

PUTTING IN THE EFFORT

Why treating customers fairly
is key to business success

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IPSOS VIEWS

GAME CHANGERS



When Ipsos introduced a new Customer Experience (CX) metric called the Customer: Company Effort Ratio (C:CER) – considering effort put in by both the customer *and* company, as the name implies – in a white paper called *Are Your Customers Working Too Hard?*,¹ the response from the CX community signalled we had made a breakthrough. The metric came from extensive research in the USA, Australia and the UK, and proved to be three times more accurate at predicting a customer's propensity

to use a company's services or products again, following a poor experience or complaint, than the Customer Effort Score alone.²

Now, building on recent research and analysis in multiple sectors in the UK, South Africa and across Latin America, this paper sheds new light on why it is crucial for organisations to get the perceived balance of effort right, in the eyes of customers, in order to maximise revenue opportunities.

CUSTOMER AND COMPANY EFFORT – IT'S ALL ABOUT FAIR TREATMENT (OR LACK THEREOF)

Research by Ipsos' Customer Experience team has proven that the Customer Effort Score alone is not enough to predict future behaviour. Organisations need to measure both perceived customer *and* company effort – the amount of legwork customers feel they have put in compared with the company, to resolve an issue.

When customers believe that they are working harder than the company to sort out an issue or get something done, customers feel unfairly

treated. This can have drastic consequences on relationship strength and customer outcomes, such as negative word of mouth or churn.

In our paper, *The Forces of Customer Experience*,³ we shared our research which identified Fair Treatment as one of the six key building blocks of relationship strength. We described how these six dimensions are proven predictors of emotional attachment and, ultimately, positive customer outcomes.

Fair Treatment is about making customers feel that there is a fair exchange in their relationship with organisations. The lack of Fair Treatment acts as a barrier to relationship strength. Unfairness can generate a threat response in individuals – or in other words, a distinct emotional reaction that can lead to a strong behavioural response.

Figure 1: The Forces of CX – the science of strong relationships



- Fair Treatment**
Make customers feel that there is a fair exchange in their relationship with you
- Status**
Make customers feel valued, respected and worthy of special treatment
- Certainty**
Make customers feel that things are clear, transparent and working as expected
- Belonging**
Help customers feel a sense of belonging and show you care about the greater good
- Control**
Help customers feel in control of the situation and in the driving seat
- Enjoyment**
Make customers' lives easier, so they feel a sense of freedom

Source: Ipsos R&D

The customer experience can positively or negatively impact perceptions of Fair Treatment. Here are some common triggers:

- A company is taking advantage of a situation that enhances its profitability, at the expense of the customer. Contractual terms, rates or pricing can be perceived to be fair, or unfair.
- Treatment of new customers vs. existing ones, particularly concerning pricing or special offers, for instance, attractive offers being limited to new customers only.

