



CORPORATE  
EXECUTIVE  
BOARD

TM

WHAT THE BEST COMPANIES DO

SALES, MARKETING, AND COMMUNICATIONS PRACTICE  
**CUSTOMER CONTACT COUNCIL®**

*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?

Source: Customer Contact Council research.

# GOT IT COVERED

*To Identify Key Loyalty Drivers, the Council Administered an In-Depth Customer Survey*

## Sample of Participating Member Companies



### Additional Outside Respondents

- Panel of 1,800 consumers screened for recent contact center interaction(s)
- Hundreds of companies represented

## Data Sample Snapshot

### 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

## Control Variables

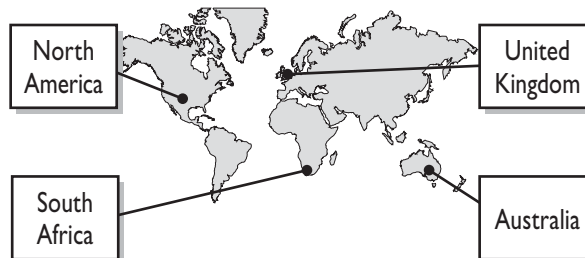
### Customer Characteristics

- 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

## 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.

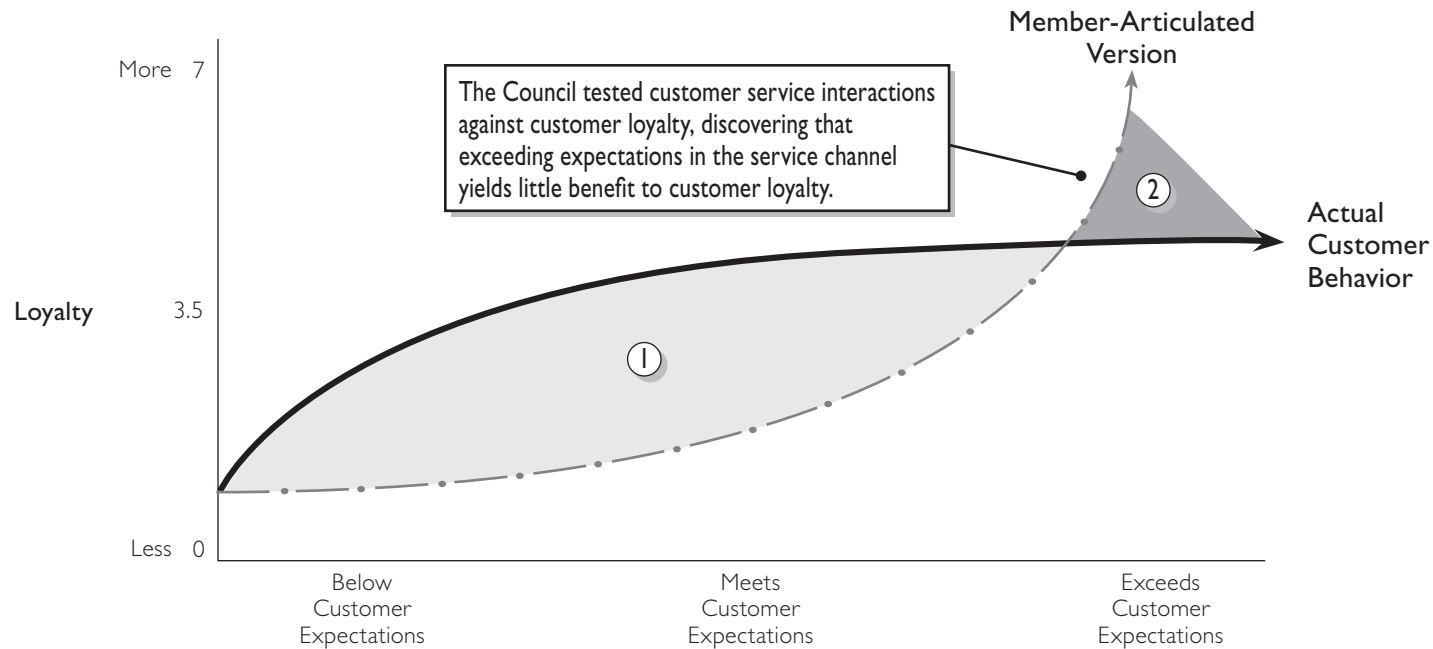
# MAJOR FINDING #1: EXCEEDING CUSTOMER EXPECTATIONS YIELDS MARGINAL LOYALTY IMPROVEMENT

## 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



n = 17,968.

