Ipsos Loyalty
November **2016**

Are Your Customers Working Too Hard?

The Australian Perspective

Optimise the Customer:Company Effort Ratio to **Maximise Loyalty**

GAME CHANGERS

Ipsos

Are your customers working too hard?

Measuring customer effort is not enough

Behavioural science tells us that customers want experiences that make things easier for them and minimises the effort that they have to put in. The amount of effort a customer has to put in when investing in a service or product is therefore an ever-important consideration in monitoring customer experience and has been acknowledged as a key performance indicator amongst businesses.

Many have taken steps to measure the Customer Effort Score (CES)[1] by asking the simple question: "How much effort did you have to personally put forth to handle your request?" on a 5-point scale from very low effort (1) to very high effort (5). In short, the less effort customers have to put in during an interaction, the more likely they are to recommend and continue doing business with the company.

The overall ease by which companies and customers are able to grasp this question has made the Customer Effort Score (CES) a useful indicator of overall satisfaction, advocacy and loyalty.

However, earlier this year Ipsos noted that customer effort alone was not enough to explain customer behaviour following a critical incident in the customer experience. Further investigation led us to believe that the effort a company puts in was also relevant. Following research carried out in the US and UK by Ipsos Loyalty, Jean-Francois Damais from the Global Client Solutions team published a white paper ("Are Your Customers Working Too Hard") that introduced the Customer:Company Effort Ratio[2] as a better predictor of a customer's propensity to use the company again following a negative experience, than the customer effort score alone.

Ipsos Loyalty in Australia has now carried out a similar study[3] nationally evaluating customer experiences in 8 different sectors to investigate whether the same findings hold true in Australia. This paper presents our findings and the associated business implications.

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One of the key findings of this study is that, as in the US, measuring Customer Effort only is not enough.

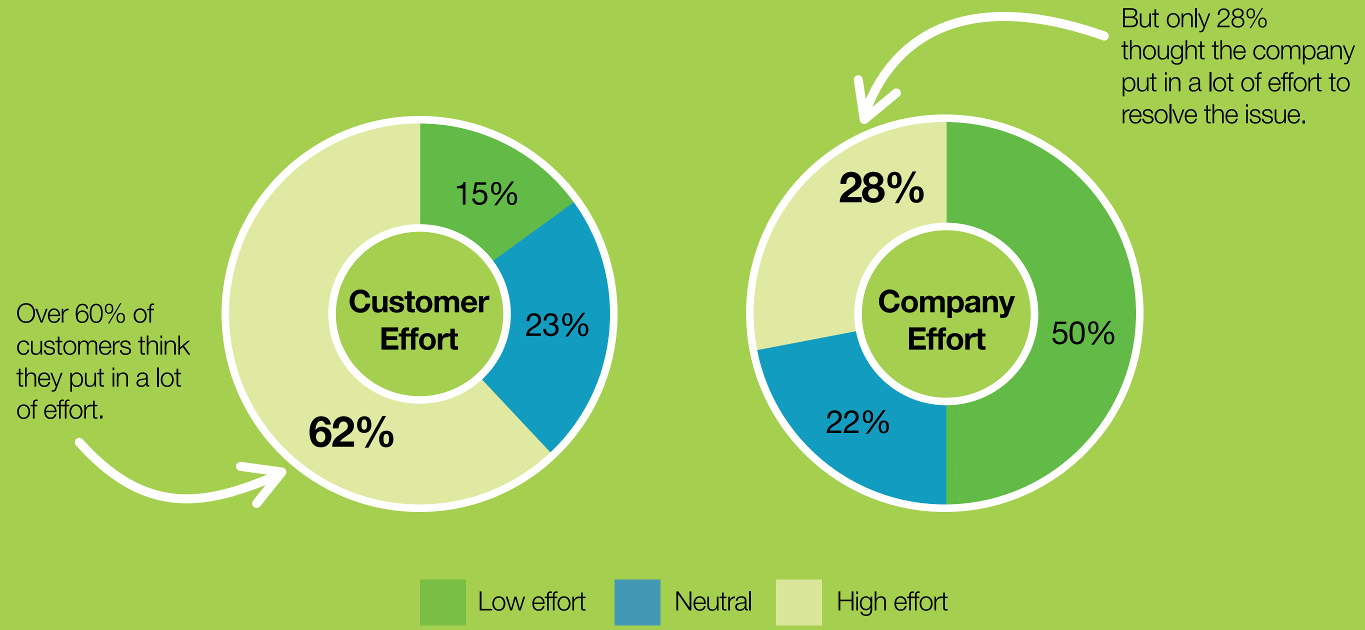
We have found that in Australia the Customer:Company Effort ratio is over 3 times more predictive of a customer's propensity to use the company again after a negative incident than the Customer Effort score alone.

