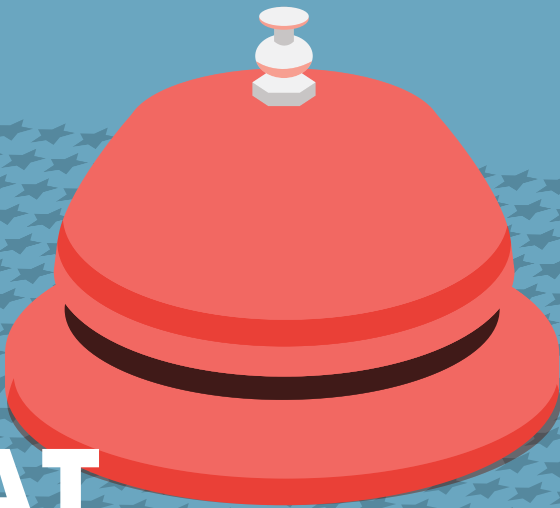

GREAT EXPECTATIONS

Are service expectations really rising?

GREAT EXPECTATIONS

Are service expectations really rising?

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CONTENTS


82% OF BUSINESS LEADERS SAY THAT THEIR CUSTOMERS HAVE HIGHER EXPECTATIONS
...
... COMPARED TO JUST THREE YEARS AGO[1]
2015 LITHIUM

1 SERVICE EXPECTATIONS ARE SHIFTING. OR ARE THEY?

"Customers have been spoiled. Thanks to companies such as Amazon and Apple, they now expect every organization to deliver products and services swiftly, with a seamless user experience."[2]

MCKINSEY, 2014

"…we need continuous improvement in public services. And for that we must reform the relationship between citizen and state. The case for reform is strong. Because people have high and rising expectations about what our public services should deliver."[3]

THE RT HON MATT HANCOCK MP 2015

Nearly every review of service perceptions, satisfaction or loyalty starts with the assumption that providers, both in the private and public sector, face a world where expectations are inexorably rising. But is this true? For several decades, market researchers have recognised the importance of customer expectations, and there are a number of influential models that have attempted to explain the role they play in determining both perceptions of service quality and customer satisfaction. However, despite the emphasis placed on expectations in marketing theories, there is remarkably little reliable quantitative data that shed light on how customer expectations have changed over time and how expectations might leak between market categories. We understand less about expectations than we think we do, and far less than we need to.

This matters because in both the private and public sector, failing to properly understand customer needs leads to wasted money, time and energy. It follows that if customer satisfaction is influenced by expectations, an optimal customer experience strategy must also take expectations into account. Moreover, our data suggests that there is a close link between customer satisfaction at a particular service interaction and the customer's relationship with that brand. Expectations are a critical part of this story.

We argue that any meaningful discussion must be grounded in an understanding of the nature of customer expectations and supported by evidence. There is a rich body of literature crossing the fields of marketing and psychology that has explored both the causes and effects of customer expectations. In some cases, attempts have been made to empirically measure these expectations, with mixed results. This paper provides a brief overview of some of this research and discusses what it can tell us about the changing nature of service expectations.

9 LESSONS FROM EXISTING AND NEW RESEARCH

1. Expectations play a key part in views of brands. Delivering a positive experience alone is not sufficient to increase brand favourability if it is only in line with expectations

Our research shows that 31% of those who had a positive experience increased their favourability of the brand, and 46% of those who had a negative experience reduced their favourability. However, where a provider delivered a positive experience but failed to exceed expectations, brand favourability was much less likely to increase. In fact, people who had a positive experience that was better than expected (41%) were more than twice as likely to increase their brand favourability than those who had a positive experience that was only in line with or worse than expectations (17%). So it seems more important to outperform expectations than deliver a merely 'good' experience.

2. Consumers say that a stronger brand generates some form of goodwill, which makes them more likely to forgive future mistakes...

In this case, brand strength can create a 'cushion' for future encounters either through emotional closeness of the brand-consumer relationship or through positive prior experiences providing a 'buffer' against a poor encounter. 59% of customers said they are willing to accept one-off examples of poor service and forgive mistakes from a brand that they think highly of.

3. …but actually having a strong brand seems a poor defence if an encounter is worse than expected

But there is also evidence in our study that a strong brand can exacerbate the effects of a negative encounter in some situations. Prior positive feelings at least are no defence. Our data shows that even for those who started off favourable towards a brand, almost half (46%) became unfavourable after a worse than expected interaction.

4. And consumers who claim to be 'forgiving' of a strong brand are no more immune to thinking less of it if it disappoints them than consumers who say they are less willing to forgive and forget

We asked people directly whether they thought having a positive opinion of a brand made them more forgiving of mistakes (59% agreed) or more demanding of great service (21% said this applied to them). But people may be less forgiving than they think: our research shows that almost 90% of all interactions that were worse than expected led to a fall in favourability for the brand after the interaction, regardless of consumers' stated attitude towards forgiveness.

5. Personalisation and the final service outcome are both critical drivers of why an encounter might exceed or fall short of customer expectations

Five critical factors came out strongly as reasons why service encounters exceeded or fell short of consumers' expectations. Final service outcome and personalisation were mentioned often by both sets of consumers, as well as information provision, accuracy and timeliness. Personalisation (or lack of it) has not been widely discussed in previous research on expectations: this seems to be an important emergent area, where digital experiences are driving expectations of wider services.

6. Some sectors find it harder than others to delight consumers, perhaps as a result of high expectations…

While two thirds of positive experiences in the public sector (66%), hotels (69%) and insurance (66%) exceeded customers' expectations, this was the case in only half of positive interactions with online retailers (50%) and high street stores (49%). These findings suggest it is harder to please customers in certain sectors.

7. Expectations of public services may have fallen in response to very widespread and consistent communications on the need for 'austerity'

While fiscal austerity since 2010 has forced cuts in investment in public services, satisfaction has either remained stable or improved, with 18% stating that public services exceeded their expectations in 2016, compared with just 5% in 1998. Considering 40% of respondents in 2016 think that public services have got worse over the last five years [compared with 33% in 1998], this suggests that public service expectations have actually fallen. The last few years of tighter spending and high profile messages on the lack of resources have provided a live experiment in 'expectations management' in the public sector – and it seems to have worked.

8. More competitive and rapidly changing sectors seem to be more at risk of their customers' expectations being influenced by experiences of other companies

In the airline industry, 16% cited previous experience with a different company as a reason why an encounter failed to meet expectations. This is similarly high for other competitive sectors, notably restaurants and courier/delivery firms (17%) and insurances companies (16%). In contrast, just 7% cite previous experience with a different car dealer/garage, a seemingly less competitive sector, and 3% cite previous experience with a different provider in the public sector. As we might expect, expectations 'leak' between more competitive services more easily when there are closer experiences to compare against.

