Customer Excellence Series

Customer Experience and the Human Touch

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For many years, organisations have focused on satisfying the tangible needs of customers through an emphasis on the marketing mix – product, price, place and promotion. In today's economic climate, merely satisfying customers is not enough. High value customers – those who show passion, loyalty and advocacy for your brand – are the key to success in good times and bad.

Passion, loyalty and advocacy are driven most strongly by emotions. Most managers intuitively know that customer emotions are important, but have no explicit strategies in place to understand and manage the emotional side of customer experience.

In this paper we explore the role that emotions play in developing high value customers, ultimately leading to the long term success of an organisation.

In particular, we explore the drivers of the emotional side of customer experience and their impact on an organisation's performance. Finally, we consider the managerial implications, particularly the application of these themes in a down economy.

Think about the last time you had a great experience with an organisation. If you were to describe your experience to a friend, would you talk about a *superior product*, a *good price*, or *fast service*? Maybe – but is that all? Chances are you would also describe the experience as *enjoyable, exciting, or delightful*. Similarly, bad experiences tend to evoke emotional responses such as *anger, disappointment* or *offence*.

Customers perceive experiences as a blend of emotional and rational factors, but it is the emotional memories that stick with us. Customers remember emotional experiences – and tell others about them – for a very long time. Who can't recall a time when they were treated rudely in front of other shoppers, or had an argument with an overly officious employee? These are the critical incidents that shape an organisation's brand and image amongst customers. With the recent rise in internet forums, blogs and social networking, the importance of customer stories, emotions and word of mouth has never been greater.

Over the long term, emotions determine the strength and longevity of the relationship with the customer. Customers often categorise service providers on the basis of emotion-laden memories. "I'll never do business with them again!" or "They've always looked after me" are two expressions that come to mind. Studies have found that, in the context of a given customer experience, pleasure is a powerful determinant of spending intentions and excitement has a powerful impact on willingness to stay and interact with an organisation.

WORTH A MILLION.

Customers don't experience a product or service in isolation. They take their emotional cues from the attitudes and behaviour displayed by employees with whom they interact; from a perception of being treated well, fairly and with respect. The experience of eating out is not just about the food – it's about the table service and the wait for the bill. Buying soap is not just about low price – it's also about the checkout service. Buying a new fleet of trucks for a business is not just about fuel consumption and maintenance cost – it's also about the relationship with the sales and service managers.

In each of these examples there is a functional (or rational) component and an emotional component. A functional analysis of two competing restaurants may reveal differences in cuisine, location, prices – yet in the end the customer will choose the restaurant that he or she "likes" best. It is likely that there are several Chinese restaurants nearby with similar pricing, in which case cuisine, location and price are merely criteria for inclusion in the shortlist – not criteria for the final choice. Promotions such as "happy hour on Fridays!" may influence the decision – however promotions often move demand from one timeframe to another, rather than increasing overall demand.

In general, functional factors are necessary to compete – to make the shortlist - but they won't motivate customers to become loyal advocates or passionate supporters. In this respect, functional factors may be described as "hygiene factors", and emotional factors may be seen as "motivators". In short, hygiene factors are the tickets to the game; motivators win the game.

Hygiene factors have historically dominated management thinking. Take, for example, the most widespread customer measure today – customer satisfaction. Customers expect to be satisfied – after all, they have paid for a satisfactory outcome. Satisfying customers is just a ticket to the game. A satisfied customer is not necessarily loyal – in fact recent studies have found that up to 85% of "satisfied" customers can defect to the competition! An emotional counterpart to satisfaction is "delight" or "commitment" – neither of which is measured extensively or consistently.

Whilst hygiene factors and motivators differ across sectors and segments, there are some concepts that can be illustrated here. The following table provides three examples:

Hygiene Factor	Motivator
Satisfaction	Delight
Process efficiency	Empathy
Credibility trust	Benevolence trust

As we have seen, **customer satisfaction** is a poor indicator of customer loyalty when compared to **customer delight**. Delight may be defined as *a profoundly positive emotional state, resulting from having one's expectations exceeded by a surprising degree.* Clearly, measuring customer delight taps into emotional factors – and hence motivators.

The motivational power of delight hinges on the element of surprise. Customers remember surprises much more than run-of-the-mill experiences, and are much more likely to recount them as positive word of mouth. A good example of surprise leading to delight is "random acts of kindness", practiced by a leading global telecommunications firm. This organisation identifies high value customers, and implements a schedule of small surprises such as free text messages and movie tickets to thank them for their business. The key element in the program is surprise – whilst there is a schedule behind the program, this is not evident to the customer, who receives each thank you gift seemingly out of the blue. Furthermore, the cost of the program is significantly less than a traditional loyalty program, yet has delivered higher levels of commitment and loyalty.