The major implication of this is that companies should start tracking the Customer:Company Effort ratio as an indicator of potential churn and the spread of negative word of mouth, and strive to optimise this.

"This company does not listen to its customers. It's the third time I've contacted them to find out why they are not doing what they are supposed to do"

Don't let your customers do all the work

As a customer it is not unreasonable to expect companies to work hard to resolve an issue. However, our data shows that too often customers perceive that they are putting in more effort to resolve the incident or complaint than the company itself.



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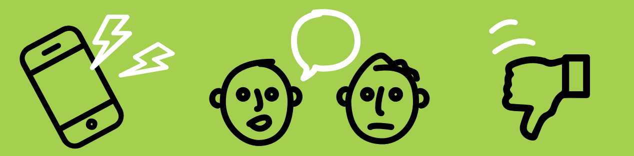
The customer:company effort ratio matters

Furthermore, our data shows that it is the Customer:Company Effort Ratio that really matters. When customers perceive that they have put more effort into sorting out a situation than companies, they are:

Over **twice** as likely to:

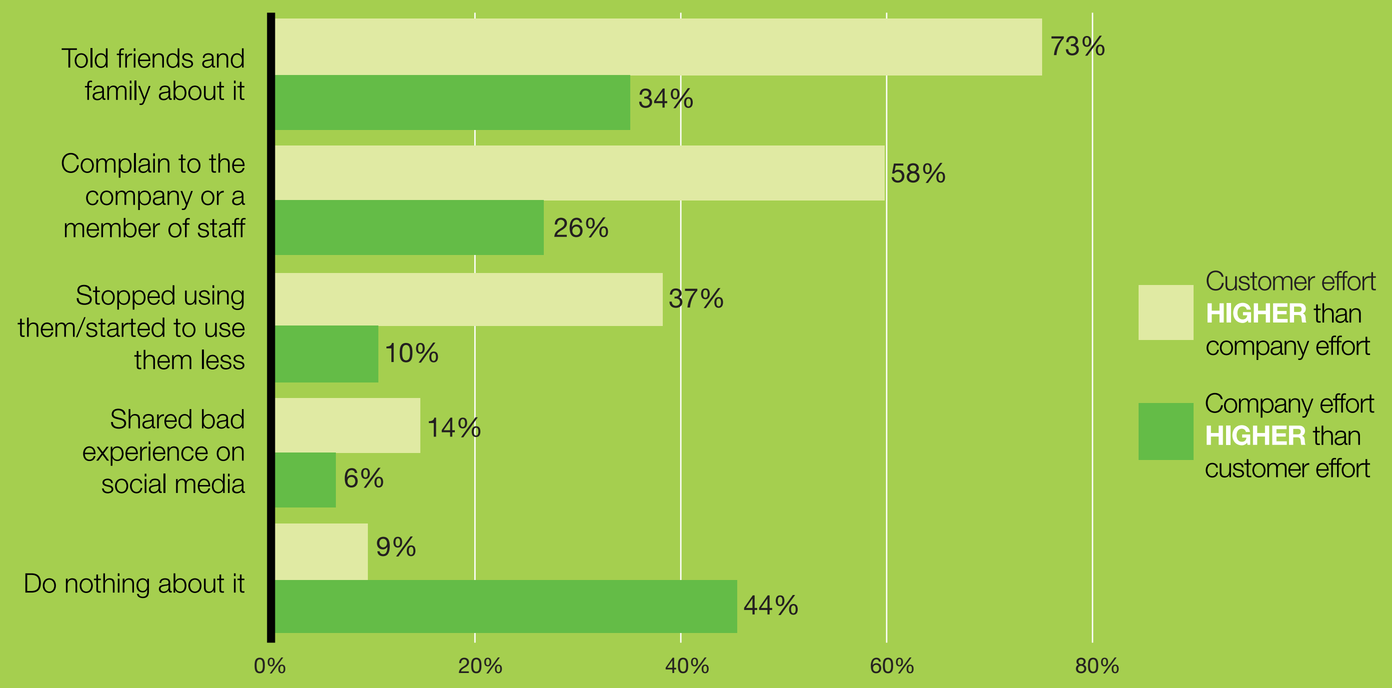


Complain

Tell friends and family about it

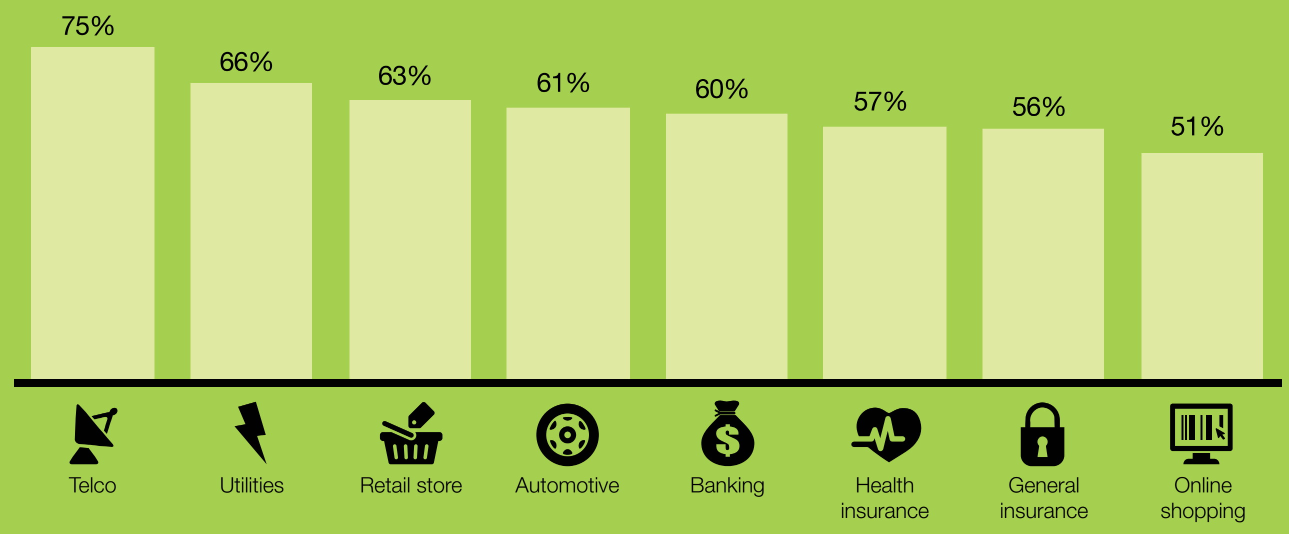
Share the poor experience on social media

