UNDERSTANDING THE CUSTOMER EXPERIENCE

Misconceptions and follies aside, there are four principal justifications for doing customer satisfaction research.

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Traditionally, marketers have been better at acquiring new customers than leading the organisation's efforts to retain them. Customer experience research and its derivatives, such as the net promoter score, remain the primary tool to inform retention strategy. In recent years, marketers have witnessed the fundamental metamorphosis of customer experience research. Continuous "in the moment" data collection has largely replaced periodic surveys. Survey brevity featuring no more than a handful of questions has replaced the 30-plus minute clunker. Actionable and interactive, live dashboards projecting today's customer experience back into the organisation have replaced dusty, biblical reports. Respondents have been lost and customers found as Big Data has enabled the linking of today's customer experience with an organisation's performance and behavioural data. Discrete aspects of service, such as contact centre or billing, have become incorporated into the customer corridor, enabling organisations to monitor and control the customers' touchpoint journey.

GENESIS

In the 1980s, an academic approach named 'SERVQUAL' delivered the quintessence of what would later become organisations' ubiquitous focus on customer satisfaction. At its nucleus was the simple proposition that quality should be defined by the buyer (receiver), and not by the supplier. Remarkably, it was largely a new idea to management back then.

In the early 1990s, the mainstay of marketing researchers was usage and attitude and advertising research. It was the era of computer-aided telephone data collection, cross tabulations of everything with everything, volumes of computer printouts and "shrink-wrapped, yellow pages-style" reports metaphorically thrown on the client's doorstep. In a major discontinuity, by the end of the 1990s customer satisfaction had overtaken other forms of marketing research to become the mainstay of the marketing research industry.

Forethought pioneered the concept of modelling customer satisfaction data to business outcomes and inferring the relative importance of drivers through multivariate modelling. In 1997, Forethought authored the question that went on to become the Net Promoter Score (NPS). This question was originally devised as a dependent variable for modelling the drivers of advocacy (both positive and negative word-of-mouth), however it was later applied by Bain & Co. as a categorical question for simply identifying the proportion of promoters from detractors.

As executives set the NPS metric as a key performance indicator (KPI), it again became a dependent variable for enabling organisations to model the drivers of increasing promoters and reducing detractors.

FAILURE TO LEARN PAST LESSONS

By the mid-2000s, research agencies that were deriving a significant proportion of their revenue from customer satisfaction research had begun to diversify and stray away from squarely customer satisfaction research. Some in the industry recognised that clients' commitment to satisfaction research would soon wane for a number of reasons:

- There seemed to be insufficient organisational action despite expensive data collection;

- Respondents were complaining about 30-plus minute surveys that featured high repetition;

- Satisfaction scores were challenging to change, and so it seemed management became immune to the message and vulnerable to the consequences of setting seemingly unreachable KPIs; and

- Questionable design and practices that some vendors had adopted towards customer satisfaction began to materialise.

In some instances, customer satisfaction measurement had become a monumental distraction to management's focus and was considered a waste of money. The volume of customer satisfaction research has since markedly fallen. Changing the name to 'customer experience' research has not altered the trajectory. And yet, the original premise that quality should be defined by the buyer and not by the supplier remains as important today as it was 25 years ago.

MISCONCEPTIONS AND FOLLIES

The decision to invest in customer experience research should not be made without first understanding the common follies underlying the research.

Folly no. 1
Benchmarking satisfaction

If cutting off defection is the main reason for customer experience research (and it should be), then what use is knowing what your non-customer is experiencing with competitor suppliers? How does this aid with defection or retention of your business? To gauge the likelihood of defection, it is far more useful to measure what your customers' perception is of your competitors' performance, and to compare this with what they think of your own performance. But remember, satisfied customers defect and dissatisfied customers remain because value for money, not satisfaction, best predicts behaviour. For acquisition, it is also useful to discover what your competitors' customers think of your service.

Finally, if it is to brag to the market that you have the most satisfied customers then this is a very expensive bragging competition; and at any rate the claims burn up in the audience's well-honed cynicism filter. Not only is boasting a waste of money for acquisition, it also needlessly raises your own customers' expectations.

Folly no. 2
Delighting customers

Shooting for a performance score above eight (on a scale of 0 – 10) for customer experience generally results in diminishing returns. The reason eight is 'the answer' is because it is generally the average expectation of customers (based on millions of Forethought calibration responses).

Associated with this folly is the hypothesis that raising customer satisfaction will increase market share. It eventually may, but only via the very elongated pathway of word of mouth and net change through fewer defections. This process can take up to three years before meaningful brand momentum is built up.

First, just aim to meet customers' expectations. Do not fall too far beneath expectations, because it will impact on retention. But, do not exceed expectations, because it will just needlessly set about the expensive treadmill of trying to satisfy rising expectations. Once this lesson is learned, the organisation should understand the importance of managing expectation and, indeed, understand that lowering expectations may actually be a legitimate organisational goal.

Folly no. 3
Importance

Not enough has been made of the 'battle' between inferred importance (statistically derived using multivariate modelling such as multiple regression analysis) and stated importance (respondent reported) in determining the hierarchy of drivers that impact on customer experience. Stated importance ratings are typically influenced by what the respondent perceives to be socially or politically desirable, and poorly reflect the true relative impact of specific factors in bringing about outcomes such as customer satisfaction, value, advocacy or loyalty. Inferred importance is a more accurate and reliable method for measuring impact, as it does not rely on respondent self-reporting.