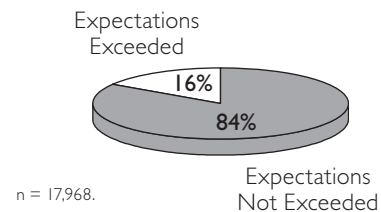


### COUNCIL CONCLUSION

- 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.

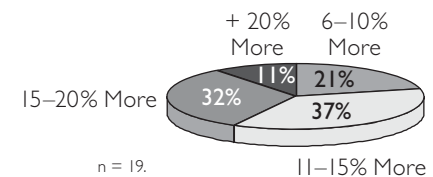
### THE SILVER LINING

#### Customers Reporting Service Exceeded Expectations



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

##### Member-Reported Costs



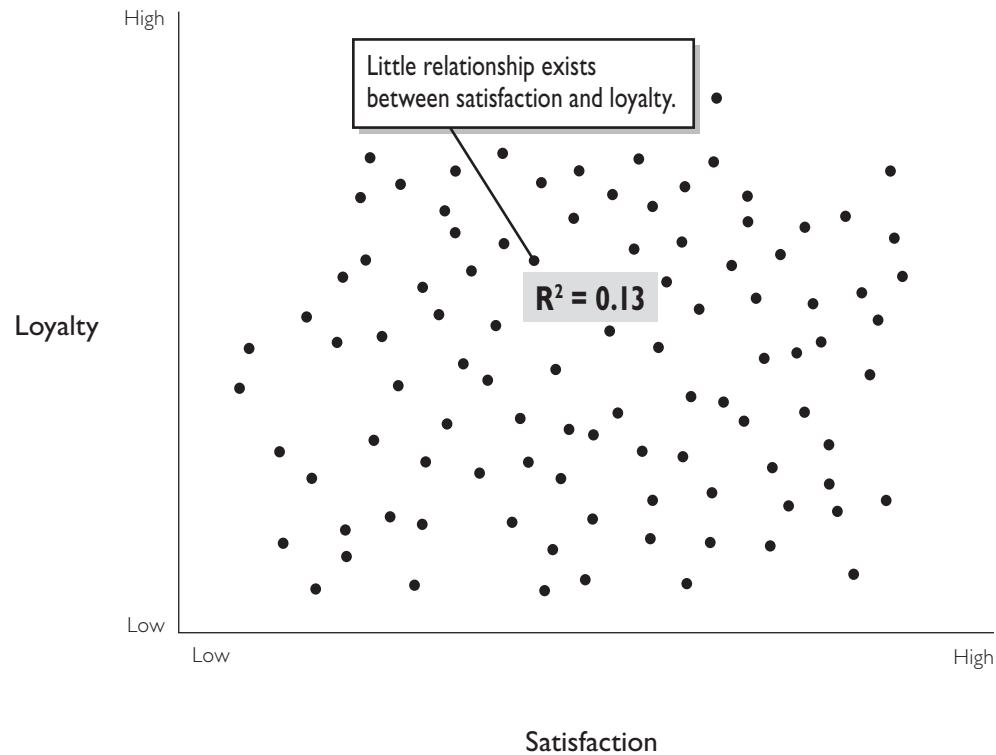
Source: Customer Contact Council research.

## 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



n = 17,968.

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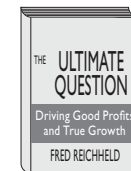
#### THE UGLY TRUTH

- 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.”

Source: “Why Satisfied Customers Defect,” Harvard Business Review, November/December, 1995; Fred Reichheld, “The Ultimate Question: Driving Good Profits and True Growth,” Harvard Business School Publishing Corporation, 2006; Customer Contact Council research.

