

# THE THOUGHT LEADERSHIP ON THE SALES PROFESSION CONFERENCE

JUNE 10-11  
2014

COLUMBIA  
UNIVERSITY

NEW YORK, NY

## Should we Delight our Customers? Two Perspectives

First Presenter: **Nick Toman**, *Managing Director*, CEB

Second Presenter: **Roland Rust**, *Distinguished Professor  
and David Bruce Smith Chair*, University of Maryland

Moderator: **Mike Ahearne**, *C.T. Bauer Professor & Principal*,  
University of Houston & ZS Associates



UNIVERSITY of HOUSTON | BAUER  
SALES EXCELLENCE INSTITUTE



# AGENDA

## Title

*The Effortless Experience*

- **Nick Toman**

## Time

25 minutes

*Open Your Eyes and See Delight!*

- **Roland Rust**

25 minutes

*Moderated Discussion and Q&A w/ the Audience*

- **Mike Ahearne**

25 minutes



# The Effortless Experience

Conquering the New Battleground  
for Customer Loyalty

Nick Toman  
Managing Director, CEB

# HAVE YOU SEEN THIS GIRAFFE?





# THE MOMENT OF “WOW”



# THREE QUESTIONS THAT GUIDED OUR RESEARCH

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1

What impact DO  
customer service  
interactions have  
on a customer's  
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What impact **DO**  
customer service  
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2

What are the things  
customer service  
can do to  
**DRIVE** loyalty?

# THREE QUESTIONS THAT GUIDED OUR RESEARCH

1

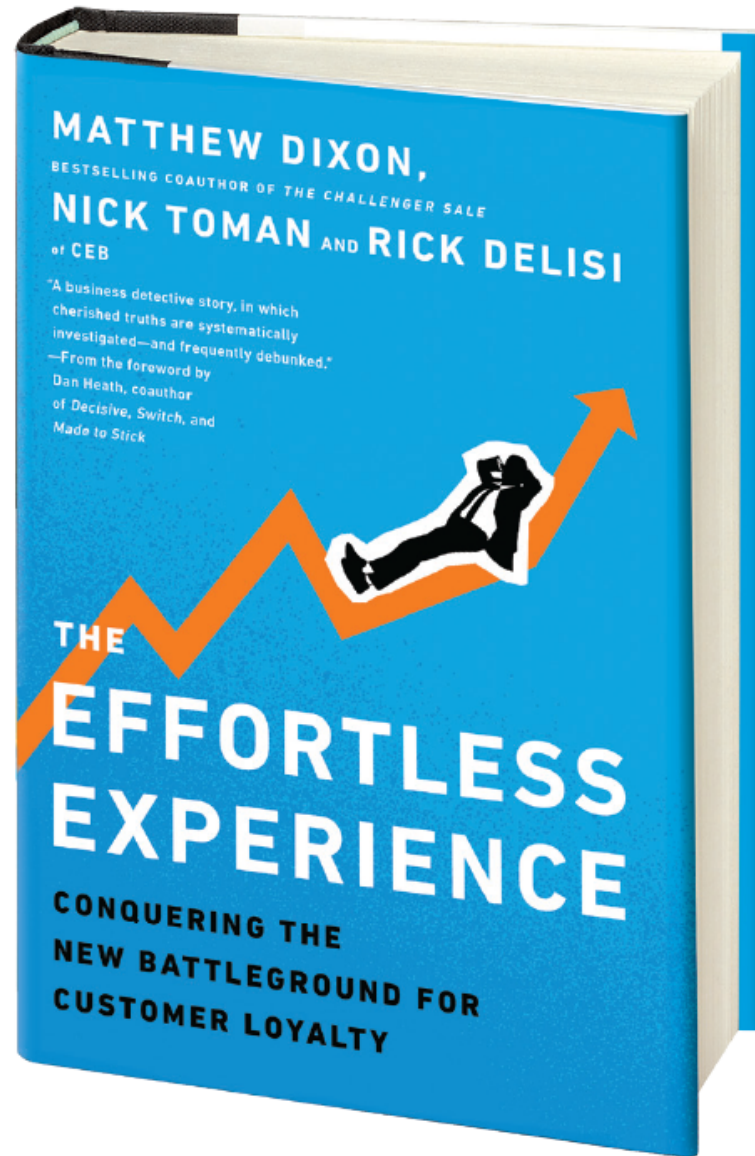
What impact **DO** customer service interactions have on a customer's future loyalty?

2

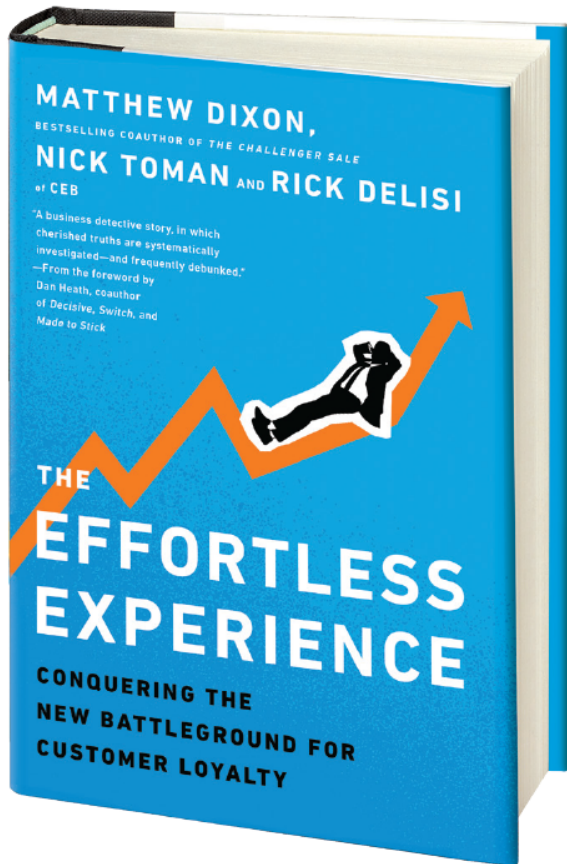
What are the things customer service can do to **DRIVE** loyalty?

3

How can service improve loyalty while still **REDUCING** operating costs?

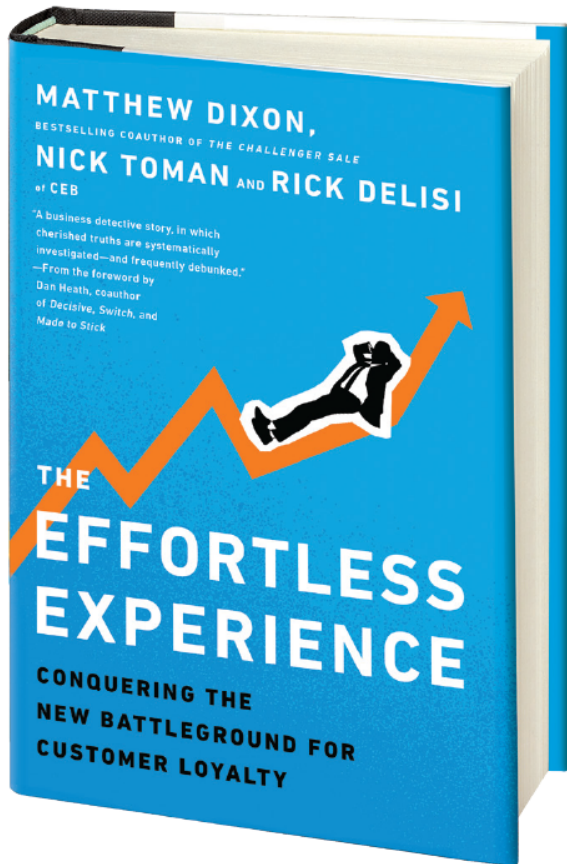


# WHAT IS LOYALTY?



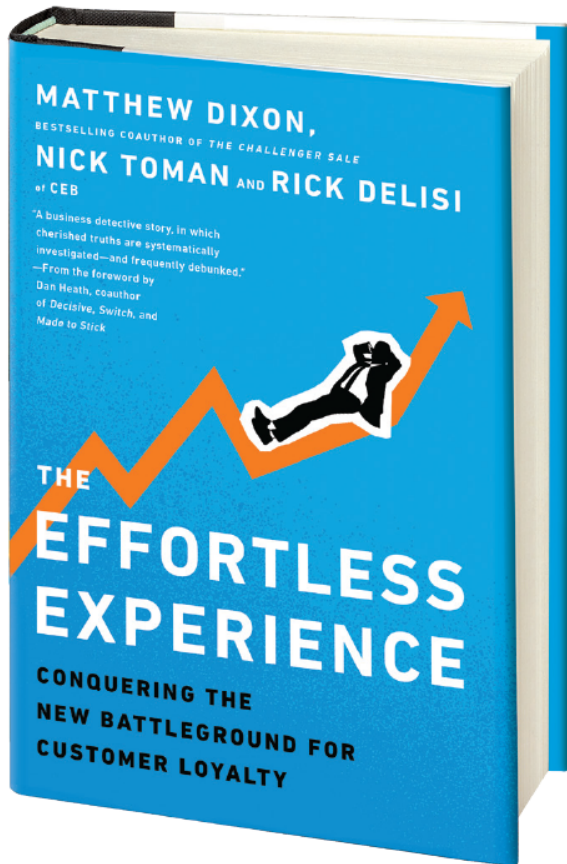


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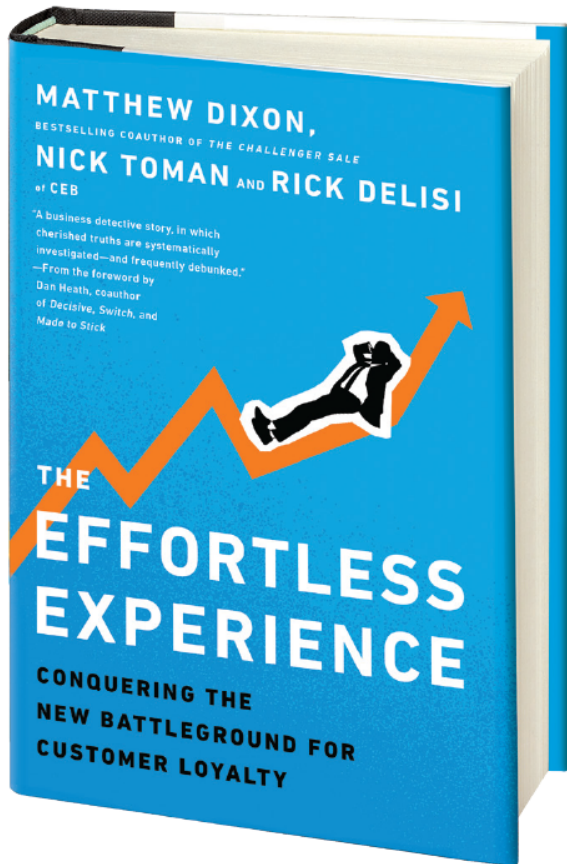
- Repurchase

# WHAT IS LOYALTY?



- Repurchase
- Share of Wallet

# WHAT IS LOYALTY?



- Repurchase
- Share of Wallet
- **Word of Mouth**

# WHAT IS LOYALTY?



The TRUEST TEST of loyalty is  
when something goes **WRONG**.



