

February 2016

Are Your Customers Working Too Hard?

Jean-François Damais



Optimise the
Customer:Company Effort Ratio
to maximise Loyalty

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MEASURING CUSTOMER EFFORT IS NOT ENOUGH

Customer Effort has received a lot of interest and attention in customer experience management in the recent past. The Customer Effort Score (CES) featured in the 2010 Harvard Business Review article: “Stop Trying to Delight Your Customers”. In this article the authors* prove a link between Customer Effort and two customer experience metrics, namely the likelihood to keep doing business with a company and the intention to spread positive word of mouth.



CES is measured by asking a single question: “How much effort did you have to personally put forth to handle your request?”

Overall the premise is that 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. This is particularly relevant in complaints management. It makes intuitive sense that when customers face negative ‘critical incidents’, or ‘moments of truth’ in the customer experience, the more effort they have to put in to resolve the issues and the more dissatisfied they will be. This is expected to have a significant impact on customer advocacy and loyalty.

Ipsos Loyalty carried out a survey** across 7 sectors in the US in order to investigate how companies respond to customer issues or critical incidents, and the extent to which they are successful at mitigating resulting negative customer outcomes. As part of this research we investigated the role Customer Effort plays on customers’ satisfaction with complaints handling and on broader outcomes such as advocacy and loyalty.

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One of the key findings is that measuring Customer Effort in isolation is not enough. While it does link to customer outcomes, we found that it is the Customer:Company Effort Ratio that really matters. The ratio, which takes both perceived customer and company effort into account, is 3 times more predictive of a customer's propensity to use the company again following a negative critical incident or complaint than the Customer Effort score alone.

Customers' perceptions of the effort that companies put in to resolve their issue have a significant impact on advocacy and customer loyalty. Without taking into account customers' perceptions of how dedicated companies are to solving their issue, we are missing a key part of the effort equation. One key implication is that companies should start tracking the Customer:Company Effort Ratio as a red flag/indicator of potential churn and bad mouthing and strive to optimise it. We detail below the key findings of our research and the business implications for companies.

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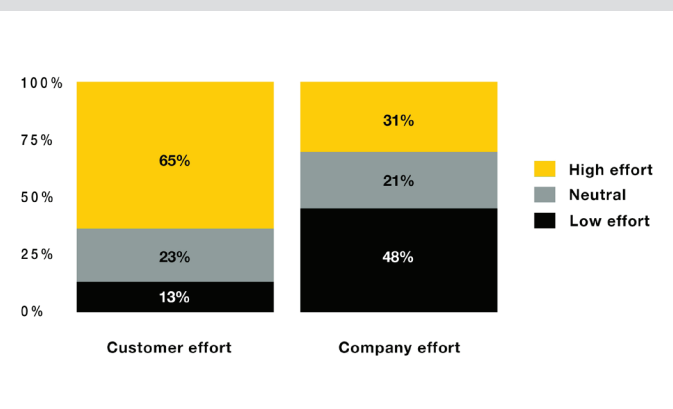
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DON'T LET YOUR CUSTOMERS DO ALL THE WORK

Whilst we would expect companies to work hard to solve a customer issue, our data shows that too often customers perceive that they are putting more effort in than companies to get things resolved following a negative critical incident or complaint.

- **65%** of customers think they had to put a lot of effort in to get things resolved
- Just under **50%** of customers perceive that companies have made little effort to resolve the issue



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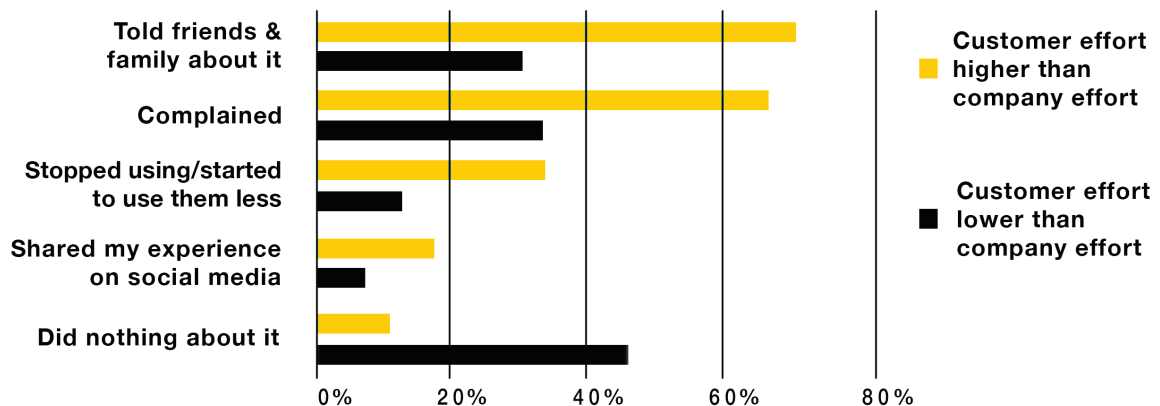
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THE CUSTOMER:COMPANY EFFORT RATIO MATTERS

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

- **4 times** more likely to start using the company less or stop using it than if they feel companies have put more effort than them
- Over **3 times** more likely to share their negative experience on social media
- **2.5 times** more likely to tell friends and family about it
- About **twice more likely** to complain to the company about it.