9. But in general, with the growth of technology, consumers' expectations are influenced by a much wider body of prior experiences than before, beyond directly comparable sectors, and should mean there is more of a focus on 'liquid expectations' in the future

While direct evidence of liquid expectations is still limited, a critical factor seems to be a growing expectation of personalisation, as seamless experiences, and minimal points of friction become the norm. Liquid expectations – where people transfer their expectations across sectors – will often work at an unconscious level, as people are very bad at identifying where their expectations come from. It will therefore be increasingly important to use neuroscience and passive measurement techniques to provide insights into our 'shifting expectations'.

84% OF INSURERS FEEL DIGITISATION IS CHANGING CUSTOMER EXPECTATIONS[4]

2014 ACCENTURE SURVEY

LEVELS OF EXPECTATIONS ARE ...

... WHY MCDONALD'S CAN EXTEND EXCELLENT INDUSTRIALISED SERVICE WITH FEW EMPLOYEES PER CUSTOMER

... AND WHY AN EXPENSIVE RESTAURANT WITH MANY TUXEDOED WAITERS MAY BE UNABLE TO DO SO AS WELL FROM THE CUSTOMER'S POINT OF VIEW[5]

DAVIDOW AND UTTAL, 1989

2 SERVICES AND SERVICE EXPECTATIONS

THE SERVICES CONTEXT

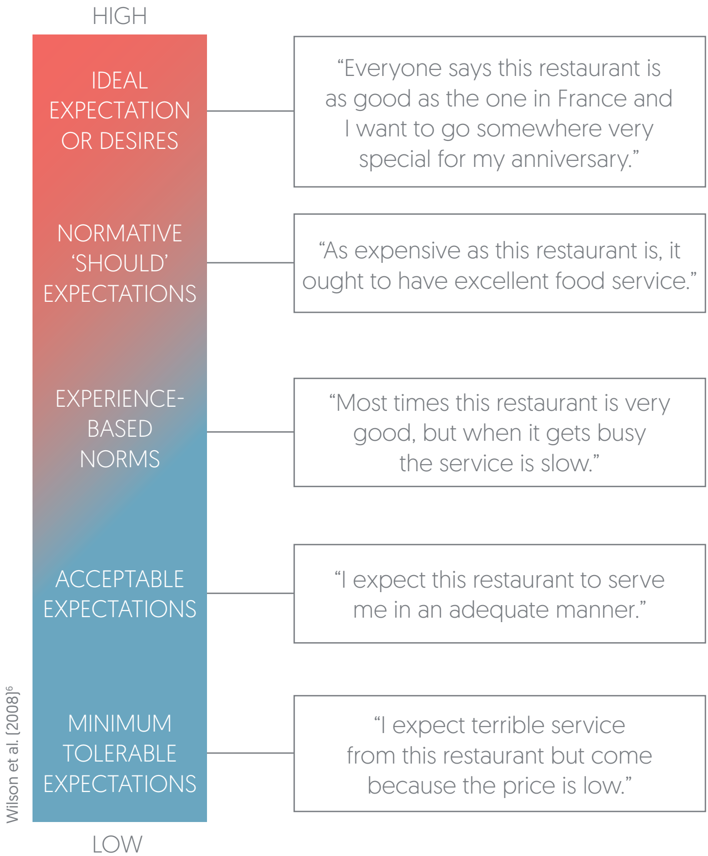
Throughout the 1980s and 1990s, marketing theorists attempted to reconcile a previously goods-centric approach with both a growing service economy and the increasing servitisation of physical goods. Some argued that the truly defining feature of a service is its process nature, which causes consumers to come into direct contact with the resources used to produce the service. The increased emphasis on process made it difficult for researchers to satisfactorily model service quality and, as a result, the focus within academic literature shifted towards studying the quality of a service as perceived by the user. With this more consumer-oriented framing came an increased interest in the notion of expectations.

DEFINING EXPECTATIONS

Customer expectations are complex and multifaceted. As a result, it is almost impossible to define expectations in a way that is both concise and meaningful. In the broadest sense, expectations represent prior beliefs that a consumer has about a service, which function as reference points during service encounters. However, most service quality and customer satisfaction models recognise that expectations occur in different forms and researchers have assigned different roles to different types of expectations.

The chart below shows a spectrum of the expectations that have been identified and discussed by marketing researchers:

A SPECTRUM OF THE EXPECTATIONS THAT HAVE BEEN IDENTIFIED AND DISCUSSED BY MARKETING RESEARCHERS:



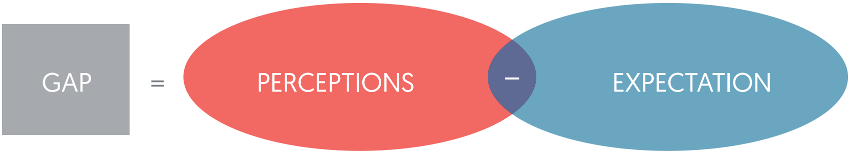
One notable contrast is between **predictive** (what customers believe is likely to happen in a future interaction) and **normative** (what customers feel a service encounter should offer) expectations. The two are seldom explicitly separated in discussions, but it is vital to recognise the difference. We start with predictive expectations, which were the focus for early models of customer satisfaction.

THE IMPORTANCE OF EXPECTATIONS

Understanding customer satisfaction and service quality have been two key aims for market researchers. Consequently, the impact of expectations has been discussed widely within both fields.

Within customer satisfaction literature, the most widely accepted approach sees service interactions as a 'disconfirmation' experience[7] (Oliver, 1977). Here, customer satisfaction is correlated with the degree to which an experience matches the customer's prior expectations. If the experience exceeds their expectations, customer satisfaction will be high, and vice versa.

This approach has been emulated by some service quality researchers[8] (Parasuraman et al, 1985), who propose that a measure of overall service quality can be defined by the 'gap' between customer perceptions and expectations over a range of service attributes:



This conceptualisation has been criticised by other researchers, who argue that customers do not make such a clear separation of perceptions and expectations when making service quality assessments[9] (Cronin and Taylor, 1994). Some of these researchers have suggested that rather than acting as a basis of comparison, expectations act as a 'filter on reality'. This has the effect of distorting customer perceptions of an actual service encounter either upwards or downwards[10] (Boulding et al, 1993).

Even these critics of the disconfirmation model do not dismiss the notion that expectations impact on customer satisfaction and service quality. While these differing conceptions are worth highlighting, it is clear that expectations are critical to customer experience.