# OUR STUDY IN BRIEF

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- **125,000+ customers**

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- 125,000+ customers
- **5,000+ customer service reps**



# OUR STUDY IN BRIEF

- 125,000+ customers
- 5,000+ customer service reps
- **100+ companies**

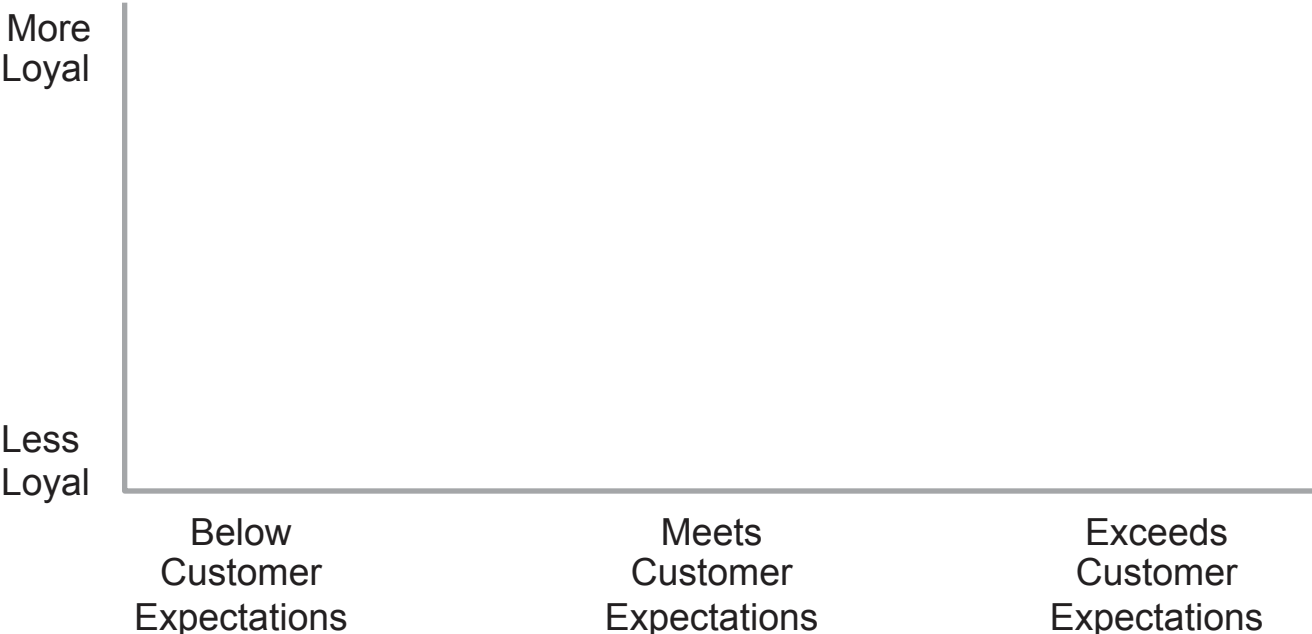
# OUR STUDY IN BRIEF

- 125,000+ customers
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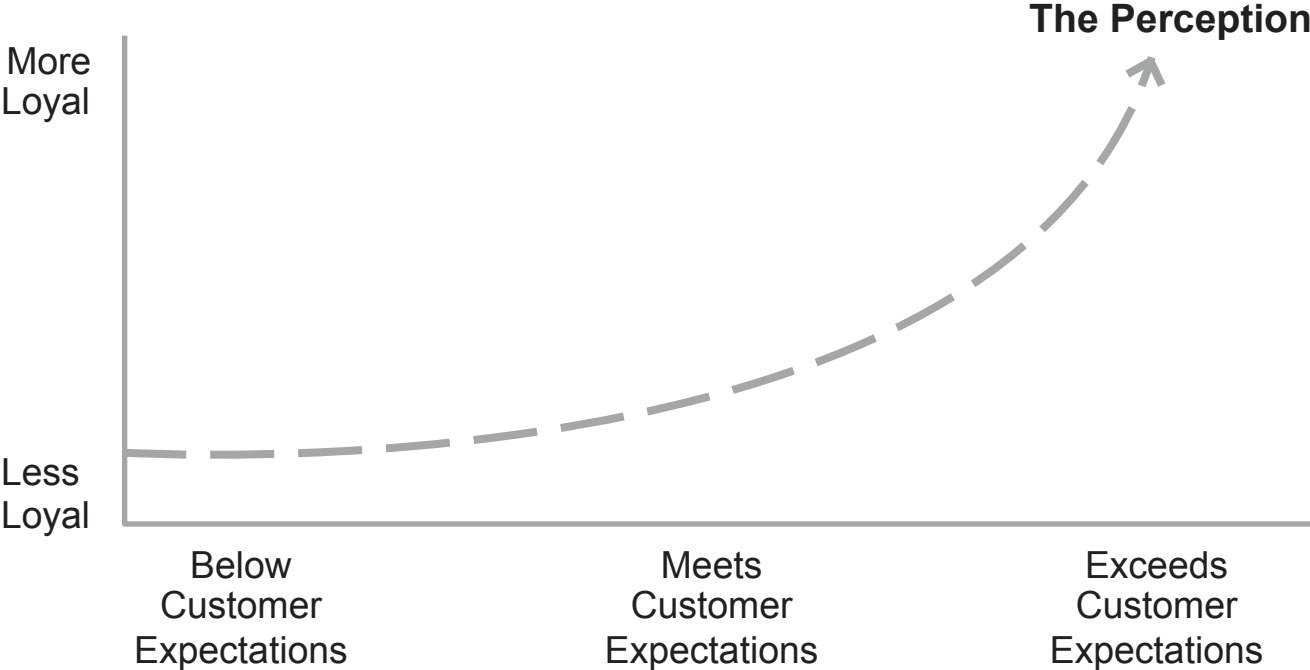
## 3 major findings

# FINDING 1: DELIGHT DOESN'T PAY

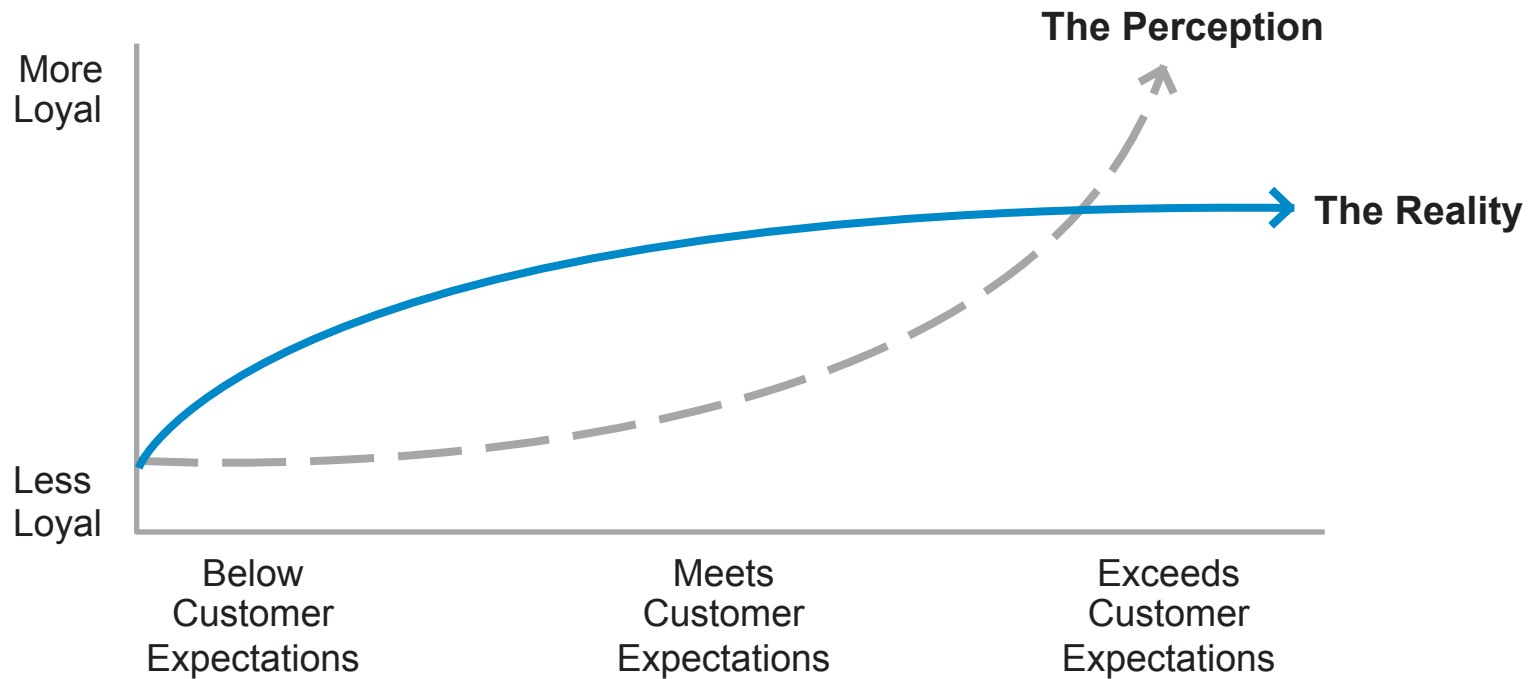
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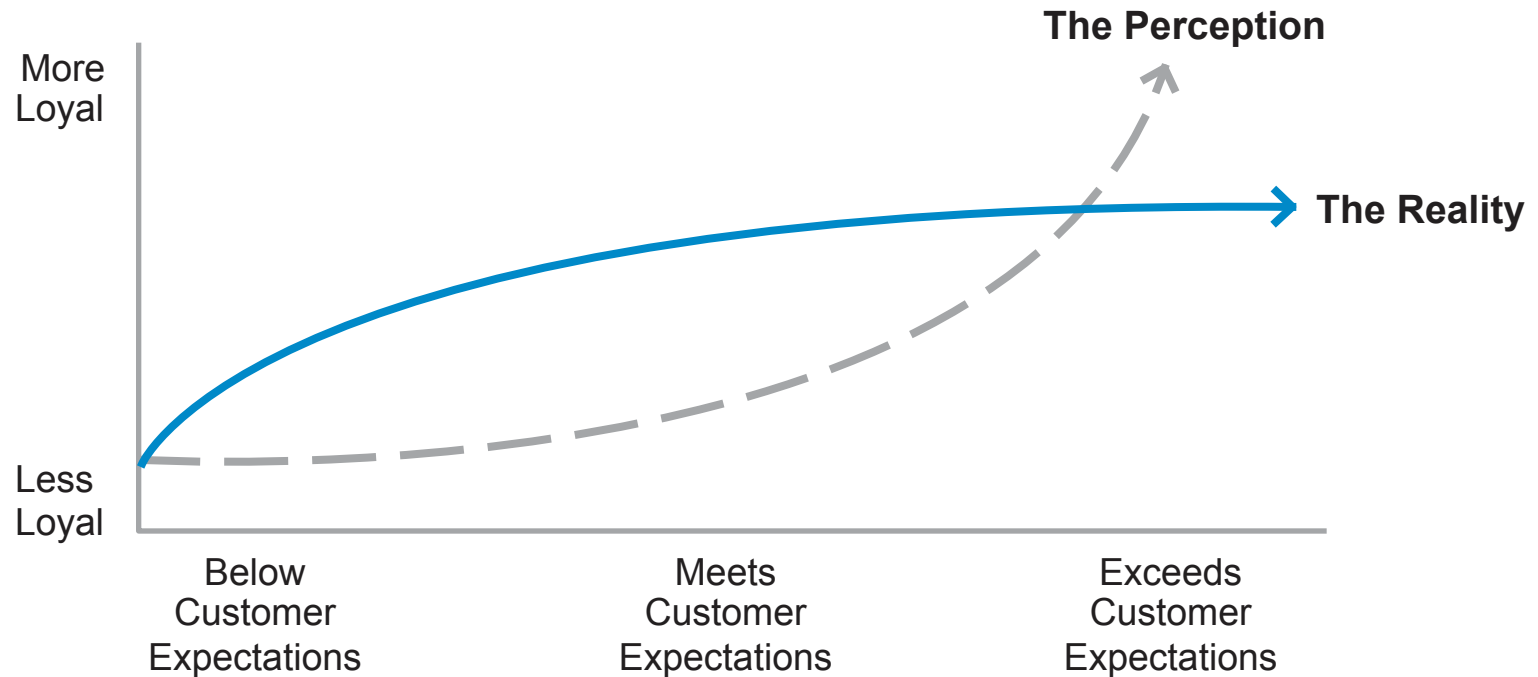
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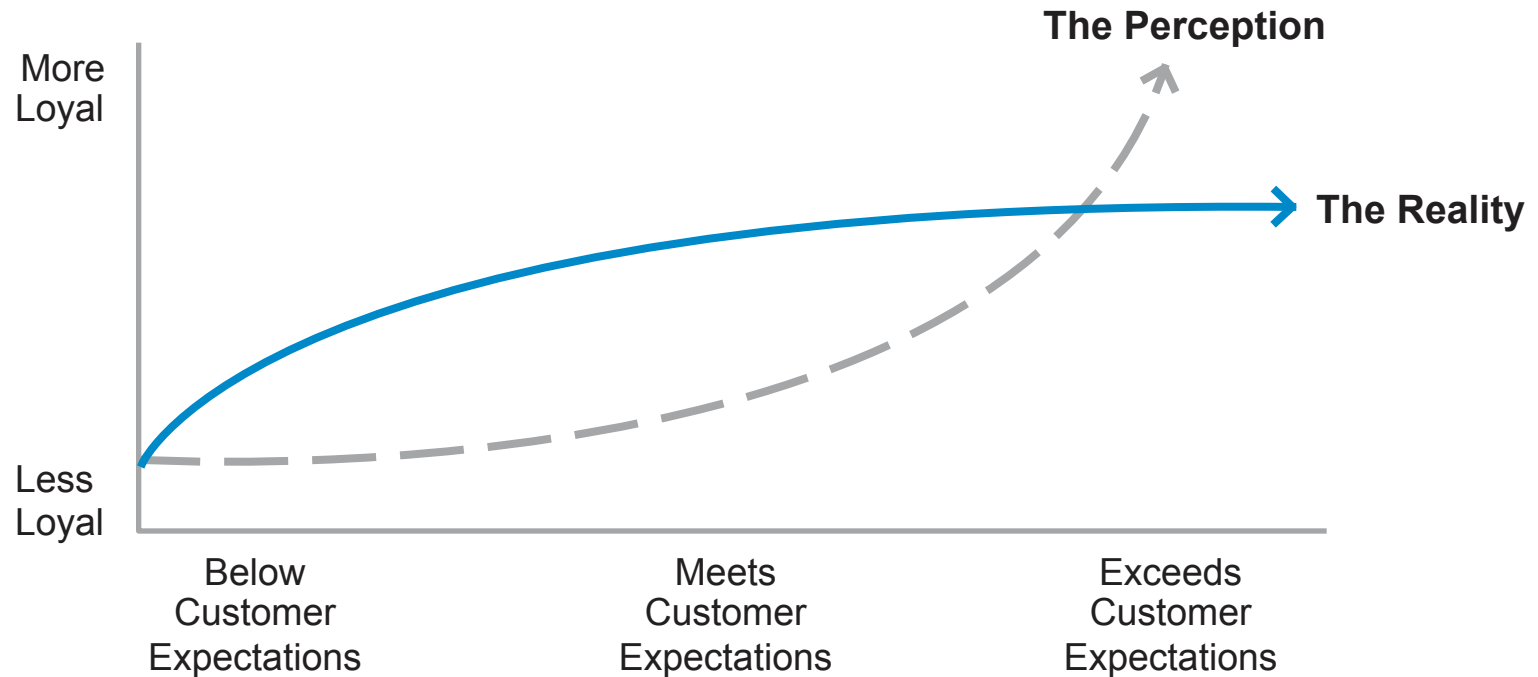
# FINDING 1: DELIGHT DOESN'T PAY



