Customer 2.0
Customer Experience and Profitability in the New Economy

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THE PSYCHOLOGY OF THE POST-RECESSION CUSTOMER

While the recession has certainly had deep effects on the national economy and debt, the average individual has been relatively unaffected – materially – although emotional pressures have been considerable.

The fear which has permeated society manifests itself in an increasing price-sensitivity, a reluctance to accept the status quo, a general distrust of corporate world and increasing demands on businesses.

There are five key characteristics and behaviours that post-recession consumers are increasingly adopting, and that businesses have to understand and manage:

- **The Dissatisfied Customer**: complaints are increasing and customer satisfaction is dropping across the board
- **The Mobile Customer**: customers have been shaken from their inertia, looked for alternatives and have become increasingly disloyal to brands or corporations that appear overpriced or uninterested in them
- **The Vocal Customer**: social media and customer communities provide a huge opportunity for brand-building (or its opposite, brand destruction). There has been a swell in interest from businesses trying to understand how to integrate social media with their traditional customer service and marketing efforts
- **The Knowledgeable Customer**: access to others' experience and opinion is a click away. The effect of a company's marketing and branding is lessening, being replaced by customer-owned content which in many cases is perceived as more truthful than the company line
- **The Multichannel Customer**: the polarity of the customer experience is strengthening, as the plethora of alternative channels and self-service interactions is growing rapidly. However, the phone channel is still no.1 choice for complex, important interactions of the type which determine how the customer feels about the company, and which affect their decisions on their loyalty.

Since the end of 2008, the UK’s economy has been in a recession, with GDP only starting to grow by the smallest amount in early 2010. Some headline statistics:

- 1.3m jobs lost (equivalent to 4.4% of the people in work before the recession), although the net job loss is 600,000, as most have found new jobs
- GDP has dropped by 6.03% since the first quarter of 2008
- Average house prices dropped by 23% between April 2007 and April 2009.

However, these statistics don’t tell what the recession really means. For many UK citizens, the recession is more psychological than economic. While hundreds of thousands of people have lost their jobs, the remaining millions are still employed, and although big pay rises are out of the question for most, the actual disposable income of many families has not changed dramatically. In fact, the Office for National Statistics (Q3 2009) reported that real household disposable income had increased by 5.2% year-on-year.

Certainly, for most households, the most real effect of the recession so far has been fear - of losing a job, of not being able to 'make ends meet', of having a house repossessed. Previously-easy purchasing decisions now are evaluated in depth; luxuries foregone; bank statements pored over for discrepancies. The minutiae of
income and expenditure have risen to the surface again, and for those who had become used to money taking care of itself, this constant feeling of the need to focus on the cost of things can quickly become very wearing.

To the average UK man and woman, the recession does not feel as though it has dented their wealth by 6% (i.e. the decrease in the UK’s GDP). It feels as though the old certainties and rights have been swept away - those of being paid more this year than last; of an easily-found alternative job if needed; of house values that could be relied upon to be worth more than was paid for them; of savings and pensions that were safe and growing; of a finance sector that built wealth; of a government that was financially prudent, and in control.

Even amongst the vast majority of citizens who have not lost their job, had their house repossessed or been made bankrupt, the recession will have its permanent effect. The post-recession consumer will be a very different beast to the comfortable, secure pre-recession consumer who had almost forgotten what a systemic failure of the economy could do to them, personally, through no fault of their own. Consumers know that they no longer live in an age of plenty, and if businesses want to recover and thrive again, they must understand and fit with the psychology of these post-recession consumers.

Of course, everyone is an individual, with all that is implied about their unique character and circumstances, but it is worthwhile to observe the nation as a whole and see how the forces of recession and the negative economic outlook are affecting the population.

The effect of the recession on consumer psychology

<table>
<thead>
<tr>
<th>Feelings</th>
<th>Behaviours</th>
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<tr>
<td>Stress</td>
<td>Price sensitive</td>
</tr>
<tr>
<td>Lack of confidence</td>
<td>Shaken out of inertia</td>
</tr>
<tr>
<td>Defensive</td>
<td>More inclined to brood</td>
</tr>
<tr>
<td>Risk-averse</td>
<td>More demanding</td>
</tr>
<tr>
<td>Insecure</td>
<td>Self-focused</td>
</tr>
<tr>
<td>Helpless</td>
<td>Fighting back</td>
</tr>
<tr>
<td>Lack of control</td>
<td>Anti-corporate</td>
</tr>
<tr>
<td>At others’ mercy</td>
<td>Recession fatigue</td>
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<td>Less tolerant</td>
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For many consumers, being rudely jolted out of the old, familiar ways has often been a deeply unpleasant and worrying experience. After the initial response of fear and concern, there is often a backlash of anger against those perceived to be responsible - government, the corporate world in general, and especially the financial sector, whose average customer satisfaction ratings plummeted in 2009.
There can be a case made that the social contract - the implied agreement that the people give up some independence to a government or other authority to maintain social order and protection - has been severely damaged by the recession, if not quite broken. The most obvious manifestation has been the failure of the banks. Seeing the supposedly sober and solid guardians of the nation’s wealth revealed as hopeless basket-cases has been bad enough. That these institutions considered it fitting to reward themselves again with massive bonuses while the political system - itself mired in scandals over expenses - stood by impotently, could be seen to damage the implied social contract twice. The public still has to pay its taxes to bail out the banks, while it suffers from the reduced investment in jobs and housing driven by the credit crunch caused by these same banks refusing to lend money at a reasonable rate of interest.

The cynicism and anger created in the public by this largely self-inflicted recession has taken a toll on trust. A late-2009 Ipsos Mori poll, found that trust in politicians is at the lowest point ever, at 13% (down from 21% in 2008), trust in government is down from 24% to 16% and trust in business in general is down five points to 25%. As the Guardian newspaper comments: “Trust levels are so low that the bonds that hold civil society together are beginning to break”. Against this background, businesses consistently need to demonstrate their regard and care for their customer base, proving that they are worthy of their customers’ loyalty.