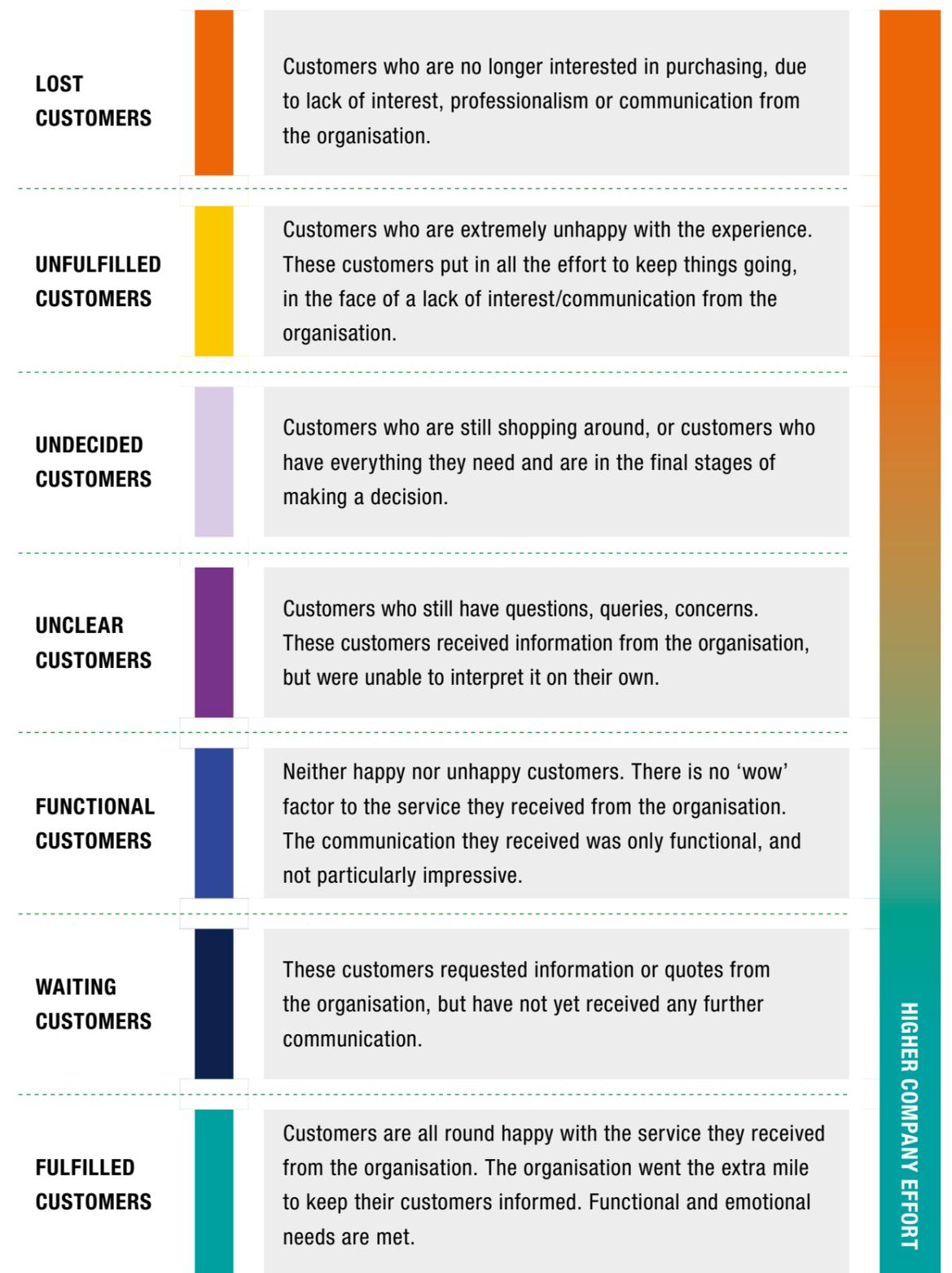
Back to the Customer: Company Effort Ratio (C:CER) – customers feel unfairly treated when they believe that they are working harder than the company to achieve something or sort out an issue. It is key to optimise the Effort Ratio to bring harmony and fairness to the relationship.

This paper reports on the quantification of the links between the balance of effort put in by the company and customers, and actual customer behaviour. It provides clear evidence of the revenue implications of not getting the balance of effort right. We present two analyses showing that the Customer: Company Effort Ratio (C:CER) affects customer experience across the customer journey, from pre-purchase through sales to after-sales, resulting in either conversion or lost sales, and retention or churn.

CASE: EFFORT IN, SALES OUT

For a leading automotive client, we investigated the quality of the pre-purchase experience at dealerships. We used survey data measuring the customer journey, from enquiry right through to the sale. We segmented customers into seven profile types according to the levels of customer and company effort associated with the experience. We then integrated sales data to quantify the financial opportunity to boost sales and revenue, by getting the balance of effort right at the pre-purchase stage.

Figure 2: Customer profile types



Source: Ipsos R&D

Fulfilled customers appreciated dealers keeping them up to date and ensuring they had everything they needed to make their purchase decision. Both functional and emotional needs were met. All other groups experienced an

imbalance in the ratio of effort. Many were still waiting for the dealership to follow up, or had not been given the level of support required following initial contacts.

Figure 3: Customer/company effort examples

UNFULFILLED CUSTOMER – HIGH CUSTOMER EFFORT	FULFILLED CUSTOMER – HIGH COMPANY EFFORT
“The sales exec. did not bother to call to inform me when to fetch my vehicle, I had to call and check on the progress of the vehicle myself.”	“I was promptly assisted, soon after I made the enquiry, I received an email, then I received a call from a gentleman and then another call from the finance department.”
Customers waiting for feedback or quotes	Dealership quick to respond/provide feedback Excellent, efficient, helpful service
Incorrect quotes sent, or misunderstanding of quotes leaving the customer with further questions	Quotes sent in timely fashion, and followed up in call to explain Made sure the customer understood and is satisfied with information provided
Poor/slow/lack of communication, leaving the customer to chase the company to keep things moving	Quick, clear and precise communication
Insufficient information given to customer	Provided the customer with all the details before they had to ask, and clearly defined the steps to be taken