- **“Delight” only happens 16% of the time**

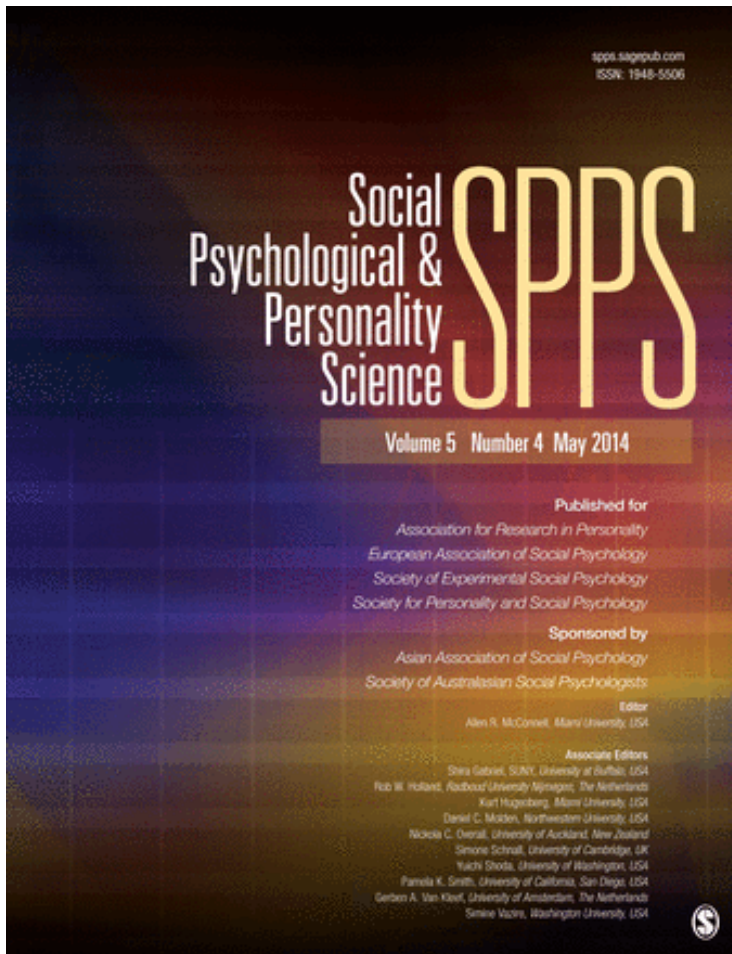


# FINDING 1: DELIGHT DOESN'T PAY



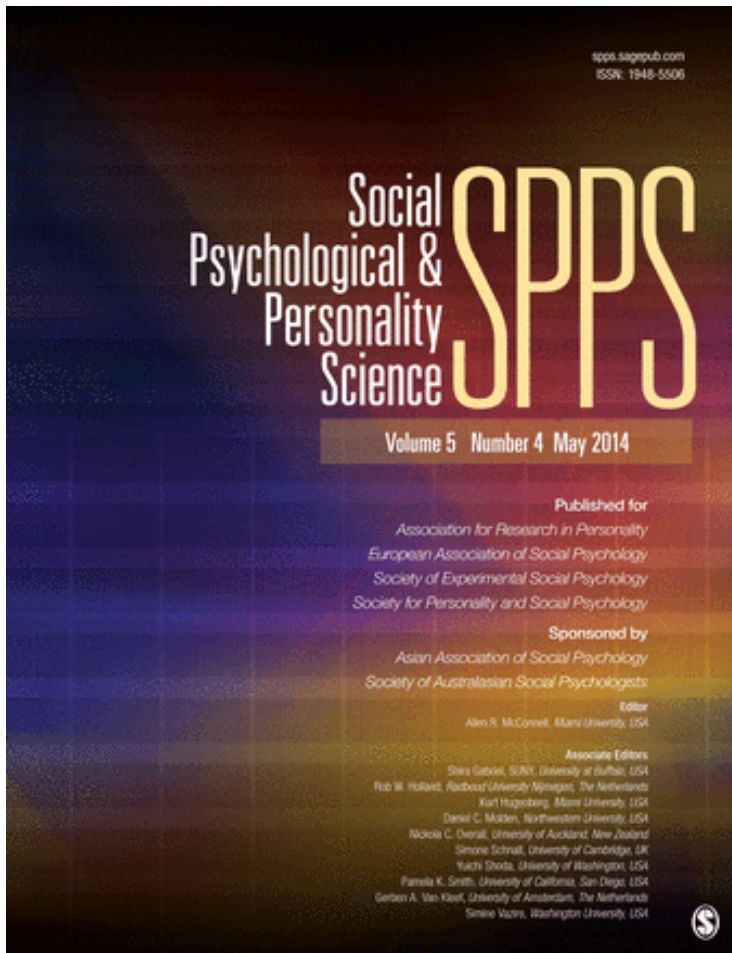
- **“Delight” only happens 16% of the time**
- **“Delight” increases operating costs 10-20%**

# PROMISES, PROMISES



Source: Gneezy, A. and Epley N. (2014). Worth Keeping but Not Exceeding: Asymmetric Consequences of Breaking Versus Exceeding Promises. *Social Psychological and Personality Science*. May 8. 1-9.

# PROMISES, PROMISES



“When [companies, friends, or coworkers] expend extra effort in order to exceed promises, their effort appears likely to be overlooked.”