This White Paper identifies five key characteristics and behaviours that consumers of the new economy - ‘Customer 2.0’ - are increasingly adopting, and demonstrates how businesses can understand and manage these successfully:

- The Dissatisfied Customer
- The Mobile Customer
- The Vocal Customer
- The Knowledgeable Customer
- The Multichannel Customer

Although the post-recession customer will be more demanding and knowledgeable than ever, the good news is that businesses have an array of techniques and solutions that can not only cast light on why customers feel as they do, but which also provide actionable insight and improvements.
THE DISSATISFIED CUSTOMER

In the 12-month period of mid-2008 to mid-2009, the recession - both real and psychological - bit deeply into British society. Recent statistics gathered from hundreds of UK contact centres - measuring millions of customer interactions - shows that this change in consumers’ general psychological state has had a definite effect on how tolerant customers are with businesses.

Figure 1: Complaints and their reasons

<table>
<thead>
<tr>
<th>Types of call</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of calls received that are complaints</td>
<td>4.3%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Proportion of complaints that are about the contact centre</td>
<td>14%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Since the start of the recession, there has been a 34% increase in the overall number of complaints about the failures and shortcomings of UK businesses - in real terms, more than 140 million extra negative calls. Of course, some of these can be put down to more failures in business processes that are exacerbated by a general reduction in the investment needed to improve them. However, it is unlikely that 12 months have seen businesses have fallen to pieces quite as spectacularly as these figures suggest. It is more likely that the recession has driven more consumers to display negativity, stress and intolerance of mistakes.

Figure 2: Maximum customer satisfaction scores

Certainly, there are additional findings to bear out this interpretation. The proportion of customers that give a business a maximum customer satisfaction rating (e.g. "10 out of 10", "Extremely Satisfied", etc.) has declined from a mean average of 78% in mid-2006 to a low of 61% in mid-2009. Generally, it seems fair to say that customer sentiment is on the way down.
It would certainly be fair to say that the consumer of today has become more mobile - price-sensitive, more likely to shop around, change their behaviour, move between brands or downshift their aspirations, at least temporarily. Businesses such as McDonalds and the food divisions of Aldi and Lidl have all benefited at some stage from their value proposition widening its appeal to non-traditional customers. Amazon.com has exceeded expectations as people stay away from the shopping centre, and LoveFilm has gained from the number of people choosing to stay in their homes rather than go out. Some businesses saw which way the wind was blowing, and changed themselves along with their customers rather than sticking rigidly to the old ways - Waitrose launched its 'Essentials' range in March 2009 to address its customers' need for lower price-points, and the queues outside Marks & Spencer for the Valentine's Day £20 'all-in' 3-course meal and wine deal told its own story, with many other retailers now copying the idea.

This movement between brands, companies and sectors demonstrates to customers the freedom of choice that they actually have, putting pressure on loyalty to a specific company or brand, which has to work harder to keep their customers. Inertia is a very powerful force, but once customers have been shaken out of their fixed patterns of behaviour, all bets are off.

However, the customer within the recession does not just want cheap goods and services, but also value for money: the maintenance of an acceptable level of quality despite the decrease in cost. So companies cannot just produce rubbish or never answer their phones to customers and expect that the customer will take this as a fair trade-off for a lower price point. Many customers are still demanding quality, but are unwilling to pay premium prices for it.

In fact, the story for businesses gets worse. Not only are customers demanding more and wanting to pay less, but they are also far more willing and able to tell others of their experiences through social media such as Facebook, Twitter, blogs and web forums.
THE VOCAL CONSUMER

As if having increasingly-disgruntled customers were not bad enough, many of these customers are finding their voice and telling others about their thoughts.

The role of the Internet is changing, with the phrase “Web 2.0” used to encapsulate the use of the Internet as a collaborative tool where Everyman gets to have his say, through blogs, reviews, wikis and social networking tools. The hype of the early adopter phase of collaborative web use might lead observers to believe that the wave has already passed over us, but the reality is somewhat different, with the silent majority only now starting to understand and use the tools that are available to them, for example, Facebook, Twitter and customer communities.

FACEBOOK

Social networking now accounts for 11% of time spent online (over 6 hours per month in the UK), and as the following table shows, Facebook is by far the most well-used social media application.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Website</th>
<th>Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Facebook</td>
<td>51.05%</td>
</tr>
<tr>
<td>2.</td>
<td>YouTube</td>
<td>17.04%</td>
</tr>
<tr>
<td>3.</td>
<td>Twitter</td>
<td>2.10%</td>
</tr>
<tr>
<td>4.</td>
<td>Bebo</td>
<td>2.03%</td>
</tr>
<tr>
<td>5.</td>
<td>MySpace</td>
<td>1.40%</td>
</tr>
<tr>
<td>6.</td>
<td>Yahoo! Answers</td>
<td>1.02%</td>
</tr>
<tr>
<td>7.</td>
<td>Google videos UK</td>
<td>0.88%</td>
</tr>
<tr>
<td>8.</td>
<td>Club Penguin</td>
<td>0.70%</td>
</tr>
<tr>
<td>9.</td>
<td>Windows Live Home</td>
<td>0.67%</td>
</tr>
<tr>
<td>10.</td>
<td>Yahoo! UK &amp; Ireland Answers</td>
<td>0.55%</td>
</tr>
</tbody>
</table>

Source: www.clickymedia.co.uk, February 2010

Facebook UK’s growth rate appears likely to slow, as there are already 24 million users of the application in early 2010 (the saturation point is often around 50% of the population and is currently 40% in the UK). Interestingly for businesses, Facebook users are getting a lot older, with the Guardian newspaper reporting the median age of users as 33 in November 2009, up from 26 in May 2008, which may alert businesses that Facebook’s audience has become more grown-up and more aligned with their own customer base.