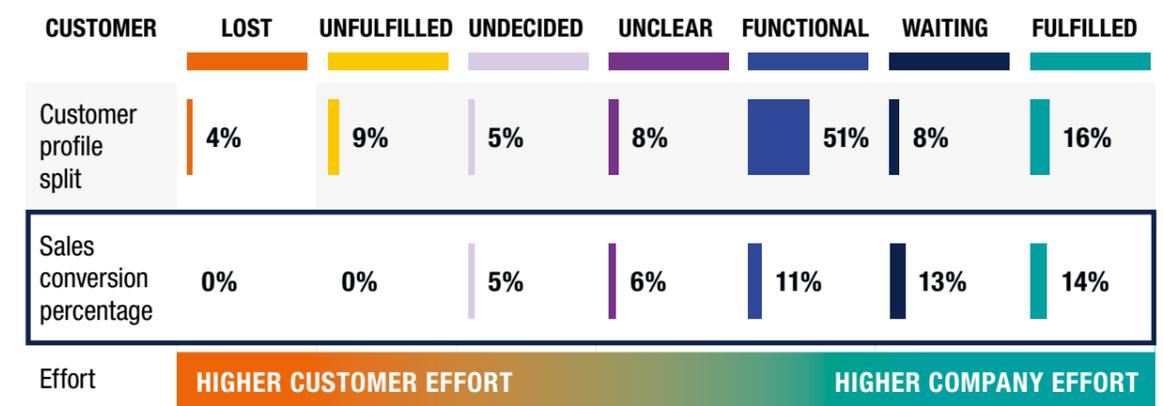
Source: Ipsos R&D

FINANCIAL IMPACT OF OPTIMISING THE CUSTOMER: COMPANY EFFORT RATIO (C:GER)

Integrating sales data enables us to quantify the links between the balance of effort and conversion rates, e.g., the percentage of customers buying a car. There is an obvious relationship between the balance of effort and

actual conversion rates, with higher customer effort being associated with lower conversion rates and higher company effort being associated with higher conversion rates.

Figure 4: C:GER and conversion rates



Source: Ipsos R&D



The automotive retailer receives, on average, 400,000 enquiries (leads) a year and is currently converting 9% of them into sales equating to 36,000 sales per year. By optimising the balance of effort and creating more 'Fulfilled Customers', we anticipate conversion rate will increase from 9% to 14%, resulting in a 55% increase in annual sales. With an average gross profit per

sale of \$1,500, there is a potential increase of \$30,000,000 gross profit per annum.

This clearly highlights the opportunity associated with better management of customer enquiries and the importance of measuring and managing the Customer: Company Effort Ratio to boost revenue.