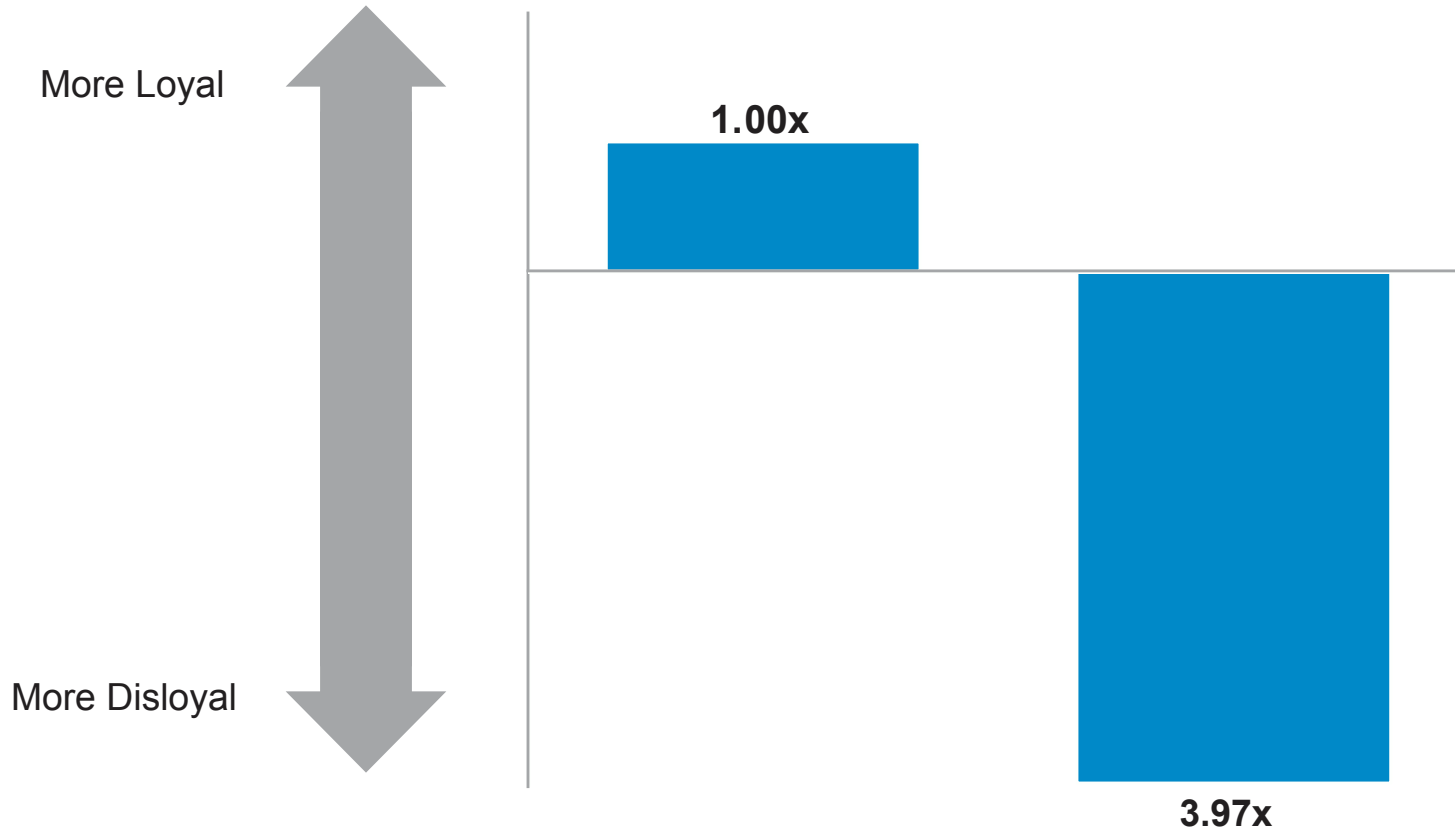
Gneezy & Epley

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# FINDING 2: SERVICE DRIVES DISLOYALTY

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## Customer Service Impact on Loyalty

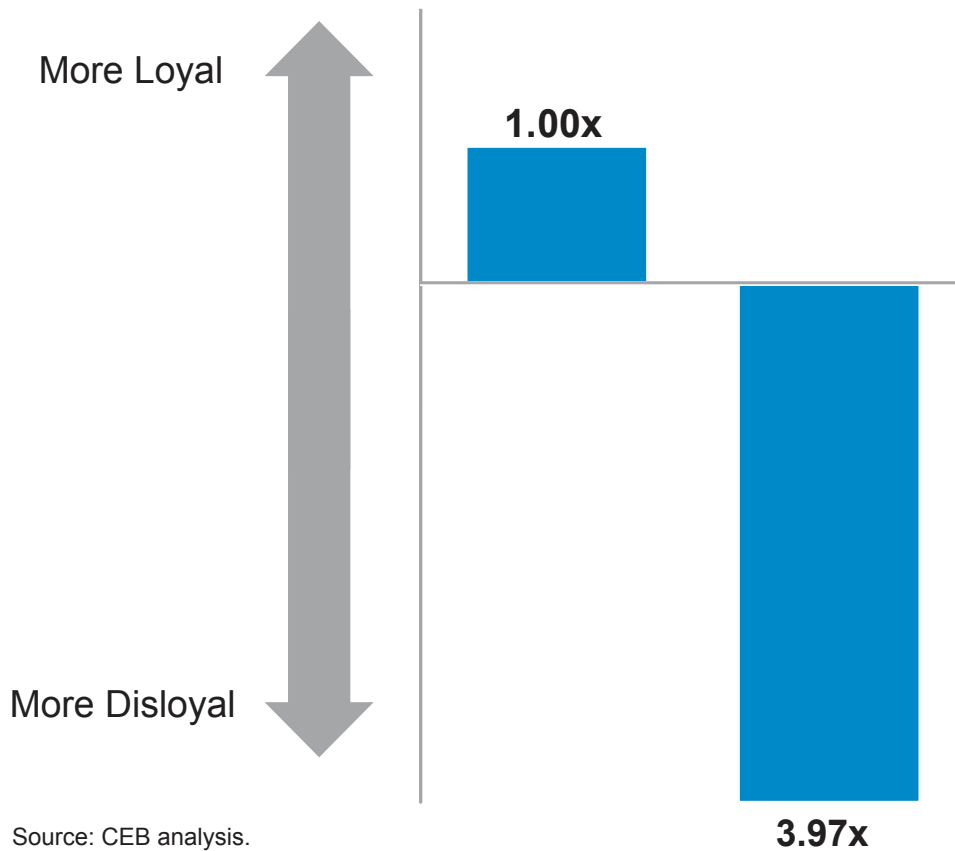


Source: CEB analysis.

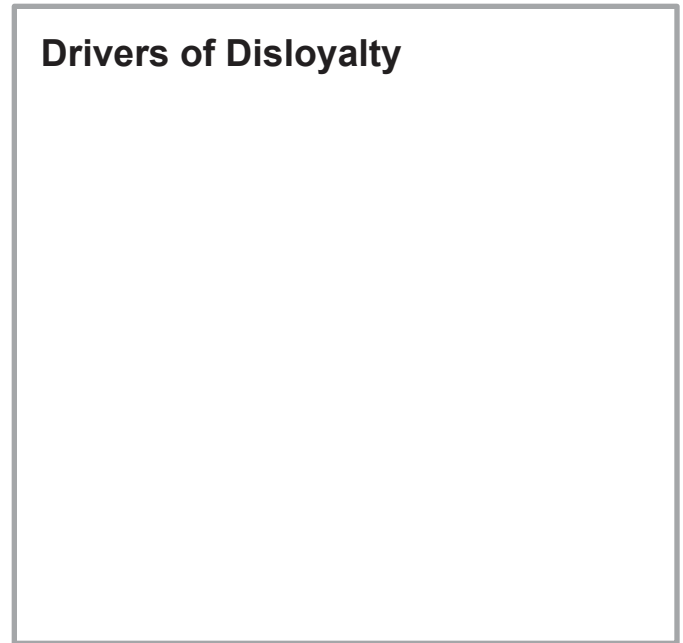


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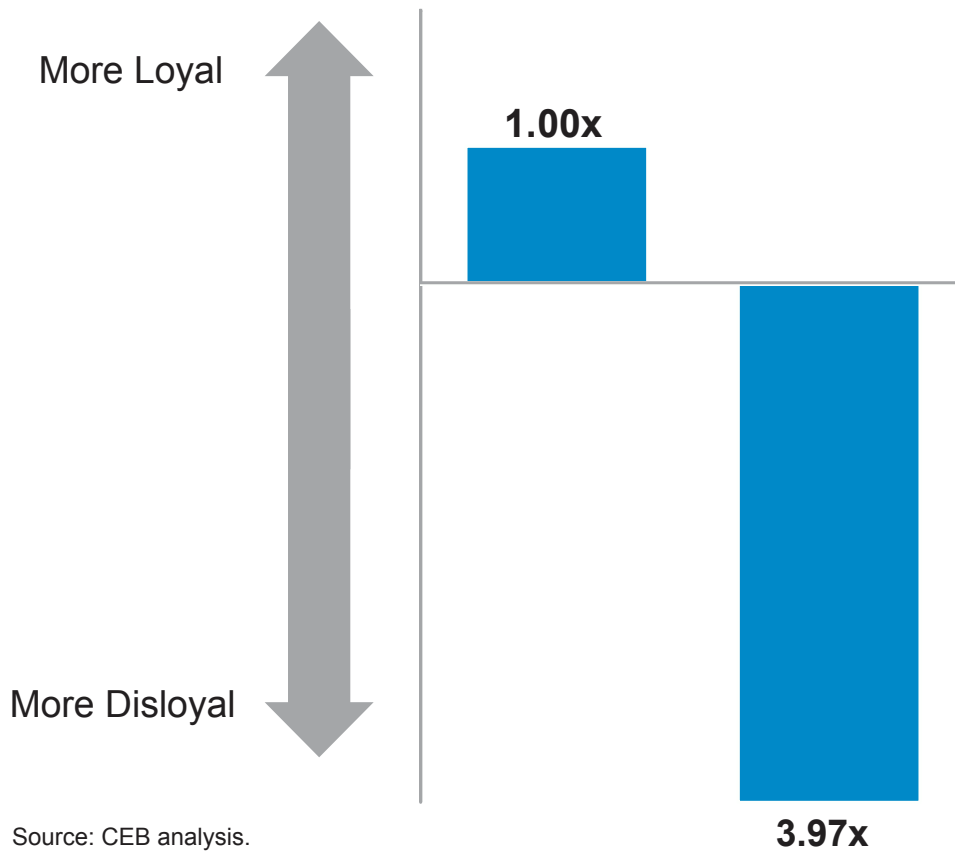


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# FINDING 2: SERVICE DRIVES DISLOYALTY