And almost **4 times** more likely to use the company less frequently, or stop doing business with that company.

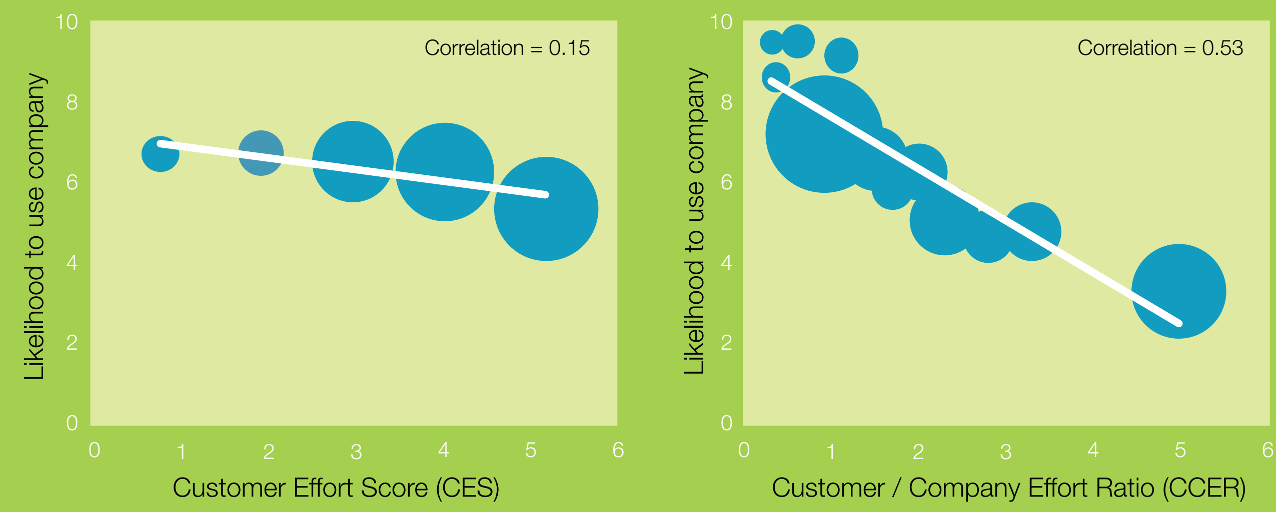


Irrespective of industry sector, about 60% of customers perceive that they have had to put in more effort than the company to sort out an issue. In telcos this reaches a high of 75% of customers, while online shopping at 51% is the lowest of the industries covered. These numbers are especially concerning in the context of the likely outcome associated with these perceptions, as outlined earlier.

Customer effort higher than company effort



Our data shows that the Customer:Company Effort Ratio is over 3 times more predictive of a customer's propensity to use the company again following a negative critical incident than the Customer Effort Score alone.



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Optimising the customer:company effort ratio

It is a worthy goal indeed to be able to keep all customers happy all of the time, but one that is neither cost effective nor achievable. For that reason, many companies have in place closed loop systems in order to follow negative incidents, intervene and address the issue.