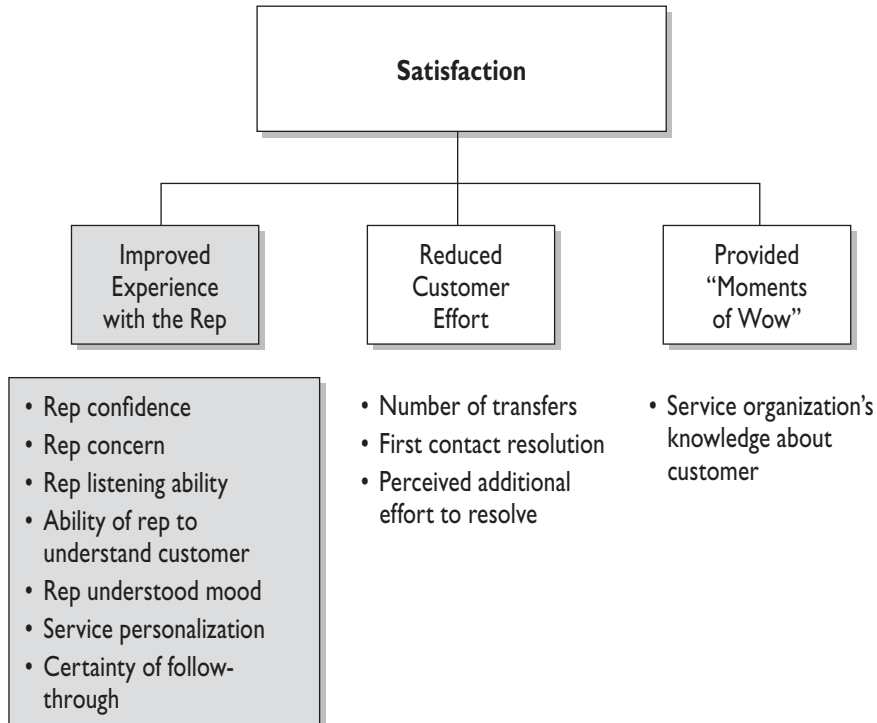
## MAJOR FINDING #3: REDUCING EFFORT HAS THE GREATEST IMPACT ON LOYALTY

### DIFFERENT GOALS, DIFFERENT DRIVERS

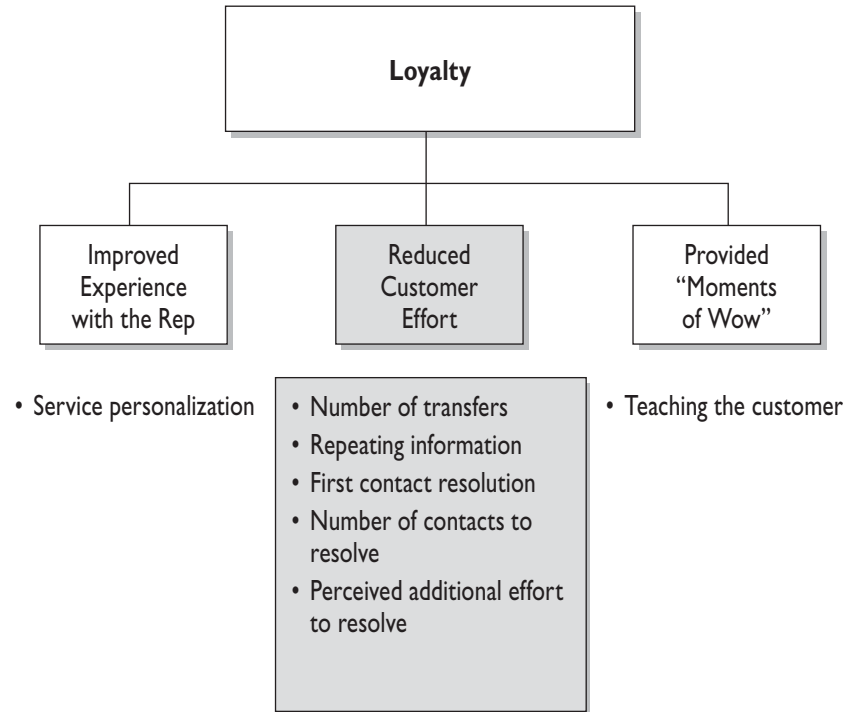
**Soft skills have the greatest impact on satisfaction...**

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

#### Key Drivers of Customer Satisfaction



#### Key Drivers of Customer Loyalty



#### COUNCIL CONCLUSION

To generate satisfaction, improve rep soft skills.

To increase loyalty, reduce customer effort.

Source: Customer Contact Council research.