Figure 5: Return on effort



OVERALL SALES VOLUME INCREASE OF 55%
\$30,000,000 GROSS PROFIT INCREASE

ROCXI: Return on Customer Experience Investment

Source: Ipsos R&D

CROSS SECTOR INVESTIGATION OF THE IMPACT OF EFFORT ON CUSTOMER ATTITUDES AND BEHAVIOUR

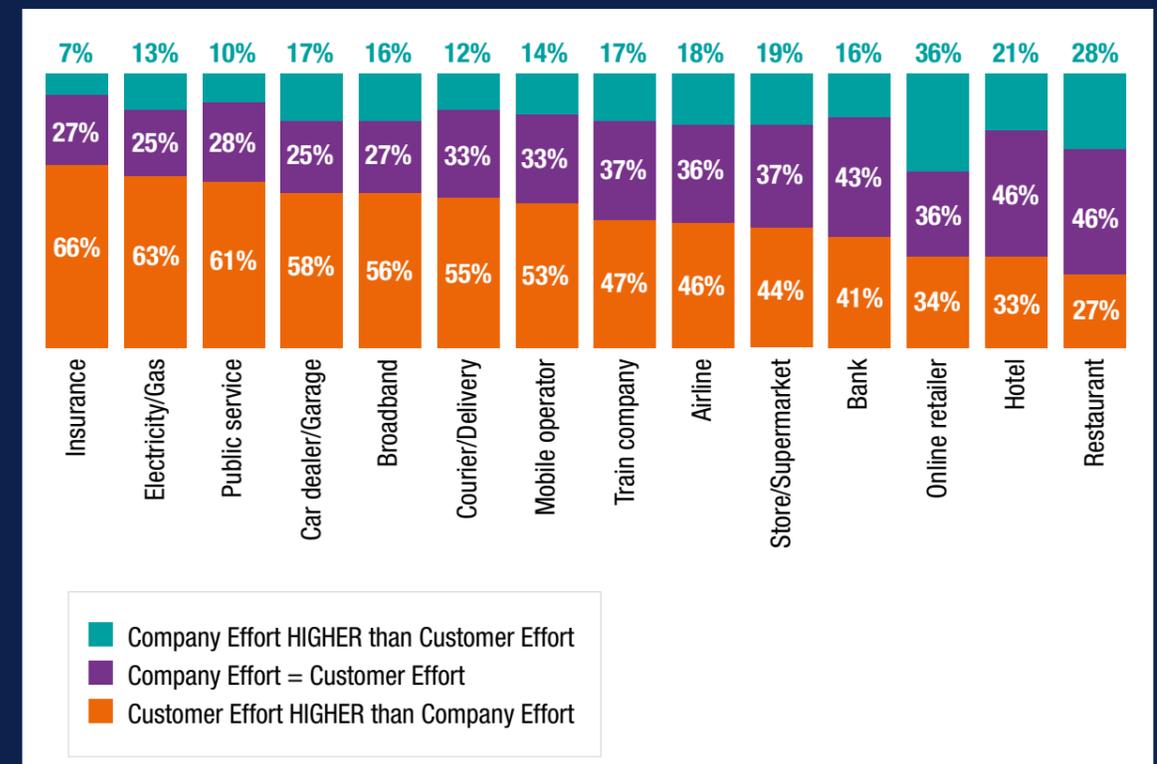
Maximising conversion through a better balance of effort is crucial, but, of course, not the full story. Once prospects become customers, it is essential to nurture relationships to drive better customer outcomes.

Ipsos carried out R&D in 14 sectors in the UK to investigate the role that the balance of effort plays in complaints handling and customer outcomes, and the differences between key industry sectors.

Half of customers interviewed believe that they are working harder than companies to resolve

an issue. However, the ratio of effort varies significantly across sectors, with insurance, utilities and public services all registering more than 60% of customers who feel they work harder than companies, and, on average, only 10% of customers feeling that the company had put in more effort than them. On the other hand, online retailers, hotels and restaurants all register far lower percentages (under 40%). Online retailers in particular are praised for the efficiency with which they deal with customer issues, while it is the 'human touch' that benefits hotels and restaurants.

Figure 6: Ratio of effort per sector



Source: Ipsos R&D

WHAT'S AT STAKE?

When customers perceive that they have had to put more effort than a company into sorting out a situation, they are:

- More than four times as likely to stop using them
- Three times more likely to share their negative experience on social media
- Around twice as likely to tell friends and family about it

Customers who feel as though they work harder to get an issue resolved are also less forgiving. In Figure 8, we have plotted average C:CER score against favourability after a negative experience. The connection is very strong, indicating that the harder customers feel that they work compared with companies, the less forgiving they become when a critical issue arises. This, of course, has significant implications when it comes to building long-lasting emotional engagement with customers.