From our data we identified two high impact incidents – issues with staff and overcharging. For both of these we measured the potential impact of different types of interventions on the likelihood to use the company in the future.

Treating customers with respect is the most suitable response to a 'staff issue'. This is obviously far less costly than any hard intervention such as financial compensation, but will likely be just as impactful.

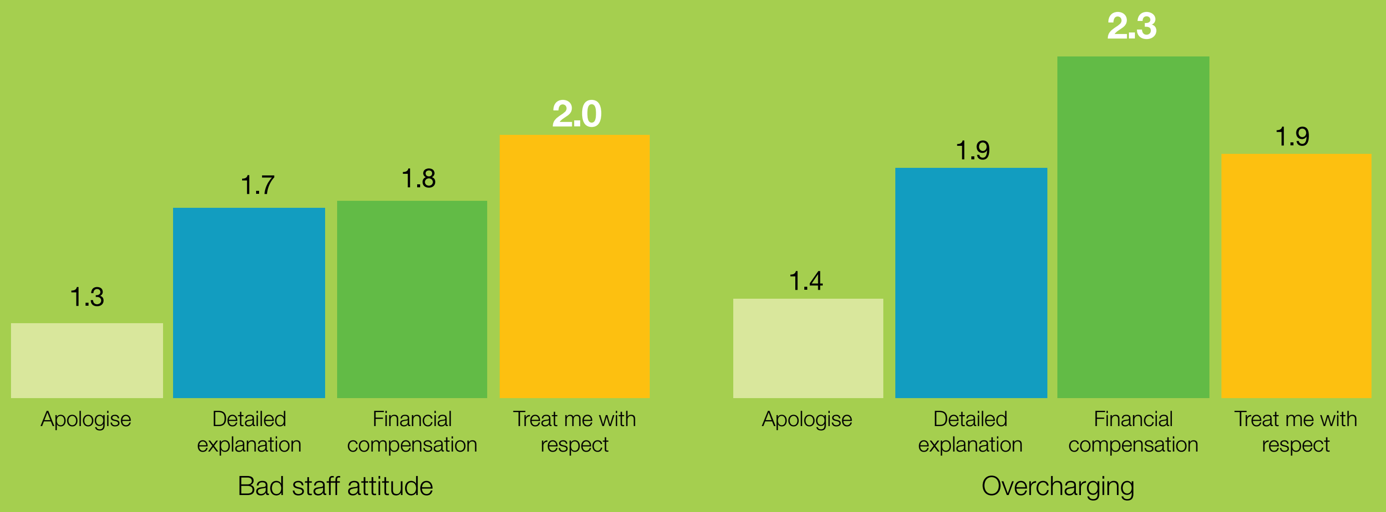
However, when dealing with overcharging issues soft interventions may not be adequate and financial compensation is more likely to restore customer trust and loyalty.

It is important for companies to understand the likely impact of interventions. Without an understanding of how best to respond to incidents, companies are potentially investing their resources and money in the wrong areas and still losing customers.

Two key principles that companies should take into account:

1. Not all critical incidents are equal. Some experiences will have more impact than others. Companies need to discriminate between different types of incidents and prioritise those that have the highest impact.
2. Different types of incidents need different types of responses. In addition to taking into account customer profiles and transaction history, companies need to work out what the most suitable and cost effective interventions are for each high impact incident.

Effective interventions when dealing with customer issues



Key business implications

- In order to get a more accurate prediction of a customer's propensity to continue doing business with a company, the Customer:Company Effort Ratio needs to be measured.
- Companies can improve the ratio by letting their customers know that they are taking their issue seriously and doing their best to resolve it.
- Companies need to understand how to best respond to customer issues to maximise the return on effort and optimise the Customer:Company Effort Ratio.

[1] Harvard Business Review Article: "Stop Trying to Delight Your Customers" (2010) Matthew Dixon, Karen Freeman, Nicholas Toman

[2] Customer:Company Effort Ratio definition: Ratio between the Customer Effort Score and the Company Effort Score, both measured on a 5-pt scale. A low score means that customers perceive that companies are putting in more effort than them to resolve an issue whilst a high score means that customers feel they are putting in more effort than companies.

[3] 5,033 interviews collected via Ipsos online panels in Australia across 8 sectors in October 2016

Are Your Customers Working Too Hard?

Gary Martin (Loyalty Managing Director – Australia and New Zealand)
Peter Riley (Loyalty Director – Melbourne)
Helene James (Loyalty Director – Sydney)

Ipsos Loyalty is the global leader in customer experience, satisfaction and loyalty research with over 1,000 dedicated professionals located in over 40 countries around the world. Our creative solutions build strong relationships which lead to better results for our clients. This has made us the trusted advisor to the world's leading businesses on all matters relating to measuring, modelling, and managing customer and employee relationships.

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