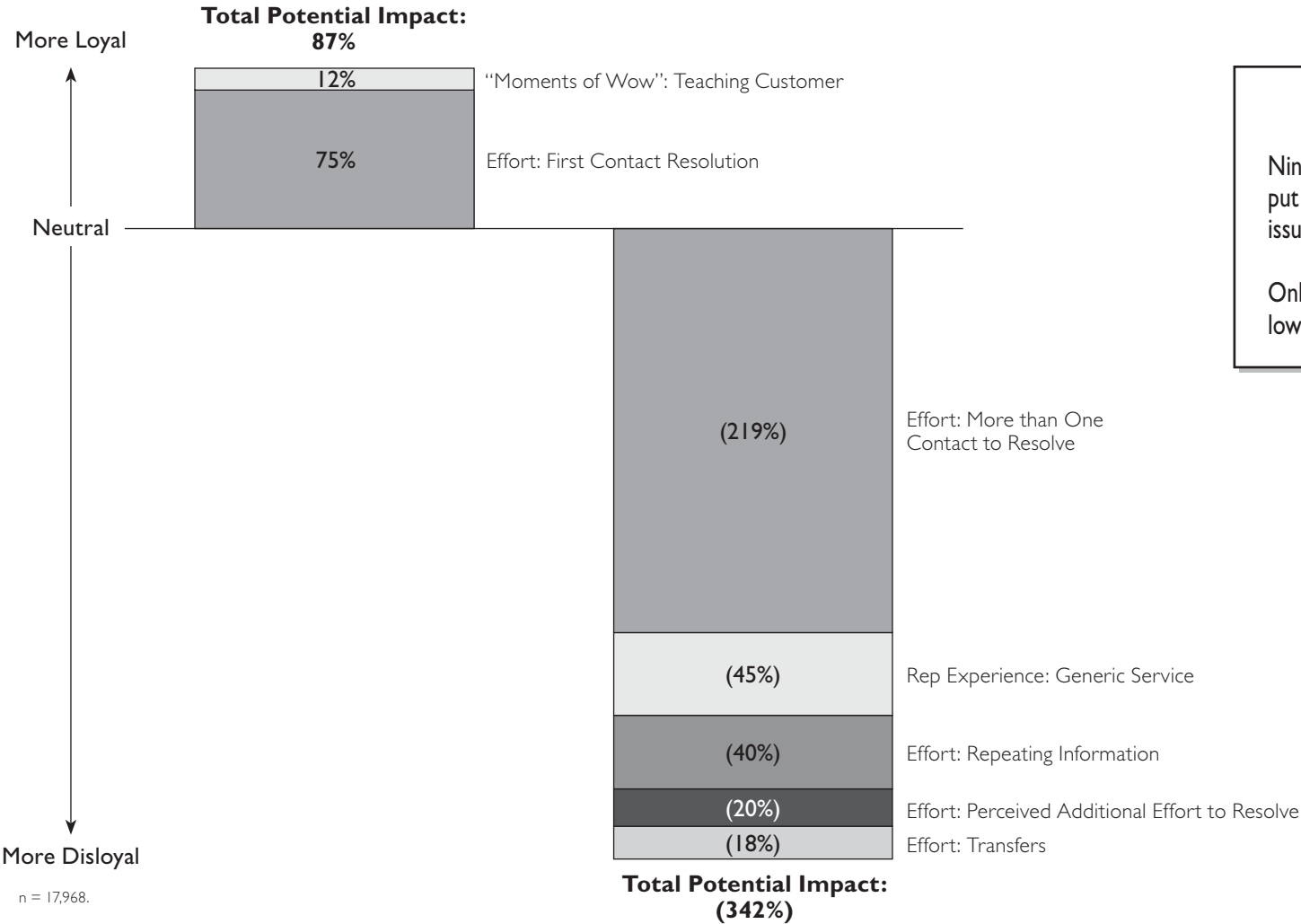


MAJOR FINDING #4: THE CONTACT CENTER’S ROLE IS MITIGATING DISLOYALTY

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.

# THE NEW PATH FORWARD

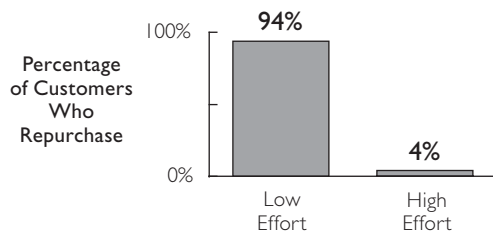
**The Best Measure of Loyalty Is Customer Effort, as It Is the Best Predictor of Both Repurchase and Growth**

## Customer Effort

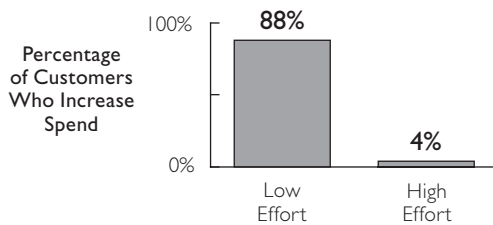
A customer service success measure that accounts for the ease of issue resolution as experienced by the customer.