While the jury is still out on Facebook advertising - “better for brand-building than direct sales” and “cheap, but not as targeted as it could be”, seems to be the impression of many industry commentators - possibly of more interest to businesses is how they are being discussed, praised and criticised via this channel. In fact, a brief excursion onto Facebook shows that many of the so-called ‘Facebook Fans’ of some large UK businesses
are posting extremely negative messages about products and services which run entirely counter-productively to the company’s reason for using Facebook in the first place. However, some businesses get extremely good feedback on their Wall, and the web-literate can attribute a great deal of credibility to positive comments placed somewhere that’s uneditable by the company. (Of course, the cynical will always suspect that the company places these positive comments itself). However, the vast majority of Facebook interactions and content sharing happens between individuals, in places that a company is not able to monitor, respond or influence. The average Facebook user has 130 friends on the site, meaning that there is a significant opportunity to influence the thought processes of other people, who - in theory - are likely to respect and listen to their opinion.

**TWITTER**

Although only launched in 2006, Twitter is currently very much in fashion. 19% of the Internet-using UK population has a Twitter account or uses other update applications, and there are 50 million tweets per day worldwide (with Twitter claiming that these figures exclude spam).

However, Twitter currently resembles more of a one-to-many traditional publishing service, rather than true Web 2.0-style collaboration, as the Harvard Business School finds that 10% of users generate 90% of content. Certainly, if your business delivers a dreadful customer service experience to Stephen Fry, P.Diddy or Barack Obama (three of the Top 10 most influential tweeters), then you run the risk of a PR meltdown.

For the vast majority of users, outputting to Twitter isn’t a daily part of their lives: 75-80% of tweeters have fewer than 10 tweets to their name, so the opportunity for widespread negative publicity following an individual poor customer service experience is very rare. Additionally, only 34% of Twitter users are over the age of 24, meaning that Twitter is far more important for youth-orientated businesses to understand.

In “What’s Working for Social Media Marketers?”1, Twitter is seen as a quick and effective way to monitor negative PR and to communicate directly with disgruntled customers, techniques which are already widely-used in the more-effective customer satisfaction programmes.

Recent signs (from announcements in May 2010) suggest that Twitter is gearing itself up to address the B2C communications market, with the "Twitter Business Centre" currently testing some potentially important additions. Perhaps the most relevant is the ability for businesses to accept direct messages on the service, even from people they don’t follow, making this another potential direct inbound channel for customer service, in the same mould as text chat, SMS or email. Businesses can get feedback directly and deal with private customer issues without having to ‘follow’ the person back first.

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THE KNOWLEDGEABLE CUSTOMER

In *Tomorrow’s People*, Baroness Susan Greenfield separates 20th century people from those of the 21st century. Those of the 21st century, whom Greenfield describes as “People of the Screen” - for whom the web has always been there - do not accept the text-based culture of the “People of the Book”, who “work within a culture of newspapers, laws, offices of regulation and rules of finance.” Greenfield quotes the journalist Kevin Kelly: “Screen culture is a world of endless flux...notions don’t stand alone but are massively interlinked to everything else; truth is not delivered by authors and authorities, but is assembled by the audience.”

This has a potentially huge impact for businesses’ use of traditional advertising and communication methods. The widespread and innate distrust of mainstream information channels, allied with strong legislation against direct marketing and the growing technical ability to screen out many advertising messages means that opinions and commercial relationships will be formed and nurtured elsewhere. Studies have shown that fewer customers than ever agree that advertisements are a good way to learn about new products and that they bought products because of their advertising. 49% of UK consumers have changed their mind about a brand, and purchase a different one as a result of online research², and it only takes an average of 2 or 3 negative reviews to change someone’s mind about a product or service. (However, 77% of reviewers state that the last review they posted was positive, so it’s not all bad news for businesses).

Against such a background, businesses will have to drive marketing programmes which support the customer’s needs and interests, keeping customers interested in the brand and fostering loyalty. Customer communities are perhaps one such way to do so.

A major academic study of eBay community participants³ studied how such membership of online communities altered behaviour, psychology and attachment to the eBay brand. Customer communities on eBay exist in the form of clubs for people with similar interests, such as specific car types, Barbie dolls or other special interests. There are also live chat rooms. Conversations exist both on-topic and off-topic, with some forums dedicated to non-business conversations.

The results of the research, which encouraged people to use communities, and then tracked behaviour, found that “with increasing community participation, customers bid more, won more auctions, paid higher final prices, spent more money for buying items and were more motivated to make purchases if they didn’t do so before.” The same positive effects were witnessed on the sales side, where community members sold more, made higher revenues and received better feedback than non-community members.

The researchers estimate that the increased use of customer communities within eBay created by this experiment produced a rise in revenues of £59m over the course of a year. The costs of encouraging greater community participation was around £7,000, a return on investment of almost £8,500 for every £1 spent.

For more on this, please download ContactBabel’s White Paper: “The Customer of the Future” from http://www.jamip.co.uk/research/default.asp

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² European Interactive Advertising Association
³ "The Long Term Effects of Joining and Participating in Customer Communities", Algesheimer and Dholakia (Zurich / Rice Universities), 2006
Businesses must accept that for a large proportion of their customer base, access to others' opinions and experiences is now only a few clicks away, and this power is only going to grow further. Organisations can help themselves manage and learn from customers' opinions by managing and regulating environments where groups of people can come together to research, discuss, learn about, praise and criticise a company's brand and products. Online community membership means that a person is more likely to identify themselves with the brand, using it and recommending it more often, gaining educationally from the experience, and this trust in the community means that members are less likely to fear fraud, and to hold back from purchasing behaviours.

Businesses can also benefit from closely tracking the community's views, extracting high-quality, unbiased feedback about products, services and competitors, and as everyone knows, an unsolicited opinion is far more likely to be honest and useful than asking someone directly what they think. It may be that independent and objective customer service review websites emerge, whereby benchmarking of performance metrics and experiences means that potential customers can check out how good a company is to deal with before they use them.