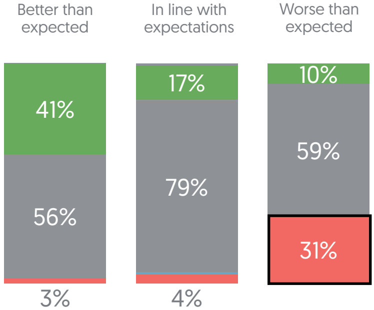
2.2.1 THE INTERSECTION OF BRAND AND CUSTOMER EXPERIENCE

What does Ipsos MORI's latest research say about the role of predictive expectations? Data showing customers' stated brand favourability before and after service encounters suggests that there is a potentially strong relationship between customer assessments of a recent service interaction and subsequent perceptions of the provider.

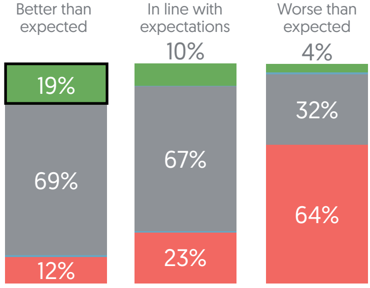
Indeed, 31% of those who had a positive service experience increased their brand favourability after the encounter. Conversely, 46% of those who had a negative experience reduced their favourability. At first glance, this may not be particularly surprising, as marketers increasingly identify the close relationship between brand and customer experience.

However, if we examine in more detail the experiences described above, it becomes clear that delivering a positive experience alone is not sufficient to increase brand favourability, nor does a negative experience guarantee lower brand favourability. Expectations have a key part to play, as the chart below shows.

CHANGES IN BRAND FAVOURABILITY AFTER A POSITIVE EXPERIENCE = 31% OF TOTAL



CHANGES IN BRAND FAVOURABILITY AFTER A NEGATIVE EXPERIENCE = 46% OF TOTAL



Brand favourability decreased · Brand favourability stayed the same · Brand favourability increased

Ipsos MORI (2016)
Base Better than expected (n=2388 experiences), In line with expectations (n=1482 experiences), Worse than expected (n=87 experiences)
22-30 August 2016, GB adults, online, UK

Ipsos MORI (2016)
Base Better than expected (n=282 experiences), In line with expectations (n=830 experiences), Worse than expected (n=1566 experiences)
22-30 August 2016, GB adults, online, UK

Where the provider delivered a positive experience but *failed* to exceed expectations, brand favourability was much less likely to increase. In fact, brand favourability was actually more likely to decrease if the provider gave a positive experience but performed worse than the customer expected. 31% of those who had a positive experience that was lower than expected said their brand favourability went down. Similarly, a negative experience that was worse than expected has more impact than a negative experience in line with expectations, but not by as much. 19% of those who had a negative experience, but one that was better than expected, increased their favourability of the brand. This supports the notion of service encounters acting as a brand disconfirmation experience. Here, a customer's view of a brand is disrupted by a service encounter and, if the service performance differs from expectations, their brand view will change. In this sense, expectations are critical to any brand story, but they work in subtle ways.

Brand and expectations can be further linked by exploring how particularly strong brand relationships might insulate against experiences that fail to live up to expectations. Some research has suggested that brand strength can create a 'cushion' for future service encounters, either via the emotional closeness of the brand-consumer relationship[11] (Mattila, 2001) or through positive prior experiences providing a buffer that mitigates consumer evaluation of a poor encounter[12] (Tax, Brown and Chandrashekaran, 1998).

However, there is also evidence that a strong brand can actually exacerbate the effects of a negative service encounter. In particular, work by Aaker et al[13] (2004) showed that 'sincere' brands were significantly damaged by transgressions. These experiences had the effect of disconfirming consumer expectations of brand intimacy and irreparably damaged the relationship.

In this case, brand strength might be interpreted as a balancing act between two conflicting hypotheses:

The forgiveness model – A stronger brand generates some form of goodwill, which makes consumers more likely to forgive future mistakes. In this case we would expect the customer to have a more tolerant response when service performance does fall below expectations.

The ratchet model – A strong brand increases consumer service expectations with each encounter. Consequently, higher expectations make 'good' service harder. Conversely, a strong negative preconception of a service provider will lead to lower expectations, which could result in it being easier to pleasantly surprise customers.

When we asked customers themselves whether they would be more likely to forgive a brand they thought highly of or would tend to have higher expectations and be less forgiving, they say they are more likely to be forgiving. On the face of it, this might seem like good news as building a strong brand provides some degree of leeway in the case that a company fails to meet their customers' expectations. However, looking at brand favourability before and after service interactions suggests that the stated tendency towards forgiveness may just be wishful thinking.

The chart opposite shows the general downward impact on brand

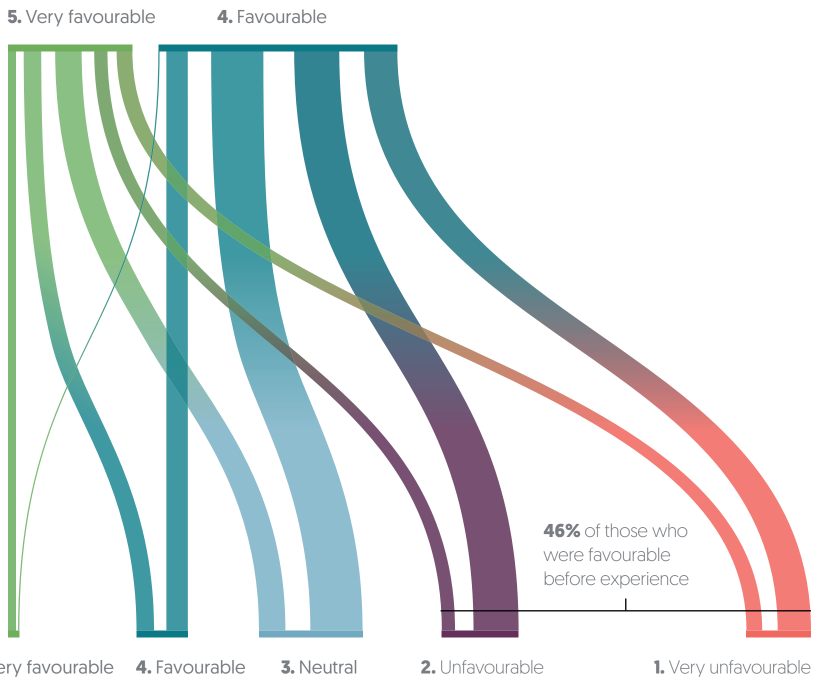
WHICH OF THE FOLLOWING IS CLOSER TO YOUR VIEW?
WHEN I THINK HIGHLY OF A BRAND...

Ipsos MORI (2016)
Base 3,001 UK adults, online

favourability for those interactions that were worse than expected. Closer inspection shows that, for those brands that customers rated favourably before an experience, almost 90% of interactions that were worse than expected led to a fall in favourability after the interaction. In fact, almost half (46%) of those who were favourable (4 or 5), became unfavourable (1 or 2) towards the brand after the worse than expected interaction. Interestingly, this result is consistent regardless of stated attitude towards forgiveness of favourable brands. In other words, **customers who claim to be 'forgiving' are no more immune to thinking less of a brand that disappoints them** than customers who state they are less willing to forgive and forget.