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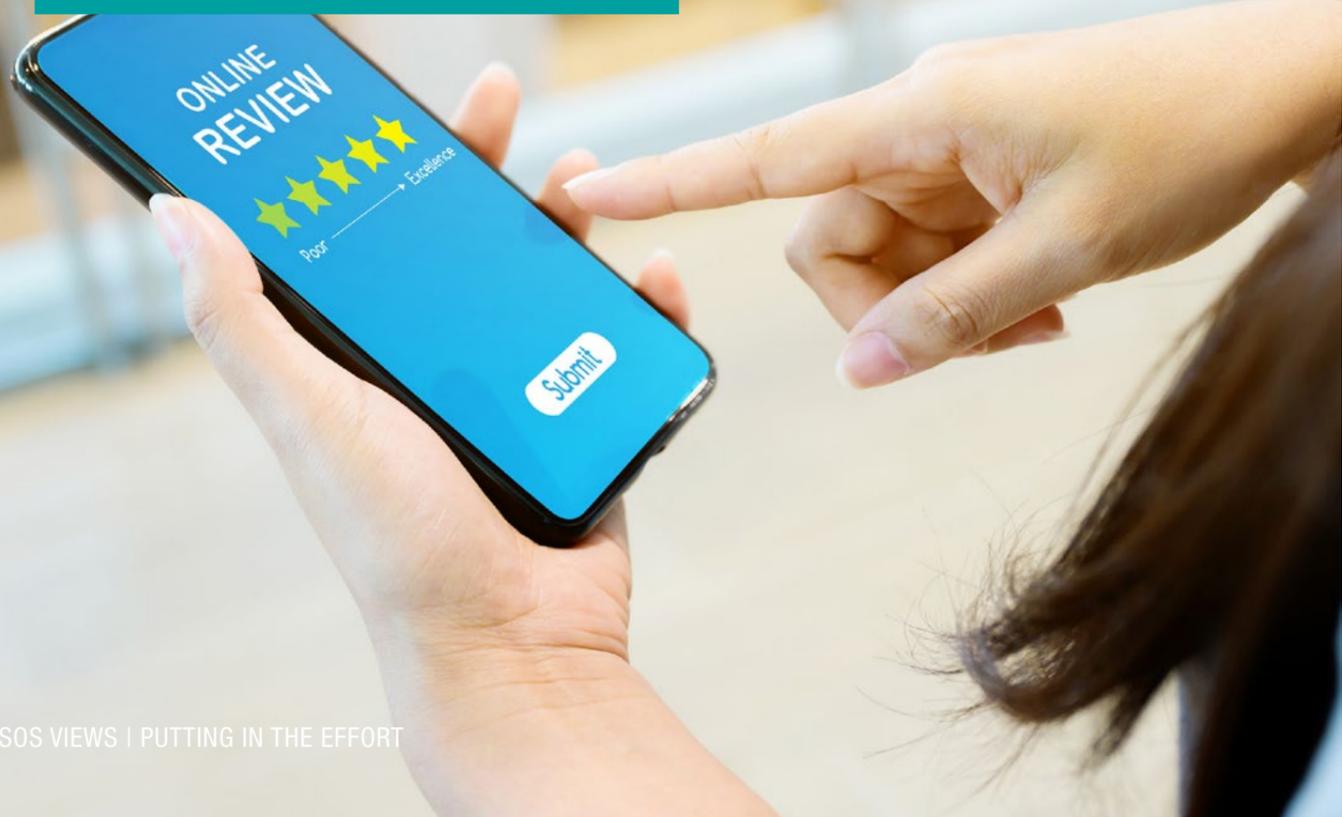
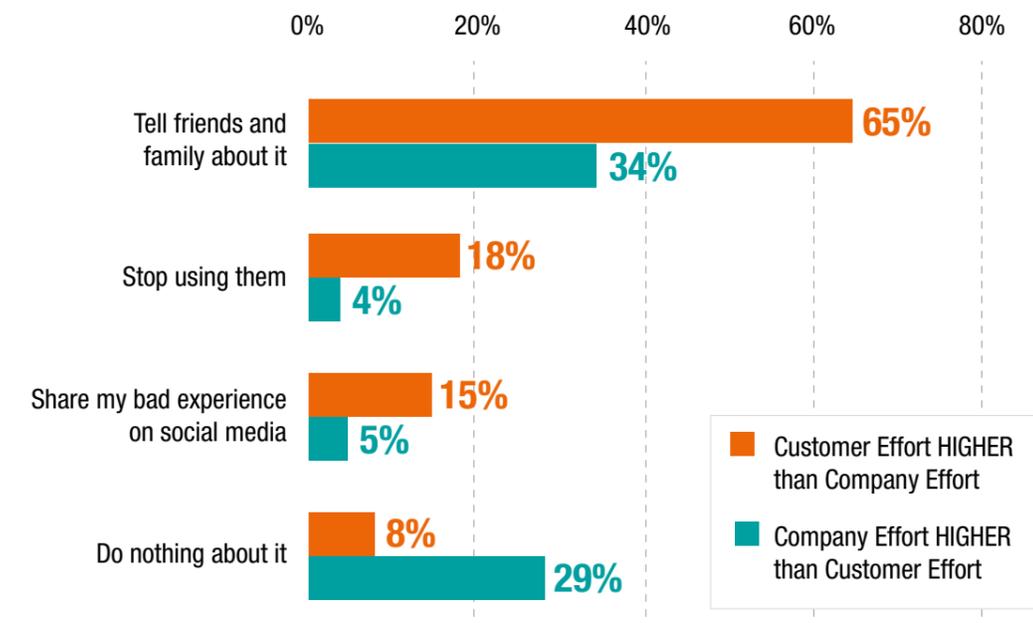
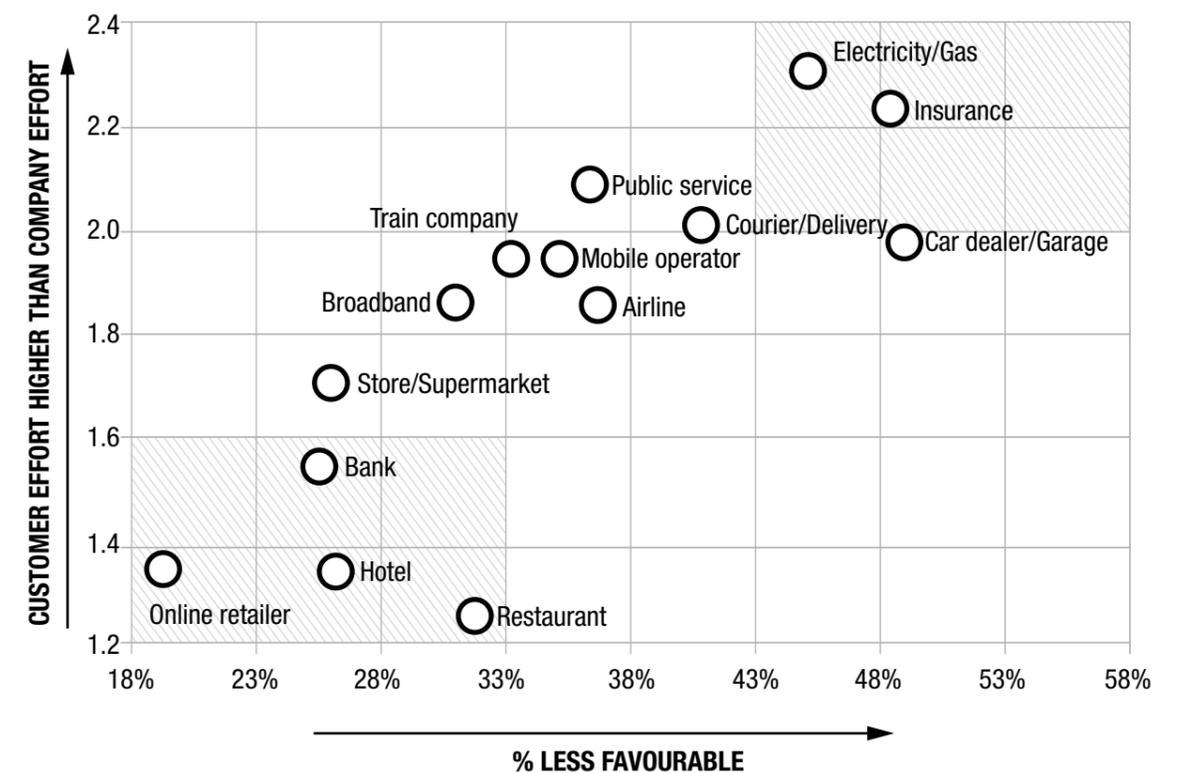


