Stop Trying to Delight Your Customers

by Matthew Dixon, Karen Freeman, and Nicholas Toman

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

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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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0 BELOW EXPECTATIONS | MEETS EXPECTATIONS | EXCEEDS EXPECTATIONS
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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?
• 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

These service failures not only drive exist-
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provide opportunities for competitors to lure
away those customers who had a positive
experience for the customer.

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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.

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-
Stop Trying to Delight Your Customers

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.

About the Research

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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-
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 in predicting behavior.

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
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 re-build 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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