Of course, companies running customer communities have to retain some element of objectivity, and not get too close to the action...

**The Wal-Mart Blog - how not to do it**

In 2006, MediaPost reported that pro-Wal-Mart blog called "Wal-Marting Across America," ostensibly launched by a pair of average Americans chronicling their cross-country travels in an RV and lodging in Wal-Mart parking lots, was exposed as a promotional tactic undertaken by Walmart’s own PR firm.

The blog raved about Walmart’s employees and good value, but was in fact written by freelance journalists who were sponsored by Walmart.

Source: MediaPost, October 12th 2006

Customer inertia - the powerful, hidden force that many companies have relied upon (sometimes mistake for 'customer loyalty') - is being greatly reduced by a growing body of knowledge, changes in attitudes and the desire to be more in control. Even in cases where customer inertia is still strong, (for example, if switching providers is too much like hard work, or if tied into a contract), the opportunity to voice negative opinions and put prospective customers off is only going to get more prevalent.
Channels of communication used by UK consumers have proliferated in the past twenty years. Despite the constant media-led groaning about how much everyone hates call centres, the telephone has emerged as the channel of choice, based on ubiquity, speed and ease of use.

In the late 1990s, analysts predicted email to be the next big B2C communication method, only for customers to find that in many cases, sending an email didn't get customers any sort of answer at all. Predictably, for many years, email accounted for only 1-2% of a business's inbound communication. However, individual organisations (especially those in the IT and retail sector) have managed to make email an acceptable channel for customers, breaking the vicious circle that consumers had experienced: receiving poor service via email from a number of companies put off customers from using the medium, which meant that investments weren't made in improving the email channel, which further weakened its effectiveness.

The past teaches us that the consumers make the decision on which communication methods will be most used, not the businesses. If the channel proposed by businesses is suitable for the type of interaction, then it will succeed - otherwise, it will fail. Predicting which channels will be used in future, why, and by whom will give businesses a better chance to deliver high-quality service at the right points, while reducing cost where possible. Getting it wrong will be expensive and damaging to the brand.

The majority of customer interactions fall into one of two categories: those that are purely transactional and those that require dialogue.

- **Transaction communications**, such as balance enquiries and travel information, require access to highly-structured business information, and non-automated transactions can require an agent to act simply as an 'organic interface' between the back office systems and the customer. Such communications may be dealt with by self-service, whether through touchtone IVR, speech recognition or increasingly, web-based self-service options with the speed and flexibility of visual information. By putting an automated front-end on top of an existing back-office process, cost per transaction is reduced to pennies rather than pounds.

Most customers value the speed of the self-service transaction compared to the alternatives (telephony, face-to-face, letter, etc), so this works well for both business and customer. Currently, 8% of inbound calls are dealt with entirely by self-service, although of course purely web-based self-service transactions are growing far more. Contact centre managers believe that telephony self-service will be suitable for a maximum of 17% of calls, industry-wide.

This leads to two conclusions: that although voice-based self-service will grow, web or other visual forms of self-service will take the majority of the transactional communications; and that the contact centre will be responsible for the remainder of the difficult and complex enquiries that customers will have.

- **Interaction communications**, such as technical helpdesks, complex or multiple enquiries or where the customer requires reassurance and confirmation, require actual dialogue and discussion between the customer and the business's representative.

It is important to note that it is not solely the level of complexity that drives a customer to choose an interaction rather than a transaction, but also the state of mind of the customer at that time. For example, a customer may value reassurance rather than speed in certain circumstances (e.g. wanting to check train times to go to a wedding, or making an important hospital appointment). In such cases, not allowing the customer to use an interaction, rather than a self-service transaction will have a considerable negative
impact on their opinion of the organisation, far outweighing the extra cost that is associated with a single instance of providing a person to talk with, rather than a self-service option. Additionally, some customers simply prefer speaking to another person and even the best self-service application is anathema to them.

Unless there is a major change in consumers’ psychology, or a entirely new technology is used for customer interactions (such as cheap and reliable artificial intelligence), the majority of customer contacts into the contact centre will continue to be interactions, rather than transactions, although not all will be dealt with through telephony, as the following chart shows.

Figure 3: Contact centre inbound interactions by channel, 2006-2013 (forecast)

Text chat and web collaboration will become more mainstream, especially in the retail sector, where the opportunity to ask a quick question in real time can dramatically improve the conversion rate of online baskets. Email will continue to grow in importance, although it will be curtailed by the inherent disadvantages of the medium: it currently lacks the speed of transactional contact (such as self-service) without offering the advantages of interactional contact - dialogue or the chance to ask follow-up questions, that a typical voice call offers. However, sophisticated email solutions do offer a level of automation and support rapid response: it’s just that investments in this area have been lower than they should have been.

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4 Source: ContactBabel, “The UK Contact Centre Decision-Makers’ Guide, 2009”
The bottom-line:

- The contact centre is the place in which businesses interact with customers at their most 'human' - happy, upset, unsure - and will stay that way. This is where customers form their strongest view of a business.

- Customers are aware of prices, and are only going to get more powerful and sophisticated in their ability to seek out the best deal. Customer service is an opportunity to compete on more than just price.

- Understanding the customer experience throughout the organisation will become even more important. Currently, most businesses have an idea what their customers think of them, but have little idea why this is or what they can do about it.
OPTIMISING THE CUSTOMER EXPERIENCE

The second part of this White Paper builds on the conclusion that the post-recession customer will be increasingly demanding, vocal and will use the contact centre as the channel of choice where there are issues to be solved. The customer experience will become even more vital to the success of the company, but current methods and measures do not provide the actionable insight required to make a real improvement to profitability – which is, after all, the real purpose of capturing and analysing customer satisfaction, experience and feedback.