Figure 7: Effort to behavioural outcomes



Source: Ipsos R&D

Figure 8: Effort to favourability outcomes



Source: Ipsos R&D

ROI OF FAIR TREATMENT IN COMPLAINTS HANDLING

If making it fair to customers through ensuring an optimal balance of effort is not a powerful enough call to action, we can demonstrate the financial return of doing so.

More generally, this type of analysis typically requires the integration of survey and CRM data to get a robust quantification of the potential return associated with improving CX performance.

Figure 9: Effort to financial outcomes

With appropriate assumptions, it is possible to model the ROI of fairness in the context of service recovery by simulating increases in perceived company effort, like so:

Moving each customer 1 point up the Company Effort scale up to optimal effort ratio point brings churn down by 31%

ROI SCENARIO/ASSUMPTIONS

- Total number of customers: 10 million
- No. of customers with complaint/issue: 2 million
- Average value per customer: €1.5k per year

FINANCIAL SIMULATION

€138M EXTRA

(saved) revenue per year

Source: Ipsos R&D

DESIGNING THE RIGHT INTERVENTIONS TO DRIVE STRONGER RELATIONSHIPS

Getting to the root cause of customer issues is, of course, extremely important to reduce customer effort and the overall number of complaints. But with all the strategic planning in the world, there will never be a perfect process, so companies need to be able to intervene, or close the loop on those occasions when things do go awry. Interventions can range from 'soft' actions, such as an apology or a detailed explanation of the situation and next steps, to 'hard' actions such as offering a discount or some form of financial compensation. Well-timed and well-designed interventions increase customers' impressions that companies are taking their issue seriously and putting effort into resolving the problem.