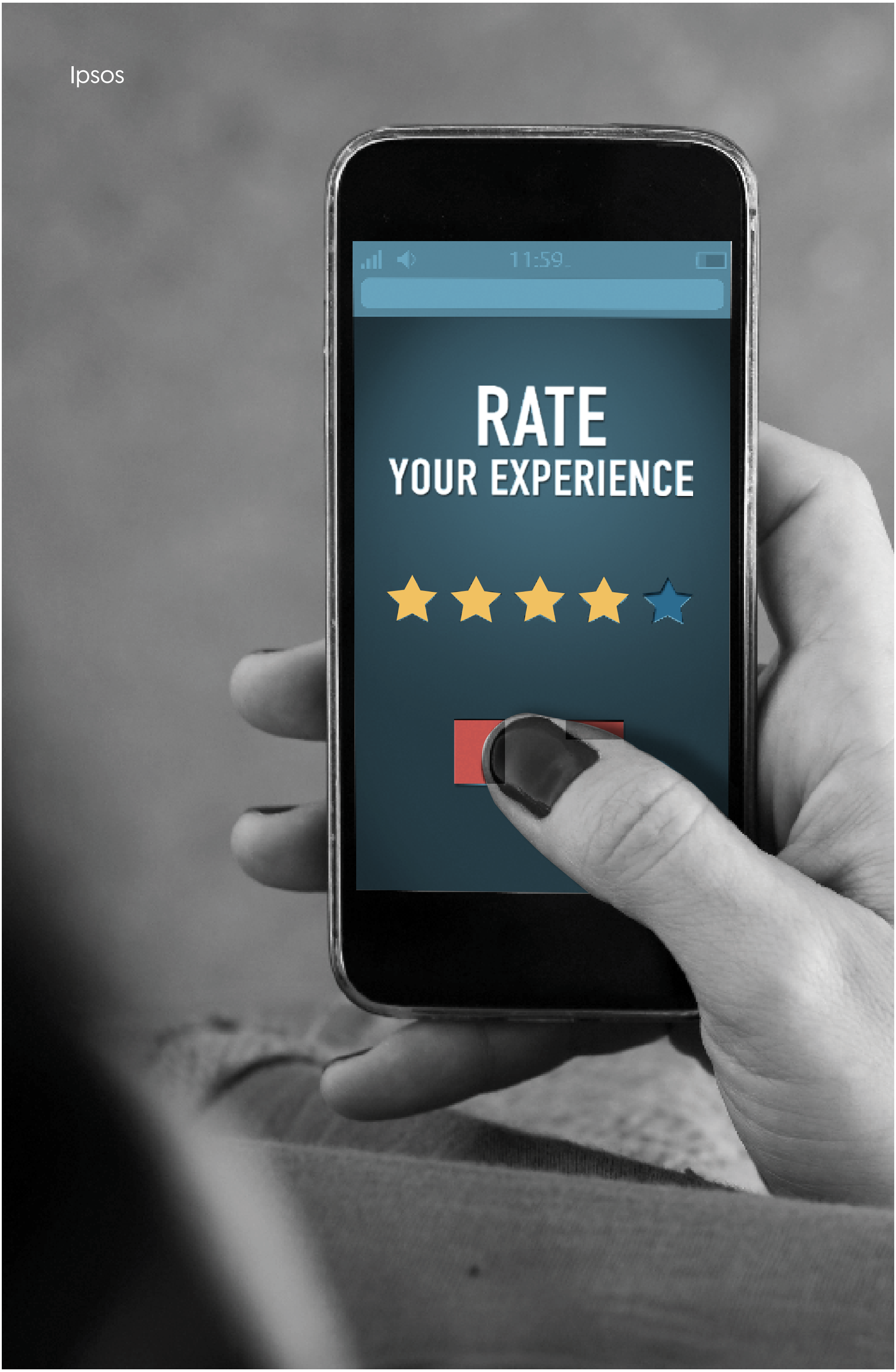
CHANGE IN BRAND FAVOURABILITY FOLLOWING NEGATIVE EXPERIENCE

Favourability before the experience



Favourability after the experience

Ipsos MORI (2016)
Base 1653 experiences, 3,001 UK adults, online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RATE
YOUR EXPERIENCE

3 MEASURING SERVICE EXPECTATIONS

The prominence of expectations within many theories means that researchers have experimented with a variety of ways of measuring them. Here, it is important to distinguish between measures of customer expectations regarding a specific service encounter and measures of overall expectations of a particular service provider or brand. In general, customers find it easier to formulate and articulate expectations regarding a specific element or encounter, so using transactional level data can provide useful context.

To this end, it is worth highlighting SERVQUAL, as it is one of the most commonly used frameworks that has attempted to measure customer service expectations. Developed and refined since the 1980s, the SERVQUAL tool fits within the service quality 'gap' approach (Parasuraman et al. 1985) and therefore aims to improve service quality by reducing the disparity between customer expectations and perceptions. The SERVQUAL questionnaire is organised around a group of factors that the researchers saw as being most important in influencing service quality (a later revision of the framework defined these as Reliability, Assurance, Tangibles, Empathy and Responsiveness).

Each of these factors can be expanded into a larger set of service attributes, which are reflected in a battery of 22 questions. The most basic SERVQUAL analysis involves asking consumers to:

- Rate the level of service of an excellent provider for a variety of attributes

- Rate how a particular service provider performs for each attribute

In this model, asking customers to provide a score for an excellent service is thought to provide some measure of service expectations.

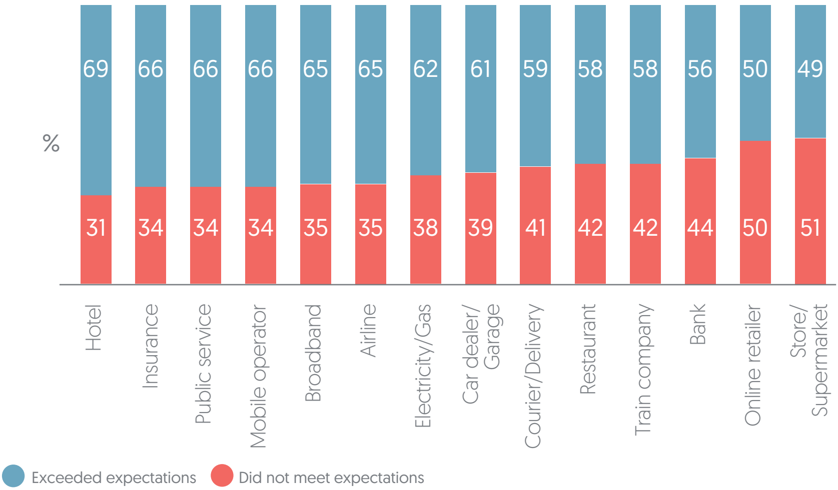
As a service quality improvement tool, SERVQUAL has been widely criticised for a number of flaws, including the fact that asking customers about 'excellent service' often results in uniformly high levels of stated expectations. However, researchers have attempted to reduce this weakness through adapting these questions, for example by asking consumers to also rate their expectations of an 'adequate' provider. The tool has also been criticised on the basis that it expects respondents to rate absolute scores for service expectations and perceptions ex-post – meaning that the expectations scores provided do not necessarily reflect the level of expectations at the time of the encounter[14] (Gronroos, 1993). Given the practical difficulties of asking respondents to provide expectation scores immediately before a service encounter, one proposed solution has been to ask respondents directly how a particular attribute performed relative to expectations[15] (Carman, 1990).