CUSTOMER SATISFACTION MEASUREMENT METHODS

Customer satisfaction is consistently placed as the no.1 priority for customer service directors and contact centre management, even despite the recession-driven scrabbling for cost savings seen in most businesses.

Traditional customer satisfaction survey methods are generally acknowledged to be of limited use - better than nothing, certainly - but lacking deep or actionable insight in most cases.

Tomorrow’s customers are well-informed, less inertial, have higher expectations and are not afraid to tell the world about their experiences with businesses. Every customer touchpoint has the possibility to influence the customer’s opinion, with the contact centre often having the greatest potential to alter the customer’s view of the business, either positively or negatively.
For each of the past seven years, "measuring and improving customer satisfaction" has been named as the most important and pressing issue that contact centres face. However, there does not seem to be a way of measuring customer satisfaction that is generally agreed upon to be outstanding.

Figure 4: Effectiveness of customer satisfaction survey techniques

![Effectiveness of customer satisfaction survey techniques](image)

Although customer satisfaction is almost universally seen to be of vital importance to contact centres, there is widespread lack of enthusiasm towards the effectiveness of the techniques used to discover customers' views of organisations.
Some techniques - for example, written surveys - rely on customers to remember conversations that may be long past. Others, like direct outbound calling, may place some customers in an awkward position where they would prefer not to be negative or confrontational. Post-call IVR surveys, or SMS messages allow greater immediacy, as well as being able to grade specific agents against customer satisfaction ratings. However, these may be limited in the depth of the information collected, and implemented in an inexpert way.

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The benefits of immediate feedback

Using an immediate form of service feedback, such as post-call IVR or SMS, businesses can get a quick snapshot of the gut reaction of customers to that call. If information such as the customer, call ID or agent is collected alongside the customer's reaction, the company has the bare bones for building service improvement, and also has the option to address any immediate issues, such as a very disgruntled customer.

If agent ID is collected in the survey, league tables customer satisfaction can be built up, and there's a direct correlation between publishing service scores within the organisation and overall levels of service improving - when this happens, everyone in the contact centre works a little harder because no-one wants to be bottom of a league table.

Designing post-call surveys around an agent’s KPIs can drastically reduce the need for time spent on supervisor silent calls or monitoring of recordings, as the customer is rating your agents themselves. Listening to customers at the point of experience can nip operational niggles in the bud long before they become full-blown service issues.

It is been seen that levels of brand advocacy (as measured by Net Promoter Scores, discussed later) increase by a multiple of between 2 and 3 times when organisations listen to the feedback and re-engage with customers who need to be re-engaged with (eg customers who are in distress or who request a call back). The increase has been validated using the net promoter question before/after re-engaging with the customer.

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It is important to understand that the way in which customer satisfaction information is collected is not generic: some companies will gather a far deeper insight than others, while others will act quickly on the information that they collect.

The previous chart shows that there is no single best way to collect customer satisfaction data. It's also important to realise that a weekly statistic saying that "85% of customers are satisfied" neither gives any insight into why they are satisfied, nor - more importantly - whether this makes any difference to the business's profitability.
'Customer satisfaction' does not in itself keep customers loyal or profitable

How the customer truly feels about the business is key to their profitability

Empathy with customers is by far the most important attribute of the best contact centre agents, even more so than reliability, sales skills or multi-tasking.

"Customer satisfaction", in itself, is simply about meeting customers' expectations - it's nothing special, or anything likely to keep a customer particularly loyal or make them more profitable. Customer **dissatisfaction** seems more important - surely a dissatisfied customer is more likely to defect to a competitor or spread negativity about your company? Yet it seems this isn't the case:

"Customers who are extremely satisfied - those who provide the highest rating of overall satisfaction with a company's products or services - can be classified into two distinct groups: those who are emotionally-satisfied and those who are rationally-satisfied.

"Emotionally-satisfied customers deliver enhanced value to a company, for example, by buying more products, spending more for those products, or returning more often to or staying longer with the business. Rationally-satisfied customers, on the other hand, behave no differently than customers who are dissatisfied.

"To build the strong customer connections that produce enhanced financial benefits, a more complete view of customer requirements is needed, which incorporates an understanding of the emotional dimensions of customer commitment. Customers want more than transactions -- they want relationships." 5

The book from which this quote is taken uses several real-life case studies where rationally-satisfied customers behave similarly to dissatisfied customers, being more prone to defection and spending similarly low amounts compared to those who felt they had a positive emotional bond with the company.

As such, the general feeling that customer satisfaction measurements don't always produce useful results may simply be caused by "customer satisfaction" being the wrong metric to study - we should be trying to understand what the customer actively **feels**, and why.

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5 Extract from "Human Sigma: Managing the Employee-Customer Encounter" by Dr John H. Fleming and Jim Asplund
At the very top level, businesses need to understand the elements of the interaction that have the greatest impact on the customers’ experience. These factors and their importance differ by sector, and of course, from customer to customer, but there are some universal constants across businesses, channels and customer types including:

- **Friendliness**: is the agent pleasant and easy to talk to?
- **Competence**: does the agent know what they are talking about?
- **Feeling of being valued**: are the customers’ needs being considered, or is the process built to suit the internal structure of the business?
- **Empathy**: are agents really listening, and do customers feel that they care?
- **Look and feel of channel**: does the interaction breed confidence and trust?
- **Usability / ease of use**: is dealing with a business a relatively quick and painless experience?
- **Success of interaction**: has the customer got what they wanted?
- **Promises are met**: does the rest of the business deliver on what the contact centre or other channel has promised?

As an interesting aside, large-scale surveys of contact centres have investigated the attributes that it is most important for a successful contact centre agent to have. While each contact centre has different ideas, some key findings have emerged, year on year.