### THE CRYSTAL BALL

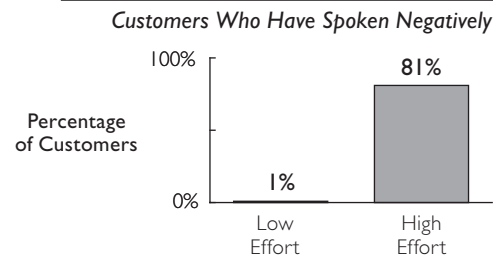
#### Relationship of Effort with Repurchase<sup>1</sup>



#### Relationship of Effort with Increased Spend<sup>1</sup>



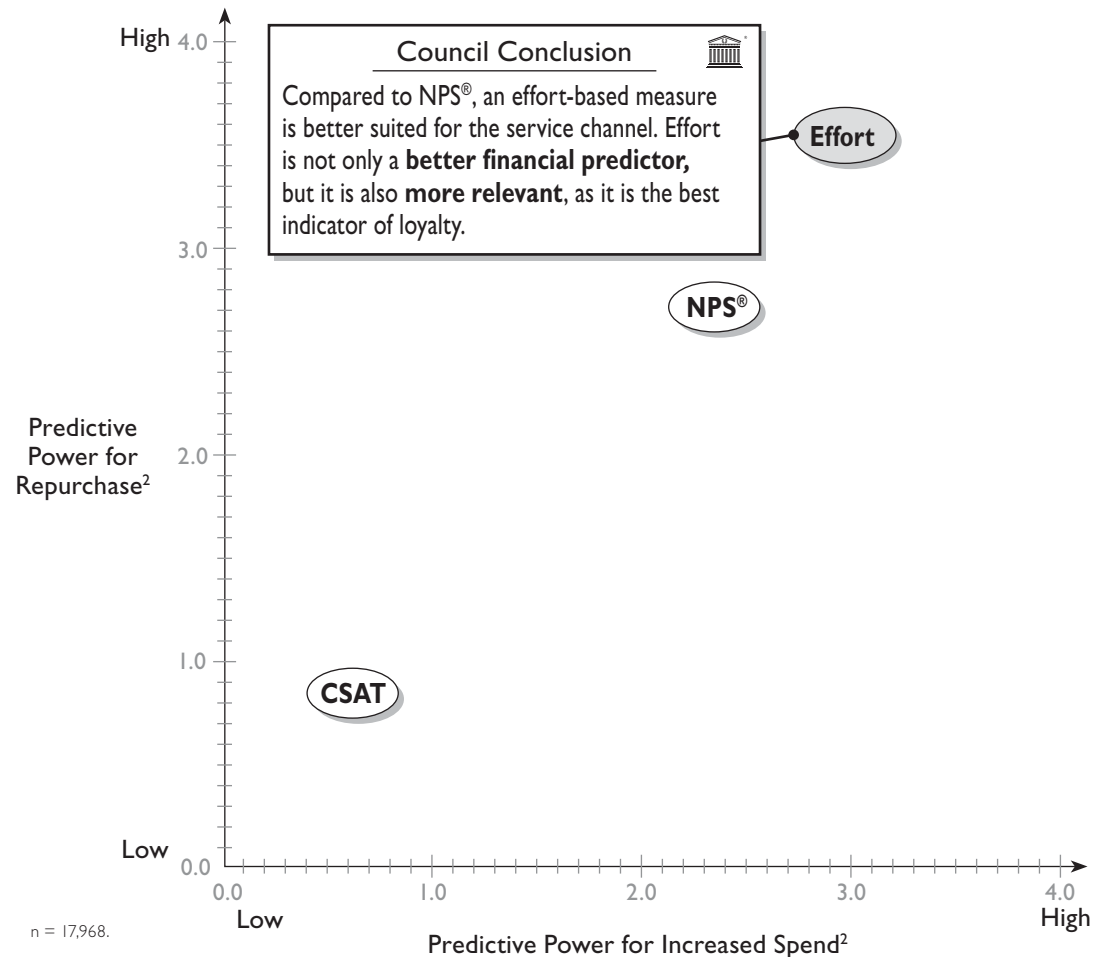
#### Relationship of Effort with Negative WOM<sup>1</sup>



<sup>1</sup> Customer effort is a composite index including perceived effort, repeat contacts, past issues, repeating information, and transfers. "Low Effort" is the bottom 25% of this composite effort scale, while "High Effort" is the top 25%.