## Customer Service Impact on Loyalty



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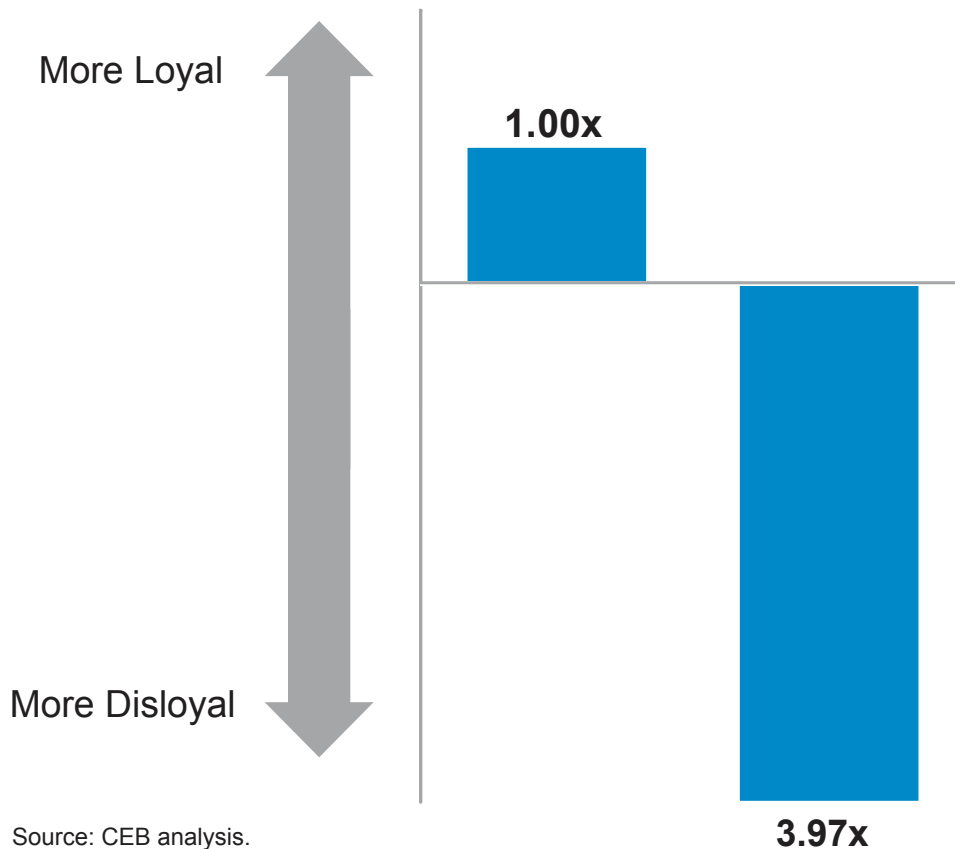
### Drivers of Disloyalty

- Repeat contacts



# FINDING 2: SERVICE DRIVES DISLOYALTY

## Customer Service Impact on Loyalty



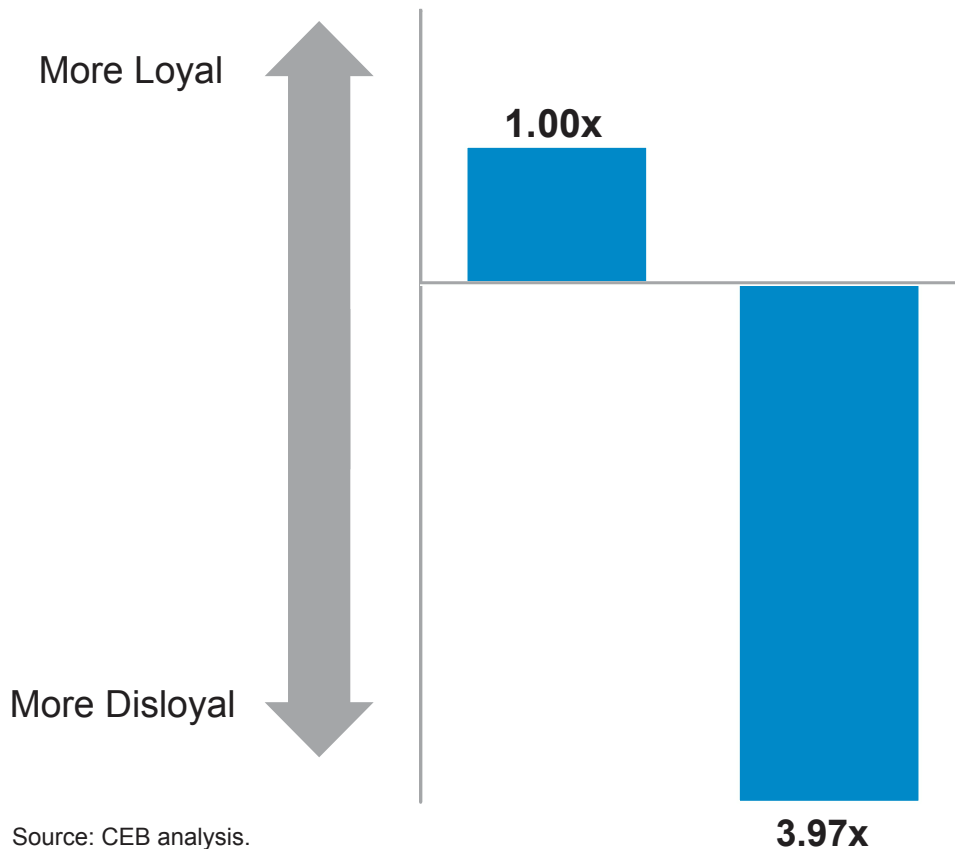
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### Drivers of Disloyalty

- Repeat contacts
- Channel switching

# FINDING 2: SERVICE DRIVES DISLOYALTY

## Customer Service Impact on Loyalty



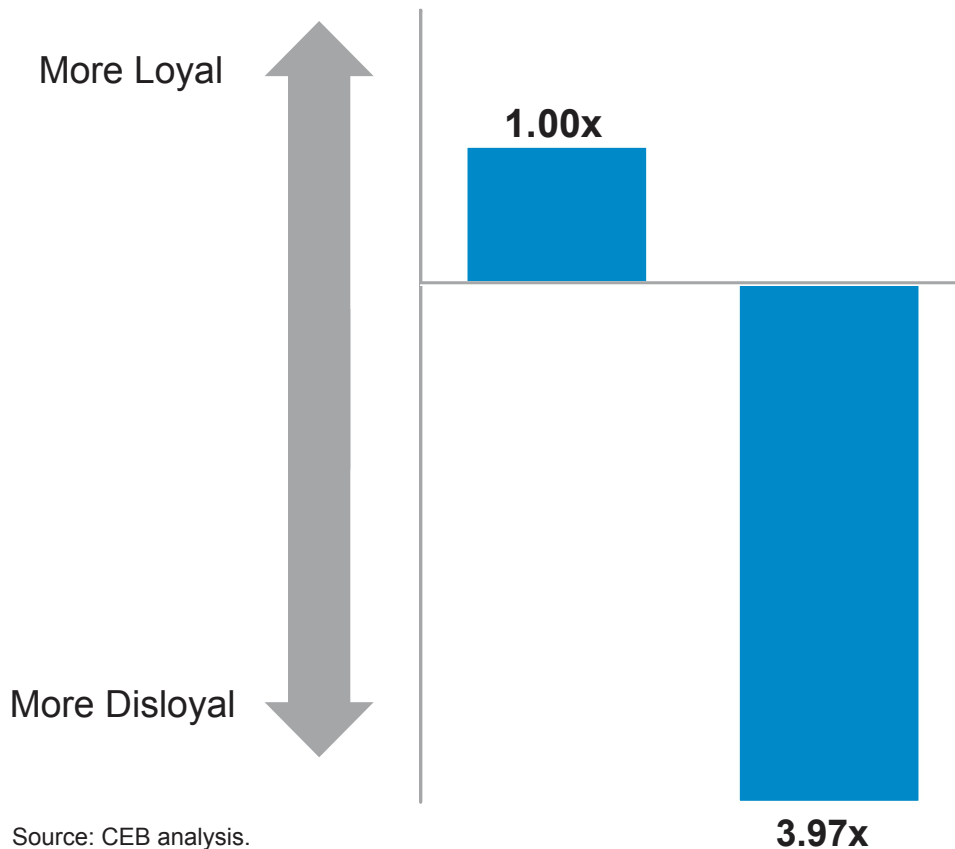
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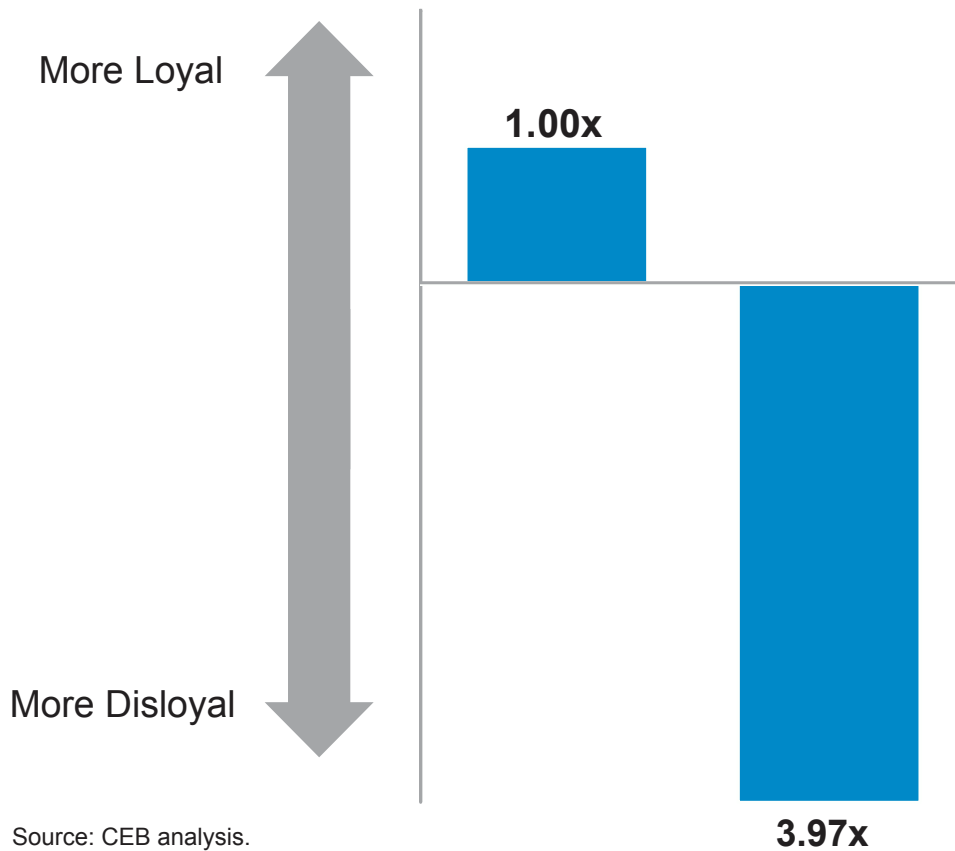
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### Drivers of Disloyalty

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## Customer Service Impact on Loyalty