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*ContactBabel, “The UK Contact Centre Decision-Makers’ Guide”, 2009 and previous years (not shown in diagram)*
54% of respondents stated that empathy - the ability to see another’s point of view - is the single most important attribute for a contact centre agent to have. This is a characteristic which is hard to learn, and which is ripe for identifying in the recruitment phase through personality testing, for example. Empathy is important for an agent to display in order to make the caller feel that someone is listening to and understanding them, and that they are trying to solve their issue, rather than just seeing the caller as a nuisance. As such, empathy is vital for improving customer satisfaction and loyalty, and for cross-selling and up-selling.
Customer satisfaction measurement is not, in itself, enough to affect profit, loyalty or customer advocacy - simply to measure something is not sufficient.

A three-stage customer experience framework should be considered:

1. **Measure**: capture immediate and historical data, comparing it with industry competitor benchmarks and ex-industry best practice. Replicable, targeted and focused on end-results, this is the ‘What?’ stage of the process.
2. **Understand**: this is the ‘Why?’ stage - what do the data points actually mean? Why is this agent better than that? Why are so many of Product A’s customers unhappy? Why is Contact Centre A getting happier customers than Contact Centre B?
3. **Improve**: using data and analysis from stages 1 & 2, the ‘How?’ stage looks at how this insight can be used to improve operations and customer experience.

The simple measurement of customer satisfaction is not closely enough aligned with profitability, customer loyalty or customer advocacy (where customers actively recommend businesses to each other).

The main issues seem to be twofold: that "customer satisfaction" in itself is not enough, and that measurement of any metric does not necessarily lead to any actionable insight.
A customer experience framework which addresses both of these failings is considered below.

**Figure 6: The three-stage customer experience framework**

Here, various data points - including customer satisfaction - are captured and fed into the first element of the three-stage customer experience framework: Measure - Understand - Improve.

In the first stage - measurement - businesses can quantify how their customers are feeling, both as a spot measurement, and also comparing new data with historical data to see which direction they are heading in. Many companies do not get beyond this measurement stage, and there are a large number of solutions available that provide attractively-packaged interfaces to show this information. However, some element of insight would benefit businesses more.

The second stage is that of understanding what the data points actually mean for the operational and commercial performance of the business. It is very well to know that Agent A is consistently well thought-of, while Agent B has a lower C/SAT rating, but why is this? Why are some customers dissatisfied? Why do some products and services cause so many customer complaints?

The third stage looks at the actionable insights that emerge from the Measurement and Understanding stages: improve the failing processes, or underperforming agents; having identified which practices and techniques are best received by customers, distribute them across the channel. The third stage - Improve - is the most difficult to implement successfully, in that it often requires various disparate teams to work together, across multiple processes and departments, in order to improve the overall customer experience. It challenges the
status quo and usually requires championing at a higher level of the organisation than the Measurement phase, which may be why most customer experience implementation projects stall at the first stage.

The next sections look in greater depth at the three stages of the customer experience framework. Each relies upon the others to work successfully, and should be viewed as a constant iteration: any changes made in the 3rd ‘Improve’ stage will need to be measured, understood and possibly acted upon once again.

### MEASURE

Measurement is only one part of the customer experience jigsaw, although a vital one: without it, there can be no fixed point against which to compare and just as importantly, no proof of any improvement due to any alterations made.

There are no hard and fast rules about the exact data points that need to be measured, but without the right input, the output is unlikely to be useful. Businesses must first understand what they need to measure: what’s most important to them to improve in order to reach their strategic goals. Some examples include:

- Customer satisfaction score
- Customer advocacy / recommendation score (e.g. NPS / Net Promoter Score)
- Agent rating (as scored by customer)
- Agent rating (as scored by supervisor)
- Contract renewal rate
- Sales conversion rate
- First-call resolution rate
- Cross-sell / upsell rate
- Profitability per customer / lifetime value
- Call transfer rate
- Customers’ opinion of competitors
- Level of agent understanding

As well as agreeing upon the metrics, businesses must make sure that the measurement of these same data points is sustainable throughout the ‘Understand’ and ‘Improve’ stages of the customer experience framework. Specifically, data should be:

- **Replicable**: compare apples with apples - stick to the same set of questions for consistency of response over time and when comparing against direct competitors or wider service-leading organisations
- **Targeted and segmentable**: customers are not generic, so make sure the data capture process includes a chance to analyse by customer demographics, product/service set, contact centre location or type, business process, team or agent in order to see exactly which areas are under-performing in the eyes of the customer
- **Linked to business processes**: ‘customer satisfaction’ in itself is not a useful statistic to have. Feelings about a company may vary widely, even by individual customer, depending on the business process, interaction type or channel that the customer is experiencing. It is not enough to know that Customer X is unhappy one day and happy the next - businesses must capture what customers have been doing to make them feel either way
Actionable: too many businesses capture the data that seem obvious to them without fully considering how these can be used to improve matters. For example, a raw customer satisfaction rating out of 10 can't be used to identify what the problems are. However, capturing the agent identity at the same time can create a 'league table' of customer satisfaction ratings by agent, which is the first step in identifying training needs and recruitment criteria.

Measuring the subjective

How it is possible to measure, meaningfully, how it actually feels to be a customer? That should be the goal of customer experience engagements, but many businesses assume that scientifically measuring a feeling is impossible, so resort to the time-honoured – and flawed – methods of quantifying customer satisfaction. However, some businesses have gone beyond this to gain real insight into what it is to be a customer.

A private medical insurance company wanted to compare their sales centre with competitors within the same industry. In particular, they wanted to understand how well their contact centre staff built respectful and appropriate relationships with customers. Ultimately, they needed to know how well their service delivery matched up to their brand aspirations, the competition and other best-practice service providers in other sectors.

Calls were made into the sales centre to enquire about products and services, as well as to competitors. Storylines were built to represent typical requests and to test how well agents met prospects’ commercial and emotional needs. Each call was scored by skilled researchers against hundreds of individual criteria to give a detailed and accurate assessment of how and why customers feel as they do when they have contacted the business and its competitors, allowing the company to identify and build upon positive behaviours and to change the elements of the interaction which had a more negative effect on potential customers.