Despite these and other criticisms, SERVQUAL has been applied widely to a diverse range of sectors such as banking, tourism, airlines and hospitals. A similar tool called the Common Measurements Tool (CMT) has been tailored to better fit public sector service requirements. However, CMT adapts many of the concepts present in standard SERVQUAL analysis. Ultimately, elements of the SERVQUAL approach could provide useful insights when trying to explore service expectations.

In a new study carried out by Ipsos MORI, we tried to measure expectations across a variety of sectors and to identify drivers of positive and negative experiences. In this case we asked customers to recall recent experiences with service providers, directly asked them how the experience compared to expectations and asked why the interaction exceeded or failed to meet expectations. This data can provide us with some insight into the varying levels of expectations across different sectors.

Here, focusing on positive experiences that failed to exceed customer expectations might provide some proxy of the level of expectations as sectors that deliver positive experiences but often fail to exceed expectations could be seen to face more demanding customers. We can see that two thirds of positive public service experiences exceeded customer expectations – this is in comparison with online retailers and high street stores that were only able to exceed their customer expectations in 50% of positive interactions.

THE PROPORTION OF POSITIVE EXPERIENCES THAT FAILED TO MEET EXPECTATIONS SUGGESTS THAT SOME SERVICE PROVIDERS FIND IT HARDER TO DELIGHT CUSTOMERS THAN OTHERS...



Ipsos MORI (2016) **Base** 1653 experiences, 3,001 UK adults, online
Experiences: Hotel (n=552), Insurance (n=149), Public service (n=210), Mobile operator (n=401), Broadband (n=267), Airline (n=325), Electricity/Gas (n=149), Car Dealer/Garage (n=167), Courier/Delivery (n=183), Restaurant (n=218), Train company (n=104), Bank (n=518), Online retailer (n=396), Store/supermarket (n=345)

Consistent with previous research, our data also shows customers vary in their explanations of what makes an experience better or worse than expected.

There are three groups of reasons that are worth highlighting:

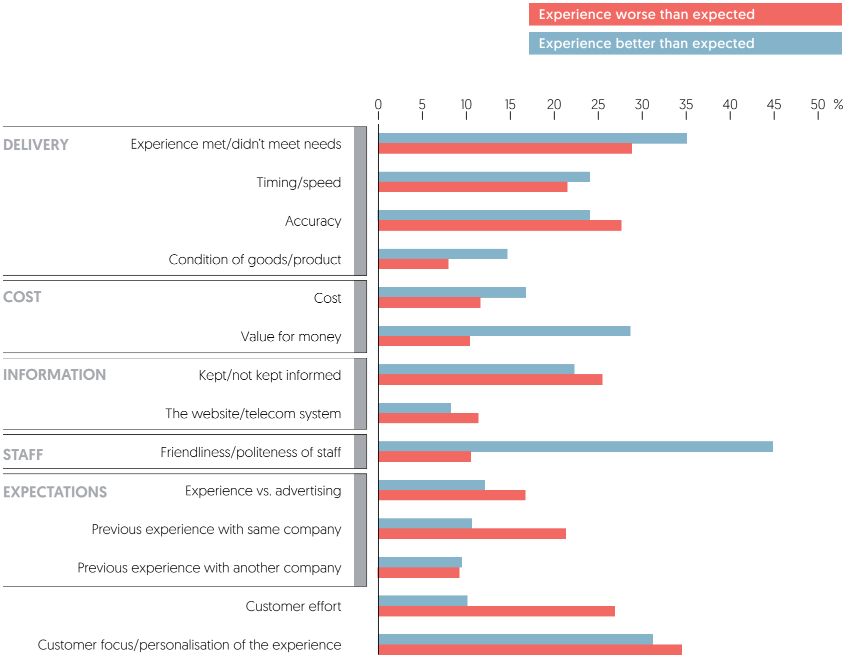
Satisfiers
Friendliness/politeness of staff and value for money were frequently cited by customers who felt that their service encounter was better than their expectations but were mentioned less frequently by customers who had experiences that were worse than expected.

Dissatisfiers
Previous experiences with the same company tended to be mentioned more often by customers who had an encounter that was worse than expected. Customers having to put in more effort during an encounter was also a key dissatisfier.

Critical Factors
Five factors came out strongly as both a satisfier and a dissatisfier. The importance of the final service outcome is one of the most mentioned of all, and is a useful reminder that this should not be forgotten alongside softer service aspects. Also important (and which has been seen in previous work) is the priority of information provision, accuracy and timeliness.

Personalisation (or a lack of it) is a service factor that has not been as widely discussed in previous research but was mentioned by both customers whose experience had exceeded and failed to meet expectations. This may be an example of how customer expectations have changed in response to the changing services that they receive.

WHICH TWO OR THREE OF THE FOLLOWING STATEMENTS, IF ANY, BEST EXPLAIN WHY YOUR EXPERIENCE WAS MORE POSITIVE/WORSE THAN YOU HAD HOPED?



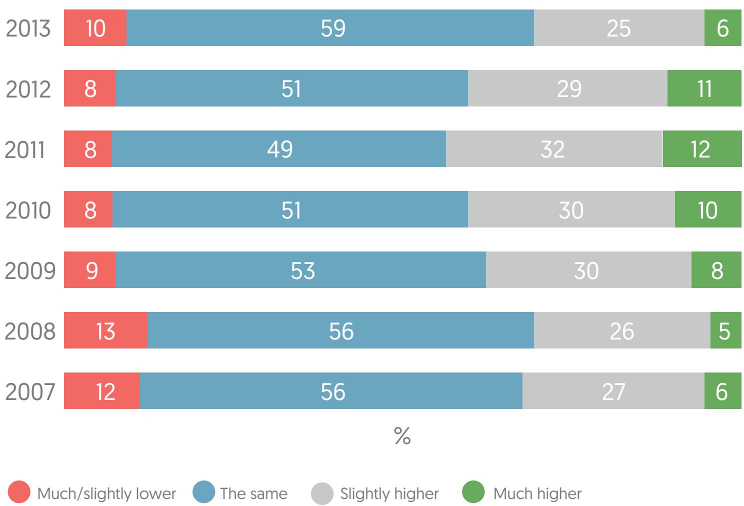
Ipsos MORI (2016) **Base** 3,001 UK adults, online
Experiences: Better than expected (n=1653 experiences), worse than expected (n=2670 experiences)


Ipsos

4
ARE SERVICE EXPECTATIONS INCREASING?

Very little quantitative data exists that shows if customer expectations are changing over time. Some global data from Accenture[16] (2013) suggests that in every year of the study since 2007, at least three times as many people have said their expectations are increasing than have said they are decreasing.