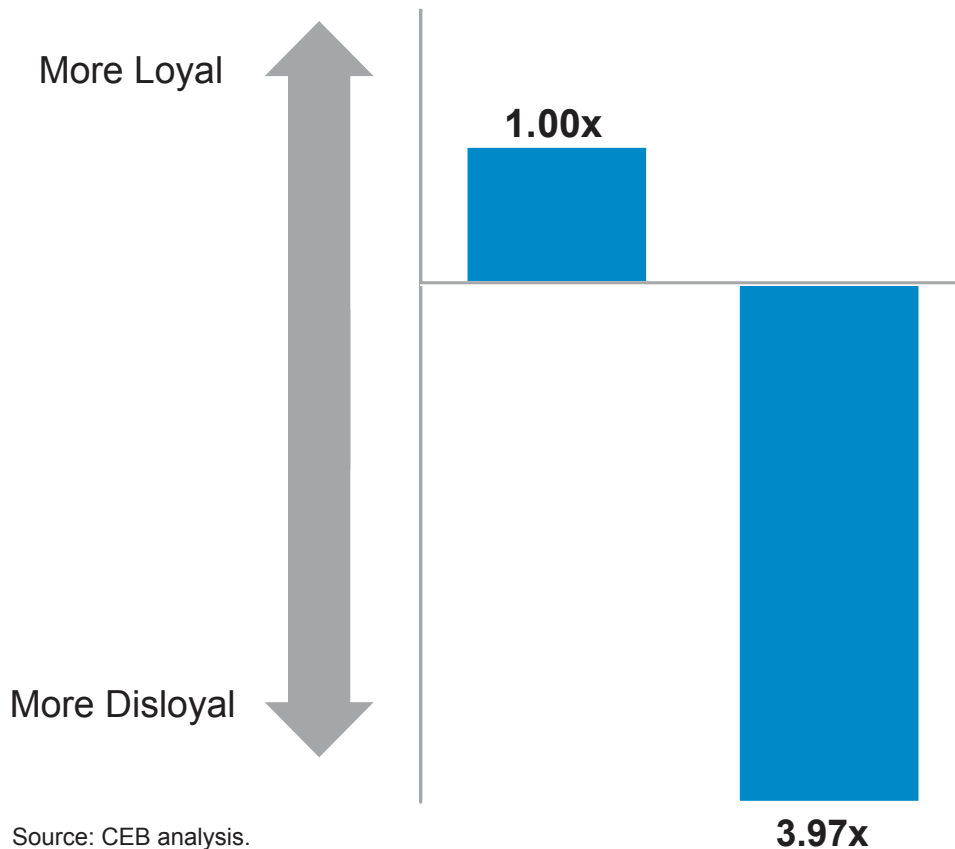
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### Drivers of Disloyalty

- Repeat contacts
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- Transfers
- Repeating information
- Robotic service

# FINDING 2: SERVICE DRIVES DISLOYALTY

## Customer Service Impact on Loyalty



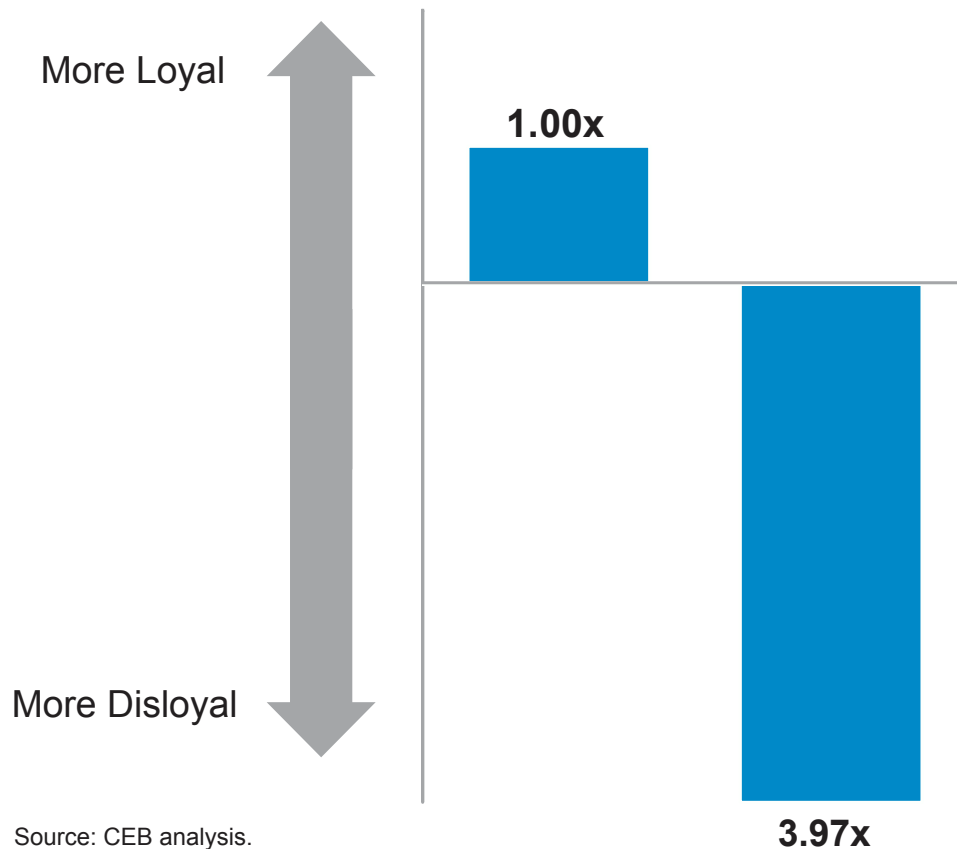
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### Drivers of Disloyalty

- Repeat contacts
- Channel switching
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- Robotic service
- Policies and processes customers have to endure

# FINDING 2: SERVICE DRIVES DISLOYALTY

## Customer Service Impact on Loyalty



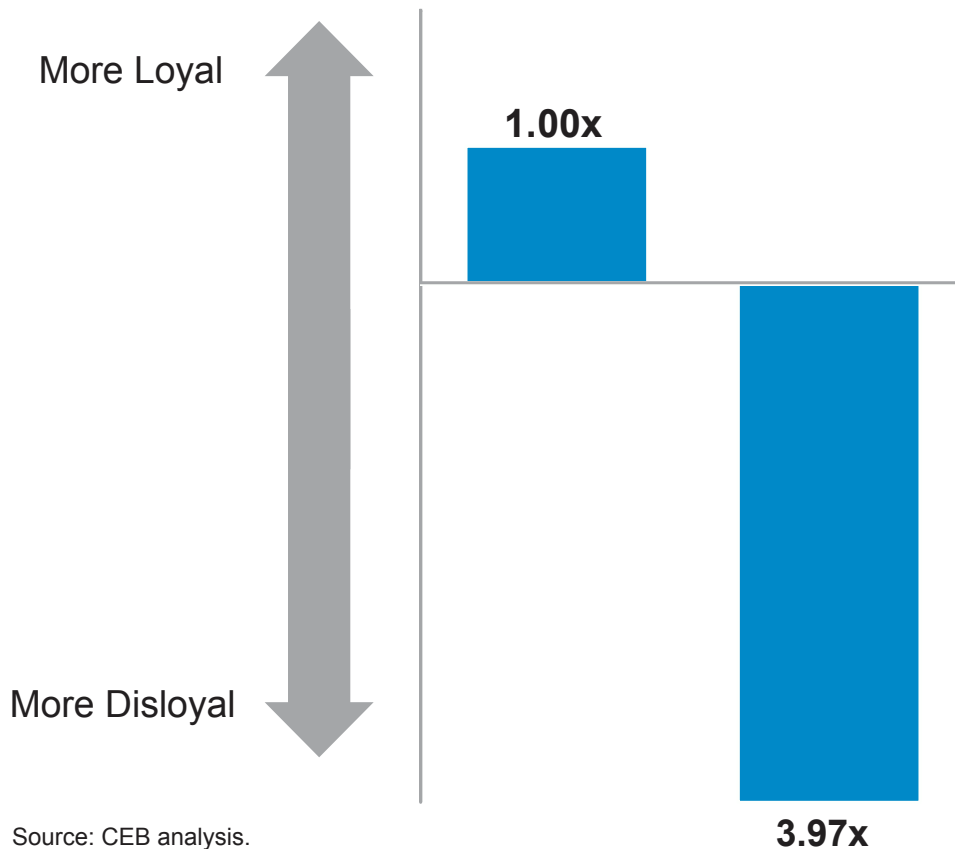
Source: CEB analysis.

### Drivers of Disloyalty

- Repeat contacts
- Channel switching
- Transfers
- Repeating information
- Robotic service
- Policies and processes customers have to endure
- “Hassle factor”

# FINDING 3: MITIGATE DISLOYALTY BY REDUCING EFFORT

## Customer Service Impact on Loyalty



Source: CEB analysis.

### Drivers of Disloyalty

- Repeat contacts
- Channel switching
- Transfers
- Repeating information
- Robotic service
- Policies and processes customers have to endure
- “Hassle factor”

**Customer Effort**

# THE BUSINESS CASE FOR THE EFFORTLESS EXPERIENCE



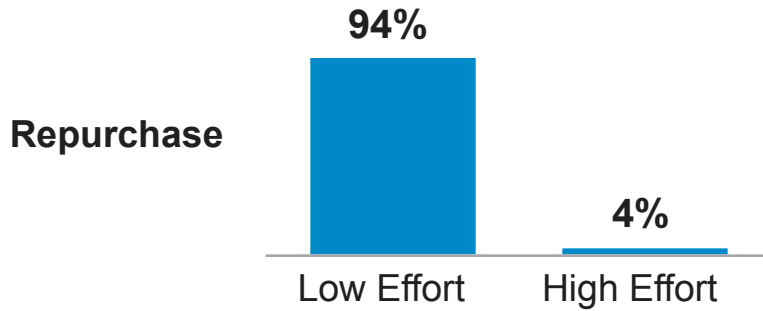


# THE BUSINESS CASE FOR THE EFFORTLESS EXPERIENCE

Repurchase



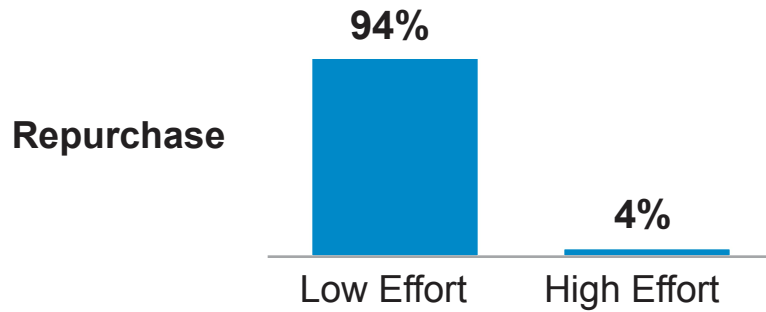
# THE BUSINESS CASE FOR THE EFFORTLESS EXPERIENCE



Source: CEB analysis.



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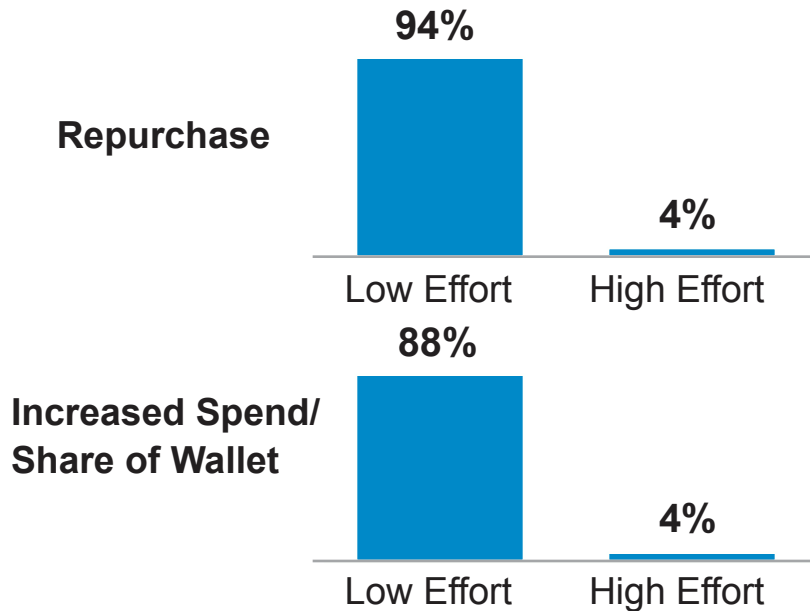


Increased Spend/  
Share of Wallet

Source: CEB analysis.