A major international bank wanted to enhance customer service in order to optimise account activity and revenue. In order to start their programme, they needed an objective benchmark of the degree to which their service met their aspiration. The measure needed to be consistent to cover both the retail and telephony operations and to measure behaviours and attitudes objectively.

For the telephony assessment, the bank provided recorded calls from each of their contact centres, which were filtered to ensure consistency and fairness. The final calls were distributed to skilled researchers for analysis against 230 pre-determined points. The final output included an assessment of complaints, sales calls and service calls, split by product type. The analysis allowed the bank to understand what it actually felt like to be a customer of theirs, and provided the bank with practical, best-practice examples of employees who were achieving the company’s aspirations of great service. This allowed the bank to set a robust and accurate benchmark for excellence, as well as enabling a clear action plan for short- and long-term improvements.
As mentioned earlier, there are a number of ways to gather data, each with their own strengths and weaknesses. The following 2x2 matrix shows various methods, depending on the speed of the data collection, and whether it is taken straight from the customer, or via a trained and objective third-party, such as an outsourcer, supervisor or consultant.

**Figure 7: Measurement methods**

Once the data have been agreed upon, and collected, the next stage of the customer experience framework is to understand what the results actually mean.
The first stage of the customer experience framework (Measurement) is about the 'What?', then the second stage (Understanding) is about the 'Why?'.

- Why are some agents considered better than others by our customers?
- Why do our competitors have better customer satisfaction ratings than us?
- Why are some communication channels producing happier customers than others?
- Why do customer satisfaction ratings vary so much across business processes?

The data gathered in the Measurement stage should be used to identify the main problem areas, and to direct the efforts of the management team towards solving these issues. The Measurement phase can split a top-line 80% customer satisfaction level into its constituent parts: perhaps the best agents achieve 95% but the worst agents get 60%; perhaps customers of Product A have 90% satisfaction but Product B customers only have 70% - drilling-down into data suggests areas for improvement, but internal data by itself only tells half a story.

In the Understanding stage, specific interaction types, agents and business processes can be examined in depth to see why what are often relatively small elements in the overall customer experience are underperforming. Before the experts within your own business analyse broken processes or training needs, it's important for them to have a good understanding of what customer expectations actually are. Benchmarking helps move the focus away from purely internal assessments, allowing a business to see what customers consider to be impressive performance levels, so as to set targets and standards.

There are various ways to benchmark customer experience:

- Against competitors in the same sector
- Against best practice service leaders in other sectors
- Against how your business was rated in the past
- Against alternative service providers, such as outsourcers or other in-house contact centres, in the same country or overseas.

Benchmarking allows valid comparisons to be made, which means that the data gathered in the first stage takes on greater meaning through relative perspective. For example, a 70% customer satisfaction rating captured from customers who are in the Complaints process may actually be industry-leading, whereas a 75% C/SAT rating for customers who are in the Sales process - while looking better on paper - could be seen through benchmarking to be in the lowest quartile and to require immediate action.

The following example provides more detail of the danger of looking in the wrong places for insights into the customer experience.
'Captive customers' and cross-vertical, best-practice benchmarking

Today, customer satisfaction surveys abound as organisations try to improve customer retention rates. Many companies are now acutely focused on their survey scores and implement staff incentives for raising scores. However, because these practices are prone to promoting dysfunctional behaviours, many operational managers - outside the executive level and marketing departments - quickly start to turn a blind eye to what they see as discredited results.

Customer loyalty research provides us with some clarity. First, we need to rethink our notion of loyalty; what that term really describes. Customers may show loyalty to a company by continuing to buy from it, but they may not like the company or feel good about buying from it, and they may well spread negative opinions of their experience. Initially, it might seem odd that a customer would continue buying from a company they feel negatively about, but think of the airline customers who - held hostage by limited choice or finance - bad-mouth the carrier at every opportunity, and yet continue to use the carrier. These are “captive customers”, an important consideration when measuring customer attitudes and behaviours.

Companies need to have an ongoing understanding of how their customers truly feel about the company - everything from its products, pricing, and quality to the general business experience. They must recognise that while some customers may be purchasing freely, others may be influenced primarily by price or severely limited by in-place contracts. Their choice may have very little to do with their positive feelings about their customer experience or the company.

Perhaps the key lesson in customer opinion monitoring is that customers often compare companies from very different vertical markets. A mobile phone company’s subscribers are more likely to rate its customer service in comparison with their bank or a utility with whom they also do business. Vodafone customers rarely get a chance to compare the Vodafone customer service operation with that of O2 or Orange.

So, whilst trends are important (“are you better than you were last week?”), experience suggests that benchmarking is vital. Organisations need to know that a 25% improvement in perceived quality of service might still leave them way behind best practice.
The third stage of the customer experience framework is 'Improvement' - where the data-gathering, analysis and insight combine to push the business into changing for the better. Throughout the previous stages, businesses must strive to keep the actionable nature of the data and findings at the forefront of their minds, rather than being seduced by bushels of figures and attractive reporting screens.

Even businesses that have invested many hundreds of thousands of pounds in understanding customer satisfaction can sometimes end up without any actionable recommendations. This third stage is the 'How?' stage - i.e. "How can we improve the customer experience?" - where it's not about glitzy management information reports or terabytes of data.