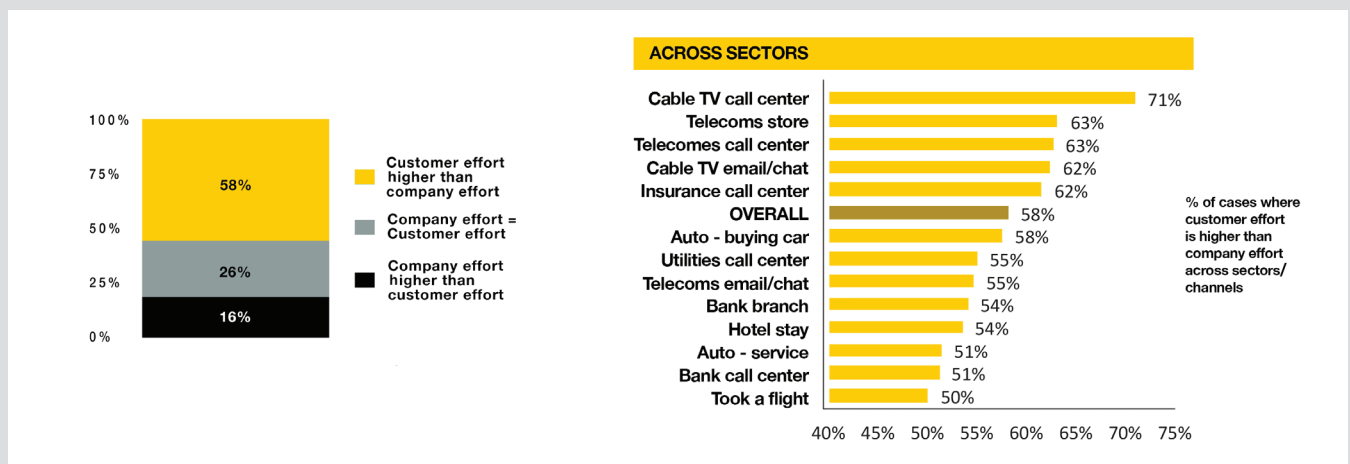
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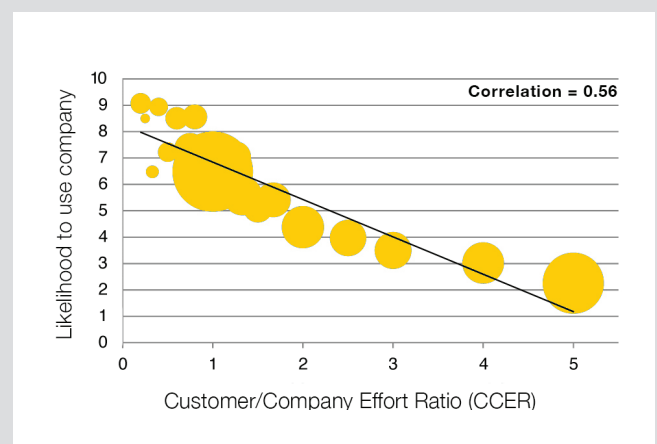
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On average across all sectors, customers perceive that they have had to put in more effort than companies to sort out an issue they had in about 6 in 10 cases. Among respondents who had a negative critical incident in a call centre of a Cable TV company, this number reaches 71%. These proportions are alarmingly high when we know the likely outcomes associated with such perceptions among customers.



All in all, our data shows that the Customer:Company Effort Ratio*** is 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

Following a negative critical incident or complaint companies can intervene to reduce customers pain. 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 interventions can be expected to reduce the amount of Customer Effort. In most cases interventions will increase customers' perceptions that companies are taking their issue seriously and putting some effort into resolving the issue.

Our data shows that interventions following a customer issue or complaint can indeed be a way for companies to optimise the Customer:Company Effort Ratio. And the rewards of doing so are high:

- When a company has intervened following a negative incident, the Customer:Company Effort Ratio is **1.7 times** lower than when a company has done nothing
- This lower ratio score leads to a propensity to use the company in the future which is about **3.8 times higher**

The challenge however, is for companies to know how to best intervene for maximum return on effort. Keeping all customers happy at all times is costly and not a realistic goal. So how should companies prioritise and manage interventions? There are two key principles that companies need to follow to try and optimise the Customer:Company Effort Ratio:

1 . Not all critical incidents are equal. *Companies need to discriminate between different types of incidents and prioritise incidents that have a high impact on customers.*

2. There is no “one size fits all” intervention. *Different types of incidents need different types of response. Customer profile and transaction history also need to be taken into account.*

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KEY BUSINESS IMPLICATIONS

- Companies need to start tracking the Customer:Company Effort Ratio as better indicator of potential churn and bad mouthing.
- 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.



*Matthew Dixon, Karen Freeman, Nicholas Toman

**10,061 interviews collected via Ipsos online panels in the USA across 7 sectors in January 2015

*** 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.

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Jean-François Damais is Deputy Managing Director of Ipsos Loyalty's Global Client Solutions team.

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.

This *Ipsos Views* white paper is produced by the **Ipsos Knowledge Centre.**

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