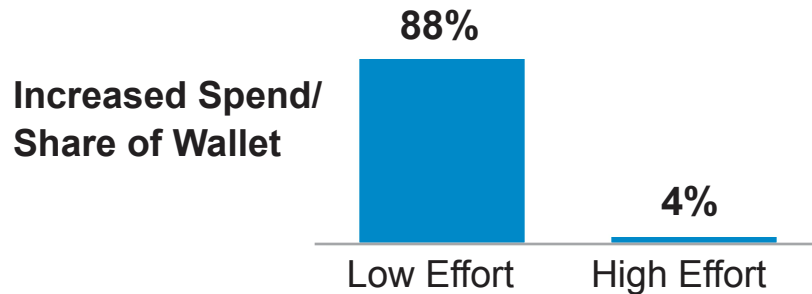
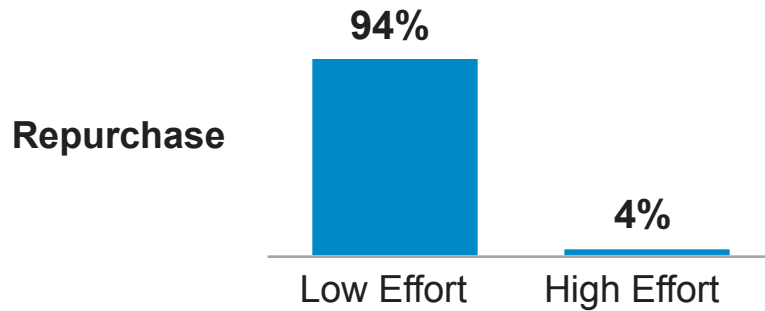
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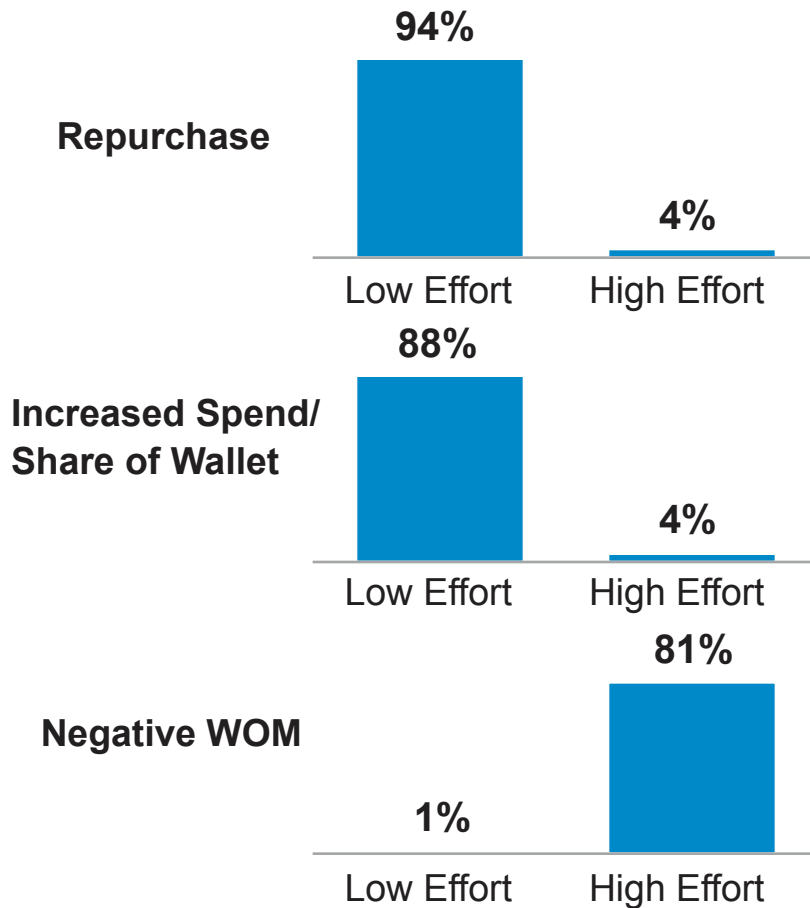


**Negative WOM**

Source: CEB analysis.



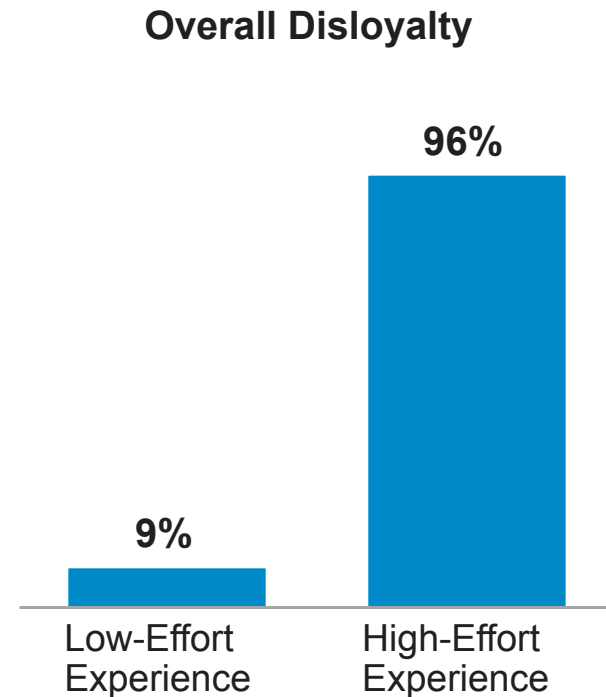
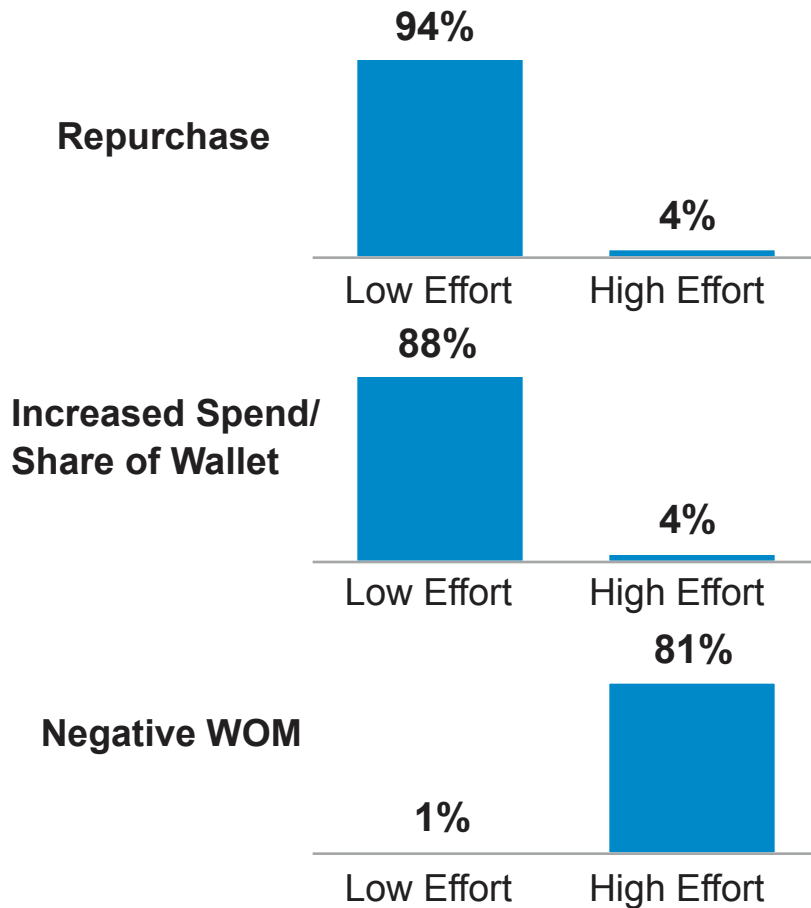
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Source: CEB analysis.



# THE FOUR PILLARS OF LOW-EFFORT SERVICE



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**Channel Stickiness**

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**Experience Engineering**

# THE FOUR PILLARS OF LOW-EFFORT SERVICE

**Channel Stickiness**

**Next Issue Avoidance**

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**Frontline Control**

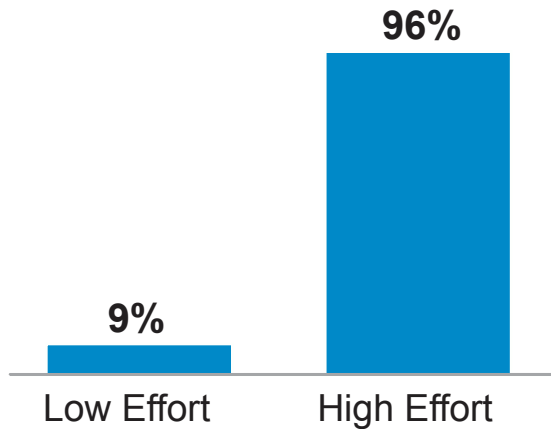
# THE CUSTOMER EFFORT SCORE 2.0

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree Nor Disagree	Somewhat Agree	Agree	Strongly Agree
The company made it easy for me to handle my issue	○	○	○	○	○	○	○

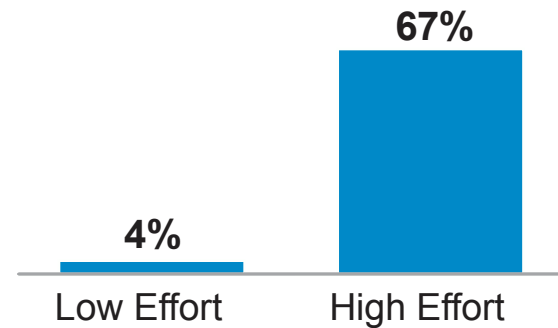
**A great way for service functions to detect potential disloyalty...**

**...and a way for service functions to positively impact Net Promoter Score®**

Overall Disloyalty



Percent of Detractors

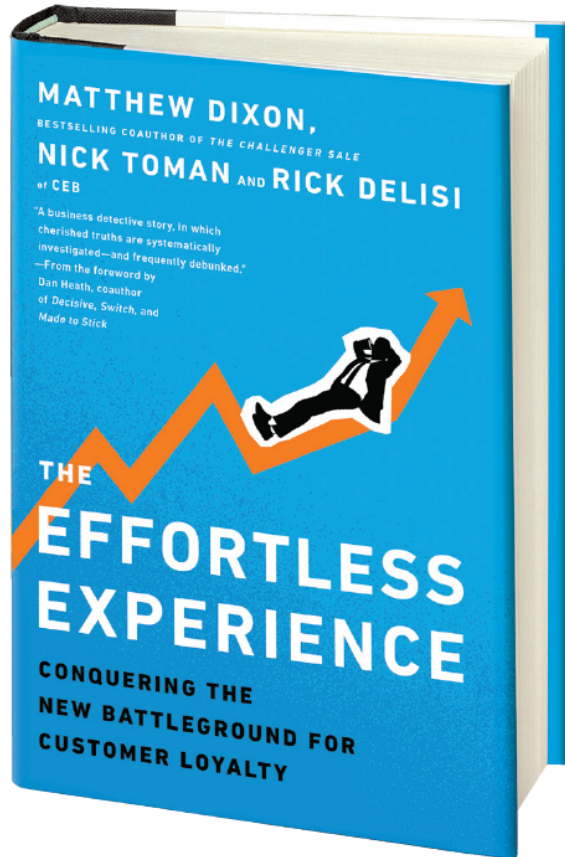


Source: CEB analysis.