The question of how to drive perceptions of company effort following a negative experience among customers remains. When asked what they expect of companies when it comes to handling their issue, apart from resolving it, customers mention:

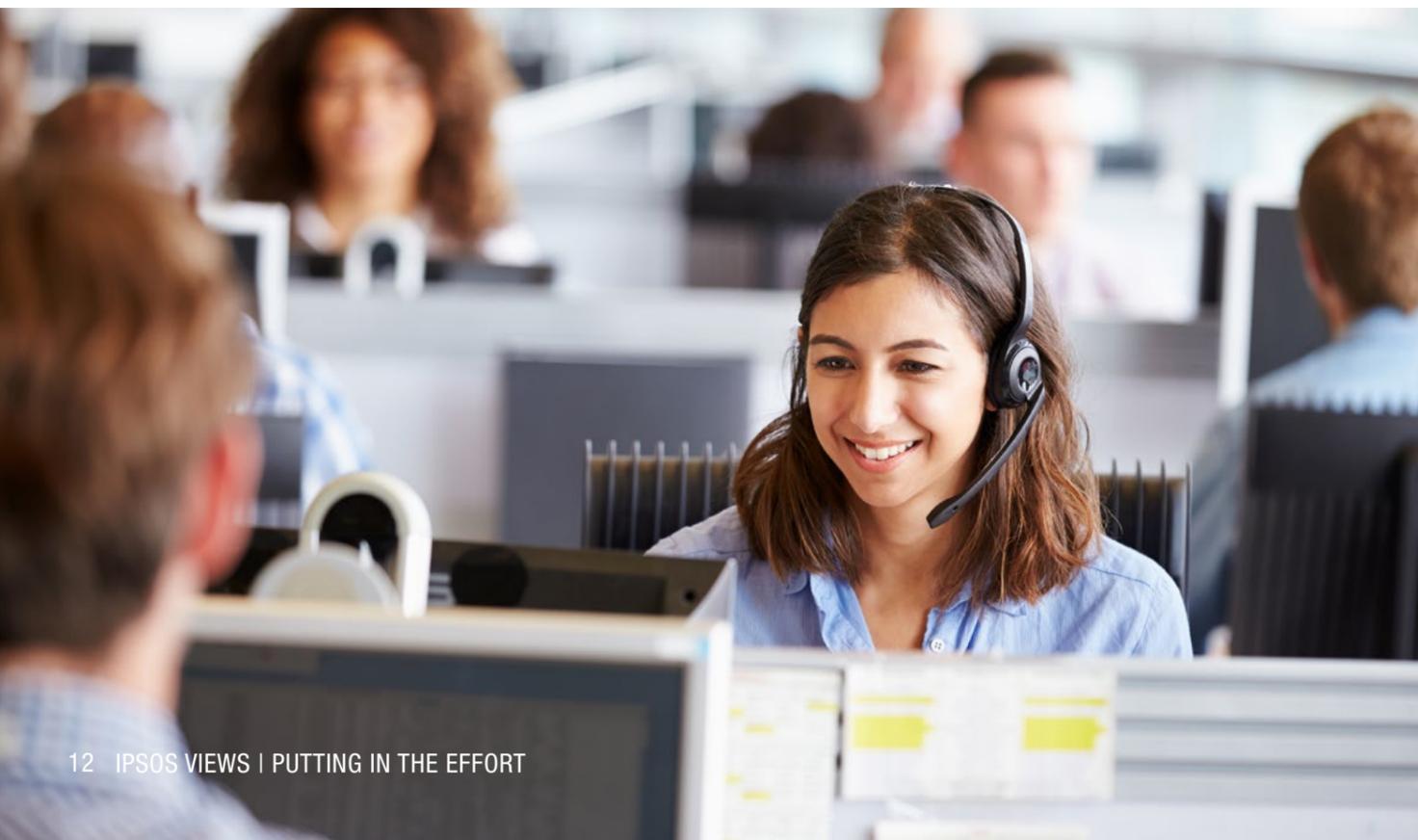
- **Being treated with respect (56%)**
- **Receiving a detailed explanation (50%)**
- **Being kept informed about the situation (39%)**
- **An apology (36%)**
- **Being offered financial compensation (32%)**

Company effort is not just about delivering financial rewards. Companies can salvage negative experiences by being proactive, dedicated, transparent, and simply showing respect.