As each business and process is different, it is difficult to make recommendations that are applicable to all companies. However, fed by data and insight in the previous two stages, actionable recommendations could be of these types:

- "Having identified the behaviours and characteristics employed by the highest-rated agents but not the lowest-rated, we will support underperforming agents through targeted training and alter the recruitment process to attract more of those with the right attributes" 

- "After analysing the business processes and interaction types that customers are least satisfied with, we will work with other departments to inform, optimise and retest, benchmarking against pre-improvement data points"

- "Having investigated extremely high levels of customer satisfaction for certain agents, it seems that these agents have been 'cherry-picking', rather than offering surveys to a representative sample of customers. Offering surveys in the pre-call stage will alleviate this problem"

- "To support the company in its push to become a best-practice provider of customer service, we will benchmark our agents and processes against five of the highest-rated companies in any sector, rather than restricting ourselves to comparisons with our main competitors"

- "Analysis of data has shown that customer satisfaction is extremely high for certain types of straightforward transaction, as calls are quick, simple and few mistakes are made by the agent, meaning that the customer rarely has to call back. However, we believe that a considerable amount of cost could be saved by moving these calls onto a self-service platform, so a cost-benefit analysis should be considered to see if this fits with the company's strategy"

- "Despite the company's culture and aim to be seen as friendly, approachable and trustworthy, customers feel that our complaints department is the opposite, which needs to be addressed".

It's key to remember that the 3-stage customer experience framework is an iterative model: it's important to revisit the initial 'Measurement' stage after implementing improvements to understand the effects that the changes have made on customer experience and other contact centre performance metrics, with fine-tuning and further improvements being likely.
WHAT'S THE BOTTOM-LINE?

One of the issues around customer satisfaction ratings is that they may not give a full picture of the long-term customer view of the company, in that they are often measuring only the last interaction that the customer had with the company.

For example, it’s possible that a customer of a mobile phone company who is tied into a 24-month contract and who has had numerous bad experiences with the company could give a very high customer satisfaction rating if the question was simply: “How satisfied were you with the call you made today?”. Of course, this ostensibly-satisfied customer could be bad-mouthing the mobile phone provider to all of their friends, and will certainly defect to a competitor at the end of their contract - but the customer satisfaction rating provided does not make this clear. This is one of the issues that the Net Promoter Score tries to overcome.

NPS - Net Promoter Score

NPS - “Net Promoter Score” - is a simple metric devised by Fred Reichheld of Bain and Co. Companies obtain their Net Promoter Score by asking customers a single question on a 0 to 10 rating scale: "How likely is it that you would recommend our company to a friend or colleague?" Based on their responses, customers can be categorised into one of three groups: Promoters (9-10 rating), Passives (7-8 rating), and Detractors (0-6 rating). The percentage of Detractors is then subtracted from the percentage of Promoters to obtain an overall Net Promoter Score.

This measurement allows the comparison of like with like across departments, competitors and industries, and offers a simple way for all employees to understand how they are doing in the customers’ eyes. This question also allows the customer to move away from answering questions simply about the last interaction they had with the business, instead telling the company how they feel about the overall relationship.

Despite its popularity, NPS has its detractors. There are various scientific criticisms of the methodology and the validity of the analysis, with researchers stating that the findings of NPS have no more predictive accuracy of a business’s growth than other loyalty-related questions. Also, an intention to promote a brand doesn’t necessarily correspond with the actual referral rate, which itself does not correspond with the actual sign-up rate of new customers. The validity of NPS as a predictive measure also varies wildly depending on the vertical market to which it is applied.

The simplicity of NPS can be a weakness as well as a strength, in that in-depth insight is missing into exactly what is going well and what is going badly. For that, a detailed, 'deep-dive' customer experience methodology is required, one of which is introduced below.

It has already been shown earlier in this White Paper that contact centre managers state that empathy with customers is by far the most important characteristic for a successful agent to display. This makes sense, in that a customer who is made to feel that the agent is listening, caring and trying to help is obviously more likely to feel positively towards that company. However, can empathy be measured and tracked accurately enough to benchmark against, and does this empathy have an actual impact upon profitability?
A three-year academic study investigated the relationship between empathy, which is one of the key customer relationship benchmarks, and profitability in the contact centre industry. The study included 1,400 customers and 28 UK companies from the service and manufacturing industries, and the findings suggest that empathy has a statistically significant impact on profitability as measured by Return on Capital Employed (ROCE).

The report’s authors, Professor Merlin Stone and Dr Yuksel Ekinci, make the following observations:

"A positive relationship exists between empathy and ROCE. Furthermore, every point increase on empathy projects a 16.4% impact on ROCE if the other variables are held constant. This finding suggests that empathy is not only a good measure for assessing customer experience with call centres, but is also one of the key performance indicators for managing profitability."

It seems that even the most subjective element of a customer interaction – how the customer feels about the company – can scientifically measured in a way that impacts upon the most important business metric of all – profitability.

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CONCLUSION

- Complaints are up, and customer satisfaction is down: the post-recession customer demands better service and if they don’t receive it, they can - and will - tell others about it
- Businesses need to be able to handle the new customer - dissatisfied, mobile, vocal, knowledgeable and multichannel
- Traditional customer satisfaction measurements aren’t linked to loyalty, advocacy or profitability - they are self-referential and of limited actionable use
- Measuring customer experience data is easy: the hard parts are understanding it, and translating this into action
- Use the 3-stage methodology of customer experience improvement: 'Measure - Understand - Improve':
  - Measure: capture a mixture of delayed and immediate customer experience data for maximum insight coupled with fire-fighting abilities
  - Understand: compare data over time, against competitors, alternative channels and best practices, getting the relative picture as well as the absolute
  - Improve: beware of customer experience engagements failing here, due to the need to get more than one department to make changes - a top-level champion is vital to the process.

CONTACTBABEL & THE NEW CUSTOMER EXPERIENCE

For more than 10 years, ContactBabel has provided top-quality research and analysis of the contact centre industry to UK businesses and organisations, including the UK government.

Despite the billions of pounds spent each year on contact centre investments, our massive primary research programmes have detected a surge in complaints and customer dissatisfaction with contact centres and businesses in general, despite improvements in traditional contact centre efficiency metrics and a growth in customer satisfaction measurement projects.

Against a background of declining customer loyalty and growing dissatisfaction, ContactBabel can assist businesses in the measurement, understanding and improvement of their customers’ experience through a range of methods, some of which are introduced in this White Paper.

If you would like a confidential discussion about your current and future options for customer experience improvement, please contact us.

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