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@nick\_toman



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The Effortless Experience from CEB



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MARYLAND

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ROBERT H. SMITH  
SCHOOL OF BUSINESS

# Open Your Eyes and See Delight!

**Roland T. Rust**



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# My Background

- One of the pioneers of customer delight research, from the early 1990s
- Dozens of research articles and 8 books on customer satisfaction and service
- Extensive consulting on satisfaction & delight (e.g., AT&T, Comcast, DuPont, FedEx, IBM, Microsoft, Sony, Unilever, etc.)



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# My Purpose

- What is customer delight?
- Is Nick Toman right about anything?
- Is delight a good goal?



# See the Light = See Delight??



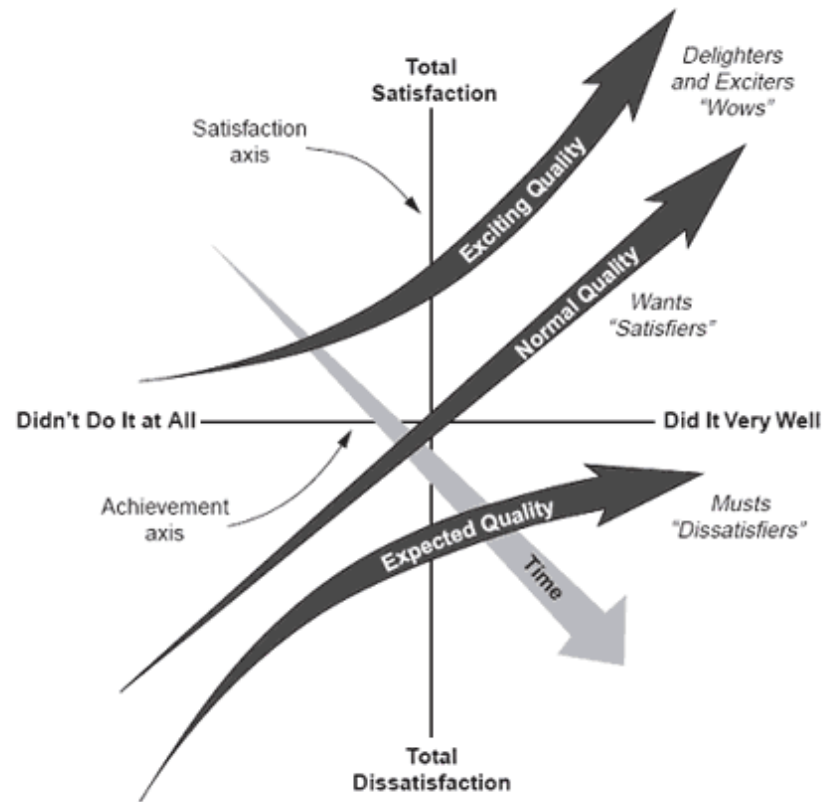
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# The Kano Model



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# What Is Delight?

- Surprising Performance =>
- Arousal =>
- Pleasure =>
- DELIGHT



# Measuring Delight

- 10 on a 10-point satisfaction scale?
- No, needs to be surprising!
- One approach:
  1. Worse than expected
  2. About as expected
  3. Much better than expected



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# Drivers of Satisfaction ≠ Drivers of Delight

- E.g., “accurate bill” => satisfaction
- “remember my wife’s name” => delight



# What About that Toman Guy?

- “Stop Trying to Delight Your Customers”

Dixon, Freeman & Toman,  
Harvard Business Review, 2010



# Is Nick Toman the Grinch?



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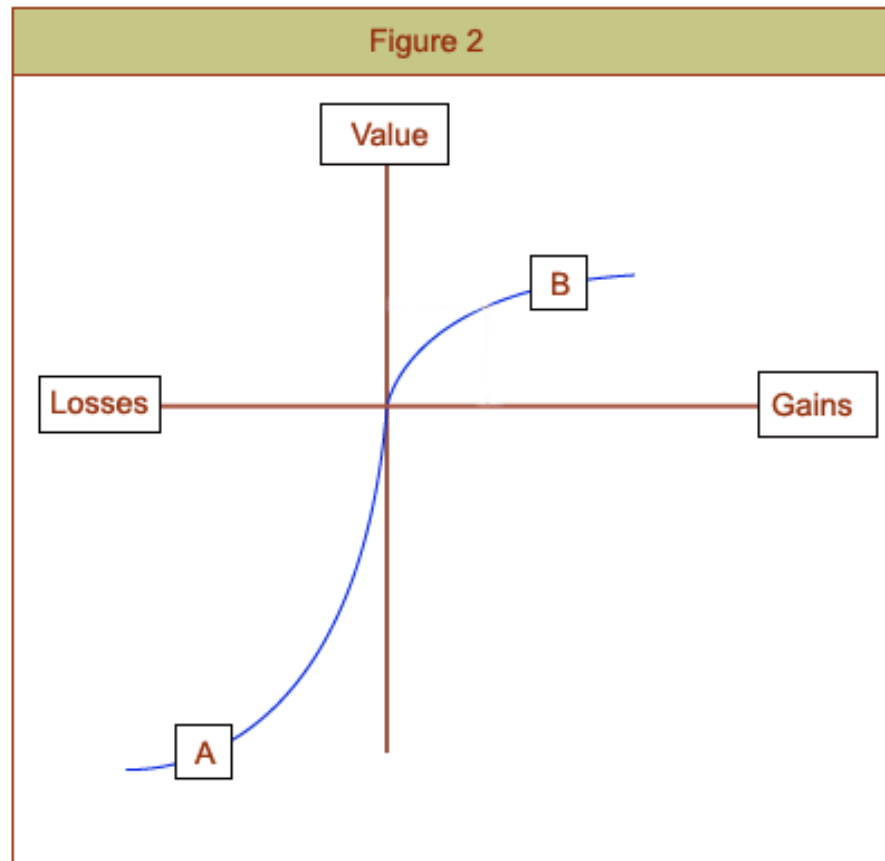
# Let's Be Nice

- Nick Toman is right about some things.
- E.g., Solving problems is important.



# Prospect Theory

- Kahneman & Tversky 1979



# In Other Words

- Problems hurt more than delight helps
- Fix problems first
- Delight won't work if there are problems
- “Sorry the car burst into flames, but have a free piece of cake.”

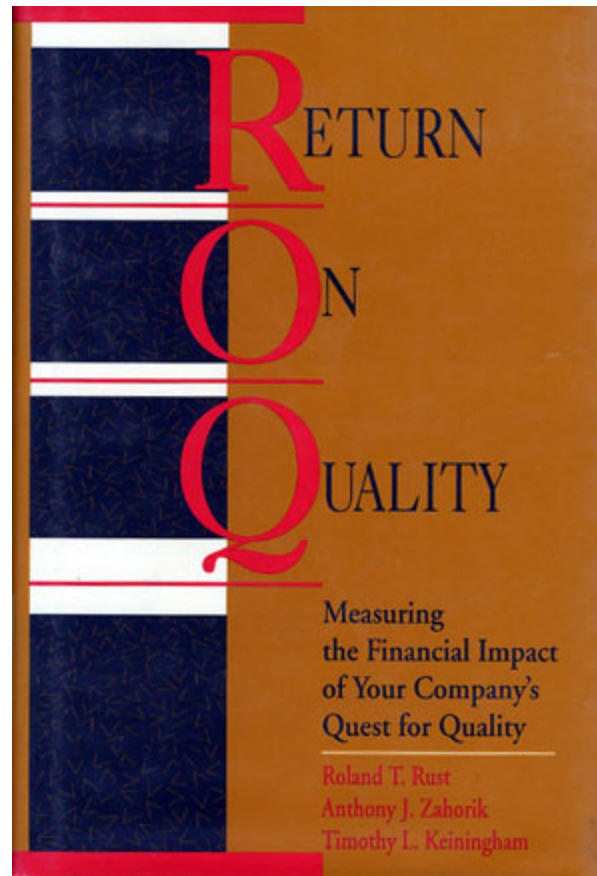


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# Some More Agreement

- Satisfying customers can cost too much.



# Need to Calculate ROI



# Yet More Agreement

- Customer effort is important
- Convenience is key

Rust, Zeithaml & Lemon 2000

Berry, Seiders & Grewal JM 2002



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# Difficult Web Sites?

- Agree!
- Feature Fatigue (Rust, Thompson, Hamilton HBR 2006)
- The problem is the technical people (web site designers, engineers, etc.)



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# Now for the Disagreements



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# Customer Satisfaction Isn't Important???

- HUGE academic literature saying that it is important, e.g.:
- Rust & Zahorik, Journal of Retailing 1993
- Rust, Zahorik & Keiningham, Journal of Marketing 1995
- Fornell, Rust & Dekimpe, JMR 2010
- Fornell et al., JM 2006
- Anderson, Fornell & Lehmann JM 1994
- Anderson, Fornell & Mazvancheryl JM 2004



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# How to Explain Low Correlation with Loyalty?

- Reichheld, HBR 2003 (to try to sell the Net Promoter Score)(NPS now widely discredited in the academic literature)
- Why? Switching costs
- Why? Comparison with competitors



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# But Satisfaction Not Correlated With Market Share!

- In fact, the relationship is usually negative (Rego, Morgan & Fornell JM 2013)
- Why? Marginal customers.



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# Satisfaction => Loyalty

- Yes, definitely (proven)
- Comparison with competitors matters
- Switching costs matter



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# Delight is a Waste of Money?

- Disagree!



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# What Good is Delight

- Rust & Oliver, “Should We Delight the Customer,” JAMS 2000
- Delighting the customer hurts by raising expectations
- BUT...competitors are hurt worse



# Switch Everything to Self-Service

- Disagree!
- There is a trade-off between productivity and customer satisfaction (Rust & Huang, JM 2012, Huang & Rust, Sloan Mgmt Review 2014, Anderson, Fornell & Rust Mktg. Sci. 1997)



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# Optimizing Service Productivity

- There is an optimal degree of automation
- Beyond that point is less profitable
- Many bad examples (e.g., horrible phone menus)



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# Some Keys for Customer Delight

- Fix your problems first
- **Surprise** the customer
- Don't spend too much
- The personal touch is the best and most inexpensive delighter



# Conclusions

- Delighting the customer works
- Satisfying the customer and delighting the customer are different
- Comparison with competitors is key



Thank You!



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# MODERATED DISCUSSION AND Q&A WITH THE AUDIENCE

## Moderator



Mike Ahearne

*C.T. Bauer Professor  
& Principal*

University of Houston  
& ZS Associates

## Presenters



Nick Toman

*Managing Director*

CEB



Roland Rust

*Distinguished Professor &  
David Bruce Smith Chair*

University of Maryland