CHANGE IN STATED CUSTOMER SERVICE EXPECTATIONS AS COMPARED TO 12 MONTHS AGO

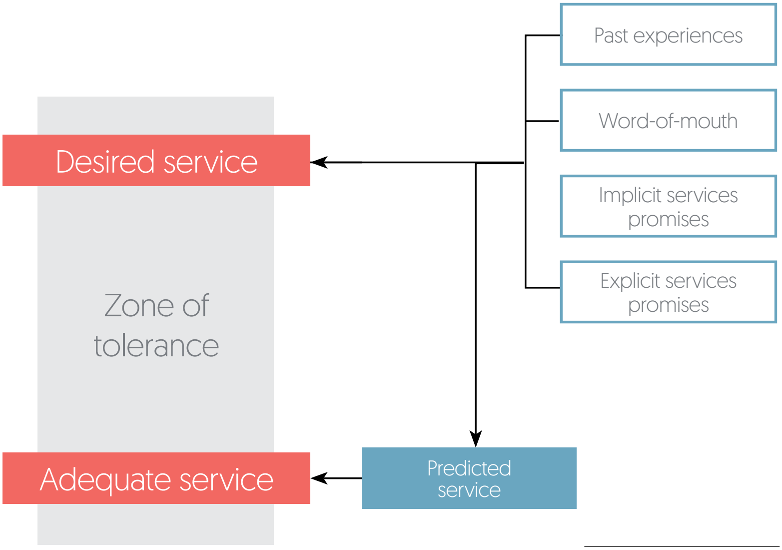


Accenture Global Consumer Pulse Survey (2013)

There is of course a difference between stated understanding of our own shifting expectations and how we actually approach a service encounter. As we have seen, people are poor at identifying the impact of their own expectations. This data also does not make it clear whether an overall increase in stated customer service expectations translates uniformly across service sectors and, more importantly, does not explain why customers might have higher expectations over time.

In order to answer both of these questions, we must explore a model of the drivers of service expectations. One of the most comprehensive treatments of expectations formation, within a service context, comes from Zeithaml et al[17] (1993). In this model, expectations consist of both the level of service customers would hope to receive (desired service) and the minimum level of service they would accept (adequate service). Consequently, the distance between these two bounds represents a 'zone of tolerance', within which consumers do not particularly notice service performance.

ZONE OF TOLERANCE: THE DISTANCE BETWEEN DESIRED SERVICE AND ADEQUATE SERVICE



Zeithaml et al. (1993)

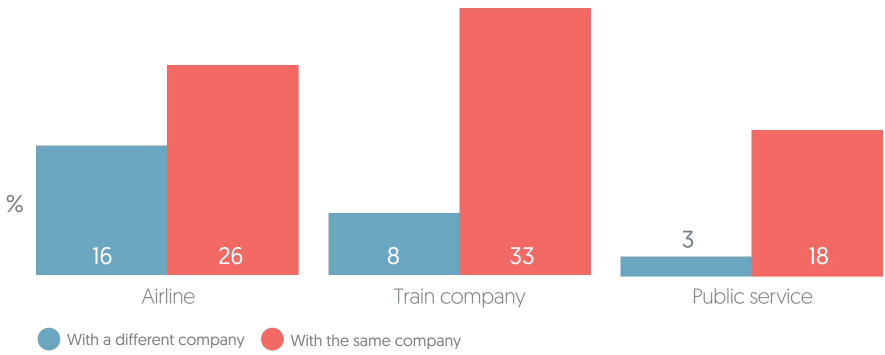
If service performance falls outside of this range, customers will either be delighted or dismayed.

There are several drivers within this model that might help to explain whether service expectations are increasing.

Past experience of a service provider is seen as a factor that determines future expectations and, in general, we would expect that repeated positive encounters with a service would increase user expectations. Some research has supported this hypothesis but notes that past experience with the same company may be secondary to other factors in determining levels of expectations[18] (Johnson and Mathews, 1997).

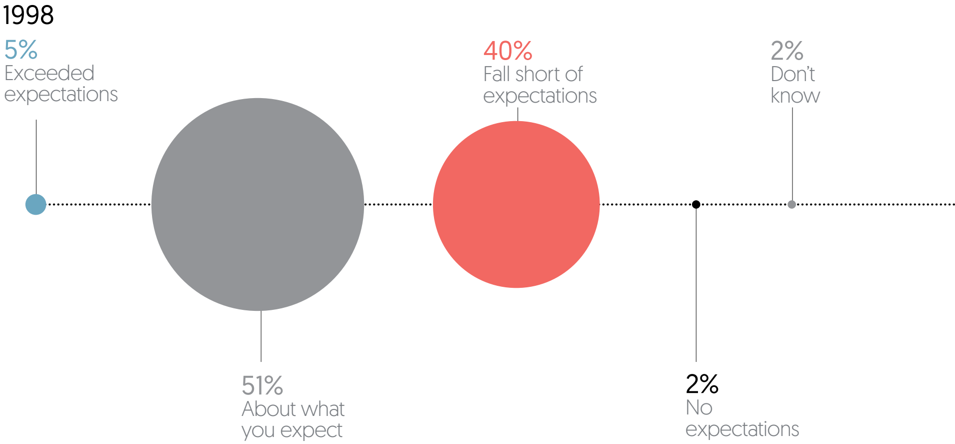
For example, past experience is not limited to experiences with the focal service provider, as the service delivery a customer has experienced with competitors also will likely influence expectations. In particular, we might expect that the level of service expectations would increase quickest in those industries that are most competitive and rapidly changing, as providers seek to raise the level of service delivery above competitors. This has the effect of increasing the degree to which customers perceive that service

CUSTOMERS CITING PREVIOUS EXPERIENCES AS A REASON WHY SERVICE ENCOUNTER FAILED TO MEET EXPECTATIONS...



Ipsos MORI (2016)
Base 3,001 UK adults, online
Experiences: Airline (n=160 experiences), Train company (n=101 experiences), Public service (n=117 experiences)

THINKING GENERALLY ABOUT WHAT YOU EXPECT OF PUBLIC SERVICES LIKE LOCAL COUNCILS, SCHOOLS OR HOSPITALS, WOULD YOU SAY THEY...