The real challenge here is to understand how to optimise interventions in order to maximise return on investment made in complaints and case management systems, and ultimately reduce churn and negative word of mouth. Companies using analytical frameworks that give guidance on which issues should be prioritised and what the most suitable and cost-effective response or intervention is, will have a competitive advantage.

There are three key principles to deploying a more intelligent case management system and a smarter closed loop feedback process:

- 1** Focus on what really matters – companies should use the C:CER to prioritise incidents that have the highest impact on dissatisfaction and churn
- 2** Not all customers are equal – incorporating data from CRM systems, such as customer profile and history, into the mix is crucial. Focusing on high-value customers and those that are most likely to churn will provide greater ROI
- 3** There is no 'one-size-fits-all' intervention – different types of incidents may need different types of response. In extension, different types of customers may need different types of response.



Algorithms based on a combination of factors such as type of critical incident, customer profile or transaction history can then be created to help companies deploy more intelligent case management and closed loop systems that can suggest what the best next action and intervention is for any given situation. This can maximise the ROI of customer feedback programmes and reduce negative customer outcomes.

Tracking the Customer: Company Effort Ratio (C:CER) enables organisations to measure and manage all facets of effort from both the company and the customer perspective, and resulting perceptions of Fair Treatment, in order to drive stronger customer relationships and behaviour at all stages of the customer lifecycle. The C:CER can be added to Voice of

the Customer (VoC) programmes and be used as a red-flag indicator of potential churn or missed opportunities to create a smarter closed loop feedback process. Over time, organisations can better diagnose pain points and understand how to redesign the customer experience to drive a Return on Customer Experience Investment: ROCXI.⁴

More generally, the C:CER can be used as part of a broader CX service design approach to identify and implement strategic or tactical interventions to improve the experience. Ipsos' CX Service Design framework takes organisations from understanding the experience through to designing new interventions to implement that will positively impact customer experience.

KEY TAKEAWAYS

- Getting the balance of effort right, throughout the customer journey, is crucial as it impacts customer behaviour and financial performance
- The balance of effort relates to perceptions of Fair Treatment, one of the six fundamental building blocks of emotional attachment and relationship strength – the Forces of CX
- Organisations need to identify situations where the balance of effort is not optimal and intervene to reduce negative outcomes such as churn or bad mouthing
- A critical success factor is the ability to leverage the vast amount of behavioural data held about customers (the what) and combine it with survey data (the why) to create more targeted and effective interventions to drive a return on company effort.

REFERENCES

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2. Dixon, M., Freeman, K. & Toman, N. "Stop Trying To Delight Your Customers." Harvard Business Review. July-August, 2010.
3. **The Forces of Customer Experience – The science of strong relationships in challenging times**
<https://www.ipsos.com/en/forces-customer-experience>
4. **Money Talks or Budget Walks – Delivering a Return on Customer Experience Investment: ROCXI**
<https://www.ipsos.com/en/money-talks-or-budget-walks>

FURTHER WATCHING

- **KEYS Webinar – Making a Difference**
<https://www.ipsos.com/en/webinar-keys-making-difference-brands-real-lives>
- **KEYS Webinar – Standing Out From The Crowd**
<https://www.ipsos.com/en/keys-standing-out-crowd-making-your-mark-moments-matter-webinar-recording>

FURTHER LISTENING

- **Customer Perspective: An Ipsos podcast**
<https://www.ipsos.com/en/customer-perspective-ipsos-podcast>
- **Dancing With Duality: An Ipsos podcast**
<https://soundcloud.com/user-653105303/dancing-with-duality>

FURTHER READING

- **Bridging the Brand Experience Gap – How to align brand promise and customer experience for business success**
<https://www.ipsos.com/en/bridging-brand-experience-gap>
- **Dancing with Duality – Achieving brand growth in a mindful and mindless world**
<https://www.ipsos.com/en/dancing-duality>
- **Mind the gap: Why what a brand promises and what it delivers matter**
<https://www.ipsos.com/en/mind-gap-why-what-brand-promises-and-what-it-delivers-matter>
- **Service with a Smile? – Delivering customer experience in the face of mask wearing**
<https://www.ipsos.com/en/service-smile>
- **Service with a Smile? Latin America edition**
<https://www.ipsos.com/en/service-smile-latin-america-edition>
- **Staying Close To Your Customers – Why customer experience still matters amid COVID-19 and social distancing**
<https://www.ipsos.com/en/staying-close-your-customers>
- **The Key To Your CX Success – Finding the right customer experience KPI for your business**
<https://www.ipsos.com/en/key-your-cx-success>

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