Process efficiency is another hygiene factor that, of course, is important – yet is only noticed when it is poor. Customers expect short queues and efficient service – and any improvement in process efficiency is only noticed the first time, after which it becomes the norm. **Empathy**, on the other hand, driven by a deep interest in the customer and what is important to him or her, is a powerful motivator. An illustrative example is automated telephone systems; customers have become increasingly frustrated by impersonal, machine-driven service – even if in theory it saves time. A computer menu system cannot show empathy with the customer.

Contrast two real organisations, a bank and an insurance company. The bank prides itself in a fully automated, economically efficient automated service that handles more calls and reduces queue time (even if this is the result of customers hanging up in frustration). At its most sophisticated, the system offers thirteen options in one menu – the thirteenth option is to order a new cheque book. Of course, the ordering of cheque books through this system is extremely rare – saving time and money!

The insurance company, on the other hand, prides itself in having a human being answer the phone first up. The customer may then go into a short queue – but the emotional impact of wait time (and, interestingly, the perception of elapsed time in queue) is dramatically reduced by the initial human contact. The human face of a call centre operator is also used in much of the organisation's advertising. Which would you rather be a customer of – the insurance company or the bank?

Trust is a complex concept; in fact there are two distinct forms of trust. The first, **credibility trust**, is a hygiene factor. It is the perception that an organisation is competent and able to do deliver on its promises; that the product will work as advertised, or the service will be performed as promised. The second form of trust, **benevolence trust**, is a strong motivator. It is the belief that an organisation has the best interests of the customer at heart, and will act in the best interests of the relationship.

Consider the true story of a customer who returned a lawnmower under warranty. The lawnmower had caught fire due to the owner allowing dead grass to build up around the motor. This, of course, was an operator error that the manufacturer was not strictly responsible for. A credibility trust perspective would have seen the customer turned away – the warranty clearly excludes situations which result from the incorrect operation of the machine. Yet the manufacturer, acting to demonstrate benevolence trust, took the machine in for warranty repair. This was an act that demonstrated that the organisation had the interests of the customer at heart, and was interested in the long term relationship.

The above true story was recounted at a large public seminar, to over 100 people. The presenter had been the customer in the story. The lawnmower brand was mentioned several times – powerful word of mouth – and worth the cost of repairing one lawnmower!

We have discussed several examples of motivators verses hygiene factors. How relevant are these examples in a difficult economic climate? In a down economy, it is even more important to focus scarce resources on the things that will make the most difference to customers and their willingness to stay, buy more and recommend your organisation to others. It costs, on average, eight times as much to acquire a new customer than to retain an existing customer – so developing longer term relationships with customers has a high benefit-to-cost ratio. Furthermore, the word of mouth that flows from strong advocacy is, in effect, free advertising. Studies have explored the value of the increased share of customer, reduced cost-to-serve and referrals from word-of-mouth that flow from loyal customers. The conclusion of these studies, across twelve industry sectors, is that a 5% increase in customer retention equates to between 35% and 95% increase in the net present value of customers – with corresponding dramatic impact on profits.

Understanding and targeting customer motivators, driven by employee attitudes and behaviours, typically involves new management approaches and incentives. It makes sense to develop such capabilities at any time in the business cycle, but particularly so in a down economy. Working on employee attitudes and behaviours does not necessarily require the large outlays that are required for major capital projects such as new computer systems, production facilities or retail outlets. Furthermore, an organisation that has a history of success should already have adequate products, tools and systems to satisfy customers; in a down economy these can be maintained whilst the focus turns from **what we do** to **how we do it**.

In conclusion, organisations are best served by an understanding of both the rational and the emotional factors that drive the customer experience. These factors, when combined, serve to provide a comprehensive view of the experience from the customer's perspective. Rational factors are necessary to deliver the basics and satisfy customers but are not sufficient to drive retention, loyalty and word of mouth recommendation. The latter are driven strongly by customer emotions based on factors such as trust, empathy and delight. In a down economy, organisations can develop understanding and competence in these factors with relatively low investment, delivering high returns to the organisation and customer alike.

About the Author

John Turnbull is the founder and Managing Director of Customer Connect Australia Pty Ltd. He has helped organisations in a wide range of sectors to succeed with customer relationship / CRM programs over his twenty-seven year career. His work at Customer Connect includes business consulting, strategy, education, research, program management and benchmarking.

John is a sessional lecturer and doctoral candidate at Macquarie University, running a number of MBA units in Australia and Asia including Customer Relationship Management and Consumer Behaviour. He is currently conducting research into customer experience and customer value, and is a contributing author of the textbook *CRM: Concepts and Tools*.

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