45%)

More Disloyal

n = 17,968.

More Disloyal

Neutral

More Loyal

Effort: Repetition Information

Effort: Perceived Additional Effort to Resolve

Effort: Transfers

Rep Experience: Generic Service
The New Path Forward

The Best Measure of Loyalty Is Customer Effort, as It Is the Best Predictor of Both Repurchase and Growth

Customer Effort

A customer service success measure that accounts for the ease of issue resolution as experienced by the customer.

The Crystal Ball

Relationship of Effort with Repurchase

<table>
<thead>
<tr>
<th>Effort</th>
<th>Percentage of Customers Who Repurchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Effort</td>
<td>94%</td>
</tr>
<tr>
<td>High Effort</td>
<td>4%</td>
</tr>
</tbody>
</table>

Relationship of Effort with Increased Spend

<table>
<thead>
<tr>
<th>Effort</th>
<th>Percentage of Customers Who Increase Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Effort</td>
<td>88%</td>
</tr>
<tr>
<td>High Effort</td>
<td>4%</td>
</tr>
</tbody>
</table>

Relationship of Effort with Negative WOM

<table>
<thead>
<tr>
<th>Effort</th>
<th>Customers Who Have Spoken Negatively</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Effort</td>
<td>1%</td>
</tr>
<tr>
<td>High Effort</td>
<td>81%</td>
</tr>
</tbody>
</table>

Council Conclusion

Compared to NPS®, an effort-based measure is better suited for the service channel. Effort is not only a better financial predictor, but it is also more relevant, as it is the best indicator of loyalty.

Loyalty Impact

In the Service Channel

Predictive Power for Repurchase

Predictive Power for Increased Spend

Predictive Power for Increased Spend

Council Conclusion

Compared to NPS®, an effort-based measure is better suited for the service channel. Effort is not only a better financial predictor, but it is also more relevant, as it is the best indicator of loyalty.

Effort

NPS®

CSAT

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**CES™ Starter Kit**

**Implementation Cheat Sheet for the Customer Effort Score™**

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**Customer Effort Score™**

How much effort did you personally have to put forth to handle your request?

- (1) None
- (2) Low
- (3) Moderate
- (4) High
- (5) Very High

Comments: _____________________________________________

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**Council Implementation Tips**

1. Use the CES™ to obtain a holistic picture of customer effort in the resolution process.

2. Use a more detailed, effort-based survey to analyze discrete sources of effort throughout the resolution process.1

3. Consider changing the ending of the effort-based question to accommodate the type of reason for a customer request (e.g., "...to complete the sale!").

4. To capture customers with unresolved issues or outstanding requests, add an "(n/a) Request Is Not Resolved" field to the response options (except if using an immediate post-contact survey).

5. Use customer verbatim for a more comprehensive analysis of customer effort and to target proactive outreach.

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**Average Effort Score**

<table>
<thead>
<tr>
<th>Average Effort Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>1.0</td>
</tr>
</tbody>
</table>

n = 17,968.

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**Customer-Reported Average Effort Score Across B2C Industries**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average Effort Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>2.7</td>
</tr>
<tr>
<td>CPG</td>
<td>2.7</td>
</tr>
<tr>
<td>Other²</td>
<td>2.8</td>
</tr>
<tr>
<td>Financial Services</td>
<td>3.0</td>
</tr>
<tr>
<td>Consumer Electronics</td>
<td>3.0</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>3.1</td>
</tr>
<tr>
<td>Utilities</td>
<td>3.1</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>3.2</td>
</tr>
<tr>
<td>Travel/Leisure</td>
<td>3.2</td>
</tr>
<tr>
<td>Shipping/Express</td>
<td>3.2</td>
</tr>
</tbody>
</table>

n = 17,968.

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**Effort Score Distribution Across B2C Industries**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Effort Score Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Electronics</td>
<td>(1) 18% (2) 22% (3) 30% (4) 12% (5) 6%</td>
</tr>
<tr>
<td>CPG</td>
<td>(1) 13% (2) 33% (3) 33% (4) 29% (5) 11%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>(1) 18% (2) 17% (3) 21% (4) 16% (5) 20%</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>(1) 13% (2) 23% (3) 33% (4) 24% (5) 21%</td>
</tr>
<tr>
<td>Retail</td>
<td>(1) 23% (2) 17% (3) 22% (4) 17% (5) 24%</td>
</tr>
<tr>
<td>Shipping/Express</td>
<td>(1) 19% (2) 20% (3) 20% (4) 12% (5) 26%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>(1) 27% (2) 25% (3) 14% (4) 23% (5) 17%</td>
</tr>
<tr>
<td>Travel/Leisure</td>
<td>(1) 25% (2) 22% (3) 13% (4) 18% (5) 12%</td>
</tr>
<tr>
<td>Utilities</td>
<td>(1) 25% (2) 23% (3) 6% (4) 13% (5) 13%</td>
</tr>
<tr>
<td>Other</td>
<td>(1) 12% (2) 15% (3) 26% (4) 15% (5) 17%</td>
</tr>
</tbody>
</table>

n = 17,968.

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1 Available in the Appendix.

2 The “Other” category includes several B2C industries for which the sample size was too small for independent analysis.

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Source: Customer Contact Council research.

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**SHIFTING THE LOYALTY CURVE**

*Mitigating Disloyalty by Reducing Customer Effort in the Service Channel*

**I. Identifying Points of Needless Effort**

Take the customer perspective: audit and observe end-to-end service processes to understand where effort is happening.

- Apply a simple customer service tracking program to uncover when policies add effort to the customer experience.
- Screen policy fixes for simplicity to reveal ‘quick wins’ that streamline service interactions without burdening the business.
- Position policy obstacles as instances of customer effort to secure internal buy-in for change.

- Use direct observation of customers to identify sources of customer effort and to eliminate traditional feedback mechanism biases.

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**II. Defining Success at Reducing Effort**

Use customer effort as your primary customer experience metric, as it is the best predictor of loyalty.

- An effort-based metric is a better predictor of customer financial behavior than CSAT or NPS®.
- Use a two-pronged approach: measure callbacks for objective customer-exerted effort and the Customer Effort Score™ for customer-perceived effort.

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**III. Recovering from Failed Effort**

**Proactively Engaging At-Risk Customers**

*Intuit*

Using Customer Verbatim to Target At-Risk Customers

A proactive outreach system surfaces and engages customers who are at risk of defection based on customer survey verbatim.

Recovering At-Risk Customers During the Next Interaction

*Ripley*

Treating At-Risk Customers in the Moment

Frontline staff are liberated from all productivity mandates when interacting with at-risk customers, ensuring such customers receive proper issue resolution.

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**Other Companies Profiled**

*Fidelity Investments*

Customer-Friendly Web Design

*momentum*

Seamless Follow-Up

Issue Resolution

SMS messages surface at-risk customers and allow adequate preparation of customer issues prior to making proactive outreach.

*National*

Proactive Feedback Sessions with the Customer

Reps proactively contact at-risk customers for recovery and to determine why resolution failures occur.

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**Council Implementation Tools**

- Customer Effort Audit
- Customer Effort Score™ Questionnaire
- Business Case for Shifting Away from Satisfaction

*Pseudonym:

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