<sup>2</sup> Predictive power evaluated by the coefficients derived from regression analysis. Effort regression coefficients are 3.65 and 2.92 for repurchase and increased spend respectively.

## Loyalty Impact In the Service Channel



Source: Customer Contact Council research.



# CES™ STARTER KIT

## Implementation Cheat Sheet for the Customer Effort Score™

### 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: \_\_\_\_\_

### Council Implementation Tips

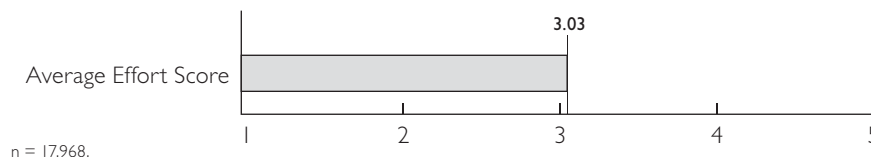


1. Use the CES™ to obtain a holistic picture of customer effort in the resolution process.
2. Use a more detailed, effort-based survey to analyze discrete sources of effort throughout the resolution process.<sup>1</sup>
3. Consider changing the ending of the effort-based question to accommodate the type 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.

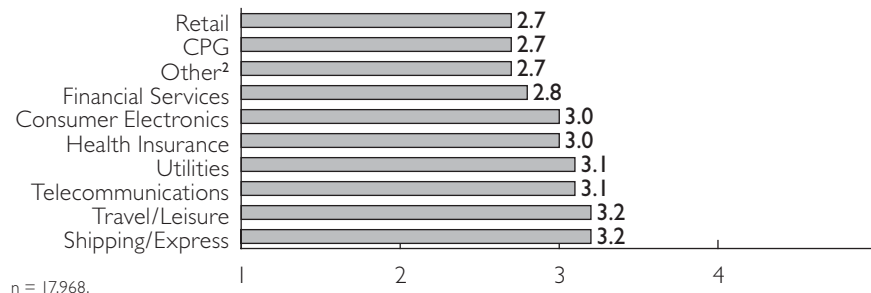
<sup>1</sup> Available in the Appendix.

<sup>2</sup> The "Other" category includes several B2C industries for which the sample size was too small for independent analysis.

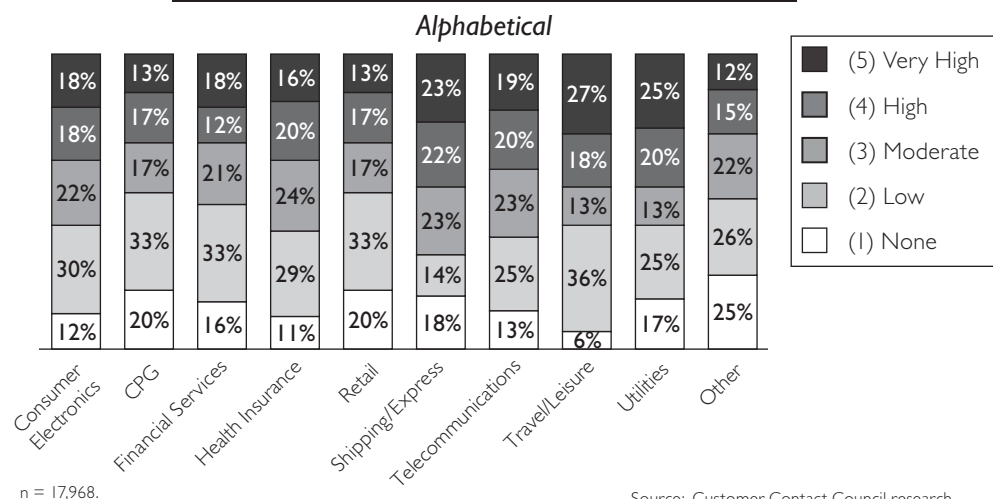
### Average Effort Score



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



### Effort Score Distribution Across B2C Industries



Source: Customer Contact Council research.

# 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.

### 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.

### III. RECOVERING FROM FAILED EFFORT

*Proactively Engaging At-Risk Customers*



**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*



**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.

### OTHER COMPANIES PROFILED



#### Customer-Friendly Web Design

*A frontline rep-informed Web design guides customers to self-service functionality.*



#### Seamless Follow-Up Issue Resolution

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



#### Proactive Feedback Sessions with the Customer

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

### COUNCIL IMPLEMENTATION TOOLS



Customer Effort Audit



Customer Effort Score™ Questionnaire



Business Case for Shifting Away from Satisfaction

\* Pseudonym.

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