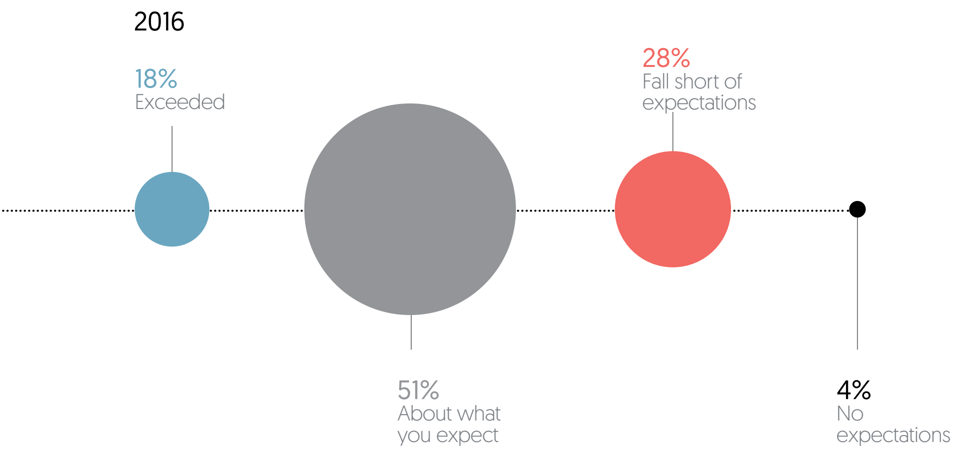


Source: The People's Panel, Ipsos MORI and The Cabinet Office (1998) Base: 5,064 GB adults, June to September 1998

alternatives exist and provides past experiences that raise future customer expectations.

While there is a lack of any longitudinal data that shows changing levels of service expectations in different sectors, our point-in-time data does suggest that competitor service delivery has a bigger impact in certain sectors than others. For example, experiences with airlines (a sector that has become increasingly competitive since EU deregulation in the 1990s) that failed to meet expectations were more likely to be attributed to experiences with a different company.

In contrast, customers who had encounters with train companies and public services that failed to live up to expectations rarely cited experiences with different providers as a reason because experience of alternatives is more limited.



Source: The State of the State 2016-17, Ipsos MORI and Deloitte (2016) Base: 1,099 GB adults 15+, July 2016

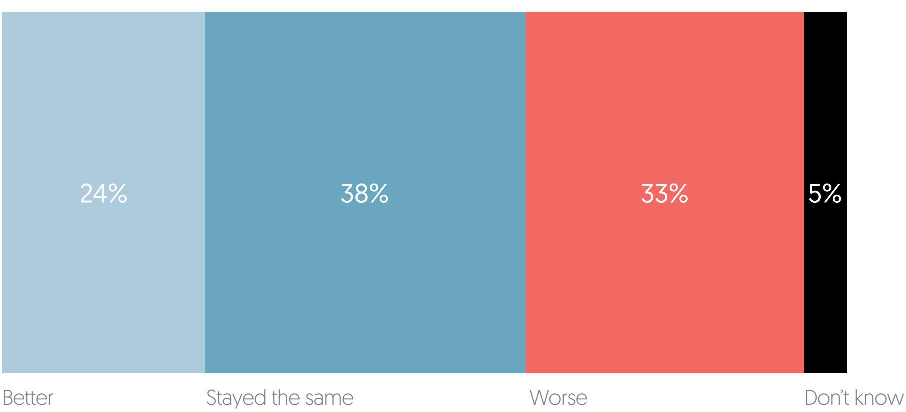
The notion of increasing expectations may be of particular relevance to the public sector, where fiscal austerity since 2010 has forced cuts in investment to a variety of public services. In such a case, we might expect to see a widening gap between the generally rising expectations of the public and potentially falling levels of service delivery due to lower investment.

But is there any evidence for this? Despite austerity, data from an Ipsos MORI survey for Deloitte's 'The State of the State' report[19] shows that satisfaction across many key public sector services has generally either remained stable or improved (82% of service users said they were satisfied with recycling facilities compared to 78% in 1998. Satisfaction with the NHS also stayed level in the same period). Moreover, this data shows that the public sector has got better at exceeding customer expectations since the 1990s (18% of respondents said that public services exceeded expectations compared with 5% in 1998) and is also closing the gap with the private sector. It could be argued that this pattern is because these services have become significantly more efficient, such that providers have been able to meet and exceed customer expectations in the face of scaled-back resources. There are undoubtedly great examples of services 'doing more with less'. However, in 2016 the same data shows an increase in the number of people who think public services are getting worse. Given that more people are saying their expectations are being exceeded but overall are more likely to think the public services are getting worse, it seems reasonable to conclude that expectations of public sector services have fallen.

Why might this be? Clearly for the public sector, customer choice is generally more constrained and so it could be argued that perceived service alternatives will have had less of an impact on expectations than for the private sector. Moreover, it has also been argued that in the absence of information about competitor services, the importance of provider image/reputation (which overlaps with

ON BALANCE, DO YOU THINK PUBLIC SERVICES LIKE LOCAL COUNCILS, SCHOOLS OR HOSPITALS HAVE GOT BETTER OR WORSE OVER THE LAST FIVE YEARS, OR DO YOU THINK THEY HAVE STAYED THE SAME?

1998

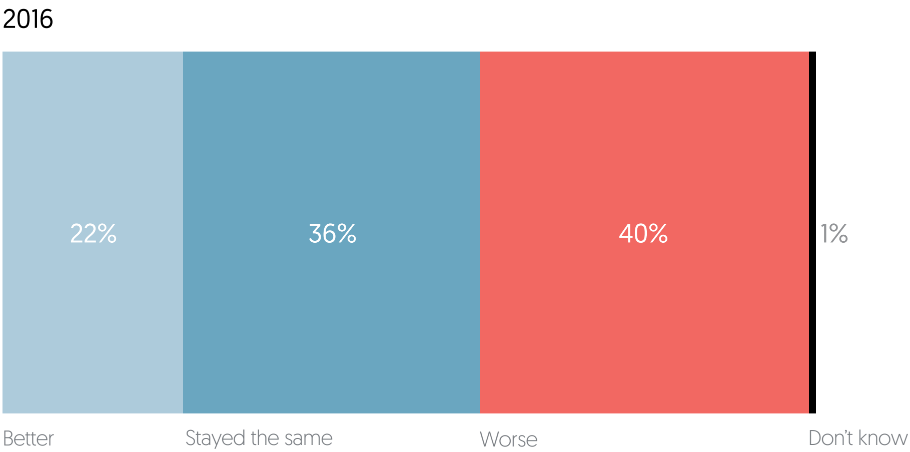


the drivers of word-of-mouth communications and implicit/explicit service promises in the model presented on page 28) increases. Given this, it may be the case that there is a direct link between lowered expectations and the widespread and constant messages around austerity--we need to expect less because we can't afford to spend what we used to.