Inferred importance uses statistical modelling to determine the association between ratings of a product or service attribute and outcomes such as overall satisfaction. This reduces the influence of respondents giving 'acceptable' responses, and mitigates the risk that management will take action based on inaccurate assessments of importance.

Folly no. 4
Doing (practically) nothing

The final major folly is organisations believing that customer experience measurement is the outcome and not what it really is – the input into a very expensive process.

Most organisations oscillate between denial that there are pressing operational performance issues to be addressed and "bargaining", believing that small changes will address the situation.

What organisations need to understand is the dirty little secret of customer experience research. That is, asking customers about their satisfaction often causes respondents to recall negative experiences, then expect their voices will be heard and with that, for things to improve. In most cases nothing happens, which results in the raising of their expectations and, ultimately, the re-lowering of their satisfaction. In other words, conducting customer experience research can adversely affect customers' experience. If your business is not prepared to invest in the backend to the process, don't engage in customer experience measurement.

So what is the justification?

Misconceptions and follies aside, there are four principal justifications for doing customer satisfaction research.

THE 4 PRINCIPLE REASONS TO UNDERTAKE CUSTOMER EXPERIENCE RESEARCH
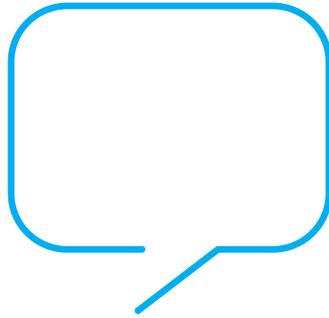
1 | **If defection of existing customers presents a challenge**

Above all, customer experience research is about customer retention. This type of research allows organisations to identify the service failures leading to a customer defecting and hones in on the decision points to action.

**2** | **Managing multiple customer touchpoints**

Customers may interact with your brand or business via an array of pathways – for example, online, via a call centre, a front desk or with a salesperson. Customer experience research can provide guidance on the differing experiences across those channels and identify which aspect of each channel is of most importance to the service experience of customers.

3 | **Setting and policing KPIs for operational touchpoints of the business**

To ensure no part of the business is free-riding off the overall reputation of the brand, and to monitor the service standards relative to customers' expectations.

4 | **Enforcing third-party performance standards**

When primary aspects of the service chain are outsourced to third-party suppliers (e.g. franchisees and resellers), it is strongly recommended that transparent service standards be set and monitored.
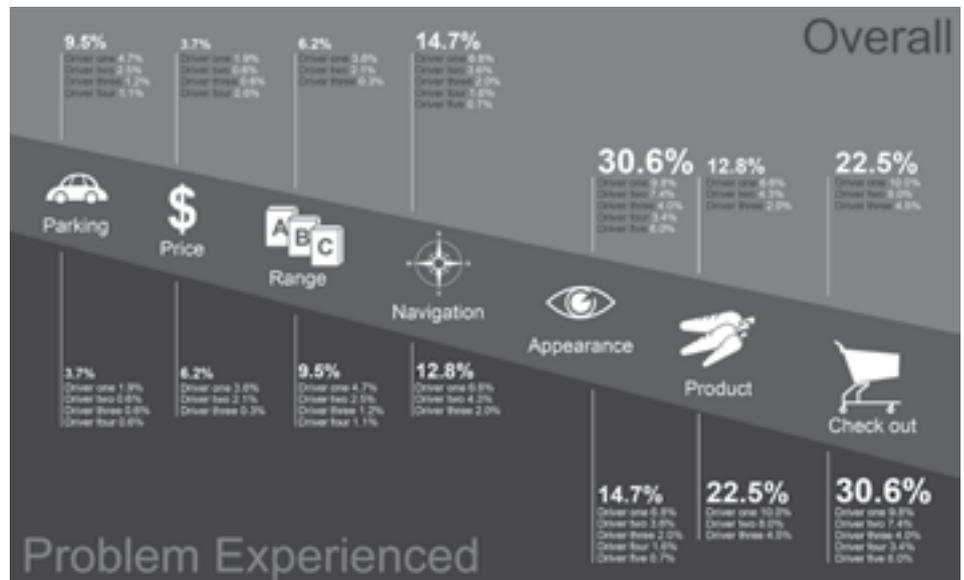
Forethought Customer Corridor

THE CUSTOMER CORRIDOR

Well-constructed customer experience research can reverberate deeply throughout an entire organisation. It is not just the marketing manager who is to take heed of findings, but the executive to inform such actions as investment decisions, setting KPIs, HR for training and development and, by far the most important, operational and frontline teams.

All operational aspects of the business have a net effect on consumers' experience and, invariably, an effect on your consumers' willingness to do business again. Therefore, a well-developed experience research program that encapsulates the whole customer corridor can assist organisations to narrow their strategic focus.

The advantage of this research is that it allows businesses to track the drivers of the customer experience and specifically drill down and pinpoint a couple of drivers primarily affecting the customer experience.

Models that explain the hierarchy of customers' importance can be built around how a client views (or experiences) the overall business, rather than how a business is itself structured.

Customer retention is the end goal, however to achieve this and hold on to customers, all facets of their experience will need to be examined in a holistic light.

The evolution of customer experience research goes to the core of helping organisations understand how customers truly engage with the multitude of touch points that they encounter during the purchase pathway.

This form of research allows a nuanced overview that evaluates operational initiatives and failures, and leads to understandings of why they work or do not work—all against the backdrop of customers' relative importance.

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