LIQUID EXPECTATIONS

Most models of expectations formulation, including the one presented above, recognise the importance of previous experiences in shaping future expectations. However, the set of previous experiences that a customer might draw from when forming expectations is less easy to define. Marketers have long accepted that the expected level of service offered by one brand can be influenced by the experiences offered by its direct competitors. However, an alternative framework centres on the proposition that service expectations are increasingly influenced by a much wider body of prior experiences across a variety of sectors.

Source: The State of the State 2016-17, Ipsos MORI and Deloitte (2016)
Base: 1,099 GB adults 15+, July 2016



In a world where expectations are ‘liquid’, it is possible that the service provided by Amazon One-Click Ordering or Apple’s Genius Bar affects the way consumers expect to deal with their bank, utility provider or local restaurant. Johnson et al [2016] state that services and apps like these “are changing customers’ expectations as they expect a seamless experience, minimal points of friction and value”.[20]

A 2014 Deloitte study also cites an increasing expectations gap between businesses and consumers, as consumers become more informed, connected and demanding.[21] An underlying factor that may be driving this change is technology. Here it could be argued that the increasing digitisation of services makes it easier for customers to compare experiences across traditionally distinct market categories.

This potential liquidity of expectations could be important for two reasons. Firstly, understanding the increased fluidity of expectations between sectors provides a basis for understanding why service expectations might be rising over time. If expectations blur between sectors, then superior performance by a small number of standout organisations has the potential to raise customer expectations universally.

Secondly, accepting the notion of ‘liquid’ expectations forces us to redefine how we view competition. In such a case, it is no longer good enough to be ‘best in class’ and even leading providers in certain sectors might need to fundamentally restructure the way they offer services in order to survive.

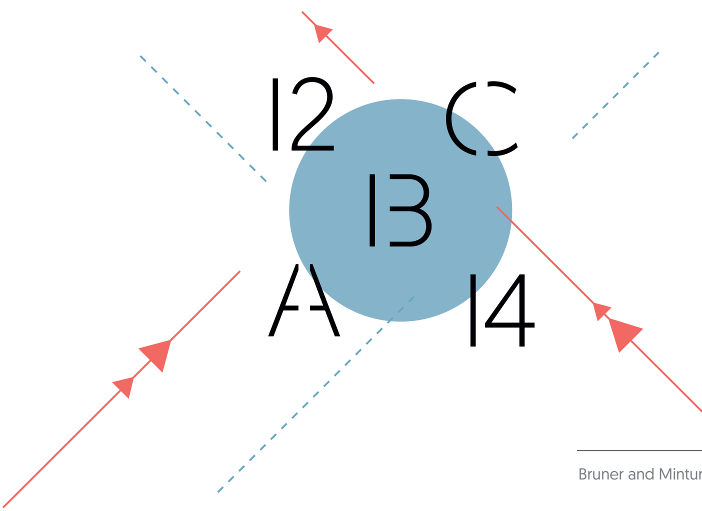
Behavioural science can provide a foundation for understanding the potential liquidity of expectations. In particular, experimental psychology has an extensive body of research into how expectations affect perceptions and how expectations might in turn be affected by previous experiences.

Perceptual set theory was first developed by Allport (1955) and is based on the idea that humans have a predisposition to perceive certain aspects of sensory stimuli and ignore others.[22] There are several well-known visual representations of perceptual set, such as Bruner and Minturn’s (1955) character matrix shown on the right.[23]

Here, the object in the centre appears differently depending on the context it is viewed in. Previous experience shapes expectations, and expectations affect perceptions. To understand how this might apply to service, consider the example of a bank's new app. A bank may think that it is competing against other banks, whereas customers may be comparing it with Amazon or Uber.

What can we do about this? Asking consumers directly about previous experiences with different companies may not be enough. Our data shows that, when respondents compared experiences with their expectations, they mentioned previous experiences with different companies in only 8% of cases. It is also likely that these customers are referring to direct competitors.

This suggests that liquid expectations act on an unconscious level. As Dolan et al [2015] state, no behaviours sit in a vacuum, and while measuring unconscious behaviours poses a challenge for research, a behavioural framework could help us to consider the ripple effects of previous experiences on our expectations.[24] A study by Karmarkar et al [2015] provides an example by assessing the neural and behavioural effect of exposing price at different points within the decision-making process.[25] The price of a product was shown either before or after the product itself. Seeing the price first resulted in evaluations relating to monetary worth, while seeing it after resulted in evaluations relating to attractiveness and desirability. Neuroscience techniques and passive measurement may also provide useful insights for service expectations, by comparing the conviction of customers' stated expectations of different service providers after exposure to stimuli pertaining to seemingly unrelated brands.



Bruner and Minturn [1955]

5 CONCLUSIONS

That customer service expectations are rising has become a truism. In some ways, this dynamic nature of expectations is entirely intuitive. Technology has transformed many traditional services and facilitated entirely new services in ways that were scarcely imaginable just 20 years ago and it is likely that customer expectations have changed as a result. However, we should also recognise the potential for constancy in other elements of service expectations – for example in the expectation that services such as the NHS should fundamentally deliver the outcome of making us better when we are sick.

Part of the difficulty in understanding how service expectations might be changing is a lack of reliable quantitative data. Established tools such as SERVQUAL or critical incident surveys can begin to provide insights for specific service encounters, but no methodology is perfect. This is mainly because it is very difficult to satisfactorily capture such a complex and multi-layered construct through relatively simple surveys. Emerging research techniques (for example those centred around neuroscience) may help tackle the practical dilemma of measuring expectations.

Despite difficulties in measuring expectations, we should not neglect their importance. They have historically been seen to play an important role in both customer satisfaction and service quality --both of which have been seen to be desirable goals for service providers. Our latest data also suggests that expectations have a role to play in understanding the link between the day-to-day of customer experience and overall brand relationships, although not always as existing theory would suggest.

While data is limited, examining a model of the drivers of service expectations can ground further discussion. Indeed, this model can help to explain why private sector expectations might be rising and why there is some evidence that public sector expectations are falling. Crucially, here there seems to be a gap when looking at drivers of increasing service expectations beyond the merely transactional. What are the impacts of wider technological, social or cultural trends on our expectations as customers?

The liquidity of expectations might prove to be a further piece of the shifting expectations puzzle – particularly as commentators and organisations predict a future in which different technologies and services become increasingly interconnected. If there is truth to the notion that service expectations are transcending traditional market categories, we may see them rising faster in the future than they have done already. Measuring and understanding these new expectations is going to become even more important, and there is a lot more we can learn.

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